

Wells Timberland REIT, Inc.
Form S-11
February 03, 2009
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As filed with the Securities and Exchange Commission on February 3, 2009

Registration No. _____

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form S-11

FOR REGISTRATION

UNDER

THE SECURITIES ACT OF 1933

OF SECURITIES OF CERTAIN REAL ESTATE COMPANIES

Wells Timberland REIT, Inc.

(Exact name of registrant as specified in its governing instruments)

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6200 The Corners Parkway

Norcross, Georgia 30092-3365

(770) 449-7800

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Leo F. Wells, III

President

Wells Timberland REIT, Inc.

6200 The Corners Parkway

Norcross, Georgia 30092-3365

(770) 449-7800

(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copy to:

Rosemarie A. Thurston

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1201 West Peachtree Street

Atlanta, Georgia 30309

(404) 881-7000

Approximate date of commencement of proposed sale to public: As soon as practicable after the effectiveness of the registration statement.

If any of the Securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act, check the following box:

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act of 1933, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

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If this form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration number of the earlier effective registration statement for the same offering.

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration number of the earlier effective registration statement for the same offering.

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box.

Indicate by check mark whether the registrant is a larger 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 (Check one):

Large accelerated filer

Accelerated filer

Non accelerated filer

Smaller reporting company

CALCULATION OF REGISTRATION FEE

Title of Each Class of	Amount	Proposed Maximum Offering	Proposed Maximum Aggregate	Amount of Registration
Securities to be Registered	To be Registered	Price per Share	Offering Price(1)	Fee
Primary Offering, Common Stock, \$0.01 par value per share	200,000,000	\$10.00	\$2,000,000,000	\$78,600.00
Distribution Reinvestment Plan, Common Stock, \$0.01 par value per share	20,942,408	\$9.55	\$200,000,000	\$7,860.00
Total, Common Stock, \$0.01 par value per share	220,942,408		\$2,200,000,000	\$86,460.00

(1) The registrant reserves the right to reallocate shares of common stock being offered between the primary offering and the distribution reinvestment plan. Estimated solely for purposes of determining the registration fee pursuant to Rule 457.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment that specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

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SUBJECT TO COMPLETION DATED February 3, 2009.

Information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the SEC and various states is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

WELLS TIMBERLAND REIT, INC.

Maximum Offering of \$2,200,000,000

Wells Timberland REIT, Inc. is a Maryland corporation formed in 2005 primarily for the purpose of acquiring timberland properties in the timber-producing regions of the United States and, to a lesser extent, in timber-producing regions outside the United States. We currently own approximately 226,300 acres of timberland in fee simple and have long-term leasehold interests on another approximately 92,300 acres of timberland, all located in Georgia and Alabama. We intend to elect to be taxed as a REIT, under the Internal Revenue Code of 1986, as amended, commencing with the taxable year ending December 31, 2009.

We are offering up to \$2,000,000,000 of shares of common stock in our primary offering at an initial price of \$10.00 per share, with volume discounts available to investors who purchase more than \$500,000 of shares at any one time. Discounts are also available for other categories of purchasers as described in Plan of Distribution. We are also offering up to \$200,000,000 of shares to be issued pursuant to our distribution reinvestment plan at a purchase price equal to \$9.55 per share during our primary offering. We reserve the right to reallocate the shares of common stock we are offering between the primary offering and the distribution reinvestment plan. As of December 31, 2008, we had received and accepted subscriptions in our initial public offering for 13.4 million shares of common stock, for aggregate gross offering proceeds, net of discounts, of approximately \$130.4 million.

This investment involves a high degree of risk. You should purchase these securities only if you can afford the complete loss of your investment. See Risk Factors beginning on page 17 to read about risks you should consider before buying shares of our common stock. These risks include the following:

There is no public trading market for our common stock. If you are able to sell your shares, you would likely have to sell them at a substantial discount from their public offering price.

We have a very limited operating history, have only completed one timberland acquisition and have not identified any additional properties to acquire with the proceeds from this offering, which make our future performance and the performance of your investment difficult to predict.

We have not paid any cash distributions to date to our stockholders as a result of restrictions resulting from our credit agreements. Once we are able to make cash distributions, our cash distributions are not guaranteed and may fluctuate.

We may pay cash distributions from offering proceeds or borrowings, which may reduce amounts available to acquire properties.

If we raise substantially less than the maximum offering proceeds, we may not be able to invest in a diverse portfolio of properties, and the value of your investment may vary more widely with the performance of specific properties.

The terms of our mezzanine and senior loan agreements prohibit us from paying distributions or redeeming shares (except in cases of death or disability) until we repay the mezzanine loan in full and attain certain financial performance measures.

Our charter limits a person from owning more than 9.8% of our common stock without prior approval of our board of directors.

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We will pay substantial fees and expenses to our advisor, its affiliates and participating broker/dealers, which payments increase the risk that you will not earn a profit on your investment.

Our advisor and its affiliates will face conflicts of interest, including significant conflicts in allocating time among us and similar programs sponsored by our sponsor.

We are dependent upon our advisor and its affiliates to conduct our operations and this offering. Adverse changes in the financial health of our advisor or its affiliates or our relationship with them could cause our operations to suffer.

Our advisory agreement was not negotiated on an arm -length basis and it is possible that an unaffiliated third party would provide similar services at a lower cost. Because our advisory agreement must be renewed on an annual basis, the fees and expenses that we pay to our advisor may be increased in future renewals.

We have not qualified as a REIT and may fail to meet the requirements to qualify as a REIT which could require us to pay additional taxes and reduce our funds available to make distributions to our stockholders.

Neither the Securities and Exchange Commission, the Attorney General of the State of New York nor any other state securities regulator has approved or disapproved of our common stock, determined if this prospectus is truthful or complete or passed on or endorsed the merits of this offering. Any representation to the contrary is a criminal offense. The use of projections or forecasts in this offering is prohibited. No one is permitted to make any oral or written predictions about the cash benefits or tax consequences you will receive from your investment.

	Price to Public*	Selling Commissions*	Dealer Manager Fee*	Net Proceeds (Before Expenses)
Primary Offering				
Per Share	\$ 10.00	\$ 0.70	\$ 0.18	\$ 9.12
Total Primary Offering	\$ 2,000,000,000	\$ 140,000,000	\$ 36,000,000	\$ 1,824,000,000
Distribution Reinvestment Plan				
Per Share	9.55			9.55
Total Distribution Reinvestment Plan	\$ 200,000,000	\$	\$	\$ 200,000,000
Total	\$ 2,200,000,000	\$ 140,000,000	\$ 36,000,000	\$ 2,024,000,000

*The selling commissions and all or a portion of the dealer-manager fee will not be charged with regard to shares sold in our primary offering to or for the account of certain categories of purchasers. The reduction in these fees will be accompanied by a corresponding reduction in the per share purchase price. See Plan of Distribution.

The dealer-manager of this offering, Wells Investment Securities, Inc., which is our affiliate, is not required to sell any specific number or dollar amount of shares but will use its best efforts to sell the shares offered. The minimum permitted purchase is generally \$5,000.

This is a continuous offering that will end no later than [____], 2011, two years from this date of the prospectus, unless extended. If we extend beyond [____], 2011, we will supplement the prospectus accordingly. We may also terminate this offering at any time.

[____], 2009

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SUITABILITY STANDARDS

The shares we are offering are suitable only as a long-term investment. Because there is no public market for the shares, you will have difficulty selling your shares. In consideration of these factors, we require initial stockholders and subsequent purchasers to have either:

a net worth of at least \$250,000; or

gross annual income of at least \$70,000 and a net worth of at least \$70,000.

In addition, we will not sell shares to investors in the states named below unless they meet special suitability standards.

California, Iowa, Massachusetts, Ohio and Oregon In addition to the suitability requirements described above, your investment in us may not exceed 10% of your liquid net worth.

Kansas In addition to the suitability standards described above, the state of Kansas recommends that your aggregate investment in us and similar direct participation investments should not exceed 10% of your liquid net worth, which is defined as that portion of net worth which consists of cash, cash equivalents and readily marketable securities.

Michigan In addition to the suitability requirements described above, the state of Michigan requires that your aggregate investment in us and similar direct participation investments may not exceed 10% of your net worth.

Pennsylvania Investors who reside in the state of Pennsylvania must have either (1) a net worth of at least \$500,000 or (2) an annual gross income of at least \$140,000 and a net worth of at least \$140,000. Pennsylvania investors must also have a net worth of at least 10 times their investment in us.

For purposes of determining suitability of an investor, net worth in all cases should be calculated excluding the value of an investor's home, furnishings and automobiles. In the case of sales to fiduciary accounts, these suitability standards must be met by the fiduciary account, by the person who directly or indirectly supplied the funds for the purchase of the shares if such person is the fiduciary or by the beneficiary of the account.

Those selling shares on our behalf must make every reasonable effort to determine that the purchase of shares in this offering is a suitable and appropriate investment for each stockholder based on information provided by the stockholder regarding the stockholder's financial situation and investment objectives. See **Plan of Distribution** **Stockholder Suitability** for a detailed discussion of the determinations regarding suitability that we require of all those selling shares on our behalf.

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PROSPECTUS SUMMARY

This summary highlights material information contained elsewhere in this prospectus. Because it is a summary, it may not contain all of the information that is important to you. To understand this offering fully, you should read the entire prospectus carefully, including the Risk Factors section, before making a decision to invest in our common stock.

Wells Timberland REIT, Inc.

Wells Timberland REIT, Inc. is a Maryland corporation formed for the purpose of acquiring timberland properties in the timber-producing regions of the United States. Our portfolio may also include, to a limited extent, investments in timberland located in other countries.

We seek to generate income returns in the form of cash flows from harvesting and selling timber, and from pursuing non-timber related revenue sources. When and where we believe that it is appropriate, we also will seek to generate cash flow from the sale of lands that have a higher and better use. We expect to realize additional long-term returns from the appreciation in the value of our timberland and the standing timber on that land upon the ultimate disposition of our properties. We may also invest in other entities that own timberland or form joint ventures with entities that have complementary investment objectives.

We were incorporated in Maryland on September 27, 2005 and intend to elect to be taxed as a real estate investment trust, or REIT, commencing with the taxable year ending December 31, 2009. However, we cannot give assurances regarding when we will qualify or elect to be taxed as a REIT because our ability to do so is subject to the satisfaction of certain organizational and operational requirements which we have not met as of the date of the prospectus. See Federal Income Tax Considerations Requirements for Qualification. We have no paid employees and are externally advised and managed by Wells Timberland Management Organization, LLC, which we refer to as Wells TIMO or our advisor.

Description of Investments

We currently own approximately 226,300 acres of timberland in fee simple and have long-term leasehold interests on another approximately 92,300 acres of timberland, all located on the Lower Piedmont and Upper Coastal Plains of East Central Alabama and West Central Georgia, which we refer to as the Mahrt Timberland.

We will seek to acquire additional timberland properties in the timber-producing regions of the United States, which include the states in the Appalachian, Great Lakes, Northeastern, Northwestern and Southeastern regions. Our portfolio may also include, to a limited extent, investments in timberland located in other countries. We may also invest in entities that own timberland and make or acquire other types of real estate investments, provided that for so long as our board of directors determines it is in our best interests to qualify as a REIT, such other investments must be consistent with the preservation of our status as a REIT.

Our advisor will strive to diversify our portfolio by maturity of the growth stages of our timber. In order to achieve our income objective, the timberland portfolio will, at least initially, be weighted heavily towards more mature forests with a smaller weighting to younger forests. The portfolio also will be diversified geographically, by timber species, by hardwood/softwood and by milling sub-market. We may also attempt to further diversify our portfolio of timberland properties by investing in joint ventures with entities that have complementary investment objectives.

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Use of Proceeds

We expect to use a portion of the net proceeds from this offering to repay existing indebtedness that we incurred in connection with our acquisition of the Mahrt Timberland in order to meet our long-term objective of reducing our overall leverage to a conservative level. Thereafter, we expect to use substantially all of the additional net proceeds from this offering to acquire additional timberland properties.

We paid a portion of the purchase price for the Mahrt Timberland by obtaining funds through \$372,000,000 in debt financing arranged by Wachovia Bank, National Association, or Wachovia Bank. This debt financing included two loans, which we refer to as the senior loan and the mezzanine loan, respectively. The senior loan is an adjustable rate first mortgage loan in the amount of \$212,000,000. The mezzanine loan is a fixed rate second mortgage loan in the amount of \$160,000,000. See *Timberland Investments Mahrt Timberland Financing*.

Investment Objectives

Our primary investment objectives are:

to preserve and return your capital contributions;

to provide current income to you through the payment of cash distributions; and

to realize capital appreciation upon the ultimate sale of our assets.

As of the date of this prospectus, we have not paid any cash distributions to our stockholders and we will not be able to pay any cash distributions until we repay the mezzanine loan or renegotiate its terms, and attain certain financial performance measures under the senior loan. See *Timberland Investments Mahrt Timberland Financing* for a description of the terms of our senior and mezzanine loans. See the *Business and Policies* section of this prospectus for a more complete description of our investment policies and the investment restrictions imposed by our charter.

Summary Risk Factors

An investment in our shares involves significant risk, including the following:

There is no public trading market for our common stock. If you are able to sell your shares, you would likely have to sell them at a substantial discount from their public offering price.

We have a very limited operating history, have only completed one timberland acquisition, and have not identified any additional properties to acquire with the proceeds from this offering. In addition, neither we nor our advisor has substantial experience investing in timberland properties. These factors make our future performance and the performance of your investment difficult to predict.

We have not paid any cash distributions to date to our stockholders as a result of restrictions resulting from our credit agreements. Once we are able to make cash distributions, our cash distributions are not guaranteed and may fluctuate.

We may pay cash distributions from offering proceeds or borrowings, which may reduce amounts available to acquire properties.

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If we raise substantially less than the maximum offering proceeds, we may not be able to invest in a diverse portfolio of properties, and the value of your investment may vary more widely with the performance of specific properties.

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The terms of our mezzanine and senior loan agreements prohibit us from paying distributions or redeeming shares (except in cases of death or disability) until we repay the mezzanine loan in full and attain certain financial performance measures under the senior loan.

Our charter limits a person from owning more than 9.8% of our common stock without prior approval of our board of directors.

We will pay substantial fees and expenses to our advisor, its affiliates and participating broker/dealers, which payments increase the risk that you will not earn a profit on your investment. The fees payable to our advisor during our operational stage are not based on the performance of our investments.

Our advisor and its affiliates will face conflicts of interest relating to (1) allocating time among us and other programs sponsored by our sponsor, and (2) the compensation arrangements between affiliates of our advisor and other Wells programs which may incent our advisor and its affiliates to act other than in our best interest.

We are dependent upon our advisor and our dealer-manager to conduct our operations and this offering. Adverse changes in the financial health of our advisor or dealer-manager, or our relationship with them could cause our operations to suffer.

Our advisory agreement was not negotiated on an arm's-length basis and it is possible that an unaffiliated third party would provide similar services at a lower cost. Because our advisory agreement must be renewed on an annual basis, the fees and expenses that we pay to our advisor may be increased in future renewals.

We have not qualified as a REIT and may fail to meet the requirements to qualify as a REIT, which could require us to pay additional taxes and reduce our funds available to make distributions to our stockholders.

Our Advisor

We are advised by Wells TIMO, a Georgia limited liability company formed on July 12, 2006 for the purpose of serving as our advisor. Wells TIMO is a wholly-owned subsidiary of Wells Capital, Inc., our sponsor. We are a party to an advisory agreement with Wells TIMO under which Wells TIMO manages our daily affairs and makes recommendations to our board of directors on all property acquisitions. Jess E. Jarratt, Brian M. Davis, Troy A. Harris, John C. Iverson and Don L. Warden, as officers of our advisor, will make most of the decisions regarding which investments will be recommended for us. Our board of directors must approve or reject all proposed property acquisitions.

Our Sponsor

Our advisor is managed by and is a wholly owned subsidiary of our sponsor, Wells Capital, Inc., which we refer to as Wells Capital. Wells Capital was incorporated in Georgia on April 20, 1984. As of December 31, 2008, Wells Capital had sponsored or advised public real estate programs on an unspecified property, or blind pool basis, that have raised approximately \$11.2 billion of equity from approximately 271,000 investors. Some of our officers and directors are also officers and directors of Wells Capital.

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Our Corporate Structure

We expect to own substantially all of our properties and other investments through our operating partnership, Wells Timberland Operating Partnership, L.P., which we refer to as Wells Timberland OP or our operating partnership. Wells Timberland OP was formed in November 2005 to acquire properties on our behalf. We are the sole general partner of Wells Timberland OP and own approximately 99.99% of its common units. Wells TIMO is the sole limited partner of Wells Timberland OP and owns the remaining approximately 0.01% of the common units. As a result of this structure, we are considered an UPREIT, or Umbrella Partnership Real Estate Investment Trust.

The UPREIT structure is used because a contribution of property directly to a REIT is generally a taxable transaction to the contributing property owner. In an UPREIT structure, a seller of a property who desires to defer taxable gain on the sale of his property may transfer the property to the UPREIT in exchange for common units in the UPREIT and defer taxation of gain until the seller later sells his common units or causes our operating partnership to redeem his common units. Using an UPREIT structure may give us an advantage in acquiring desired properties from persons who may not otherwise sell their properties because of unfavorable tax results. At present, we have no plans to acquire any specific properties in exchange for common units of Wells Timberland OP.

Wells TIMO also owns 100 special units in Wells Timberland OP, representing 100% of this class of limited partnership interest. The special units entitle Wells TIMO to receive certain distributions and redemption payments described under Compensation of our Advisor and its Affiliates only in the event that certain performance-based conditions are satisfied at the time such amounts become payable. The special units do not entitle the holder to any of the rights of a holder of common units, including the right to regular distributions from operations.

Wells Timberland TRS, Inc. is a wholly owned subsidiary of Wells Timberland OP. We will elect to treat Wells Timberland TRS to be a taxable REIT subsidiary, or TRS, upon commencement of our REIT status. A TRS is a fully taxable corporation that may earn income that would not be qualifying REIT income if earned directly by us if we have elected to be taxed as a REIT. Our use of a TRS will enable us to engage in non-REIT qualifying business activities, such as the sale of higher and better use properties. We do not anticipate that a substantial portion, if any, of our income will be earned by our TRS.

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The following chart shows the relationship among us and our subsidiaries and the ownership structure of the Wells entities that perform important services for us.

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Conflicts of Interest

Wells TIMO, as our advisor, will experience conflicts of interest in connection with the management of our business affairs, including the following:

Wells TIMO and its affiliates will have to allocate their time between us and other real estate programs and activities in which they are involved;

Wells TIMO and its affiliates will receive fees regardless of the quality or performance of the investments acquired or the services provided to us;

The compensation arrangements between Wells TIMO and its affiliates and other Wells programs may incent our advisor and its affiliates to act other than in our best interest;

The advisory agreement between Wells TIMO and us was not negotiated on an arm's-length basis and it is possible that an unaffiliated third party would provide similar services at a lower cost; and

Because our advisory agreement must be renewed on an annual basis, the fees and expenses that we pay may be increased in future renewals.

All of our officers and one of our directors, Jess E. Jarratt, will also face these conflicts because of their affiliation with Wells Capital, Wells TIMO, Wells Real Estate Investment Trust II, Inc., which we refer to as Wells REIT II, and Wells Total Return REIT, Inc., which we refer to as Wells Total Return REIT. Wells Capital, Inc., the owner and manager of our advisor, serves as the advisor to Wells REIT II and as a subadvisor to Wells Total Return REIT. In addition, all of our officers serve as officers of Wells REIT II and Wells Total Return REIT, and one of our directors, E. Nelson Mills, who is one of our independent directors, also serves as a director of Wells REIT II. See the Conflicts of Interest section of this prospectus for a detailed discussion of the various conflicts of interest relating to your investment, as well as the procedures that we have established to mitigate a number of these potential conflicts.

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Wells TIMO and its affiliates will receive compensation and reimbursement for services relating to this offering and the investment and management of our assets. In addition, Wells TIMO has received partnership units in our operating partnership, Wells Timberland OP, constituting a separate series of partnership interests with special distribution and redemption rights, which we refer to as the special units. The most significant items of compensation, fees, expenses and other payments that we expect to pay to Wells TIMO and its affiliates are included in the table below. The selling commissions and dealer-manager fee may vary for different categories of purchasers. See Plan of Distribution. This table assumes the shares are sold through distribution channels associated with the highest possible selling commissions and dealer-manager fees and assumes a \$9.55 price for each share sold through our distribution reinvestment plan, which is the price at which the shares will be sold during this offering.

Type of Compensation	Determination of Amount	Estimated Amount for Maximum Offering (\$2,200,000,000)
	<i>Offering Stage</i>	
Selling Commissions	7% of gross offering proceeds from the primary offering; all selling commissions will be reallocated to participating broker/dealers.	\$140,000,000
Dealer-Manager Fee	Up to 1.8% of gross offering proceeds from the primary offering; a portion of the dealer-manager fee will be reallocated to participating broker/dealers.	\$36,000,000
Other Organization and Offering Expenses	Up to 1.2% of gross offering proceeds; however, if we raise the maximum offering amount, we expect that these other organization and offering expenses will not exceed 0.33% of our gross offering proceeds, or \$7,300,000. Wells TIMO will incur or pay our organization and offering expenses (excluding selling commissions and the dealer-manager fee). We will then reimburse Wells TIMO for these amounts up to 1.2% of gross offering proceeds from the primary offering. We will also reimburse Wells TIMO for certain expenses incurred by it in connection with offerings of common stock that are exempt from securities registration.	\$7,300,000
	<i>Operational Stage</i>	
Asset Management Fees	Monthly fee equal to one-twelfth of 1% of the greater of the cost or value of investments.	Actual amounts are dependent upon the total equity capital we raise, the amount of debt we incur and results of operations and therefore cannot be determined at this time.

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Type of Compensation	Determination of Amount	Estimated Amount for Maximum Offering
Other Operating Expenses	Reimbursement of our advisor's cost of providing services to us other than personnel costs relating to services for which our advisor earns real estate disposition fees.	(\$2,200,000,000) Actual amounts are dependent upon the results of our operations; we cannot determine these amounts at this time.

Liquidity Stage

Real Estate Disposition Fees	Up to 2% of the contract price for any property sold for \$20 million or less and up to 1% of the contract price for any property sold for more than \$20 million, in each case as determined by our board of directors (including a majority of our independent directors) based on market norms for the services provided.	Actual amounts are dependent upon the results of our operations; we cannot determine these amounts at this time.
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Special Units	Our advisor will be entitled to receive (1) 15% of specified distributions made upon the disposition of Wells Timberland OP's assets, and/or (2) a one time payment, in the form of a non-interest-bearing promissory note or shares of our common stock (as applicable), in conjunction with the redemption of the special units upon the occurrence of certain liquidity events or upon the occurrence of certain events that result in a termination or non-renewal of the advisory agreement, but in each case only after the holders of common units, including us, have received (or have been deemed to have received), in the aggregate, cumulative distributions equal to their capital contributions (less any amounts received in redemption of their common units) plus a 7% cumulative non-compounded annual pre-tax return on their net capital contributions.	Actual amounts are dependent upon the results of our operations; we cannot determine these amounts at this time.
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In the event that Wells TIMO receives a special unit redemption payment in connection with a listing, it will no longer be eligible to receive a special unit redemption payment upon termination or non-renewal of the advisory agreement or a special unit distribution in connection with the disposition of Wells Timberland OP's assets. Similarly, in the event that Wells TIMO receives a redemption payment in connection with the termination or non-renewal of the advisory agreement without cause, it will no longer be eligible to receive a

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special unit redemption payment upon listing or a special unit distribution in connection with the disposition of Wells Timberland OP's assets. The fees payable to our advisor during our operational stage are not based on the performance of our investments. See Management Compensation, The Operating Partnership Agreement, Plan of Distribution and Conflicts of Interest for a more detailed description of the fees and expenses payable to our advisor, our dealer-manager and their affiliates, and the conflicts of interest related to these arrangements.

Sources of Income

We seek to generate income primarily by selling to third parties the right to access our land and harvest our timber pursuant to supply agreements and through open market sales. We also anticipate generating revenue by leasing our timberland for certain activities such as extracting underground natural resources, pine straw collection, recreational uses and other land use rights. In addition, we will continually review our timberland portfolio to identify properties to sell that may have higher and better uses than as commercial timberland. We do not expect that our higher and better use property sales will generate a substantial portion of our revenue and income.

Board of Directors and Executive Officers

We currently have a five-member board of directors, four of whom are independent of our advisor. All of our officers are affiliated with our advisor, and one of our independent directors, E. Nelson Mills, serves on the board of one other program advised by Wells Capital, the owner of our advisor. Our charter requires that a majority of our directors be independent of our advisor. Our board of directors is responsible for reviewing the performance of our advisor and must approve other matters set forth in our charter. See Conflicts of Interest Certain Conflict Resolution Procedures. Our directors are elected annually by the stockholders. See Management Executive Officers and Directors for a description of the experience of each of our current executive officers and directors.

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QUESTIONS AND ANSWERS ABOUT THE OFFERING

What is a REIT?

In general, a real estate investment trust (or REIT) is a company that:

combines the capital of many investors to acquire or provide financing for real estate properties;

allows individual investors to invest in a large-scale diversified real estate portfolio through the purchase of interests, typically shares, in the REIT;

is required to pay distributions to investors of at least 90% of its annual REIT taxable income (computed without regard to the dividends paid deduction and excluding net capital gain); and

avoids the double taxation treatment of income that would normally result from investments in a corporation because a REIT does not generally pay federal corporate income taxes on the net income it distributes, provided certain income tax requirements are satisfied.

However, REITs are subject to numerous organizational and operational requirements. Upon our qualification as a REIT, if we subsequently fail to qualify for taxation as a REIT in any year, our income will be taxed at regular corporate rates, and we may be precluded from qualifying for treatment as a REIT for the four-year period following our failure to qualify. Even if we qualify as a REIT for federal income tax purposes, we may still be subject to state and local taxes on our income and property and to federal income and excise taxes on our undistributed income.

When will you become qualified as a REIT?

Pursuant to our charter, our board of directors has the authority to determine when and if it is in our best interest to elect to be taxed as a REIT. Our qualification as a REIT requires compliance with a number of tests imposed by the Internal Revenue Code, including requirements regarding our organization and ownership, the distribution of at least 90% of our ordinary taxable income to stockholders, and the nature and diversification of our income and assets. As a result of the structure of the acquisition of the Mahrt Timberland, we did not meet the requirements to qualify as a REIT for the taxable year ending December 31, 2008. In addition, we are restricted from making distributions to our stockholders until the mezzanine loan we obtained to finance a portion of the acquisition has been repaid in full and until we have attained certain financial performance measures under the senior loan. See *Timberland Investments Mahrt Timberland Financing*.

We expect that our board of directors will elect for us to qualify as a REIT commencing with the taxable year ending December 31, 2009. However, our ability to qualify as a REIT is subject to the satisfaction of certain organizational and operational requirements that we have not yet met but expect to meet before the end of such year. As a result, we cannot give any assurances that we will qualify to be taxed as a REIT for the year ending December 31, 2009, or if we do so qualify, that we will continue to qualify in future years. See *Federal Income Tax Considerations Requirements for Qualification*.

What will you do with the money raised in this offering?

We intend to use substantially all of the net proceeds from this offering and to acquire timberland properties in the timber-producing regions of the United States and to repay the senior loan and the mezzanine loan. Our portfolio also may include investments in timberland located in other countries. We will also use the net proceeds to pay fees to our advisor, including an asset management fee. Depending primarily upon the number of shares we sell in this offering and assuming a \$9.55 per share price for shares sold under our distribution reinvestment plan, we estimate for each share sold in this offering that between \$9.00 and \$9.09 per share will be available for

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our intended use of proceeds. We will use the remainder of the offering proceeds to pay the costs of the offering, including selling commissions and the dealer-manager fee. If in the future we pay cash distributions, we expect to use substantially all of the net offering proceeds from the sale of shares under our distribution reinvestment plan to repurchase our common stock pursuant to our share redemption plan.

Until we invest the proceeds of this offering in real estate assets, we may invest in short-term, highly liquid or other authorized investments. Such short-term investments will not earn as high a return as we expect to earn on our real estate investments, and we may not be able to invest the proceeds in real estate assets promptly.

What kind of offering is this?

We are offering up to \$2,200,000,000 of shares of common stock on a best efforts basis. We are offering up to \$2,000,000,000 of shares of our common stock in our primary offering at \$10.00 per share, with discounts available for certain categories of purchasers as described in Plan of Distribution below. We are also offering \$200,000,000 of shares of common stock under our distribution reinvestment plan at \$9.55 per share during the primary offering. We may reallocate the total number of shares we are offering between the primary offering and the distribution reinvestment plan.

How does a best efforts offering work?

When shares are offered on a best efforts basis, the broker/dealers participating in the offering are only required to use their best efforts to sell the shares and have no firm commitment or obligation to purchase any of the shares. Therefore, we may not sell all or any of the shares that we are offering.

How long will this offering last?

This is a continuous offering that will end no later than [____], 2011 (two years from the date of this prospectus) unless extended. If we extend this offering beyond [____], 2011, we will supplement this prospectus. We may continue to offer shares under our distribution reinvestment plan beyond that date and until we have sold the shares allocated pursuant to this offering for purchase pursuant to the plan. In some states, we may not be able to continue the offering for these periods without renewing the registration statement or filing a new registration statement. We may terminate this offering at any time.

Who can buy shares?

Generally, you can buy shares only pursuant to this prospectus if you have either (1) a net worth of at least \$70,000 and an annual gross income of at least \$70,000, or (2) a net worth of at least \$250,000. For this purpose, net worth does not include your home, home furnishings or automobiles. These minimum levels are higher in certain states, so you should carefully read the more detailed description under Suitability Standards on page i of this prospectus.

For whom is an investment in our shares recommended?

An investment in our shares may be appropriate for you if you meet the minimum suitability standards mentioned above, seek to diversify your personal portfolio with a real estate based investment, seek to preserve your capital contribution, seek to receive some current income through the payment of distributions, wish to obtain the benefits of potential long-term capital appreciation and are able to hold your investment for a time period consistent with our liquidity plans. We cannot guarantee that we will achieve any of these objectives.

Are there any special restrictions on the ownership or transfer of shares?

Yes. Our charter contains restrictions on the ownership of our shares that prevent any one person from owning more than 9.8% in value of the aggregate of our outstanding shares, or more than 9.8% (in value or in number of shares, whichever is more restrictive) of the aggregate of our outstanding common shares, unless

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exempted by our board of directors. See Description of Shares Restriction on Ownership of Shares. Our charter also limits your ability to transfer your shares to prospective stockholders unless the transfer complies with minimum purchase requirements, which are described at Plan of Distribution Minimum Purchase Requirements.

Are there any special considerations that apply to employee benefit plans subject to ERISA or other retirement plans that are investing in shares?

Yes. The section of this prospectus entitled ERISA Considerations describes the effect the purchase of shares will have on individual retirement accounts, retirement plans, and other benefit plans subject to the Employee Retirement Income Security Act of 1974, as amended (ERISA), or the Internal Revenue Code (Code). ERISA is a federal law that regulates the operation of certain tax-advantaged retirement plans. Any retirement plan trustee or individual considering purchasing shares for a retirement plan, individual retirement account, or other benefit plan should read this section of the prospectus very carefully.

In addition, governmental plans, foreign plans, and church plans generally are exempt from the requirements of ERISA and the Code. However, such plans may be subject to state, foreign, or other laws that impose fiduciary requirements similar to those of ERISA and the Code. Persons making an investment on behalf of a governmental, foreign or church plan should satisfy themselves that the investment is in accordance with the plan and applicable law.

Is there any minimum investment required?

Yes. For your initial purchase of our shares, you must generally invest at least \$5,000. Once you have satisfied the minimum purchase requirement, any additional purchases of our shares must be in amounts of at least \$100, except for additional purchases pursuant to our distribution reinvestment plan, which may be in lesser amounts.

How do I subscribe for shares?

If you choose to purchase shares in this offering, you will need to fill out a subscription agreement, like the one contained in this prospectus as Appendix A, for a specific number of shares and pay for the shares at the time you subscribe.

What are your exit strategies?

We presently intend to effect a transaction that will provide liquidity to all of our holders of common stock within five to seven years from the completion of our offering stage, which we will view as complete upon the termination of our last public equity offering prior to the listing of our shares on a national securities exchange. However, there can be no assurance that we will effect such a liquidity event within this period or at all. Our board of directors expects to make a preliminary determination regarding our liquidity event no later than five years after the completion of our offering stage. The board's decision regarding when and if we effect a liquidity event may include, but is not limited to:

listing our common stock on a national securities exchange; or

our sale or merger in a transaction that provides our stockholders with cash and/or securities of a publicly traded company.

In making the decision as to which exit strategy to pursue, our board of directors will try to determine which transaction would result in greater long-term value for our stockholders. We cannot determine at this time the circumstances, if any, under which our board of directors will determine to list our shares on a national securities

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exchange. However, if we do not list our shares of common stock on a national securities exchange by August 11, 201