

Wells Timber Real Estate Investment Trust, Inc.

Form S-11

November 10, 2005

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**As filed with the Securities and Exchange Commission on November 10, 2005**  
**Registration No. 333-**

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

**Form S-11**  
**REGISTRATION STATEMENT**  
**UNDER**  
**THE SECURITIES ACT OF 1933**

**Wells Timber Real Estate Investment Trust, Inc.**  
*(Exact name of registrant as specified in its governing instruments)*

**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 Timber Real Estate Investment Trust, 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**  
**Alston & Bird LLP**  
**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 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.

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.

**CALCULATION OF REGISTRATION FEE**

Title of Shares to be Registered	Amount to be Registered	Proposed Maximum Offering Price per Share	Proposed Maximum Aggregate Offering Price(1)	Amount of Registration Fee(2)
Primary Offering, Common Stock, \$.01 par value per share	75,000,000	\$10.00	\$750,000,000	\$88,275
Dividend Reinvestment Plan, Common Stock, \$.01 par value per share	10,000,000	9.55	95,500,000	11,241
Total, Common Stock, \$.01 par value per share	85,000,000		845,500,000	99,516

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

(2) Pursuant to Rule 457(p), \$81,304.50 of the registration fee has been offset by the registration fee previously paid by Wells Real Estate Investment Trust III, Inc. ( Wells REIT III ) in connection with filing of a registration statement on Form S-11 (File No. 333-107632) on August 4, 2003. The registrant has paid the remaining balance of \$18,211.50 in connection with this filing. Wells Capital, Inc., the registrant's parent company and sole stockholder, is the successor by merger to Wells REIT III.

**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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The 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.

**SUBJECT TO COMPLETION, DATED NOVEMBER 10, 2005**  
**WELLS TIMBER REAL ESTATE INVESTMENT TRUST, INC.**  
**Maximum Offering of 85,000,000 Shares of Common Stock**  
**Minimum Offering of 200,000 Shares of Common Stock**

Wells Timber Real Estate Investment Trust, Inc. is a newly organized Maryland corporation formed primarily for the purpose of acquiring timberland properties throughout the timber-producing regions of the United States and, to a lesser extent, in timber-producing regions outside the United States. We were incorporated in the State of Maryland in September 2005 and intend to qualify as a REIT under the Internal Revenue Code of 1986, as amended, beginning with the taxable year that will end December 31, 2006. Because we have not yet identified any specific properties to purchase, we are considered to be a blind pool.

We are offering up to 75,000,000 shares of common stock in our primary offering for \$10.00 per share, with volume discounts available to investors who purchase more than 50,000 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 10,000,000 shares to be issued pursuant to our dividend 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 dividend reinvestment plan.

**See Risk Factors beginning on page 15 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 no operating history, do not currently own any properties and have not identified any properties to acquire with the proceeds from this offering, which make our future performance and the performance of your investment difficult to predict.

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.

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

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.

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 advisor.

Our failure to qualify as a REIT for federal income tax purposes would limit our ability 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)
<b>Primary Offering</b>				
Per Share	\$ 10.00	\$ 0.70	\$ 0.18	\$ 9.12
Total Minimum	2,000,000	140,000	36,000	1,824,000
Total Maximum	\$ 750,000,000	\$ 52,500,000	\$ 13,500,000	\$ 684,000,000
<b>Dividend Reinvestment Plan</b>				
Per Share	9.55			9.55
Total Maximum	\$ 95,500,000	\$	\$	\$ 95,500,000

\* 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. We will not sell any shares unless we raise a minimum of \$2,000,000 of gross offering proceeds by \_\_\_\_\_, 2006 (one year from the date of this prospectus). Pending satisfaction of this condition, all subscription payments will be placed in an account held by the escrow agent, Wachovia Bank, National Association, in trust for the subscribers benefit, pending release to us. If we do not raise at least \$2,000,000 by \_\_\_\_\_, 2006, we will return all funds in the escrow account (including interest) and we will stop selling shares.

**WELLS INVESTMENT SECURITIES, INC.**

, 2005

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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 \$150,000; or

gross annual income of at least \$45,000 and a net worth of at least \$45,000.

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

**California, Iowa, Kansas, Michigan, Missouri and Tennessee** Investors must have either (1) a net worth of at least \$225,000, or (2) gross annual income of at least \$60,000 and a net worth of at least \$60,000.

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 Timber Real Estate Investment Trust, Inc.**

Wells Timber Real Estate Investment Trust, Inc. is a newly organized Maryland corporation formed for the purpose of acquiring timberland properties throughout 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 intend to generate a substantial majority of our revenue and income by selling to third parties the right to access our land and harvest our timber, primarily pursuant to supply agreements and through open market sales. We also anticipate generating revenue and income from selling timberland considered by third parties to have a higher and better use, leasing land-use rights, and permitting others to extract natural resources other than timber.

We were incorporated in the State of Maryland in September 2005 and intend to qualify as a real estate investment trust, or REIT, commencing with the taxable year ending December 31, 2006. We have no paid employees and are externally advised and managed by Wells Capital, Inc., which we refer to as our advisor.

**Investment Objectives**

Our primary investment objectives are:

to provide current income to you through the payment of cash dividends;

to preserve and return your capital contributions; and

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

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 no operating history, do not currently own any properties, and have not identified any 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.

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.

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.

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.

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

Our failure to qualify as a REIT for federal income tax purposes would limit our ability to make distributions to our stockholders.

**Our Advisor**

Wells Capital is our advisor. Wells Capital was incorporated in the State of Georgia in 1984. As of September 30, 2005, Wells Capital had sponsored or advised public real estate programs on an unspecified property, or blind pool basis, that had raised approximately \$7.2 billion from approximately 244,000 investors.

As our advisor, Wells Capital will manage our daily affairs and make recommendations on all property acquisitions to our board of directors. Leo F. Wells, III, Douglas P. Williams, Randall D. Fretz, Donald A. Miller and Robert E. Bowers, 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. Wells Capital will also provide asset management, marketing, investor relations and other administrative services on our behalf.

**Conflicts of Interest**

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

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

Wells Capital, Wells Investment Securities and its affiliates will also receive fees in connection with our public offerings of equity securities.

All of our officers and two of our directors will also face these conflicts because of their affiliation with Wells Capital. Wells Real Estate Investment Trust, Inc., which we refer to as Wells REIT I, and Wells Real Estate Investment Trust II, Inc., which we refer to as Wells REIT II, are separate REITs from us. However, Wells Capital, Inc., serves as our advisor as well as the advisor to Wells REIT I and Wells REIT II. In addition, all of our officers serve as officers of Wells REIT I and Wells REIT II, and two of our directors serve as directors of Wells REIT I and 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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The following chart shows the ownership structure of the various Wells entities that perform or are likely to perform important services for us.

**Compensation of the Advisor and its Affiliates**

Wells Capital 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 Capital has received partnership units in our operating partnership, Wells Timber Operating Partnership, L.P. (Wells Timber 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 Capital 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 dividend reinvestment plan, which is the price at which the shares will be sold during the primary offering.

Type of Compensation	Determination of Amount	Estimated Amount for Maximum Offering (85,000,000 Shares)
Selling Commissions	<p><i>Offering Stage</i> 7.0% of gross offering proceeds, except that no selling commissions are payable on shares sold under our dividend reinvestment plan; all selling commissions will be reallocated to participating broker/ dealers.</p>	\$52,500,000

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<b>Type of Compensation</b>	<b>Determination of Amount</b>	<b>Estimated Amount for Maximum Offering (85,000,000 Shares)</b>
Dealer-Manager Fee	Up to 1.8% of gross offering proceeds, except no dealer-manager fee will be charged for shares sold pursuant to our dividend reinvestment plan; a portion of the dealer-manager fee will be reallocated to participating broker/ dealers.	\$13,500,000
Other Organization and Offering Expenses	Up to 1.2% of gross offering proceeds for shares sold under our primary offering (no reimbursement will be made from proceeds of shares sold under our dividend reinvestment plan). Wells Capital will incur or pay our organization and offering expenses (excluding selling commissions and the dealer-manager fee). We will then reimburse Wells Capital for these amounts up to 1.2% of aggregate gross offering proceeds.	\$9,000,000
Asset Management Fees	<b>Operational Stage</b> Monthly fee equal to one-twelfth of 1.25% of the cost of investments.	Actual amounts are dependent upon the total equity capital we raise and the results of our operations; we cannot determine these amounts at this time.
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.	Actual amounts are dependent upon the results of our operations; we cannot determine these amounts at this time.
Real Estate Disposition Fees	<b>Liquidity Stage</b> Up to 2.0% of the contract price for any property sold for \$20.0 million or less and up to 1.0% of the contract price for any property sold for more than \$20.0 million, in each case as	Actual amounts are dependent upon the results of our operations; we cannot determine these amounts at this time.

determined by our board of directors (including a majority of our independent directors) based on market norms for the services provided.

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<b>Type of Compensation</b>	<b>Determination of Amount</b>	<b>Estimated Amount for Maximum Offering (85,000,000 Shares)</b>
Special Unit Distribution of Net Sales Proceeds	<p>If the net sales proceeds are sufficient to provide the common unit holders in Wells Timber OP, primarily us, in the aggregate, a return of net capital contributions plus a cumulative, noncompounded return of at least 7.0%, but less than 8.0%, per year, then a distribution of 10% of the net sales proceeds after return of net capital contributions plus distributions to the common unit holders in the aggregate of an amount equal to a 7.0% per year cumulative, noncompounded return on their invested capital shall be paid to the holder of the special units. If the net sales proceeds are sufficient to provide the common unit holders in Wells Timber OP, in the aggregate, a return of net capital contributions plus a cumulative, noncompounded return of at least 8.0% per year, then a distribution of 20% of the net sales proceeds after return of net capital contributions plus distributions to the common unit holders in the aggregate of an amount equal to an 8.0% per year cumulative, noncompounded return on their invested capital shall be paid to the holder of the special units. Following the distribution to us by Wells Timber OP of net sales proceeds, we will distribute the proceeds to our stockholders.</p>	<p>Actual amounts are dependent upon the results of our operations; we cannot determine these amounts at this time.</p>



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<b>Type of Compensation</b>	<b>Determination of Amount</b>	<b>Estimated Amount for Maximum Offering (85,000,000 Shares)</b>
Special Unit Redemption Payment Due Upon Listing (payable only if our shares are listed on a national securities exchange or our shares are included for quotation on a national market system)	Upon the listing of our shares on a national securities exchange or upon their quotation on a national market system, the special units will be redeemed for cash or shares of our common stock, at our election. If the market value of our outstanding common stock at listing plus the total distributions paid by Wells Timber OP to the common unit holders prior to listing exceeds the aggregate capital contributed by the common unit holders to Wells Timber OP plus the amount of cash flow necessary to generate in the aggregate a cumulative, noncompounded return equal to at least 7.0%, but less than 8.0%, per year, then the redemption payment will equal 10% of the amount by which (1) the market value of our outstanding common stock exceeds (2) the sum of the total capital contributed by us to Wells Timber OP and the amount of cash flow necessary to generate in the aggregate a 7.0% per year cumulative, noncompounded return.	Actual amounts are dependent upon the results of our operations; we cannot determine these amounts at this time.

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<b>Type of Compensation</b>	<b>Determination of Amount</b>	<b>Estimated Amount for Maximum Offering (85,000,000 Shares)</b>
	If the market value of our common stock at listing plus the total distributions paid by Wells Timber OP to the common unit holders prior to listing exceeds the aggregate capital contributed by the common unit holders to Wells Timber OP plus the amount of cash flow necessary to generate in the aggregate a cumulative, noncompounded return equal to at least 8.0% per year, then the redemption payment will equal 20% of the amount by which (1) the market value of our outstanding common stock exceeds (2) the sum of the total capital contributed by the common unit holders to Wells Timber OP and the amount of cash flow necessary to generate in the aggregate an 8.0% per year cumulative, noncompounded return.	

See Management Compensation, The Operating Partnership Agreement and Plan of Distribution for a more detailed description of the fees and expenses payable to our advisor, our dealer-manager and their affiliates.

**Description of Investments**

We currently do not own any properties. We expect to use substantially all of the net proceeds from this offering to acquire timberland properties throughout 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 may also invest in entities that own timberland, purchase other types of real estate investments and invest in ancillary businesses, provided that such other investments are consistent with the preservation of our status as a REIT. Because we have not yet identified any specific properties to purchase, we are considered to be a blind pool.

Our advisor will strive to diversify our portfolio by maturity of the growth stages of the forest. 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 diversify our portfolio of timberland properties by investing in joint ventures with entities that have complimentary investment objectives.

**The Timber Manager**

Our advisor intends to select an experienced, unaffiliated timber management company (which we refer to as the timber manager) to advise it with respect to selection of our investments, and to perform certain management services for our properties on behalf of our advisor. The timber manager will perform its duties pursuant to a contract with our

advisor. Our advisor will pay the timber manager all of the fees

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and reimbursement to which the timber manager is entitled under the contract. We will not be obligated to pay any fees or reimbursement to the timber manager.

**Sources of Income**

We intend to generate income by selling to third parties the right to access our land and harvest our timber primarily 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 (hunting, fishing, etc.) 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 expect that our higher and better use, or HBU, property sales will generate a portion of our revenue and income.

**Our Corporate Structure**

We expect to own substantially all of our properties and other investments through our operating partnership, Wells Timber OP. Wells Timber OP was formed in November 2005 to acquire properties on our behalf. We are the sole general partner of Wells Timber OP and own 99% of the common units. Wells Capital is the sole limited partner of Wells Timber OP and owns the remaining 1% of the common units in Wells Timber OP as well as all of the special units in Wells Timber OP. As a result of this structure, we are considered an UPREIT, which stands for Umbrella Partnership Real Estate Investment Trust.

The UPREIT structure is used because a sale of property directly to the REIT is generally a taxable transaction to the selling 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 or exchanges his UPREIT 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 units of Wells Timber OP.

**Board of Directors and Executive Officers**

Prior to effectiveness of the registration statement for the shares in this offering, we will have a five-member board of directors, three of whom will be independent of Wells Capital. All of our officers and two of our directors are affiliated with Wells Capital. Our charter, which requires that a majority of our directors be independent of Wells Capital, provides that our board may establish committees consisting of at least a majority of our independent directors. Our board of directors is responsible for reviewing the performance of Wells Capital 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.

Below is a short description of the background of each of our current executive officers and directors. See the Management Executive Officers and Directors section of this prospectus for a more detailed description of the experience of each of our officers and directors.

Name	Title	Experience
Leo F. Wells, III	President and Director	Founder of Wells Real Estate Funds and has been involved in real estate sales, management and brokerage services for over 30 years
Douglas P. Williams	Executive Vice President, Secretary, Treasurer and Director	Former accounting executive at OneSource, Inc., a supplier of janitorial and landscape services
Randall D. Fretz	Senior Vice President	Former President of U.S. and Canada operations for Larson-Juhl, a world leader in custom art and picture-framing home décor



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**QUESTIONS AND ANSWERS ABOUT THE OFFERING**

**What is a REIT?**

In general, a 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 dividends 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. If we 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.

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

We intend to use substantially all of the net proceeds from this offering to acquire timberland properties throughout the timber-producing regions of the United States. Our portfolio also may include investments in timberland located in other countries. 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 dividend reinvestment plan, we estimate for each share sold in this offering that between \$9.00 and \$9.11 per share will be available for our investments and the repurchase of shares under our proposed share redemption program. We will use the remainder of the offering proceeds to pay the costs of the offering, including selling commissions and the dealer-manager fee, and to pay a fee to our advisor for its services in connection with the selection, acquisition and management of properties. We expect to use substantially all of the net offering proceeds from the sale of shares under our dividend reinvestment plan to repurchase our common stock pursuant to our proposed share redemption program.

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 be not be able to invest the proceeds in real estate assets promptly.

**What kind of offering is this?**

We are offering up to 85,000,000 shares of common stock on a best efforts basis. We are offering up to 75,000,000 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 10,000,000 shares of common stock under our dividend 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 dividend 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.

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### **How long will this offering last?**

This offering will not last beyond \_\_\_\_\_, 2007 (two years from the date of this prospectus). However, we may continue to offer shares under our dividend 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?**

You can buy shares only pursuant to this prospectus if you have either (1) a net worth of at least \$45,000 and an annual gross income of at least \$45,000, or (2) a net worth of at least \$150,000. For this purpose, net worth does not include your home, home furnishings or personal automobiles. These minimum levels may be higher in certain states, so you should carefully read the more detailed description under Suitability Standards immediately following the cover page of this prospectus.

### **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 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 (i) they meet suitability standards regarding income or net worth, which is described t Suitability Standards immediately following the cover page of this prospectus, and (ii) 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 and retirement plans subject to the Employee Retirement Income Security Act of 1974, as amended (ERISA), and the Internal Revenue 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 or an individual retirement account should read this section of the prospectus very carefully.

### **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 dividend reinvestment plan. The minimum investment levels may be higher in certain states, so you should carefully read the more detailed description under Plan of Distribution Minimum Purchase Requirements.

### **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 happens if you do not raise a minimum of \$2,000,000 in this offering?**

We will not sell any shares unless we raise a minimum of \$2,000,000 of gross offering proceeds by \_\_\_\_\_, 2006 (one year from the date of this prospectus). Purchases by our directors, our officers, our

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advisor or their affiliates will not count toward meeting this minimum threshold. Also, because of the higher minimum offering requirement for Pennsylvania investors (described below), subscription payments made by Pennsylvania investors will not count toward the \$2,000,000 minimum offering for all other jurisdictions. Pending satisfaction of this condition, all subscription payments will be placed in an account held by the escrow agent, Wachovia Bank, National Association, in trust for subscribers benefit, pending release to us. If we do not raise a minimum of \$2,000,000 in this offering before \_\_\_\_\_, 2006, we will terminate the offering and stop selling shares. In such event, within 10 days after termination of the offering, the escrow agent will return your funds, including interest. Funds in escrow will be invested in short-term investments that mature in three months or less.

Notwithstanding our minimum offering of \$2,000,000 in gross offering proceeds, we will not sell any shares to Pennsylvania investors unless we raise a minimum of \$37,500,000 in gross offering proceeds (including sales made to residents of other jurisdictions). Pending satisfaction of this condition, all Pennsylvania subscription payments will be placed in an account held by the escrow agent, Wachovia Bank, National Association, in trust for Pennsylvania subscribers benefit, pending release to us. If we have not reached this \$37,500,000 threshold within 120 days of the date that we first accept a subscription payment from a Pennsylvania investor, we will, within 10 days of the end of that 120-day period, notify Pennsylvania investors in writing of their right to receive refunds, without interest. If you request a refund within 10 days of receiving that notice, we will arrange for the escrow agent to return promptly by check the funds deposited in the Pennsylvania escrow account (or to return your check if the escrow agent has not yet collected on it) to each subscriber. Amounts held in the Pennsylvania escrow account from Pennsylvania investors not requesting a refund will continue to be held for subsequent 120-day periods until we raise at least \$37,500,000 or until the end of the subsequent escrow periods. At the end of each subsequent escrow period, we will again notify you of your right to receive refunds with interest from the day after the expiration of the initial 120-day period.

**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 or their inclusion for quotation on a national market system. 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 including such shares for quotation on a national market system; or

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 exchange or include them for quotation on a national market system. However, if we do not list our shares of common stock on a national securities exchange or include them for quotation on a national market system by \_\_\_\_\_, 2017 (10 years from the currently anticipated date of completion of our offering stage), our charter requires that we either:

seek stockholder approval of an extension or amendment of this listing deadline; or

commence an orderly liquidation.

If our shares are not listed or included for quotation before \_\_\_\_\_, 2017, we are under no obligation to actually sell our portfolio within a specified period of time since the precise timing of the sale

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will depend upon real estate and financial markets, economic conditions of the areas in which the properties are located, and U.S. federal income tax effects on stockholders that may be applicable in the future. Furthermore, we cannot assure you that we will be able to liquidate our assets, and it should be noted that we will continue in existence until all of our assets are liquidated.

**If I buy shares in this offering, how may I later sell them?**

At the time you purchase the shares, they will not be listed for trading on a national securities exchange or included for quotation on a national market system or over-the-counter market. In fact, there will not be any public market for the shares when you purchase them, and we cannot be sure if one will ever develop. In addition, our charter imposes restrictions on the ownership of our common stock, which will apply to potential purchasers of your stock. As a result, you may find it difficult to find a buyer for your shares and realize a return on your investment. See Description of Shares Restriction on Ownership of Shares.

After you have held your shares for at least one year, you may be able to have your shares repurchased by us pursuant to our proposed share redemption plan. For at least the first 12 months following this offering, the redemption price would generally be \$9.10. (The terms of our proposed redemption plan may be more generous upon the death or qualifying disability of a stockholder.) We do not intend to implement the proposed share redemption plan during this or any other primary offering unless the Securities and Exchange Commission (SEC) grants us an exemption from its restrictions on issuers purchasing their securities during a distribution. Without this exemptive relief, the earliest that we could implement the proposed share redemption plan would be after the completion of our primary offering. Even if implemented, we could later amend or terminate the plan. See Description of Shares Proposed Share Redemption Plan.

We may return all or a portion of your capital contribution in connection with a sale of our company or the properties we will acquire. Alternatively, you may be able to obtain a return of all or a portion of your capital contribution in connection with the sale of your shares if we list our common stock on a national securities exchange or include our common stock for quotation on a national market system.

**If I buy shares, will I receive dividends and how often?**

To qualify as a REIT, we are required to make aggregate annual distributions to our stockholders of at least 90% of our REIT taxable income. Our REIT taxable income is computed without regard to the dividends paid deduction, excludes net capital gain, and does not necessarily equal net income as calculated in accordance with accounting principles generally accepted in the United States (GAAP). Except with respect to the first year following our acquisition of a timberland property, as a result of tax treatment provided to certain timber sale contracts under the Internal Revenue Code, substantially all of the income we generate from harvesting timber on that property will constitute net capital gain for federal tax purposes. Unlike most existing REITs, therefore, we do not anticipate, once we have held our timberland properties for more than one year, that the 90% distribution requirement applicable to REITs will require us to distribute any material amounts of cash in order to remain qualified as a REIT.

Notwithstanding the lack of any federal income tax requirement that we do so, we intend to make regular cash distributions to our stockholders typically on a quarterly basis. The actual amount and timing of distributions, if any, will be at the discretion of our board of directors and will depend upon a number of factors discussed in the section Dividend Policy and Distributions, including:

our actual results of operations;

the timing of the investment of the net proceeds of this offering; and

whether the income from our harvesting activities is ordinary income or capital gains.

Our board of directors may authorize distributions in excess of those required for us to maintain REIT status depending on our financial condition and such other factors as our board of directors deems relevant. We have not established a minimum distribution level.

**Table of Contents****How will you calculate the payment of dividends to stockholders?**

We expect to calculate our quarterly dividends based upon daily record dates so that investors may be entitled to dividends immediately upon purchasing our shares.

**May I reinvest my dividends in shares of Wells Timber REIT?**

Yes. You may participate in our dividend reinvestment plan by checking the appropriate box on your subscription agreement or by filling out an enrollment form we will provide to you at your request. The purchase price for shares purchased under this plan will be equal to (1) \$9.55 per share during this offering; (2) 95.5% of the offering price in any subsequent public equity offering during such offering; and (3) 95.5% of the most recent offering price for the first 12 months subsequent to the close of our last public equity offering prior to the listing of our shares on a national securities exchange or their inclusion for quotation on a national market system. After that 12-month period, we will publish a per share valuation determined by our advisor or another firm chosen for that purpose, and dividends will be reinvested at the price determined by the valuation process. This valuation may bear little relationship to, and will likely exceed, what you might receive for your shares if you tried to sell them or if we liquidated the portfolio. We will not pay any selling commissions or dealer-manager fees in connection with the sale of shares pursuant to our dividend reinvestment plan, and our advisor will not be entitled to any expense reimbursements from the proceeds of these sales.

We may terminate our dividend reinvestment plan at our discretion at any time upon 10 days prior written notice to you. For more information regarding the dividend reinvestment plan, see Description of Shares Dividend Reinvestment Plan.

**Will the dividends I receive be taxable as ordinary income?**

As a result of the tax treatment provided to certain timber sale contracts under the Internal Revenue Code, we expect that most of our income will be long-term capital gains, except income with respect to any timberland property in the first year following our acquisition of the property. We also expect that a significant portion of our distributions to our stockholders will be taxed at capital gains rates, which are currently lower for noncorporate U.S. taxpayers than the rates for ordinary income. The distributions that most REITs and corporations pay to their investors are typically treated as ordinary income for federal income tax purposes. Consequently, we believe that our business is particularly well-suited to the real estate investment trust, or REIT, structure, and intend to make an election to be taxed as a REIT under the Internal Revenue Code, commencing with our taxable year ending on December 31, 2006. The following chart shows the federal income tax advantages under current federal income tax laws for noncorporate U.S. stockholders of a timber REIT, versus a traditional corporation and traditional REIT:

	<b>Timber REIT</b>	<b>Traditional REIT</b>	<b>C Corporation</b>
Pre-Tax Cash Flow	\$ 100	\$ 100	\$ 100
Corporate Taxes*			35
Cash Available for Dividends	100	100	65
Taxes Paid by Stockholders*	15	35	10
Net Cash to Stockholders	\$ 85	\$ 65	\$ 55

\* Illustrates distributions of income from timber-cutting contracts for timberland properties held more than one year and assumes (1) a 35% corporate tax rate, a 35% ordinary income tax rate for individuals and a 15% capital gains and qualified dividend income tax rate for individuals; (2) that our cash flow will equal our taxable income; (3) that our distributions qualify as dividends for federal income tax purposes and not as a return of capital; and (4) that no foreign, state or local taxes apply. The 15% rates for capital gains and qualified dividend income will apply only

through 2008 unless legislation extending the favorable rates is enacted.

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See **Federal Income Tax Considerations** for a more detailed discussion of the federal tax considerations related to an investment in our common stock.

**Will I be notified of how the company and my investment are performing?**

Yes, we will provide you with periodic updates on the performance of our company and your investment in us, including:

Four quarterly investor statements, which will generally include a summary of the amount you have invested, the quarterly dividends declared, and the amount of dividends reinvested under our dividend reinvestment plan, if applicable;

An annual report; and

An annual IRS Form 1099-DIV, if required.

We will provide this information to you via U.S. mail or courier. However, with your permission, we may furnish this information to you by electronic delivery, including, with respect to our annual report, by notice of the posting of our annual report on our affiliated Web site, which is [www.wellsref.com](http://www.wellsref.com). We also will include on this Web site access to our quarterly reports on Form 10-Q, our current reports on Form 8-K, our proxy statement and other filings we make with the SEC, which filings will provide you with periodic updates on our company's performance and the performance of your investment.

**When will I get my detailed tax information?**

Your Form 1099-DIV tax information, if required, will be mailed by January 31 of each year.

**Who can help answer my questions?**

If you have more questions about the offering, or if you would like additional copies of this prospectus, you should contact your registered representative or contact our dealer-manager:

Client Services Department  
Wells Investment Securities, Inc.  
6200 The Corners Parkway  
Norcross, Georgia 30092-3365  
Telephone: (800) 557-4830 or (770) 243-8282  
Fax: (770) 243-8198  
E-mail: [clientservices@wellsref.com](mailto:clientservices@wellsref.com)

One of our affiliates also maintains an Internet site at [www.wellsref.com](http://www.wellsref.com) at which there is additional information about us and our affiliates. The contents of that site are not incorporated by reference in, or otherwise a part of, this prospectus.

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**RISK FACTORS**

*An investment in our common stock involves various risks and uncertainties. You should carefully consider the following risk factors in conjunction with the other information contained in this prospectus before purchasing our common stock. The risks and uncertainties described below are not the only ones we face but do represent those risks and uncertainties that we believe are material to our business, operating results, prospects and financial condition. Additional risks and uncertainties not presently known to us or that we currently deem immaterial also may harm our business.*

**Risks Related to Investing in this Offering**

***There is no public trading market for your shares; therefore, it will be difficult for you to sell your shares.***

There is no current public trading market for our shares and we have no current plans to apply for listing or quotation on any public securities market. Our charter also prohibits the ownership of more than 9.8% in value 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 exempted by our board of directors, which may inhibit large investors from desiring to purchase your shares. Moreover, our proposed share redemption plan will not become effective until the earlier of (1) the completion of this primary offering, which may last until \_\_\_\_\_, 2007 (two years from the date of this prospectus), or (2) the receipt by us of SEC exemptive relief from rules restricting issuer purchases during the period in which the issuer is engaged in a distribution of its shares, which relief we may not be able to obtain. Even when one of these conditions is met, our board of directors could change the terms of the plan prior to its implementation. Our board also is free to amend or terminate the plan upon 30 days' notice after its implementation. In addition, the proposed share redemption plan includes numerous restrictions that would limit your ability to sell your shares. We describe these restrictions in detail under "Description of Shares - Proposed Share Redemption Plan." Therefore, it will be difficult for you to sell your shares promptly or at all. If you are able to sell your shares, you would likely have to sell them at a substantial discount to their public offering price. It is also likely that your shares would not be accepted as the primary collateral for a loan. You should purchase our shares only as a long-term investment because of the illiquid nature of the shares.

***If we are unable to find suitable investments, we may not be able to achieve our investment objectives or pay dividends.***

While we are investing the proceeds of this offering, the continuing high demand for the type of properties we desire to acquire may cause our dividend and the long-term returns of our investors to be lower than they otherwise would. We believe the current market for timberland properties is extremely competitive. We will be competing for these timberland investments with other REITs; forestry products companies; real estate limited partnerships; pension funds and their advisors; bank and insurance company investment accounts; individuals; and other entities. Many of our competitors have greater financial resources, and a greater ability to borrow funds to acquire properties, than we do. The greater the number of entities and resources competing for timberland properties, the higher the acquisition prices of these properties will be, which could reduce our profitability and our ability to pay dividends to you. We cannot be sure that our advisor, working with our timber manager, will be successful in obtaining suitable investments on financially attractive terms or that, if our advisor makes investments on our behalf, our objectives will be achieved. The more money we raise in this offering, the greater will be our challenge to invest all of the net offering proceeds on attractive terms. If we, through our advisor and our timber manager, are unable to find suitable investments in properties promptly, we will hold the proceeds from this offering in an interest-bearing account or invest the proceeds in short-term, investment-grade investments and may, ultimately, liquidate. Delays we encounter in the selection and acquisition of properties would likely limit our ability to pay dividends to our stockholders and reduce our stockholders' overall returns.

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***We have not yet identified any of the properties that we will purchase with the proceeds of this offering, which makes your investment more speculative.***

We have not yet identified any of the investments that we will make with the proceeds of this offering. Our ability to identify well-performing properties and achieve our investment objectives depends upon the performance of our advisor and our timber manager in the acquisition of our investments and the determination of any financing arrangements. The large size of this offering increases the challenges that our advisor and timber manager will face in investing our net offering proceeds promptly in attractive properties, and the continuing high demand for the type of properties we desire to purchase increases the risk that we may pay too much for the properties that we do purchase. Because of the illiquid nature of our shares, even if we disclose information about our potential investments before we make them, it will be difficult for you to sell your shares promptly or at all.

***If we are unable to raise substantial funds, we will be limited in the number and type of investments we may make, and the value of your investment in us will fluctuate with the performance of the specific properties we acquire.***

This offering is being made on a best efforts basis, whereby the brokers participating in the offering are only required to use their best efforts to sell our shares and have no firm commitment or obligation to purchase any of the shares. As a result, the amount of proceeds we raise in this offering may be substantially less than the amount we would need to achieve a broadly diversified timberland property portfolio. We may be unable to sell even the minimum number of shares. If we are unable to raise substantially more than the minimum offering amount, we will make fewer investments resulting in less diversification in terms of the number of investments owned, the geographic regions in which our properties are located, and the species and age of the timber located on those properties. In that case, the likelihood that any single property's performance would adversely affect our profitability will increase. Additionally, we are not limited in the number or size of our properties or the percentage of net proceeds we may dedicate to a single property. Your investment in our shares will be subject to greater risk to the extent that we lack a diversified portfolio of timberland properties.

***We have no operating history, which makes our future performance and the performance of your investment difficult to predict.***

We have no operating history. We were incorporated in September 2005, and as of the date of this prospectus, we have not made any investments in timberland or otherwise. You should not rely upon the past performance of other Wells-sponsored real estate programs. Such past performance was not related to the ownership of timberland property and would not predict our future results. Our lack of operating history significantly increases the risk and uncertainty you face in making an investment in our shares.

***Our advisor does not have any substantial experience acquiring, owning and managing timberland.***

We are externally advised and managed by our advisor, Wells Capital. Prior to this offering, neither Wells Capital nor any of its officers has had any substantial experience acquiring, owning or managing timberland properties. Although our advisor has experience acquiring and managing a variety of other types of commercial real estate, timberland investments present unique acquisition, ownership and management challenges and opportunities. As a result, we must rely on our timber manager, who has not yet been selected, for timberland investment and management expertise. The ownership of timberland properties involves risks not present in commercial property ownership generally, as described in the risk factors below. You should be cautious when considering our advisor's prior performance in evaluating the ability of our advisor to successfully execute our business plan, and, when selected, should carefully evaluate our timber manager's capabilities in this regard and the nature of its contractual relationship with our advisor. Our lack of experience in acquiring and owning timberland properties may materially adversely affect our financial condition, operating results and ability to make distributions to our stockholders.

**Table of Contents*****We expect our real estate investments to be concentrated in timberland properties, making us more vulnerable economically than if our investments were diversified.***

We expect to qualify as a REIT, and, accordingly, as a REIT, we will invest primarily in real estate. Within the real estate industry, we intend to acquire and own timberland properties. We are subject to risks inherent in concentrating investments in real estate. The risks resulting from a lack of diversification become even greater as a result of our current business strategy to invest primarily, if not exclusively, in timberland properties. A downturn in the real estate industry generally or the timber or forest products industries specifically could materially affect the value of our properties. A downturn in the timber or forest products industries also could negatively affect our customers' ability to make payments to us and, consequently, our ability to meet debt service obligations or make distributions to our stockholders. The risks we face may be more pronounced than if we diversified our investments outside real estate or outside timberland properties and could materially adversely affect our financial condition, operating results and ability to make distributions to our stockholders.

***Our cash dividends are not guaranteed and may fluctuate.***

REITs are required to distribute 90% of their net taxable REIT ordinary income. However, unlike ordinary income such as rent, the Internal Revenue Code does not require REITs to distribute capital gains income. Accordingly, except with respect to income generated from a timberland property during the first year following our acquisition of that property, we do not believe that the Internal Revenue Code will require us to distribute any material amounts of cash to maintain our REIT status, given that we expect the majority of our income to come from timber sales and generally to be treated as a capital gain. Nevertheless, we intend to pay regular cash distributions to our stockholders, typically on a quarterly basis. The actual amount and timing of distributions will be determined by our board of directors in its discretion and typically will depend upon the amount of funds available for distribution, which will depend on items such as current and projected cash requirements and tax considerations. As a result, our distribution rate and payment frequency may vary from time to time. Our long-term strategy is to fund the payment of quarterly distributions to our stockholders entirely from our funds from operations. However, during the early stages of our operations, we may need to borrow funds to make cash distributions. In the event that we are unable to consistently fund quarterly distributions to stockholders entirely from our funds from operations, the value of your shares upon the possible listing of our stock, the sale of our assets or any other liquidity event may be adversely impacted. Further, if the aggregate amount of cash distributed in any given year exceeds the amount of our REIT taxable income generated during the year, the excess amount will be deemed a return of capital.

***Our loss of or inability to obtain key personnel could delay or hinder implementation of our investment strategies, which could limit our ability to make distributions and decrease the value of your investment.***

Our success depends to a significant degree upon the contributions of Leo F. Wells, III, Douglas P. Williams and Randall D. Fretz, each of whom would be difficult to replace. We do not have employment agreements with Messrs. Wells, Williams or Fretz, and we cannot guarantee that such persons will remain affiliated with us. Although Messrs. Wells, Williams and Fretz have entered into employment agreements with Wells Capital, these agreements are terminable at will by either party; thus, such persons may not remain affiliated with Wells Capital or us. If any of our key personnel were to cease their affiliation with us, we may be unable to find suitable replacement personnel, and our operating results could suffer. We do not intend to maintain key-person life insurance on any person. We believe that our future success depends, in large part, upon our advisors and our timber manager's ability to hire and retain highly skilled managerial, operational and marketing personnel. Competition for such personnel is intense, and our advisor and any timber manager we retain may be unsuccessful in attracting and retaining such skilled personnel. Further, we intend to establish strategic relationships with firms that have special expertise in certain services or as to real properties in certain geographic regions. Maintaining such relationships will be important for us to effectively compete with other investors for properties in such regions. We may be unsuccessful in attracting and retaining such relationships. If we lose or are unable to obtain the services

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of highly skilled personnel or do not establish or maintain appropriate strategic relationships, our ability to implement our investment strategies could be delayed or hindered, and the value of your investment may decline.

***Our operating performance could suffer if Wells Capital incurs significant losses, including those losses that may result from being the general partner of other entities.***

We are dependent on Wells Capital, our advisor, to manage the activities of our timber manager, select our investments and conduct our operations; thus, adverse changes in the financial health of Wells Capital or our relationship with Wells Capital could hinder its ability to successfully manage our operations and our portfolio of investments. As a general partner to many Wells-sponsored programs, Wells Capital may have contingent liability for the obligations of such partnerships. Enforcement of such obligations against Wells Capital could result in a substantial reduction of its net worth. If such liabilities affected the level of services that Wells Capital could provide, our operations and financial performance could suffer as well, which would limit our ability to make distributions and decrease the value of your investment.

***Our rights and the rights of our stockholders to recover claims against our independent directors are limited, which could reduce your and our recovery against them if they negligently cause us to incur losses.***

Maryland law provides that a director has no liability in that capacity if he performs his duties in good faith, in a manner he reasonably believes to be in our best interests and with the care that an ordinarily prudent person in a like position would use under similar circumstances. Our charter provides generally that no independent director will be liable to us or our stockholders for monetary damages and that we will indemnify them for losses unless they are grossly negligent or engage in willful misconduct. As a result, you and we may have more limited rights against our independent directors than might otherwise exist under common law, which could reduce your and our recovery from these persons if they act in a negligent manner. In addition, we may be obligated to fund the defense costs incurred by our independent directors (as well as by our other directors, officers, employees and agents) in some cases, which would decrease the cash otherwise available for distribution to you.

**Risks Related to Conflicts of Interest**

***Wells Capital, its affiliates and our officers will face competing demands on their time, and this may cause our operations and your investment to suffer.***

We rely on Wells Capital and its affiliates for the day-to-day operation of our business. Wells Capital and its affiliates, including our officers, have interests in other Wells programs and engage in other business activities. As a result, they will have conflicts of interest in allocating their time among us and other Wells programs and activities in which they are involved. During times of intense activity in other programs and ventures, they may devote less time and fewer resources to our business than are necessary or appropriate to manage our business. If this occurs, the returns on our investments, and the value of your investment, may decline.

***Our officers and some of our directors face conflicts of interest related to the positions they hold with Wells Capital and its affiliates, which could hinder our ability to successfully implement our business strategy and to generate returns to you.***

Our executive officers and some of our directors are also officers and directors of our advisor, our dealer-manager and other affiliated entities. As a result, they owe fiduciary duties to these various entities and their stockholders and limited partners, which fiduciary duties may from time to time conflict with the fiduciary duties that they owe to us and our stockholders. Their loyalties to these other entities could result in actions or inactions that are detrimental to our business, which could hinder the implementation of our business strategy and our investment and operational opportunities. If we do not successfully implement

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our business strategy, we may be unable to generate the cash needed to make distributions to you and to maintain or increase the value of our assets.

***Wells Capital and its affiliates, including our officers and some of our directors, will face conflicts of interest caused by compensation arrangements with us and other Wells-sponsored programs, which could result in actions that are not in the long-term best interests of our stockholders.***

Wells Capital and its affiliates will receive substantial fees from us. These fees could influence our advisor's advice to us, as well as the judgment of the affiliates of Wells Capital who serve as our officers or directors. Among other matters, the compensation arrangements could affect their judgment with respect to:

the continuation, renewal or enforcement of our agreements with Wells Capital and its affiliates, including the advisory agreement and the dealer-manager agreement;

public offerings of equity by us, which entitle Wells Investment Securities to dealer-manager fees and entitle Wells Capital to increased asset management fees;

property sales, which entitle Wells Capital to real estate commissions and possible success-based sale fees;

property acquisitions from third parties, which utilize proceeds from our public offerings, thereby increasing the likelihood of continued equity offerings and related fee income for Wells Investment Securities and Wells Capital;

whether and when we seek to list our common stock on a national securities exchange or a national market system, which listing could entitle Wells Capital to a success-based listing fee but could also hinder its sales efforts for other programs if the price at which our shares trade is lower than the price at which we offered shares to the public; and

whether and when we seek to sell the company or our assets, which sale could entitle Wells Capital to a success-based payment from Wells Timber OP but could also hinder its sales efforts for other programs if the sales price for the company or its assets results in proceeds less than the amount needed to preserve our stockholders' capital.

Wells Capital will have considerable discretion with respect to the terms and timing of acquisition and disposition transactions. Considerations relating to its compensation from other programs could result in decisions that are not in the best interests of our stockholders, which could hurt our ability to pay you dividends or result in a decline in the value of your investment.

**Risks Related to This Offering and Our Corporate Structure**

***Our charter limits the number of shares a person may own, which may discourage a takeover that could otherwise result in a premium price to our stockholders.***

Our charter, with certain exceptions, authorizes our directors to take such actions as are necessary and desirable to preserve our qualification as a REIT. Unless exempted by our board of directors, no person may own 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. This restriction may have the effect of delaying, deferring or preventing a change in control of our company, including an extraordinary transaction (such as a merger, tender offer or sale of all or substantially all of our assets) that might provide a premium price for holders of our common stock.

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***Our charter permits our board of directors to issue stock with terms that may subordinate the rights of our common stockholders or discourage a third party from acquiring our company in a manner that could result in a premium price to our stockholders.***

Our board of directors may classify or reclassify any unissued common stock or preferred stock and establish the preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends and other distributions, qualifications, and terms or conditions of redemption of any such stock. Thus, our board of directors could authorize the issuance of preferred stock with terms and conditions that could have priority as to distributions and amounts payable upon liquidation over the rights of the holders of our common stock. Such preferred stock could also have the effect of delaying, deferring or preventing a change in control of our company, including an extraordinary transaction (such as a merger, tender offer or sale of all or substantially all of our assets) that might provide a premium price to holders of our common stock.

***Your investment return may be reduced if we are required to register as an investment company under the Investment Company Act; if we become an unregistered investment company, we could not continue our business.***

We do not intend to register as an investment company under the Investment Company Act of 1940, as amended. If we were obligated to register as an investment company, we would have to comply with a variety of substantive requirements under the Investment Company Act that impose, among other things:

limitations on capital structure;

restrictions on specified investments;

prohibitions on transactions with affiliates; and

compliance with reporting, record-keeping, voting, proxy disclosure and other rules and regulations that would significantly increase our operating expenses.

In order to maintain our exemption from regulation under the Investment Company Act, we must engage primarily in the business of buying real estate. If we are unable to invest a significant portion of the proceeds of this offering in properties, we may avoid being required to register as an investment company by temporarily investing any unused proceeds in government securities with low returns. This would reduce the cash available for distribution to investors and possibly lower your returns.

To maintain compliance with the Investment Company Act exemption, we may be unable to sell assets we would otherwise want to sell and may need to sell assets we would otherwise wish to retain. In addition, we may have to acquire additional income- or loss-generating assets that we might not otherwise have acquired or may have to forego opportunities to acquire interests in companies that we would otherwise want to acquire and which would be important to our investment strategy. If we were required to register as an investment company but failed to do so, we would be prohibited from engaging in our business, and criminal and civil actions could be brought against us. In addition, our contracts would be unenforceable unless a court required enforcement, and a court could appoint a receiver to take control of us and liquidate our business.

***You will have limited control over changes in our policies and operations, which increases the uncertainty and risks you face as a stockholder.***

Our board of directors determines our major policies, including our policies regarding financing, growth, debt capitalization, REIT qualification and distributions. Our board of directors may amend or revise these and other policies without a vote of the stockholders. Under the Maryland General Corporation Law and our charter, our stockholders have a right to vote only on limited matters. Our board's broad discretion in setting policies and our stockholders' inability to exert control over those policies increases the uncertainty and risks you face as a stockholder.

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***You may not be able to sell your shares under the proposed share redemption plan and, if you are able to sell your shares under the plan, you may not be able to recover the amount of your investment in our shares.***

Our proposed share redemption plan will not become effective until the earlier of (1) the completion of this primary offering, which may last until \_\_\_\_\_, 2007, or (2) the receipt by us of SEC exemptive relief from rules restricting issuer purchases during the period in which the issuer is engaged in distributions, which relief we may never obtain. Even when one of these conditions is met, our board of directors could change the terms of the plan without stockholder approval. Our board would also be free to amend or terminate the plan upon 30 days' notice. In addition, the proposed share redemption plan includes numerous restrictions that would limit your ability to sell your shares.

Generally, you would have to have held your shares for at least one year in order to participate in our proposed share redemption plan. We would limit the number of shares redeemed pursuant to our proposed share redemption plan as follows: (1) during any calendar year, we would not redeem in excess of 5% of the weighted-average number of shares outstanding during the prior calendar year; and (2) we may not redeem shares on any redemption date to the extent that such redemptions would cause the amount paid for redemptions (other than those following an investor's death or qualifying disability) since the beginning of the then-current calendar year to exceed the sum of (x) the net proceeds from the sale of shares under our dividend reinvestment plan during such period and (y) any additional amounts reserved for such purpose by our board of directors. These limits might prevent us from accommodating all redemption requests made in any year. For the first 12 months following this offering, we would repurchase shares under the proposed share redemption plan at a per share price of \$9.10. During any subsequent public offering of common stock, shares would be redeemed at a per share price equal to 91% of the per share price in such subsequent offering. After 12 months subsequent to the close of our last public offering of common stock prior to the listing of our shares on a national securities exchange or their inclusion for quotation on a national market system, we would publish a per share valuation determined by our advisor or another firm chosen for that purpose, and shares would be redeemed at a price equal to 91% of the per share value set through such valuation process. These restrictions would severely limit your ability to sell your shares should you require liquidity and would limit your ability to recover the value you invested. See "Description of Shares - Proposed Share Redemption Plan" for more information about the proposed share redemption plan.

***The offering price was not established on an independent basis; the actual value of your investment may be substantially less than what you pay.***

The offering price of the shares bears no relationship to our book or asset values or to any other established criteria for valuing shares. The board of directors considered the following factors in determining the offering price:  
the range of offering prices of comparable unlisted REITs; and

the recommendation of our dealer-manager.

Because the offering price is not based upon any independent valuation, the offering price may not be indicative of the proceeds that you would receive upon liquidation. Further, the offering price may be significantly more than the price at which the shares would trade if they were to be listed on an exchange or actively traded by broker/ dealers.

***Because the dealer-manager is one of our affiliates, you will not have the benefit of an independent review of our company or the prospectus customarily undertaken in underwritten offerings; the absence of an independent due diligence review increases the risks and uncertainty you face as a stockholder.***

The dealer-manager, Wells Investment Securities, is one of our affiliates and will not make an independent review of our company or the offering. Accordingly, you do not have the benefit of an independent review of the terms of this offering. Further, the due diligence investigation of our company

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by the dealer-manager cannot be considered to be an independent review and, therefore, may not be as meaningful as a review conducted by an unaffiliated broker/ dealer.

***Your interest in us will be diluted if we issue additional shares, which could reduce the overall value of your investment.***

Potential investors in this offering do not have preemptive rights to any shares we issue in the future. Our charter authorizes us to issue one billion shares of stock, of which 900 million shares are designated as common stock and 100 million are designated as preferred stock. Our board of directors may amend our charter to increase the number of authorized shares of stock without stockholder approval. After your purchase in this offering, our board may elect to (1) sell additional shares in this or future public offerings; (2) issue equity interests in private offerings; (3) issue shares of our common stock upon the exercise of the options we may grant to our independent directors or to Wells Capital employees; (4) issue shares to our advisor, its successors or assigns, in payment of an outstanding fee obligation; or (5) issue shares of our common stock to sellers of properties we acquire in connection with an exchange of limited partnership interests of Wells Timber OP. To the extent we issue additional equity interests after your purchase in this offering, your percentage ownership interest in us will be diluted. Further, depending upon the terms of such transactions, most notably the offering price per share, which may be less than the price paid per share in any offering under this prospectus, and the value of our properties, existing stockholders also may experience a dilution in the book value of their investment in us.

***Payment of fees to Wells Capital and its affiliates will reduce cash available for investment and distribution and increases the risk that you will not be able to recover the amount of your investment in our shares.***

Wells Capital and its affiliates will perform services for us in connection with the offer and sale of our shares, the selection and acquisition of our investments, the management of our properties and the administration of our other investments. We will pay Wells Capital and its affiliates substantial fees for these services, a portion of which Wells Capital will pay to our timber manager for the services that Wells Capital has delegated to the timber manager pursuant to its timber management contract. Payment of these fees will result in immediate dilution to the value of your investment and will reduce the amount of cash available for investment in properties or distribution to stockholders. As a result of these substantial fees, we expect that for each share sold in this offering no more than \$9.11 per share will be available for the purchase of properties, depending primarily upon the number of shares we sell and assuming all shares sold under our dividend reinvestment plan are sold for \$9.55 per share. Wells Capital, as the holder of the special units, also may be entitled to receive a distribution upon the sale of our properties and/or a payment in connection with the redemption of the special units upon the earlier to occur of specified events, including the listing of our shares on a national securities exchange, the quotation of our shares on a national market system, or the termination of the advisory agreement. See Management Compensation. These payments to Wells Capital increase the risk that the amount available for distribution to stockholders upon a liquidation of our portfolio would be less than the purchase price of the shares in this offering. Substantial up-front fees also increase the risk that you will not be able to resell your shares at a profit, even if our shares are listed on a national securities exchange or quoted on a national market system.

***You may be more likely to sustain a loss on your investment because our sponsor does not have as strong an economic incentive to avoid losses as do sponsors who have made more significant equity investments in their company.***

As of November 10, 2005, our sponsor had invested approximately \$203,000 in us, primarily by our advisor purchasing (1) 20,000 shares of our common stock at a price of \$10.00 per share; (2) 200 common units in Wells Timber OP at \$10.00 per unit; and (3) 100 special units in Wells Timber OP at \$10.00 per unit. If we are successful in raising enough proceeds to be able to reimburse our sponsor for the significant organization and offering expenses of this offering, our sponsor has little exposure to loss.

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Without this exposure, our investors may be at a greater risk of loss because our sponsor does not have as much to lose from a decrease in the value of our shares as do those sponsors who make more significant equity investments in the companies they organize.

**Risks Related to Investments in Timberland**

***Following the acquisition of timberland properties, a substantial amount of our revenues will depend on our supply agreements with loggers, sawmills and forest products companies, and these contracts may preclude us from taking advantage of market opportunities.***

Following the acquisition of timberland properties using the net proceeds of this offering, we expect that we will receive a substantial amount of our revenue from the sale of our timber to loggers, local sawmills and forest products companies under supply agreements we enter into with these parties. We intend to use supply agreements that generally are standard for the timber industry. These contracts will generally provide for harvesting of our timber in an agreed-upon volume at a fixed price, and generally will not be terminable by either party during the term of the agreement. The term of these agreements can range from a period of months to a period of several years. As such, we may not be able to quickly take advantage of increases in the price of logs or wood products with respect to the timberland properties to which these contracts apply. Our inability to promptly respond to changing market conditions could materially adversely affect our financial condition, operating results and ability to make distributions to our stockholders.

***We will be subject to the credit risk of our anticipated customers. The failure of any of our anticipated customers to make payments due to us under our supply agreements could materially adversely affect our financial condition, operating results and ability to make distributions to our stockholders.***

We anticipate that our customers will range in credit quality from high to low. We will assume the full credit risk of these parties, as we will have no payment guarantees under the contract or insurance if one of these parties fails to make payments to us. While we intend to acquire timberland properties in well-developed and active timber markets with access to numerous customers, we may not be successful in this endeavor. Depending upon the location of the timberland properties we acquire and the supply agreements we enter into, our supply agreements may be concentrated among a small number of customers. Even though we may have legal recourse under our contracts, we may not have any practical recourse to recover payments from some of our customers if they default on their obligations to us. Any bankruptcy or insolvency of our customers, or failure or delay by these parties to make payments to us under our agreements, may materially adversely affect our financial condition, operating results and ability to make distributions to our stockholders.

***Our business will depend in part on the health and strength of the milling and manufacturing markets that our timberlands serve, and any downturns in those markets could materially adversely affect our financial condition, operating results and ability to make distributions to our stockholders.***

Our business will depend significantly on the health and strength of the milling and manufacturing markets that our timberlands serve. Because high transportation costs limit the distance we can cost-effectively transport timber from our anticipated timberlands, our financial condition, operating results and ability to make distributions to our stockholders could be materially adversely affected if the mills or manufacturing operations that our targeted timberlands serve close, or if milling markets shift away from the locations of our timberlands.

***Changes in demand for higher and better use property may affect our anticipated land sale revenues.***

We anticipate that we will sell portions of our timberland property base from time to time in the event that we determine that certain properties have become more valuable for development, recreation or conservation than for growing timber, i.e., higher and better use property. A number of factors, including a slow-down in commercial or residential real estate development or a reduction in the availability of public

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funding for conservation projects, could reduce the demand for these properties and adversely affect any revenues that we could realize from our land sale program.

***The cyclical nature of the forest products industry could materially adversely affect our financial condition, operating results and ability to make distributions to our stockholders.***

Our operating results will be affected by the cyclical nature of the forest products industry. Unlike many other REITs that are parties to leases and other contracts providing for relatively stable payments over a period of years, our operating results will depend on prices for timber that can experience significant variation and have been historically volatile. Like other participants in the forest products industry, we have limited direct influence over the timing and extent of price changes for absorbent materials, timber and wood products. Although some of the supply agreements we will enter into fix the price of our harvested timber for a period of time, these contracts may not protect us from the long-term effects of price declines and may restrict our ability to take advantage of price increases.

The demand for timber and wood products is affected primarily by the level of new residential construction activity, the supply of manufactured timber products including imports of timber products and, to a lesser extent, repair and remodeling activity and other commercial and industrial uses. The demand for timber also is affected by the demand for wood chips in the pulp and paper markets and for hardwood in the furniture and other hardwood industries. The demand for absorbent materials is related to the demand for disposable products such as diapers and feminine hygiene products. These activities are, in turn, subject to fluctuations due to, among other factors:

changes in domestic and international economic conditions;

interest and currency rates;

population growth and changing demographics; and

seasonal weather cycles (e.g., dry summers, wet winters).

Decreases in the level of residential construction activity generally reduce demand for logs and wood products. This can result in lower revenues, profits and cash flows. In addition, increases in the supply of logs and wood products, at both the local and national level, during favorable price environments also can lead to downward pressure on prices. Timber owners generally increase production volumes for logs and wood products during favorable price environments. Such increased production, however, when coupled with even modest declines in demand for these products in general, could lead to oversupply and lower prices. For example, the federal government owns a large amount of timberland. If the federal government chooses to sell more timber than it has been selling in recent years, then timber prices could fall. Additionally, wood products are subject to increasing competition from a variety of substitute products, including nonwood and engineered wood products. Oversupply can result in lower revenues, profits and cash flows to us and could materially adversely affect our financial condition, operating results and ability to make distributions to our stockholders.

***Our due diligence may not reveal all of the liabilities or weaknesses of a targeted timberland property acquisition, which could result in a material adverse effect on our financial condition, operating results and ability to make distributions to our stockholders.***

Before making an investment in a timberland property, our advisor will assess the profitability of the property and other factors that it believes will determine the success of the investment. In making the assessment and otherwise conducting customary due diligence, our advisor will rely on the timber manager and, in some cases, an investigation by other third parties. This process is particularly important and subjective with respect to properties owned by newly organized entities, because there may be little or no information publicly available about these properties. However, our due diligence processes may not uncover all relevant facts, and our investments may not be successful. A failure to reveal a liability or weakness of a timberland property that we acquire could result in a material adverse effect on our financial condition, operating results and ability to make distributions to our stockholders.

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***We do not intend to obtain insurance on the timberland properties we acquire.***

The volume and value of timber that can be harvested from the timberlands we acquire may be limited by natural disasters such as fire, hurricane, earthquake, insect infestation, drought, disease, ice storms, windstorms, flooding and other weather conditions and natural disasters, as well as other causes such as theft, trespass, condemnation or other casualty. We do not intend to maintain insurance for any loss to our standing timber from natural disasters or other causes. Any such losses may materially adversely affect our financial condition, operating results and ability to make distributions to our stockholders.

***The forest products industry and the market for timberland properties are highly competitive, which could force us to pay higher prices for our properties or limit the amount of suitable timberland investments we are able to acquire and thereby materially adversely affect our financial condition, operating results and ability to make distributions to our stockholders.***

The forest products industry is highly competitive in terms of price and quality. Many of our competitors, both domestic and international, have substantially greater financial and operating resources, are better able to absorb the risks of timberland investing and own more timberlands than we do. In recent years, the timberland investment business has experienced increasing competition for the purchase of timberland properties from both commercial and residential real estate developers as a result of urban and suburban expansion. We expect this trend to continue. Many real estate developers have substantially greater financial resources than our company. In addition, many developers tend to use high relative amounts of leverage to acquire development parcels, which we may not be willing or able to incur. Purchases of timberland parcels for development not only reduce the amount of suitable timberland investment properties, but also tend to separate larger, existing timberland properties into smaller units, which have reduced economies of scale and are less desirable for harvesting and the future marketability of the property for timber harvesting or other uses. Competition from real estate developers and others limits the amount of our potential, suitable timberland investments, and may materially adversely affect the returns, if any, we are able to achieve for our stockholders.

***Harvesting our timber may be subject to limitations which could materially adversely affect our financial condition, operating results and ability to make distributions to our stockholders.***

Weather conditions, timber growth cycles, property access limitations and regulatory requirements associated with the protection of wildlife and water resources may restrict harvesting of timberlands as may other factors, including damage by fire, hurricane, earthquake, insect infestation, disease, prolonged drought and other natural disasters. Furthermore, we may choose to invest in timberlands that are intermingled with sections of federal land managed by the U.S.D.A. Forest Service or other private owners. In many cases, access might be achieved only through a road or roads built across adjacent federal or private land. In order to access these intermingled timberlands, we would need to obtain from time to time either temporary or permanent access rights across these lands. Access to our timberlands also could be negatively impacted by a variety of other factors. Our revenue, net income and cash flow from our operations will be dependent to a significant extent on our continued ability to harvest timber at adequate levels in a timely manner.

***The timberland properties we acquire are subject to federal and state environmental regulations.***

We will be subject to regulation under, among other laws, the Clean Air Act, the Clean Water Act, the Resource Conservation and Recovery Act, the Comprehensive Environmental Response Compensation and Liability Act of 1980, the National Environmental Policy Act, and the Endangered Species Act, as well as comparable state laws and regulations. Violations of various statutory and regulatory programs that apply to our operations could result in civil penalties; damages, including natural resource damages; remediation expenses; potential injunctions; cease-and-desist orders; and criminal penalties.

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We may engage in the following activities that are subject to regulation:

forestry activities, including harvesting, planting and road building, use and maintenance;

the generation of air emissions;

the discharge of industrial wastewater and storm water; and

the generation and disposal of both hazardous and nonhazardous wastes.

Laws and regulations protecting the environment have generally become more stringent in recent years and could become more stringent in the future. Some environmental statutes impose strict liability, rendering a person liable for environmental damage without regard to the person's negligence or fault. These laws or future legislation or administrative or judicial action with respect to protection of the environment may materially adversely affect our financial condition, operating results and ability to make distributions to our stockholders. While timberland properties do not generally carry as high a risk of environmental contamination as certain other real estate assets such as industrial properties, we may acquire timberlands subject to environmental liabilities, such as cleanup of hazardous substance contamination and other existing or potential liabilities of which we are not currently aware, even after investigations of the properties. We may not be able to recover any of these liabilities from the sellers of these properties. The cost of these cleanups could therefore increase our operating costs and materially adversely affect our financial condition, operating results and ability to make distributions to our stockholders. The existence of contamination or liability also may adversely affect our ability to sell an affected timberland property.

The Endangered Species Act and comparable state laws protect species threatened with possible extinction. A number of species present on timberlands in the United States have been, and in the future may be, protected under these laws, including the northern spotted owl, marbled murrelet, bald eagle, several trout and salmon species in the Northwest; and the red-cockaded woodpecker, bald eagle, wood stork, red hill salamander and flatwoods salamander in the South. Protection of threatened and endangered species may include restrictions on timber harvesting, road building and other forest practices on private, federal and state land containing the affected species. The size of the area subject to restriction will vary depending on the protected species at issue, the time of year and other factors, but can range from less than one to several thousand acres.

We expect that environmental groups and interested individuals will intervene with increasing frequency in the regulatory processes in the states where we intend to seek to acquire timberland properties with the proceeds of this offering. For example, if we acquire timberland property in Washington state, we would be required to file a Forest Practice Application for each unit of timber to be harvested. These applications may be denied or restricted by the regulatory agency or appealed by other parties, including citizens groups. Environmental groups and interested individuals may also appeal individual forest practice applications or file petitions with the Forest Practices Board to challenge the regulations under which forest practices are approved. Appeals or actions of the regulatory agencies could delay or restrict timber harvest activities pursuant to these permits, and delays or harvest restrictions on a significant number of applications could adversely affect our results of operations. In addition to intervention in regulatory proceedings, interested groups and individuals may file or threaten to file lawsuits that seek to prevent us from implementing our operating plans. Any lawsuit or even a threatened lawsuit could delay harvesting on our timberlands. Among the remedies that could be enforced in a lawsuit is a judgment entirely preventing or restricting harvesting on a part of our targeted timberland properties.

***Illiquidity of real estate investments could significantly impede our ability to respond to adverse changes in the performance of our properties and materially adversely affect our financial condition, operating results and ability to make distributions to our stockholders.***

Because real estate investments are relatively illiquid, our ability to promptly sell one or more timberland properties in our portfolio in response to changing economic, financial and investment

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conditions is limited. The real estate market is affected by many factors that are beyond our control, including:

changes in international, national, regional and local economic and market conditions;

changes in interest rates and in the availability, cost and terms of debt financing;

changes in governmental laws and regulations, fiscal policies and zoning ordinances, and the related costs of compliance with laws and regulations, fiscal policies and ordinances;

forestry costs associated with maintaining and managing timberland properties;

changes in operating expenses; and

fires, hurricanes, earthquakes, floods and other natural disasters as well as civil unrest, acts of war and terrorism, each of which may result in uninsured losses.

As part of our business plan and as necessary, we intend to sell portions of our timberland property holdings during opportunistic times. We plan on selling timberland to third parties who intend to put the timberland to a higher and better use and therefore may be willing to compensate us for the land in excess of prices we would typically receive if the land remained as timber-producing property. In acquiring a timberland property, however, and in entering into long-term supply agreements, we may agree to lock-out provisions that materially restrict us from selling that property for a period of time or impose other restrictions, such as a limitation on the amount of debt that can be placed or repaid on that property. These factors and any others that would impede our ability to respond to market opportunities and adverse changes in the performance of our properties could materially adversely affect our financial condition, operating results and ability to make distributions to our stockholders.

***If we sell properties and provide financing to purchasers, defaults by the purchasers would decrease our cash flows and limit our ability to make distributions to you.***

In some instances we may sell our properties by providing financing to purchasers. When we provide financing to purchasers, we will bear the risk that the purchaser may default, which could negatively impact our cash dividends to stockholders. Even in the absence of a purchaser default, the distribution of the proceeds of sales to our stockholders, or their reinvestment in other assets, will be delayed until the promissory notes or other property we may accept upon a sale are actually paid, sold, refinanced or otherwise disposed of.

***Our international investments will be subject to changes in global market trends that could adversely impact our ability to make distributions to our stockholders.***

A portion of our timberland portfolio may consist of properties located in timber-producing regions outside of the U.S. These international investments could cause our business to be subject to unexpected, uncontrollable and rapidly changing events and circumstances in addition to those experienced in U.S. locations. Adverse changes in the following factors, among others, could have a negative impact on our business, results of operations and ability to make distributions to our stockholders:

effects of exposure to currency other than United States dollars, due to having non-U.S. customers and foreign operations;

regulatory, social, political, labor or economic conditions in a specific country or region; and

trade protection laws, policies and measures, and other regulatory requirements affecting trade and investment, including loss or modification of exemptions for taxes and tariffs, and import and export licensing requirements.

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**Risks Associated with Debt Financing**

***We are likely to incur mortgage and other indebtedness, which may increase our business risks.***

We may, in some instances, acquire real properties by borrowing funds. In addition, we may incur mortgage debt and pledge some or all of our real properties as security for that debt to obtain funds to acquire additional real properties. We may borrow if we need funds to satisfy the REIT tax qualification requirement that we distribute at least 90% of our annual REIT taxable income to our stockholders. We may also borrow if we otherwise deem it necessary or advisable to ensure that we maintain our qualification as a REIT for federal income tax purposes.

Significant borrowings by us increase the risks of your investment. If there is a shortfall between the cash flow from properties and the cash flow needed to service our indebtedness, then the amount available for distributions to stockholders may be reduced. In addition, incurring mortgage debt increases the risk of loss since defaults on indebtedness secured by a property may result in lenders initiating foreclosure actions. In that case, we could lose the property securing the loan that is in default, thus reducing the value of your investment. For tax purposes, a foreclosure of any of our properties would be treated as a sale of the property for a purchase price equal to the outstanding balance of the debt secured by the mortgage. If the outstanding balance of the debt secured by the mortgage exceeds our tax basis in the property, we would recognize taxable income on foreclosure, but we would not receive any cash proceeds. We may give full or partial guarantees to lenders of mortgage debt on behalf of the entities that own our properties. When we give a guaranty on behalf of an entity that owns one of our properties, we will be responsible to the lender for satisfaction of the debt if it is not paid by such entity. If any mortgages or other indebtedness contains cross-collateralization or cross-default provisions, a default on a single loan could affect multiple properties.

***High mortgage rates may make it difficult for us to finance or refinance properties, which could reduce the number of properties we can acquire, our net income and the amount of cash distributions we can make.***

If mortgage debt is unavailable at reasonable rates, we may not be able to finance the purchase of properties. If we place mortgage debt on properties, we run the risk of being unable to refinance the properties when the loans become due, or of being unable to refinance on favorable terms. If interest rates are higher when we refinance the properties, our income could be reduced. We may be unable to refinance properties. If any of these events occurs, our cash flow would be reduced. This, in turn, would reduce cash available for distribution to you and may hinder our ability to raise more capital by issuing more stock or by borrowing more money.

***Lenders may require us to enter into restrictive covenants relating to our operations, which could limit our ability to make distributions to our stockholders.***

When providing financing, a lender may impose restrictions on us that affect our distribution and operating policies and our ability to incur additional debt. Loan documents we enter into may contain covenants that limit our ability to further mortgage the property, discontinue any insurance coverage that we may have, or replace our advisor. These or other limitations may limit our flexibility and our ability to achieve our operating plans.

***Increases in interest rates could increase the amount of our debt payments and limit our ability to pay dividends to our stockholders.***

We expect that we will incur indebtedness in the future. Interest we pay could reduce our cash available for distributions. Additionally, if we incur variable-rate debt, increases in interest rates would increase our interest cost, which would reduce our cash flows and our ability to pay dividends to you. In addition, if we need to repay existing debt during periods of high interest rates, we could be required to sell one or more of our investments in order to repay the debt, which sale at that time might not permit realization of the maximum return on such investments.

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***We have broad authority to incur debt, and high debt levels could hinder our ability to make distributions and could decrease the value of your investment.***

Our charter does not limit us from incurring debt until our aggregate debt would exceed 300% of our net assets (generally expected to approximate 75% of the cost of our assets before noncash reserves and depreciation), though we may exceed this limit under some circumstances. We have adopted a borrowing policy that would permit us to incur debt up to 95% of the fair market value of the assets we acquire during the initial phase of this offering, in order to facilitate our ability to purchase properties quickly during this initial period. High debt levels would cause us to incur higher interest charges, would result in higher debt service payments, and could be accompanied by restrictive covenants. These factors could limit the amount of cash we have available to distribute and could result in a decline in the value of your investment.

***Actions of our joint venture partners could reduce the returns on our joint venture investments and decrease your overall return.***

We may enter into joint ventures with third parties to acquire properties. We may also purchase properties in joint ventures or in partnerships, co-tenancies or other co-ownership arrangements. Such investments may involve risks not otherwise present with other methods of investment in real estate, including, for example:

the possibility that our co-venturer, co-tenant or partner in an investment might become bankrupt;

that such co-venturer, co-tenant or partner may at any time have economic or business interests or goals that are or that become inconsistent with our business interests or goals; or

that such co-venturer, co-tenant or partner may be in a position to take action contrary to our instructions or requests or contrary to our policies or objectives.

Any of the above might subject a property to liabilities in excess of those contemplated and thus reduce your returns.

**Federal Income Tax Risks**

***Failure to qualify as a REIT would reduce our net income and cash available for distributions.***

Alston & Bird LLP, our legal counsel, will render an opinion to us in connection with this offering that we will qualify as a REIT, based upon our representations as to the manner in which we are and will be owned, invest in assets and operate, among other things. However, our qualification as a REIT will depend upon our ability to meet, on an ongoing basis, requirements regarding our organization and ownership, distributions of our income, the nature and diversification of our income and assets, and other tests imposed by the Internal Revenue Code. Alston & Bird will not review our compliance with the REIT qualification standards on an ongoing basis. This means that we may fail to satisfy the REIT requirements in the future. Also, this opinion will represent Alston & Bird's legal judgment based on the law in effect as of the date of this prospectus. Alston & Bird's opinion will not be binding on the Internal Revenue Service or the courts. Future legislative, judicial or administrative changes to the federal income tax laws could be applied retroactively, which could result in our disqualification as a REIT.

If we fail to qualify as a REIT for any taxable year, we will be subject to federal income tax on our taxable income at corporate rates. In addition, we would generally be disqualified from treatment as a REIT for the four taxable years following the year of losing our REIT status. Losing our REIT status would reduce our net earnings available for investment or distribution to stockholders because of the additional tax liability. In addition, distributions to stockholders would no longer qualify for the dividends paid deduction, and we would no longer be required to make distributions. If this occurs, we might be required to borrow funds or liquidate some investments in order to pay the applicable tax.

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***You may have current tax liability on distributions you elect to reinvest in our common stock.***

If you participate in our dividend reinvestment plan, you will be deemed to have received, and for income tax purposes will be taxed on, the amount reinvested in shares of our common stock to the extent the amount reinvested was not a tax-free return of capital. In addition, you will be treated for tax purposes as having received an additional distribution to the extent the shares are purchased at a discount to fair market value. As a result, unless you are a tax-exempt entity, you may have to use funds from other sources to pay your tax liability on the value of the shares of common stock received. See Description of Shares Dividend Reinvestment Plan Tax Consequences of Participation.

***Even if we qualify as a REIT for federal income tax purposes, we may be subject to other tax liabilities that reduce our cash flow and our ability to make distributions to you.***

Even if we remain qualified as a REIT for federal income tax purposes, we may be subject to some federal, state and local taxes on our income or property. For example:

In order to qualify as a REIT, we must distribute annually at least 90% of our REIT taxable income to our stockholders (which is determined without regard to the dividends paid deduction or net capital gain). To the extent that we satisfy the distribution requirement but distribute less than 100% of our REIT taxable income, we will be subject to federal corporate income tax on the undistributed income.

We will be subject to a 4% nondeductible excise tax on the amount, if any, by which distributions we pay in any calendar year are less than the sum of 85% of our ordinary income, 95% of our capital gain net income and 100% of our undistributed income from prior years.

If we have net income from the sale of foreclosure property that we hold primarily for sale to customers in the ordinary course of business or other nonqualifying income from foreclosure property, we must pay a tax on that income at the highest corporate income tax rate.

If we sell a property, other than foreclosure property, that we hold primarily for sale to customers in the ordinary course of business, our gain would be subject to the 100% prohibited transaction tax.

Our taxable REIT subsidiaries will be subject to tax on their taxable income.

***To maintain our REIT status, we may be forced to borrow funds during unfavorable market conditions to make distributions to our stockholders, which could increase our operating costs and decrease the value of your investment.***

To qualify as a REIT, we must distribute to our stockholders each year 90% of our REIT taxable income (which is determined without regard to the dividends paid deduction or net capital gain). At times, we may not have sufficient funds to satisfy these distribution requirements and may need to borrow funds to maintain our REIT status and avoid the payment of income and excise taxes. These borrowing needs could result from (1) differences in timing between the actual receipt of cash and inclusion of income for federal income tax purposes, (2) the effect of nondeductible capital expenditures, or (3) the creation of reserves. We may need to borrow funds at times when the market conditions are unfavorable. Such borrowings could increase our costs and reduce the value of our common stock.

***To maintain our REIT status, we may be forced to forego otherwise attractive opportunities, which could delay or hinder our ability to meet our investment objectives and lower the return on your investment.***

To qualify as a REIT, we must satisfy tests on an ongoing basis concerning, among other things, the sources of our income, nature of our assets and the amounts we distribute to our stockholders. We may be required to make distributions to stockholders at times when it would be more advantageous to reinvest cash in our business or when we do not have funds readily available for distribution. Compliance with the REIT requirements may hinder our ability to operate solely on the basis of maximizing profits.

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***The extent of our use of taxable REIT subsidiaries may affect the value of our common stock relative to the share price of other REITs.***

We intend to conduct a portion of our business activities through one or more taxable REIT subsidiaries, or TRSs. A TRS is a fully taxable corporation that may earn income that would not be qualifying REIT income if earned directly by us. Our use of TRSs will enable us to engage in non-REIT qualifying business activities, such as the sale of higher and better use properties. However, under the Internal Revenue Code, no more than 20% of the value of the assets of a REIT may be represented by securities of one or more TRSs. This limitation may affect our ability to increase the size of our non-REIT qualifying operations. Furthermore, because the income earned by our TRSs will be subject to corporate income tax, our use of TRSs may cause our common stock to be valued differently than the shares of other REITs that do not use TRSs as extensively as we plan to use them.

***Certain of our business activities are potentially subject to the prohibited transaction tax.***

As a REIT, we will be subject to a 100% tax on any net income from prohibited transactions. In general, prohibited transactions are sales or other dispositions of property to customers in the ordinary course of business. Sales by us of higher and better use property at the REIT level could, in certain circumstances, constitute prohibited transactions.

We intend to avoid the 100% prohibited transaction tax by conducting activities that would be prohibited transactions through one or more TRSs. We may not, however, always be able to identify properties that will become part of our dealer land sales business. Therefore, if we sell any higher and better use properties at the REIT level that we incorrectly identify as property not held for sale to customers in the ordinary course of business or that subsequently become properties held for sale to customers in the ordinary course of business, we may be subject to the 100% prohibited transactions tax.

**Retirement Plan Risks**

***If you fail to meet the fiduciary and other standards under ERISA or the Internal Revenue Code as a result of an investment in our stock, you could be subject to criminal and civil penalties.***

There are special considerations that apply to pension, profit-sharing trusts or IRAs investing in our shares. If you are investing the assets of a pension, profit-sharing, 401(k), Keogh or other qualified retirement plan or the assets of an IRA in our common stock, you should satisfy yourself that:

your investment is consistent with your fiduciary obligations under ERISA and the Internal Revenue Code;

your investment is made in accordance with the documents and instruments governing your plan or IRA, including your plan's investment policy;

your investment satisfies the prudence and diversification requirements of Sections 404(a)(1)(B) and 404(a)(1)(C) of ERISA and other applicable provisions of ERISA and the Internal Revenue Code;

your investment will not impair the liquidity of the plan or IRA;

your investment will not produce unrelated business taxable income for the plan or IRA;

you will be able to value the assets of the plan annually in accordance with ERISA requirements and applicable provisions of the plan or IRA; and

your investment will not constitute a prohibited transaction under Section 406 of ERISA or Section 4975 of the Internal Revenue Code.

Failure to satisfy the fiduciary standards of conduct and other applicable requirements of ERISA and the Internal Revenue Code may result in the imposition of civil and criminal penalties, and can subject the fiduciary to equitable remedies. In addition, if an investment in our shares constitutes a prohibited





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The following tables set forth information about how we intend to use the gross proceeds raised in this offering assuming that we sell a minimum of 200,000 shares, at \$10.00 per share, and the maximum of 85 million shares, respectively, of common stock. Many of the figures set forth below represent management's best estimate since they cannot be precisely calculated at this time. Depending primarily on the number of shares we sell in this offering and assuming a \$9.55 purchase price for shares sold under our dividend reinvestment plan, we estimate that 90% to 91.1% of our gross offering proceeds, or between \$9.00 and \$9.11 per share, will be used for investments and the repurchase of shares under our proposed share redemption program, while the remainder will be used to pay offering expenses, including selling commissions and the dealer-manager fee, and to pay a fee to our advisor for its services in connection with the selection, acquisition, and management of our properties. We expect to meet all of our working capital needs out of cash flow from operations. However, to the extent that we have insufficient funds to meet our needs for working capital, we may establish reserves from gross offering proceeds. The allocation of shares sold pursuant to the primary offering and pursuant to the dividend reinvestment plan will affect our gross proceeds and the amount available for investment. We have not given effect to any special sales or volume discounts that could reduce the amount of selling commissions shown below. The figures below reflect that we will not pay commissions or dealer-manager fees in connection with shares issued through our dividend reinvestment plan.

	<b>Minimum Offering (200,000 Shares at \$10.00 per Share)</b>		<b>Maximum Offering (75 Million Shares at \$10.00 per Share 10 Million Shares at \$9.55 per Share)</b>	
	<b>Amount</b>	<b>Percent</b>	<b>Amount</b>	<b>Percent</b>
<b>Gross Offering Proceeds</b>	\$ 2,000,000	100.0%	\$ 845,500,000	100.0%
<b>Selling Commissions</b>	140,000	7.0	52,500,000	6.2
<b>Dealer-Manager Fee</b>	36,000	1.8	13,500,000	1.6
<b>Other Organization and Offering Expenses(1)</b>	24,000	1.2	9,000,000	1.1
<b>Estimated Amount to be Invested(2)(3)</b>	\$ 1,800,000	90.0%	\$ 770,500,000	91.1%

- (1) Includes all expenses (other than selling commissions and the dealer-manager fee) to be paid by us in connection with the offering, including our legal, accounting, printing, mailing and filing fees, reimbursing the due diligence expenses of broker/ dealers, and amounts to reimburse Wells Capital for the salaries of its employees and other costs in connection with preparing supplemental sales materials, holding educational conferences and attending retail seminars conducted by broker/ dealers. Wells Capital has agreed to reimburse us to the extent organizational and offering expenses incurred by us, other than selling commissions and the dealer-manager fee, exceed 1.2% of the aggregate gross offering proceeds from our primary offering. We will not reimburse Wells Capital for any organization and offering expenses from proceeds of sales pursuant to our dividend reinvestment plan.
- (2) Amount available for investment will include customary third-party acquisition expenses, such as legal fees and expenses, costs of appraisals, accounting fees and expenses, title insurance premiums, and other closing costs and miscellaneous expenses relating to the acquisition of real estate. We estimate that these third-party costs would

average 0.5% of the contract purchase prices of property acquisitions.

- (3) Although it is possible that the net proceeds from the sale of shares under our dividend reinvestment plan will be available for investment, we expect that all of these proceeds will instead be used to repurchase shares of our common stock under the proposed share redemption program. See [Description of Shares](#) [Proposed Share Redemption Program](#). Until required in connection with the acquisition and development of properties, substantially all of the net proceeds of the offering and, thereafter, our working capital reserves, may be invested in short-term, highly liquid investments including government obligations, bank certificates of deposit, short-term debt obligations and interest-bearing accounts or other authorized investments as determined by our board of directors.

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**MANAGEMENT**

**Board of Directors**

We operate under the direction of our board of directors. The board is responsible for the management and control of our affairs. The board has retained Wells Capital to manage our day-to-day affairs and the acquisition and disposition of our investments, subject to the board's supervision. Because of the numerous conflicts of interest created by the relationships among us, Wells Capital and various affiliates, many of the responsibilities of the board have been delegated to a committee comprised of all of our independent directors. See **Conflicts of Interest**.

Prior to effectiveness of the registration statement of which this prospectus forms a part, we will have a five-member board of directors. Our board may change the size of the board, but not to fewer than three board seats. Our charter provides that a majority of the directors must be independent directors. We will have three independent directors. An independent director is a person who is not one of our officers or employees or an officer or employee of Wells Capital or its affiliates and has not been so for the previous two years. Serving as a director of, or having an ownership interest in, another Wells-sponsored program will not, by itself, preclude independent director status.

Each director will serve until the next annual meeting of stockholders and until his or her successor is duly elected. Although the number of directors may be increased or decreased, a decrease will not have the effect of shortening the term of any incumbent director. Any director may resign at any time and may be removed with or without cause by the stockholders upon the affirmative vote of at least a majority of all the votes entitled to be cast at a meeting called for the purpose of the proposed removal. The notice of the meeting shall indicate that the purpose, or one of the purposes, of the meeting is to determine if the director shall be removed.

A vacancy created by an increase in the number of directors or the death, resignation, removal, adjudicated incompetence or other incapacity of a director may be filled only by a vote of a majority of the remaining directors. As provided in our charter, nominations of individuals to fill the vacancy of a board seat previously filled by an independent director will be made by the remaining independent directors.

Our directors and officers are not required to devote all of their time to our business and are only required to devote the time to our affairs as their duties may require. In addition to meetings of the various committees of the board, which committees we describe below, we expect to hold regular board meetings at least quarterly. We do not expect that our directors will be required to devote a substantial portion of their time in discharging their duties. Our board is empowered to fix the compensation of all officers that it selects and may pay compensation to directors for services rendered to us in any other capacity.

Our general investment and borrowing policies are set forth in this prospectus. Our directors may establish further written policies on investments and borrowings and shall monitor our administrative procedures, investment operations and performance to ensure that the policies are fulfilled and are in the best interest of the stockholders. We will follow the policies on investments and borrowings set forth in this prospectus unless they are modified by our directors.

**Committees of the Board of Directors**

Many of the powers of the board of directors may be delegated to one or more committees. Our charter requires that each committee consist of at least a majority of independent directors.

**Audit Committee**

The audit committee selects the independent public accountants to audit our annual financial statements, reviews with the independent public accountants the plans and results of the audit engagement, approves the audit and nonaudit services provided by the independent public accountants, reviews the

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independence of the independent public accountants, considers the range of audit and non-audit fees, and reviews the adequacy of our internal accounting controls.

**Nominating and Corporate Governance Committee**

The primary functions of the nominating and corporate governance committee are: (1) identifying individuals qualified to serve on the board of directors and recommending that the board of directors select a slate of director nominees for election by the stockholders at the annual meeting; (2) developing and recommending to the board of directors a set of corporate governance policies and principles and periodically re-evaluating such policies and guidelines for the purpose of suggesting amendments to them if appropriate; and (3) overseeing an annual evaluation of the board of directors and each of the committees of the board of directors.

**Executive Officers and Directors**

We have provided below certain information about our current executive officers and directors.

<b>Name</b>	<b>Age</b>	<b>Positions</b>
Leo F. Wells, III	61	President and Director
Douglas P. Williams	54	Executive Vice President, Secretary, Treasurer and Director
Randall D. Fretz	53	Senior Vice President

*Leo F. Wells, III*, is our President and one of our directors. He is also the President and a director of Wells REIT I and the President and a director of Wells REIT II. He is also the sole stockholder, sole director, President and Treasurer of Wells Real Estate Funds, Inc., which directly or indirectly owns Wells Capital, Wells Management, Wells Investment Securities, Wells & Associates, Inc., Wells Development Corporation, Wells Asset Management, Inc. and Wells Real Estate Advisory Services, Inc. He is also the President, Treasurer and sole director of Wells Capital; Wells Management; Wells Development Corporation, a company organized in 1997 to develop real estate properties; and Wells Asset Management, Inc., a company organized in 1997, which serves as an investment advisor to the Wells Family of Real Estate Funds. Mr. Wells is a trustee of the Wells Family of Real Estate Funds, an open-end management company organized as an Ohio business trust, which includes as one of its series the Wells S&P REIT Index Fund. He is President and sole director of Wells Real Estate Advisory Services, Inc. He is the President, Treasurer and a director of Wells & Associates, Inc., a real estate brokerage and investment company formed in 1976 and incorporated in 1978, for which Mr. Wells serves as the principal broker.

Mr. Wells was a real estate salesman and property manager from 1970 to 1973 for Roy D. Warren & Company, an Atlanta-based real estate company, and he was associated from 1973 to 1976 with Sax Gaskin Real Estate Company, during which time he became a Life Member of the Atlanta Board of Realtors Million Dollar Club. From 1980 to February 1985 he served as Vice President of Hill-Johnson, Inc., a Georgia corporation engaged in the construction business. Mr. Wells holds a Bachelor of Business Administration degree in economics from the University of Georgia. Mr. Wells is a member of the Financial Planning Association (FPA).

On August 26, 2003, Mr. Wells and Wells Investment Securities entered into a Letter of Acceptance, Waiver and Consent (AWC) with the NASD relating to alleged rule violations. The AWC set forth the NASD's findings that Wells Investment Securities and Mr. Wells had violated conduct rules relating to the provision of noncash compensation of more than \$100 to associated persons of NASD member firms in connection with their attendance at the annual educational and due diligence conferences sponsored by Wells Investment Securities in 2001 and 2002. Without admitting or denying the allegations and findings

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against them, Wells Investment Securities and Mr. Wells consented in the AWC to various findings by the NASD that are summarized in the following paragraph:

In 2001 and 2002, Wells Investment Securities sponsored conferences attended by registered representatives who sold its real estate investment products. Wells Investment Securities also paid for certain expenses of guests of the registered representatives who attended the conferences. In 2001, Wells Investment Securities paid the costs of travel to the conference and meals for many of the guests and paid the costs of playing golf for some of the registered representatives and their guests. Wells Investment Securities later invoiced registered representatives for the cost of golf and for travel expenses of guests, but was not fully reimbursed for such. In 2002, Wells Investment Securities paid for meals for the guests. Wells Investment Securities also conditioned most of the 2001 conference invitations on attainment by the registered representatives of a predetermined sales goal for Wells Investment Securities products. This conduct violated the prohibitions against payment and receipt of noncash compensation in connection with the sales of these products contained in NASD's Conduct Rules 2710, 2810 and 3060. In addition, Wells Investment Securities and Mr. Wells failed to adhere to all of the terms of their written undertaking made in March 2001 not to engage in the conduct described above, and thereby failing to observe high standards of commercial honor and just and equitable principles of trade in violation of NASD Conduct Rule 2110.

Wells Investment Securities consented to a censure, and Mr. Wells consented to suspension from acting in a principal capacity with an NASD member firm for one year. Wells Investment Securities and Mr. Wells also agreed to the imposition of a joint and several fine in the amount of \$150,000. Mr. Wells' one-year suspension from acting in a principal capacity with Wells Investment Securities ended on October 6, 2004.

*Douglas P. Williams* is our Executive Vice President, Secretary and Treasurer and one of our directors. Since 1999, he has also served as Executive Vice President, Secretary and Treasurer and a director of Wells REIT I. Since 2003, he has served as Executive Vice President, Secretary and Treasurer and a director of Wells REIT II. Mr. Williams is also a Senior Vice President of our advisor and a Vice President, Chief Financial Officer, Treasurer and a director of Wells Investment Securities, our dealer-manager. He is also a Vice President of Wells Real Estate Funds, Inc. and Wells Asset Management, Inc.

From 1996 to 1999, Mr. Williams served as Vice President and Controller of OneSource, Inc., a leading supplier of janitorial and landscape services, where he was responsible for corporate-wide accounting activities and financial analysis. Mr. Williams was employed by ECC International Inc., a supplier to the paper industry and to the paint, rubber and plastic industries, from 1982 to 1995. While at ECC, Mr. Williams served in a number of key accounting positions, including: Corporate Accounting Manager, U.S. Operations; Division Controller, Americas Region; and Corporate Controller, America/ Pacific Division. Prior to joining ECC and for one year after leaving ECC, Mr. Williams was employed by Lithonia Lighting, a manufacturer of lighting fixtures, as a Cost and General Accounting Manager and Director of Planning and Control. Mr. Williams started his professional career as an auditor for a predecessor firm of KPMG Peat Marwick LLP. Mr. Williams is a member of the American Institute of Certified Public Accountants and the Georgia Society of Certified Public Accountants and is licensed with the NASD as a financial and operations principal. Mr. Williams received a Bachelor of Arts degree from Dartmouth College and a Master's of Business Administration degree from Amos Tuck School of Graduate Business Administration at Dartmouth College.

*Randall D. Fretz* is our Senior Vice President and is a Senior Vice President of Wells Capital. He is also the Chief of Staff and a Vice President of Wells Real Estate Funds, Inc., a Senior Vice President of Wells REIT I, a Senior Vice President of Wells REIT II, and a director of Wells Investment Securities. Mr. Fretz is primarily responsible for corporate strategy and planning and advising and coordinating the executive officers of Wells Capital on corporate matters and special projects. Prior to joining Wells Capital in 2002, Mr. Fretz served for seven years as President of U.S. and Canada operations for Larson-Juhl, a world leader in custom art and picture-framing home decor. Mr. Fretz was previously a Division Director

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at Bausch & Lomb, a manufacturer of optical equipment and products, and also held various senior positions at Tandem International and Lever Brothers. Mr. Fretz holds a bachelor degree in each of Sociology and Physical Education from McMaster University in Hamilton, Ontario. He also earned a Master's of Business Administration degree from the Ivey School of Business in London, Ontario.

**Compensation of Directors**

We do not provide compensation for service on our board of directors to any member of our board who is not an independent director. Our independent directors will receive an annual retainer of \$18,000. In addition, independent directors will receive fees for attending board and committee meetings as follows:

\$2,000 per in-person board meeting;

\$1,500 per in-person committee meeting;

\$250 per telephonic board or committee meeting; and

an additional \$500 to a committee chair for each in-person committee meeting.

However, when a committee meeting occurs on the same day as a board meeting, an additional fee will not be paid for attending the committee meeting.

All directors will receive reimbursement of reasonable travel expenses incurred in connection with attendance at meetings of the board of directors. In addition to cash compensation, upon his or her initial appointment to our board, each independent director will receive a grant of options to purchase 2,500 shares of our common stock. One-third of the option will be immediately exercisable on the date of grant, one-third will become exercisable on the first anniversary of the date of grant and the remaining one-third will become exercisable on the second anniversary of the date of grant. We expect the initial grant of options to be anti-dilutive with an exercise price of \$10.00 per share.

Upon each subsequent re-election of the independent director to the board, he or she will receive a subsequent grant of options to purchase 1,000 shares of our common stock. The exercise price for the subsequent options will be the greater of (1) \$10.00 per share or (2) the fair market value of the shares on the date of grant.

All stock options granted to our independent directors will be granted pursuant to our long-term incentive plan, and will be governed by the terms of such plan. The stock options will lapse on the first to occur of (1) the tenth anniversary of the date of grant, or (2) the removal for cause of the independent director as a member of the board of directors. Options are generally exercisable in the case of death or disability for a period of one year after death or the termination by reason of disability. No option issued may be exercised if such exercise would jeopardize our status as a REIT under the Internal Revenue Code. The independent directors may not sell, pledge, assign or transfer their options other than by will or the laws of descent or distribution.

***2005 Long-Term Incentive Plan***

We have adopted a long-term incentive plan. This incentive plan is intended to attract and retain qualified independent directors, employees, advisors and consultants considered essential to our long-range success by offering these individuals an opportunity to participate in our growth through awards in the form of, or based on, our common stock. The incentive plan authorizes the granting of awards to participants in the following forms:

options to purchase shares of our common stock, which may be nonstatutory stock options or incentive stock options under the Internal Revenue Code;

stock appreciation rights, which give the holder the right to receive the difference between the fair market value per share on the date of exercise over the grant price;

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performance awards, which are payable in cash or stock upon the attainment of specified performance goals;

restricted stock, which is subject to restrictions on transferability and other restrictions set by the board of directors, or a committee of its independent directors;

restricted stock units, which give the holder the right to receive shares of stock, or the equivalent value in cash or other property, in the future;

deferred stock units, which give the holder the right to receive shares of stock, or the equivalent value in cash or other property, at a future time;

dividend equivalents, which entitle the participant to payments equal to any dividends paid on the shares of stock underlying an award; and

other stock-based awards at the discretion of the board of directors or a committee of its independent directors, including unrestricted stock grants.

All awards must be evidenced by a written agreement with the participant, which will include the provisions specified by the board of directors or a committee of its independent directors,. The maximum number of shares of common stock that may be issued upon the exercise or grant of an award shall not exceed in the aggregate an amount equal to 10% of the outstanding shares of our common stock on the date of grant of any such award. The exercise price of any award shall not be less than the fair market value of our common stock on the date of the grant.

Our board of directors, or a committee of its independent directors, administers the incentive plan, with sole authority (following consultation with the advisor) to select participants, determine the types of awards to be granted, and all of the terms and conditions of the awards, including whether the grant, vesting or settlement of awards may be subject to the attainment of one or more performance goals. No awards will be granted under the plan if the grant, vesting and/or exercise of the awards would jeopardize our status as a REIT under the Internal Revenue Code or otherwise violate the ownership and transfer restrictions imposed under our charter. Unless determined by our board of directors, or a committee of its independent directors, no award granted under the long-term incentive plan will be transferable except through the laws of descent and distribution.

We have established 500,000 shares as the aggregate maximum number of shares to be reserved and available for issuance under the incentive plan, as well as limits on the aggregate maximum number of shares that may be subject to certain awards and the maximum number of shares with respect to awards to be made to certain individuals. In the event of a corporate transaction that affects our common stock, such as a reorganization, recapitalization, merger, spin-off, split-off, stock dividend, or extraordinary dividend, the share authorization limits of the incentive plan will be adjusted proportionately, and our board of directors, or a committee of its independent directors, will have the sole authority to determine whether and in what manner to equitably adjust the number and type of shares and the exercise prices applicable to outstanding awards under the plan, the number and type of shares reserved for future issuance under the plan, and, if applicable, performance goals applicable to outstanding awards under the plan.

The incentive plan contains provisions concerning the treatment of awards granted under the plan in the event of a participant's death or disability, or upon the occurrence of a change in control of our company. The incentive plan will automatically expire on the tenth anniversary of the date on which it is adopted, unless extended or earlier terminated by the board of directors. The board of directors may terminate the incentive plan at any time, but termination will have no adverse impact on any award that is outstanding at the time of the termination. The board of directors may amend the incentive plan at any time, but any amendment would be subject to stockholder approval if, in the reasonable judgment of the board, such approval would be required by any law, regulation or rule applicable to the incentive plan. No termination or amendment of plan may, without the written consent of the participant, reduce or diminish the value of an outstanding award determined as if the award had been exercised, vested, cashed in or

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otherwise settled on the date of such amendment or termination. The board may amend or terminate outstanding awards, but those amendments may require consent of the participant and, unless approved by the stockholders or otherwise permitted by the anti-dilution provisions of the plan, the exercise price of an outstanding option may not be reduced, directly or indirectly, and the original term of an option may not be extended.

Under section 162(m) of the Internal Revenue Code, a public company generally may not deduct compensation in excess of \$1 million paid to its chief executive officer and the four next most highly compensated executive officers. In order for awards granted in excess of this limit to be exempt from the deduction limits of section 162(m), the incentive plan would have to be amended to comply with the exemption conditions and be resubmitted for approval by our stockholders.

**Limited Liability and Indemnification of Directors, Officers, Employees and Other Agents**

Our charter limits the liability of our directors and officers to us and our stockholders for monetary damages and requires us to indemnify our directors, our officers, Wells Capital and its affiliates for losses they may incur by reason of their service in that capacity. However, we may not indemnify our directors, Wells Capital or its affiliates unless all of the following conditions are met:

the party seeking exculpation or indemnification has determined, in good faith, that the course of conduct that caused the loss or liability was in our best interest;

the party seeking exculpation or indemnification was acting on our behalf or performing services for us;

in the case of an independent director, the liability or loss was not the result of gross negligence or willful misconduct by the independent director;

in the case of a nonindependent director, Wells Capital or one of its affiliates, the liability or loss was not the result of negligence or misconduct by the party seeking indemnification or exculpation; and

the indemnification is recoverable only out of our net assets and not from the stockholders.

The SEC takes the position that indemnification against liabilities arising under the Securities Act of 1933 is against public policy and unenforceable. Furthermore, our charter prohibits the indemnification of our directors, Wells Capital or its affiliates or broker/ dealers for liabilities arising from or out of a violation of state or federal securities laws, unless one or more of the following conditions are met:

there has been a successful adjudication on the merits of each count involving alleged securities law violations;

such claims have been dismissed with prejudice on the merits by a court of competent jurisdiction; or

a court of competent jurisdiction approves a settlement of the claims against the indemnitee and finds that indemnification of the settlement and the related costs should be made, and the court considering the request for indemnification has been advised of the position of the SEC and of the published position of any state securities regulatory authority in which the securities were offered or sold as to indemnification for violations of securities laws.

Our charter further provides that the advancement of funds to our directors and to Wells Capital and its affiliates for reasonable legal expenses and other costs incurred in advance of the final disposition of a proceeding for which indemnification is being sought is permissible only if all of the following conditions are satisfied:

the proceeding relates to acts or omissions with respect to the performance of duties or services on our behalf;

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such person provides us with written affirmation of his good faith belief that he has met the standard of conduct necessary for indemnification;

the legal proceeding was initiated by a third party who is not a stockholder or, if by a stockholder acting in his or her capacity as such, a court of competent jurisdiction approves the advancement; and

the person seeking the advancement undertakes to repay the amount paid or reimbursed by us, together with the applicable legal rate of interest thereon, if it is ultimately determined that such person is not entitled to indemnification.

We also purchase and maintain insurance on behalf of all of our directors and executive officers against liability asserted against or incurred by them in their official capacities with us, whether or not we are required or have the power to indemnify them against the same liability.

**The Advisor**

Our advisor is Wells Capital. Wells Capital has contractual and fiduciary responsibilities to us and our stockholders. Some of our officers and directors are also officers and directors of Wells Capital.

The directors and executive officers of Wells Capital are as follows:

<b>Name</b>	<b>Age</b>	<b>Positions</b>
Leo F. Wells, III	61	President, Treasurer and sole director
Douglas P. Williams	54	Senior Vice President and Assistant Secretary
Stephen G. Franklin	56	Senior Vice President
Randall D. Fretz	53	Senior Vice President
Donald A. Miller	43	Senior Vice President
Robert E. Bowers	49	Senior Vice President

The backgrounds of Messrs. Wells, Williams and Fretz are described in the Management Executive Officers and Directors section of this prospectus. Below is a brief description of the other executive officers of Wells Capital.

*Stephen G. Franklin, Ph.D.*, is a Senior Vice President of Wells Capital. Mr. Franklin is responsible for marketing, sales and coordination of broker/ dealer relations. Mr. Franklin also serves as Vice President of Wells Real Estate Funds, Inc. Prior to joining Wells Capital in 1999, Mr. Franklin served as President of Global Access Learning, an international executive education and management development firm. From 1997 to 1999, Mr. Franklin served as President, Chief Academic Officer and Director of EduTrek International, a publicly traded provider of international post-secondary education that owns American InterContinental University, with campuses in Atlanta, Ft. Lauderdale, Los Angeles, Washington, D.C., London and Dubai. While at EduTrek, he was instrumental in developing the Master's and Bachelor's of Information Technology, International M.B.A. and Adult Evening B.B.A. programs. Prior to joining EduTrek, Mr. Franklin was Associate Dean of the Goizueta Business School at Emory University and a former tenured Associate Professor of Business Administration. He served on the founding Executive M.B.A. faculty and has taught graduate, undergraduate and executive courses in management and organizational behavior, human resources management and entrepreneurship. He also is co-founder and Director of the Center for Healthcare Leadership in the Emory University School of Medicine. Mr. Franklin was a frequent guest lecturer at universities throughout North America, Europe and South Africa.

In 1984, Mr. Franklin took a sabbatical from Emory University and became Executive Vice President and a principal stockholder of Financial Service Corporation (FSC), an independent financial planning broker/ dealer. Mr. Franklin and the other stockholders of FSC later sold their interests in FSC to Mutual of New York Life Insurance Company.

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*Donald A. Miller* is a Senior Vice President of Wells Capital. Mr. Miller is responsible for directing all aspects of the acquisitions, dispositions, property management, construction and leasing groups of our advisor and its affiliates. Prior to joining Wells in 2003, Mr. Miller headed Lend Lease's U.S. real estate operations, including acquisitions, dispositions, financing and investment management. Prior to joining Lend Lease (The Yarmouth Group) in 1994, Mr. Miller was responsible for regional acquisitions for Prentiss Properties Realty Advisors, a predecessor entity to the publicly traded Prentiss REIT. Earlier in his career, Mr. Miller worked in the pension investment management department of Delta Air Lines and was responsible for real estate and international equity investment programs. Mr. Miller is a Chartered Financial Analyst (CFA) and holds multiple broker/ dealer and real estate licenses. He received a B.A. from Furman University in Greenville, South Carolina.

*Robert E. Bowers* is a Senior Vice President of Wells Capital. Mr. Bowers also serves as Chief Financial Officer and Vice President of Wells Real Estate Funds, Inc. A 20-year veteran of the financial services industry, Mr. Bowers' experience includes investor relations, debt and capital infusion, IPO structuring, budgeting and forecasting, financial management and strategic planning. Prior to joining Wells in 2004, Mr. Bowers served as a business financial consultant, communicating regularly with the SEC and providing strategic financial counsel to a range of organizations, including the University System of Georgia, venture capital funds and public corporations such as NetBank, Inc., a publicly held online bank. Previously, Mr. Bowers was CFO of NetBank, Inc., the first profitable Internet bank. While at NetBank, he participated in the company's successful initial public offering and subsequent secondary offerings, directing all SEC and regulatory reporting and compliance. Prior to joining NetBank, Mr. Bowers was CFO and Director of Stockholder Systems, Inc., a Norcross, Georgia-based financial applications company, for 12 years. When CheckFree Corporation, a pioneer in the electronic bill payment industry, acquired Stockholder Systems in 1995, he headed the merger negotiation team and became CFO of the combined organization. Mr. Bowers began his career in 1978 as an audit manager for Arthur Andersen & Company in Atlanta. Mr. Bowers earned a B.S. in Accounting from Auburn University, where he graduated *summa cum laude*. He is a licensed Certified Public Accountant and serves on the boards of various venture capital and Atlanta area non-profit organizations, including Woodward Academy, Hope House Children's Respite and Southwest Christian Hospice.

In addition to the directors and executive officers listed above, Wells Capital employs personnel who have extensive experience in the types of services that Wells Capital will be providing to us, including arranging financing for the acquisition of properties, negotiating contracts, and preparing and overseeing budgets.

**The Advisory Agreement**

As a newly formed entity, we do not believe our asset base or the income generated by these assets will initially be large enough to support a fully integrated staff of employees. As a result, we would either have to incur operating losses until our assets and income grew to the size needed to support a fully integrated staff, do without certain services or retain a third party to provide management services. Our board of directors has elected the third option. We have entered into an advisory agreement with Wells Capital to serve as our advisor with responsibility to oversee and manage our day-to-day operations and to perform other duties including the following:

find, present and recommend to our board of directors real estate investment opportunities consistent with our investment policies and objectives;

structure the terms and conditions of our real estate acquisitions, sales or joint ventures;

at the direction of our management, prepare all reports and regulatory filings, including those required by federal and state securities laws;

arrange for financing and refinancing of properties;

enter into supply agreements, service contracts and leases for our properties;

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oversee the performance of any property managers or asset managers, including our timber manager;

review and analyze the properties' operating and capital budgets;

generate an annual budget for us;

review and analyze financial information for each property and the overall portfolio;

if a transaction requires approval by the board of directors, deliver to the board of directors all documents requested by the board in its evaluation of the proposed transaction;

actively oversee the management of our properties for purposes of meeting our investment objectives;

perform cash management services;

perform transfer agent functions; and

engage our agents.

The fees payable to Wells Capital under the advisory agreement are described in detail at Management Compensation below. We also describe in that section our obligation to reimburse Wells Capital for organization and offering expenses, administrative and management services, and payments made by Wells Capital to third parties in connection with potential acquisitions.

The term of the current advisory agreement ends after one year from the date of this prospectus and may be renewed for an unlimited number of successive one-year periods upon mutual consent of Wells Capital and us. Additionally, either party may terminate without penalty the advisory agreement upon 60 days' written notice.

Wells Capital and its affiliates expect to engage in other business ventures and, as a result, their resources will not be dedicated exclusively to our business. However, pursuant to the advisory agreement, Wells Capital must devote sufficient resources to our administration to discharge its obligations. Wells Capital may assign the advisory agreement to an affiliate upon our approval. We may assign or transfer the advisory agreement to a successor entity.

**Initial Investment by Our Advisor**

Wells Capital has purchased 20,000 shares of our common stock for \$200,000, constituting 100% of our outstanding capital stock. Wells Capital may not sell any of these shares during the period it serves as our advisor. Although Wells Capital and its affiliates are not prohibited from acquiring additional shares of our common stock, Wells Capital currently has no options or warrants to acquire any shares. Wells Capital has purchased 200 common units in Wells Timber OP at a purchase price of \$10.00 per unit and holds a 1% limited partner interest. Wells Capital also owns 100 special units for which it paid \$10.00 per unit. Wells Capital has agreed to abstain from voting any shares it owns in any vote for the election of directors or any vote regarding the approval or termination of any contract with Wells Capital or any of its affiliates.

**Dealer-Manager**

Wells Investment Securities, Inc., our dealer-manager, is a member firm of the NASD. Wells Investment Securities was organized in May 1984 for the purpose of participating in and facilitating the distribution of securities of Wells programs.

Wells Investment Securities will provide wholesaling, sales promotion and marketing assistance services to us in connection with the distribution of the shares offered pursuant to this prospectus. It may also sell shares at the retail level.

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Wells Real Estate Funds, Inc. is the sole stockholder of Wells Investment Securities. The current directors and executive officers of Wells Investment Securities are:

<b>Name</b>	<b>Age</b>	<b>Positions</b>
Philip M. Taylor	62	President and director
Douglas P. Williams	54	Vice President, CFO, Treasurer and director
Randall D. Fretz	53	Director

The backgrounds of Messrs. Williams and Fretz are described in the Management Executive Officers and Directors section of this prospectus.

*Philip M. Taylor* is President and a director of Wells Investment Securities, Inc. Mr. Taylor joined Wells in March 2001 and directs the national sales effort. Prior to joining Wells, Mr. Taylor was Vice President, Sales and Project Operations, for Atlantech International, Inc. from 1991 to 2000. During a 21-year tenure with Ingersoll-Rand Company, Mr. Taylor held progressively more responsible positions in sales, marketing and management. He also served for five years as an officer in the U.S. Army. Mr. Taylor holds NASD Series 7, 24 and 63 licenses. Mr. Taylor earned a bachelor degree in Industrial Management from East Tennessee State University and a Master of Business Administration in Finance/ Management from the University of Oregon.

**Management Decisions**

The primary responsibility for the management decisions of Wells Capital and its affiliates, including the selection of investment properties to be recommended to our board of directors, the negotiation for these investments, asset-management decisions and property dispositions, will reside in Leo F. Wells, III, Douglas P. Williams, Randall D. Fretz, Donald A. Miller and Robert E. Bowers. Our board of directors, including a majority of the independent directors, must approve all real property acquisitions and dispositions, as well as the financing of any such acquisitions. We expect that the board of directors will form an investment committee to which it will delegate the authority to approve all real property acquisitions and dispositions with a purchase or sale price below a certain amount, including the financing of any such acquisitions, other than any transaction with an affiliate of our advisor. Any such investment committee will be comprised of at least a majority of independent directors.

**MANAGEMENT COMPENSATION**

We have no paid employees. Wells Capital, our advisor, and its affiliates are responsible for the management of our day-to-day affairs. The following table summarizes all of the compensation and fees payable to Wells Capital and its affiliates, including amounts to reimburse their costs in providing services. 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 a \$9.55 purchase price for shares sold under our dividend reinvestment plan.

<b>Form of Compensation and Entity Receiving</b>	<b>Determination of Amount</b>	<b>Estimated Amount for Maximum Offering(1)</b>
Selling Commissions Wells Investment Securities(2)	<i>Organization and Offering Stage</i> 7.0% of gross offering proceeds before reallocation of commissions earned by participating broker/ dealers, except that no selling commissions are payable on shares sold under our dividend reinvestment plan. Wells Investment Securities, our dealer-manager, will reallocate 100% of commissions earned to participating broker/ dealers.	\$52,500,000



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<b>Form of Compensation and Entity Receiving</b>	<b>Determination of Amount</b>	<b>Estimated Amount for Maximum Offering(1)</b>
Dealer-Manager Fee Wells Investment Securities(2)	1.8% of gross offering proceeds before reallowance to participating broker/ dealers, except that no dealer-manager fee is payable on shares sold under our dividend reinvestment plan. Wells Investment Securities will reallow a portion of its dealer-manager fee to participating broker/ dealers. See Plan of Distribution.	\$13,500,000
Reimbursement of Organization and Offering Expenses Wells Capital(3)	Up to 1.2% of gross offering proceeds for shares sold under our primary offering, except that no reimbursement will be made from proceeds of shares sold under our dividend reinvestment plan. Wells Capital will incur or pay our organization and offering expenses (excluding selling commissions and the dealer-manager fee). We will then reimburse Wells Capital for these amounts up to 1.2% of aggregate gross offering proceeds.	\$9,000,000
Asset Management Fee Wells Capital(4)	<i>Acquisition and Development Stage</i> Monthly fee equal to one-twelfth of 1.25% of the cost of investments.	Actual amounts are dependent upon total equity and debt capital we raise and results of operations and therefore cannot be determined at this time.
Other Operating Expenses(5)	We will reimburse the expenses incurred by Wells Capital in connection with its provision of services, including related personnel, rent, utilities and information technology costs. We will not reimburse for personnel costs in connection with services for which Wells Capital receives real estate disposition fees.	Actual amounts are dependent upon results of operations and therefore cannot be determined at this time.
Real Estate Disposition Fees Wells Capital or its Affiliates(6)	<i>Liquidity Stage</i> For substantial assistance in connection with the sale of properties, we will pay Wells Capital or its affiliates an amount as determined by our board of directors to be appropriate based on market norms and not to exceed (1) for any property sold for \$20.0 million or less, 2.0% of the contract price of the property sold and (2) for any property sold for more than \$20.0 million, 1.0% of the contract price of the property sold; provided, however, in no event may the real	Actual amounts are dependent upon results of operations and therefore cannot be determined at this time.

estate commissions paid to Wells Capital, its affiliates and unaffiliated third parties exceed 6.0% of the contract sales price.

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<b>Form of Compensation and Entity Receiving</b>	<b>Determination of Amount</b>	<b>Estimated Amount for Maximum Offering(1)</b>
Special Unit Distribution of Net Sales Proceeds Wells Capital(7)	<p>If the net sales proceeds are sufficient to provide the common unit holders of Wells Timber OP, in the aggregate, a return of net capital contributions plus a cumulative, noncompounded return of at least 7.0%, but less than 8.0%, per year, then a distribution of 10% of the remaining net sales proceeds after return of net capital contributions plus distributions to the common unit holders, in the aggregate, of an amount equal to a 7.0% per year cumulative, noncompounded return on their invested capital, shall be paid to the holder of the special units.</p> <p>If the net sales proceeds are sufficient to provide the common unit holders in Wells Timber OP, in the aggregate, a return of net capital contributions plus a cumulative, noncompounded return of at least 8.0% per year, then a distribution of 20% of the net sales proceeds after return of net capital contributions plus distributions to the common unit holders, in the aggregate, of an amount equal to an 8.0% per year cumulative, noncompounded return on their invested capital, shall be paid to the holder of the special units.</p> <p>Following the distribution to us by Wells Timber OP of net sales proceeds, we will distribute the proceeds to our stockholders. Each individual stockholder may receive more or less than the 7.0% or 8.0% cumulative noncompounded annual pre-tax return on their net capital contributions prior to the commencement of distributions to the owner of the special units.</p>	Actual amounts are dependent upon results of operations and therefore cannot be determined at this time.

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<b>Form of Compensation and Entity Receiving</b>	<b>Determination of Amount</b>	<b>Estimated Amount for Maximum Offering(1)</b>
Special Unit Redemption Payment Due Upon Listing Wells Capital(7)(8)	<p>Upon the listing of our shares on a national securities exchange or upon their quotation on a national market system, the special units will be redeemed for cash or shares of common stock, at our election. If the market value of our outstanding common stock at listing plus the total distributions paid by Wells Timber OP to the common unit holders prior to listing exceeds the aggregate capital contributed by the common unit holders to Wells Timber OP plus the amount of cash flow necessary to generate in the aggregate a cumulative, noncompounded return equal to at least 7.0%, but less than 8.0%, per year, then the redemption payment will equal 10% of the amount by which (1) the market value of our outstanding common stock exceeds (2) the sum of the total capital contributed by us to Wells Timber OP and the amount of cash flow necessary to generate in the aggregate a 7.0% per year cumulative, noncompounded return.</p> <p>If the market value of our common stock at listing plus the total distributions paid by Wells Timber OP to the common unit holders prior to listing exceeds the aggregate capital contributed by the common unit holders to Wells Timber OP plus the amount of cash flow necessary to generate in the aggregate a cumulative, noncompounded return equal to at least 8.0% per year, then the redemption payment will equal 20% of the amount by which (1) the market value of our outstanding common stock exceeds (2) the sum of the total capital contributed by the common unit holders to Wells Timber OP and the amount of cash flow necessary to generate in the aggregate an 8.0% per year cumulative, noncompounded return.</p>	Actual amounts are dependent upon results of operations and therefore cannot be determined at this time.

(1) The estimated maximum dollar amounts are based on the sale of the maximum of 85 million shares to the public, including 10 million shares through our dividend reinvestment plan.

- (2) Selling commissions and, in some cases, all or a portion of the dealer-manager fee will not be charged with regard to shares sold to or for the account of certain categories of purchasers. See Plan of Distribution.
- (3) These organization and offering expenses include all expenses (other than selling commissions and the dealer-manager fee) to be paid by us in connection with the offering, including our legal, accounting, printing, mailing and filing fees, due diligence expense reimbursements to broker/ dealers and amounts to reimburse Wells Capital for the salaries of its employees and other costs in connection with preparing supplemental sales materials, the cost of educational conferences held by us (including travel, meal and lodging costs of registered representatives of broker/ dealers) and attendance fees and cost reimbursement for employees of our affiliates to attend retail seminars conducted by broker/ dealers. The portion of these organization and offering expenses for which we (as opposed to Wells

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Capital) would be responsible could not be increased above 1.2% of our gross offering proceeds without entering into a new or an amended advisory agreement, which under our charter would require the approval of a majority of our independent directors. We will not reimburse Wells Capital for any organization and offering expenses from proceeds of sales pursuant to our dividend reinvestment plan.

- (4) The asset management fee is based on the actual amount invested on our behalf in properties plus, with respect to joint ventures, the actual amount invested on our behalf in the joint venture plus our share of capital improvements, if applicable, made by the joint venture from cash flows generated by the joint venture, until such time as our advisor has estimated the value of all interests we hold in properties or joint ventures for ERISA reporting purposes. After such time, our asset management fee will be based on the lesser of the amount as calculated above or the aggregate value of our interest in properties and joint ventures as established in connection with the most recent estimated valuation for ERISA fiduciaries. The asset management fee is payable, at the election of our advisor, either in cash or, subject to the ownership limitations in our charter, in shares of our common stock. If the fee is paid in shares, the shares will be valued at a price equal to the average closing price of the shares over the 10 trading days immediately preceding the date of such election, if the shares are then listed on a national securities exchange or quoted on a national market system at such time. If the shares are not listed on a national securities exchange or quoted on a national market system at such time, then the shares will be valued at a price equal to the fair market value for the shares on the date of the advisor's election to receive the fee in the form of shares as determined in good faith by our board of directors, including a majority of our independent directors.
- (5) Wells Capital must reimburse us the amount by which our aggregate annual total operating expenses exceed the greater of 2% of our average invested assets or 25% of our net income unless a majority of our independent directors has determined that such excess expenses were justified based on unusual and nonrecurring factors.  
Average invested assets means the average monthly book value of our assets for a specified period before deducting depreciation, bad debts or other noncash reserves. Total operating expenses means all costs and expenses paid or incurred by us, as determined under GAAP, that are in any way related to our operation, including advisory fees, but excluding (a) the expenses of raising capital such as organization and offering expenses, legal, audit, accounting, underwriting, brokerage, listing, registration and other fees, printing and other such expenses, and taxes incurred in connection with the issuance, distribution, transfer, registration and stock exchange listing of our stock; (b) interest payments; (c) taxes; (d) noncash expenditures such as depreciation, amortization and bad debt reserves; (e) reasonable incentive fees based on the gain from the sale of our assets; and (f) acquisition fees, acquisition expenses (including expenses relating to potential acquisitions that we do not close), real estate disposition fees on the resale of property and other expenses connected with the acquisition, disposition, management and ownership of real estate interests or other property (including the costs of foreclosure, insurance premiums, legal services, maintenance, repair and improvement of property).
- (6) Although we are most likely to pay real estate disposition fees to Wells Capital or an affiliate in the event of our liquidation, these fees also may be earned during our operational stage.
- (7) Upon termination of the advisory agreement, Wells Capital may be entitled to a similar redemption payment if Wells Capital would have been entitled to a special unit distribution of net sales proceeds had the portfolio been liquidated (based on an independent appraised value of the portfolio) on the date of termination. Under our charter, we could not amend Wells Timber OP's partnership agreement to increase these success-based payments without the approval of a majority of our independent directors, and any increase in the special unit distribution of net sales proceeds or redemption payments upon listing or termination would have to be reasonable. Our charter provides that such payments are presumptively reasonable if the amount does not exceed 15% of the balance of such net proceeds remaining after investors have received a return of their net capital contributions and a 6.0% per year cumulative, noncompounded return.



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- (8) If at any time the shares become listed on a national securities exchange or included for quotation on a national market system, we will negotiate in good faith with Wells Capital a fee structure appropriate for an entity with a perpetual life. A majority of our independent directors must approve the new fee structure negotiated with Wells Capital. In negotiating a new fee structure, our independent directors must consider all of the factors these directors deem relevant, including but not limited to:
- the size of the advisory fee in relation to the size, composition and profitability of our portfolio;
  - the success of Wells Capital in generating opportunities that meet our investment objectives;
  - the rates charged to other REITs and to investors other than REITs by advisors performing similar services;
  - additional revenues realized by Wells Capital through its relationship with us;
  - the quality and extent of service and advice furnished by Wells Capital;
  - the performance of our investment portfolio, including income, conservation or appreciation of capital, frequency of problem investments and competence in dealing with distress situations; and
  - the quality of our portfolio in relationship to the investments generated by Wells Capital for the account of other clients.

In the event that we elect to pay the redemption payment due upon listing in the form of shares of our common stock, the number of shares to be issued in payment of the fee will be based on the market value of our outstanding common stock (defined as the average market value of the shares issued and outstanding at listing over the 30 trading days beginning 180 days after the shares are first listed). The redemption payment due upon listing is subject to the limit on total operating expenses as described in footnote (5). In the event the special unit redemption payment due upon listing is earned by Wells Capital, we will not be required to pay Wells Capital any further special unit distributions of net sales proceeds.

**STOCK OWNERSHIP**

The following table sets forth the beneficial ownership of our common stock as of September 30, 2005 (unless otherwise indicated) by (1) any person who is known by us to be the beneficial owner of more than 5% of the outstanding shares of our common stock, (2) our directors, (3) our executive officers and (4) all of our directors and executive officers as a group.

Name of Beneficial Owners	Shares Beneficially Owned	
	Shares	Percentage
Wells Capital, Inc.(1)	20,000	100%
Leo F. Wells, III, President and Director(1)	20,000	100%
Douglas P. Williams, Executive Vice President, Secretary, Treasurer and Director		(2)
Randall D. Fretz, Senior Vice President		(2)
All directors and executive officers as a group (3 persons)	20,000	100%

(1) As the sole stockholder of Wells Real Estate Funds, Inc., which directly or indirectly owns Wells Capital, Inc., Mr. Wells may be deemed the beneficial owner of the shares held by Wells Capital, Inc. Wells Capital, Inc. also holds 200 common units in Wells Timber OP and 100 special units in Wells Timber OP.

(2) Less than 1% of the outstanding common stock.

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**CONFLICTS OF INTEREST**

We are subject to various conflicts of interest arising out of our relationship with Wells Capital and its affiliates, some of whom serve as our officers and directors. We discuss these conflicts below and conclude this section with a discussion of the corporate governance measures we adopted to ameliorate some of the risks posed by these conflicts.

**Our Advisor s Interests in Other Wells Real Estate Programs**

***General***

Wells Capital and its affiliates are general partners and advisors of other Wells programs, including programs that have investment objectives similar to ours, and we expect that they will organize other such partnerships and programs in the future. Wells Capital and such affiliates have legal and financial obligations with respect to these programs that are similar to their obligations to us.

Wells Capital and its affiliates have sponsored the following 17 public real estate programs with substantially identical investment objectives as ours:

1. Wells Real Estate Fund I
2. Wells Real Estate Fund II
3. Wells Real Estate Fund II-OW
4. Wells Real Estate Fund III, L.P.
5. Wells Real Estate Fund IV, L.P.
6. Wells Real Estate Fund V, L.P.
7. Wells Real Estate Fund VI, L.P.
8. Wells Real Estate Fund VII, L.P.
9. Wells Real Estate Fund VIII, L.P.
10. Wells Real Estate Fund IX, L.P.
11. Wells Real Estate Fund X, L.P.
12. Wells Real Estate Fund XI, L.P.
13. Wells Real Estate Fund XII, L.P.
14. Wells Real Estate Fund XIII, L.P.
15. Wells Real Estate Fund XIV, L.P.
16. Wells Real Estate Investment Trust, Inc.
17. Wells Real Estate Investment Trust II, Inc.

***Allocation of Advisor s Time***

We rely on Wells Capital and its affiliates for the day-to-day operation of our business. As a result of its interests in other Wells programs and the fact that it has also engaged and will continue to engage in other business activities,

Wells Capital and its affiliates will have conflicts of interest in allocating their time between us and other Wells programs and activities in which they are involved. However, Wells Capital believes that it and its affiliates have sufficient personnel to discharge fully their responsibilities to all of the Wells programs and ventures in which they are involved.

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**Receipt of Fees and Other Compensation by Wells Capital and its Affiliates**

Wells Capital and its affiliates will receive substantial fees from us. These compensation arrangements could influence our advisor's advice to us, as well as the judgment of the affiliates of Wells Capital who serve as our officers or directors. Among other matters, the compensation arrangements could affect their judgment with respect to:

the continuation, renewal or enforcement of our agreements with Wells Capital and its affiliates, including the advisory agreement and the dealer-manager agreement;

public offerings of equity by us, which entitle Wells Investment Securities to dealer-manager fees and entitle Wells Capital to increased asset-management fees;

property sales, which entitle Wells Capital to real estate disposition fees and possible success-based sale fees;

property acquisitions from other Wells-sponsored programs, which might entitle Wells Capital to real estate disposition fees and possible success-based sale fees in connection with its services for the seller;

property acquisitions from third parties, which utilize proceeds from our public offerings, thereby increasing the likelihood of continued equity offerings and related fee income for Wells Investment Securities and Wells Capital;

whether and when we apply to list our common shares on a national securities exchange or to include them for quotation on a national market system, which listing or quotation could entitle Wells Capital to a success-based payment upon the redemption of the special units of Wells Timber OP that it holds, which is due upon listing, but also could adversely affect its sales efforts for other programs depending on the price at which the shares trade; and

whether and when we seek to sell our company or our assets, which sale could entitle Wells Capital to a success-based distribution on the special units of Wells Timber OP that it holds, but could also adversely affect its sales efforts for other programs depending upon the sales price for our company or our assets.

The advisory fees paid to Wells Capital will be paid irrespective of the quality of its services during the term of the advisory agreement. See Certain Conflict Resolution Procedures.

**Fiduciary Duties Owed by Some of Our Affiliates to Our Advisor and Our Advisor's Affiliates**

Our executive officers and some of our directors also are officers and directors of:

Wells REIT I and Wells REIT II;

Wells Capital, our advisor and the general partner of the various real estate programs sponsored by Wells Capital (described above); and

Wells Investment Securities, our dealer-manager.

As a result, they owe fiduciary duties to these various entities and their stockholders and limited partners, which fiduciary duties may from time to time conflict with the fiduciary duties they owe to us.

**Affiliated Dealer-Manager**

Since Wells Investment Securities, our dealer-manager, is an affiliate of Wells Capital, you will not have the benefit of an independent due diligence review and investigation of the type normally performed by an independent underwriter in connection with the offering of securities. See Plan of Distribution.

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**Certain Conflict Resolution Procedures**

***Independent Directors***

Our independent directors are empowered to resolve potential conflicts of interest. Serving on the board of, or owning an interest in, another Wells-sponsored program will not, by itself, preclude a person from being named an independent director. The independent directors, who are authorized to retain their own legal advisor and financial advisor, are empowered to act on any matter permitted under Maryland law if the matter at issue is such that the exercise of independent judgment by Wells Capital affiliates could reasonably be compromised. Those conflict-of-interest matters that the board cannot delegate to a committee under Maryland law must be acted upon by both the board of directors and a majority of our independent directors. Among the matters we expect our independent directors to act upon are:

the continuation, renewal or enforcement of our agreements with Wells Capital and its affiliates, including the advisory agreement and the dealer-manager agreement;

public offerings of securities;

transactions with affiliates;

compensation of our officers and directors who are affiliated with our advisor;

whether and when we apply to list our shares of common stock on a national securities exchange or to include them for quotation on a national market system; and

whether and when we seek to sell the company or its assets.

***Other Charter Provisions Relating to Conflicts of Interest***

In addition to providing for our independent directors to act together to resolve potential conflicts, our charter contains many other restrictions relating to conflicts of interest including the following:

*Advisor Compensation.* The independent directors evaluate at least annually whether the compensation that we contract to pay to Wells Capital and its affiliates is reasonable in relation to the nature and quality of services performed and that such compensation is within the limits prescribed by our charter. The independent directors supervise the performance of Wells Capital and its affiliates and the compensation we pay to them to determine that the provisions of our compensation arrangements are being carried out. The independent directors base this evaluation on the factors set forth below as well as any other factors that they deem relevant:

the amount of the fees paid to Wells Capital and its affiliates in relation to the size, composition and performance of our investments;

the success of Wells Capital in generating appropriate investment opportunities;

the rates charged to other REITs and others by advisors performing similar services;

additional revenues realized by Wells Capital and its affiliates through their relationship with us, including whether we pay them or they are paid by others with whom we do business;

the quality and extent of service and advice furnished by Wells Capital and its affiliates;

the performance of our investment portfolio; and

the quality of our portfolio relative to the investments generated by Wells Capital for its own account and for its other clients.

We can pay Wells Capital only a real estate disposition fee in connection with the sale of a property if it provides a substantial amount of the services in the effort to sell the property. If Wells Capital does provide substantial assistance, we will pay it or its affiliates an amount as determined by our board of directors, including a majority of our independent directors, to be appropriate based on market norms and not to exceed (i) for any property sold at a price of \$20.0 million or less, 2% of the contract price of the

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property sold and (ii) for any property sold at a price greater than \$20.0 million, 1% of the contract price of the property sold. However, in no event may the aggregate real estate disposition fees paid to Wells Capital, its affiliates and unaffiliated third parties exceed 6% of the contract sales price.

*Term of Advisory Agreement.* Each contract for the services of our advisor may not exceed one year, although there is no limit on the number of times that the contract with a particular advisor may be renewed. Either a majority of our independent directors or our advisor may terminate our advisory agreement with Wells Capital without cause or penalty on 60 days' written notice. For information regarding the redemption payment that may be payable by Wells Timber OP to our advisor upon termination of the advisory agreement in connection with the redemption of special units held by our advisor, see note (7) to the compensation table under Management Compensation.

*Our Acquisitions.* We will not purchase or lease properties in which Wells Capital, our directors or officers or any of their affiliates have an interest without a determination by a majority of our independent directors that such transaction is fair and reasonable to us and at a price to us no greater than the cost of the property to the affiliated seller or lessor unless there is substantial justification for the excess amount. In no event will we acquire any such property at an amount in excess of its current appraised value as determined by an independent expert selected by our independent directors not otherwise interested in the transaction.

*Other Transactions Involving Affiliates.* A majority of our independent directors must conclude that all other transactions, including joint ventures, between us and Wells Capital, our officers or directors or any of their affiliates are fair and reasonable to us and on terms and conditions not less favorable to us than those available from unaffiliated third parties.

*Limitation on Operating Expenses.* Wells Capital must reimburse us the amount by which our aggregate annual total operating expenses exceed the greater of 2% of our average invested assets or 25% of our net income unless our independent directors have determined that such excess expenses were justified based on unusual and nonrecurring factors. Average invested assets means the average monthly book value of our assets for a specified period before deducting depreciation, bad debts or other noncash reserves. Total operating expenses means all costs and expenses paid or incurred by us, as determined under GAAP, that are in any way related to our operation, including advisory fees, but excluding (a) the expenses of raising capital such as organization and offering expenses, legal, audit, accounting, underwriting, brokerage, listing, registration and other fees, printing and other such expenses and taxes incurred in connection with the issuance, distribution, transfer, registration and stock exchange listing of our stock; (b) interest payments; (c) taxes; (d) noncash expenditures such as depreciation, amortization and bad debt reserves; (e) reasonable incentive fees based on the gain from the sale of our assets; and (f) acquisition fees, acquisition expenses, real estate disposition fees on the resale of property and other expenses connected with the acquisition, disposition, management and ownership of real estate interests or other property (including the costs of foreclosure, insurance premiums, legal services, maintenance, repair and improvement of property).

*Issuance of Options and Warrants to Certain Affiliates.* Our charter prohibits the issuance of options or warrants to purchase our capital stock to Wells Capital, our directors or officers or any of their affiliates (a) on terms more favorable than we offer such options or warrants to the general public or (b) in excess of an amount equal to 10% of our outstanding capital stock on the date of grant.

*Repurchase of Our Shares.* Our charter prohibits us from paying a fee to Wells Capital or our directors or officers or any of their affiliates in connection with our repurchase of our capital stock.

*Loans.* We will not make any loans to Wells Capital or to our directors or officers or any of their affiliates. In addition, we will not borrow from these affiliates unless a majority of our independent directors approve the transaction as being fair, competitive and commercially reasonable, and no less favorable to us than comparable loans between unaffiliated parties. These restrictions on loans will apply only to advances of cash that are commonly viewed as loans, as determined by the board of directors. By way of example only, the prohibition on loans would not restrict advances of cash for legal expenses or

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other costs incurred as a result of any legal action for which indemnification is being sought, nor would the prohibition limit our ability to advance reimbursable expenses incurred by directors or officers or Wells Capital or its affiliates.

*Reports to Stockholders.* Our charter requires that we prepare an annual report and deliver it to our stockholders within 120 days after the end of each fiscal year. Among the matters that must be included in the annual report are:

the ratio of the costs of raising capital during the year to the capital raised;

the aggregate amount of advisory fees and the aggregate amount of other fees paid to Wells Capital and any affiliate of Wells Capital by us or third parties doing business with us during the year;

our total operating expenses for the year, stated as a percentage of our average invested assets and as a percentage of our net income;

a report from our independent directors that our policies are in the best interests of our stockholders and the basis for such determination; and

separately stated, full disclosure of all material terms, factors and circumstances surrounding any and all transactions involving us and our advisor, a director or any affiliate thereof during the year,