RAYONIER ADVANCED MATERIALS INC.
Form 10-K
February 27, 2015
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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, 2014
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 001-36285
RAYONIER ADVANCED MATERIALS INC.
Incorporated in the State of Delaware
I.R.S. Employer Identification No. 46-4559529
1301 RIVERPLACE BOULEVARD, SUITE 2300
JACKSONVILLE, FL 32207
(Principal Executive Office)
Telephone Number: (904) 357-4600
Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of exchange on which registered
Common stock, par value $0.01 per share	New York Stock Exchange

Securities to be 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 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 (§ 232.405 of this chapter) 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 (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

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

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

The aggregate market value of the Common Stock of the registrant held by non-affiliates at the close of business on June 27, 2014 was $1,549,437,776 based on the closing sale price as reported on the New York Stock Exchange.

The registrant had 42,833,741 shares of Common Stock, $.01 par value per share, outstanding as of February 20, 2015,

Portions of the registrant’s definitive proxy statement to be filed with the Securities and Exchange Commission in connection with the 2015 annual meeting of the stockholders of the registrant scheduled to be held May 15, 2015, 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 Advanced Materials” we mean Rayonier Advanced Materials Inc. and its consolidated subsidiaries. References herein to “Notes to Financial Statements” refer to the Notes to the Consolidated Financial Statements of Rayonier Advanced Materials Inc. included in Item 8 of this Report.

Note About Forward-Looking Statements

Certain statements in this document regarding anticipated financial, business, legal or other outcomes including business and market conditions, outlook and other similar statements relating to Rayonier Advanced Materials’ future events, developments, or financial or operational performance or results, are “forward-looking statements” made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 and other federal securities laws. These forward-looking statements are identified by the use of words such as “may,” “will,” “should,” “expect,” “estimate,” “believe,” “intend,” “anticipate” and other similar language. However, the absence of these or similar words or expressions does not mean a statement is not forward-looking. While we believe 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. Although we believe the expectations reflected in any forward-looking statements are based on reasonable assumptions, we can give no assurance these expectations will be attained and it is possible actual results may differ materially from those indicated by these forward-looking statements due to a variety of risks and uncertainties. The risk factors contained in Item 1A — Risk Factors, among others, could cause actual results or events to differ materially from the Company’s historical experience and those expressed in forward-looking statements made in this document.

Forward-looking statements are only as of the date they are made, and the Company undertakes no duty to update its forward-looking statements except as required by law. You are advised, however, to review any further disclosures we have made or may make in our filings and other submissions to the U.S. Securities and Exchange Commission (the “SEC”), including those on Forms 10-Q, 10-K, 8-K and other reports.

Item 1. BUSINESS

General

Rayonier Advanced Materials Inc., with approximately 675,000 metric tons of cellulose specialties capacity and nearly double the sales of the next largest competitor, is the global leader in the production of cellulose specialties. Cellulose specialties are natural polymers, used as raw materials to manufacture a broad range of consumer-oriented products such as cigarette filters, liquid crystal displays, impact-resistant plastics, thickeners for food products, pharmaceuticals, cosmetics, high-tenacity rayon yarn for tires and industrial hoses, food casings, paints and lacquers. We manufacture products tailored to the precise and demanding chemical and physical specifications required by our customers, achieving industry leading purity and product functionality. Our ability to consistently manufacture technically superior products is the result of our proprietary production processes, intellectual property, technical expertise and knowledge of cellulosic chemistry.

Additionally, we produce commodity products for viscose and absorbent materials applications. Commodity viscose is a raw material required for the manufacture of viscose staple fibers which are used in woven applications such as textiles for clothing and other fabrics, and in non-woven applications such as baby wipes, cosmetic and personal wipes, industrial wipes and mattress ticking. Absorbent materials, typically referred to as fluff fibers, are used as an absorbent medium in products such as disposable baby diapers, feminine hygiene products, incontinence pads, convalescent bed pads, industrial towels and wipes and non-woven fabrics. Cellulose specialties typically contain over 95 percent cellulose, while commodity products typically contain less than 95 percent cellulose.

Prior to June 27, 2014, the Company consisted of Rayonier Inc.’s (“Rayonier”) wholly-owned performance fibers segment and an allocable portion of Rayonier’s corporate costs (together, “Rayonier’s performance fibers business” or the “performance fibers business”). On that date, holders of Rayonier common shares received one share of the Company’s common stock for every three Rayonier common shares held on the record date. This resulted in the separation of the Company from Rayonier (the “Separation”). The Separation was structured to be tax free to Rayonier shareholders for U.S. federal income tax purposes and the Company operates as an independent, publicly traded company.

Segments

The Company operates as a single segment business with two major product lines: cellulose specialties and commodity products. See Note 3 — Segment and Geographical Information for more information.

Industry

Cellulose Specialties

Cellulose specialties are an organic material primarily derived from either wood or cotton and are used as a raw material to manufacture a broad range of products. Cellulose specialties generally command a price premium, earn higher margins and benefit from greater demand stability through the economic cycle relative to commodity products. Our cellulose specialties, derived from wood, require high levels of purity, consistency and process knowledge. Our products play a significant role in our customers' (primarily specialty chemical companies) manufacturing processes, which require cellulose specialties of high purity and uniformity for efficient production. Therefore, our customers demand we consistently deliver products of the highest quality. As a result, our products are custom engineered and manufactured to customers' exacting specifications and require a stringent qualification process as any inconsistencies in purity and/or uniformity can result in negative and costly consequences to our customers.

Our key competitive advantage is our unique ability to utilize our manufacturing facilities to engineer cellulose specialties fibers to customers' exacting specifications. We are the only cellulose specialties producer with manufacturing facilities that provide flexibility to use both hardwood and softwood, kraft and sulfite cooking processes, as well as a variety of proprietary chemical treatments to provide customized product functionality. Additionally, we have a significant amount of process knowledge: the understanding of wood fiber properties and their modification under a sequence of chemical processes, accumulated and developed over 85 years of practical application to achieve unique properties for a variety of customer needs. Combining this process knowledge with our manufacturing flexibility and knowledge of customers' applications and specifications, allows us to have the most extensive capability set to modify cellulose fibers in the industry.

Currently, we are using approximately 70 percent of our capacity for cellulose specialties production.

Commodity Products

Approximately 30 percent of our production capacity is used to produce commodity products, primarily commodity viscose and absorbent materials. We have the ability to shift our production between commodity viscose and absorbent materials, on an opportunistic basis, to take advantage of market conditions and generate the most attractive margins.

Commodity viscose is primarily sold to producers of viscose staple fibers. Shifts in fashion styles and textile fiber blending have increased demand for viscose staple fibers. Additionally, variability in cotton linter supply, competing uses of cotton seeds in agriculture and increasing environmental concerns about cotton production have resulted in viscose staple producers shifting volume to commodity viscose derived from wood.

Absorbent materials, or fluff fibers, are typically used in consumer products. These fibers provide a medium for fluid acquisition, distribution and retention in the products in which they are incorporated.

Competition

Cellulose Specialties

Potential entrants to the cellulose specialties business face considerable challenges. Significant intellectual property, capital investment, technical expertise and experience are needed to design and manufacture customized cellulose specialties fibers to exacting customer specifications. Extensive research and development capabilities are required to formulate the product to achieve the desired characteristics including parameters for purity, viscosity, brightness, reactivity and other physical properties. Product qualification time is often lengthy, extending six to twelve months. Resulting customer relationships are typically long-term, based on a deep understanding of our customers' production processes and technical expertise which we utilize to solve customers' production issues and support new product development. Further, establishing a production line and obtaining the necessary production technologies requires a substantial initial investment and significant annual capital and ongoing maintenance expenditures.

Product performance, technical service and price are principal methods of competition in cellulose specialties. Product performance is primarily determined by the purity and uniformity of the cellulose specialties. Our intellectual property, technical expertise and experience provide the basis by which we are able to uniformly produce high-value cellulose specialties. Additionally, we are able to produce the greatest breadth of high-value, uniform cellulose specialties through our diverse proprietary manufacturing processes.

We compete with both domestic and foreign producers in cellulose specialties. Principal competitors include Georgia Pacific's Buckeye Technologies, Borregaard, Bracell and Tembec. We also compete against Neucel Specialty Cellulose, Sappi, Cosmo Specialty Fibers and Aditya Birla Group in limited applications. Some competitors use both wood, and to a smaller extent cotton linter fibers, as a source for cellulose fibers. Although cotton linter fibers can be a higher purity source of cellulose, the variability of their fiber structure and fluctuation in availability can negatively impact their ability to be a reliable substitute product.

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Commodity Products

The principal method of competition in commodity products is price, as purity and uniformity are less critical differentiators. We compete with both domestic and foreign producers of commodity products.

For commodity viscose, there are many competitors that derive their commodity viscose from either wood or cotton. Although cellulose specialties can generally be sold to meet commodity viscose demand, the reverse is not typically true.

For absorbent materials, major competitors include Weyerhaeuser, GP Cellulose, Domtar and International Paper.

Raw Materials and Energy

Our manufacturing processes require significant amounts of wood to produce purified cellulose. We purchase approximately 1.6 million short green tons of hardwood and 2.5 million short green tons of softwood per year.

Our manufacturing processes also require significant amounts of chemicals, including caustic soda (sodium hydroxide), sulfuric acid, sodium chlorate and various specialty chemicals. These chemicals are purchased under negotiated supply agreements with third parties.

The majority of our energy is produced through the burning of lignin and other residual biomass in recovery and power boilers located at our plants. The plants still require fuel oil, natural gas and purchased electricity to supplement their energy requirements.

Raw materials and energy are subject to significant changes in prices and availability. Weather conditions and demand in the wood products and pulp and paper markets can affect the cost of wood. We continually pursue reductions in usage and costs of key raw materials, supplies and services and do not foresee any material constraints in the near term from pricing or availability.

Manufacturing Processes

Our production facilities, located in Jesup, Georgia, and Fernandina Beach, Florida, have a combined annual production capacity of approximately 675,000 metric tons of cellulose specialties.

The Jesup plant can produce approximately 520,000 metric tons of cellulose specialties using both hardwood and softwood in a pre-hydrolyzed kraft, or high pH, cooking process. The Fernandina Beach plant can produce approximately 155,000 metric tons of cellulose specialties using softwood in a sulfite, or low pH, cooking process. These different cooking processes are used with various types of wood cellulose and combined with proprietary bleaching sequences and a cold caustic extraction process to manufacture more than 25 different grades of cellulose specialties.

The general process of extracting and purifying cellulose from wood at our Jesup and Fernandina plants is as follows:

Wood Chips Logs are purchased, debarked and chipped into uniform dimensions to improve the chips' reaction to chemicals during the cooking process. Various hardwood and softwood species, as well as different areas of the log, are used to produce the many grades of purified cellulose specialties. To manufacture approximately one metric ton of purified cellulose, we use approximately six short green tons of wood.

Cooking and Washing The chips are loaded into pressure vessels with various chemicals and heated to separate lignin, the natural component that binds the cellulose fibers together, and other impurities from the cellulose. After the cooking process is complete, the lignin and chemicals are separated from the cellulose in a washing process. The lignin is generally recovered and burned for energy, and the chemicals are recovered and reused in the production process.

Bleaching The cellulose separated in the washing process is bleached with various chemicals to impart the required brightness and increase the purity and uniformity of the cellulose. Some cellulose specialties require a processing through a cold caustic extraction, or CCE stage, in order to increase the purity and uniformity of the cellulose to our customer specifications. Our CCE process, which is a key element of our intellectual property, generates cellulose specialties purity levels in excess of 98 percent.

Machining, Drying and Packaging Following the bleaching stage, the purified cellulose is dried per customer specifications into large rolls. These large rolls are cut, according to customer requirements, into sheets or smaller rolls then packaged and shipped.

Intellectual Property

We own numerous patents, trademarks and trade secrets, and have developed significant know-how, relating to the production of purified cellulose, which we deem important to our operations. We intend to protect our intellectual property, including, when appropriate, filing patent applications for inventions that are deemed important to our operations. Our U.S. patents generally have a duration of 20 years from the date of filing. We also require key employees to enter into non-compete agreements as appropriate.

Seasonality

Our results are normally not affected by seasonal changes.

Customers

See Note 3 — Segment and Geographical Information for information on our major customers.

Research and Development

The quality and consistency of our cellulose specialties and research and development capabilities create a significant competitive advantage, resulting in a premium price for our products. Our research and development efforts are primarily directed at further developing existing core products and technologies, improving the quality of cellulose fiber grades, improving manufacturing efficiency and environmental controls and reducing fossil fuel consumption. We spent $3 million on research and development for each of the years ended December 31, 2014, 2013 and 2012.

Environmental Matters

Our manufacturing operations are subject to significant federal, state and local environmental regulations. For a more detailed discussion, see Item 1A — Risk Factors, Item 3 — Legal Proceedings, Item 7 — Management's Discussion and Analysis of Financial Condition and Results of Operations — Environmental Regulation, Note 13 — Liabilities for Disposed Operations and Note 16 — Contingencies.

Employee Relations

We currently employ approximately 1,300 people, nearly all of whom are in the United States. Approximately 800 of our hourly employees are covered by collective bargaining agreements. The majority of our hourly employees are represented by labor unions. We believe relations with our employees are satisfactory.

On April 30, 2014 collective bargaining agreements covering approximately 225 hourly employees at our Fernandina plant expired. In January of 2015, a new five-year contract, retroactively dated to the original expiration date, was voted on and approved by the unions.

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.rayonieram.com, shortly after we electronically file such material with, or furnish them to, the SEC. Our corporate governance guidelines and charters of all committees of our board of directors are also available on our website.

Item 1A. RISK FACTORS

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

Business and Operating Risks

The industry in which we operate is highly competitive.

We face competition from domestic and foreign producers of cellulose specialties and producers of products that can substitute for them in certain applications, such as cotton linters. We also compete with foreign and domestic producers of commodity viscose and absorbent materials, which we also manufacture. Cyclical pricing of commodity market paper pulp is one of the factors which influences prices in the absorbent materials and commodity viscose product lines. Further, the entry of new competitors and the expansion of existing competitors could create excess capacity, which might cause us to lose sales or result in price reductions. For example, over the past 24 months some manufacturers of commodity viscose have publicly announced plans to convert facilities to manufacture, or have claimed to already commenced production of, high-purity cellulose specialties that may compete with our products. In addition to our recently completed cellulose specialties expansion project, which added approximately 190,000 metric tons of cellulose specialties capacity, a few competitors have either announced or completed expansions of their capacity. For example, Buckeye Technologies, which is owned by Georgia Pacific, recently completed a project to increase its cellulose specialties capacity by 40,000 metric tons at its Perry, Florida operation.

As a result of the increased cellulose specialties capacity described above and reduced global demand, we expect 2015 cellulose specialties prices to decrease about 7 to 8 percent from 2014. Additional increases in cellulose specialties capacity and weakness in global demand, as well as macroeconomic factors, could continue to adversely affect product pricing, which could result in a potential decline in our revenues and margins, thereby adversely affecting our financial condition and results of operations.

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Currency fluctuations can also negatively impact competitiveness. A weakening of foreign currencies against the U.S. dollar creates an advantage for our competitors with non-U.S. manufacturing facilities. Favorable exchange rates could enable such competitors to convert sales denominated in the U.S. dollar to local currencies and procure locally produced raw materials at lower costs.

We are dependent on a relatively few large cellulose specialties customers for a majority of our sales. The loss of all or a substantial portion of our sales to any of these large customers could have a material adverse effect on us.

We are subject to risks related to customer concentration because of the relative importance of our largest cellulose specialties customers, many of whom we have been doing business with for decades, and the ability of those customers to influence pricing and other contract terms. We depend on major acetate tow manufacturers for a substantial portion of our sales. Our ten largest customers, which accounted for approximately 75 percent of sales in 2014, are all either well known, global diversified specialty chemical companies or state-owned enterprises. Although we strive to broaden and diversify our customer base, a significant portion of our revenue is derived from a relatively small number of large-volume customers, and the loss of all or a substantial portion of sales to any of these customers, or significant, unfavorable changes to pricing or terms contained in contracts with them, could adversely affect our business, financial condition or results of operations. We are also subject to credit risk associated with this customer concentration. If one or more of our largest cellulose specialties customers were to become bankrupt, insolvent or otherwise were unable to pay for its products, we may incur significant write-offs of accounts that may have a material adverse effect on our business, financial condition and results of operations. See Note 3 — Segment and Geographical Information for information on our major customers.

Our business is exposed to risks associated with the cyclicality of the business of certain of our customers, which may adversely affect our business and results of operations.

Some of the industries in which our end-use customers participate, such as the construction, automotive and textile industries, are cyclical in nature, thus posing a risk to us which is beyond our control. The industries in which these customers participate are highly competitive, to a large extent driven by end-use applications, and may experience overcapacity or reductions in demand, all of which may affect demand for and pricing of our products. The consequences of this could include the reduction, delay or cancellation of customer orders, and bankruptcy of customers, suppliers or other creditors. Although the occurrence of these events has not had a material impact on our historical financial condition, the occurrence of these events may adversely affect our business, financial condition and results of operation in the future.

Future tobacco legislation, campaigns to discourage smoking, increases in tobacco taxes, increased costs of tobacco products and increased use of non-filtered substitutes could adversely affect our business, financial condition and results of operations.

The majority of our cellulose specialty fibers are used to manufacture acetate tow, which is used to make the filter component of a cigarette. Our sales for this end-use have historically accounted for an important portion of our total sales revenue. Significant increases in cigarette costs and potential actions taken by the United States and other countries to discourage smoking, such as tax increases on tobacco products and, future legislation, may have a material adverse effect on the demand for tobacco products. Additionally, increased use of e-cigarettes or smokeless tobacco products may affect demand for cigarettes. Reduced sales of tobacco products that use acetate-based filters could adversely affect our business, financial condition and results of operations. We estimate that over the past three years approximately 60 percent of our sales volumes were related to the production of acetate tow subsequently used to produce cigarette filters.

Changes in global economic conditions, market trends and world events could negatively affect customer demand.

The global reach of our business subjects us to unexpected, uncontrollable and rapidly changing events and circumstances, such as those that may result from the volatile state of the global economic and financial markets, in addition to those experienced in the United States. Countervailing duty and anti-dumping tariffs, or similar types of tariffs, may be imposed on us, which could result in reduced revenues and margins on some of our businesses. For example, after a lengthy investigation, in April of 2014, China's Ministry of Commerce ("MOFCOM") issued a final determination assessing a 17.2 percent duty on imports into China of our lower purity commodity viscose, which is primarily utilized to produce viscose staple fiber for use in the manufacture of fabrics. We expect MOFCOM's final

determination to remain in place for five years. Although we do not expect MOFCOM's duty to materially affect our business results, it could have an adverse effect on our sales of commodity viscose into China. During the year ended December 31, 2014, we had $22 million of commodity viscose sales into China, versus $29 million in 2013.

We are subject to risks associated with doing business outside of the United States.

Although our production facilities are located in the United States, a significant portion of our sales are to customer locations outside of the United States, including China, Japan, the European Union and other international markets. The export of our products into international markets results in risks that are inherent in conducting business under international laws, regulations and customs. Sales to customers outside of the United States made up approximately 56 percent of our revenue in 2014. We

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expect international sales will continue to contribute to future growth. The risks associated with our business outside the United States include:

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

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

Our business is 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 operate our manufacturing facilities. These laws and regulations may relate to, among other things, air emissions, wastewater discharges, receiving water quality, 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. Over the past few years, 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 ours, especially in the area of air emissions and wastewater and storm water control. For example, in 2013, the EPA issued final regulations that significantly tighten emissions limits of certain air pollutants from industrial boilers, which will result in our expenditure of significant capital for compliance. See Item 7 — Management's Discussion and Analysis of Financial Condition and Results of Operations — Environmental Regulation for further information. 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.

Our plants are subject to stringent environmental laws, regulations and permits that may limit operations and production. Many of our operations are subject to stringent environmental laws, regulations and permits that contain conditions governing how we operate our facilities including how much and, in some cases, what types of products we can produce. These laws, regulations and permits, now and in the future, may restrict our current production and limit our ability to increase production, and impose significant costs on our operations with respect to environmental compliance. It is expected that, overall, costs will likely increase over time as environmental laws, regulations and permit conditions become more stringent, and as the expectations of the communities in which we operate become more demanding.

Environmental groups and interested individuals may seek to delay or prevent a variety of operations. We expect environmental groups and interested individuals will intervene with increasing frequency in the regulatory processes in the states where we operate plants. 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. For example, in March 2014, litigation was commenced in federal court by the Altamaha Riverkeeper alleging violations of federal and state environmental laws relating to permitted wastewater discharges from the Jesup plant. See Item 3 — Legal Proceedings for a description of the pending legal proceedings with the Altamaha Riverkeeper.

We currently own or may acquire properties that may require environmental remediation or otherwise be subject to environmental and other liabilities. We currently own or formerly operated manufacturing facilities that we do not currently own, and may acquire additional facilities in the future, which are subject to environmental liabilities, such as remediation of soil, sediment and groundwater contamination and other liabilities. The cost of investigation and remediation of contaminated properties could increase operating costs and adversely affect financial results. Although we believe we currently have adequate reserves

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for the investigation and remediation of our liabilities, legal requirements relating to assessment and remediation of contaminated properties continue to become more stringent and there can be no assurance actual expenditures will not exceed current reserves and forecasts, or that other presently unknown liabilities will not be discovered in the future. See Item 7 — Management's Discussion and Analysis of Financial Condition and Results of Operations — Environmental Regulation and Note 13 — Liabilities for Disposed Operations. We have incurred and expect to continue to incur significant capital, operating and other expenditures to comply with applicable environmental laws and regulations relating to our obligation to assess and remediate contaminated properties. 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), remediation and closure costs, and third-party claims for property damage and personal injury as a result of violations of, or liabilities arising out of, environmental laws and regulations.

The impacts of climate-related initiatives, at the international, federal and state levels, remain uncertain at this time. There continue to be numerous international, federal and state-level initiatives and proposals to address domestic and global climate issues. Within the United States, most of these proposals would regulate and/or tax, in one fashion or another, the production of carbon dioxide and other "greenhouse gases" to facilitate the reduction of carbon compound emissions to the atmosphere, and provide tax and other incentives to produce and use more "clean energy."

In late 2009, the EPA issued an "endangerment finding" under the Clean Air Act with respect to certain greenhouse gases, and this finding could lead to the regulation of carbon dioxide as a criteria pollutant under the Clean Air Act and have significant ramifications for us and the industry in general. In this regard, the EPA has published proposed regulations, which are currently subject to numerous legal challenges, affecting the operation of existing and new industrial facilities that emit carbon dioxide. In addition, as a result of the EPA's decision to regulate greenhouse gases under the Clean Air Act, the states will now have to consider them in permitting new or modified facilities, although a 2014 decision of the U.S. Supreme Court, Utility Air Regulatory Group v. U.S. Environmental Protection Agency, limited the ability of the government to regulate greenhouse gases in certain circumstances relating to Clean Air Act permitting.

Overall, it is reasonably likely that legislative and regulatory activity in this area will in some way affect us, but it is unclear at this time when this may occur, and whether such impact will be, in the aggregate, positive, negative, neutral or material. For example, while our plants produce greenhouse gases and utilize fossil fuels, they also generate a substantial amount of their energy from wood fiber (often referred to as "biomass"), which may be viewed more favorably than fossil fuels in future legislative and regulatory proposals, but that is uncertain at this time. However, to date, many environmental groups have generally opposed the use of biomass for energy production due to their concerns about deforestation. We continue to monitor political and regulatory developments in this area, but their overall impact on us, from a cost, benefit and financial performance standpoint, remains uncertain at this time.

Challenges in the commercial and credit environments may materially adversely affect our future access to capital.

Our ability to issue debt or enter into other financing arrangements on acceptable terms could be materially adversely affected if there is a material decline in the demand for our products or in the solvency of our major customers or suppliers or if other significantly unfavorable changes in economic conditions occur. Volatility in the world financial markets could increase borrowing costs or affect our ability to gain access to the capital markets, which could have a material adverse effect on our competitive position, business, financial condition, results of operations and cash flows.

We may need to make significant additional cash contributions to our retirement benefit plans if investment returns on pension assets are lower than expected or interest rates decline, and/or due to changes to regulatory, accounting and actuarial requirements.

We sponsor defined benefit pension plans, which cover many of our salaried and hourly employees. The Federal Pension Protection Act of 2006 requires certain capitalization levels be maintained in each of these benefit plans. Because it is unknown what the investment return on pension assets will be in future years or what interest rates may be at any point in time, no assurances can be given that applicable law will not require us to make future material plan contributions. In addition, it is possible that new or additional accounting rules and changes to actuarial requirements (for example, if life expectancy assumptions for participants are increased) may also result in the need for additional contributions to the plans. 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.

We depend on third parties for transportation services and increases in costs and the availability of transportation could adversely affect our business.

Our business depends on transportation services provided by third parties, both domestically and internationally. We rely on these providers for transportation of the products we manufacture as well as delivery of raw materials to our manufacturing facilities. A significant portion of the products we manufacture and raw materials we use are transported in the United States by railroad or trucks, and internationally by ship.

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If any of our transportation providers were to fail to deliver the goods we manufacture in a timely manner, or damaged them during transport, we may be unable to sell those products at full value, or at all. Similarly, if any of these providers were to fail to deliver raw materials to us in a timely manner, we may be unable to timely manufacture our products in response to customer demand. Finally, if any of the ports we commonly use for international shipping, or the port system generally, were to suffer work stoppages, slowdowns or strikes, we could be adversely impacted. Any significant failure of third-party transportation providers to deliver raw materials or finished products could harm our reputation, negatively affect our customer relationships and adversely affect our business. In addition, increases in transportation rates or fuel costs could adversely affect our financial condition and results of operations.

Changes in raw material and manufacturing input prices could affect our results of operations and financial condition.

Because pricing for the majority of our cellulose specialty fibers customers is set annually, we typically have very limited ability to pass along fluctuations in costs to customers after annual pricing has been established. Raw material costs and energy, such as wood, chemicals, oil and natural gas are a significant operating expense. The cost of raw materials and energy can be volatile and are susceptible to rapid and substantial increases due to factors beyond our control, such as changing economic conditions, political unrest, instability in energy-producing nations, and supply and demand considerations. For example, caustic soda, a key manufacturing input, has historically had significant price volatility. The price of oil has, until recent declines, also substantially increased in recent years and we have, at times, experienced limited availability of hardwood, primarily due to wet weather conditions which can limit harvesting. These and other similar circumstances could adversely affect our business, financial condition and results of operations.

Weather and other natural conditions may increase the prices of and reduce access to raw materials.

We use large quantities of wood as a raw material in our fiber manufacturing process. Weather conditions, timber growth cycles and restrictions on access to timberlands for harvesting (for example, due to prolonged wet conditions) may limit the availability and increase the price of wood, as may other factors, including damage by fire, insect infestation, disease, prolonged drought and natural disasters such as wind storms and hurricanes.

Raw materials are available from a number of suppliers and we have not historically experienced material supply interruptions or substantial sustained price increases; however, our requirements for certain raw materials, such as wood, may increase as a result of the recent Jesup plant expansion. As a result, we may not be able to purchase sufficient quantities of these raw materials to meet our production requirements at prices acceptable to it during times of tight supply caused by weather and other natural conditions. An insufficient supply of wood could materially adversely affect our business, financial condition, results of operations and cash flow.

A material disruption at one of our manufacturing facilities could prevent us from meeting customer demand, reduce our sales or adversely affect our business, financial condition and results of operation.

Any of our manufacturing facilities, or a part of any particular facility, could cease operations unexpectedly due to a number of events, including:

- unscheduled maintenance outages;
- prolonged power failures;
- equipment failure;
- a chemical spill or release;
- explosion of a boiler or other pressure vessel;
- fires, floods, windstorms, earthquakes, hurricanes or other catastrophes;
- terrorism or threats of terrorism; and
- other operational problems.

Furthermore, depending on the nature, extent and length of any operational interruption due to any such event, the results could adversely affect our business, financial condition and results of operations.

Our failure to maintain satisfactory labor relations could have a material adverse effect on our business.

As of December 31, 2014, approximately 62 percent of our work force is unionized. As a result, we are required to negotiate the wages, benefits and other terms with these employees collectively. Our financial results could be adversely affected if labor negotiations were to restrict the efficiency of our operations. In addition, our inability to

negotiate acceptable contracts with any of these unions as existing agreements expire could result in strikes or work stoppages by the affected workers. If our unionized

employees were to engage in a strike or other work stoppage, we could experience a significant disruption of our operations, which could adversely affect our business, financial condition and results of operations.

We are dependent upon attracting and retaining key personnel, the loss of whom could adversely affect our business.

We believe our success depends, to a significant extent, upon our ability to attract and retain key senior management and operations management personnel. Our failure to recruit and retain these key personnel could adversely affect our business, financial condition or results of operations.

Failure to protect our intellectual property could negatively affect our future performance and growth.

We rely on process knowledge, confidentiality agreements and internal security measures to protect our trade secrets and other intellectual property. Failure to protect this intellectual property could negatively affect our future performance and growth.

Our business exposes us to potential product liability claims, which could adversely affect our financial condition and performance.

The development, manufacture and sale of cellulose specialties by us, including products manufactured for use by the food, cigarette, automotive, and pharmaceutical industries, involves a risk of exposure to product liability claims, and related adverse publicity. A product liability claim or judgment against us could also result in substantial and unexpected expenditures, affect confidence in our products, and divert management’s attention from other responsibilities. Although we maintain product liability insurance, there can be no assurance this type or the level of coverage is adequate or that we will be able to continue to maintain our existing insurance or obtain comparable insurance at a reasonable cost, if at all. A partially or completely uninsured judgment against us could have a material adverse effect on our results of operations or financial condition. Although we have standard contracting policies and controls, we may not always be able to contractually limit our exposure to third-party claims should our failure to perform result in downstream supply disruptions or product recalls.

We have debt obligations that could adversely affect our business and our ability to meet our obligations.

As of December 31, 2014, our total combined indebtedness was $945 million.

This significant amount of debt could have important consequences to us and our investors, including:

- requiring a substantial portion of our cash flow from operations to make interest payments on this debt;
- making it more difficult to satisfy debt service and other obligations;
- increasing the risk of a future credit ratings downgrade of our debt, which could increase future debt costs and limit the future availability of debt financing;
- increasing our vulnerability to general adverse economic and industry conditions;
- reducing the cash flow available to fund capital expenditures and other corporate purposes and to grow our business;
- limiting our flexibility in planning for, or reacting to, changes in our business and the industry;
- placing us at a competitive disadvantage to our competitors that may not be as highly leveraged with debt; and
- limiting our ability to borrow additional funds as needed or take advantage of business opportunities as they arise, pay cash dividends or repurchase common stock.

To the extent that we incur additional indebtedness, the risks described above could increase. In addition, our actual cash requirements in the future may be greater than expected. Our cash flow from operations may not be sufficient to repay all of the outstanding debt as it becomes due, and we may not be able to borrow money, sell assets or otherwise raise funds on acceptable terms, or at all, to refinance our debt.

Our operations require substantial capital.

We require substantial capital for ongoing maintenance, repair and replacement of existing facilities and equipment. Although we maintain our production equipment with regular scheduled maintenance, key pieces of equipment may need to be repaired or replaced periodically. The costs of repairing or replacing such equipment and the associated downtime of the affected production line could adversely affect our financial condition and results of operations.

We believe our capital resources are currently adequate to meet our current projected operating needs, capital expenditures and other cash requirements. However, if for any reason we are unable to provide for our operating needs, capital expenditures and other cash requirements on reasonable economic terms, we could experience an adverse effect on our business, financial condition and results of operations.

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We may need additional financing in the future to meet our capital needs or to make opportunistic acquisitions, and such financing may not be available on favorable terms, if at all, and may be dilutive to existing stockholders.

We may need to seek additional financing for general corporate purposes. For example, we may need to increase our investment in research and development activities or require funding to make acquisitions. We may be unable to obtain desired additional financing on terms favorable to us, if at all. For example, during periods of volatile credit markets, there is a risk that lenders, even those with strong balance sheets and sound lending practices, could fail or refuse to honor their credit commitments and obligations, including but not limited to extending credit up to the maximum permitted by a credit facility and otherwise accessing capital and/or honoring loan commitments. If our lenders are unable to fund borrowings under their loan commitments or we are unable to borrow, it could be difficult to replace such loan commitments on similar terms or at all. If adequate funds are not available on acceptable terms, we may be unable to fund growth opportunities, successfully develop or enhance products or respond to competitive pressures, any of which could negatively affect our business. If we raise additional funds through the issuance of equity securities, our stockholders will experience dilution of their ownership interest. If we raise additional funds by issuing debt, it may be subject to limitations on our operations and ability to pay dividends due to restrictive covenants in addition to those that are expected to be in place pursuant to our existing indebtedness.

The inability to make or effectively integrate future acquisitions may affect our results.

As part of our growth strategy, we may pursue additional acquisitions of complementary businesses and product lines, and invest in joint ventures. The ability to grow through acquisitions or other investments depends upon our ability to identify, negotiate, complete and integrate suitable acquisitions or joint venture arrangements. If we fail to successfully integrate acquisitions into our existing business, our business, financial condition and results of operations could be adversely affected.

Risks Related to the Company’s Common Stock

Your percentage of ownership in the Company may be diluted in the future.

In the future, your percentage ownership in the Company may be diluted because of equity issuances for acquisitions, capital market transactions or other corporate purposes, including equity awards that we will grant to our directors, officers and employees. Our employees have options to purchase shares of our common stock and we anticipate our compensation committee will grant additional stock options or other stock-based awards to our employees. Such awards will have a dilutive effect on our earnings per share, which could adversely affect the market price of our common stock. From time to time, we will issue additional options or other stock-based awards to our employees under our employee benefits plans.

In addition, our amended and restated certificate of incorporation authorizes us to issue, without the approval of our stockholders, one or more classes or series of preferred stock having such designation, powers, preferences and relative, participating, optional and other special rights, including preferences over our common stock respecting dividends and distributions, as our board of directors generally may determine. The terms of one or more classes or series of preferred stock could dilute the voting power or reduce the value of our common stock. For example, we could grant the holders of preferred stock the right to elect some number of our directors in all events or on the happening of specified events or the right to veto specified transactions. Similarly, the repurchase or redemption rights or liquidation preferences we could assign to holders of preferred stock could affect the residual value of the common stock.

Certain provisions in our amended and restated certificate of incorporation and bylaws, and of Delaware law, may prevent or delay an acquisition of the Company, which could decrease the trading price of our common stock.

Our amended and restated certificate of incorporation and amended and restated bylaws contain, and Delaware law contains, provisions that are intended to deter coercive takeover practices and inadequate takeover bids by making such practices or bids unacceptably expensive to the bidder and to encourage prospective acquirers to negotiate with our board of directors rather than to attempt a hostile takeover. These provisions include, among others:

- the inability of our stockholders to call a special meeting;
- rules regarding how stockholders may present proposals or nominate directors for election at stockholder meetings;
- the right of our board to issue preferred stock without stockholder approval;
-

- the division of our board of directors into three classes of directors, with each class serving a staggered three-year term, and this classified board provision could have the effect of making the replacement of incumbent directors more time consuming and difficult;
- a provision that stockholders may only remove directors with cause;
- the ability of our directors, and not stockholders, to fill vacancies on our board of directors; and
- the requirement that the affirmative vote of stockholders holding at least 80 percent of our voting stock is required to amend certain provisions in our amended and restated certificate of incorporation and our amended and restated

bylaws relating to the number, term and election of our directors, the filling of board vacancies, the calling of special meetings of stockholders and director and officer indemnification provisions.

In addition, because we have not chosen to be exempt from Section 203 of the Delaware General Corporation Law, this provision could also delay or prevent a change of control that you may favor. Section 203 provides that, subject to limited exceptions, persons that acquire, or are affiliated with a person that acquires, more than 15 percent of the outstanding voting stock of a Delaware corporation shall not engage in any business combination with that corporation, including by merger, consolidation or acquisitions of additional shares, for a three-year period following the date on which that person or its affiliates becomes the holder of more than 15 percent of the corporation's outstanding voting stock.

We believe these provisions protect our stockholders from coercive or otherwise unfair takeover tactics by requiring potential acquirers to negotiate with our board of directors and by providing our board of directors with more time to assess any acquisition proposal. These provisions are not intended to make the Company immune from takeovers. However, these provisions will apply even if the offer may be considered beneficial by some stockholders and could delay or prevent an acquisition that our board of directors determines is not in the best interests of the Company and our stockholders. These provisions may also prevent or discourage attempts to remove and replace incumbent directors.

In addition, an acquisition or further issuance of our stock could trigger the application of Section 355(e) of the Internal Revenue Code. Under the tax matters agreement, we would be required to indemnify Rayonier for the resulting tax, and this indemnity obligation might discourage, delay or prevent a change of control that you may consider favorable.

Our amended and restated certificate of incorporation designates the Court of Chancery of the State of Delaware as the sole and exclusive forum for certain types of actions and proceedings that may be initiated by our stockholders, which could discourage lawsuits against the Company and our directors and officers.

Our amended and restated certificate of incorporation provides that unless the board of directors otherwise determines, the Court of Chancery of the State of Delaware will be the sole and exclusive forum for any derivative action or proceeding brought on behalf of the Company, any action asserting a claim of breach of a fiduciary duty owed by any director of officer of the Company to the Company or its stockholders, creditors or other constituents, any action asserting a claim against the Company or any director or officer of the Company arising pursuant to any provision of the Delaware General Corporation Law, or the DGCL, or our amended and restated certificate of incorporation or bylaws, or any action asserting a claim against the Company or any director or officer of the Company governed by the internal affairs doctrine. However, if the Court of Chancery of the State of Delaware dismisses any such action for lack of subject matter jurisdiction, the action may be brought in another court sitting in the State of Delaware. Although our amended and restated certificate of incorporation will include this exclusive forum provision, it is possible that a court could rule this provision is inapplicable or unenforceable. This exclusive forum provision may limit the ability of our stockholders to bring a claim in a judicial forum that such stockholders find favorable for disputes with the Company or its directors or officers, which may discourage such lawsuits against the Company and its directors and officers. Alternatively, if a court were to find this exclusive forum provision inapplicable to, or unenforceable in respect of, one or more of the specified types of actions or proceedings described above, we may incur additional costs associated with resolving such matters in other jurisdictions, which could adversely affect our business, financial condition or results of operations.

Risks Related to the Separation

The Company's historical financial information is not necessarily representative of the results that it would have achieved as a separate, publicly traded company and may not be a reliable indicator of its future results.

The historical information about the Company in this Annual Report on Form 10-K refers to the Company's business as operated by and integrated with Rayonier. The Company's historical financial information is derived from the consolidated financial statements and accounting records of Rayonier. Accordingly, the financial information included in this Annual Report on Form 10-K does not necessarily reflect the financial condition, results of operations or cash flows the Company would have achieved as a separate, publicly traded company during the periods presented or those the Company will achieve in the future primarily as a result of the factors described below:

Prior to the Separation, the Company's business was operated by Rayonier as a segment of its broader corporate organization, rather than as an independent company. Rayonier or one of its affiliates performed various corporate functions for the Company, such as accounting, information technology and finance. The Company's historical financial results reflect allocations of corporate expenses from Rayonier for such functions and are likely to be less than the expenses the Company would have incurred had it operated as a separate publicly traded company. The Company will need to make significant investments to replicate or outsource from other providers certain facilities, systems, infrastructure, and personnel to which the Company no longer has access as a result of its separation from Rayonier. These initiatives to develop the Company's independent ability to operate without access to Rayonier's existing operational and administrative infrastructure will be costly to implement. The

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Company may not be able to operate its business efficiently or at comparable costs, and its profitability may decline;

- Prior to the Separation, the Company was able to use Rayonier’s size and purchasing power in procuring various goods and services and shared economies of scope and scale in costs, employees, vendor relationships and customer relationships. Although the Company has entered into a transition service agreement with Rayonier, this arrangement may not fully capture the benefits the Company previously enjoyed as a result of being integrated with Rayonier and may result in the Company paying higher charges than in the past for these services. As a separate, independent company, the Company may be unable to obtain goods and services at the prices and terms obtained prior to the Separation, which could decrease the Company’s overall profitability; and
- The cost of capital for the Company’s business may be higher than Rayonier’s cost of capital prior to the Separation.

Potential indemnification liabilities to Rayonier pursuant to the separation agreement could materially adversely affect the Company.

The separation agreement with Rayonier provides for, among other things, the principal corporate transactions required to effect the separation, certain conditions to the separation and provisions governing the relationship between the Company and Rayonier with respect to and resulting from the separation. Among other things, the separation agreement provides for indemnification obligations designed to make the Company financially responsible for substantially all liabilities that may exist relating to its business activities, whether incurred prior to or after the Company's separation from Rayonier, as well as those obligations of Rayonier assumed by the Company pursuant to the separation agreement. If the Company is required to indemnify Rayonier under the circumstances set forth in the separation agreement, the Company may be subject to substantial liabilities.

The Company may not achieve some or all of the expected benefits of the separation, and the separation may adversely affect the Company’s business.

The Company may not be able to achieve the full strategic and financial benefits expected to result from the separation, or such benefits may be delayed or not occur at all. The separation and distribution is expected to provide the following benefits, among others: (i) a distinct investment identity allowing investors to evaluate the merits, performance, and future prospects of the Company separately from Rayonier; (ii) more efficient allocation of capital for the Company; and (iii) direct access by the Company to the capital markets.

The Company may not achieve these and other anticipated benefits for a variety of reasons, including, among others: (a) the Company may be more susceptible to market fluctuations and other adverse events than if it were still a part of Rayonier; (b) the Company’s business is less diversified than Rayonier’s business prior to the separation; and (c) the other actions required to separate Rayonier’s and the Company’s respective businesses could have diverted management's attention from planning to grow and operate the Company’s business or created disruptions of the Company’s operations that could, in each case, impact the Company’s performance in the future. If the Company fails to achieve some or all of the benefits expected to result from the separation, or if such benefits are delayed, the business, financial conditions and results of operations of the Company could be adversely affected.

There could be significant liability if the distribution of common stock that occurred as a result of the Separation is determined to be a taxable transaction.

Our former parent, Rayonier, received a private letter ruling from the Internal Revenue Service (“IRS”) to the effect that, among other things, the Separation and the distribution will qualify as a transaction that is tax-free for U.S. federal income tax purposes under Sections 355 and 368(a)(1)(D) of the Internal Revenue Code, and it is a condition to the distribution that this private letter ruling shall not be revoked or modified in any material respect. In addition, Rayonier received an opinion from outside tax counsel to the effect that, with respect to certain requirements for tax-free treatment under Section 355 of the Code on which the IRS will not rule, such requirements will be satisfied. The ruling and the opinion rely on certain facts, assumptions, representations and undertakings from Rayonier and the Company regarding the past and future conduct of the companies’ respective businesses and other matters. If any of these facts, assumptions, representations or undertakings are incorrect or not satisfied, Rayonier and its shareholders may not be able to rely on the ruling or the opinion of tax counsel and could be subject to significant tax liabilities. Notwithstanding a private letter ruling from the IRS and opinion of tax counsel, the IRS could determine on audit that the Separation is taxable if it determines that any of these facts, assumptions, representations or undertakings are not correct or have been violated or if it disagrees with the conclusions in the opinion that are not covered by the private

letter ruling, or for other reasons, including as a result of certain significant changes in the share ownership of Rayonier or the Company after the separation. If the Separation is determined to be taxable for U.S. federal income tax purposes, Rayonier and its shareholders that are subject to U.S. federal income tax could incur significant U.S. federal income tax liabilities and the Company could incur significant liabilities. In connection with the Separation, Rayonier and the Company entered into a tax matters agreement, which describes the sharing of any such liabilities between Rayonier and the Company.

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We may not be able to engage in certain corporate transactions after the Separation.

To preserve the tax-free treatment to Rayonier of the Separation and the distribution, under the tax matters agreement that the Company entered into with Rayonier, we will be restricted from taking any action that prevents the distribution and related transactions from being tax-free for U.S. federal income tax purposes. Under the tax matters agreement, for the two-year period following the distribution, we will be prohibited, except in certain circumstances, from:

- entering into any transaction resulting in the acquisition of 40 percent or more of our stock or substantially all of our assets, whether by merger or otherwise;
- merging, consolidating, or liquidating;
- issuing equity securities beyond certain thresholds;
- repurchasing its capital stock; and
- ceasing to actively conduct its business.

These restrictions may limit our ability to pursue certain strategic transactions or other transactions that we may believe to be in the best interests of our stockholders or that might increase the value of our business. In addition, under the tax matters agreement, we are required to indemnify Rayonier against any such tax liabilities as a result of the acquisition of our stock or assets, even if it did not participate in or otherwise facilitate the acquisition.

Item 1B. UNRESOLVED STAFF COMMENTS

None.

Item 2. PROPERTIES

The following table details the significant properties we owned or leased at December 31, 2014:

		Capacity	Owned/Leased
Cellulose Specialties Facilities	Jesup, Georgia	520,000 metric tons of cellulose specialties	Owned
	Fernandina Beach, Florida	155,000 metric tons of cellulose specialties	Owned
	Jesup, Georgia	Research Facility	Owned
Wood Chipping Facilities	Offerman, Georgia	800,000 short green tons of wood chips	Owned
	Eastman, Georgia	350,000 short green tons of wood chips	Owned
	Barnesville, Georgia	350,000 short green tons of wood chips	Owned
	Quitman, Georgia	200,000 short green tons of wood chips	Owned
	Jarratt, Virginia	250,000 short green tons of wood chips	Owned
Corporate and Other	Jacksonville, Florida	Corporate Headquarters	Leased

Our manufacturing facilities are maintained through ongoing capital investments, regular maintenance and equipment upgrades. During 2014, our chemical cellulose fibers manufacturing facilities produced at or near capacity levels for most of the year.

Item 3. LEGAL PROCEEDINGS

We are engaged in various legal actions and have been named as a defendant in various other lawsuits and claims arising in the normal course of business. While we have procured reasonable and customary insurance covering risks normally occurring in connection with our businesses, we have in certain cases retained some risk through the operation of self-insurance, primarily in the areas of workers’ compensation, property insurance and general liability. In our opinion, these and other lawsuits and claims, either individually or in the aggregate, are not expected to have a material adverse effect on our financial position, results of operations or cash flows.

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Altamaha Riverkeeper Litigation-Jesup Plant. In November 2013, we received a “sixty day letter” from lawyers representing a non-profit environmental organization, the Altamaha Riverkeeper. In the letter, the Altamaha Riverkeeper threatened to file a citizen suit against us as permitted under the federal Clean Water Act and the Georgia Water Quality Control Act due to what the letter alleges to be ongoing violations of such laws, if we do not correct such violations within 60 days of the date of the letter. The allegations relate to the color and odor of treated effluent discharged into the Altamaha River by our Jesup, Georgia plant.

On March 26, 2014, we were served with a complaint, captioned Altamaha Riverkeeper, Inc. v. Rayonier Inc. and Rayonier Performance Fibers LLC, which was filed in the U.S. District Court for the Southern District of Georgia. In the complaint, the Altamaha Riverkeeper alleges, among other things, violations of the federal Clean Water Act and Georgia Water Quality Control Act, negligence and public nuisance, relating to the permitted discharge from the Jesup plant. The complaint seeks, among other things, injunctive relief, monetary damages, and attorneys’ fees and expenses. The total amount of monetary relief being sought by the plaintiff cannot be determined at this time.

The plant’s treated effluent is discharged pursuant to a permit issued by the Environmental Protection Division of the Georgia Department of Natural Resources (referred to as the “EPD”), as well as the terms of a consent order entered into in 2008 (and later amended) by EPD and the Company. We disagree with the Altamaha Riverkeeper and strongly believe we are in compliance with applicable law relating to the Jesup plant’s discharge, including compliance with the terms of our permit and consent order with EPD. We are defending this lawsuit vigorously.

Item 4. MINE SAFETY DISCLOSURES

Not applicable.

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PART II

Item 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Prices of our Common Stock; Dividends

The table below reflects, for the quarters indicated, the dividends declared per share of common stock and the range of market prices of our common stock as reported in the consolidated transaction reporting system of the New York Stock Exchange, the only exchange on which our stock is listed, under the trading symbol RYAM.

	High	Low	Dividends
2014			
Fourth Quarter	$33.65	$21.37	$0.07
Third Quarter	$44.18	$28.65	$0.07
Second Quarter (commencing June 27, 2014)	$37.77	$36.17	$—

On February 27, 2015, we announced a first quarter dividend of seven cents per share of common stock payable March 31, 2015, to stockholders of record on March 17, 2015. There were approximately 42,833,741 stockholders of record on February 20, 2015.

Securities Authorized for Issuance Under Equity Compensation Plans

See Part III, Item 12 of this report for information relating to our equity compensation plans.

Stock Performance Graph

The following graph compares the performance of Rayonier Advanced Material's common stock (assuming reinvestment of dividends) with a broad-based market index Standard & Poor's ("S&P") Small Cap 600 and an industry-specific index, the S&P 500 Materials Index. The initial date on the graph, June 27,2014, reflects the date of Separation from Rayonier.

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 we specifically incorporate it by reference into such filing.

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The data in the following table was used to create the above graph as of December 31:

	6/27/2014	9/27/2014	12/31/2014
Rayonier Advanced Materials	$100	$83	$61
S&P Small Cap 600	$100	$95	$103
S&P 500 Materials Index	$100	$102	$99

Item 6. SELECTED FINANCIAL DATA

The following financial data should be read in conjunction with our Consolidated Financial Statements. Prior to 2014, the following selected financial data consists of Rayonier's performance fibers business for the years presented. For 2014, the balance sheet represents the financial position of the Company as of December 31, 2014 and the income statement and statement of cash flow are presented as if the performance fibers business had been combined with the Company for the year ended December 31, 2014.

(millions of dollars except per share amounts)	2014	2013	2012	2011	2010
Statement of Income Data:					
Net Sales	$958	$1,047	$1,095	$1,021	$884
Gross margin	224	333	380	323	232
Operating income	63	289	342	283	201
Net income	32	220	242	214	159
Diluted earnings per share of common stock	0.75	5.21	5.74	5.07	3.77
Dividends declared per share of common stock	0.14	—	—	—	—
Balance Sheet Data:					
Total assets	$1,304	$1,120	$921	$665	$568
Property, plant and equipment, net	843	846	681	433	358
Total debt	945	—	—	—	—
Stockholders' (deficit) equity	(62)	968	725	474	397
Statement of Cash Flow Data:					
Cash provided by operating activities	$188	$258	$305	$258	$408
Cash used for investing activities	(90)	(251)	(305)	(131)	(93)
Cash used for financing activities	(31)	(7)	—	(127)	(314)
Capital expenditures	(75)	(96)	(105)	(97)	(98)
Other Data:					
EBITDA (a)	$149	$363	$402	$339	$258

(a) Earnings before Interest, Taxes, Depreciation and Amortization ("EBITDA") is not defined by U.S. Generally Accepted Accounting Principles ("GAAP"). See Item 7 — Management's Discussion and Analysis of Financial Condition and Results of Operations — Performance and Liquidity Indicators for a reconciliation of EBITDA to net income.

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

Overview

General

We are the leading global producer of cellulose specialties, a natural polymer, used as a raw material to manufacture a broad range of consumer-oriented products such as cigarette filters, liquid crystal displays, impact-resistant plastics, thickeners for food products, pharmaceuticals, cosmetics, high-tenacity rayon yarn for tires and industrial hoses, food casings, paints and lacquers. In addition, we produce commodity products, primarily commodity viscose and absorbent materials. Commodity viscose is a raw material for the manufacture of viscose staple fibers which are used in woven applications such as textiles for clothing and other fabrics, and in non-woven applications such as baby wipes, cosmetic and personal wipes, industrial wipes and mattress ticking. Absorbent materials, typically referred to as fluff fibers, are used as an absorbent medium in products such as disposable baby diapers, feminine hygiene products, incontinence pads, convalescent bed pads, industrial towels and wipes and non-woven fabrics.

Our production facilities in Jesup, Georgia and Fernandina Beach, Florida, have a combined annual cellulose specialties production capacity of approximately 675,000 metric tons of cellulose specialties. Due to market dynamics, we are currently utilizing 70 percent of that capacity to produce cellulose specialties. We are producing commodity products with the remaining capacity.

Our products are sold throughout the world to companies for use in various industrial applications and to produce a wide variety of products. Approximately 56 percent of our sales are to export customers, primarily in Asia and Europe. Our top ten customers represent more than 75 percent of our sales.

Cost of sales includes the cost of wood, chemicals, energy, depreciation, manufacturing overhead and transportation used to manufacture and deliver our products. Significant components and percentages of per metric ton cost are as follows:

- Wood costs represent approximately 26 percent of the per metric ton cost of sales. We purchase approximately 1.6 million short green tons of hardwood chips and 2.5 million short green tons of softwood chips per year. Weather conditions and demand in the wood products and pulp and paper markets can affect the cost of wood.
- Chemical costs represent approximately 17 percent of the per metric ton cost of sales. Chemicals, including caustic soda (sodium hydroxide), sulfuric acid, sodium chlorate and various specialty chemicals are purchased under negotiated supply agreements with third parties.
- Energy costs represent approximately 6 percent of the per metric ton costs of sales. The great majority of our energy is produced through the burning of lignin and other residual biomass in recovery and power boilers located at our plants. The plants also require fuel oil, natural gas and electricity to supplement their energy requirements.

Wood, chemicals and energy are subject to significant changes in price and availability. We continually pursue reductions in usage and costs of key raw materials, supplies and services and do not foresee any material constraints in the near term from pricing or availability. We currently have limited ability to pass cost increases on to our customers.

Disposed Operations

As a result of the Separation from Rayonier, we assumed certain environmental liabilities not historically included in our consolidated financial statements. These environmental liabilities are associated with disposed operations relating to former dissolving wood pulp mills and wood treating sites. The reserves are largely based on internal and third-party information relating to the nature and extent of the environmental conditions, interpretation of applicable laws and regulations, projected outcomes of negotiations to determine appropriate remedial actions and the associated estimated costs.

In the fourth quarter of 2014, our environmental reserves for the assessment, remediation and long-term monitoring and maintenance of the disposed operations were increased by $69 million, and the related property values were reduced by $7 million. This reflects an increase to our estimates of required spending over the next 20 years for these sites.

Nearly 80 percent of the increase is related to four sites for which, in the fourth quarter, remediation plans were legally required to be prepared or whose previous plans changed meaningfully due to commercial and/or legal reasons. The

remaining portion of the change to the reserve was spread over an additional 13 sites based upon our update of estimated costs for ongoing remediation, monitoring and maintenance over the next 20 years on an undiscounted basis.

The reserve for the Port Angeles, Washington former pulp mill site required the largest adjustment, accounting for $33 million, or 48 percent, of the increase to the reserves. In February of 2015, we are required to submit, to the Washington State Department of Ecology, a feasibility study for remediation of this site, which closed in 1996. In preparing for submission of this study, it was

determined that the previous preferred industrial reuse strategy was no longer viable and therefore, the remediation plan had to be revised and expanded, meaningfully increasing the estimated costs for the project.

We believe our reserves represent the best estimate at this time of the costs required to clean up the identified sites. Although the adjustment to the reserves is significant, the associated spending will be spread over 20 years. These changes are not anticipated to have a material impact on our cash flows in 2015. See Note 13 — Liabilities for Disposed Operations for more information.

Outlook

We expect the 2015 cellulose specialties market to face a combination of industry oversupply and weaker end-market demand. Our cellulose specialties volumes in 2015 are forecasted to be comparable to the last couple years with prices 7 to 8 percent below 2014. Despite the difficult environment and aggressive pricing offered by competitors, we expect to maintain or increase our share of cellulose specialties volume at each of our top ten customers in 2015. This success is largely due to our differentiated, high-quality product and long-term customer relationships. We expect to generate EBITDA between $200 million and $220 million in 2015.

In 2015, we expect our effective tax rate to be between 33 and 34 percent and capital expenditures of $75 to $80 million.

For a reconciliation of EBITDA to net income, see Item 7 — Management's Discussion and Analysis of Financial Condition and Results of Operations — Performance and Liquidity Indicators.

Critical Accounting Policies and Use of Estimates

The preparation of financial statements requires us to make estimates, assumptions and judgments that affect our assets, liabilities, revenues and expenses, and to disclose contingent assets and liabilities in our Consolidated Financial Statements. We base these estimates and assumptions on historical data and trends, current fact patterns, expectations and other sources of information management believes are reasonable. Actual results may differ from these estimates.

Principals of Consolidation

Prior to the Separation, our results of operations, financial position and cash flows consisted of Rayonier's performance fibers business. Our financial statements are presented as if the performance fibers business had been combined with the Company for all periods presented. All intercompany transactions are eliminated.

The statements of income for periods prior to the Separation include allocations of certain costs from Rayonier related to the operations of the performance fibers business. The statements of income also include expense allocations for certain corporate functions historically performed by Rayonier and not allocated to its operating segments. Management believes the methodologies employed for the allocation of costs were reasonable in relation to the historical reporting of Rayonier, but may not necessarily be indicative of costs had we operated on a stand-alone basis during the periods prior to the Separation, nor what the costs may be in the future.

Revenue Recognition

Rayonier Advanced Materials generally recognizes sales when the following criteria are met: (i) persuasive evidence of an agreement exists, (ii) delivery has occurred, (iii) the price to the buyer is fixed and determinable and (iv) collectibility is reasonably assured. Generally, title passes upon delivery to the agreed upon location. Based on the time required to reach each location, customer orders are generally received in one period with the corresponding revenue recognized in a subsequent period. As such, there could be substantial variation in orders received and revenue recognized from period to period.

Depreciation of long-lived assets

Depreciation expense is computed using the units-of-production method for our plants and equipment and the straight-line method on all other property, plant and equipment over the useful economic lives of the assets involved. The total units of production used to calculate depreciation expense is determined by factoring annual production days, based on normal production conditions, by the economic useful life of the asset involved. On average, the units-of-production and straight line methodologies accounted for approximately 93 percent and 7 percent of depreciation expense, respectively. The physical life of equipment, however, may be shortened by economic obsolescence caused by environmental regulation, competition or other causes. We depreciate our non-production assets, including office, lab and transportation equipment, using the straight-line depreciation method over 3 to 25

years. Buildings and land improvements are depreciated using the straight-line method over 15 to 35 years and 5 to 30 years, respectively. Management believes these depreciation methods are the most appropriate, versus other generally accepted accounting methods, as they most closely match revenues with expenses.

Gains and losses on the retirement of assets are included in operating income. Long-lived assets are reviewed annually for impairment or whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets that are held and used is measured by net undiscounted cash flows expected to be generated by the asset.

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Property, plant and equipment are grouped for purposes of evaluating recoverability at the lowest level for which independent cash flows are identified. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying value exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less cost to sell.

Environmental liabilities associated with disposed operations

At December 31, 2014, we had $157 million of accrued liabilities for environmental costs relating to disposed operations. Numerous cost assumptions are used in estimating these obligations. Factors affecting these estimates include changes in the nature or extent of contamination, changes in the content or volume of the material discharged or treated in connection with one or more impacted sites, requirements to perform additional or different assessment or remediation, changes in technology that may lead to additional or different environmental remediation strategies, approaches and work-plans, discovery of additional or unanticipated contaminated soil, groundwater or sediment on or off-site, changes in remedy selection, changes in law or interpretation of existing law and the outcome of negotiations with governmental agencies or non-governmental parties. We periodically review our environmental liabilities and also engage third-party consultants to assess our ongoing remediation of contaminated sites. A significant change in any of the estimates could have a material effect on the results of our operations. See Note 13 — Liabilities for Disposed Operations for additional information.

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

Certain employees participate in defined benefit pension and postretirement health and life insurance plans. All defined benefit pension plans are currently closed to new participants. 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 authoritative guidance on how to select most of these assumptions exists, we exercise some degree of judgment when 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.

Our long-term return assumption was established based on historical long-term rates of return on broad equity and bond indices, discussions with our actuary and investment advisors and consideration of the actual annualized rate of return from 1994 (the date of Rayonier's spin-off from ITT Corporation) through 2014. At the end of 2014, we reviewed this assumption for reasonableness and determined the 2014 long-term rate of return assumption should be 8.50 percent.

In determining future pension obligations, we select a discount rate based on information supplied by our actuary. The actuarial rates are developed by models which incorporate high-quality (AA rated), long-term corporate bond rates into their calculations. The discount rate decreased from 4.60 percent at December 31, 2013 to 3.71 percent at December 31, 2014.

Our pension plans were underfunded by $118 million at December 31, 2014, a $115 million decrease in funded status from December 31, 2013 due primarily to the assumption of balances from Rayonier at the Separation, lower discount rate and the adoption of new assumptions concerning life expectancy. We had no mandatory pension contributions and did not make discretionary contributions to our qualified pension plans in 2014, 2013 or 2012. Future contribution requirements will vary depending on actual investment performance, changes in valuation assumptions, interest rates and requirements under the Pension Protection Act.

In 2015, we expect pension expense to be greater than 2014 due to the adoption of new mortality assumptions. These new assumptions take into account increased life expectancies and therefore increase our liability. Future pension expense will be impacted by many factors including actual investment performance, changes in discount rates, timing of contributions and other employee related matters. See Note 15 — Employee Benefit Plans for additional information.

The sensitivity of pension expense and projected benefit obligation related to our two qualified pension plans to changes in economic assumptions is highlighted below:

	Impact on:	
Change in Assumption	Pension Expense	Projected Benefit Obligation

50 bp decrease in discount rate	+ 1.2 million	+ 28.3 million
50 bp increase in discount rate	- 1.1 million	- 25.4 million
50 bp decrease in long-term return on assets	+ 0.7 million	
50 bp increase in long-term return on assets	- 0.7 million	

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Realizability of both recorded and unrecorded tax assets and tax liabilities

We have recorded certain deferred tax assets we believe will be realized in future periods. These assets are reviewed periodically in order to assess their realizability. This review requires management to make assumptions and estimates about future profitability affecting the realization of these tax assets. If the review indicates the realizability may be less than likely, a valuation allowance is recorded.

Our income tax returns are subject to examination by U.S. federal and state taxing authorities. In evaluating the tax benefits associated with various tax filing positions, we record a tax benefit for an uncertain tax position if it is more-likely-than-not to be realized upon ultimate settlement of the issue. We record a liability for an uncertain tax position that does not meet this criterion. The liabilities for unrecognized tax benefits are adjusted in the period in which it is determined the issue is settled with the taxing authorities, the statute of limitations expires for the relevant taxing authority to examine the tax position or when new facts or information become available. See Note 12 — Income Taxes for additional information.

New Accounting Standards

See Note 1 — Separation and Basis of Presentation for a discussion of recently issued accounting pronouncements that may affect our financial results and disclosures in future periods.

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

Financial Information (in millions)	2014	2013	2012
Net Sales			
Cellulose specialties	$844	$930	$935
Commodity products and other	114	117	160
Total Net Sales	958	1,047	1,095
Cost of Sales	734	714	715
Gross Margin	224	333	380
Selling and general expenses	40	36	36
Other operating expense	121	8	2
Operating Income	63	289	342
Interest, net	(22)	—	—
Income Before Income Taxes	41	289	342
Income Tax Expense	(9)	(69)	(100)
Net Income	$32	$220	$242
Other Data			
Sales Prices ($ per metric ton)			
Cellulose specialties	$1,762	$1,913	$1,859
Commodity products	692	684	720
Sales Volumes (thousands of metric tons)			
Cellulose specialties	479	486	503
Commodity products	148	157	214
Gross Margin %	23.4%	31.8%	