Wells Timberland REIT, Inc.
Form POS AM
February 11, 2008

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As filed with the Securities and Exchange Commission on February 11, 2008
Registration No. 333-129651

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

Post-Effective Amendment No. 3
to
Form S-11
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

Wells Timberland REIT, 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 Timberland REIT, Inc.
6200 The Corners Parkway
Norcross, Georgia 30092-3365
(770) 449-7800
(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copy to:

Rosemarie A. Thurston
Lesley H. Solomon
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. o

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. o

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. o

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

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

Large accelerated filer o	Accelerated filer o	Non-accelerated filer þ (Do not check if a smaller reporting company)	Smaller reporting company o

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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This Post-Effective Amendment No. 3 consists of the following:

1. The Registrant s Prospectus dated December 14, 2007 (the Prospectus), previously filed with Post-Effective Amendment No. 2 and refiled herewith.

2. Supplement No. 1 dated February 11, 2008, filed herewith, which will be delivered as an unattached document along with the Prospectus.

3. Part II, included herewith.

4. Signatures, included herewith.

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WELLS TIMBERLAND REIT, INC.

Maximum Offering of 85,000,000 Shares of Common StockMinimum Offering of 200,000 Shares of Common Stock

Wells Timberland REIT, Inc. is a newly organized Maryland corporation formed primarily for the purpose of acquiring timberland properties in the timber-producing regions of the United States and, to a lesser extent, in timber-producing regions outside the United States. We were incorporated in the State of Maryland in September 2005. We intend to qualify as a REIT under the Internal Revenue Code of 1986, as amended, upon the satisfaction of certain organizational and operational requirements and when our board determines that it is in our best interest to elect to qualify as a REIT.

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 distribution reinvestment plan at a purchase price equal to $9.55 per share during our primary offering. We reserve the right to reallocate the shares of common stock we are offering between the primary offering and the distribution reinvestment plan. On July 11, 2007, excluding shares purchased by our executive officers, directors and our advisor and its affiliates, we had received and accepted subscriptions in our offering for 234,477 shares of common stock, or $2,332,845, thereby exceeding the minimum offering. As of December 6, 2007, we had received aggregate gross offering proceeds, net of discounts, of approximately $36 million from the sale of approximately 3.6 million shares in this offering. As of December 6, 2007, approximately 71.4 million shares remained available for sale to the public, exclusive of shares available under our distribution reinvestment plan.

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

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

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

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 sponsor.

The terms of our mezzanine loan agreement prohibit us from paying distributions or redeeming shares (except in cases of death or disability) until we repay the loan in full.

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

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

	Price to Public*	Selling Commissions*	Dealer-Manager Fee*	Net Proceeds (Before Expenses)
Primary Offering				
Per Share	$ 10.00	$ 0.70	$ 0.18	$ 9.12
Total 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
Distribution Reinvestment Plan				
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.

December 14, 2007

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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.

Arizona, Michigan, Missouri, North Carolina, Tennessee and Texas 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.

California Investors who reside in the state of California must have either (1) a net worth of at least $500,000 or (2) an annual gross income of at least $65,000 and a net worth of at least $250,000.

Iowa Investors who reside in the state of Iowa must have either (1) a net worth of at least $250,000 or (2) a net annual income of at least $70,000 and net worth of at least $70,000. In addition, investors from the state of Iowa may not invest more than 10% of their liquid net worth in us.

Kansas Investors who reside in the state of Kansas must have either (1) a net worth of at least $250,000 or (2) a net annual income of at least $70,000 and a net worth of at least $70,000. The state of Kansas recommends that your aggregate investment in us and similar direct participation investments should not exceed 10% of your liquid net worth, which is defined as that portion of net worth which consists of cash, cash equivalents and readily marketable securities.

Maine Investors must have either (1) a net worth of at least $200,000 or (2) a net worth of at least $50,000 and an annual gross income of at least $50,000.

Massachusetts and Ohio Investors must have either (1) a net worth of at least $250,000 or (2) a net annual income of at least $70,000 and net worth of at least $70,000. In either case, your investment in us may not exceed 10% of your liquid net worth.

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

Minnesota and New Mexico Investors must have either (1) a net worth of at least $250,000 or (2) annual gross income of at least $70,000 and a net worth of at least $70,000.

Pennsylvania In addition to our suitability requirements, investors must have a net worth of at least 10 times their investment in us.

Washington Investors who reside in the state of Washington must have either (1) a net worth of at least $250,000 or (2) a net annual income of at least $70,000 and a net worth of at least $70,000.

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 Timberland REIT, Inc.

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

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

We were incorporated in Maryland on September 27, 2005 and intend to elect to be taxed as a real estate investment trust, or REIT, upon the satisfaction of certain organizational and operational requirements and when our board determines that it is in our best interest to elect to be taxed as a REIT. We do not expect to qualify as a REIT in 2007 or 2008 and cannot give assurances that we will qualify or elect to be taxed as a REIT thereafter. See Management s Discussion and Analysis of Financial Condition and Results of Operations Election of REIT Status. We have no paid employees and are externally advised and managed by Wells Timberland Management Organization, LLC, which we refer to as Wells TIMO or our advisor.

Our Advisor

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

Our Sponsor

Our advisor is managed by our sponsor, Wells Capital, Inc., which we refer to as Wells Capital. Since its incorporation in Georgia on April 20, 1984, Wells Capital has sponsored or advised public real estate programs on an unspecified property, or blind pool basis, that have raised approximately $11.7 billion of equity from approximately 267,000 investors.

Investment Objectives

Our primary investment objectives are:

to preserve and return your capital contributions;

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

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

However, we will not be able to pay any cash distributions until we repay our current mezzanine loan or renegotiate its terms, and attain certain financial performance measures under the senior loan. See Timberland Investments South Central Timberland Financing for a description of the terms of our senior and

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mezzanine loans. See the Business and Policies section of this prospectus for a more complete description of our investment policies and the investment restrictions imposed by our charter.

Summary Risk Factors

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

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

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

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. The fees payable to our advisor during our operational stage are not based on the performance of our investments.

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

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

The terms of our mezzanine loan agreement prohibit us from paying distributions or redeeming shares (except in cases of death or disability) until we repay this loan in full.

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

Our Corporate Structure

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

The UPREIT structure is used because a contribution of property directly to a REIT is generally a taxable transaction to the contributing property owner. In an UPREIT structure, a seller of a property who desires to defer taxable gain on the sale of his property may transfer the property to the UPREIT in exchange for common units in the UPREIT and defer taxation of gain until the seller later sells or exchanges his common units. Using an UPREIT structure may give us an advantage in acquiring desired properties from persons who

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may not otherwise sell their properties because of unfavorable tax results. At present, we have no plans to acquire any specific properties in exchange for common units of Wells Timberland OP.

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

Wells Timberland TRS, Inc. is a wholly-owned subsidiary of Wells Timberland OP. We have elected for Wells Timberland TRS to be a taxable REIT subsidiary, or TRS. 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 a TRS will enable us to engage in non-REIT qualifying business activities, such as the sale of higher and better use properties. We do not anticipate that a substantial portion, if any, of our income will be earned by our TRS.

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

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Conflicts of Interest

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

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

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

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

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

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

All of our officers and one of our directors, Jess E. Jarratt, will also face these conflicts because of their affiliation with Wells Capital, Wells TIMO, Wells Real Estate Investment Trust II, Inc., which we refer to as Wells REIT II, Institutional REIT, Inc., which we refer to as Institutional REIT and Wells Total Return REIT, Inc., which we refer to as Wells Total Return REIT. Wells REIT II, Institutional REIT and Wells Total Return REIT are separate REITs from us. Wells Capital, Inc., the owner and manager of our advisor, serves as the advisor to Wells REIT II and Institutional REIT and as a subadvisor to Wells Total Return REIT. In addition, all of our officers serve as officers of Wells REIT II, Institutional REIT and Wells Total Return REIT, and one of our directors, E. Nelson Mills, who is one of our independent directors, also serves as a director of Wells REIT II and Institutional REIT. 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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Compensation of the Advisor and its Affiliates

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

Type of Compensation	Determination of Amount	Estimated Amount for Maximum Offering (85,000,000 Shares)
	Offering Stage	
Selling Commissions	7% of gross offering proceeds from the primary offering; all selling commissions will be reallowed to participating broker/dealers.	$52,500,000
Dealer-Manager Fee	Up to 1.8% of gross offering proceeds from the primary offering; a portion of the dealer-manager fee will be reallowed to participating broker/dealers.	$13,500,000
Other Organization and Offering Expenses	Up to 1.2% of gross offering proceeds from the primary offering. Wells TIMO will incur or pay our organization and offering expenses (excluding selling commissions and the dealer-manager fee). We will then reimburse Wells TIMO for these amounts up to 1.2% of gross offering proceeds from the primary offering.	$9,000,000
	Operational Stage	
Asset Management Fees	Monthly fee equal to one-twelfth of 1% of the greater of the cost or value of investments.	Actual amounts are dependent upon the total equity capital we raise, the amount of debt we incur and results of operations and therefore cannot be determined at this time.

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.

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Type of Compensation	Determination of Amount	Estimated Amount for Maximum Offering (85,000,000 Shares)
	Liquidity Stage	
Real Estate Disposition Fees	Up to 2% of the contract price for any property sold for $20 million or less and up to 1% of the contract price for any property sold for more than $20 million, in each case as determined by our board of directors (including a majority of our independent directors) based on market norms for the services provided.	Actual amounts are dependent upon the results of our operations; we cannot determine these amounts at this time.
Special Units	Our advisor will be entitled to receive (1) 15% of specified distributions made upon the disposition of Wells Timberland OP s assets, and/or (2) a one time payment, in the form of a non-interest-bearing promissory note or shares of our common stock (as applicable), in conjunction with the redemption of the special units upon the occurrence of certain liquidity events or upon the occurrence of certain events that result in a termination or non-renewal of the advisory agreement, but in each case only after the holders of common units, including us, have received (or have been deemed to have received), in the aggregate, cumulative distributions equal to their capital contributions (less any amounts received in redemption of their common units) plus a 7% cumulative non-compounded annual pre-tax return on their net capital contributions.	Actual amounts are dependent upon the results of our operations; we cannot determine these amounts at this time.

In the event that Wells TIMO receives a special unit redemption payment in connection with a listing, it will no longer be eligible to receive a special unit redemption payment upon termination or non-renewal of the advisory agreement or a special unit distribution in connection with the disposition of Wells Timberland OP s assets. Similarly, in the event that Wells TIMO receives a redemption payment in connection with the termination or non-renewal of the advisory

agreement without cause, it will no longer be eligible to receive a special unit redemption payment upon listing or a special unit distribution in connection with the disposition of Wells Timberland OP s assets. The fees payable to our advisor during our operational stage are not based on the performance of our investments. See Management Compensation, The Operating Partnership Agreement, Plan of Distribution and Conflicts of Interest for a more detailed description of the fees and expenses payable to our advisor, our dealer-manager and their affiliates, and the conflicts of interest related to these arrangements.

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Description of Investments

We currently own approximately 228,108 acres of timberland in fee simple and have long-term leasehold interests on another approximately 94,730 acres of timberland, all located on the Lower Piedmont and Upper Coastal Plains of East Central Alabama and West Central Georgia, which we refer to as the South Central Timberland.

We expect to use substantially all of the net proceeds from this offering to acquire timberland properties in the timber-producing regions of the United States, which include the states in the Appalachian, Great Lakes, Northeastern, Northwestern and Southeastern regions. Our portfolio may also include, to a limited extent, investments in timberland located in other countries. We may also invest in entities that own timberland and make or acquire other types of real estate investments, provided that such other investments are consistent with the preservation of our status as a REIT upon our qualification as a REIT.

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 complementary investment objectives.

Sources of Income

We intend to generate income primarily by selling to third parties the right to access our land and harvest our timber pursuant to supply agreements and through open market sales. We also anticipate generating revenue by leasing our timberland for certain activities such as extracting underground natural resources, pine straw collection, recreational uses (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 do not expect that our higher and better use property sales will generate a substantial portion of our revenue and income.

Board of Directors and Executive Officers

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

Leverage

On August 3, 2007, our subsidiary, Wells Timberland Acquisition, LLC, which we refer to as Wells Timberland Acquisition, entered into a contract with MeadWestvaco Coated Board, Inc. in which we acquired the South Central Timberland. Wells Timberland Acquisition paid a portion of the purchase price for the South Central Timberland by obtaining funds through $372,000,000 in debt financing arranged by Wachovia Bank, National Association, or Wachovia Bank. The debt financing included two loans, which we refer to as the senior loan and the mezzanine loan, respectively. The senior loan is an adjustable rate first mortgage loan in the amount of $212,000,000. The mezzanine

loan is a fixed rate second mortgage loan in the amount of $160,000,000. See Timberland Investments South Central Timberland Financing.

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Michigan Rescission Offer

On September 11, 2007, we received a letter from the Securities Section of the Office of Financial and Insurance Services of the state of Michigan. This letter stated that, based on a description contained in Supplement No. 3 dated August 10, 2007 to our prospectus of the acquisition of the South Central Timberland and the resulting leverage from the senior loan and mezzanine loan agreements entered into by us in connection with the acquisition of the South Central Timberland, we were required to make a rescission offer to Michigan residents who purchased shares of our common stock prior to the filing of Supplement No. 3. On November 28, 2007, we sent letters making a rescission offer to all Michigan investors who purchased shares of our common stock prior to the filing of Supplement No. 5 dated October 30, 2007 to the prospectus. We are required under Michigan law to have the ability to fully fund any rescission offers accepted by the Michigan investors. As of December 13, 2007, one Michigan investor has accepted our rescission offer and requested a refund of $20,000. If all Michigan investors accept the rescission offer, we will be required to refund to them an aggregate of $814,647.

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QUESTIONS AND ANSWERS ABOUT THE OFFERING

What is a REIT?

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

- combines the capital of many investors to acquire or provide financing for real estate properties;
- allows individual investors to invest in a large-scale diversified real estate portfolio through the purchase of interests, typically shares, in the REIT;
- is required to pay distributions to investors of at least 90% of its annual REIT taxable income (computed without regard to the dividends paid deduction and excluding net capital gain); and
- avoids the double taxation treatment of income that would normally result from investments in a corporation because a REIT does not generally pay federal corporate income taxes on the net income it distributes, provided certain income tax requirements are satisfied.

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

When will you become qualified as a REIT?

Pursuant to our charter, our board of directors has the authority to determine when and if it is in our best interest to elect for us to qualify for federal income tax treatment as a REIT. Our qualification as a REIT requires compliance with a number of tests imposed by the Internal Revenue Code, including requirements as to organization and ownership, distributions of our income, and the nature and diversification of our income and assets. Our board of directors has determined that it is unlikely that we will qualify as a REIT for the taxable years ending December 31, 2007 or December 31, 2008. We expect that our board of directors will elect for us to be taxed as a REIT for the first taxable year in which (1) we meet the requirements to qualify to be taxed as a REIT and (2) we generate substantial taxable income such that REIT status would be in the best interest of our stockholders. As of the date of this prospectus, we do not anticipate that we will elect to be taxed as a REIT until our taxable year ending December 31, 2009. However, we cannot give any assurances that we will qualify to be taxed as a REIT in the future, and our board of directors may determine that it is in our best interest to further delay our REIT election. See Management s Discussion and Analysis of Financial Condition and Results of Operations Election of REIT Status.

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 in the timber-producing regions of the United States and to repay the senior loan and the mezzanine loan. Our portfolio also may include investments in timberland located in other countries. Depending primarily upon the number of shares we sell in this offering and assuming a $9.55 per share price for shares sold under our distribution reinvestment plan, we estimate for each share sold in this offering that between $9.00 and $9.11 per share will be available for our investments. 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. If in the future we pay cash distributions, we expect to use substantially all of the net offering proceeds from the sale of shares under our distribution reinvestment plan to repurchase our common stock pursuant to our share redemption plan.

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

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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 distribution reinvestment plan at $9.55 per share during the primary offering. We may reallocate the total number of shares we are offering between the primary offering and the distribution reinvestment plan. If we sell the maximum offering of 85,000,000 shares, including the shares offered pursuant to our distribution reinvestment plan, the shares sold in this offering would represent 99.98% of our outstanding shares.

How does a best efforts offering work?

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

How long will this offering last?

This offering will not last beyond August 11, 2008 (two years from the date of our initial prospectus). However, we may continue to offer shares under our distribution reinvestment plan beyond that date and until we have sold the shares allocated pursuant to this offering for purchase pursuant to the plan. In some states, we may not be able to continue the offering for these periods without renewing the registration statement or filing a new registration statement. We may terminate this offering at any time.

Who can buy shares?

Generally, you can buy shares only pursuant to this prospectus if you have either (1) a net worth of at least $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 are higher in certain states, so you should carefully read the more detailed description under Suitability Standards on page i of this prospectus.

For whom is an investment in our shares recommended?

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

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

Yes. Our charter contains restrictions on the ownership of our shares that prevent any one person from owning more than 9.8% in value of the aggregate of our outstanding shares, or more than 9.8% (in value or in number of shares, whichever is more restrictive) of the aggregate of our outstanding common shares, unless exempted by our board of directors. See Description of Shares Restriction on Ownership of Shares. Our charter also limits your ability to transfer your shares to prospective stockholders unless the transfer complies with minimum purchase requirements,

which are described at Plan of Distribution Minimum Purchase Requirements.

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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 distribution 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.

Have you achieved a minimum of $2,000,000 in this offering?

Yes. As of July 11, 2007, excluding shares purchased by our executive officers, directors and our advisor and its affiliates, we had received and accepted subscriptions in this offering for 234,477 shares of common stock, or $2,332,845, thereby exceeding the minimum offering. Having raised the minimum offering, the offering proceeds were released by the escrow agent to us and are available for the acquisition of properties and the other purposes disclosed in this prospectus. As of December 6, 2007, we have received aggregate gross offering proceeds, net of discounts, of approximately $36 million from the sale of approximately 3.6 million shares in this offering. As of December 6, 2007, approximately 71.4 million shares remained available for sale to the public, exclusive of shares available under our distribution reinvestment plan. 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, U.S. 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 a refund with interest and without deductions for expenses. 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 and any interest to you. 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 a refund with interest and without deductions for expenses 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. However, there can be no assurance that we will effect such a liquidity event within this period or

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at all. Our board of directors expects to make a preliminary determination regarding our liquidity event no later than five years after the completion of our offering stage. The board s decision regarding when and if we effect a liquidity event may include, but is not limited to:

listing our common stock on a national securities exchange; or

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

In making the decision as to which exit strategy to pursue, our board of directors will try to determine which transaction would result in greater long-term value for our stockholders. We cannot determine at this time the circumstances, if any, under which our board of directors will determine to list our shares on a national securities exchange. However, if we do not list our shares of common stock on a national securities exchange by August 11, 2018 (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 before August 11, 2018, we are under no obligation to actually sell our portfolio within a specified period of time since the precise timing of the sale 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. 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.

Our board of directors has adopted a share redemption plan that enables stockholders to sell their shares to us under limited circumstances as determined by the board of directors. However, under the terms of the mezzanine credit agreement entered into in connection with the acquisition of the South Central Timberland, we are prohibited from redeeming any shares until the mezzanine loan is repaid in full except for redemptions sought within two years of the death or qualifying disability of a stockholder.

Under the terms of the share redemption plan and following repayment of the mezzanine loan, after you have held your shares for at least one year, you may be able to sell your shares to us pursuant to our share redemption plan. Initially, we will repurchase shares under the share redemption plan at $9.10 per share. The initial redemption price will remain fixed until one year after we complete our offering stage. See Description of Shares Share Redemption Plan. Thereafter, we will redeem shares at a price equal to 95% of the estimated per share value of the shares, as estimated by our advisor or another firm chosen for that purpose. The terms of our share redemption plan are more generous for redemptions sought within two years of a stockholder s death or qualifying disability. See Description of Shares Share Redemption Plan. There are, however, numerous restrictions on your ability to sell your shares to us under the share redemption plan. For example, the dollar amount we pay in connection with all

redemptions during any calendar year may not exceed the net proceeds from the sale of shares under the distribution reinvestment plan during the calendar year and any additional amounts reserved for such purpose by our board of directors. In addition, there are other limits on our ability to redeem shares if the redemption is not sought within two years of a stockholder s death or qualifying disability. Our board of directors may amend, suspend or terminate our share redemption plan upon 30 days notice.

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If I buy shares, will I receive distributions and how often?

As a traditional corporation, we are not required to make any minimum distributions to our stockholders. 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. However, we are prohibited from making any payments or distributions (or setting aside funds for any payments or distributions) to our stockholders until the mezzanine loan that we obtained in connection with the acquisition of the South Central Timberland is repaid in full, although we may seek to renegotiate the terms of the credit agreement prior to full repayment. See Risk Factors Risks Associated with Debt Financing, Timberland Investments South Central Timberland Financing, Description of Shares Distributions and Description of Shares Share Redemption Plan.

Pursuant to our charter, our board of directors has the authority to determine when and if it is in our best interest to elect for us to be taxed as a REIT. Our board of directors has determined that it is in our best interest to delay our election of REIT status. See Management s Discussion and Analysis of Financial Condition and Results of Operations Election of REIT Status. If we qualify and elect to be taxed as a REIT in the future, we will be required to make aggregate annual distributions to our stockholders of at least 90% of our REIT taxable income. REIT taxable income is computed without regard to the distributions 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). It is possible that substantially all of the income we generate from harvesting timber will constitute net capital gain for federal tax purposes. Unlike most existing REITs, therefore, we do not anticipate that the 90% distribution requirement applicable to REITs will require us to distribute substantial amounts of cash in order to remain qualified as a REIT. 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 Description of Shares 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.

We will be unable to make distributions until the full repayment of the mezzanine loan and the attainment of certain financial performance measures under the senior loan (although we may seek to renegotiate the terms of the credit agreements prior to their full repayment). See Timberland Investments South Central Timberland Financing. Upon our qualification as a REIT, 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.

How will you calculate the payment of distributions to stockholders?

Once our board authorizes distributions to stockholders, we expect to calculate our quarterly distributions based upon daily record dates so that investors may be entitled to distributions immediately upon purchasing our shares.

May I reinvest my distributions in shares of Wells Timberland REIT?

Yes. You may participate in our distribution 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. After that 12-month period, we will publish a per share valuation determined by our advisor or another firm chosen for that purpose, and distributions 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

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with the sale of shares pursuant to our distribution reinvestment plan, and our advisor will not be entitled to any expense reimbursements from the proceeds of these sales.

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

As a result of the acquisition of the South Central Timberland, we are prohibited from making any payments or distributions (or setting aside funds for any payments or distributions) to any of our stockholders until the mezzanine loan we obtained in connection with the acquisition of the South Central Timberland is repaid in full, although we may seek to renegotiate the terms of the credit agreement prior to its full repayment. See Risk Factors Risks Associated with Debt Financing, Description of Shares Distributions and Description of Shares Share Redemption Plan.

Will the distributions I receive be taxable as ordinary income?

For periods during which we are not taxed as a REIT, a U.S. stockholder will be required to take into account as dividends any distributions made out of our current or accumulated earnings and profits. Dividends distributed to a U.S. stockholder that is taxed as an individual generally should be treated as qualified dividend income, and thus taxed at capital gains rates, for taxable years beginning prior to 2011. To satisfy the holding period requirement, our common stock must be held for at least 61 days during the 121-day period beginning on the date that is 60 days before the ex-dividend date with respect to such dividend. A U.S. stockholder that is a taxable corporation generally should qualify for the dividends received deduction. Distributions in excess of our current and accumulated earnings and profits will reduce the adjusted tax basis of a U.S. stockholder s shares, and any amount in excess of both our current and accumulated earnings and profits and the adjusted tax basis will be treated as capital gain (long-term capital gain if the shares have been held for more than one year).

For periods during which we are taxed as a REIT, we 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.

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 distributions declared (if any), and the amount of distributions reinvested under our distribution 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*. We also will include on this Web site access to our annual reports on Form 10-K, 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.

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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: investor.services@wellsref.com

One of our affiliates also maintains an Internet site at *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.

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 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. See Description of Shares Restriction on Ownership of Shares. In addition, we have adopted a share redemption plan but we are not permitted to make any redemptions under the plan (except in cases of death or disability) until our mezzanine loan obtained in connection with the South Central Timberland acquisition has been repaid in full. Once we are able to allow share redemptions under our share redemption plan, the plan includes numerous restrictions that will limit your ability to sell your shares. Our board is also free to amend or terminate the plan upon 30 days notice after our offering is effective. We describe these restrictions in detail under Description of Shares 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 will likely have to sell them at a substantial discount to their public offering price. It is also likely that your shares will 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 distributions.

While we are investing the proceeds of this offering, the continuing high demand for the type of properties we desire to acquire may cause any distributions 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 entities, including traditional corporations and 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 more experience, 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 distributions to you. We cannot be sure that our advisor 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, 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 distributions to our stockholders and reduce our stockholders overall returns.

We have acquired only one property and have not yet identified any additional properties that we will purchase with the proceeds of this offering, which makes your investment more speculative.

We have acquired only one property and have not yet identified any additional properties 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 in the acquisition of our investments and the determination of any financing arrangements. The large size of this offering increases the challenges that

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our advisor 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. 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 of our profitability being affected by the performance of any one of our properties 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 a very limited operating history,
which makes our future performance and the performance of your investment difficult to predict.

We have a very limited operating history. We were incorporated in September 2005, and completed our first investment in timberland on October 9, 2007. See Timberland Investments South Central Timberland. 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.

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 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 reduce the value of our properties. A downturn in the timber or forest products industries also could prevent our customers from making payments to us and, consequently, would prevent us from meeting debt service obligations or making 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.

We expect the majority of our income
to qualify as capital gains income and, as a result, we may not be required to make substantial distributions.

As a traditional corporation, we are not required to make any minimum distributions to our stockholders. We intend to qualify as a REIT upon our satisfaction of certain organizational and operational requirements. See Management s Discussion and Analysis of Financial Condition and Results of Operations Election of REIT Status. 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

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require us to distribute any material amounts of cash to maintain our REIT status once we are qualified as a REIT, given that we expect the majority of our income to come from timber sales and generally to be treated as a capital gain.

Our cash distributions are not guaranteed and may fluctuate.

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, tax considerations and restrictive covenants imposed on us by our credit agreements. As a result, our distribution rate and payment frequency may vary from time to time, and we may not make any distributions until we attain certain financial performance measures under the senior loan, and until the mezzanine loan that we obtained in connection with the acquisition of the South Central Timberland is repaid in full. See Description of Shares Share Redemption Plan. 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 reduced. If we do become qualified as a REIT, the aggregate amount of cash distributed in any given year may exceed the amount of our REIT taxable income generated during the year, and the excess amount will be deemed a return of capital.

The loss of or inability to obtain key personnel of our advisor or its manager 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, Randall D. Fretz, Jess E. Jarratt, Brian M. Davis, Troy A. Harris, John C. Iverson and Don L. Warden, each of whom are key personnel of our advisor or Wells Capital, its manager, and would be difficult to replace. We do not have employment agreements with any of these key personnel, 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 these key personnel were to cease their affiliation with our advisor or its manager, 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 the ability of our advisor and its manager to retain highly skilled managerial, operational and marketing personnel. Competition for retention of our advisor s and its manager s existing skilled personnel is intense, and our advisor and its manager 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 timberland 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 our advisor or its manager loses or is unable to obtain the services of highly skilled personnel or does 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.

Our advisor, Wells TIMO, is a newly formed entity that currently has only seven employees and will rely upon the employees of its manager, Wells Capital, to perform many of the services our advisor is required to perform for us. We are dependent on our advisor to select our investments and conduct our operations; thus, adverse changes in the financial health of Wells Capital could hinder our advisor s 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

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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 on behalf of Wells TIMO, 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. We will also indemnify our independent directors for losses related to alleged state or federal securities laws violations unless the allegations are not successfully adjudicated or dismissed with prejudice or unless a properly informed court of competent jurisdiction has not otherwise determined that indemnification should be made. 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 TIMO, our advisor, for the day-to-day operation of our business. Wells TIMO is a newly formed entity. Until Wells TIMO hires sufficient personnel of its own, which it may never do, it will rely on the personnel of its manager, Wells Capital, to perform many of the services Wells TIMO is required to perform as our advisor. Wells Capital and its affiliates, including Leo F. Wells, III, our President and the President of Wells Capital, Douglas P. Williams, our Executive Vice President and the Executive Vice President of Wells Capital, and Randall D. Fretz, our Senior Vice President and the Senior Vice President of Wells Capital, have interests in other Wells programs and engage in other business activities, including providing advisory services to Wells REIT II, Institutional REIT, Wells Total Return REIT and other Wells-sponsored real estate programs. 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, its affiliates and other Wells-sponsored programs, which could hinder our ability to successfully implement our business strategy and to generate returns to you.

Our executive officers and one of our directors, Jess E. Jarratt, are also officers and directors of Wells Capital, our dealer-manager and other affiliated entities and Wells-sponsored programs, and one of our independent directors, E. Nelson Mills, serves on the boards of two other programs advised by Wells Capital, the owner of our advisor. 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 our business strategy, we may

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be unable to generate the cash needed to make distributions to you and to maintain or increase the value of our assets. See Management for more information regarding our executive officers and directors.

Wells TIMO and its affiliates, including our officers
and one of our directors, will face conflicts of interest caused by compensation arrangements with us and other programs advised by Wells Capital, which could result in actions that are not in the long-term best interest of our stockholders. The amounts payable to Wells TIMO upon termination of the advisory agreement may also influence decisions about terminating Wells TIMO or our acquisition or disposition of investments.

Under the advisory agreement between us, Wells Timberland OP and Wells TIMO and pursuant to the terms of the special units Wells TIMO owns in Wells Timberland OP, Wells TIMO is entitled to fees and other payments from us and Wells Timberland OP that are structured in a manner intended to provide incentives to Wells TIMO to perform in our best interest and in the best interest of our stockholders. However, because Wells TIMO does not maintain a significant equity interest in us and is entitled to receive substantial minimum compensation regardless of performance, its interests are not wholly aligned with those of our stockholders. As a result, these compensation arrangements could influence our advisor s advice to us, as well as the judgment of the affiliates of Wells TIMO 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 TIMO 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 TIMO to increased asset management fees;
- property sales, which entitle Wells TIMO to real estate commissions and possible success-based payments;
- the valuation of our timberland properties, which determines the amount of the asset management fee payable to Wells TIMO and affects the likelihood of any success-based payments;
- 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 TIMO;
- whether and when we seek to list our common stock on a national securities exchange, which listing could entitle Wells TIMO to a success-based payment 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 TIMO to a success-based payment from Wells Timberland 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 TIMO will have considerable discretion with respect to the terms and timing of acquisition and disposition transactions. Considerations relating to its affiliates compensation from other programs could result in decisions that are not in the best interest of our stockholders, which could hurt our ability to pay you distributions or result in a decline in the value of your investment.

The fees we pay Wells TIMO under the advisory agreement and the amounts payable to Wells TIMO under the Wells Timberland OP partnership agreement were not determined on an arm s-length basis and therefore may not be on the same terms as those we could negotiate with a third party. Because the advisory agreement must be renewed annually, the fees and other amounts that we pay to Wells TIMO may increase in future renewals.

Our independent directors rely on information and recommendations provided by Wells TIMO to determine the fees and other amounts payable to Wells TIMO and its affiliates pursuant to the terms of the

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advisory agreement and the special units in Wells Timberland OP. As a result, these fees and payments cannot be viewed as having been determined on an arm s-length basis and we cannot assure you that an unaffiliated third party would not be willing and able to provide to us similar services at a lower price. Please see Management Compensation for a description of the fees and other amounts payable to Wells TIMO and its affiliates. Because the advisory agreement must be renewed on an annual basis, our independent directors may increase the fees and other amounts payable to Wells TIMO in future renewals. If the fees and other amounts we pay Wells TIMO are increased, our ability to pay distributions to our stockholders and make investments will be reduced. See Conflicts of Interest Certain Conflict Resolution Procedures Other Charter Provisions Relating to Conflicts of Interest for more information regarding our advisor s compensation.

Risks Related to 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, upon our qualification as a REIT, 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 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.

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

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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. For more information, see Description of Shares Meetings and Special Voting Requirements.

You may not be able to sell your shares under the 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 board of directors has adopted a share redemption plan, but there are significant conditions and limitations that would limit your ability to sell your shares under the plan. In addition, our board of directors may amend, suspend or terminate our share redemption plan upon 30 days notice and without stockholder approval.

As a result of the acquisition of the South Central Timberland, we are prohibited from redeeming any shares under our share redemption plan until the mezzanine loan we obtained in connection with the acquisition of the South Central Timberland is repaid in full except for redemptions sought within two years of the death or qualifying disability of the stockholder. Once we are able to allow share redemptions under our share redemption plan, generally, you will have to have held your shares for at least one year in order to participate in our share redemption plan. We will limit the number of shares redeemed pursuant to our share redemption plan as follows: (1) during any calendar year, we will 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 distribution 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. Initially, we will repurchase shares under our share redemption plan at $9.10 per share. The initial redemption price will remain fixed until one year after we complete our offering stage. See Description of Shares Share Redemption Plan. Thereafter, we will redeem shares at a price equal to 95% of the estimated per share value of the shares, as estimated by our advisor or another firm chosen for that purpose. These restrictions will severely limit your ability to sell your shares should you require liquidity and will limit your ability to recover the value you invested. See Description of Shares Share Redemption Plan for more information about the share redemption plan.

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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 corporations, including 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 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 employees of Wells TIMO or Wells Capital; (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 Timberland 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 TIMO 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 TIMO 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 TIMO and its affiliates substantial fees for these services. 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 distribution reinvestment plan are sold for $9.55 per share. Wells TIMO, as the holder of the special units, also may be entitled to receive a distribution upon the sale of our properties and/or

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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 or the termination of the advisory agreement. See Management Compensation. These payments to Wells TIMO 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.

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 the companies they organize.

As of the date of this prospectus, our sponsor had invested approximately $203,000 in us, primarily by funding the purchase of the following equity interests held by our advisor: (1) 20,000 shares of our common stock at a price of $10.00 per share; (2) 200 common units in Wells Timberland OP at $10.00 per unit; and (3) 100 special units in Wells Timberland OP at $10.00 per unit. Our sponsor transferred its interest in our shares and in the common and special units of Wells Timberland OP to our advisor on December 28, 2006. Our advisor must retain this $200,000 investment in us for so long as it remains our advisor. If we are successful in raising enough proceeds to be able to reimburse our advisor for the significant organization and offering expenses of this offering, our advisor will have little exposure to loss. Without this exposure, our investors may be at a greater risk of loss because our advisor 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.

Our designation and issuance of preferred stock may limit proceeds payable to the holders of common stock in the event we are liquidated or dissolved prior to the redemption of the preferred stock.

We have issued, without stockholder approval, 32,128 shares of Series A preferred stock. If we are liquidated or dissolved, the holders of the preferred stock are entitled to receive the issue price of $1,000 per share plus any accrued and unpaid dividends, whether or not declared, before any payment may be made to the holders of our common stock. As a result, the amount of funds holders of our common stock would otherwise receive upon a liquidation or dissolution would be reduced in the event the Series A preferred shares had not been redeemed prior to such an event.

Risks Related to Investments in Timberland

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 reduce our distributions to our stockholders.

We anticipate that the customers who agree to purchase our timber under supply contracts 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, would cause us to lose the revenue associated with these payments and could cause us to reduce the amount of distributions to our stockholders.

Changes in demand for higher and better use property may reduce 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, conservation

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and other uses than for growing timber, which we refer to as 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 funding for conservation projects, could reduce the demand for these properties and reduce any revenues that we could realize from our land sale program.

Large-scale increases in the supply of timber may affect timber prices and reduce our revenues.

Some governmental agencies, principally the U.S.D.A. Forest Service and the U.S. Department of the Interior s Bureau of Land Management, own large amounts of timberland. If these agencies choose to sell more timber from their timberland holdings than they have been selling in recent years, timber prices could fall and our revenues could be reduced. Any large reduction in the revenues we expect to earn from our timberland investments may reduce the returns, if any, we are able to achieve for our stockholders.

The cyclical nature of the forest products industry could impair our ability to make distributions to our stockholders.

Our operating results will be affected by the cyclical nature of the forest products industry. Unlike 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 cellulose fiber, 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 cellulose fiber 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 (for example, dry summers and 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 impair our ability to make distributions to our stockholders.

Uninsured losses relating to the timberland properties we acquire may reduce our stockholders returns.

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,

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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 funds used for such losses may reduce cash available for 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 reduce our profitability and the return on an investment in us.

The forest products industry is highly competitive in terms of price and quality. We are a newly organized company with limited resources and we do not currently own any timberland. Many of our competitors, both domestic and international, have substantially greater financial and operating resources and are better able to absorb the risks of timberland investing. 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 suitable timberland investments available for us to acquire, and any increase in the prices we expect to pay for timberland may reduce the returns, if any, we are able to achieve for our stockholders.

Harvesting our timber may be subject to limitations which could impair our ability to receive income and 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 either temporary or permanent access rights to these lands from time to time. Our revenue, net income and cash flow from our operations will be dependent to a significant extent on the continued ability to harvest timber on our timberland at adequate levels and in a timely manner.

We face possible liability for environmental clean up costs and wildlife protection laws related to the timberland properties we acquire, which could increase our costs and reduce our profitability and cash distributions to our stockholders.

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.

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

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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. 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 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 reduce our profitability and cash available to make distributions to our stockholders. The existence of contamination or liability also may materially impair our ability to use or 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 result in increased costs. 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 reduce 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 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.

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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 could result in lower distributions to our stockholders than would be available if we were able to quickly respond to such market opportunities.

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 our stockholders.

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 distributions to stockholders. Even in the absence of a purchaser default, the distribution of the proceeds of sales to our stockholders, or our reinvestment of such proceeds 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.

We may be unable to obtain accurate data on the volume and quality of the standing timber on a property that we intend to acquire, which may impair our ability to derive the anticipated benefits from the timberland property.

The quality and reliability of data concerning timberland properties varies greatly. Professional foresters collect data on species, volumes and quantities of timber on a particular property by conducting cruises through the property. During these cruises, foresters sample timber stands at specified intervals and locations that have been pre-determined by forest statisticians. A cruise that is poorly designed or executed can result in misleading data. In addition, errors in compiling the data may lead to erroneous estimates of the volume and quality of the timber on a particular property. The latest inventory data available at the time of a timberland transaction may be based on cruises that are more than a year old. Timberland cruises are time-consuming and expensive, and, as a result, are not usually conducted on an annual basis. Consequently, timber inventories are often updated without a cruise by subtracting out the volume of timber that was harvested (usually an accurate number) and by adding in the volume of estimated tree growth (usually a less accurate number than the removal number). We may not be able to require an adjustment to the property purchase price from the seller if a post-acquisition cruise reveals a significant difference in timber volumes or quality from the pre-acquisition data. If we are unable to obtain or develop accurate and reliable data related to the timberland in which we invest, then our assumptions, forecasts and valuations relating to those timberlands will be incorrect. As a result, we may not be able to realize the anticipated returns from those timberlands or to sell the property for the price that we anticipated, which could negatively impact our financial condition and our ability to make distributions to stockholders.

Our estimates of the timber growth rates on our properties may be inaccurate, which would impair our ability to realize expected revenues from those properties.

We rely upon estimates of the timber growth rates and yield when acquiring and managing our timberland properties. These estimates are central to forecasting our anticipated timber revenues and expected cash flows. Growth rates and yield estimates are developed by forest statisticians using measurements of trees in research plots on a property. The growth equations predict the rate of height and diameter growth of trees so foresters can estimate the volume of timber that may be present in the tree stand at a given age. Tree growth varies by soil type, geographic area and climate. Inappropriate application of growth equations in forest management planning may lead to incorrect estimates of future

volumes. If these estimates are incorrect, our ability to manage our timberland in a profitable manner will be diminished, which may interfere with our ability to make distributions to stockholders.

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Changes in assessments, property tax rates and state property tax laws may reduce our net income and our ability to make distributions to our stockholders.

Our expenses may be increased by assessments of our timberland properties and changes in property tax laws. We generally intend to hold our timberland properties for a substantial amount of time. Property values tend to increase over time, and, as property values increase, the related property taxes generally also increase, which would increase the amount of taxes we pay. In addition, changes to state tax laws or local initiatives could also lead to higher tax rates on our timberland properties. Because each parcel of a large timberland property is independently assessed for property tax purposes, our timberland properties may receive a higher assessment and be subject to higher property taxes. In some cases, the cost of the property taxes may exceed the income that could be produced from that parcel of property if we continue to hold it as timberland. If our timberland properties become subject to higher tax rates, the revenues that we use to pay distributions could be diminished and our stockholders may receive a lower return on their investment.

Changes in land uses in the vicinity of our timberland properties may increase the amount of the property that we classify as HBU property, and property tax regulations may reduce our ability to realize the values of those HBU properties.

An increase in the value of other properties in the vicinity of our timberland properties may prompt us to sell parcels of our land as higher and better use, or HBU, properties. Local, county and state regulations may prohibit us from, or penalize us for, selling a parcel of timberland for real estate development. Some states regulate the number of times that a large timberland property may be subdivided within a specified time period, which would also limit our ability to sell our HBU property. In addition, in some states timberland is subject to certain property tax policies that are designed to encourage the owner of the timberland to keep the land undeveloped. These policies may result in lower taxes per acre for our timberland properties as long as they are used for timber purposes only. However, if we sell a parcel of timberland in such states as a HBU property, we may trigger tax penalties, which could require us to repay all of the tax benefits that we have received. Our inability to sell our HBU land on terms that are favorable to us could negatively affect our financial condition and our ability to make distributions to our stockholders.

We may be unable to properly estimate non-timber revenues from the properties that we acquire, which would impair our ability to acquire attractive properties, as well as our ability to derive the anticipated revenues from those properties.

When we acquire properties, we likely will expect to realize revenues from timber and non-timber related activities, such as the sale of conservation easements and hunting and recreation leases. Non-timber activities can contribute significantly to the revenues that we derive from a particular property. We will rely on estimates to forecast the amount and extent of revenues from non-timber related activities on our timberland properties. If our estimates concerning the revenue from non-timber related activities are incorrect, we will not be able to realize the projected revenues. If we are unable to realize the level of revenues that we expect from non-timber activities, our revenues from the underlying timberland would be less than expected and our ability to make distributions to our stockholders may be negatively impacted.

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

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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.

Risks Associated with Debt Financing

If we default on the terms of the mezzanine loan or the senior loan obtained by us in connection with the acquisition of the South Central Timberland, stockholders who invest in us prior to the repayment of the mezzanine loan or the senior loan could lose some or all of their investment.

We borrowed approximately $160,000,000 to fund a portion of the purchase price of the South Central Timberland in the form of a mezzanine loan, which we must repay on or before October 17, 2008. Additionally, we borrowed $212,000,000 in the form of a senior loan, which we must repay on or before September 9, 2010. The mezzanine loan is secured by, among other things, a first priority security interest in the funds raised in this offering. The senior loan is secured by, among other things, a second priority security interest in the funds raised in this offering. Our ability to repay the mezzanine loan and the senior loan is dependent upon our success in raising substantial funds pursuant to this offering. If the amount of proceeds we raise in this offering is less than the amount that we need to repay the mezzanine loan and the senior loan, respectively, when due, then we will be in default under the mezzanine loan or the senior loan, as the case may be. If we default on the mezzanine loan, the lenders for such loan will be entitled to all of the proceeds of our offering up to the amount of the mezzanine loan. If we default on the senior loan, the lenders for such loan will be entitled to all of the proceeds of our offering, after repayment of the mezzanine loan, up to the amount of the senior loan. If the lenders under either loan foreclose upon their security interest in a substantial amount of proceeds of our offering, our existing stockholders could lose some or all of their investment and it would be unlikely that we would be able to meet our investment objectives or to raise additional capital in this offering or otherwise in order to continue our operations. We have guaranteed both the senior loan and the mezzanine loan, but on a limited basis that covers only losses incurred by CoBank, ACB or Wachovia Bank due to certain bad acts of the borrowers and related loan parties. The mezzanine loan is also fully guaranteed by Wells Real Estate Funds, Inc.

The credit agreement for the mezzanine loan obtained by us in connection with the acquisition of the South Central Timberland prohibits us from paying distributions or redeeming shares (except in cases of death or disability) until we repay the loan in full.

The mezzanine loan contains restrictive covenants that prohibit us from declaring, setting aside funds for, or paying any dividend, distribution or other payment to our stockholders while the loan is outstanding. As a result, we will be unable to make any payments or distributions (or set aside funds for any payments or distributions) to our stockholders until the mezzanine loan is repaid in full. The mezzanine loan has a maturity date of October 17, 2008, and the senior loan has a maturity date of September 9, 2010. Because distributions of at least 90% of REIT taxable income is one of the requirements for REIT qualification, we may not be able to qualify as a REIT until, among other things, the mezzanine loan is repaid in full, or the terms of the credit agreement are amended prior to its full repayment (although no assurance can be made that we may be able to renegotiate the terms of the credit agreement). Additionally, the credit agreement for the mezzanine loan prohibits us from redeeming our stockholders shares under our share redemption plan until the mezzanine loan has been repaid in full. Until the mezzanine loan has been repaid in full, we are permitted to redeem shares only if the redemption is sought within two years of the death or qualifying disability of a stockholder under the plan.

We are likely to incur mortgage and other indebtedness, which may increase our business risks and may reduce the value of your investment.

We have acquired, and in the future may 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. If we become qualified as a REIT, we may also borrow funds if needed to satisfy the REIT tax qualification requirement that we distribute at least 90% of our annual REIT taxable

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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 distributions to our stockholders.

We have incurred significant indebtedness under the terms of the mezzanine loan and the senior loan obtained by us in connection with the acquisition of the South Central Timberland and may incur additional debt in the future. Interest we pay under both the mezzanine loan and the senior loan and any other debt we incur will 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 distributions 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.

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

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depreciation), unless the excess borrowing over such level is approved by a majority of the independent directors. Our board (including the independent directors) unanimously approved our borrowing in excess of the 300% net assets limitation in order to obtain the mezzanine loan and the senior loan in connection with the acquisition of the South Central Timberland. This borrowing significantly increased our debt levels. These higher debt levels may cause us to incur higher interest charges on any additional debt incurred in the future, will result in higher debt service payments in order to service the higher debt levels, and have been accompanied by additional restrictive covenants such as the prohibition on paying distributions or redeeming shares until the mezzanine loan is repaid in full (except for those redemptions allowed in cases of death or qualifying disability), and until certain financial performance measures are met under the senior loan. See Description of Shares Share Redemption Plan and Timberland Investments South Central Timberland Financing. These factors limit the amount of cash we have available to distribute and could result in a decline in the value of your investment. While we intend to comply with the provisions of our charter which require our independent directors to approve any borrowings in excess of 300% of our net assets, we have not established any fixed percentage of leverage that we will not exceed in the near term, and we cannot assure you that our independent directors will not approve any borrowings in excess of 300% of our net assets in the future. See Business and Policies Borrowing Policies.

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

Our determination to delay our election to be taxed as a REIT could result in adverse tax consequences to us and our stockholders.

We acquired the South Central Timberland on October 9, 2007, and as of such date had not yet qualified as a REIT. We do not expect to qualify to be taxed as a REIT for our taxable years ending December 31, 2007 and December 31, 2008. We may elect to be taxed as a REIT for a future year in which we otherwise qualify to be taxed as a REIT. We refer to the first day of the first taxable year in the future for which we qualify and elect to be taxed as a REIT as our REIT commencement date. If we have a net built-in gain in our assets as of the REIT commencement date and subsequently recognize gain on the disposition of any assets we hold at the REIT commencement date, then we will be subject to tax at the highest regular corporate rate during the 10-year period beginning on the REIT commencement date on the lesser of (A) the excess of the fair market value of the asset disposed of as of the REIT commencement date over our basis in the asset as of the REIT commencement date (the built-in gain with respect to that asset as of the REIT commencement date), (B) the amount of gain we would otherwise recognize on the disposition, or (C) the amount of net built-in gain in our assets as of the REIT commencement date not already recognized during the 10-year

period. We would be subject to this tax liability even if we qualify and maintain our status as a REIT. Any recognized built-in gain will retain its character as ordinary income or capital gain and will be taken into account in determining REIT taxable income and our distribution requirement. Any tax on the recognized built-in gain will reduce REIT taxable income. If we elect REIT status in the future, we will have to determine whether we have a net built-

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in gain as of the REIT commencement date. If we do, we may choose not to sell assets we might otherwise sell during the 10-year period in which the built-in gain tax applies in order to avoid the built-in gain tax. The IRS has issued a private letter ruling to another REIT indicating that the built-in gain tax would not apply to sales of timber sold during the 10-year period following its conversion to a REIT. We are not entitled to rely on that ruling and have not requested our own IRS ruling.

In addition, to qualify as a REIT, we cannot have at the end of any REIT taxable year any undistributed earnings and profits that are attributable to a non-REIT taxable year. We will monitor our earnings and profits position to allow us to be in a position to satisfy this requirement if our board of directors determines that we should elect to be taxed as a REIT.

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

We are not qualified as a REIT currently and are subject to federal and state and local income taxes on our taxable income. 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. We have no assurances that we will satisfy the requirements for REIT qualification now or in the future. Alston & Bird LLP, our legal counsel, will not review our compliance with the REIT qualification standards on an ongoing basis. 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 do qualify as a REIT in the future and subsequently 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.

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

If you participate in our distribution 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 Distribution 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 become 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.

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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.

Upon qualification as a REIT, 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.

Once we become qualified 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 qualify and 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.

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 and will not be subject to the requirement to distribute annually at least 90% of our REIT taxable income to our stockholders, 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 expect to use them.

Certain of our business activities are potentially subject to the prohibited transaction tax, which could reduce the return on your investment.

Upon qualification as a REIT, we would 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 upon qualification as a REIT by conducting activities that would be prohibited transactions through one or more TRSs. We may not, however, always be

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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 transaction under ERISA or the Internal Revenue Code, the fiduciary who authorized or directed the investment may be subject to the imposition of excise taxes with respect to the amount invested.

The annual statement of value that we will send to stockholders subject to ERISA and to certain other plan stockholders is only an estimate and may not reflect the actual value of our shares.

The annual statement of value will report the estimated value of each share of common stock as of the close of our fiscal year. Our advisor or another firm we choose for this purpose will prepare this annual estimated value of our shares based on the estimated amount that would be received if our assets were sold as of the close of the fiscal year and if the proceeds, together with our other funds, were distributed pursuant to a liquidation. For 12 months after the completion of our last public equity offering prior to the listing of our shares on a national securities exchange, our advisor will use the most recent price paid to acquire a share in that offering (ignoring purchase price discounts for certain categories of purchasers) as its estimated per share value of our shares. After that time, we would publish a per share valuation determined by our advisor or another firm chosen for that purpose. No independent appraisals of our

assets will be required during the initial period or at any time thereafter. You should be aware that:

a value included in the annual statement may not actually be realized by us or by our stockholders upon liquidation;

stockholders may not realize that value if they attempted to sell their shares; and

using the estimated statement of value, or the method used to establish the value, may not comply with any reporting and disclosure or annual valuation requirements under ERISA or other applicable law.

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We will stop providing annual statements of value if our common stock becomes listed for trading on a national securities exchange. See ERISA Considerations Annual Valuation for additional discussion regarding the annual statement of value.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Some of the information in this prospectus may contain forward-looking statements. Such statements include, in particular, statements about our plans, strategies and prospects. You can generally identify forward-looking statements by our use of forward-looking terminology such as may, expect, intend, anticipate, estimate, believe, contin similar words. You should not rely on our forward-looking statements because the matters they describe are subject to known and unknown risks, uncertainties and other unpredictable factors, many of which are beyond our control.

These forward-looking statements are subject to various risks and uncertainties, including those discussed above under Risk Factors, that could cause our actual results to differ materially from those projected in any forward-looking statement we make. We do not undertake to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

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ESTIMATED USE OF PROCEEDS

The following table sets forth information about how we intend to use the estimated proceeds raised in this offering assuming that we sell a minimum of 200,000 shares of common stock, at $10.00 per share, a midrange point of 37,500,000 shares of common stock, at $10.00 per share, and the maximum of 75,000,000 shares of common stock, at $10.00 per share, in our primary offering. We also disclose information below regarding the estimated use of proceeds assuming we sell the maximum number of shares (85,000,000), including 10,000,000 shares of common stock, at $9.55 per share, pursuant to our distribution reinvestment plan. 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 the primary offering and the distribution reinvestment plan, we estimate that approximately 90.0% to 91.1% of our gross offering proceeds, or $9.00 to $9.11 per share, respectively, will be used for investments and the repurchase of shares under our share redemption plan, 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 management of our real estate investments. 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 distribution 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 distribution reinvestment plan.

	Primary Offering						85,000,000 Shares of Common Stock Distribution Reinvestment Plan		To
	200,000 shares ($10.00/share)		37,500,000 shares ($10.00/share)		75,000,000 shares ($10.00/share)		10,000,000 shares ($9.55/share)		85,00 sha
	$	%	$	%	$	%	$	%	$
g	2,000,000	100.0	375,000,000	100.0	750,000,000	100.00	95,500,000	100.00	845,500,0
ng	140,000	7.0	26,250,000	7.0	52,500,000	7.0			52,500,0
ger Fee and g	36,000	1.8	6,750,000	1.8	13,500,000	1.8			13,500,0
	24,000	1.2	4,850,000	1.2	9,000,000	1.2			9,000,0
ount to [3]	1,800,000	90.0	337,850,000	90.0	675,000,000	90.0	95,500,000	100.00	770,500,0

(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 TIMO 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 TIMO 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 TIMO for any organization and offering expenses from proceeds of sales pursuant to our distribution 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 will average 0.5% of the contract purchase prices of property acquisitions.

(3) The credit agreement for the mezzanine loan obtained by us in connection with the acquisition of the South Central Timberland prohibits us from paying distributions until we repay the loan in full. In addition, the credit agreement for our mezzanine loan prohibits us from redeeming shares until we repay the mezzanine loan in full, except for redemptions sought within two years of the death or qualifying

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disability of a stockholder under the plan. To the extent that we are able to pay any distributions in the future, it is possible that the net proceeds from the sale of shares under our distribution reinvestment plan will be available for investment. However, we expect that all of these proceeds will instead be used to repurchase shares of our common stock under the share redemption plan to the extent permitted under the terms of our credit agreements. See Description of Shares Share Redemption Plan. 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 TIMO 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 TIMO and various affiliates, many of the actions taken by the board require the approval of a majority of our independent directors. See Conflicts of Interest.

We have a five-member board of directors, one of whom, Jess E, Jarratt, is affiliated with Wells Capital and its affiliates, and the four remaining directors qualify as independent 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, which is defined in our charter pursuant to the requirements of the North American Securities Administrators Association s Statement of Policy Regarding Real Estate Investment Trusts. An independent director is a person who is not one of our officers or employees or an officer or employee of Wells TIMO 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. One of our independent directors, E. Nelson Mills, may face conflicts of interest because of his affiliations with other programs advised by Wells Capital and its affiliates.

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 required by their fiduciary duties to us and as necessary to respond to relevant business conditions. In addition to meetings of the various committees of the board described 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 to us. 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.

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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 independence of the independent public accountants, considers the range of audit and non-audit fees, and reviews the adequacy of our internal accounting controls. Our audit committee currently consists of E. Nelson Mills, Donald S. Moss and Willis J. Potts, Jr.

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. Currently, all of the members of the nominating and corporate governance committee are independent directors.

Executive Officers and Directors

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

Name	Age	Positions
Leo F. Wells, III	63	President
Douglas P. Williams	57	Executive Vice President, Secretary and Treasurer
Randall D. Fretz	54	Senior Vice President
Jess E. Jarratt	50	Director
Michael P. McCollum	51	Independent Director
E. Nelson Mills	46	Independent Director
Donald S. Moss	72	Independent Director
Willis J. Potts, Jr	60	Independent Director

Leo F. Wells, III. Since our inception in September 2005, Mr. Wells has been our President. He served as one of our directors from inception until June 22, 2007. He served as the President of Piedmont Office Realty Trust, Inc. (formerly Wells Real Estate Investment Trust, Inc.), which we refer to as Piedmont REIT, from 1997 to February 2007, and he has served as a director of Piedmont REIT since 1997, the President and a director of Wells REIT II since 2003, the President and a director of Institutional REIT since 2006 and the President and Chairman of Wells Total Return REIT since March 2007. He has also been the sole stockholder, sole director, President and Treasurer of Wells Real Estate Funds, Inc. since 1997, which directly or indirectly owns Wells Capital, Wells Management Company, Inc., Wells Investment Securities, Wells & Associates, Inc., Wells Development Corporation, Wells Asset Management, Inc., Wells Real Estate Advisory Services, Inc. and Wells TIMO. He has also been the President, Treasurer and sole director of Wells Capital since 1984; Wells Management Company, Inc. since 1983; Wells Development Corporation since it was organized in 1997 to develop real estate properties; and Wells Asset Management, Inc. since it was organized in 1997 to serve as an investment advisor to the Wells Family of Real Estate Funds. Since 1997, Mr. Wells has been 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. Since 2004, he has been President and sole director of Wells Real Estate Advisory Services, Inc. He has been the President, Treasurer and a director of Wells & Associates, Inc., a real estate brokerage and investment company, since it was incorporated in 1978. Mr. Wells serves as the principal broker for Wells & Associates, Inc.

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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 (now FINRA) 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 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. Since our inception in September 2005, Mr. Williams has been our Executive Vice President, Secretary and Treasurer. He served as one of our directors from inception until June 22, 2007. From 1999 to 2007, he has also served as Executive Vice President, Secretary and Treasurer and a director of Piedmont REIT. Since 2003, he has served as Executive Vice President, Secretary and Treasurer and a director of Wells REIT II. Since 2006, he has served as Executive Vice President, Secretary, Treasurer and a director of Institutional REIT. Since March 2007, he has served as Executive Vice President, Secretary, Treasurer and a director of Wells Total Return REIT. Since 1999, Mr. Williams has also been a Senior Vice President of Wells Capital and a Vice President, Chief Financial Officer, Treasurer and a director of Wells Investment Securities, our dealer-manager. He has also been a Vice President of Wells Real Estate Funds, Inc. and Wells Asset Management, Inc. since 1999.

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 FINRA as a financial and operations principal. Mr. Williams received a Bachelor of Arts degree from Dartmouth College and a Master of Business Administration degree from Amos Tuck School of Graduate Business Administration at Dartmouth College.

Randall D. Fretz. Since our inception in September 2005, Mr. Fretz has been our Senior Vice President. He has also been a Senior Vice President of Wells Capital since 2002. He has also been the Chief of Staff and a Vice President of Wells Real Estate Funds, Inc. since 2002, a Senior Vice President of Piedmont REIT from 2002 to 2007, a Senior Vice President of Wells REIT II since 2003, a Senior Vice President of Institutional REIT since 2006, a Senior Vice President at Wells Total Return REIT since March 2007 and a director of Wells Investment Securities since 2002. Mr. Fretz is primarily responsible for corporate strategy and planning, 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 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 of Arts degree in Sociology and Bachelor of 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.

Jess E. Jarratt. Mr. Jarratt has served as one of our directors since June 22, 2007. He also has served as Senior Vice President of Wells Capital and President of Wells TIMO since March 2007. Mr. Jarratt is responsible for directing and managing all aspects of timberland operations for Wells including timberland acquisitions and dispositions, portfolio and property management, and timberland financing. From February 2006 through February 2007, Mr. Jarratt served as Managing Director of SunTrust Robinson Humphrey s Structured Real Estate Group where he was responsible for structuring and purchasing net leased real estate for SunTrust s dedicated equity account and originating financing vehicles for agricultural and timberland properties. From July 2001 through January 2006, Mr. Jarratt was Managing Director for SunTrust Robinson Humphrey s Capital Markets Origination group where he originated and structured large, multi-capital transactions across SunTrust s Corporate Banking unit. From July 1995 through July 2001, Mr. Jarratt was Group Vice President of SunTrust s AgriFood Group which he founded and grew into a group of 20 professionals and over $1 billion in assets. From 1988 through July 1995, Mr. Jarratt was Vice President of Rabobank International, a multinational Dutch bank where he led corporate lending activities to U.S. agribusiness companies and timberland and forest products companies. From April 1985 through May 1988, Mr. Jarratt served as one of the original foresters for a predecessor entity to Hancock Timber Resource Group, one of the largest institutional managers of timber in the world. In his role as Timberland Investment Officer, Mr. Jarratt purchased and managed one of the fund s first investments in timberland, including the merchandising of the property s timber. Mr. Jarratt was also instrumental in the development of the financial analysis used to analyze the purchase of timberland by the company. From April 1983 through April 1985, Mr. Jarratt served as a Procurement Forester with the Kirby Lumber Company. His responsibilities in this role included the purchase of enough raw timber to supply a plywood mill, management of various relationships with dealers and suppliers, cruising prospective timber acquisitions and negotiating purchase prices with landowners. Prior to joining Kirby Lumber Company, Mr. Jarratt worked as a Timberland Purchase Forester responsible for building a land base for Nekoosa s Ashdown Arkansas paper mill by originating, cruising, negotiating and closing on timberland purchases. Mr. Jarratt began his career as a Forester with the Texas Forest Service in August 1979 where he worked with private landowners to develop and implement forest management plans. Mr. Jarratt received a Bachelor of Science degree in Forestry from Texas A&M University and a Master of Business Administration degree from the University of North Texas. In addition, Mr. Jarratt is a Certified Management Accountant (CMA) and has completed the Harvard Business School Executive Agribusiness Program.

Mr. Jarratt is a member of the Institute of Management Accounting.

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Michael P. McCollum, Ph.D. Dr. McCollum is one of our independent directors. He has worked in the forest products industry for the past 25 years. From June 1996 until his retirement in December 2005, Dr. McCollum led the Wood and Fiber Supply Division of Georgia-Pacific Corporation, one of the world s leading manufacturers and distributors of tissue, pulp, paper, packaging, building products and related chemicals, and in January 2001 he became President of the Division. From July 1992 to June 1996, Dr. McCollum served in positions of increasing responsibility at Georgia-Pacific in the areas of forest management, wood and fiber supply, technical support and strategic planning. From February 1984 to July 1992, Dr. McCollum served in various positions at Temple-Inland Inc., a major forest products corporation. From January 1981 to February 1984, Dr. McCollum worked in the Wood Products Division of Manville Forest Products Corporation, a subsidiary of Johns Manville, a Berkshire Hathaway company and a leading manufacturer and marketer of premium-quality building and specialty products. Dr. McCollum received his Bachelor of Science degree in Forestry from the University of Arkansas and received a Ph.D. in Forest Science from Texas A&M University. Dr. McCollum is a member of the Society of American Foresters and has served on the boards of several industry and conservation associations.

E. Nelson Mills. Mr. Mills is one of our independent directors. Since 2007, Mr. Mills has served as a director of Wells REIT II. Since 2006, Mr. Mills has served as a director of Institutional REIT. Since December 2004, Mr. Mills has served as the chief financial officer and chief operations officer of Williams Realty Advisors, where he is responsible for financial strategy, design, formation and operation of real estate investment funds. From April 2004 to December 2004, Mr. Mills was a consultant to and the chief financial officer of Timbervest, LLC, an investment manager specializing in timberland investment planning. From September 2000 to April 2004, Mr. Mills served as chief financial officer of Lend Lease Real Estate Investments, Inc. and from August 1998 to August 2000 served as a senior vice president of Lend Lease with responsibility for tax and acquisition planning and administration. Mr. Mills was a tax partner with KPMG LLP from January 1987 to August 1998. Mr. Mills received a Bachelor of Science degree in Business Administration from the University of Tennessee and a Master of Business Administration degree from the University of Georgia. Mr. Mills is also a Certified Public Accountant.

Donald S. Moss. Mr. Moss is one of our independent directors. He is also an independent director of Piedmont REIT and a trustee of the Wells Family of Real Estate Funds. Mr. Moss was also an independent director of Wells REIT II from 2003 until 2007. He was employed by Avon Products, Inc. from 1957 until his retirement in 1986. While at Avon, Mr. Moss served in a number of key positions, including Vice President and Controller from 1973 to 1976, Group Vice President of Operations Worldwide from 1976 to 1979, Group Vice President of Sales Worldwide from 1979 to 1980, Senior Vice President International from 1980 to 1983 and Group Vice President Human Resources and Administration from 1983 until his retirement in 1986. Mr. Moss was also a member of the board of directors of Avon Canada, Avon Japan, Avon Thailand, and Avon Malaysia from 1980 to 1983. He formerly was a director of The Atlanta Athletic Club and the National Treasurer and a director of the Girls Clubs of America from 1973 to 1976. Mr. Moss graduated from the University of Illinois where he received a Bachelor of Science degree in Business.

Willis J. Potts, Jr. Mr. Potts is one of our independent directors. From June 1999 until his retirement in June 2004, Mr. Potts served as vice president and general manager of Temple-Inland Inc., a major forest products corporation, where he was responsible for all aspects of the management of a major production facility, including timber acquisition, community relations and governmental affairs. From November 1994 to June 1999, Mr. Potts was senior vice president of Union Camp Corporation, where he was responsible for all activities of an international business unit, with revenues of approximately $1 billion per year including supervision of acquisitions and dispositions of timber and timberland, controllership functions and manufacturing. Mr. Potts is currently the chairman of the board of directors of the Technical Association of the Pulp and Paper Industry (TAPPI), the largest technical association serving the pulp, paper and converting industry, where he is responsible for guiding the development of TAPPI s long-term plans and short-term goals and objectives, including those related to the forest products industry. In 2006, Mr. Potts was appointed to the Board of Regents of The University System of Georgia. Mr. Potts received a Bachelor of Science degree in Industrial Engineering from the Georgia Institute of Technology. He also completed the

Executive Program at the University of Virginia.

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Compensation of Directors

Name	Fees Earned or Paid in Cash ($)	Stock Awards ($)	Option Awards ($)(1)	Non-Equity Incentive Plan Compensation ($)	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($)	All Other Compensation ($)(2)	Total ($)
Jess E. Jarratt							
Michael P. McCollum	$ 38,030		$ 6,250				$ 44,280
E. Nelson Mills	$ 49,250		$ 6,250				$ 55,500
Donald S. Moss	$ 42,000		$ 6,250				$ 48,250
Willis J. Potts, Jr.	$ 45,250		$ 6,250				$ 51,500

(1) Amounts reflect the amounts recognized for financial statement reporting purposes in fiscal year 2006, computed in accordance with Statement of Financial Accounting Standards No. 123(R) Share-Based Payment (FAS 123R), without taking into consideration a forfeiture assumption, as required by the Securities Exchange Commission for disclosure purposes in this Director Compensation Table. See Note 6 Stockholders Equity on our 2006 Form 10-K for an explanation of the valuation model assumptions used.

Our directors do not hold any stock awards. The aggregate number of option awards outstanding as of fiscal year end for all directors was 10,000.

The following table shows options awarded to each director during 2006, and the aggregate grant date fair value for each award, computed in accordance with Financial Accounting Standards 123R.

Director	Grant Date	Option Awards(#)	Grant Date Fair Value of Option Award
Jess E. Jarratt			
Michael P. McCollum	May 25, 2006	2,500	6,250
E. Nelson Mills	February 2, 2006	2,500	6,250
Donald S. Moss	February 2, 2006	2,500	6,250
Willis J. Potts, Jr.	February 2, 2006	2,500	6,250

(2) During 2006, none of our directors received additional compensation required to be disclosed under this column. Examples of items that would fall under this column: Perquisites and other personal benefits, or property, unless the aggregate amount of such compensation is less than $10,000; all gross-ups or other amounts reimbursed during the fiscal year for the payment of taxes; for any security of the registrant or its subsidiaries purchased from the registrant or its subsidiaries (through deferral of salary or bonus, or otherwise) at a discount from the market price of such security at the date of purchase, unless that discount is available generally, either to all security holders or to all salaried employees of the registrant, the compensation cost, if any, computed in accordance with FAS 123R; the amount paid or accrued to any director pursuant to a plan or arrangement in connection with the resignation, retirement or any other termination of such director; or a change in control of the registrant; registrant contributions or other allocations to vested and unvested defined contribution plans; consulting fees earned from, or paid or payable by the registrant and/or its subsidiaries (including joint ventures); the annual costs of payments and promises of payments pursuant to director legacy programs and similar charitable award programs; the dollar value of any insurance premiums paid by, or on behalf of, the registrant during the covered fiscal year with respect to life insurance for the benefit of a director; and the dollar value of any dividends or other earnings paid on stock or option awards, when those amounts were not factored into the grant date fair value for the stock or option award.

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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 receive an annual retainer of $18,000. In addition, independent directors 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 is not paid for attending the committee meeting.

All directors 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 receives a grant of options to purchase 2,500 shares of our common stock. One-third of the options are immediately exercisable on the date of grant, one-third 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. The initial grant of options was 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 fair market value of the shares on the date of grant. One-third of the subsequent grant of options are immediately exercisable on the date of grant, one-third 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.

All stock options granted to our independent directors are granted pursuant to our long-term incentive plan, and are 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. Upon the occurrence of a change in control, or upon termination of the director s service by reason of his or her death, disability or termination without cause, the options will become fully vested and exercisable. 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 or (except in the case of an incentive stock option) pursuant to a qualified domestic relations order.

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, 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. Although we do not currently intend to hire any employees, any employees we may hire in the future would also be eligible to participate in our long-term incentive plan. 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;

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

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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, which right is subject to certain restrictions and to risk of forfeiture;

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 our 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 or (except in the case of an incentive stock option) pursuant to a qualified domestic relations order.

We have established 500,000 shares as the aggregate maximum number of shares to be reserved and available for issuance under the incentive plan. 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 distribution, 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. Unless otherwise provided in an award certificate or any special plan document governing an award, upon the participant s death or disability, all of that participant s outstanding options and stock appreciation rights will become fully vested and exercisable, all time-based vesting restrictions on that participant s outstanding awards will lapse, and the payout opportunities attainable under all of that participant s outstanding performance-based awards will vest based on target or actual performance (depending on the time during the performance period in which the date of termination occurs) and the awards will payout on a prorata basis, based on the time elapsed prior to the date of termination.

Unless otherwise provided in an award certificate or any special plan document governing an award, upon the occurrence of a change in control (as defined in the incentive plan) in which awards are not assumed by the surviving entity or otherwise equitably converted or substituted in connection with the change in control in a manner approved by the board or the committee: (1) all outstanding options and stock appreciation rights

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will become fully vested and exercisable; (2) all time-based vesting restrictions on outstanding awards will lapse; and (3) the payout opportunities attainable under all outstanding performance-based awards will vest based on target or actual performance (depending on the time during the performance period in which the change in control occurs) and the awards will payout on a prorata basis, based on the time elapsed prior to the change in control. With respect to awards assumed by the surviving entity or otherwise equitably converted or substituted in connection with a change in control, if within two years after the effective date of the change in control, a participant s employment is terminated without cause or the participant resigns for good reason (as such terms are defined), then: (1) all of that participant s outstanding options and SARs will become fully vested and exercisable; (2) all time-based vesting restrictions on that participant s outstanding awards will lapse; and (3) the payout opportunities attainable under all of that participant s outstanding performance-based awards will vest based on target or actual performance (depending on the time during the performance period in which the date of termination occurs) and the awards will payout on a prorata basis, based on the time elapsed prior to the date of termination.

The incentive plan will automatically expire on February 2, 2016, the tenth anniversary of the date on which it was adopted, unless extended or earlier terminated by the board of directors. The board of directors or the committee 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 or the committee 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 or committee, such approval would be required by any law, regulation or rule applicable to the incentive plan. No termination or amendment of the plan may, without the written consent of the participant, reduce or diminish the value of an outstanding award. 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.

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 TIMO and its affiliates for losses they may incur by reason of their service in that capacity. However, we may not indemnify our directors, Wells TIMO 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 TIMO 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.

In addition, our charter provides that our limitation of director and officer liability and indemnification of directors and officers are subject to certain conditions set forth under Maryland law. The Maryland General Corporation Law provides that a Maryland corporation may not (a) limit the liability of its directors and officers if such liability results from (1) actual receipt of an improper benefit or profit in money, property or services or (2) active and deliberate

dishonesty established by a final judgment as material to the cause of action and (b) indemnify its directors and officers if it is established that (1) the act or omission of the director or officer was material to the matter giving rise to the proceeding and was committed in bad faith or was the result of active and deliberate dishonesty, (2) the director or officer actually received an improper personal

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benefit in money, property or services or (3) in the case of any criminal proceeding, the director or officer had reasonable cause to believe that the act or omission was unlawful.

The SEC and some state securities regulators take 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 TIMO 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 TIMO 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;
- 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.

Our Sponsor

Our sponsor is Wells Capital. Since its incorporation in Georgia on April 20, 1984, Wells Capital has sponsored or advised public real estate programs on an unspecified property, or blind pool basis, that have raised approximately $11.7 billion of equity from approximately 267,000 investors. Our advisor is a wholly-owned subsidiary of Wells Capital and Wells Capital is the manager of our advisor. 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:

Name	Age	Positions
Leo F. Wells, III	63	President, Treasurer and sole Director
Douglas P. Williams	57	Senior Vice President and Assistant Secretary
Stephen G. Franklin	60	Senior Vice President
Randall D. Fretz	54	Senior Vice President
Jess E. Jarratt	50	Senior Vice President

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The backgrounds of Messrs. Wells, Williams, Fretz and Jarratt 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. Since 1999, Mr. Franklin has served as 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 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 and Bachelor 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.

From 1984 to 1986, 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.

In addition to the directors and executive officers listed above, Wells Capital employs personnel who have extensive experience in the types of services that our advisor will be providing to us, including arranging financing for the acquisition of properties, negotiating contracts, and preparing and overseeing budgets. Our advisor will rely on employees of Wells Capital, its manager, to perform services on its behalf for us to the extent that our advisor does not employ personnel with the relevant experience necessary for such services.

Legal Proceedings

On March 12, 2007, a stockholder of Piedmont REIT, a program sponsored by Wells Capital, filed a purported class action and derivative complaint against, among others, Piedmont REIT, the officers and directors of Piedmont REIT, Wells Real Estate Funds, Inc. and certain of its affiliates, including Wells Capital, the owner of our advisor.

The complaint attempts to assert class action claims on behalf of those persons who receive and are entitled to vote on a proxy statement for Piedmont REIT that was filed with the SEC on February 26, 2007, as amended. The complaint alleges, among other things, that (1) the consideration to be paid as part of a proposed merger agreement to acquire certain affiliates of Wells Real Estate Funds is excessive; and (2) the proxy statement contains false and misleading statements or omits to state material facts. Additionally, the complaint seeks to, among other things, obtain (1) certification of the class action; (2) a judgment declaring the proxy statement false and misleading; (3) unspecified monetary damages; (4) nullification of any stockholder approvals obtained during the proxy process; (5) nullification of the merger proposal and the merger agreement; (6) restitution for disgorgement of profits, benefits and other compensation for wrongful conduct and fiduciary breaches; (7) the nomination and election of new independent directors, and the retention of a new financial advisor to assess the advisability of Piedmont REIT s strategic alternatives; and (8) the payment of reasonable attorneys fees and experts fees.

Piedmont REIT and Wells Real Estate Funds believe that the allegations contained in the complaint are without merit and intend to vigorously defend this action. Due to the uncertainties inherent in the litigation process, it is not possible

to predict the ultimate outcome of this matter at this time; however, as with any litigation, the risk of financial loss does exist. Any financial loss incurred by Wells Real Estate Funds which

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adversely affects the financial health of Wells Capital or its affiliates, including our advisor, could hinder our advisor s ability to successfully manage our operations and assets.

On August 24, 2007, two stockholders of Piedmont REIT filed a purported derivative complaint against, among others, Wells Capital and certain officers and directors of Piedmont REIT. The complaint seeks, among other things, a judgment declaring that the defendants committed breaches of their fiduciary duties and were unjustly enriched at the expense of Piedmont REIT; monetary damages equal to the amount by which Piedmont REIT was damaged by the defendants; an order awarding Piedmont REIT restitution from the defendants and ordering disgorgement of all profits and benefits obtained by the defendants from their wrongful conduct and fiduciary breaches; an order rescinding the internalization transaction; and the establishment of a constructive trust upon any benefits improperly received by the defendants as a result of their wrongful conduct.

Wells Capital and the other defendants who are named in the complaint believe that the allegations contained in the complaint are without merit and intend to vigorously defend this action. Due to the uncertainties inherent in the litigation process, it is not possible to predict the ultimate outcome of this matter at this time; however, as with any litigation, the risk of financial loss does exist. Any financial loss incurred by our advisor which adversely affects the financial health of Wells Capital or its affiliates could hinder our advisor s ability to successfully manage our operations and assets.

Our Advisor

Our advisor, Wells Timberland Management Organization, LLC or Wells TIMO, is a newly formed Georgia limited liability company and a wholly-owned subsidiary of Wells Capital. Wells TIMO has contractual and fiduciary responsibilities to us and our stockholders. Wells TIMO s sole manager is Wells Capital, and Wells Capital has appointed officers of Wells TIMO to manage its day-to-day operations. The officers of Wells TIMO are as follows:

Name	Age	Position
Jess E. Jarratt	50	President
Brian M. Davis	38	Vice President, Finance and Administration
Troy A. Harris	37	Vice President, Timberland Acquisitions
John C. Iverson	61	Vice President and Controller
Don L. Warden	38	Director of Operations

The background of Mr. Jarratt is described in the Management Executive Officers and Directors section of this prospectus.

Brian M. Davis. Brian M. Davis joined Wells TIMO as Vice President, Finance and Administration, in October, 2007. He is responsible for all day-to-day financial and accounting management and the overall coordination of the company s financial systems and functions for Wells Timberland REIT. Prior to joining Wells, Mr. Davis was a Client Manager for the Asset Based Lending Group at Atlanta-based SunTrust Bank, responsible for the origination and structuring of asset-based lending relationships developed from SunTrust s existing client base and prospects. Mr. Davis previously held positions with CoBank, ACB, of Denver, Colorado, as Capital Markets Officer, and with SunTrust as Client Manager for the AgriFoods Specialty Lending Group. Mr. Davis received his Bachelor of Business Administration and Master of Business Administration from Ohio University.

Troy A. Harris. Troy A. Harris joined Wells TIMO as Vice President, Timberland Acquisitions, in June 2007. In this capacity, he is responsible for directing property acquisitions for us. Prior to joining Wells, Mr. Harris was Director of

Land Acquisitions for Pennsylvania-based Danzer Forestland Inc., responsible for that group s timberland acquisition activities, identifying and evaluating significant high quality hardwood timberland properties with potential for long-term sustainable management. Mr. Harris previously held positions with Timbervest, LLC, as Director of Portfolio Analysis and Investment Manager, and with Union Camp and International Paper, as a Land Manager, Procurement Forester and Senior Timberland Auditor. Mr. Harris holds a bachelor s degree in Forestry from Auburn University and a Master of Business

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Administration degree from the University of Georgia. He serves on the Board of Directors of the Forest Landowners Association and chairs its TIMO/REIT Task Force. He is a Registered Forester, a Certified Forester and a member of the Society of American Foresters, where he recently served as the president of the Chattahoochee Chapter.

John C. Iverson. Since January 2007, Mr. Iverson has served as the Vice President and Controller of Wells TIMO. Mr. Iverson is responsible for timber and general accounting, all period financial reporting, SEC reporting, internal controls and compliance, and is the principal contact for internal and external auditors. From 1972 until joining Wells TIMO in 2007, Mr. Iverson was the Controller of Financial Reporting for Georgia-Pacific Corporation s Wood & Fiber Procurement Division. At Georgia-Pacific, Mr. Iverson was responsible for establishing and tracking the financial, tax and real estate bases for Georgia-Pacific s nearly 6 million acres of timberland assets. Mr. Iverson also served as Chairman of the Board of Directors of Georgia-Pacific s newly chartered GPC Credit Association. During his tenure, the GPC Credit Association grew to more than $30 million in assets. From 1966 to 1970, Mr. Iverson served in the submarine service of the U.S. Navy. Mr. Iverson received a Bachelor of Business Administration degree in Accounting from Augusta State University.

Don L. Warden. Don L. Warden joined the Wells TIMO as Director of Operations in July 2007. Mr. Warden is responsible for the operations of the Wells TIMO, including directing the closings for acquisition, disposition, and finance transactions; coordinating board and corporate reporting efforts; and managing Higher and Better Use (HBU) initiatives and transactions. Prior to joining the Wells Timberland Management Organization, Mr. Warden served as Director of Operations for the Capital Markets Department of Wells Real Estate Funds. In this capacity, Mr. Warden directed the closings for approximately $2 billion in commercial real estate transactions. Mr. Warden previously held positions with Mirant, as Senior Business Analyst, and with Accenture as a Consultant. From 1989 to 1994, Mr. Warden served as an Infantry and Signal Officer in the U.S. Army. Mr. Warden holds a bachelor s degree in Political Science from Southern Illinois University.

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 are required to either (1) hire our own personnel and incur operating losses until our assets and income grow to the size needed to support a fully integrated staff, (2) do without certain services or (3) 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 TIMO 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;
- 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;

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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 TIMO under the advisory agreement are described in detail at Management Compensation below. We also describe in that section (1) our obligation to reimburse Wells TIMO for organization and offering expenses, administrative and management services and payments made by Wells TIMO to third parties in connection with potential acquisitions, and (2) Wells TIMO s obligation to reimburse us for any operating expenses incurred in excess of certain limitations set forth in our charter.

The term of the current advisory agreement ends on August 11, 2008 and may be renewed for an unlimited number of successive one-year periods upon mutual consent of Wells TIMO and us. As a result, the amount of compensation and other fees payable to the advisor may be increased or decreased in future renewals of the advisory agreement. See Conflicts of Interest Certain Conflict Resolution Procedures.

The advisory agreement may be terminated without cause by a majority of our independent directors or by Wells TIMO upon 60 days written notice. In the event that the advisory agreement between us and Wells TIMO is terminated, Wells TIMO will be required to cooperate with us and take all reasonable steps requested by our board of directors to provide for the orderly transition of advisory services to a successor advisor. Upon a termination of the advisory agreement with Wells TIMO, our board of directors will select a successor advisor that the board of directors has determined possesses sufficient qualifications to perform the advisory services and will be required to determine that the compensation that we will pay the successor advisor is reasonable in relation to the nature and quality of the services to be performed for us and within the limits prescribed in our charter. In the event of a termination of the advisory agreement (other than for cause as defined in the advisory agreement), the holder of the special units will receive a one-time payment in the amount that would have been distributed with respect to the special units if Wells Timberland OP sold all of its real property assets for their then fair market values as determined by an appraisal and distributed the proceeds in accordance with the limited partnership agreement of Wells Timberland OP.

Wells TIMO 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 TIMO must devote sufficient resources to our administration to discharge its obligations. Wells TIMO 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 Sponsor

Wells Capital purchased 20,000 shares of our common stock for $200,000, constituting 100% of our outstanding capital stock prior to the sale of any shares in this offering, and subsequently transferred all of its shares to Wells TIMO. Wells TIMO may not sell any of these shares during the period it serves as our advisor. In the event that our advisor ceases to be our advisor, it will sell its initial investment in us to the successor advisor. Although Wells Capital and its affiliates are not prohibited from acquiring additional shares of our common stock, neither Wells Capital nor its affiliates currently has any options or warrants to acquire any shares. Wells Capital also purchased 200 common units in Wells Timberland OP at a purchase price of $10.00 per unit, which it subsequently transferred to Wells TIMO. As a result, Wells TIMO holds a 1% limited partner interest in Wells Timberland OP prior to the sale of any shares in this offering. Wells Capital also acquired 100 special units for which it paid $10.00 per unit and which it

subsequently transferred to Wells TIMO. Wells TIMO may not vote 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 TIMO or any of its affiliates.

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Dealer-Manager

Wells Investment Securities, Inc., our dealer-manager, is a member firm of FINRA. 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.

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

Name	Age	Positions
Thomas E. Larkin	49	President
Douglas P. Williams	57	Vice President, CFO, Treasurer and Director
Randall D. Fretz	54	Director

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

Thomas E. Larkin. Mr. Larkin is President of Wells Investment Securities, Inc. Mr. Larkin joined Wells in 2003 and directs the national sales effort. Prior to joining Wells, Mr. Larkin was an Executive Vice President of Ronald Blue & Co., where he was responsible for supervising approximately 80 financial professionals. In this capacity, he significantly increased both corporate revenue and assets under management. Mr. Larkin began his career at Ronald Blue in 1994 as a Branch Manager and Recruiter and progressively held positions of greater responsibility in sales management during his tenure with the company. From 1986 to 1994, Mr. Larkin was with Advanced Cardiovascular Systems Inc., where he served as Sales Representative, Southeastern Sales Manager, and eventually Director of Sales. Mr. Larkin received his Bachelor of Science degree in Biology from Valparaiso University. He holds the Series 2, 7, 24, 63, and 65 securities licenses.

Regulatory Investigation

In August 2003, Wells Investment Securities, Inc. and Leo F. Wells, III submitted a Letter of Acceptance, Waiver and Consent to the NASD (now FINRA) in which the company was censured and fined $150,000, jointly and severally with Mr. Wells. Mr. Wells was also suspended in his NASD principal association capacity for one year. Without admitting or denying the allegations, Wells Investment Securities and Mr. Wells consented to the sanctions and findings that they provided noncash compensation worth more than $100 to registered representatives and failed to adhere to previous undertakings made not to engage in noncash compensation activities. Mr. Wells submission began October 6, 2003, and concluded at the close of business October 5, 2004. See also Management Executive Officers and Directors.

Management Decisions

The primary responsibility for the management decisions of Wells TIMO 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 Jess E. Jarratt and John C. Iverson. 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.

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MANAGEMENT COMPENSATION

We have no paid employees. Wells TIMO, 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 TIMO and its affiliates in this offering, including amounts to reimburse their costs in providing services, as well as the compensation payable to our independent directors. The compensation payable to any timber managers our advisor may engage is not included in this table, since it would be paid by our advisor and not by us. The selling commissions and dealer-manager fee may vary for different categories of purchasers. See Plan of Distribution. The compensation and fees payable to Wells TIMO are subject to the terms and conditions of our advisory agreement, which must be renewed on an annual basis. As a result, the compensation and fees payable to Wells TIMO may be increased or decreased in future renewals of the advisory agreement. Our board of directors, including a majority of the independent directors, must approve of any new fees or any charges to the existing compensation arrangements described below. Our board is required to exercise its fiduciary duties to ensure that the proposed fee structure is fair and reasonable. See Conflicts of Interest Certain Conflict Resolution Procedures Other Charter Provisions Relating to Conflicts of Interest. 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 distribution reinvestment plan.

Form of Compensation and Entity Receiving	Determination of Amount	Estimated Amount for Maximum Offering(1)
	Organization and Offering Stage	
Selling Commissions Wells Investment Securities[2]	7% of gross offering proceeds from the primary offering, before reallowance of commissions earned by participating broker/dealers. Wells Investment Securities, our dealer-manager, will reallow 100% of commissions earned to participating broker/dealers.	$52,500,000
Dealer-Manager Fee Wells Investment Securities[2]	1.8% of gross offering proceeds from the primary offering, before reallowance to participating broker/dealers. 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 TIMO[3]	Up to 1.2% of gross offering proceeds from the primary offering. Wells TIMO will incur or pay our organization and offering expenses (excluding selling commissions and the dealer-manager fee). We will then reimburse Wells TIMO for these amounts up to 1.2% gross offering proceeds from the primary offering.	$9,000,000

		Acquisition and Operations Stage	
Asset Management Fee	Wells TIMO[4]	Monthly fee equal to one-twelfth of 1% of the greater of cost or value of investments.	Actual amounts are dependent upon the total equity capital we raise, the amount of debt we incur and results of operations and therefore cannot be determined at this time.
Other Operating Expenses[5]		We will reimburse the expenses incurred by Wells TIMO in connection with its provision of services, including related personnel, rent, utilities and information technology costs. We will not reimburse	Actual amounts are dependent upon results of operations and therefore cannot be determined at this time.

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Form of Compensation and Entity Receiving	Determination of Amount	Estimated Amount for Maximum Offering(1)
	for personnel costs in connection with services for which Wells TIMO receives real estate disposition fees, or costs associated with hiring or retaining timber managers. Our operating expenses will not exceed the greater of (1) 2% of our average invested assets or (2) 25% of our net income.	
Independent Director Compensation(6)	We will pay our independent directors: (1) $2,000 for each in-person board meeting, (2) $1,500 for each in- person committee meeting, (3) $250 for each telephonic board or committee meeting and (4) an additional $500 to each committee chair for each in-person committee meeting. When committee meetings occur on the same day as board meetings, no additional committee meeting attendance fee is payable. All directors will receive reimbursement of reasonable out-of-pocket expenses incurred in connection with attendance at meetings. Each independent director also receives (1) an initial grant of options upon his appointment to the board to purchase 2,500 shares of our common stock and (2) an additional grant of options upon each subsequent re-election to purchase 1,000 shares of our common stock. Option grants will be exercisable at the greater of $10 per share or the fair market value of the shares on the date of grant.	Actual amounts are dependent upon the total number of board and committee meetings that each independent director attends and the future value of our common stock upon the exercise of options granted.
	Liquidity Stage	
Real Estate Disposition Fees Wells TIMO or its Affiliates(7)	For substantial assistance in connection with the sale of properties, we will pay Wells TIMO 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 million or less, 2% of the contract price of the property sold and (2) for any property sold for	Actual amounts are dependent upon results of operations and therefore cannot be determined at this time.

			more than $20 million, 1% of the contract price of the property sold; provided, however, in no event may the real estate commissions paid to Wells TIMO, its affiliates and unaffiliated third parties exceed 6% of the contract sales price.
Special Units	Wells TIMO	(8)(9)	So long as the special units remain outstanding, the holder of the special units will receive 15% of the net sales proceeds received by Wells Timberland OP on dispositions of its assets after the

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Form of Compensation and Entity Receiving	Determination of Amount	Estimated Amount for Maximum Offering(1)
	holders of common units, including us, have received in the aggregate, cumulative distributions with respect to their common units equal to their capital contributions (less any amounts received in redemption of their common units) plus a 7% cumulative non-compounded annual pre-tax return on their net capital contributions. In addition, the special units will be redeemed by Wells Timberland OP, resulting in a one-time payment to the holder of the special units upon the earliest to occur of the following events: (1) The listing of our common stock on a national securities exchange, which we refer to as a listing event. (2) The termination or non-renewal of the advisory agreement which we refer to as a termination event, (a) not for cause, as defined in the advisory agreement, (b) in connection with a merger, sale of assets or transaction involving us pursuant to which a majority of our directors then in office are replaced or removed, (c) by our advisor for good reason, as defined in the advisory agreement, or (d) by us or Wells Timberland OP other than for cause. Upon a listing event, the one-time payment to the holder of the special units will be paid in the form of shares of our common stock with a market value equal to the amount that would have been distributed with respect to the special units as described above if Wells Timberland OP had distributed to the holders of units upon liquidation an amount equal to the market value of the listed shares. The market value of the listed shares shall be equal to the average closing price or, if the average closing price is not available, the	

average of bid and asked prices, for the 30-day period beginning 150 days after such listing event.

Upon a termination event (other than for cause, as defined in the advisory agreement), the one-time payment to the holder of the special units will be the amount that would have been distributed with respect to the special units as described above if Wells Timberland OP

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Form of Compensation and Entity Receiving	Determination of Amount	Estimated Amount for Maximum Offering(1)
	sold all of its assets for their then fair market values (as determined by appraisal, except for cash and those assets which can be readily marked to market), paid all of its liabilities and distributed any remaining amount to the holders of units in liquidation of Wells Timberland OP. Upon a termination event for cause, the one-time payment to the holder of the special units will be $1. Upon a termination event (other than for cause), the one-time payment to the holder of the special units will be made in the form of a non- interest-bearing promissory note that will be repaid using the entire net proceeds from each sale of Wells Timberland OP s assets in connection with or following the occurrence of the particular event. Payments may not be made under a promissory note issued in connection with a termination event until either (a) the closing of asset sales that result in aggregate, cumulative distributions to the holders of our common units (solely with respect to their common units), including us, in an amount equal to their capital contributions (less amounts paid to redeem their common units) plus a 7% cumulative non-compounded annual pre- tax return on their net capital contributions or (b) a listing event, each of which we refer to as a subsequent liquidity event. In addition, the amount of the promissory note issued in connection with a termination event will be subject to reduction as of the date of the subsequent liquidity event by an amount that will ensure that, in connection with the subsequent liquidity event, the holder of the promissory note does not receive in excess of 15% of the distributions of net sales proceeds that are made or are	

deemed to be made after holders of our common units (solely with respect to their common units), including us, have received or are deemed to have received aggregate, cumulative distributions equal to their capital contributions (less amounts paid to redeem their common units) plus a 7% cumulative non-compounded annual pre- tax return on their net capital contributions.

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Form of Compensation and Entity Receiving	Determination of Amount	Estimated Amount for Maximum Offering(1)
	Upon a listing event after a termination event the promissory note would be cancelled in exchange for shares of common stock equal in market value to the outstanding balance of the promissory note. Except as described above, the holder of the special units shall not be entitled to receive any redemption or other payment from us or Wells Timberland OP with respect to the special units, including any participation in the quarterly distributions we may make in the future to our stockholders. In addition, it is possible that certain of our stockholders would receive more or less than the 7% cumulative non-compounded annual pre-tax return on net contributions described above prior to the commencement of distributions to the holder of the special units or the redemption of the special units.	

(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 distribution 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 this offering, including our legal, accounting, printing, mailing and filing fees, due diligence expense reimbursements to broker/dealers and amounts to reimburse Wells TIMO 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 certain of the attendance fees and cost reimbursements for representatives of our dealer-manager and our advisor to attend retail seminars conducted by broker/dealers. The portion of these organization and offering expenses for which we (as opposed to Wells TIMO) 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 TIMO for any organization and offering expenses from proceeds of sales pursuant to our distribution reinvestment plan.

(4) The asset management fee is based on the actual amount invested on our behalf in properties, including any incurred or assumed indebtedness related to the 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 greater 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. In performing the valuation, our advisor, or an unaffiliated appraiser chosen by our advisor, will consider the volume of timber on the timberland when it was originally acquired, subsequent biological growth of the timber, any timber losses from harvesting or otherwise, and the market value of timber then current at the time of the valuation. 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

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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 at such time. If the shares are not listed on a national securities exchange 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 TIMO 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). Within 60 days after the end of any of our fiscal quarters for which total operating expenses for the 12 months then-ended exceeded the limitation, we will send to our stockholders a written disclosure, together with an explanation of the factors the independent directors considered in arriving at the conclusion that the excess expenses were justified.

(6) Although we anticipate that we will pay most of the compensation payable to independent directors during our acquisition and operations stage, we will also compensate our independent directors for their service during our organization and offering stage and our liquidity stage.

(7) Although we are most likely to pay real estate disposition fees to Wells TIMO or an affiliate in the event of our liquidation, these fees also may be earned during our acquisition and operations stage.

(8) If at any time our shares become listed on a national securities exchange, we will negotiate in good faith with Wells TIMO 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 TIMO. 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 TIMO 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 TIMO through its relationship with us;

the quality and extent of service and advice furnished by Wells TIMO;

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 TIMO for the account of other clients.

(9) Under our charter, we could not amend Wells Timberland OP s partnership agreement to increase these success-based payments without the approval of a majority of our independent directors, and any increase 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 after investors have received a return on their net capital contributions and a 6% per year cumulative, noncompounded return.

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STOCK OWNERSHIP

The following table sets forth the beneficial ownership of our common stock and Series A preferred stock as of November 30, 2007 by (1) any person who is known by us to be the beneficial owner of more than 5% of the outstanding shares, (2) our directors, (3) our executive officers and (4) all of our directors and executive officers as a group.

	Shares Beneficially Owned	
Name of Beneficial Owners	**Shares**	**Percentage**
Common Stock		
Wells Timberland Management Organization, LLC[1]	20,000	*
Leo F. Wells, III, President[1]	102,237	2.84%
Douglas P. Williams, Executive Vice President, Secretary, and Treasurer	1,096	*
Jess E. Jarratt	2,741	*
Randall D. Fretz, Senior Vice President	548	*
Michael P. McCollum[2]	1,666	*
E. Nelson Mills[2]	1,666	*
Donald S. Moss[2]	1,666	*
Willis J. Potts, Jr.[2]	1,666	*
All directors and executive officers as a group (8 persons)	133,287	3.7%
Series A Preferred Stock		
Wells Real Estate Funds, Inc.[1]	32,128	100%
Leo F. Wells, III[1]	32,128	100%

* Less than 1%

(1) As the sole stockholder of Wells Real Estate Funds, Inc., which directly or indirectly owns Wells Capital, Inc., the sole owner of Wells Timberland Management Organization, LLC, Mr. Wells may be deemed the beneficial owner of the shares held by Wells Timberland Management Organization, LLC. Wells Timberland Management Organization, LLC also holds 200 common units in Wells Timberland OP and 100 special units in Wells Timberland OP. Mr. Wells is also deemed to be the beneficial owner of 32,128 shares of Series A preferred stock held by Wells Real Estate Funds, Inc.

(2) Includes shares issuable upon the exercise of options which are immediately exercisable.

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CONFLICTS OF INTEREST

We are subject to various conflicts of interest arising out of our relationship with Wells TIMO 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 Sponsor 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. None of these programs, however, have invested in timberland. Wells Capital and such affiliates have legal and financial obligations with respect to these programs that are similar to the obligations that our advisor and its affiliates have to us.

Wells Capital and its affiliates have sponsored the following 18 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.

18. Institutional REIT, Inc.

Allocation of Time of our Sponsor s Personnel

We rely on Wells TIMO, our advisor, for the day-to-day operation of our business pursuant to an advisory agreement. Wells TIMO was recently formed for the purpose of serving as our advisor. As of the date of this prospectus, Wells TIMO has only two employees. As a result, Wells TIMO will rely on employees of its manager and parent company, Wells Capital, to perform its advisory services for us, until such time, if ever, as Wells TIMO has sufficient personnel of its own. 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

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affiliates will have conflicts of interest in allocating their time between the services to be performed for us on behalf of Wells TIMO and the other Wells programs and activities in which they are involved. However, Wells Capital believes that it and its affiliates have sufficient personnel to allow Wells TIMO to discharge fully its responsibilities to us, while at the same time to fulfill their responsibilities to all of the other Wells programs and ventures in which they are involved.

Receipt of Fees and Other Compensation by Wells TIMO and its Affiliates

Wells TIMO and its affiliates will receive substantial fees and other payments from us. During the offering stage, a significant portion of the fees and payments will be payable directly out of offering proceeds. These compensation arrangements could influence our advisor s advice to us, as well as the judgment of the affiliates of Wells TIMO 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 TIMO 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 TIMO to increased asset management fees;
- the valuation of our timberland properties, which determines the amount of the asset management fee payable to Wells TIMO and affects the likelihood of any success-based payments;
- property sales, which entitle Wells TIMO to real estate disposition fees and possible success-based sale payments;
- property acquisitions from other Wells-sponsored programs, which might entitle Wells TIMO 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 TIMO;
- whether and when we apply to list our common shares on a national securities exchange, which listing could entitle Wells TIMO to a success-based payment upon the redemption of the special units of Wells Timberland 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 TIMO to a success-based payment on the special units of Wells Timberland 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.

Wells TIMO, however, has a fiduciary duty to us. If Wells TIMO fails to act in our best interest, it will have violated its fiduciary duty to us.

The advisory fees paid to Wells TIMO will be paid irres