Wells Timber Real Estate Investment Trust, Inc.
Form 424B3
August 14, 2006

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File No. 333-129651

WELLS TIMBER REAL ESTATE INVESTMENT TRUST, INC.
Maximum Offering of 85,000,000 Shares of Common Stock
Minimum Offering of 200,000 Shares of Common Stock

Wells Timber Real Estate Investment Trust, Inc. is a newly organized Maryland corporation formed primarily for the purpose of acquiring timberland properties 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 and intend to qualify as a REIT under the Internal Revenue Code of 1986, as amended, beginning with the taxable year that will end December 31, 2006. Because we have not yet identified any specific properties to purchase, we are considered to be a blind pool.

We are offering up to 75,000,000 shares of common stock in our primary offering for $10.00 per share, with volume discounts available to investors who purchase more than 50,000 shares at any one time. Discounts are also available for other categories of purchasers as described in Plan of Distribution. We are also offering up to 10,000,000 shares to be issued pursuant to our 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.

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 15 to read about risks you should consider before buying shares of our common stock. These risks include the following:

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

We have no operating history, do not currently own any properties and have not identified any properties to acquire with the proceeds from this offering, which make our future performance and the performance of your investment difficult to predict.

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

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

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

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

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

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

Neither the Securities and Exchange Commission, the Attorney General of the State of New York nor any other state securities regulator has approved or disapproved of our common stock, determined if this

prospectus is truthful or complete or passed on or endorsed the merits of this offering. Any representation to the contrary is a criminal offense. The use of projections or forecasts in this offering is prohibited. No one is permitted to make any oral or written predictions about the cash benefits or tax consequences you will receive from your investment.

	Price to Public*	Selling Commissions*	Dealer-Manager Fee*	Net Proceeds (Before Expenses)
Primary Offering				
Per Share	$ 10.00	$ 0.70	$ 0.18	$ 9.12
Total Minimum	2,000,000	140,000	36,000	1,824,0000
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. We will not sell any shares unless we raise a minimum of $2,000,000 of gross offering proceeds by August 11, 2007 (one year from the date of this prospectus). Pending satisfaction of the minimum offering threshold, all subscription payments will be placed in an escrow account held by the escrow agent, U.S. Bank, National Association, in trust for the subscribers benefit, pending release to us. If we do not raise at least $2,000,000 by August 11, 2007, we will return all funds in the escrow account (including interest) and we will stop selling shares. This offering will terminate no later than August 11, 2008.

WELLS INVESTMENT SECURITIES, INC.

August 11, 2006

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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, California, Iowa, Kansas, 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.

Kansas In addition to the suitability requirements described above for the state of Kansas, 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.

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

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

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

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We have not yet identified any of the properties that we will purchase with the proceeds of this offering, which makes your investment more speculative 15

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 16

We have no operating history, which makes our future performance and the performance of your investment difficult to predict 16

Our advisor has very limited experience acquiring, owning and managing timberland 16

We expect our real estate investments to be concentrated in timberland properties, making us more vulnerable economically than if our investments were diversified 16

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. 17

Our cash distributions are not guaranteed and may fluctuate 17

Our loss of or inability to obtain key personnel could delay or hinder implementation of our investment strategies, which could limit our ability to make distributions and decrease the value of your investment 17

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 18

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 18

Risks Related to Conflicts of Interest 18

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 18

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 18

Wells Capital and its affiliates, including our officers and two of our directors, will face conflicts of interest caused by compensation arrangements with us and other Wells-sponsored programs, which could result in actions that are not in the long-term best interests of our stockholders. The amounts payable to Wells Capital upon termination of the advisory agreement may also influence decisions about terminating Wells Capital or our acquisition or disposition of investments. 19

The fees we pay Wells Capital under the advisory agreement and the amounts payable to Wells Capital under the Wells Timber 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 Capital may increase in future renewals. 20

Risks Related to Our Corporate Structure 20

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 20

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 20

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 20

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You will have limited control over changes in our policies and operations, which increases the uncertainty and risks you face as a stockholder 21
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 21
The offering price was not established on an independent basis; the actual value of your investment may be substantially less than what you pay 22
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 22
Your interest in us will be diluted if we issue additional shares, which could reduce the overall value of your investment 22
Payment of fees to Wells Capital and its affiliates will reduce cash available for investment and distribution and increases the risk that you will not be able to recover the amount of your investment in our shares 22
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Following the acquisition of timberland properties, we expect that our revenues will depend primarily on our supply agreements with loggers, sawmills and forest products companies. These contracts may preclude us from taking advantage of market opportunities, which could reduce the value of your investment 23
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 23
Our business will depend in part on the health and strength of the milling and manufacturing markets that our timberlands serve, and any downturns in those markets could reduce our profits and limit our ability to make distributions to our stockholders 24
Changes in demand for higher and better use property may reduce our anticipated land sale revenues 24
Large-scale increases in the supply of timber may affect timber prices and reduce our revenues 24
The cyclical nature of the forest products industry could impair our ability to make distributions to our stockholders 24
Our due diligence may not reveal all of the liabilities or weaknesses of a targeted timberland property acquisition, which could increase our costs, reduce our profitability and limit our cash distributions to our stockholders 25
Uninsured losses relating to timberland properties we acquire may reduce our stockholders returns 25
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 your investment 25
Harvesting our timber may be subject to limitations which could impair our ability to receive income and make distributions to our stockholders 26

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We face possible liability for environmental clean up costs and damages related to the timberland properties we acquire, which could increase our costs and reduce our profitability and cash distributions to our stockholders 26
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 27
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 27
Our international investments will be subject to changes in global market trends that could adversely impact our ability to make distributions to our stockholders 28
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We are likely to incur mortgage and other indebtedness, which may increase our business risks and may reduce the value of your investment 28
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 28
Lenders may require us to enter into restrictive covenants relating to our operations, which could limit our ability to make distributions to our stockholders 29
Increases in interest rates could increase the amount of our debt payments and limit our ability to pay distributions to our stockholders 29
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 29
Actions of our joint venture partners could reduce the returns on our joint venture investments and decrease your overall return 29
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Failure to qualify as a REIT would reduce our net income and cash available for distributions 29
You may have current tax liability on distributions you elect to reinvest in our common stock 30
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 30
To maintain our REIT status, we may be forced to borrow funds during unfavorable market conditions to make distributions to our stockholders, which could increase our operating costs and decrease the value of your investment 30
To maintain our REIT status, we may be forced to forego otherwise attractive opportunities, which could delay or hinder our ability to meet our investment objectives and lower the return on your investment 31
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 31
Certain of our business activities are potentially subject to the prohibited transaction tax, which could reduce the return on your investment 31
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PROSPECTUS SUMMARY

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

Wells Timber Real Estate Investment Trust, Inc.

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

We were incorporated in Maryland on September 27, 2005 and intend to qualify as a real estate investment trust, or REIT, commencing with the taxable year ending December 31, 2006. We have no paid employees and are externally advised and managed by Wells Capital, Inc., which we refer to as our advisor.

Our Advisor

Wells Capital is our advisor. 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 $8.0 billion of equity from approximately 223,000 investors.

We have entered into an advisory agreement with Wells Capital under which Wells Capital will manage our daily affairs and make recommendations to our board of directors on all property acquisitions. Leo F. Wells, III, Douglas P. Williams, Randall D. Fretz, Donald A. Miller and Robert E. Bowers, as officers of our advisor, will make most of the decisions regarding which investments will be recommended for us. Our board of directors must approve or reject all proposed property acquisitions. Wells Capital will also provide asset management, marketing, investor relations and other administrative services on our behalf. Wells Capital and Leo F. Wells, III, who controls Wells Capital, are our sponsors.

Investment Objectives

Our primary investment objectives are:

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

to preserve and return your capital contributions; and

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

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

Summary Risk Factors

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

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

We have no operating history, do not currently own any properties, and have not identified any properties to acquire with the proceeds from this offering. In addition, neither we nor our advisor

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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 advisor, and (2) the compensation arrangements between our advisor and other Wells programs which may incent our advisor to act other than in our best interest.

Our failure to qualify as a REIT for federal income tax purposes would limit our ability 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 Timber Operating Partnership, L.P. (Wells Timber OP). Wells Timber OP was formed in November 2005 to acquire properties on our behalf. We are the sole general partner of Wells Timber OP and own 99% of its common units. Wells Capital is the sole limited partner of Wells Timber OP and owns the remaining 1% 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 sale of property directly to the REIT is generally a taxable transaction to the selling property owner. In an UPREIT structure, a seller of a property who desires to defer taxable gain on the sale of his property may transfer the property to the UPREIT in exchange for common units in the UPREIT and defer taxation of gain until the seller later sells or exchanges his common units. Using an UPREIT structure may give us an advantage in acquiring desired properties from persons who may not otherwise sell their properties because of unfavorable tax results. At present, we have no plans to acquire any specific properties in exchange for common units of Wells Timber OP.

Wells Capital also owns 100 special units in Wells Timber OP, representing 100% of this class of limited partnership interest. The special units entitle Wells Capital 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 Timber TRS, Inc. is a wholly owned subsidiary of Wells Timber OP. We have elected for Wells Timber 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

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use properties. We do not anticipate that a substantial portion, if any, of our income will be earned by our TRS.

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.

Conflicts of Interest

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

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

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

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The compensation arrangements between Wells Capital 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 Capital 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 two of our directors, Leo F. Wells, III and Douglas P. Williams, will also face these conflicts because of their affiliation with Wells Capital. Wells Real Estate Investment Trust, Inc., which we refer to as Wells REIT I, and Wells Real Estate Investment Trust II, Inc., which we refer to as Wells REIT II, are separate REITs from us. However, Wells Capital, Inc., serves as our advisor as well as the advisor to Wells REIT I and Wells REIT II. In addition, all of our officers serve as officers of Wells REIT I and Wells REIT II, and three of our directors, including Donald S. Moss one of our independent directors, serve as directors of Wells REIT I and Wells REIT II. See the Conflicts of Interest section of this prospectus for a detailed discussion of the various conflicts of interest relating to your investment, as well as the procedures that we have established to mitigate a number of these potential conflicts.

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Compensation of the Advisor and its Affiliates

Wells Capital and its affiliates will receive compensation and reimbursement for services relating to this offering and the investment and management of our assets. In addition, Wells Capital has received partnership units in our operating partnership, Wells Timber OP, constituting a separate series of partnership interests with special distribution and redemption rights, which we refer to as the special units. The most significant items of compensation, fees, expenses and other payments that we expect to pay to Wells Capital and its affiliates are included in the table below. The selling commissions and dealer-manager fee may vary for different categories of purchasers. See Plan of Distribution. This table assumes the shares are sold through distribution channels associated with the highest possible selling commissions and dealer-manager fees and assumes a $9.55 price for each share sold through our 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	7.0% 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 Capital will incur or pay our organization and offering expenses (excluding selling commissions and the dealer-manager fee). We will then reimburse Wells Capital for these amounts up to 1.2% of gross offering proceeds from the primary offering.	$9,000,000
	Operational Stage	
Asset Management Fees	Monthly fee equal to one-twelfth of 1.25% of the greater of the cost or value of investments.	Actual amounts are dependent upon the total equity capital we raise and the results of our operations; we cannot determine these amounts at this time.
Other Operating Expenses	Reimbursement of our advisor s cost of providing services to us other than personnel costs relating to services for which our advisor	Actual amounts are dependent upon the results of our operations; we cannot determine these amounts at

	earns real estate disposition fees.	this time.
	Liquidity Stage	
Real Estate Disposition Fees	Up to 2.0% of the contract price for any property sold for $20.0 million or less and up to 1.0% of the contract price for any property sold for more than $20.0 million, in each case as determined by our board of directors (including a majority of our independent directors) based on market norms for the services provided.	Actual amounts are dependent upon the results of our operations; we cannot determine these amounts at this time.

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Type of Compensation	Determination of Amount	Estimated Amount for Maximum Offering (85,000,000 Shares)
Special Unit Distribution of Net Sales Proceeds	After we have made distributions to our stockholders (including amounts paid to redeem shares pursuant to our share redemption plan) equal to, in the aggregate, a return of the total amount of capital raised from stockholders plus a cumulative, noncompounded return on the average invested capital of 7.0% per year, then Wells Capital is entitled to receive a distribution equal to the difference between (1) 10% of the aggregate net sales proceeds through the date of distribution and (2) the total amount of all prior distributions of net sales proceeds paid to Wells Capital. Notwithstanding the foregoing, after we have made distributions to our stockholders (including amounts paid to redeem shares pursuant to our share redemption plan) equal to, in the aggregate, a return of the total amount of capital raised from stockholders plus a cumulative, noncompounded return on the average invested capital of at least 8.0% per year, then Wells Capital is entitled to receive a distribution equal to the difference between (1) 20% of the aggregate net sales proceeds through the date of distribution and (2) the total amount of all prior distributions of net sales proceeds paid to Wells Capital.	Actual amounts are dependent upon the results of our operations; we cannot determine these amounts at this time.
Special Unit Redemption Payment Due Upon Listing (payable only if our shares are listed on a national securities exchange)	Upon the listing of our shares on a national securities exchange, the special units will be redeemed for cash or shares of our common stock, at our election. If (1) the market value of our outstanding common stock at listing plus the	Actual amounts are dependent upon the results of our operations; we cannot determine these amounts at this time.

total distributions paid to stockholders prior to listing exceeds (2) the sum of the total amount of capital raised from stockholders (less amounts paid to redeem shares pursuant to our share redemption plan) and an amount of cash that, if distributed to the stockholders as of the date of listing, would have provided them with a cumulative, noncompounded return on the average invested capital equal to 7.0% per year, then the redemption payment will equal 10% of such excess amount.

Notwithstanding the foregoing, if (1) the market value of our common stock at listing plus the total distributions paid to stockholders prior to listing exceeds (2) the sum of the

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Type of Compensation	Determination of Amount	Estimated Amount for Maximum Offering (85,000,000 Shares)
	total amount of capital raised from stockholders (less amounts paid to redeem shares pursuant to our share redemption plan) and an amount of cash that, if distributed to the stockholders as of the date of listing, would have provided them with a cumulative, noncompounded return on the average invested capital equal to 8.0% per year, then the redemption payment will equal 20% of such excess amount.	

Upon termination of the advisory agreement without cause, Wells Capital may also be entitled to a redemption payment similar to the special unit redemption payment due upon listing above. In the event that Wells Capital receives a special unit redemption payment in connection with a listing, it will no longer be eligible to receive the special unit redemption payment due upon termination or the special unit distribution of net sales proceeds. Similarly, in the event that Wells Capital receives a redemption payment in connection with the termination of the advisory agreement without cause, it will no longer be eligible to receive the special unit redemption payment due upon listing or the special unit distribution of net sales proceeds. 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 conflicts of interest related to these arrangements.

Description of Investments

We currently do not own any properties. We expect to use substantially all of the net proceeds from this offering to acquire timberland properties 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. Because we have not yet identified any specific properties to purchase, we are considered to be a blind pool.

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

Timber Managers

Although our advisor may directly select our investments in timberland, our advisor intends, but is not required, to engage experienced timber management companies (which we refer to collectively as timber managers), including those affiliated with our advisor, to advise it with respect to selection of our timberland investments, and to perform certain management services for our timberland investments on behalf of our advisor. These timber managers will perform their duties pursuant to contracts with our advisor. Our advisor will pay the timber managers all of the fees and expense reimbursements to which they are entitled under their contracts with the advisor. We will not be obligated

to pay any fees or expense reimbursements to the timber managers.

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Sources of Income

We intend to generate income primarily by selling to third parties the right to access our land and harvest our timber primarily pursuant to supply agreements and through open market sales. We also anticipate generating revenue by leasing our timberland for certain activities such as extracting underground natural resources, pine straw collection, recreational uses (hunting, fishing, etc.) and other land use rights. In addition, we will continually review our timberland portfolio to identify properties to sell that may have higher and better uses than as commercial timberland. We 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 have a six-member board of directors, four of whom are independent of Wells Capital. All of our officers and two of our directors, Leo F. Wells, III and Douglas P. Williams, are affiliated with Wells Capital, and one of our independent directors, Donald S. Moss, serves on the boards of other Wells-sponsored programs. Our charter, which requires that a majority of our directors be independent of Wells Capital, provides that our board may establish committees consisting of at least a majority of our independent directors. Our board of directors is responsible for reviewing the performance of Wells Capital and must approve other matters set forth in our charter. See Conflicts of Interest Certain Conflict Resolution Procedures. Our directors are elected annually by the stockholders. See Management Executive Officers and Directors for a description of the experience of each of our current executive officers and directors.

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QUESTIONS AND ANSWERS ABOUT THE OFFERING

What is a REIT?

In general, a 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. If we fail to qualify for taxation as a REIT in any year, our income will be taxed at regular corporate rates, and we may be precluded from qualifying for treatment as a REIT for the four-year period following our failure to qualify. Even if we qualify as a REIT for federal income tax purposes, we may still be subject to state and local taxes on our income and property and to federal income and excise taxes on our undistributed income.

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

We intend to use substantially all of the net proceeds from this offering to acquire timberland properties in the timber-producing regions of the United States. Our portfolio also may include investments in timberland located in other countries. Depending primarily upon the number of shares we sell in this offering and assuming a $9.55 per share price for shares sold under our 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 and the repurchase of shares under our share redemption plan. We will use the remainder of the offering proceeds to pay the costs of the offering, including selling commissions and the dealer-manager fee, and to pay a fee to our advisor for its services in connection with the selection, acquisition and management of properties. We expect to use substantially all of the net offering proceeds from the sale of shares under our distribution reinvestment plan to repurchase our common stock pursuant to our share redemption plan.

Until we invest the proceeds of this offering in real estate assets, we may invest in short-term, highly liquid or other authorized investments. Such short-term investments will not earn as high a return as we expect to earn on our real estate investments, and we may 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 achieve the $2,000,000 minimum offering by selling 200,000 shares at $10.00 per share, the shares sold in this offering would represent 90.9% of our outstanding shares. 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 99.976% of our outstanding shares.

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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 this 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 receive current income through our payment of distributions, seek to preserve your capital contribution, 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 (i) they meet suitability standards regarding income or net worth, which is described under Suitability Standards on page i of this prospectus, and (ii) the transfer complies with minimum purchase requirements, which are described at Plan of Distribution Minimum Purchase Requirements.

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

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

Is there any minimum investment required?

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

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

How do I subscribe for shares?

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

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

We will not sell any shares unless we raise a minimum of $2,000,000 of gross offering proceeds by August 11, 2007 (one year from the date of this prospectus). Purchases by our directors, our officers, our advisor or their affiliates will not count toward meeting this minimum threshold. Also, because of the higher minimum offering requirement for Pennsylvania investors (described below), subscription payments made by Pennsylvania investors will not count toward the $2,000,000 minimum offering for all other jurisdictions. Pending satisfaction of the minimum offering threshold, all subscription payments will be placed in an escrow account held by the escrow agent, U.S. Bank National Association, for subscribers benefit, pending release to us. If we do not raise a minimum of $2,000,000 in this offering before August 11, 2007, we will terminate the offering and stop selling shares. In such event, the escrow agent will promptly return your funds, including interest. Funds in escrow will be invested in short-term investments that mature in three months or less.

Notwithstanding our minimum offering of $2,000,000 in gross offering proceeds, we will not sell any shares to Pennsylvania investors unless we raise a minimum of $37,500,000 in gross offering proceeds (including sales made to residents of other jurisdictions). Pending satisfaction of this condition, all Pennsylvania subscription payments will be placed in an account held by the escrow agent, 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 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 refunds 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 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
- 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

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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.

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.

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

To qualify as a REIT, we are required to make aggregate annual distributions to our stockholders of at least 90% of our REIT taxable income. Our REIT taxable income is computed without regard to the 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). Except with respect to the first year following our acquisition of a timberland property, as a result of tax treatment provided to certain timber sale contracts under the Internal Revenue Code, substantially all of the income we generate from harvesting timber on that property will constitute net capital gain for federal tax purposes. Unlike most existing REITs, therefore, we do not anticipate, once we have held our timberland properties for more than one year, that the 90% distribution requirement applicable to REITs will require us to distribute any material amounts of cash in order to remain qualified as a REIT. Notwithstanding the lack of any federal income tax requirement that we do so, we intend to make regular cash distributions to our stockholders typically on a quarterly basis. The actual amount and timing of

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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.

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?

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 Timber 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 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.

Will the distributions I receive be taxable as ordinary income?

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

	Timber REIT	Traditional REIT	C Corporation
Pre-Tax Cash Flow	$ 100	$ 100	$ 100
Corporate Taxes*			35
Cash Available for Distributions	100	100	65
Taxes Paid by Stockholders*	15	35	10

Net Cash to Stockholders	$ 85	$ 65	$ 55

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* Illustrates distributions of income from timber-cutting contracts for timberland properties held more than one year and assumes (1) a 35% corporate tax rate, a 35% ordinary income tax rate for individuals and a 15% capital gains and qualified dividend income tax rate for individuals; (2) that our cash flow will equal our taxable income; (3) that our distributions qualify as dividends for federal income tax purposes and not as a return of capital; and (4) that no foreign, state or local taxes apply. The 15% rates for capital gains and qualified dividend income will apply only through 2010 unless legislation extending the favorable rates is enacted.

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

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

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

Four quarterly investor statements, which will generally include a summary of the amount you have invested, the quarterly distributions declared, 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.

Who can help answer my questions?

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

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

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. In addition, our share redemption 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 our 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 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, working with or without timber managers, 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 not yet identified any of the properties that we will purchase with the proceeds of this offering, which makes your investment more speculative.

We have not yet identified any of the investments that we will make with the proceeds of this offering. Our ability to identify well-performing properties and achieve our investment objectives depends upon the performance of our advisor in the acquisition of our investments and the determination of any financing arrangements. The large size of this offering increases the challenges that our advisor 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

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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 only raise the minimum offering amount, we will not be able to achieve a diversified 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 no operating history, which makes our future performance and the performance of your investment difficult to predict.

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

Our advisor has very limited experience acquiring, owning and managing timberland.

We are externally advised and managed by our advisor, Wells Capital. Prior to this offering, Wells Capital has had very limited experience acquiring, owning or managing timberland properties. Although our advisor has experience acquiring and managing a variety of other types of commercial real estate, timberland investments present unique acquisition, ownership and management challenges and opportunities. As a result, our advisor must either hire personnel with experience acquiring and managing timberland properties or rely on timber managers, including those affiliated with our advisor, for timberland investment and management expertise. Our advisor is not required to engage any timber managers and may make timberland investments on our behalf and manage our timberland assets without the services of a timber manager. The ownership of timberland properties involves risks not present in commercial property ownership generally, as described in the risk factors below. You should be cautious when considering our advisor s prior performance in evaluating the ability of our advisor to successfully execute our business plan. Our lack of experience in acquiring and owning timberland properties may result in our timberland investments failing to produce returns or incurring losses, either of which would reduce our ability to make distributions to our stockholders.

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

We expect to qualify as a REIT, and, accordingly, as a REIT, we will invest primarily in real estate. Within the real estate industry, we intend to acquire and own timberland properties. We are subject to risks inherent in concentrating investments in real estate. The risks resulting from a lack of diversification become even greater as a result of our current business strategy to invest primarily, if not exclusively, in timberland properties. A downturn in the real estate industry generally or the timber or forest products industries specifically could reduce the value of our properties. A downturn in the timber or forest products

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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.

REITs are required to distribute 90% of their net taxable REIT ordinary income. However, unlike ordinary income such as rent, the Internal Revenue Code does not require REITs to distribute capital gains income. Accordingly, except with respect to income generated from a timberland property during the first year following our acquisition of that property, we do not believe that the Internal Revenue Code will require us to distribute any material amounts of cash to maintain our REIT status, given that we expect the majority of our income to come from timber sales and generally to be treated as a capital gain.

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 and tax considerations. As a result, our distribution rate and payment frequency may vary from time to time. Our long-term strategy is to fund the payment of quarterly distributions to our stockholders entirely from our funds from operations. However, during the early stages of our operations, we may need to borrow funds to make cash distributions. In the event that we are unable to consistently fund quarterly distributions to stockholders entirely from our funds from operations, the value of your shares upon the possible listing of our stock, the sale of our assets or any other liquidity event may be reduced. Further, if the aggregate amount of cash distributed in any given year exceeds the amount of our REIT taxable income generated during the year, the excess amount will be deemed a return of capital.

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

Our success depends to a significant degree upon the contributions of Leo F. Wells, III, Douglas P. Williams and Randall D. Fretz, each of whom would be difficult to replace. We do not have employment agreements with Messrs. Wells, Williams or Fretz, and we cannot guarantee that such persons will remain affiliated with us. Although Messrs. Wells, Williams and Fretz have entered into employment agreements with Wells Capital, these agreements are terminable at will by either party; thus, such persons may not remain affiliated with Wells Capital or us. If any of our key personnel were to cease their affiliation with us, we may be unable to find suitable replacement personnel, and our operating results could suffer. We do not intend to maintain key-person life insurance on any person. Because our advisor does not currently have any management personnel with significant experience selecting, acquiring and managing timberland investments, we believe that it will be necessary for our advisor to hire personnel with this experience in order for us to be successful, In addition, we believe that our future success depends, in large part, upon our advisor s ability to retain highly skilled managerial, operational and marketing personnel. Competition for the personnel we intend to hire and for retention of our existing skilled personnel is intense, and our advisor 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 we lose or are unable to obtain the services of highly skilled personnel or do not establish or maintain appropriate strategic relationships, our ability to implement our investment strategies could be delayed or hindered, and the value of your investment may decline.

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

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

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

Maryland law provides that a director has no liability in that capacity if he performs his duties in good faith, in a manner he reasonably believes to be in our best interests and with the care that an ordinarily prudent person in a like position would use under similar circumstances. Our charter provides generally that no independent director will be liable to us or our stockholders for monetary damages and that we will indemnify them for losses unless they are grossly negligent or engage in willful misconduct. 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 Capital and its affiliates for the day-to-day operation of our business. Wells Capital and its affiliates, including Leo F. Wells, III, our President and a director and the President of Wells Capital, Douglas P. Williams, our Executive Vice President and a director 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 I and Wells REIT II 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 two of our directors, Leo F. Wells, III and Douglas P. Williams, are also officers and directors of our advisor, our dealer-manager and other affiliated entities and Wells-sponsored programs, and one of our independent directors, Donald S. Moss, serves on the boards of other Wells-sponsored programs. 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

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

Under the advisory agreement between us, Wells Timber OP and Wells Capital and pursuant to the terms of the special units Wells Capital owns in Wells Timber OP, Wells Capital is entitled to fees and other payments from us and Wells Timber OP that are structured in a manner intended to provide incentives to Wells Capital to perform in our best interest and in the best interest of our stockholders. However, because Wells Capital 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 Capital who serve as our officers or directors. Among other matters, the compensation arrangements could affect their judgment with respect to:

- the continuation, renewal or enforcement of our agreements with Wells Capital and its affiliates, including the advisory agreement and the dealer-manager agreement;
- public offerings of equity by us, which entitle Wells Investment Securities to dealer-manager fees and entitle Wells Capital to increased asset management fees;
- property sales, which entitle Wells Capital to real estate commissions and possible success-based sale fees;
- the valuation of our timberland properties, which determines the amount of the asset management fee payable to Wells Capital and affects the likelihood of any success-based fees;
- property acquisitions from third parties, which utilize proceeds from our public offerings, thereby increasing the likelihood of continued equity offerings and related fee income for Wells Investment Securities and Wells Capital;
- whether and when we seek to list our common stock on a national securities exchange, which listing could entitle Wells Capital to a success-based listing fee but could also hinder its sales efforts for other programs if the price at which our shares trade is lower than the price at which we offered shares to the public; and
- whether and when we seek to sell the company or our assets, which sale could entitle Wells Capital to a success-based payment from Wells Timber OP but could also hinder its sales efforts for other programs if the sales price for the company or its assets results in proceeds less than the amount needed to preserve our stockholders capital.

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

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The fees we pay Wells Capital under the advisory agreement and the amounts payable to Wells Capital under the Wells Timber 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 Capital may increase in future renewals.

Our independent directors rely on information and recommendations provided by Wells Capital to determine the fees and other amounts payable to Wells Capital and its affiliates pursuant to the terms of the advisory agreement and the special units in Wells Timber 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 Capital and its affiliates. Because the advisory agreement must be renewed on an annual basis, beginning one year from the date of this prospectus, our independent directors may increase the fees and other amounts payable to Wells Capital in future renewals. If the fees and other amounts we pay Wells Capital are increased, our ability to pay distributions to our stockholders and make investments will be reduced.

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 to take such actions as are necessary and desirable to preserve our qualification as a REIT. Unless exempted by our board of directors, no person may own more than 9.8% in value of the aggregate of our outstanding shares, or more than 9.8% (in value or in number of shares, whichever is more restrictive) of the aggregate of our outstanding common shares. This restriction may have the effect of delaying, deferring or preventing a change in control of our company, including an extraordinary transaction (such as a merger, tender offer or sale of all or substantially all of our assets) that might provide a premium price for holders of our common stock.

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

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

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

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

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

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

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 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 Wells Capital employees; (4) issue shares to our advisor, its successors or assigns, in payment of an outstanding fee obligation; or (5) issue shares of our common stock to sellers of properties we acquire in connection with an exchange of limited partnership interests of Wells Timber OP. To the extent we issue additional equity interests after your purchase in this offering, your percentage ownership interest in us will be diluted. Further, depending upon the terms of such transactions, most notably the offering price per share, which may be less than the price paid per share in any offering under this prospectus, and the value of our properties, existing stockholders also may experience a dilution in the book value of their investment in us.

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

Wells Capital and its affiliates will perform services for us in connection with the offer and sale of our shares, the selection and acquisition of our investments, the management of our properties and the administration of our other investments. We will pay Wells Capital and its affiliates substantial fees for these services. 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

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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 Capital, as the holder of the special units, also may be entitled to receive a distribution upon the sale of our properties and/or a payment in connection with the redemption of the special units upon the earlier to occur of specified events, including the listing of our shares on a national securities exchange or the termination of the advisory agreement. See Management Compensation. These payments to Wells Capital increase the risk that the amount available for distribution to stockholders upon a liquidation of our portfolio would be less than the purchase price of the shares in this offering. Substantial up-front fees also increase the risk that you will not be able to resell your shares at a profit, even if our shares are listed on a national securities exchange.

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 May 31, 2006, our sponsor had invested approximately $203,000 in us, primarily by our advisor purchasing (1) 20,000 shares of our common stock at a price of $10.00 per share; (2) 200 common units in Wells Timber OP at $10.00 per unit; and (3) 100 special units in Wells Timber OP at $10.00 per unit. If we are successful in raising enough proceeds to be able to reimburse our sponsor for the significant organization and offering expenses of this offering, our sponsor has little exposure to loss. Without this exposure, our investors may be at a greater risk of loss because our sponsor does not have as much to lose from a decrease in the value of our shares as do those sponsors who make more significant equity investments in the companies they organize.

Risks Related to Investments in Timberland

Following the acquisition of timberland properties, we expect that our revenues will depend primarily on our supply agreements with loggers, sawmills and forest products companies. These contracts may preclude us from taking advantage of market opportunities, which could reduce the value of your investment.

Following the acquisition of timberland properties using the net proceeds of this offering, we expect that we will receive our revenue primarily from the sale of our timber to loggers, local sawmills and forest products companies under supply agreements we enter into with these parties. We intend to use supply agreements that generally are standard for the timber industry. These contracts will generally provide for harvesting of our timber in an agreed-upon volume at a fixed price, and generally will not be terminable by either party during the term of the agreement. The term of these agreements can range from a period of months to a period of several years. As such, we may not be able to quickly take advantage of increases in the price of logs or wood products with respect to the timberland properties to which these contracts apply. As a result of our inability to promptly respond to changing market conditions, our profitability could be reduced and you could experience a lower return on your investment.

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

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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.

Our business will depend in part on the health and strength of the milling and manufacturing markets that our timberlands serve, and any downturns in those markets could reduce our profits and limit our ability to make distributions to our stockholders.

Our business will depend significantly on the health and strength of the milling and manufacturing markets that our timberlands serve. Because high transportation costs limit the distance we can cost-effectively transport timber from our anticipated timberlands, if the mills or manufacturing operations that our targeted timberlands serve close, or if milling markets shift away from the locations of our timberlands, our profitability may decrease and the amount of distributions payable to our stockholders could be reduced.

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

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

changes in domestic and international economic conditions;

interest and currency rates;

population growth and changing demographics; and

seasonal weather cycles (for example, dry summers and wet winters).

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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.

Our due diligence may not reveal all of the liabilities or weaknesses of a targeted timberland property acquisition, which could increase our costs, reduce our profitability and limit our cash distributions to our stockholders.

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

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 our potential, suitable timberland investments, 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.

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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 from time to time either temporary or permanent access rights across these lands. 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 damages 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

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 currently aware, even after investigations of the properties. We may not be able to recover any of these liabilities from the sellers of these properties. The cost of these cleanups could therefore increase our operating costs and 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.

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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.

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 their reinvestment in other assets, will be delayed until the promissory notes or other property we may accept upon a sale are actually paid, sold, refinanced or otherwise disposed of.

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

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

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

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

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

Risks Associated with Debt Financing

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

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

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

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

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

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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 expect that we will incur indebtedness in the future. Interest we pay could reduce our cash available for distributions. Additionally, if we incur variable-rate debt, increases in interest rates would increase our interest cost, which would reduce our cash flows and our ability to pay 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 depreciation), though we may exceed this limit under some circumstances. High debt levels would cause us to incur higher interest charges, would result in higher debt service payments, and could be accompanied by restrictive covenants. These factors could limit the amount of cash we have available to distribute and could result in a decline in the value of your investment.

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

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

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

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

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

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

Federal Income Tax Risks

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

Alston & Bird LLP, our legal counsel, has rendered an opinion to us in connection with this offering that we will qualify as a REIT, based upon our representations as to the manner in which we are and will be owned, invest in assets and operate, among other things. However, our qualification as a REIT will depend upon our ability to meet, on an ongoing basis, requirements regarding our organization and ownership, distributions of our income, the nature and diversification of our income and assets, and other tests imposed by the Internal Revenue Code. Alston & Bird has not reviewed our compliance with the

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REIT qualification standards on an ongoing basis. This means that we may fail to satisfy the REIT requirements in the future. Also, this opinion represents Alston & Bird s legal judgment based on the law in effect as of the date of this prospectus. Alston & Bird s opinion is not binding on the Internal Revenue Service or the courts. Future legislative, judicial or administrative changes to the federal income tax laws could be applied retroactively, which could result in our disqualification as a REIT.

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

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

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

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

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

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

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

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

To qualify as a REIT, we must distribute to our stockholders each year 90% of our REIT taxable income (which is determined without regard to the dividends paid deduction or net capital gain). At times, we may not have sufficient funds to satisfy these distribution requirements and may need to borrow funds to maintain our REIT status and avoid the payment of income and excise taxes. These borrowing

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needs could result from (1) differences in timing between the actual receipt of cash and inclusion of income for federal income tax purposes, (2) the effect of nondeductible capital expenditures, or (3) the creation of reserves. We may need to borrow funds at times when the market conditions are unfavorable. Such borrowings could increase our costs and reduce the value of our common stock.

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

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

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.

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

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

Retirement Plan Risks

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

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

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

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

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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.

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.

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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 tables set forth information about how we intend to use the gross proceeds raised in this offering assuming that we sell a minimum of 200,000 shares, at $10.00 per share, and the maximum of 85 million shares, respectively, of common stock. Many of the figures set forth below represent management s best estimate since they cannot be precisely calculated at this time. Depending primarily on the number of shares we sell in this offering and assuming a $9.55 purchase price for shares sold under our distribution reinvestment plan, we estimate that 90% to 91.1% of our gross offering proceeds, or between $9.00 and $9.11 per share, will be used for investments and the repurchase of shares under our 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 selection, acquisition, and management of our properties. We expect to meet all of our working capital needs out of cash flow from operations. However, to the extent that we have insufficient funds to meet our needs for working capital, we may establish reserves from gross offering proceeds. The allocation of shares sold pursuant to the primary offering and pursuant to the 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.

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

(1) Includes all expenses (other than selling commissions and the dealer-manager fee) to be paid by us in connection with the offering, including our legal, accounting, printing, mailing and filing fees, reimbursing the due diligence expenses of broker/ dealers, and amounts to reimburse Wells Capital for the salaries of its employees and other costs in connection with preparing supplemental sales materials, holding educational conferences and attending retail seminars conducted by broker/ dealers. Wells Capital has agreed to reimburse us to the extent organizational and offering expenses incurred by us, other than selling commissions and the dealer-manager fee, exceed 1.2% of the aggregate gross offering proceeds from our primary offering. We will not reimburse Wells Capital for any organization and offering expenses from proceeds of sales pursuant to our 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 would average 0.5% of the contract purchase prices of property acquisitions.

(3) Although it is possible that the net proceeds from the sale of shares under our distribution reinvestment plan will be available for investment, we expect that all of these proceeds will instead be used to repurchase shares of our common stock under the share redemption plan. 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 Capital to manage our day-to-day affairs and the acquisition and disposition of our investments, subject to the board s supervision. Because of the numerous conflicts of interest created by the relationships among us, Wells Capital and various affiliates, many of the actions taken by the board require the approval of a majority of our independent directors. See Conflicts of Interest.

We have a six-member board of directors, two of whom, Leo F. Wells, III and Douglas P. Williams, are 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 Capital or its affiliates and has not been so for the previous two years. Serving as a director of, or having an ownership interest in, another Wells-sponsored program will not, by itself, preclude independent director status. One of our independent directors, Donald S. Moss, may face conflicts of interest because of his affiliations with other programs sponsored 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, which committees we describe below, we expect to hold regular board meetings at least quarterly. We do not expect that our directors will be required to devote a substantial portion of their time in discharging their duties. Our board is empowered to fix the compensation of all officers that it selects and may pay compensation to directors for services rendered to us in any other capacity.

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

Committees of the Board of Directors

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

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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	62	President and Director
Douglas P. Williams	55	Executive Vice President, Secretary, Treasurer and Director
Randall D. Fretz	53	Senior Vice President
Michael P. McCollum	50	Independent Director
E. Nelson Mills	45	Independent Director
Donald S. Moss	68	Independent Director
Willis J. Potts, Jr.	59	Independent Director

Leo F. Wells, III. Since our inception in September 2005, Mr. Wells has been our President and one of our directors. He has also been the President and a director of Wells REIT I since 1997 and the President and a director of Wells REIT II since 2003. 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, Wells Investment Securities, Wells & Associates, Inc., Wells Development Corporation, Wells Asset Management, Inc. and Wells Real Estate Advisory Services, Inc. He has also been the President, Treasurer and sole director of Wells Capital since 1984; Wells Management 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.

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).

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On August 26, 2003, Mr. Wells and Wells Investment Securities entered into a Letter of Acceptance, Waiver and Consent (AWC) with the NASD relating to alleged rule violations. The AWC set forth the NASD s findings that Wells Investment Securities and Mr. Wells had violated conduct rules relating to the provision of noncash compensation of more than $100 to associated persons of NASD member firms in connection with their attendance at the annual educational and due diligence conferences sponsored by Wells Investment Securities in 2001 and 2002. Without admitting or denying the allegations and findings 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 and one of our directors. Since 1999, he has also served as Executive Vice President, Secretary and Treasurer and a director of Wells REIT I. Since 2003, he has served as Executive Vice President, Secretary and Treasurer and a director of Wells REIT II. Since 1999, Mr. Williams has also been a Senior Vice President of our advisor and a Vice President, Chief Financial Officer, Treasurer and a director of Wells Investment Securities, our dealer-manager. He 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 the NASD as a financial and operations principal. Mr. Williams received a Bachelor of Arts degree from Dartmouth College and a Master s of Business Administration degree from Amos Tuck School of Graduate Business Administration at Dartmouth College.

Randall D. Fretz. 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

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and a Vice President of Wells Real Estate Funds, Inc. since 2002, a Senior Vice President of Wells REIT I since 2002, a Senior Vice President of Wells REIT II since 2003, 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 each of Sociology and Physical Education from McMaster University in Hamilton, Ontario. He also earned a Master s of Business Administration degree from the Ivey School of Business in London, Ontario.

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 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 s 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 Wells REIT I and Wells REIT II and a trustee of the Wells Family of Real Estate Funds. 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

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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.

Compensation of Directors

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

$2,000 per in-person board meeting;

$1,500 per in-person committee meeting;

$250 per telephonic board or committee meeting; and

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

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

All directors will receive reimbursement of reasonable travel expenses incurred in connection with attendance at meetings of the board of directors. In addition to cash compensation, upon his or her initial appointment to our board, each independent director 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 will become exercisable on the first anniversary of the date of grant and the remaining one-third will become exercisable on the second anniversary of the date of grant. 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 greater of (1) $10.00 per share or (2) the fair market value of the shares on the date of grant.

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

2005 Long-Term Incentive Plan

We have adopted a long-term incentive plan. This incentive plan is intended to attract and retain qualified independent directors, 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

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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;
- restricted stock, which is subject to restrictions on transferability and other restrictions set by the board of directors, or a committee of its independent directors;
- restricted stock units, which give the holder the right to receive shares of stock, or the equivalent value in cash or other property, in the future;
- deferred stock units, which give the holder the right to receive shares of stock, or the equivalent value in cash or other property, at a future time;
- dividend equivalents, which entitle the participant to payments equal to any dividends paid on the shares of stock underlying an award; and
- other stock-based awards at the discretion of the board of directors or a committee of its independent directors, including unrestricted stock grants.

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

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

We have established 500,000 shares as the aggregate maximum number of shares to be reserved and available for issuance under the incentive plan, as well as limits on the aggregate maximum number of shares that may be subject to certain awards and the maximum number of shares with respect to awards to be made to certain individuals. In the event of a corporate transaction that affects our common stock, such as a reorganization, recapitalization, merger, spin-off, split-off, stock dividend, or extraordinary 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. The incentive plan will

automatically expire on the tenth anniversary of the date on which it is

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adopted, unless extended or earlier terminated by the board of directors. The board of directors may terminate the incentive plan at any time, but termination will have no adverse impact on any award that is outstanding at the time of the termination. The board of directors may amend the incentive plan at any time, but any amendment would be subject to stockholder approval if, in the reasonable judgment of the board, such approval would be required by any law, regulation or rule applicable to the incentive plan. No termination or amendment of plan may, without the written consent of the participant, reduce or diminish the value of an outstanding award determined as if the award had been exercised, vested, cashed in or otherwise settled on the date of such amendment or termination. The board may amend or terminate outstanding awards, but those amendments may require consent of the participant and, unless approved by the stockholders or otherwise permitted by the anti-dilution provisions of the plan, the exercise price of an outstanding option may not be reduced, directly or indirectly, and the original term of an option may not be extended.

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

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

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

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

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

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

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

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

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

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

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

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

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

- the proceeding relates to acts or omissions with respect to the performance of duties or services on our behalf;
- such person provides us with written affirmation of his good faith belief that he has met the standard of conduct necessary for indemnification;
- the legal proceeding was initiated by a third party who is not a stockholder or, if by a stockholder acting in his or her capacity as such, a court of competent jurisdiction approves the advancement; and
- the person seeking the advancement undertakes to repay the amount paid or reimbursed by us, together with the applicable legal rate of interest thereon, if it is ultimately determined that such person is not entitled to indemnification.

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

The Advisor

Our advisor is Wells Capital. 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 $8.0 billion of equity from approximately 223,000 investors. Wells Capital has contractual and fiduciary responsibilities to us and our stockholders. Some of our officers and directors are also officers and directors of Wells Capital.

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

Name	Age	Positions
Leo F. Wells, III	62	President, Treasurer and sole Director
Douglas P. Williams	55	Senior Vice President and Assistant Secretary
Stephen G. Franklin	58	Senior Vice President
Randall D. Fretz	53	Senior Vice President
Donald A. Miller	44	Senior Vice President
Robert E. Bowers	49	Senior Vice President

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

Stephen G. Franklin, Ph.D. 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 s and Bachelor s of Information Technology, International M.B.A. and Adult Evening B.B.A.

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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.

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

Robert E. Bowers. Since 2004, Mr. Bowers has been a Senior Vice President of Wells Capital. Mr. Bowers also serves as Chief Financial Officer and Vice President of Wells Real Estate Funds, Inc. A 20-year veteran of the financial services industry, Mr. Bowers experience includes investor relations, debt and capital infusion, IPO structuring, budgeting and forecasting, financial management and strategic planning. Prior to joining Wells in 2004, Mr. Bowers served as a business financial consultant, communicating regularly with the SEC and providing strategic financial counsel to a range of organizations, including the University System of Georgia, venture capital funds and public corporations such as NetBank, Inc., a publicly held online bank. From 1997 to 2002, Mr. Bowers was CFO of NetBank, Inc., the first profitable Internet bank. While at NetBank, he participated in the company s successful initial public offering and subsequent secondary offerings, directing all SEC and regulatory reporting and compliance. Prior to joining NetBank, Mr. Bowers was CFO and Director of Stockholder Systems, Inc., a Norcross, Georgia-based financial applications company, for 12 years. When CheckFree Corporation, a pioneer in the electronic bill payment industry, acquired Stockholder Systems in 1995, he headed the merger negotiation team and became CFO of the combined organization. Mr. Bowers began his career in 1978 as an audit manager for Arthur Andersen & Company in Atlanta. Mr. Bowers earned a Bachelor of Science degree in Accounting from Auburn University. He is a licensed Certified Public Accountant and serves on the boards of various venture capital and Atlanta area non-profit organizations, including Woodward Academy, Hope House Children s Respite and Southwest Christian Hospice.

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

The Advisory Agreement

As a newly formed entity, we do not believe our asset base or the income generated by these assets will initially be large enough to support a fully integrated staff of employees. As a result, we would either have to incur operating losses until our assets and income grew to the size needed to support a fully

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integrated staff, do without certain services or retain a third party to provide management services. Our board of directors has elected the third option. We have entered into an advisory agreement with Wells Capital to serve as our advisor with responsibility to oversee and manage our day-to-day operations and to perform other duties including the following:

- find, present and recommend to our board of directors real estate investment opportunities consistent with our investment policies and objectives;
- structure the terms and conditions of our real estate acquisitions, sales or joint ventures;
- at the direction of our management, prepare all reports and regulatory filings, including those required by federal and state securities laws;
- arrange for financing and refinancing of properties;
- enter into supply agreements, service contracts and leases for our properties;
- oversee the performance of any third-party timber managers engaged to manage our properties or assets;
- review and analyze the properties operating and capital budgets;
- generate an annual budget for us;
- review and analyze financial information for each property and the overall portfolio;
- if a transaction requires approval by the board of directors, deliver to the board of directors all documents requested by the board in its evaluation of the proposed transaction;
- actively oversee the management of our properties for purposes of meeting our investment objectives;
- perform cash management services;
- perform transfer agent functions; and
- engage our agents.

The fees payable to Wells Capital under the advisory agreement are described in detail at Management Compensation below. We also describe in that section (1) our obligation to reimburse Wells Capital for organization and offering expenses, administrative and management services, and payments made by Wells Capital to third parties in connection with potential acquisitions and (2) Wells Capital 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 after one year from the date of this prospectus and may be renewed for an unlimited number of successive one-year periods upon mutual consent of Wells Capital and us. 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 Well Capital upon 60 days written notice. In the event that the advisory agreement between us and Wells Capital is terminated, Wells Capital 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 Capital, 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.

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

Initial Investment by Our Advisor

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

Dealer-Manager

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

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

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	48	President and Director
Douglas P. Williams	55	Vice President, CFO, Treasurer and Director
Randall D. Fretz	53	Director

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

Thomas E. Larkin. Mr. Larkin is President and a director 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.

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Management Decisions

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

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MANAGEMENT COMPENSATION

We have no paid employees. Wells Capital, our advisor, and its affiliates are responsible for the management of our day-to-day affairs. The following table summarizes all of the compensation and fees payable to Wells Capital and its affiliates, including amounts to reimburse their costs in providing services. The 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 Capital 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 Capital may be increased or decreased in future renewals of the advisory agreement. 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]	7.0% 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 Capital[3]	Up to 1.2% of gross offering proceeds from the primary offering. Wells Capital will incur or pay our organization and offering expenses (excluding selling commissions and the dealer-manager fee). We will then reimburse Wells Capital for these amounts up to 1.2% gross offering proceeds from the primary offering.	$9,000,000
	Acquisition and Development Stage	
Asset Management Fee Wells Capital[4]	Monthly fee equal to one-twelfth of 1.25% of the greater of cost or value of investments.	Actual amounts are dependent upon total equity and debt capital we raise and results of operations and therefore cannot be determined at this time.
Other Operating Expenses[5]	We will reimburse the expenses incurred by Wells Capital in connection with its provision of services, including related personnel, rent, utilities and information technology costs. We	Actual amounts are dependent upon results of operations and therefore cannot be determined at this time.

will not reimburse for personnel costs in connection with services for which Wells Capital receives real estate disposition fees, or costs associated with hiring or retaining timber managers.

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Form of Compensation and Entity Receiving	Determination of Amount	Estimated Amount for Maximum Offering[1]
	Liquidity Stage	
Real Estate Disposition Fees Wells Capital or its Affiliates[6]	For substantial assistance in connection with the sale of properties, we will pay Wells Capital or its affiliates an amount as determined by our board of directors to be appropriate based on market norms and not to exceed (1) for any property sold for $20.0 million or less, 2.0% of the contract price of the property sold and (2) for any property sold for more than $20.0 million, 1.0% of the contract price of the property sold; provided, however, in no event may the real estate commissions paid to Wells Capital, its affiliates and unaffiliated third parties exceed 6.0% of the contract sales price.	Actual amounts are dependent upon results of operations and therefore cannot be determined at this time.
Special Unit Distribution of Net Sales Proceeds Wells Capital[7][8]	After we have made distributions to our stockholders (including amounts paid to redeem shares pursuant to our share redemption plan) equal to, in the aggregate, a return of the total amount of capital raised from stockholders plus a cumulative, noncompounded return on the average invested capital of 7.0% per year, Wells Capital is entitled to receive a cash distribution from Wells Timber OP equal to the difference between (1) 10% of the aggregate net proceeds from all sales of our properties and real estate related investments through the date of the distribution and (2) the total amount of all prior distributions of net sales proceeds paid to Wells Capital. Notwithstanding the foregoing, after we have made distributions to our stockholders (including amounts paid to redeem shares pursuant to our share redemption plan) equal to, in the aggregate, a return of the total amount of capital raised from stockholders plus a cumulative, noncompounded return on the average invested capital of at least 8.0% per year, Wells Capital is entitled to receive a cash distribution from Wells Timber OP equal to the difference between (1) 20% of the aggregate net proceeds from all sales of our properties and real estate related investments through the date of the distribution and (2) the total amount of all prior distributions of net sales proceeds paid to Wells Capital.	Actual amounts are dependent upon results of operations and therefore cannot be determined at this time.

	Each individual stockholder may receive more or less than the annual 7.0% or 8.0% cumulative, noncompounded pre-tax return on their invested capital prior to the commencement of distributions to Wells Capital.

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Form of Compensation and Entity Receiving	Determination of Amount	Estimated Amount for Maximum Offering[1]
Special Unit Redemption Payment Due Upon Listing Wells Capital[7][8][9]	Upon the listing of our shares on a national securities exchange, Wells Capital will be entitled to receive a payment for the redemption of the special units in the form of cash or shares of common stock, at our election. If (1) the market value of our outstanding common stock at listing plus the total distributions paid to stockholders prior to listing exceeds (2) the sum of the total amount of capital raised from stockholders (less amounts paid to redeem shares pursuant to our share redemption plan) and an amount of cash that, if distributed to the stockholders as of the date of listing, would have provided them with a cumulative, noncompounded return on the average invested capital equal to 7.0% per year, then the redemption payment will equal 10% of such excess amount. Notwithstanding the foregoing, if (1) the market value of our outstanding common stock at listing plus the total distributions paid to stockholders prior to listing exceeds (2) the sum of the total amount of capital raised from stockholders (less amounts paid to redeem shares pursuant to our share redemption plan) and an amount of cash that, if distributed to the stockholders as of the date of listing, would have provided them with a cumulative, noncompounded return on the average invested capital equal to 8.0% per year, then the redemption payment will equal 20% of such excess amount.	Actual amounts are dependent upon results of operations and therefore cannot be determined at this time.

(1) The estimated maximum dollar amounts are based on the sale of the maximum of 85 million shares to the public, including 10 million shares through our 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 the offering, including our legal, accounting, printing, mailing and filing fees, due diligence expense reimbursements to broker/dealers and amounts to reimburse Wells Capital for the salaries of its employees and other costs in connection with preparing supplemental sales

materials, the cost of educational conferences held by us (including travel, meal and lodging costs of registered representatives of broker/dealers) and 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 Capital) would be responsible could not be increased above 1.2% of our gross offering proceeds without entering into a new or an amended advisory agreement, which under our charter would require the approval of a majority of our independent directors. We will not reimburse Wells Capital for any organization and offering expenses from proceeds of sales pursuant to our 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 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 Capital must reimburse us the amount by which our aggregate annual total operating expenses exceed the greater of 2% of our average invested assets or 25% of our net income unless a majority of our independent directors has determined that such excess expenses were justified based on unusual and nonrecurring factors. Average invested assets means the average monthly book value of our assets for a specified period before deducting depreciation, bad debts or other noncash reserves. Total operating expenses means all costs and expenses paid or incurred by us, as determined under GAAP, that are in any way related to our operation, including advisory fees, but excluding (a) the expenses of raising capital such as organization and offering expenses, legal, audit, accounting, underwriting, brokerage, listing, registration and other fees, printing and other such expenses, and taxes incurred in connection with the issuance, distribution, transfer, registration and stock exchange listing of our stock; (b) interest payments; (c) taxes; (d) noncash expenditures such as depreciation, amortization and bad debt reserves; (e) reasonable incentive fees based on the gain from the sale of our assets; and (f) acquisition fees, acquisition expenses (including expenses relating to potential acquisitions that we do not close), real estate disposition fees on the resale of property and other expenses connected with the acquisition, disposition, management and ownership of real estate interests or other property (including the costs of foreclosure, insurance premiums, legal services, maintenance, repair and improvement of property). 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 are most likely to pay real estate disposition fees to Wells Capital or an affiliate in the event of our liquidation, these fees also may be earned during our operational stage.

(7) Upon termination of the advisory agreement without cause, Wells Capital may be entitled to a similar redemption payment if Wells Capital would have been entitled to a special unit distribution of net sales proceeds had the portfolio been liquidated (based on an independent appraised value of the portfolio) and all liabilities satisfied on the date of termination. Under our charter, we could not amend Wells Timber OP s partnership agreement to increase these success-based payments without the approval of a majority of our independent directors, and any increase in the special unit distribution of net sales proceeds or redemption payments upon listing or termination would have to be reasonable. Our charter provides that such payments are presumptively reasonable if the amount does not exceed 15% of the balance of such net proceeds remaining after investors have received a return of their net capital contributions and a 6.0% per year cumulative, noncompounded return.

(8) For purposes of calculating the special unit distribution of net sales proceeds or the redemption payment due upon listing or upon termination of the advisory agreement without cause, average invested capital is, for a specified period, the average daily amount during such period of (a) the aggregate issue price of shares purchased by our

stockholders, reduced by (b) any amounts paid to stockholders to redeem shares pursuant to our share redemption plan.

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(9) If at any time our shares become listed on a national securities exchange, we will negotiate in good faith with Wells Capital a fee structure appropriate for an entity with a perpetual life. A majority of our independent directors must approve the new fee structure negotiated with Wells Capital. In negotiating a new fee structure, our independent directors must consider all of the factors these directors deem relevant, including but not limited to:

the size of the advisory fee in relation to the size, composition and profitability of our portfolio;

the success of Wells Capital in generating opportunities that meet our investment objectives;

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

additional revenues realized by Wells Capital through its relationship with us;

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

the performance of our investment portfolio, including income, conservation or appreciation of capital, frequency of problem investments and competence in dealing with distress situations; and

the quality of our portfolio in relationship to the investments generated by Wells Capital for the account of other clients.

In the event that we elect to pay the redemption payment due upon listing in the form of shares of our common stock, the number of shares to be issued in payment of the fee will be based on the market value of our outstanding common stock (defined as the average market value of the shares issued and outstanding at listing over the 30 trading days beginning 180 days after the shares are first listed). The redemption payment due upon listing is subject to the limit on total operating expenses as described in footnote (5). In the event the special unit redemption payment due upon listing is earned by Wells Capital, Wells Capital will not be eligible to receive any further special unit distributions of net sales proceeds or the special unit redemption payment due upon termination described in footnote (7). Similarly, in the event the special unit redemption payment due upon termination is earned by Wells Capital, Wells Capital will not be eligible to receive any further special unit distributions of net sales proceeds or the special unit redemption payment due upon listing.

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STOCK OWNERSHIP

The following table sets forth the beneficial ownership of our common stock as of July 31, 2006 (unless otherwise indicated) by (1) any person who is known by us to be the beneficial owner of more than 5% of the outstanding shares of our common stock, (2) our directors, (3) our executive officers and (4) all of our directors and executive officers as a group.

	Shares Beneficially Owned	
Name of Beneficial Owners	**Shares**	**Percentage**
Wells Capital, Inc.[1]	20,000	100%
Leo F. Wells, III, President and Director[1]	20,000	100%
Douglas P. Williams, Executive Vice President, Secretary, Treasurer and Director		
Randall D. Fretz, Senior Vice President		
Michael P. McCollum[2]	833	4.0%
E. Nelson Mills[2]	833	4.0%
Donald S. Moss[2]	833	4.0%
Willis J. Potts, Jr.[2]	833	4.0%
All directors and executive officers as a group (7 persons)	23,332	100%

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

(2) 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 Capital and its affiliates, some of whom serve as our officers and directors. We discuss these conflicts below and conclude this section with a discussion of the corporate governance measures we adopted to ameliorate some of the risks posed by these conflicts.

Our Advisor s Interests in Other Wells Real Estate Programs

General

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

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

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

Allocation of Advisor s Time

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

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

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

Wells Capital 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

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judgment of the affiliates of Wells Capital who serve as our officers or directors. Among other matters, the compensation arrangements could affect their judgment with respect to:

- the continuation, renewal or enforcement of our agreements with Wells Capital and its affiliates, including the advisory agreement and the dealer-manager agreement;
- public offerings of equity by us, which entitle Wells Investment Securities to dealer-manager fees and entitle Wells Capital to increased asset management fees;
- the valuation of our timberland properties, which determines the amount of the asset management fee payable to Wells Capital and affects the likelihood of any success-based fees;
- property sales, which entitle Wells Capital to real estate disposition fees and possible success-based sale fees;
- property acquisitions from other Wells-sponsored programs, which might entitle Wells Capital to real estate disposition fees and possible success-based sale fees in connection with its services for the seller;
- property acquisitions from third parties, which utilize proceeds from our public offerings, thereby increasing the likelihood of continued equity offerings and related fee income for Wells Investment Securities and Wells Capital;
- whether and when we apply to list our common shares on a national securities exchange, which listing could entitle Wells Capital to a success-based payment upon the redemption of the special units of Wells Timber OP that it holds, which is due upon listing, but also could adversely affect its sales efforts for other programs depending on the price at which the shares trade; and
- whether and when we seek to sell our company or our assets, which sale could entitle Wells Capital to a success-based distribution on the special units of Wells Timber OP that it holds, but could also adversely affect its sales efforts for other programs depending upon the sales price for our company or our assets.

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

The advisory fees paid to Wells Capital will be paid irrespective of the quality or performance of the investments acquired or the services provided during the term of the advisory agreement. See Certain Conflict Resolution Procedures.

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

Our executive officers and two of our directors, Leo F. Wells, III and Douglas P. Williams, also are officers and directors of:

- Wells REIT I and Wells REIT II;
- Wells Capital, our advisor and the general partner of the various real estate programs sponsored by Wells Capital (described above); and
- Wells Investment Securities, our dealer-manager.

In addition, one of our independent directors, Donald S. Moss, is a director of Wells REIT I and Wells REIT II, and is also a trustee of Wells Family of Real Estate Funds, a mutual fund registered under the Investment Company Act of 1940, as amended.

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

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Affiliated Dealer-Manager

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

Certain Conflict Resolution Procedures

Independent Directors

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

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

public offerings of securities;

transactions with affiliates;

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

whether and when we apply to list our shares of common stock on a national securities exchange; and

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

Other Charter Provisions Relating to Conflicts of Interest

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

Advisor Compensation. The independent directors evaluate at least annually whether the compensation that we contract to pay to Wells Capital and its affiliates is reasonable in relation to the nature and quality of services performed and that such compensation is within the limits prescribed by our charter. The independent directors supervise the performance of Wells Capital and its affiliates to determine that the provisions of our compensation arrangements are being carried out, and whether or not to increase or decrease the amount of compensation payable to Wells Capital. The independent directors base their evaluation of Wells Capital on the factors set forth below as well as any other factors that they deem relevant:

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

the success of Wells Capital in generating appropriate investment opportunities;

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

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

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

the performance of our investment portfolio; and

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

We can pay Wells Capital only a real estate disposition fee in connection with the sale of a property if it provides a substantial amount of the services in the effort to sell the property. If Wells Capital does provide substantial assistance, we will pay it or its affiliates an amount as determined by our board of directors, including a majority of our independent directors, to be appropriate based on market norms and not to exceed (i) for any property sold at a price of $20.0 million or less, 2% of the contract price of the property sold and (ii) for any property sold at a price greater than $20.0 million, 1% of the contract price of the property sold. However, in no event may the aggregate real estate disposition fees paid to Wells Capital, its affiliates and unaffiliated third parties exceed 6% of the contract sales price.

Term of Advisory Agreement. Each contract for the services of our advisor may not exceed one year, although there is no limit on the number of times that the contract with a particular advisor may be renewed. Either a majority of our independent directors or our advisor may terminate our advisory agreement with Wells Capital without cause or penalty on 60 days written notice. In the event our advisory agreement with Wells Capital is terminated and a successor advisor is appointed, our board of directors must determine that the successor advisor possesses sufficient qualifications to perform the services described in the advisory agreement and that the compensation we will pay to the successor advisor will be reasonable in relation to the services provided. For information regarding the redemption payment that may be payable by Wells Timber OP to our advisor upon termination of the advisory agreement in connection with the redemption of special units held by our advisor, see note (7) to the compensation table under Management Compensation.

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

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

No Limitation on Other Business Activities. Our charter does not prohibit Wells Capital, our directors or officers or any of their affiliates from engaging, directly or indirectly, in any other business or from owning interests in any other business ventures, including business ventures involved in the acquisition, ownership, management, or sale of timberland or other types of properties.

Limitation on Operating Expenses. Wells Capital must reimburse us the amount by which our aggregate annual total operating expenses exceed the greater of 2% of our average invested assets or 25% of our net income unless our independent directors have determined that such excess expenses were justified based on unusual and nonrecurring factors. 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. 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

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expenses and taxes incurred in connection with the issuance, distribution, transfer, registration and stock exchange listing of our stock; (b) interest payments; (c) taxes; (d) noncash expenditures such as depreciation, amortization and bad debt reserves; (e) reasonable incentive fees based on the gain from the sale of our assets; and (f) acquisition fees, acquisition expenses, real estate disposition fees on the resale of property and other expenses connected with the acquisition, disposition, management and ownership of real estate interests or other property (including the costs of foreclosure, insurance premiums, legal services, maintenance, repair and improvement of property).

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

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

Loans. We will not make any loans to Wells Capital or to our directors or officers or any of their affiliates. In addition, we will not borrow from these affiliates unless a majority of our independent directors approve the transaction as being fair, competitive and commercially reasonable, and no less favorable to us than comparable loans between unaffiliated parties. These restrictions on loans will apply only to advances of cash that are commonly viewed as loans, as determined by the board of directors. By way of example only, the prohibition on loans would not restrict advances of cash for legal expenses or other costs incurred as a result of any legal action for which indemnification is being sought, nor would the prohibition limit our ability to advance reimbursable expenses incurred by directors or officers or Wells Capital or its affiliates.

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

- the ratio of the costs of raising capital during the year to the capital raised;
- the aggregate amount of advisory fees and the aggregate amount of other fees paid to Wells Capital and any affiliate of Wells Capital by us or third parties doing business with us during the year;
- our total operating expenses for the year, stated as a percentage of our average invested assets and as a percentage of our net income;
- a report from our independent directors that our policies are in the best interests of our stockholders and the basis for such determination; and
- separately stated, full disclosure of all material terms, factors and circumstances surrounding any and all transactions involving us and our advisor, a director or any affiliate thereof during the year, including commentary by our independent directors following the independent directors examination of these matters regarding the fairness of the transactions.

Voting of Shares Owned by Affiliates. Before becoming a stockholder, Wells Capital or a director or officer or any of their affiliates must agree not to vote their shares regarding (i) the removal of any of these affiliates or (ii) any transaction between them and us.

Ratification of Charter Provisions. Our board of directors, including a majority of our independent directors, has reviewed and ratified our charter by the vote of a majority of their respective members, as required by our charter.

Allocation of Investment Opportunities

When Wells Capital presents an investment opportunity to a Wells-sponsored program, it will offer the opportunity to the program for which the investment opportunity is most suitable. This determination is made by Wells Capital. However, our advisory agreement with Wells Capital requires that Wells Capital

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make this determination in a manner that is fair without favoring any other Wells-sponsored program. In determining the Wells-sponsored program for which an investment opportunity would be most suitable, Wells Capital will consider the following factors:

- the investment objectives and criteria of each program;
- the cash requirements of each program;
- the effect of the acquisition both on diversification of each program s investments by type of property and geographic area and, if applicable, on diversification of the lessees of its properties;
- the policy of each program relating to leverage of properties;
- the anticipated cash flow of each program;
- the income tax effects of the purchase on each program;
- the size of the investment; and
- the amount of funds available to each program and the length of time such funds have been available for investment.

Since our company is the only Wells program to date formed for the purpose of investing primarily in timberland, we do not expect that Wells Capital will face substantial conflicts in allocating investment opportunities that are suitable for us, among us and other Wells programs, at least until such time, if ever, as another Wells program is formed for the purpose of investing in timberland. In the event that an investment opportunity becomes available that is equally suitable for us and one or more other Wells programs, then Wells Capital will offer the investment opportunity to the entity that has had the longest period of time elapsed since it was offered an investment opportunity. If a subsequent event or development, such as a delay in the closing of a property or a delay in the construction of a property, causes any such investment, in the opinion of Wells Capital, to be more appropriate for another Wells program, Wells Capital may offer the investment to another Wells program.

Our advisory agreement with Wells Capital requires that Wells Capital periodically inform our independent directors of the investment opportunities it has offered to other Wells programs so that the independent directors can evaluate whether we are receiving our fair share of opportunities. Wells Capital is to inform our independent directors of such investment opportunities quarterly. Wells Capital s success in generating investment opportunities for us and its fair allocation of opportunities among Wells programs are important criteria in our independent directors determination to continue or renew our arrangements with Wells Capital and its affiliates. Our independent directors have a duty to ensure that Wells Capital fairly applies its method for allocating investment opportunities among the Wells-sponsored programs.

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INDUSTRY OVERVIEW

General

The timber industry provides raw material and conducts resource management activities for the paper and forest products industry, including the planting, fertilizing, thinning, and cutting of trees and the marketing of logs. Logs are marketed and sold either as saw logs to lumber and other wood products manufacturers or as pulp logs to pulp and paper manufacturers. The timber industry possesses several unique characteristics that distinguish it from the broader paper and forest products industry, which we believe make timber an attractive asset class, including the following:

Renewable Resource. Timber is a growing and renewable resource that, if properly managed, increases in value as it grows and regenerates over time. Larger-diameter trees are more valuable than smaller trees because they may be converted to higher-value end-use products such as lumber and plywood.

Predictable and Improving Growth Rates. Predictable biological growth is an attractive feature of timberland assets because it contributes to predictable, long-term harvest planning. The development and application of intensive forest management practices continue to improve biological growth rates.

Harvest Flexibility. Timberland owners have flexibility to increase their harvests when prices are high and decrease their harvests when prices are low, allowing timberland owners to maximize the long-term value of their growing resource base.

Historical Real Price Appreciation. Historically, real prices for timber have exhibited positive annual growth rates. Due to growing demand combined with limitations on supply caused by environmental restrictions, urban sprawl, international demand and overcutting, prices for Douglas fir and southern yellow pine timber have exhibited a compound annual growth rate of approximately 4% and 3.1% from 1975 through 2001. Real prices for timber generally increase with increases in the Consumer Price Index, and tend to be correlated over the long term with lumber prices, the largest end-use for timber.

Supply and Demand Dynamics

There are five primary end-markets for most of the timber harvested in the United States:

- products used in new housing construction;
- products used in the repair and remodeling of existing housing;
- products for industrial uses;
- raw material for the manufacture of pulp and paper; and
- logs for export.

Supply. The supply of timber is limited, to some extent, by the availability of timberland. The availability of timberland, in turn, is limited by several factors, including government restrictions, alternate uses such as agriculture, and loss to urban or suburban real estate development. The large amounts of capital and time required to create new timberlands also limits timber supply.

Tree growth rates vary from region to region because of differences in weather, climate and soil conditions. Consequently, the development of new timberlands in the United States is not commonplace. Instead, it is more cost-effective to convert existing natural growth stands to forestry plantations by applying modern forestry techniques to efficiently increase tree growth and harvest levels.

Demand. The demand for timber is directly related to the underlying demand for pulp, paper, lumber, panel and other forest products. The demand for pulp and paper is largely driven by population growth and per-capita income levels. The demand for lumber and manufactured wood products is primarily affected by the level of new residential construction activity and repair and remodeling activity, which, in turn, is impacted by changes in general economic

and demographic factors, including interest rates for home mortgages and construction loans.

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Stages of Biological Growth

The fact that forests can be acquired at different ages and in different regions, provides us with the opportunity to build a well-diversified, attractive risk-adjusted return portfolio.

New Forestry. New forestry is the process of planting trees following the harvest of mature growth, through the use of genetically improved seedlings, to create fast-growing timber stands. New forestry also may emerge after harvesting hardwood stands but selectively leaving mature trees to naturally re-seed the surrounding areas.

Emerging Growth. The primary definition of emerging growth is a forest that has not yet reached merchantability, but is in a period during which its biological growth rate is fastest. However, what constitutes a merchantable tree is a function of local timber markets. The variety of tree species, market requirements and the different growth regions affect when trees become merchantable. During the emerging growth stage, liquidity is very limited because the timber has no immediate commercial value.

Established Growth. Emerging-growth forests transition into established growth when they first become merchantable. Thinning operations, which entail the removal of trees to provide for more rapid growth of the remaining trees, often occurs during this stage and produces some revenue for the owner of the timberland. Generally, the smallest merchantable trees are sold for pulpwood, which is used to make paper, and has the lowest value per-unit volume. Near the midpoint of the established growth stage, biological growth begins to slow, but trees start to become large enough to be sold for higher-value small saw timber grades. As the forest gets older it becomes increasingly liquid because even though the biological growth rate begins to slow, the rate of value growth, as described below, increases. With increasing liquidity, timberland owners may achieve greater return potential and moderate volatility.

Mature Growth. When a forest enters the mature-growth stage, the rate of biological growth slows further and contributes little added value. During this stage, however, trees reach a size where they become merchantable for the highest-value, large saw timber grades. Mature timberland possesses the most valuable end-use potential; it also commands the highest per-unit prices with the greatest level of liquidity. Therefore, the investment value of mature growth timberland is predominantly a function of the price of lumber.

Prime Growth. Prime growth is a special case of mature growth and is not found in all market areas, so mature growth may be the last growth stage reached in those areas. Prime growth differs from mature growth in that it is capable of producing unusually valuable niche products. Prime growth also tends to have lower volatility than mature growth for two reasons. First, its value as a niche product means its linkage to the construction market is weaker. Second, since by definition it produces a unique product, demand tends to be steady.

Biological Growth Compared to Value Growth

Biological growth and value growth are the primary drivers of timber investment returns. Biological growth, as described above, is simply the natural growth rates and cycles of any living organism. Like all living things, timber s rate of biological growth decreases over time. However, while the biological rate of growth slows as timber matures, the timber continues to steadily produce additional amounts of wood fiber until it is fully mature.

Value growth is a function of biomass multiplied by price, at any given time in the life cycle of timber. Value growth in timber is driven by the increase in value per ton as the timber mix moves from lower-priced pulpwood to higher-priced saw timber. Value growth begins as timber reaches merchantability (pulpwood) and constantly increases as timber becomes suitable for saw timber. As timber reaches maturity (pulpwood to saw timber), the growth in value of the wood fiber starts to exceed the biological (physical or volume) growth rate. In other words, as trees reach specific market threshold diameters, their per-ton value goes up much faster than the biological growth rate. The investment value of established growth timberland progressively becomes more a function of price for end products and less a function of biological growth.

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We believe that the biological growth inherent in timber creates a natural hedge against periods of low pricing. During periods of depressed prices, our advisor can decide to reduce the amount of timber we sell until the market prices rebound. While timber is subject to destruction from disease, catastrophe and other causes, unlike other farm commodities, timber for the most part is nonperishable and becomes more valuable on a per-unit basis over time.

Market Opportunity

We believe the following favorable market conditions and trends in the timber industry create a significant opportunity for independent timber investment companies:

Restructuring of the Forest and Paper Products Industry. There is currently a significant restructuring of the forest and paper products industry propelled by the capital-intensive requirements of certain manufacturing processes and the need to more efficiently deploy capital resources. We believe that a substantial part of this trend results from forest and paper products companies seeking to sell their timberland holdings in order to strengthen deteriorating balance sheets damaged by both the weak economy and by debt-financed acquisitions. These integrated companies appear to be focusing their capital resources on their core operations in an attempt to increase operational flexibility. While these integrated companies have historically owned their own timberland and manufacturing operations, we believe they, along with other millers and manufacturers, are now embracing a strategy of purchasing timber as needed from third-party owners whom they believe will provide them with an uninterrupted supply of high-quality timber. As a result, we believe the opportunity exists for an independent company to become the supplier of choice for many forest and paper products companies seeking reliable long-term partners to supply the timber used in their manufacturing operations.

Highly Fragmented Market. The majority of timberland in the United States is owned by private individuals, and no single timberland owner owns more than 3% of the identified timberland. We believe that owners of a small number of tracts of timberland as well as those with diverse operations cannot fully benefit from the economies of scale that are available to owners of a large number of tracts of timberland who exclusively focus on active timberland management. We believe that if this offering is successful, we will be well-positioned to acquire a large number of tracts of timberland and benefit from the corresponding economies of scale.

Advances in Forest Management Techniques. Advances in forest management and techniques for growing and tending of trees in recent years have markedly improved the ability to grow, harvest and regenerate high-quality timber. While many owners of timberland have passively grown timber with the goal of realizing a favorable return on their investment, application of advanced forest management techniques by experienced personnel is a necessary part of realizing the highest possible returns on timberland.

Timber and Timberland Prices. Historically, timber prices have increased over the long term. However, timber prices have declined over the short term relative to long-term levels, and since the price of timberland correlates closely with prices for timber, we believe this creates a timberland buying opportunity.

Demand for Higher and Better Use Land. Land values are related to local supply-and-demand conditions, and vary from market to market. Historically, demand for recreational land, land for commercial and residential development, and land for conservation has increased over the long term. We expect that this demand will continue to increase over the long term, creating opportunities to sell timberland having a higher and better use at attractive prices relative to its long-term value as timberland.

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BUSINESS AND POLICIES

Our Business

We intend to generate our revenue and income primarily by selling to third parties the right to access our land and harvest our timber primarily pursuant to supply agreements and through open market sales. We also anticipate generating revenue and income from selling timberland considered by third parties to have a higher and better use, leasing land-use rights (hunting, fishing, etc.), permitting others to extract natural resources other than timber and permitting pine straw collection. We also may invest in entities that own timberland and purchase other types of real estate investments.

We have observed a trend among integrated forest and paper products companies to restructure their operations and divest themselves of significant portions of their timberland holdings in an attempt to strengthen their financial position and more effectively deploy capital to their core operations. In addition, while timberland management benefits from economies of scale, timberland ownership is generally highly fragmented outside the integrated forest and paper products industry, resulting in operational inefficiencies. As a timberland investment company that is independent from integrated forest and paper products companies, we believe that we will be able to acquire large tracts of timberland, utilize experienced timber managers, benefit from economies of scale and establish ourselves as a preferred provider of timber to numerous timber end-users.

Investment Objectives

Our primary investment objectives are:

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

to preserve and return your capital contribution; and

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

Investment Strategy

We intend to invest primarily in timberland properties located in the timber-producing regions of the United States, which include the states in the Appalachian, Great Lakes, Northeastern, Northwestern and Southeastern regions. We also plan to invest, to a lesser extent, in timber-producing regions outside the United States. Generally, we will hold fee title or a long-term leasehold estate in the properties we acquire.

Wells Capital 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 may, at least initially, be weighted heavily toward 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 submarket. We are not limited as to the geographic area where we may conduct our operations, and we currently intend to seek to invest in properties located in each of the timber-producing regions of the United States. We may also invest, to a lesser extent, in properties located in international timber-producing regions such as Canada and certain South American countries. We will strive to diversify our portfolio so that following the investment of the net proceeds raised during our offering stage, no more than 30% of the fair market value of the assets in our portfolio will be represented by investments outside the United States. We currently anticipate that the actual amount invested outside the United States will not exceed 20% of the fair market value of the portfolio we acquire with the net proceeds raised during our offering stage.

Our portfolio investment strategy includes:

identifying prospective timberland acquisitions that provide geographic, species and age diversity to our portfolio consistent with strong and sustainable projected cash flows;

applying sophisticated financial analysis to timberland investments;

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educating forest and paper products companies as to our ability to become a preferred partner for dispositions and a reliable source for their future inventory needs;

acquiring timberland in timber milling markets that are competitive and well developed;

using targeted levels of leverage to increase our ability to acquire our timberland portfolio and enhance our return on equity (higher amounts during our initial portfolio acquisition phase and low-to-moderate levels thereafter);

targeting opportunities for a seller to divest property in a tax-efficient manner by receiving units of limited partnership interest in our operating partnership in exchange for their property, giving the sellers the ability to defer some or all of the taxes otherwise payable upon sale; and

maintaining the flexibility to invest in any other type of property that our board of directors deems appropriate and desirable in order to satisfy our investment objectives.

Other Possible Investments

Although we expect that most of our property acquisitions will be of the type described above, we may make other investments. For example, we may purchase saw mills, warehouse and distribution facilities, manufacturing facilities, undeveloped land, options to purchase a particular property or other properties that are complementary to our timberland investments. In fact, we may make any investments that our board of directors deems appropriate and consistent with our status as a REIT. Moreover, we are not limited in the number or size of properties we may acquire or as to the percentage of net proceeds of this offering that we may invest in a single property.

Our charter limits our ability to make certain types of investments. Unless our charter is amended, we will not:

invest in commodities or commodity futures contracts, except for futures contracts used solely for the purpose of hedging in connection with our ordinary business of investing in real estate assets and mortgages;

invest in real estate contracts of sale, otherwise known as land sale contracts, unless the contract is in recordable form and is appropriately recorded in the chain of title; or

invest in equity securities unless a majority of our independent directors approves such investment as being fair, competitive and commercially reasonable.

In addition, we do not intend to underwrite securities of other issuers or to operate in such a manner as to be classified as an investment company for purposes of the Investment Company Act.

Investment Decisions

Wells Capital will have substantial discretion with respect to the selection of specific investments and the purchase and sale of our properties, subject to the approval of our board of directors. The consideration for each investment must be authorized by majority of our directors or a duly authorized committee of our board, ordinarily based on the fair market value of the investment. If the majority of our independent directors or a duly authorized committee of our board so determines, or if the investment is to be acquired from an affiliate, the fair market value determination will be supported by an appraisal obtained from a qualified, independent appraiser selected by a majority of our independent directors.

In pursuing our investment objectives and making investment decisions for us, Wells Capital may consider the recommendation of a timber manager and will review all supporting documentation provided in connection with the proposed acquisition, including the following:

relevant real estate property and financial factors;

the creditworthiness of parties to any harvesting contracts;

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supply contracts and leases related to the property;

the location of the property;

suitability for any development contemplated or in progress;

the property s income-producing capacity and potential for future sale as a higher and better use property;

prospects for long-range appreciation; and

liquidity and tax considerations.

Moreover, to the extent feasible, Wells Capital will strive to invest for us in a diversified portfolio of properties based on the growth stage of trees, species of tree and geography, although the number and mix of properties we acquire will largely depend upon real estate and market conditions and other circumstances existing at the time we are acquiring our properties and the amount of proceeds we raise in this offering.

To find properties that best meet our selection criteria for investment, Wells Capital will study regional growing conditions and timberland market conditions and interview local forest managers to gain the practical knowledge. Environmental engineers will inspect properties for environmental soundness to ensure that each property meets our environmental specifications. Wells Capital may also engage timber managers to assist it in its evaluation of timberland properties.

Operational Strategy

We intend to maximize the return generated from our timberland properties by implementing the following operating strategies, among others:

strategically using various sales methods that generate qualifying income for purposes of maintaining our REIT status and to maximize the value of harvesting, achieve stable cash flows and mitigate local market risks;

implementing advanced forest management and silviculture practices to maximize the growth and value of timber stands, including the utilization of genetically improved seedlings, forest management practices such as thinning and fertilization, and the conversion of natural forests to actively managed timberland;

closely monitoring and taking advantage of local timber market price fluctuations;

benefiting from other sources of value, including leasing land-use rights, and permitting others to extract natural resources other than timber.

taking advantage of profit opportunities for property sales where the market for the property has shifted to a higher and better use; and

capitalizing on the experience and extensive relationships of our board of directors in the integrated forest and paper products industry.

In general, timberland investing is not a highly capital-intensive investment. However, in order to maximize the return on our timber, we may expend significant working capital on soil preparation and re-planting; biometric research; genetic research; fertilization; thinning; weed suppression; fire mitigation; and maintenance of timber roads, bridges and gates. The practice of thinning enables healthier trees to grow more rapidly. As trees grow larger and add wood volume, they become more valuable since they can be used in higher-value applications such as high-grade lumber, plywood, and furniture. The early and mid-rotation applications of fertilizers and chemicals to control plant competition also increase forest productivity. We intend to practice environmentally responsible timberland management, which may include the following:

providing for the post-harvesting regeneration of timber;

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taking steps to protect the timberland from fire, infestation, disease and pollution; and

maintaining the biological diversity of the timberland and bodies of water found in or adjacent to the timberland.

Our Higher and Better Use Land Sales

We will continually review our timberland portfolio to identify properties to sell that may have higher and better uses than as commercial timberland. Higher and better use land sales are sales of timberland that are effected after a determination that the property would be more valuable if sold for use other than as timberland. Our ongoing review process will evaluate properties based on a number of factors, such as proximity to population centers and major transportation routes and the presence of special ecological features. We also may occasionally exchange timberlands that have high environmental or other public values for lands of equal value that are more suitable for commercial timber management, and, from time to time, sell less strategic timberlands.

Joint Venture Investments

In order to diversify our portfolio of assets, we may enter into joint ventures, partnerships, co-tenancies and other co-ownership arrangements or participations with other timberland investors for the purpose of owning and managing timberland. In determining whether to invest in a particular joint venture, Wells Capital will evaluate the timberland property that the joint venture owns or is being formed to own under the same criteria described elsewhere in this prospectus for the selection of our real estate property investments. We may enter into joint ventures only with other Wells programs if our independent directors approve the transaction as being fair and reasonable to us.

Our policy is to invest in joint ventures only when we will have a right of first refusal to purchase the co-venturer s interest in the joint venture if the co-venturer elects to sell such interest. In the event that the co-venturer elects to sell property held in any such joint venture, however, we may not have sufficient funds to exercise our right of first refusal to buy the other co-venturer s interest in the property held by the joint venture. In the event that any joint venture with an affiliated entity holds interests in more than one property, the interest in each such property may be specially allocated based upon the respective proportion of funds invested by each co-venturer in each such property.

Borrowing Policies

We may borrow funds to make investments and we intend to do so as necessary to facilitate their purchase, subject to certain limitations described below. By operating on a leveraged basis, we expect that we will have more funds available for investments. This will generally allow us to make more investments than would otherwise be possible, potentially resulting in enhanced investment returns and a more diversified portfolio. However, our use of leverage increases the risk of default on loan payments and the resulting foreclosure on a particular property. In addition, lenders may have recourse to assets other than those specifically securing the repayment of the indebtedness.

We intend to employ greater amounts of leverage during the initial phase of this offering in order to enable us to purchase properties more quickly and therefore generate distributions for our investors sooner. Following this initial phase, we intend to use subsequent proceeds raised in this offering to significantly reduce our overall leverage. Our policies do not limit the amount we may borrow with respect to any individual property. We currently anticipate that after we have raised at least $500 million of gross offering proceeds, our overall leverage will not exceed 30% of the fair market value of our assets.

Under our charter, we have a limitation on borrowing that precludes us from borrowing in excess of 300% of the value of our net assets, which we refer to as our net assets limitation. Net assets for purposes of this calculation is defined to be our total assets (other than intangibles), valued at cost prior to deducting depreciation, reserves for bad debts and other noncash reserves, less total liabilities, calculated quarterly by us on a basis consistently applied. Our net assets limitation is generally expected to limit our

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borrowing to approximately 75% of the cost of our properties before noncash reserves and depreciation. However, we may temporarily borrow in excess of our net assets limitation if such excess is approved by a majority of our independent directors and disclosed to stockholders in our next quarterly report, along with an explanation for such excess.

Our advisor will use its best efforts to obtain financing on the most favorable terms available to us and will seek to refinance properties during the term of a loan only in limited circumstances, such as when a decline in interest rates makes it beneficial to prepay an existing loan, when an existing loan matures, or if an attractive investment becomes available and the proceeds from the refinancing can be used to purchase such investment. The benefits of any such refinancing may include an increased cash flow resulting from reduced debt service requirements, an increase in distributions from proceeds of the refinancing and an increase in diversification and assets owned if all or a portion of the refinancing proceeds are reinvested.

Disposition Policies

We intend to hold each property we acquire for an extended period. However, circumstances might arise that could result in the early sale of some properties. For example, we may sell properties that are perceived to have a higher and better use than commercial timberland. See Our Higher and Better Use Land Sales above. We expect our board of directors to make the determination with respect to whether we should sell or dispose of a particular property based on its determination that the sale of the property would be in the best interest of our stockholders.

The determination of whether a particular property should be sold or otherwise disposed of before the end of the expected holding period for the property will be made after consideration of relevant factors (including prevailing economic conditions, the performance or projected performance and appreciation of the property) with a view to achieving maximum capital appreciation. We cannot assure you that this objective will be realized.

We may reinvest the proceeds of property sales in investments that we believe are consistent with our investment objectives. See Investment Objectives above.

Investment Limitations

Our charter places numerous limitations on us with respect to the manner in which we may invest our funds or issue securities. These limitations cannot be changed unless our charter is amended, which requires approval of our stockholders. Until our shares are listed, unless our charter is amended, we will not:

borrow in excess of our net assets limitation (described in Borrowing Policies above), which is generally expected to approximate 75% of the cost of our properties before noncash reserves and depreciation, unless approved by a majority of our independent directors;

make investments in unimproved property or mortgage loans on unimproved property in excess of 10% of our total assets;

make or invest in mortgage loans unless an appraisal is obtained concerning the underlying property, except for those mortgage loans insured or guaranteed by a government or government agency;

make or invest in mortgage loans on any one property if the aggregate amount of all mortgage loans on such property would exceed an amount equal to 85% of the appraised value of such property as determined by an appraisal, unless substantial justification exists for exceeding such limit because of the presence of other underwriting criteria;

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invest in equity securities unless a majority of our independent directors approves such investment as being fair, competitive and commercially reasonable;

invest in real estate contracts of sale, otherwise known as land sale contracts, unless the contract is in recordable form and is appropriately recorded in the chain of title;

invest in commodities or commodity futures contracts, except for futures contracts used solely for the purpose of hedging in connection with our ordinary business of investing in real estate assets and mortgages;

issue equity securities on a deferred payment basis or other similar arrangement;

issue debt securities in the absence of adequate cash flow to cover debt service;

issue equity securities redeemable solely at the option of the holder, which restriction has no effect on our share redemption plan or the ability of our operating partnership to issue redeemable partnership interests;

issue options or warrants to Wells Capital, our directors, our sponsor, or any of their affiliates except on the same terms as such options or warrants are sold to the general public;

pay acquisition fees and acquisition expenses which aggregate in excess of 6% of the contract purchase price of any investment in real property, or, in the case of a mortgage, 6% of the funds advanced, unless a majority of our directors (including a majority of our independent directors) not otherwise interested in the transaction approve fees and expenses in excess of this limit following a determination that the transaction is commercially competitive, fair and reasonable to us; or

make any investment that we believe will be inconsistent with our objectives of qualifying and remaining qualified as a REIT, unless our board of directors determines that REIT qualification is not in our best interest.

In addition, our charter includes many other investment limitations in connection with conflict-of-interest transactions, which limitations are described above under Conflicts of Interest. Our charter also includes restrictions on roll-up transactions, which are described under Description of Shares below.

Changes in Investment Objectives and Limitations

Our charter requires that the independent directors review our investment policies at least annually to determine that the policies we are following are in the best interests of our stockholders. Each determination and the basis therefor are required to be set forth in the minutes of the meetings of our directors and in an annual report delivered to our stockholders. The methods of implementing our investment policies also may vary as new investment techniques are developed. The methods of implementing our investment objectives and policies, except as otherwise provided in our organizational documents, may be altered by a majority of our directors, including a majority of the independent directors, without the approval of the stockholders. Our investment objectives themselves and the other investment policies and limitations specifically set forth in our charter, however, may only be amended by a vote of the stockholders holding a majority of our outstanding shares.

Issuing Securities for Property

Subject to limitations contained in our charter and other organizational documents, we may issue, or cause to be issued, shares of our stock or limited partnership units in Wells Timber OP in any manner (and on such terms and for such consideration) in exchange for property. The Issuer does not intend that shares issued in exchange for property will be registered as part of this offering but may be registered at a future date. Existing stockholders have no preemptive rights to purchase shares or limited partnership units in any such offering, and any such offering might cause a dilution of a stockholder s initial investment.

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Acquisitions of Our Common Stock

We have authority to purchase or otherwise reacquire our shares of our common stock or any of our other securities. We have no present intention of repurchasing any of our shares except pursuant to our share redemption plan, and we would only take such action in conformity with applicable federal and state laws and the requirements for qualifying as a REIT under the Internal Revenue Code.

Liquidity Event

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

listing our common stock on a national securities exchange; or

a sale or merger of our company 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. 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 time period since the precise timing 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, which 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.

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PLAN OF OPERATION

General

As of the date of this prospectus, we have not commenced operations. After the minimum subscription of $2 million is achieved, subscription proceeds will be released to us (except for subscriptions from Pennsylvania investors see Plan of Distribution Special Notice to Pennsylvania Investors) and applied to investments in properties and other assets and the payment or reimbursement of selling commissions and other organization and offering expenses. See Estimated Use of Proceeds. We will experience a relative increase in liquidity as additional subscriptions for shares are received and a relative decrease in liquidity as net offering proceeds are expended in connection with the acquisition, development and operation of properties.

We have not entered into any arrangements to acquire any specific properties with the net proceeds from this offering. The number of properties we may acquire will depend upon the number of shares sold and the resulting amount of the net proceeds available for investment in properties. If we do not raise substantially more than the minimum threshold of $2 million, our ability to purchase properties will be negatively affected and we would most likely be unable to purchase a portfolio of timberland that is diversified geographically and by species of tree. We would likely also need to utilize a significant amount of leverage in order to make investments, conduct our operations and pay distributions to our investors. See Risk Factors Risks Related to Investing in this Offering 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.

We are not aware of any material trends or uncertainties, favorable or unfavorable, other than national economic conditions affecting investments in timberland and real estate generally, that may be reasonably anticipated to have a material impact on either capital resources or the revenues or income to be derived from the acquisition and operation of the properties we intend to acquire, other than those referred to in this prospectus.

Our advisor also may, but is not required to, establish reserves from gross offering proceeds, out of cash flow generated by operating properties or out of nonliquidating net sales proceeds from the sale of our properties. Working capital reserves are typically utilized for nonoperating expenses. Alternatively, a lender may require its own formula for escrow of working capital reserves.

The net proceeds of this offering will provide funds to enable us to purchase properties. In addition, we intend to borrow funds to purchase properties. We may acquire some properties free and clear of permanent mortgage indebtedness by paying the entire purchase price of each property in cash or for equity securities, or a combination thereof. We also may selectively encumber all or certain properties following acquisition, if favorable financing terms are available. The proceeds from such loans will be used to acquire additional properties or increase cash flow. In the event that this offering is not fully sold, our ability to diversify our investments may be diminished.

We intend to make an election under Section 856(c) of the Internal Revenue Code to be taxed as a REIT under the Internal Revenue Code, beginning with the taxable year ending December 31, 2006. If we qualify as a REIT for federal income tax purposes, we generally will not be subject to federal income tax on income that we distribute to our stockholders. If we fail to qualify as a REIT in any taxable year, we will be subject to federal income tax on our taxable income at regular corporate rates and may not be permitted to qualify for treatment as a REIT for federal income tax purposes for four years following the year in which our qualification is denied. Such an event could materially and adversely affect our net income. However, we believe that we are organized and operate in a manner that will enable us to qualify for treatment as a REIT for federal income tax purposes during the year ending December 31, 2006, and we intend to continue to operate so as to remain qualified as a REIT for federal income tax purposes.

We will monitor the various qualification tests that we must meet to maintain our status as a REIT. Ownership of our shares will be monitored to ensure that no more than 50% in value of our outstanding

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shares is owned, directly or indirectly, by five or fewer individuals at any time after the first taxable year for which we make an election to be taxed as a REIT. We will also determine, on a quarterly basis, that the gross income, asset and distribution tests as described in the section of this prospectus entitled Federal Income Tax Considerations Requirements for Qualification are met.

Liquidity and Capital Resources

Our principal demands for funds will be for property acquisitions, either directly or through investment interests, for the payment of operating expenses and distributions, and for the payment of interest on our outstanding indebtedness. Generally, cash needs for items other than property acquisitions will be met from operations, and cash needs for property acquisitions will be funded by public offerings of our shares and debt. However, there may be a delay between the sale of our shares and our purchase of properties, which could result in a delay in the benefits to our stockholders, if any, of returns generated from our investment operations. In an attempt to avoid this delay, we have been in discussions with potential lenders to arrange a bridge financing facility. Our advisor will evaluate potential property acquisitions and engage in negotiations with sellers and lenders on our behalf. After a purchase contract is executed that contains specific terms, the property will not be purchased until the successful completion of due diligence, which includes review of the title insurance commitment, an appraisal and an environmental analysis. In some instances, the proposed acquisition will require the negotiation of final binding agreements, which may include financing documents. During this period, we may decide to temporarily invest any unused proceeds from the offering in certain investments that could yield lower returns than the properties. These lower returns may affect our ability to make distributions.

Potential future sources of capital include proceeds from secured or unsecured financings from banks or other lenders, proceeds from the sale of properties and undistributed funds from operations. If necessary, we may use financings or other sources of capital in the event of unforeseen significant capital expenditures. Other than the potential bridge facility, we have not identified sources of such financing currently.

Our charter does not limit us from incurring debt until our aggregate debt would exceed 300% of our net assets (generally expected to approximate 75% of the cost of our assets before noncash reserves and depreciation), though we may exceed this limit if the excess is approved by a majority of our independent directors and disclosed to stockholders in our next quarterly report, along with an explanation for the excess. High debt levels would cause us to incur higher interest charges, would result in higher debt service payments, and could be accompanied by restrictive covenants. These factors could limit the amount of cash we have available to distribute and could result in a decline in the value of your investment.

Results of Operations

As of the date of this prospectus, we have commenced no significant operations because we are in our organizational and development stage. No operations will commence until we have raised at least $2 million of gross offering proceeds from the sale of shares of our common stock to the public in this offering. Our management is not aware of any material trends or uncertainties, other than national economic conditions affecting real estate generally, that may reasonably be expected to have a material impact, favorable or unfavorable, on revenues or income from the acquisition and operations of real properties, other than those referred to in this prospectus.

Inflation

The price of timber has generally increased with increases in inflation.

Critical Accounting Policies

Our accounting policies have been established to conform with GAAP. The preparation of financial statements in conformity with GAAP requires management to use judgment in the application of accounting policies, including making estimates and assumptions. These judgments affect the reported

amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenue and expenses during the reporting periods. If management s judgment or interpretation of the facts and circumstances relating to various transactions had been different, it is possible that different accounting policies would have been applied or different amounts of assets, liabilities, revenues and expenses would have been recorded, thus resulting in a different presentation of the financial statements or different amounts reported in the financial statements. Additionally, other companies may utilize different estimates that may impact comparability of our results of operations to those of companies in similar businesses.

Below is a discussion of the accounting policies that management considers to be critical, once we commence operations, since they may require complex judgment in their application or require estimates about matters that are inherently uncertain.

Merchantable inventory and depletion costs as determined by forestry timber harvest models

Significant assumptions and estimates are used in the recording of timberland inventory cost and depletion. Merchantable standing timber inventory will be estimated annually, using industry-standard computer software. The inventory calculation will take into account growth, in-growth (annual transfer of oldest pre-merchantable age class into the merchantable inventory), timberland sales and the annual harvest.

The age at which timber is considered merchantable will be reviewed periodically and updated for changing harvest practices, future harvest age profiles and biological growth factors. An annual depletion rate will be established by dividing merchantable inventory book cost by standing merchantable inventory. Pre-merchantable records will be maintained for each planted year age class, recording acres planted, stems per acre, and costs of planting and tending. Changes in the assumptions and/or estimations used in these calculations may affect our results, in particular, timber inventory and depletion costs. Factors that can impact timber volume include weather changes, losses due to natural causes, differences in actual versus estimated growth rates and changes in the age when timber is considered merchantable.

Impairment of Long-Lived Assets

We evaluate our ability to recover our net investment in long-lived assets in accordance with Statement of Financial Accounting Standards (SFAS) No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets.* SFAS No. 144 requires recognition of an impairment loss in connection with long-lived assets used in a business when the carrying value (net book value) of such assets exceeds the estimated future undiscounted cash flows attributable to such assets over their expected useful life. Impairment losses are measured by the extent to which the carrying value of a group of assets exceeds the fair value of such assets at a given point in time. When the fair values of the assets are not available, we estimate the fair values by using the discounted expected future cash flows attributable to the assets. The cash flows are discounted at the risk-free rates of interest. Future cash flow estimates are based on probability-weighted projections for a range of possible outcomes. Furthermore, SFAS No. 144 requires recognition of an impairment loss in connection with long-lived assets held for sale when the carrying value of such assets exceeds an amount equal to their fair value less selling costs.

Our assets are tested for impairment whenever events or changes in circumstances indicate that the carrying value of the assets may not be recoverable through future operations. SFAS No. 144 requires that long-lived assets be grouped and evaluated for impairment at the lowest level for which there are independent cash flows, as discussed below.

(1) *Timber and Timberlands Used in Our Business.* SFAS No. 144 provides that for assets used in a business, an impairment loss is recorded only when the carrying value of such assets is not recoverable through future operations. The recoverability test is based on undiscounted future cash flows over the expected life of the assets. We intend to use one harvest cycle for evaluating the recoverability of our timber and timberlands.

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(2) *Timber and Timberlands Held for Sale.* SFAS No. 144 provides that an impairment loss is recognized for long-lived assets held for sale when the carrying value of such asset exceeds an amount equal to its fair value less selling costs. An asset is generally considered to be held for sale when we have committed to plan to sell the asset, the asset is available for immediate sale in its present condition, we have initiated an active program to locate a buyer, and the sale is expected to close within one year.

Realizability of both recorded and unrecorded tax assets and liabilities

To realize tax benefits associated with our status as a REIT will require extensive tax planning and in many cases will depend upon events in the future and our strategy in structuring transactional terms and conditions. As a result, the effective tax rate and amount of taxes paid during various fiscal periods may vary greatly.

As a REIT, if certain requirements are met, only the taxable REIT subsidiaries will be subject to corporate income taxes.

Revenue recognition

Revenue from the sale of timber is recognized when the following criteria are met: (1) persuasive evidence of an agreement exists, (2) delivery has occurred, (3) our price to the buyer is fixed and determinable, and (4) collectibility is reasonably assured.

Real estate sales of timberland will be recorded when title passes and full payment or a minimum down payment, generally defined as 25.0% of the gross sale price, is received and full collectibility is assured. If a down payment of less than the minimum down payment is received at closing, we will record revenue based on the installment method.

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PRIOR PERFORMANCE SUMMARY

The information presented in this section represents the historical experience of real estate programs managed by Wells Capital, our advisor, and its affiliates in the last 10 years. Investors should not assume that they will experience returns, if any, comparable to those experienced by investors in such prior Wells real estate programs.

The Prior Performance Tables contained in this prospectus, beginning on page F-14, set forth information as of the dates indicated regarding certain of these Wells public programs as to: (1) experience in raising and investing funds (Table I); (2) compensation to sponsor (Table II); (3) annual operating results of prior programs (Table III); and (4) sales or disposals of properties (Table V).

Prior Public Programs

Our advisor, Wells Capital, has served as a general partner of a total of 15 completed publicly offered real estate limited partnerships, seven of which completed their public offerings in the last 10 years. These seven limited partnerships and the year in which each of their offerings was completed are:

1. Wells Real Estate Fund VIII, L.P. (1996)
2. Wells Real Estate Fund IX, L.P. (1996)
3. Wells Real Estate Fund X, L.P. (1997)
4. Wells Real Estate Fund XI, L.P. (1998)
5. Wells Real Estate Fund XII, L.P. (2001)
6. Wells Real Estate Fund XIII, L.P. (2003)
7. Wells Real Estate Fund XIV, L.P. (2005)

Wells Capital and its affiliates have also sponsored two real estate investment trusts prior to this offering. Wells Real Estate Investment Trust, Inc., which we refer to as Wells REIT I, has completed four public offerings of shares of its common stock and Wells Real Estate Investment Trust II, Inc., which we refer to as Wells REIT II, has completed one public offering of shares of its common stock and commenced a second public offering of its shares on November 10, 2005.

Wells Capital and its affiliates have previously sponsored the above-described limited partnerships and REITs on an unspecified property or blind pool basis. As of December 31, 2005, the total amount of funds raised from investors in these seven completed real estate limited partnership offerings, the completed offerings for Wells REIT I and the ongoing Wells REIT II offering was approximately $7.3 billion, and the total number of investors in such programs was approximately 196,000. The investment objectives of each of these Wells programs are substantially identical to our investment objectives of (1) providing current income through the payment of cash distributions, (2) preserving and returning your capital contributions and (3) realizing capital appreciation upon the ultimate sale of our assets. However, none of these prior programs have invested in timberland. We cannot assure you that any of the Wells public programs will ultimately be successful in meeting their investment objectives. For more information regarding the operating results of Wells-sponsored public programs, see Table III beginning on page F-19 of this prospectus.

As provided in Table III, cash distributions to investors are characterized as either operating cash flow or return of capital. In general, return of capital distributions include net proceeds received from the sale, exchange or other disposition of real estate assets. During 2005, certain of the Wells public programs, including Wells Real Estate Fund XII, L.P., Wells Real Estate Fund XIII, L.P. and Wells REIT I, sold 27 properties in a portfolio sale, which generated net proceeds of approximately $781.3 million. Substantially all of the net sales proceeds from this disposition were subsequently distributed to investors in the form of return of capital distributions.

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Operating distributions exceeded cash generated from operations during 2005 by approximately $15.1 million for Wells REIT I and by approximately $4.2 million for Wells REIT II, primarily due to differences in the timing of cash receipts and cash payments for operations. Such excess was funded from undistributed prior period net cash flow provided by operations.

As of December 31, 2005, these Wells-sponsored public programs had acquired 181 properties. The table below gives further information about these properties by region.

	Properties Purchased	
Location	**Number**	**As a Percentage of Aggregate Purchase Price**
Southeast	31	10%
Mideast	27	19
Northeast	23	18
Mountain	16	4
Southwest	22	9
West North Central	7	4
East North Central	33	24
Pacific	22	12
Total	181	100%

As of December 31, 2005, the aggregate dollar amount of the acquisition and development costs of the 181 properties purchased by these Wells-sponsored public programs was approximately $7.8 billion. Of the aggregate amount, 100% was spent on commercial property, with approximately 99.9% spent on acquiring or developing office or industrial buildings, and approximately 0.1% spent on acquiring or developing shopping centers. Of the aggregate amount, approximately 97.3% was spent on acquired properties and 2.7% on properties under construction or constructed by the programs. Of the aggregate amount, approximately 40.9% were single-tenant office or industrial buildings and 59.1% were multi-tenant office or industrial buildings.

Following is a table showing a breakdown of the aggregate amount of the acquisition and development costs of the properties purchased by these nine Wells public programs as of December 31, 2005:

Type of Property	**Existing**	**Construction**
Office and Industrial Buildings	96.8%	2.6%
Shopping Centers	0.5	0.1

From the inception of the first Wells public program through December 31, 2005, the Wells public programs had sold 53 properties and one outparcel of land.

All of the properties purchased in which a Wells public partnership owned any interest were purchased without borrowing any additional funds. However, certain properties acquired by Wells REIT I and Wells REIT II were subject to existing mortgages, and in connection with each of these acquisitions Wells REIT I and Wells REIT II, respectively, assumed its share of the debt. Table VI contained in Part II of the registration statement, of which this prospectus is a part, gives additional information relating to properties acquired by the Wells public programs, including applicable mortgage financing on properties purchased.

In addition to the real estate programs sponsored by our advisor discussed above, our advisor is also sponsoring an index mutual fund that invests in various REIT stocks and is known as the Wells S&P REIT Index Fund. The Wells

S&P REIT Index Fund is a mutual fund that seeks to provide investment results corresponding to the performance of the S&P REIT Index by investing in the REIT stocks included in the S&P REIT Index. The Wells S&P REIT Index Fund began its offering on January 12,

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1998, and as of December 31, 2005, the fund had raised approximately $562.7 million in offering proceeds from approximately 19,000 investors.

Prior Private Programs

In addition to the public real estate programs sponsored by our advisor and its affiliates described above, Wells has sponsored a total of 10 private real estate programs. Wells Development Corporation, an affiliate of Wells Capital, sponsors private placements for a series of limited liability companies pursuant to a Section 1031 exchange program. As of December 31, 2005, there have been nine such offerings, which raised a total of approximately $131 million from approximately 188 investors. The investment objectives of each of these Wells private programs are substantially identical to our investment objectives, although none of these prior private programs have invested in timberland. We cannot assure you that any of the Wells private programs will ultimately be successful in meeting their investment objectives.

As of December 31, 2005, the 10 Wells-sponsored private programs had acquired an aggregate of nine properties. The table below gives further information about these properties.

	Properties Purchased	
Location	**Number**	**As a Percentage of Aggregate Purchase Price**
Southeast	3	31%
Mideast		
Northeast		
Mountain	1	14
Southwest	1	9
West North Central	1	15
East North Central	2	18
Pacific	1	13
Total	9	100%

As of December 31, 2005, the aggregate dollar amount of the acquisition and development costs of the nine properties purchased by these Wells-sponsored private programs was approximately $155 million. Of the aggregate amount, 100% was spent on commercial property, all of which was spent on acquiring or developing office or industrial buildings. Of the aggregate amount, 100% was spent on acquired properties. Of the aggregate amount, approximately 90% were single-tenant office or industrial buildings and 10% were multi-tenant office or industrial buildings.

From the inception of the first Wells private program through December 31, 2005, none of the Wells private programs have sold any properties.

Wells Management, Inc., an affiliate of Wells Capital, is sponsoring a private placement of limited liability company interests in Wells Mid-Horizon Value-Added Fund I, LLC (Wells Mid-Horizon Fund). On September 15, 2005, an offering of up to 150,000 shares of investor member interests in Well Mid-Horizon Fund commenced in a private placement to accredited investors. Subscribers for investor member interests will be admitted to Wells Mid-Horizon Fund upon the receipt and acceptance of gross offering proceeds of $10,000,000. Wells Mid-Horizon Fund was formed to invest primarily in commercial office and industrial real estate properties that provide opportunities to enhance their value through development, operations, re-leasing, property improvements or other means. As of December 31, 2005, Wells Mid-Horizon Fund had received approximately $800,000 in proceeds from 12 investors, which is included in the statistics above. As of December 31, 2005, Well Mid-Horizon Fund had not acquired any properties.

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Adverse Business Developments or Conditions

Wells-sponsored programs have occasionally been adversely affected by the cyclical nature of the real estate market. Some Wells programs invested funds in properties at the high end of a real estate cycle, resulting in sales of such properties for less than their purchase price. In the past, Wells programs have only sold properties for less than their purchase price in order to maximize the overall return to investors when one or more of the following factors was present:

- market conditions caused an ongoing deterioration of a property s value and the sale price of the property, though lower than the purchase price, was the highest price reasonably expected;
- costs required to re-lease a property to levels that would allow for a sales price greater than the original purchase price would exceed the benefit of the higher sales price; and
- the costs savings at the liquidation of a portfolio by selling a property as a part of a portfolio sale at lower than the property s purchase price outweighs costs that would be incurred in order to sell that property individually at greater than purchase price.

The following four properties have been sold by the Wells programs for less than their original purchase prices:

Date of Sale	Property Name	Purchase Price	Gross Sale Price	Wells Program Owners
October 1, 2001	Cherokee Commons	$ 8,907,596	$ 8,660,000	Wells Real Estate Fund I Wells Real Estate Fund II Wells Real Estate Fund II-OW Wells Real Estate Fund VI, L.P. Wells Real Estate Fund VII, L.P.
September 30, 2002	Greenville Center	$ 3,820,520	$ 2,400,000	Wells Real Estate Fund III, L.P.
September 11, 2003	Cort Furniture	$ 6,566,430	$ 5,770,000	Wells Real Estate Fund X, L.P. Wells Real Estate Fund XI, L.P.
April 29, 2004	Stockbridge Village II	$ 2,945,262	$ 2,740,385	Wells Real Estate Fund V, L.P. Wells Real Estate Fund VI, L.P.

Sales of properties at less than the purchase price could adversely affect the value of an investment in a Wells program. In addition, some Wells public programs have owned properties that have experienced long periods of time when no tenants were paying rent. This reduction in revenues resulted in less cash from operations available for distribution to investors. However, such occurrences have been sporadic. For more information regarding the operating results of Wells-sponsored public programs, see Table III beginning on page F-19 of this prospectus.

Summary of Recent Acquisitions by Wells Prior Programs

During 2003, 2004 and 2005, Wells-sponsored programs acquired 95 properties, for which the property type, location and method of financing are summarized below.

Property Type

Office	88
Distribution	3
Warehouse	1
Hotel	1
Mixed use	2
Total	95

Method of Financing

All cash	73
All debt	
Combination of cash and debt	22
Total	95

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Location

Southeast	12
Mideast	16
Northeast	15
Mountain	2
Southwest	6
West North Central	4
East North Central	23
Pacific	17
Total	95

Additional Information

Potential investors are encouraged to examine the Prior Performance Tables in this prospectus beginning on page F-14 for more detailed information regarding the prior experience of Wells Capital and its affiliates. In addition, upon request, prospective investors may obtain from Wells Capital without charge copies of offering materials and any reports prepared in connection with any of the Wells public programs, including a copy of the most recent Annual Report on Form 10-K filed with the SEC. For a reasonable fee, we also will furnish upon request copies of the exhibits to any such Form 10-K. Any such request should be directed to Wells Capital. Additionally, Table VI contained in Part II of our registration statement, of which this prospectus is a part, gives certain additional information relating to properties acquired by the Wells public programs. We will furnish, without charge, copies of such table upon request.

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FEDERAL INCOME TAX CONSIDERATIONS

The following summary describes the material federal income tax considerations to us and our stockholders relating to this registration statement and the treatment of us as a REIT. The summary is not intended to represent a detailed description of the federal income tax consequences applicable to a particular stockholder in view of such stockholder s particular circumstances, nor is it intended to represent a detailed description of the federal income tax consequences applicable to certain types of stockholders subject to special treatment under the federal income tax laws (such as insurance companies, financial institutions, broker/ dealers and, except to the extent discussed below, tax-exempt organizations and non-U.S. persons). This summary does not address state, local or non-U.S. tax considerations. Also, this summary deals only with our stockholders who hold common stock as capital assets within the meaning of Section 1221 of the Internal Revenue Code.

We base the information in this section on the current Code, current, temporary and proposed Treasury regulations, the legislative history of the Internal Revenue Code, current administrative interpretations of the Internal Revenue Service (IRS), including its practices and policies as endorsed in private letter rulings, which are not binding on the IRS, and existing court decisions. Future legislation, regulations, administrative interpretations and court decisions could change current law or adversely affect existing interpretations of current law. Any change could apply retroactively. We have not obtained any rulings from the IRS concerning the tax treatment of the matters discussed below. Thus, it is possible that the IRS could challenge the statements in this discussion, which do not bind the IRS or the courts, and that a court could agree with the IRS.

Each investor is advised to consult his or her own tax advisor regarding the tax consequences to him or her of the purchase, ownership and sale of the offered stock, including the federal, state, local, non-U.S. and other tax consequences of such purchase, ownership or sale and of potential changes in applicable tax laws.

Federal Income Taxation of the Company

We intend to elect to be taxed as a REIT under the Internal Revenue Code effective for the taxable year ending December 31, 2006. We believe that beginning with that taxable year we will be organized and will operate in such a manner as to qualify for taxation as a REIT under the Internal Revenue Code, and we intend to continue to operate in such manner. We can provide no assurance, however, that we will operate in a manner so as to qualify or remain qualified as a REIT.

The sections of the Internal Revenue Code relating to qualification and operation as a REIT are highly technical and complex. The following discussion sets forth the material aspects of the Internal Revenue Code sections that govern the federal income tax treatment of a REIT and its stockholders. This summary is qualified in its entirety by the applicable Code provisions, relevant rules and regulations, and administrative and judicial interpretations of Code provisions and regulations. We have not requested a ruling from the IRS with respect to any issues relating to our qualification as a REIT. Therefore, we can provide no assurance that the IRS will not challenge our REIT status.

Alston & Bird LLP is acting as tax counsel to us in connection with this offering. Alston & Bird LLP has rendered an opinion to us that, commencing with our taxable year ending December 31, 2006, we will be organized in conformity with the requirements for qualification and taxation as a REIT and our proposed method of operation will allow us to meet the requirements for qualification and taxation as a REIT under the Internal Revenue Code. Alston & Bird LLP s opinion is based largely on our representations with respect to factual matters concerning our business operations and our properties. Alston & Bird LLP has not independently verified these facts. In addition, our qualification as a REIT depends, among other things, upon our meeting the various qualification tests imposed by the Internal Revenue Code discussed below, including through annual operating results, asset diversification, distribution levels and diversity of stock ownership each year. Accordingly, because our satisfaction of such requirements will depend upon future events, including the final determination of our financial and

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operational results, we can give you no assurance that we will satisfy the REIT requirements on a continuing basis.

If we qualify as a REIT, we generally will not be subject to federal income tax on the income that we distribute to our stockholders each year. To the extent that we are not subject to income tax on the income we distribute, we will avoid double taxation, or taxation at both the corporate and stockholder levels, which generally results from owning stock in a corporation. However, we will be subject to federal tax in the following circumstances:

We will be taxed at regular corporate rates on our undistributed REIT taxable income, including undistributed net capital gains.

We may elect to retain and pay income tax on our net long-term capital gain. In that case, a U.S. stockholder would be taxed on its proportionate share of our undistributed long-term capital gain (to the extent that we make a timely designation of such gains to our stockholders) and would receive a credit or refund for its proportionate share of the tax we paid.

We may be subject to the alternative minimum tax on our items of tax preference.

We will be subject to tax at the highest corporate income tax rate on net income from foreclosure property (generally property we acquire through foreclosure or after default on a loan secured by the property or a lease of the property) held primarily for sale to customers in the ordinary course of business and other nonqualifying income from foreclosure property.

We will be subject to a 100% tax on any net income from prohibited transactions (which are, in general, certain sales or other dispositions of property, other than foreclosure property, that is held primarily for sale to customers in the ordinary course of business).

If we fail to satisfy either the 75% gross income test or the 95% gross income test (discussed below) but have nonetheless maintained our qualification as a REIT because we have met certain other requirements, we will be subject to a 100% tax on the net income attributable to the greater of (a) the amount by which we fail the 75% gross income test or (b) the amount by which we fail the 95% gross income test, in either case multiplied by a fraction intended to reflect our profitability.

If we (1) fail to satisfy the REIT asset tests (discussed below) and continue to qualify as a REIT because we meet certain other requirements, we will have to pay a tax equal to the greater of $50,000 or the highest corporate income tax rate multiplied by the net income generated by the nonqualifying assets during the period of time we failed to satisfy the asset tests or (2) if we fail to satisfy REIT requirements other than the gross income tests and the asset tests and continue to qualify as a REIT because we meet other requirements, we will have to pay $50,000 for each other failure.

If we fail to distribute each year at least the sum of:

(1) 85% of our REIT ordinary income for such year;

(2) 95% of our REIT capital gain net income for such year; and

(3) any undistributed taxable income from prior periods,

we will be subject to a 4% excise tax on the excess of the required distribution over the sum of (a) the amounts actually distributed and (b) retained amounts on which we pay income tax at the corporate level.

If we acquire assets from a corporation generally subject to full corporate-level tax in a merger or other transaction in which our initial basis in the assets is determined by reference to the transferor corporation s basis in the assets, the fair market value of the assets acquired in any such transaction exceeds the aggregate basis of

such assets, and we subsequently recognize gain on the disposition of any such asset during the 10-year period beginning on the date on which we acquired the asset,

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then we generally will be subject to tax at the highest regular corporate income tax rate on the lesser of the amount of gain that we recognize at the time of the sale or disposition and the amount of gain that we would have recognized if we had sold the asset at the time we acquired the asset, which is referred to as the Built-In Gain Rules.

We will be subject to a 100% tax on transactions with our taxable REIT subsidiaries if such transactions are not at arm s length.

Requirements for Qualification

To qualify as a REIT, we must elect to be treated as a REIT and must meet the requirements, discussed below, relating to our organization, sources of income, the nature of assets and amount of distributions.

Organizational Requirements

The Internal Revenue Code defines a REIT as a corporation, trust or association that:

(1) is managed by one or more trustees or directors;

(2) uses transferable shares or transferable certificates to evidence beneficial ownership;

(3) would be taxable as a domestic corporation but for Sections 856 through 860 of the Internal Revenue Code;

(4) is neither a financial institution nor an insurance company within the meaning of the applicable provisions of the Internal Revenue Code;

(5) has at least 100 persons as beneficial owners;

(6) during the last half of each taxable year, not more than 50% of the value of its outstanding stock is owned, directly or indirectly, by five or fewer individuals, as defined in the Internal Revenue Code to include certain entities;

(7) files an election or continues such election to be taxed as a REIT on its return for each taxable year; and

(8) meets other tests described below, including with respect to the nature of its assets and income and the amount of its distributions.

The Internal Revenue Code provides that conditions (1) through (4) must be met during the entire taxable year and that condition (5) must be met during at least 335 days of a taxable year of 12 months or during a proportionate part of a taxable year of less than 12 months. For purposes of condition (6), an individual generally includes a supplemental unemployment compensation benefit plan, a private foundation or a portion of a trust permanently set aside or used exclusively for charitable purposes but does not include a qualified pension plan or profit-sharing trust. We believe that we are issuing in this offering sufficient common stock with sufficient diversity of ownership to satisfy conditions (5) and (6). Our charter currently includes certain restrictions regarding the transfer of our common stock, which are intended to assist us in continuing to satisfy conditions (5) and (6). If we comply with all the requirements for ascertaining the ownership of our outstanding stock in a taxable year and have no reason to know that we have violated condition (6), we will be deemed to have satisfied condition (6) for that taxable year.

In addition, a corporation generally may not elect to become a REIT unless its taxable year is the calendar year. We satisfy this requirement.

If a REIT owns a corporate subsidiary that is a qualified REIT subsidiary, the separate existence of that subsidiary will be disregarded for federal income tax purposes. Generally, a qualified REIT subsidiary is a corporation, other than a taxable REIT subsidiary, all of the capital stock of which is owned by the REIT. All assets, liabilities and items of income, deduction and credit of the qualified REIT subsidiary

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will be treated as assets, liabilities and items of income, deduction and credit of the REIT itself. Thus, in applying the requirements described herein, any qualified REIT subsidiary that we own will be ignored for federal income tax purposes and all assets, liabilities and items of income, deduction and credit of such subsidiary will be treated as our assets, liabilities and items of income, deduction and credit, although the subsidiary may be subject to state and local income tax in some states. Unincorporated domestic entities that are wholly owned by a REIT, including single-member limited liability companies, also are generally disregarded as separate entities for federal income tax purposes, including for purposes of the REIT income and asset tests.

A REIT is also permitted to own up to 100% of the stock of one or more taxable REIT subsidiaries. The subsidiary and the REIT must jointly elect to treat the subsidiary as a taxable REIT subsidiary. In addition, if a taxable REIT subsidiary owns, directly or indirectly, securities representing 35% or more of the vote or value of a subsidiary corporation, that subsidiary will automatically be treated as a taxable REIT subsidiary of the parent REIT. A taxable REIT subsidiary is subject to federal income tax, and state and local income taxes where applicable, as a regular C corporation.

Generally, a taxable REIT subsidiary may earn income that would not be qualifying income under the REIT income tests if earned directly by the parent REIT. We intend to conduct through one or more taxable REIT subsidiaries, certain activities that will produce nonqualifying income for the gross income tests or may be subject to the prohibited transaction tax, such as the sale of higher and better use properties. However, several provisions regarding the arrangements between a REIT and its taxable REIT subsidiary ensure that the taxable REIT subsidiary will be subject to an appropriate level of federal income tax. For example, the Internal Revenue Code limits the ability of a taxable REIT subsidiary to deduct interest payments in excess of a certain amount made to its parent REIT. In addition, the Internal Revenue Code imposes a 100% tax on transactions between a taxable REIT subsidiary and its parent REIT or the REIT s lessees that are not conducted on an arm s-length basis. Moreover, the value of securities of taxable REIT subsidiaries held by the REIT cannot be worth more than 20% of the REIT s total asset value.

In the case of a REIT that is a partner in a partnership, the REIT will be deemed to own its proportionate share (based on its capital interest in the partnership and any debt securities issued by such partnership held by the REIT) of the assets of the partnership and will be deemed to be entitled to the income of the partnership attributable to such share. The character of the assets and gross income of the partnership retain the same character in the hands of the REIT. Thus, our proportionate share of the assets, liabilities and items of income of Wells Timber OP will be treated as our assets, liabilities and items of income for purposes of applying and meeting the various REIT requirements. In addition, Wells Timber OP s proportionate share of the assets, liabilities and items of income with respect to any partnership (including any limited liability company treated as a partnership) in which it holds an interest would be considered assets, liabilities and items of income of Wells Timber OP for purposes of applying and meeting the various REIT requirements.

Income Tests

To maintain qualification as a REIT, we must meet two gross income requirements annually. First, we must derive directly or indirectly at least 75% of our gross income (excluding gross income from prohibited transactions) from investments relating to real property, including investments in other REITs or mortgages on real property (including rents from real property and, in certain circumstances, interest), and, as discussed below, income from certain temporary investments. Second, we must derive at least 95% of our gross income (excluding gross income from prohibited transactions) from the real property investments described in the preceding sentence as well as from dividends, interest or gain from the sale or disposition of stock or securities (or from any combination of the foregoing).

Prior to investing amounts received from the issuance of our stock and certain securities in real property assets, we may invest in liquid assets such as government securities or certificates of deposit, but earnings from those types of assets are qualifying income under the 75% gross income test only for one

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year from the receipt of proceeds. Accordingly, to the extent that we have not invested the offering proceeds in properties prior to the expiration of this one-year period, in order to satisfy the 75% gross income test, we may invest the offering proceeds in less liquid investments approved by our board of directors such as certain mortgages and mortgage pass-throughs or shares in other REITs. We intend to trace offering proceeds received for purposes of determining the one-year period for new capital investments. The IRS has not issued any rulings or regulations under the provisions of the Internal Revenue Code governing new capital investments, so there can be no assurance that the IRS will agree with this method.

Timber-Cutting Contracts. The income from our timber-cutting contracts generally will be treated as rents from real property or as capital gain from the sale of real property for purposes of the gross income tests if we retain an economic interest in the timber, depending on whether we have a holding period of more than one year in the property. Section 631(b) of the Internal Revenue Code provides that if the owner of timber held for more than one year disposes of such timber under any contract by virtue of which it retains an economic interest in such timber, the gain or loss realized will be treated as capital gain or loss. An owner of timber retains an economic interest in such timber under a timber-cutting contract if the amount of the payment for the timber depends solely on the actual quantity of timber cut. To the extent that timberlands are contributed to our operating partnership, our holding period for determining whether the associated timber has been held for more than one year will include the contributor s holding period for its timber.

We generally will retain an economic interest under our timber-cutting contracts. Except to the extent timberlands that have been held by the contributor for more than one year are contributed to our operating partnership, the income from the timber-cutting contracts for the timberlands we initially acquire will not qualify for capital gains treatment under Section 631(b) of the Internal Revenue Code for the first year after closing this offering, because we will not have held the timber for more than one year at the time we dispose of it. The income from those timber-cutting contracts will be treated as rents from real property for purposes of the gross income tests, but will be characterized as ordinary income. Any gain from our timber-cutting contracts with respect to timber we held for more than one year will qualify as gain from the sale of real property for purposes of the gross income tests and for capital gain treatment under Section 631(b) of the Internal Revenue Code. We must distribute at least 90% of our REIT taxable income, including ordinary income from timber-cutting contracts, but we are not required to distribute net capital gain. See

Distribution Requirements. Accordingly, during the first year following this offering, most of our income from our timber-cutting contracts will be ordinary income subject to the 90% distribution requirement, but most of our income from our timber-cutting contracts in later years will qualify for capital gains treatment under Section 631(b) of the Internal Revenue Code and will not be subject to the 90% distribution requirement.

Rents from Real Property. We do not expect to receive a substantial amount of rental income, other than the income from our timber-cutting contracts with respect to timber we have not held for more than one year that will be treated as rents from real property. However, we do anticipate receiving small amounts of rental income from hunting leases, bee-keeping leases, leases for the use of real property to extract minerals and to erect and maintain billboards on property adjacent to certain public thoroughfares and the rental of rights-of-way through certain properties.

Rents that we receive or that we are deemed to receive will qualify as rents from real property in satisfying the gross income requirements described above only if several conditions are met. First, the amount of rent must not be based in whole or in part on the income or profits of any person but can be based on a fixed percentage of gross receipts or gross sales. Second, rent received from a lessee will not qualify as rents from real property if we own, or are treated as owning, 10% or more of (i) the total combined voting power of all classes of voting stock of a corporate lessee, (ii) the total value of shares of all classes of stock of a corporate lessee or (iii) the interests in total assets or net profits in any lessee which is an entity that is not a corporation. Third, rent attributable to personal property is generally excluded from rents from real property, except where such personal property is leased in connection with such real property and the rent attributable to such personal property is less than or equal to 15% of the

total rent received under the lease. Finally, amounts that are attributable to services furnished or rendered in connection with the rental of real property, whether or not separately stated, will not constitute rents from real property unless such services are customarily provided in the geographic area in connection with the rental of space for occupancy only and are not otherwise considered rendered to the occupant of the property. Customary services that are not provided to a particular lessee (e.g., furnishing heat and light, the cleaning of public entrances and the collection of trash) can be provided directly by the REIT. Where, however, such services are provided primarily for the convenience of the lessees or are provided to such lessees, such services must be provided by an independent contractor or a taxable REIT subsidiary. In the event that an independent contractor provides such services, the REIT must adequately compensate such independent contractor, the REIT must not derive any income from the independent contractor and neither the independent contractor nor certain of its stockholders may, directly or indirectly, own more than 35% of the REIT, taking into consideration the applicable attributed ownership. Our rental income should not cease to qualify as rents from real property merely because we perform a *de minimis* amount of services for lessees of a property that are not usually and customarily provided and are considered rendered to the occupant. The income from these services will be considered *de minimis* if the value of such services (valued at not less than 150% of our direct cost of performing such services) is less than 1% of the total income derived from such property, and such *de minimis* services income will not be treated as rents from real property. While it is not expected that we will receive a substantial amount of rental income (other than income from timber-cutting contracts that is treated as rental income), we will take steps to ensure that such rental income qualifies as rents from real property or otherwise does not jeopardize our REIT status.

Interest. The term interest, as defined for purposes of both gross income tests, generally excludes any amount that is based in whole or in part on the income or profits of any person. However, an amount received or accrued generally will not be excluded from the term interest solely by being based on a fixed percentage or percentages of receipts or sales. Interest on debt secured by mortgages on real property or on interests in real property generally is qualifying income for purposes of the 75% gross income test. However, if the highest principal amount of a loan outstanding during a taxable year exceeds the fair market value of the real property securing the loan as of the date of the REIT agreed to originate or acquire the loan, a portion of the interest income from such loan will not be qualifying income for purposes of the 75% gross income test, but will be qualifying income for purposes of the 95% gross income test.

Dividends. Our share of any dividends received from any corporation (including any TRS, but excluding any REIT) in which we own an equity interest will qualify for purposes of the 95% gross income test but not for purposes of the 75% gross income test. Our share of any dividends received from any other REIT in which we own an equity interest will be qualifying income for purposes of both gross income tests.

Hedging Transactions. From time to time, we may enter into hedging transactions with respect to one or more of our assets or liabilities. Our hedging activities may include entering into interest rate swaps, caps, and floors, options to purchase these items, and futures and forward contracts. To the extent that we enter into an interest rate swap or cap contract, option, futures contract, forward rate agreement, or any similar financial instrument to hedge our indebtedness incurred or to be incurred to acquire or carry real estate assets, including mortgage loans, any periodic income or gain from the disposition of that contract attributable to the carrying or acquisition of the real estate assets should be qualifying income for purposes of the 95% gross income test but not the 75% gross income test. To the extent that we hedge with other types of financial instruments or for other purposes, the income from those transactions is not likely to be treated as qualifying income for purposes of either gross income test. We intend to structure any hedging transactions in a manner that does not jeopardize our status as a REIT.

Prohibited Transactions. A REIT will incur a 100% tax on the net income derived from any sale or other disposition of property, other than foreclosure property, that the REIT holds primarily for sale to customers in the ordinary course of a trade or business. Whether a REIT holds an asset primarily for sale to customers in the ordinary course of a trade or business depends, however, on the facts and

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circumstances in effect from time to time, including those related to a particular asset. Income from timber sold pursuant to timber-cutting contracts will be treated as rents from real property or capital gain under Section 631(b) of the Internal Revenue Code and, accordingly, will not be treated as gain from the sale of property held for sale in our ordinary course of business.

To avoid the imposition of the prohibited transaction test, we intend to sell most or all of our higher and better use properties through a TRS. In addition, to the extent we sell any higher and better use properties held at the REIT level, we will attempt to comply with the terms of safe-harbor provisions in the federal income tax laws prescribing when an asset sale will not be characterized as a prohibited transaction. We cannot assure you, however, that we will always be able to identify properties that will become part of our dealer land sales business, that we will avoid owning property at the REIT level that may be characterized as property that we hold primarily for sale to customers in the ordinary course of a trade or business, or that we can comply with the safe-harbor provisions when we sell property held at the REIT level.

Failure to Satisfy Gross Income Tests. Except for amounts received with respect to certain investments of cash reserves, we anticipate that substantially all of our gross income will be derived from sources that will allow us to satisfy the income tests described above; however, we can make no assurance in this regard. If we fail one or both of the 75% and 95% gross income tests for any taxable year, we may nevertheless qualify as a REIT for that year if we are eligible for relief under the Internal Revenue Code. This relief generally will be available if: (1) our failure to meet such gross income tests is due to reasonable cause and not to willful neglect; and (2) we properly disclose the failure to the IRS. We, however, cannot state whether in all circumstances we would be entitled to the benefit of this relief provision. For example, if we fail to satisfy the gross income tests because nonqualifying income that we intentionally receive exceeds the limits on such income, the IRS could conclude that our failure to satisfy the tests was not due to reasonable cause. As discussed above in Federal Income Taxation of the Company, even if this relief provision applies, a 100% tax would be imposed on the greater of the amount by which we fail the 75% gross income test or the amount by which we fail the 95% gross income test, in either case multiplied by a fraction intended to reflect our profitability.

Asset Tests

At the close of each quarter of our taxable year, we must also satisfy four tests relating to the nature and diversification of our assets. First, at least 75% of the value of our total assets must be represented by real estate assets, cash and cash items (including receivables) and government securities. Second, not more than 25% of the value of our total assets may consist of securities (other than those securities includible in the 75% asset test). Third, except for stock or securities of REITs, qualified REIT subsidiaries, taxable REIT subsidiaries, equity interests in partnerships and other securities that qualify as real estate assets for purposes of the 75% asset test: (1) the value of any one issuer s securities owned by us may not exceed 5% of the value of our total assets; (2) we may not own more than 10% of any one issuer s outstanding voting securities; and (3) we may not own more than 10% of the value of the outstanding securities of any one issuer. Fourth, no more than 20% of the value of our total assets may be represented by securities of one or more taxable REIT subsidiaries.

Securities for purposes of the asset tests may include debt securities. The 10% value limitation will not apply, however, to (i) any security qualifying for the straight-debt exception discussed below, (ii) any loan to an individual or an estate; (iii) any rental agreement described in Section 467 of the Internal Revenue Code, other than with a related person ; (iv) any obligation to pay qualifying rents from real property; (v) certain securities issued by a State or any political subdivision thereof, the District of Columbia, a foreign government, or any political subdivision thereof, or the Commonwealth of Puerto Rico; (vi) any security issued by a REIT; and (vii) any other arrangement that, as determined by the Secretary of the Treasury, is excepted from the definition of a security. For purposes of the 10% value test, any debt instrument issued by a partnership (other than straight debt or another excluded security) will not be considered a security issued by the partnership if at least 75% of the partnership s gross income is derived from sources that would qualify for the 75% REIT gross income test and any debt instrument

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issued by a partnership (other than straight debt or other excluded security) will not be considered a security issued by the partnership to the extent of the REIT s interest as a partner in the partnership. There are special look-through rules for determining a REIT s share of securities held by a partnership in which the REIT holds an interest.

The straight-debt exception starts with the definition of straight debt in Section 1361 of the Internal Revenue Code (as modified) but permits certain contingent payments. The timing of payments of principal or interest may be contingent if such contingency causes specified limited changes to the debt s effective yield to maturity or the REIT does not hold more than $1 million (by face amount or issue price) of the issuer s debt instruments and not more than 12 months of unaccrued interest can be required to be prepaid on such debt instruments. In addition, the time or amount of payments may be contingent if such contingency arises only upon default or upon the issuer s exercise of a prepayment right and such contingencies are consistent with customary commercial practice.

The straight-debt exception will not apply to any securities issued by a corporation or partnership if the REIT and any controlled taxable REIT subsidiaries also own securities of such issuer that would not qualify for the straight-debt exception and that are worth more than 1% of the issuer s outstanding securities.

With respect to each issuer in which we currently own an interest that does not qualify as a REIT, a qualified REIT subsidiary or a taxable REIT subsidiary, we believe that our pro rata share of the value of the securities, including debt, of any such issuer does not exceed 5% of the total value of our assets and that we comply with the 10% voting securities limitation and 10% value limitation with respect to each such issuer. In this regard, however, we cannot provide any assurance that the IRS might not disagree with our determinations.

After initially meeting the asset tests at the close of any quarter, we will not lose our status as a REIT for failure to satisfy the asset tests at the end of a later quarter solely by reason of changes in asset values. If the failure to satisfy the asset tests results from an acquisition of securities or other property during a quarter, we can cure the failure by disposing of a sufficient amount of nonqualifying assets within 30 days after the close of that quarter. Even after the 30-day cure period, if we fail the 5% securities limitation or either of the 10% securities limitations, we may avoid disqualification as a REIT by disposing of a sufficient amount of nonqualifying assets to cure the violation if the assets causing the violation do not exceed the lesser of 1% of our assets at the end of the relevant quarter or $10 million, provided that, in either case, the disposition occurs within six months following the last day of the quarter in which we first identified the violation. For other violations of any of the REIT asset tests due to reasonable cause, we may avoid disqualification as a REIT after the 30-day cure period by taking certain steps, including the disposition of sufficient nonqualifying assets within the six-month period described above to meet the applicable asset test, paying a tax equal to the greater of $50,000 or the highest corporate tax rate multiplied by the net income generated by the nonqualifying assets during the period of time that the assets were held as nonqualifying assets and filing a schedule with the IRS that describes the nonqualifying assets.

We expect that more than 75% of our assets will consist of fee ownership and leasehold interests in timberlands. Accordingly, we believe that we will satisfy the 75% asset test described above. We intend to maintain adequate records of the value of our assets to ensure compliance with the asset tests and to take such other actions within 30 days after the close of any quarter as necessary to cure any noncompliance.

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Annual Distribution Requirements

To qualify for taxation as a REIT, we must meet the following annual distribution requirements, we must make distributions (other than capital gain distributions and deemed distributions of retained capital gain) to our stockholders in an amount at least equal to:

(1) the sum of (a) 90% of our REIT taxable income (computed without regard to the dividends paid deduction and by excluding our net capital gain) and (b) 90% of the net income, if any, from foreclosure property in excess of the excise tax on income from foreclosure property, minus

(2) the sum of certain items of noncash income.

We must pay these distributions in the taxable year to which they relate. Distributions paid in the subsequent year, however, will be treated as if distributed in the prior year for purposes of such prior year s 90% distribution requirement if (1) the distributions were declared in October, November or December, the distributions were payable to stockholders of record on a specified date in such month, and the distributions were actually distributed during January of the subsequent year; or (2) the distributions were declared before we timely filed our federal income tax return for such year, the distributions were paid in the 12-month period following the close of the prior year and not later than the first regular distribution payment after such declaration, and we elected on our tax return for the prior year to have a specified amount of the subsequent distribution treated as if distributed in the prior year.

If we dispose of any asset that is subject to the Built-In Gain Rules during the 10-year period beginning on the date on which we acquired the asset, we will be required to distribute at least 90% of the Built-In Gain (after tax), if any, recognized on the disposition of the asset.

We will pay federal income tax on taxable income, including net capital gain, that we do not distribute to stockholders. Furthermore, if we fail to distribute during a calendar year, or by the end of January following the calendar year in the case of distributions with declaration and record dates falling in the last three months of the calendar year, at least the sum of:

85% of our REIT ordinary income for such year,

95% of our REIT capital gain net income for such year, and

any undistributed taxable income from prior periods,

we will incur a 4% nondeductible excise tax on the excess of such required distribution over the amounts we actually distribute.

We may elect to retain and pay income tax on the net long-term capital gain we receive in a taxable year. See Taxation of Taxable U.S. Stockholders Distributions to Taxable U.S. Stockholders. If we so elect, we will be treated as having distributed any such retained amount for purposes of the 4% nondeductible excise tax described above. For these purposes, distributions that are declared in October, November or December of the relevant taxable year, are payable to stockholders of record on a specified date in such month and are actually distributed during January of the subsequent year are treated as distributed in the prior year.

We intend to make timely distributions sufficient to satisfy the annual distribution requirements and to avoid the 4% excise tax. In this regard, Wells Timber OP s partnership agreement will authorize us, as the sole general partner of Wells Timber OP, to take such steps as may be necessary to cause Wells Timber OP to distribute to its partners an amount sufficient to permit us to meet these distribution requirements. We expect that our REIT taxable income will be less than our cash flow due to the allowance of cost depletion in computing REIT taxable income. Accordingly, we anticipate that we generally will have sufficient cash or liquid assets to enable us to satisfy the 90% distribution requirement. It is possible that we may not have sufficient cash or other liquid assets from time to time to meet the 90% distribution requirement or to distribute such greater amount as may be necessary to avoid income and excise tax. In such event, we may find it necessary to borrow funds to pay the required distribution or, if possible, pay taxable stock dividends in order to meet the distribution requirement.

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In order for us to deduct distributions to our stockholders, such distributions must not be preferential within the meaning of Section 562(c) of the Internal Revenue Code. Every holder of a particular class of stock must be treated the same as every other holder of shares of such class, and no class of stock may be treated otherwise than in accordance with its distribution rights as a class.

In the event that we are subject to an adjustment to our REIT taxable income (as defined in Section 860(d)(2) of the Internal Revenue Code) resulting from an adverse determination by either a final court decision, a closing agreement between us and the IRS under Section 7121 of the Internal Revenue Code, an agreement as to tax liability between us and an IRS district director or a statement by us attached to an amendment or supplement to our federal income tax return, we may be able to correct any resulting failure to meet the 90% annual distribution requirement by paying deficiency dividends to our stockholders that relate to the adjusted year but that are paid in the subsequent year. To qualify as a deficiency dividend, the distribution must be made within 90 days of the adverse determination and we also must satisfy certain other procedural requirements. If the statutory requirements of Section 860 of the Internal Revenue Code are satisfied, a deduction is allowed for any deficiency dividend subsequently paid by us to offset an increase in our REIT taxable income resulting from an adverse determination. We, however, will be required to pay statutory interest on the amount of any deduction taken for deficiency dividends to compensate for the deferral of the tax liability.

Earnings and Profits

Throughout the remainder of this discussion, we frequently will refer to earnings and profits. Earnings and profits is a concept used extensively throughout corporate tax law but it is undefined in the Internal Revenue Code. Each corporation maintains an earnings and profits account that helps to measure whether a distribution originates from corporate earnings or from other sources. Distributions generally decrease earnings and profits while income generally increases earnings and profits. If a corporation has positive earnings and profits, distributions generally will be considered to come from corporate earnings. If a corporation has no earnings and profits, distributions generally will be considered a return of capital and then capital gain. At the close of any taxable year, a REIT cannot have accumulated earnings and profits attributable to any non-REIT year and remain qualified as a REIT.

Statutory Relief

If we fail to satisfy one or more of the requirements for qualification as a REIT, other than the income tests and asset tests discussed above, we will not lose our status as a REIT if our failure was due to reasonable cause and not willful neglect, and we pay a penalty of $50,000 for each such failure.

Failure to Qualify

If we fail to qualify as a REIT in any year and the relief provisions do not apply, we will be subject to tax (including any applicable alternative minimum tax) on our taxable income at regular corporate rates. Distributions to stockholders in any year in which we fail to qualify will not be deductible by us, but we also will not be required to make distributions during those years. In such event, to the extent of positive current or accumulated earnings and profits, all distributions to stockholders will be dividends that are taxable to individuals at preferential rates through 2010. Subject to certain limitations of the Internal Revenue Code, corporate distributees may be eligible for the dividends received deduction. Unless we are entitled to relief under specific statutory provisions, we also will be disqualified from taxation as a REIT for the four taxable years following the year during which qualification was lost. It is not possible to state whether in all circumstances we would be entitled to such statutory relief.

Taxable REIT Subsidiaries

As described above, we may own up to 100% of the stock of one or more TRSs. A TRS is a fully taxable corporation that may earn income that would not be qualifying income if earned directly by us. A corporation will not qualify as a TRS if it directly or indirectly operates or manages any hotels or health

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care facilities or provides rights to any brand name under which any hotel or health care facility is operated.

We and our corporate subsidiary must elect for the subsidiary to be treated as a TRS. A corporation of which a qualifying TRS directly or indirectly owns more than 35% of the voting power or value of the stock will automatically be treated as a TRS. Overall, no more than 20% of the value of our assets may consist of securities of one or more TRSs, and no more than 25% of the value of our assets may consist of the securities of TRSs and other non-TRS taxable subsidiaries and other assets that are not qualifying assets for purposes of the 75% asset test.

The TRS rules limit the deductibility of interest paid or accrued by a TRS to us to assure that the TRS is subject to an appropriate level of corporate taxation. Further, the rules impose a 100% tax on transactions between a TRS and us or our lessees that are not conducted on an arm s-length basis.

We intend to conduct certain of our activities that will produce nonqualifying income for the gross income tests or may be subject to the prohibited transactions tax, such as the sale of higher and better use properties, through one or more entities that will elect to be treated as TRSs. We believe that all transactions between us and any TRS that we form or acquire will be conducted on an arm s-length basis.

Taxation of U.S. Stockholders

When we use the term U.S. Stockholder, we mean a holder of common stock that for federal income tax purposes:

(1) is a citizen or resident of the United States;

(2) is a corporation (including an entity treated as a corporation for United States federal income tax purposes) created or organized in or under the laws of the United States or any of its political subdivisions;

(3) is an estate the income of which is subject to federal income taxation regardless of its source; or

(4) is a trust, provided that a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States persons have the authority to control all substantial decisions of the trust.

If an entity classified as a partnership for federal income tax purposes holds our stock, the tax treatment of a partner will depend on the status of the partner and on the activities of the partnership. Partners of partnerships holding our stock should consult their tax advisors.

For any taxable year for which we qualify for taxation as a REIT, amounts distributed to taxable U.S. Stockholders will be taxed as discussed below.

Distributions Generally

Distributions to U.S. Stockholders, other than capital gain dividends (which are discussed below) will constitute taxable dividends up to the amount of our positive current or accumulated earnings and profits. Dividends received from REITs are generally not eligible to be taxed at the preferential qualified dividend income rates currently applicable to individuals who receive dividends from taxable C corporations. However, there are exceptions: Individual stockholders are taxed at such rates on dividends designated by and received from REITs to the extent that the dividends are attributable to (i) income that the REIT previously retained in a prior year and on which it was subject to corporate level tax; (ii) dividends received by the REIT from taxable corporations (including taxable REIT subsidiaries); or (iii) income from sales of appreciated property subject to the Built-In Gain Rules. Because a REIT is not subject to tax on income distributed to its stockholders, the distributions made to corporate stockholders are not eligible for the dividends received deduction. To the extent that we make a distribution in excess of our positive current or accumulated earnings and profits, the distribution will be treated first as a tax-free

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return of capital (reducing the tax basis in the U.S. Stockholder s shares of our common stock) and then the distribution in excess of the tax basis will be taxable as gain realized from the sale of the common stock. Distributions we declare in October, November or December of any year payable to stockholders of record on a specified date in any such month are treated as both paid by us and received by the stockholders on December 31 of that year, provided that we actually pay the distributions during January of the following calendar year. Stockholders are not allowed to include on their own federal income tax returns any of our tax losses.

Capital Gain Distributions

Distributions to U.S. Stockholders that we properly designate as capital gain dividends will be treated as long-term capital gains (to the extent they do not exceed our actual net capital gain) for the taxable year without regard to the period for which the U.S. Stockholder has held the stock. However, corporate U.S. Stockholders may be required to treat up to 20% of certain capital gain dividends as ordinary income. Capital gain dividends are not eligible for the dividends received deduction for corporations. In the case of individuals, long-term capital gains are generally taxable at maximum federal rates of 15% (through 2010), except that capital gains attributable to the sale of depreciable real property held for more than 12 months are subject to a 25% maximum federal income tax rate to the extent of previously claimed depreciation deductions.

We may elect to retain and pay federal income tax on any net long-term capital gain. In this instance, U.S. Stockholders will include in their income their proportionate share of the undistributed long-term capital gain. The U.S. Stockholders also will be deemed to have paid their proportionate share of tax on such long-term capital gain and, therefore, will receive a credit or refund for the amount of such tax. In addition, the basis of the U.S. Stockholders shares will be increased in an amount equal to the excess of the amount of capital gain included in his or her income over the amount of tax he or she is deemed to have paid.

Certain Dispositions of Shares

In general, U.S. Stockholders will realize capital gain or loss on the sale of common stock equal to the difference between (1) the amount of cash and the fair market value of any property received by the U.S. Stockholder on such disposition and (2) the U.S. Stockholder s adjusted basis of such common stock. Losses incurred on the sale or exchange of our common stock that a U.S. Stockholder holds for less than six months (after applying certain holding period rules) will be treated as long-term capital loss to the extent of any capital gain dividend the stockholder has received with respect to those shares.

The applicable tax rate will depend on the U.S. Stockholder s holding period in the asset (generally, if the U.S. Stockholder has held the asset for more than one year, it will produce long-term capital gain) and the U.S. Stockholder s tax bracket. The IRS has the authority to prescribe, but has not yet prescribed, regulations that would apply a capital gain tax rate of 25% (which is generally higher than the long-term capital gain tax rates for noncorporate stockholders) to a portion of the capital gain realized by a noncorporate stockholder on the sale of common stock that would correspond to our unrecaptured Section 1250 gain. U.S. Stockholders should consult with their own tax advisors with respect to their capital gain tax liability. In general, any loss recognized by a U.S. Stockholder upon the sale or other disposition of common stock that the U.S. Stockholder has held for six months or less, after applying the holding period rules, will be treated as long-term capital loss to the extent of distributions received by the U.S. Stockholder from us that were required to be treated as long-term capital gains.

If a U.S. Stockholder has shares of our common stock redeemed by us, such U.S. Stockholder will be treated as if such U.S. Stockholder sold the redeemed shares if all of such U.S. Stockholder s shares of our common stock are redeemed or if such redemption is not essentially equivalent to a dividend within the meaning of Section 302(b)(1) of the Internal Revenue Code or substantially disproportionate within the meaning of Section 302(b)(2) of the Internal Revenue Code. If a redemption is not treated as a sale

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of the redeemed shares, it will be treated as a dividend distribution. U.S. Stockholders should consult with their tax advisors regarding the taxation of any particular redemption of our shares.

Passive Activity Loss and Investment Interest Limitations

U.S. Stockholders may not treat distributions we make to them or any gain from disposing of our common stock as passive activity income. Therefore, U.S. Stockholders will not be able to apply any passive losses against such income. Distributions we pay (to the extent they do not constitute a return of capital) generally will be treated as investment income for purposes of the investment interest limitation. Net capital gain from the disposition of our common stock (or capital gain dividends) generally will be excluded from investment income unless the stockholder elects to have such gain taxed at ordinary income rates.

Treatment of Tax-Exempt Stockholders

Distributions we make to a tax-exempt employee pension trust or most other types of domestic tax-exempt stockholder generally will not constitute unrelated business taxable income (UBTI), unless the tax-exempt stockholder has borrowed to acquire or carry our shares of our common stock. Qualified trusts that hold more than 10% (by value) of the shares of pension-held REITs may be required to treat a certain percentage of such REIT s distributions as UBTI. We expect that our ownership limitations will prevent us from becoming a pension-held REIT, unless our board of directors grants qualified plan waivers from our ownership limitations.

Special Tax Considerations for Non-U.S. Stockholders

The rules governing United States income taxation of non-U.S. Stockholders (beneficial owners of shares of our common stock who are not U.S. Stockholders) are complex. We intend the following discussion to be only a summary of these rules. Prospective non-U.S. Stockholders should consult with their own tax advisors to determine the impact of federal, state, local and foreign tax laws on an investment in our common stock, including any reporting requirements.

In general, non-U.S. Stockholders will be subject to regular federal income tax with respect to their investment in us if the income from the investment is effectively connected with the non-U.S. Stockholder s conduct of a trade or business in the United States. A corporate non-U.S. Stockholder that receives income that is (or is treated as) effectively connected with a U.S. trade or business also may be subject to the branch profits tax, which is imposed in addition to regular federal income tax at the rate of 30%, subject to reduction under a tax treaty, if applicable. Effectively connected income must meet various certification requirements to be exempt from withholding. The following discussion will apply to non-U.S. Stockholders whose income from their investments in us is not effectively connected (except to the extent that the FIRPTA rules discussed below treat such income as effectively connected income).

A distribution payable out of our current or accumulated earnings and profits that is not attributable to gain from the sale or exchange by us of a United States real property interest and that we do not designate as a capital gain distribution will be subject to federal income tax, required to be withheld by us, equal to 30% of the gross amount of the distribution, unless an applicable tax treaty reduces this tax. A distribution in excess of our earnings and profits will be treated first as a return of capital that will reduce a non-U.S. Stockholder s basis in his or her common stock (but not below zero) and then as gain from the disposition of such stock, the tax treatment of which is described under the rules discussed below with respect to dispositions of common stock.

As long as our stock is not regularly traded on an established securities market in the United States, distributions by us that are attributable to gain from the sale or exchange of a United States real property interest will be taxed to a non-U.S. Stockholder under the Foreign Investment in Real Property Tax Act of 1980 (FIRPTA). Such distributions are taxed to a non-U.S. Stockholder as if the distributions were gains effectively connected with a United States trade or business. Accordingly, a non-U.S. Stockholder

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will be taxed at the normal capital gain rates applicable to a U.S. Stockholder (subject to any applicable alternative minimum tax and a special alternative minimum tax in the case of nonresident alien individuals). Such distributions also may be subject to a 30% branch profits tax when made to a foreign corporation that is not entitled to an exemption or reduced branch profits tax rate under a tax treaty. If our shares of common stock are ever regularly traded on an established securities market in the United States, then, with respect to distributions by us that are attributable to gain from the sale or exchange of a United States real property interest, a non-U.S. Stockholder who does not own more than 5% of our common stock at any time during the taxable year: (i) will be taxed on such capital gain dividend as if the distribution was an ordinary dividend, (ii) will generally not be required to report distributions received from us on U.S. federal income tax returns and (iii) will not be subject to a branch profits tax with respect to such distribution. At the time you purchase shares in this offering, our shares will not be publicly traded, and we can give you no assurance that our shares will ever be publicly traded on an established securities exchange.

It should be emphasized that the income we receive under timber-cutting contracts subject to Section 631(b) of the Internal Revenue Code will be characterized for federal income tax purposes as gain from the sale or other disposition of real property and that we will withhold at the 35% rate on distributions to non-U.S. stockholders attributable to such gain realized in respect of such timber-cutting contracts. Accordingly, an investment in our common stock may be less favorable than investments in REITs, the income of which is not primarily gains from timber sales.

Although the law is not clear on this matter, it appears that amounts designated by us as undistributed capital gains in respect of the common stock generally should be treated with respect to non-U.S. Stockholders in the same manner as actual distributions by us of capital gain dividends. Under that approach, the non-U.S. Stockholder would be able to offset as a credit against his or her resulting federal income tax liability an amount equal to his or her proportionate share of the tax paid by us on the undistributed capital gains and to receive from the IRS a refund to the extent his or her proportionate share of this tax paid by us was to exceed his or her actual federal income tax liability.

Although tax treaties may reduce our withholding obligations, we generally will be required to withhold tax from distributions to non-U.S. Stockholders, and remit to the IRS 35% of designated capital gain dividends (or, if greater, 35% of the amount of any distributions that could be designated as capital gain dividends) and 30% of ordinary dividends paid out of earnings and profits. In addition, if we designate prior distributions as capital gain dividends, subsequent distributions, up to the amount of such prior distributions that we designated as capital gain dividends, will be treated as capital gain dividends for purposes of withholding. In addition, we may be required to withhold 10% of distributions in excess of our current and accumulated earnings and profits. If the amount of tax withheld by us with respect to a distribution to a non-U.S. Stockholder exceeds the stockholder s United States tax liability, the non-U.S. Stockholder may file for a refund of such excess from the IRS.

We expect to withhold federal income tax at the rate of 30% on all distributions (including distributions that later may be determined to have been in excess of current and accumulated earnings and profits) made to a non-U.S. Stockholder, unless:

- a lower treaty rate applies and the non-U.S. Stockholder files with us an IRS Form W-8BEN evidencing eligibility for that reduced treaty rate;
- the non-U.S. Stockholder files with us an IRS Form W-8ECI claiming that the distribution is income effectively connected with the non-U.S. Stockholder s trade or business so that no withholding tax is required; or
- the distributions are treated for FIRPTA withholding tax purposes as attributable to a sale of a U.S. real property interest, in which case tax will be withheld at a 35% rate.

Gain from a disposition of common stock by a non-U.S. Stockholder generally will be subject to federal income taxation unless our common stock does not constitute a U.S. real property interest within the meaning of FIRPTA. Our common stock will not constitute a U.S. real property interest if we are a

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domestically controlled qualified investment entity. A REIT is a domestically controlled qualified investment entity if at all times during a specified testing period less than 50% in value of its shares is held directly or indirectly by non-U.S. Stockholders. We currently anticipate that we will be a domestically controlled qualified investment entity and, therefore, that the sale of our common stock will not be subject to taxation under FIRPTA. We cannot assure non-U.S. Stockholders, however, that we will be a domestically controlled qualified investment entity. If we were not a domestically controlled qualified investment entity, a non-U.S. Stockholder s sale of common stock would be subject to tax under FIRPTA as a sale of a U.S. real property interest, unless the common stock were regularly traded on an established securities market and the selling stockholder owned no more than 5% of the common stock throughout the applicable testing period. If the gain on the sale of common stock was subject to taxation under FIRPTA, the non-U.S. Stockholder would be subject to the same treatment as a U.S. Stockholder with respect to the gain (subject to applicable alternative minimum tax and a special alternative minimum tax in the case of nonresident alien individuals). However, even if our common stock is not a U.S. real property interest, a nonresident alien individual s gains from the sale of our common stock will be taxable if the nonresident alien individual is present in the United States for 183 days or more during the taxable year and certain other conditions apply, in which case the nonresident alien individual will be subject to a 30% tax on his or her U.S.-source capital gains.

A purchaser of common stock from a non-U.S. Stockholder will not be required to withhold under FIRPTA on the purchase price if the purchased common stock is regularly traded on an established securities market or if we are a domestically controlled qualified investment entity. Otherwise, the purchaser of common stock from a non-U.S. Stockholder may be required to withhold 10% of the purchase price and remit this amount to the IRS. At the time you purchase shares in this offering, our shares will not be publicly traded, and we can give you no assurance that our shares will ever be publicly traded on an established securities exchange or that we will be a domestically controlled qualified investment entity.

If a non-U.S. Stockholder has shares of our common stock redeemed by us, such non-U.S. Stockholder will be treated as if such non-U.S. Stockholder sold the redeemed shares if all of such non-U.S. Stockholder s shares of our common stock are redeemed or if such redemption is not essentially equivalent to a dividend within the meaning of Section 302(b)(1) of the Internal Revenue Code or substantially disproportionate within the meaning of Section 302(b)(2) of the Internal Revenue Code. If a redemption is not treated as a sale of the redeemed shares, it will be treated as a dividend distribution. Non-U.S. Stockholders should consult with their tax advisors regarding the taxation of any particular redemption of our shares.

Upon the death of a nonresident alien individual, that individual s common stock will be treated as part of his or her U.S. estate for purposes of the U.S. estate tax, except as may be otherwise provided in an applicable estate tax treaty.

Information Reporting Requirements and Backup Withholding Tax

U.S. Stockholders

In general, information reporting requirements will apply to payments of distributions on our common stock and to payments of the proceeds of the sale of our common stock, unless an exception applies. Further, under certain circumstances, U.S. Stockholders may be subject to backup withholding on payments made with respect to, or cash proceeds of a sale or exchange of, our common stock. Backup withholding will apply only if:

(1) the payee fails to furnish his or her taxpayer identification number (which, for an individual, would be his or her Social Security number) to the payor as required;

(2) the IRS notifies the payor that the taxpayer identification number furnished by the payee is incorrect;

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(3) the IRS has notified the payee that such payee has failed to properly include reportable interest and dividends in the payee s return or has failed to file the appropriate return and the IRS has assessed a deficiency with respect to such underreporting; or

(4) the payee has failed to certify to the payor, under penalties of perjury, that the payee is not subject to withholding.

In addition, backup withholding will not apply with respect to payments made to certain exempt recipients, such as corporations and tax-exempt organizations. U.S. Stockholders should consult their own tax advisors regarding their qualifications for exemption from backup withholding and the procedure for obtaining such an exemption.

Backup withholding is not an additional tax. Rather, the amount of any backup withholding with respect to a payment to a U.S. Stockholder will be allowed as a credit against the U.S. Stockholder s federal income tax liability and may entitle the stockholder to a refund, provided that the stockholder furnishes the required information to the IRS.

Non-U.S. Stockholders

Generally, information reporting will apply to payments of distributions on our common stock and backup withholding may apply, unless the payee certifies that he or she is not a U.S. person or otherwise establishes an exemption.

The payment of the proceeds from the disposition of our common stock to or through the U.S. office of a U.S. or foreign broker will be subject to information reporting and, possibly, backup withholding, unless the non-U.S. Stockholder certifies as to his or her non-U.S. status or otherwise establishes an exemption and provided that the broker does not have actual knowledge that the stockholder is a U.S. person or that the conditions of any other exemption are not, in fact, satisfied. The proceeds of the disposition of our common stock by a non-U.S. Stockholder to or through a foreign office of a broker generally will not be subject to information reporting or backup withholding. However, if the broker is a U.S. person, a controlled foreign corporation for U.S. tax purposes or a foreign person whose gross income is 50% or more from all sources for specified periods and is from activities that are effectively connected with a U.S. trade or business, information reporting generally will apply, unless the broker has documentary evidence as to the non-U.S. Stockholder s foreign status and has no actual knowledge to the contrary.

Applicable Treasury regulations provide presumptions regarding the status of stockholders when payments to the stockholders cannot be reliably associated with appropriate documentation provided to the payor. These Treasury regulations require some stockholders to have provided new certifications with respect to payments made after December 31, 2000. Because the application of these Treasury regulations varies depending on the stockholder s particular circumstances, non-U.S. Stockholders should consult their tax advisors with regard to U.S. information reporting and backup withholding.

Tax Aspects of Wells Timber OP

We expect that substantially all of our investments will be held through Wells Timber OP. In general, partnerships are pass-through entities that are not subject to federal income tax. Rather, partners are allocated their proportionate share of the items of income, gain, loss, deduction and credit of a partnership and are potentially subject to tax thereon, without regard to whether the partners receive distributions from the partnership. Wells Timber OP will be treated as a disregarded entity for federal income tax purposes if we own 100% of the interests therein, directly or through one or more of our wholly owned subsidiaries, and will be treated as a partnership for federal income tax purposes if there is another partner who is not disregarded for federal income tax purposes that owns an interest in Wells Timber OP. Wells Capital currently holds common units and special units in Wells Timber OP. We will include in our income our proportionate share of Wells Timber OP s income, gain, loss, deduction and credit for purposes of the

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various REIT income tests and in the computation of our REIT taxable income. In addition, we will include our proportionate share of the assets held by Wells Timber OP in the REIT asset tests.

State and Local Taxes

We may be subject to state and local tax in various states and localities. Our stockholders also may be subject to state and local tax in various states and localities. The tax treatment to us and to our stockholders in such jurisdictions may differ from the federal income tax treatment described above. Consequently, before you buy our common stock, you should consult your own tax advisor regarding the effect of state and local tax laws on an investment in our common stock.

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ERISA CONSIDERATIONS

The following is a summary of some considerations associated with an investment in our shares by a qualified employee pension benefit plan or an individual retirement account (IRA). This summary is based on provisions of the Employee Retirement Income Security Act of 1974 (ERISA) and the Internal Revenue Code, each as amended through the date of this prospectus, and the relevant regulations, opinions and other authority issued by the Department of Labor and the IRS. We cannot assure you that there will not be adverse tax or labor decisions or legislative, regulatory or administrative changes that would significantly modify the statements expressed herein. Any such changes may apply to transactions entered into prior to the date of their enactment.

Each fiduciary of an employee pension benefit plan subject to ERISA (such as a profit-sharing, Section 401(k) or pension plan) or any other retirement plan or account subject to Section 4975 of the Internal Revenue Code, such as an IRA, seeking to invest plan assets in our shares must, taking into account the facts and circumstances of each such plan or IRA (Benefit Plan), consider, among other matters:

whether the investment is consistent with the applicable provisions of ERISA and the Internal Revenue Code;

whether, under the facts and circumstances pertaining to the Benefit Plan in question, the fiduciary s responsibility to the plan has been satisfied;

whether the investment will produce unrelated business taxable income (UBTI) to the Benefit Plan (see Federal Income Tax Considerations Taxation of U.S. Stockholders Treatment of Tax-Exempt Stockholders); and

the need to value the assets of the Benefit Plan annually.

Under ERISA, a plan fiduciary s responsibilities include the following duties:

to act solely in the interest of plan participants and beneficiaries and for the exclusive purpose of providing benefits to them, as well as defraying reasonable expenses of plan administration;

to invest plan assets prudently;

to diversify the investments of the plan, unless it is clearly prudent not to do so;

to ensure sufficient liquidity for the plan;

to ensure the plan investments are made in accordance with plan documents; and

to consider whether an investment would constitute or give rise to a prohibited transaction under ERISA or the Internal Revenue Code.

ERISA also requires that the assets of an employee benefit plan be held in trust and that the trustee, or a duly authorized named fiduciary or investment manager, have exclusive authority and discretion to manage and control the assets of the plan.

Prohibited Transactions

Section 406 of ERISA and Section 4975 of the Internal Revenue Code prohibit specified transactions involving the assets of a Benefit Plan that are between the plan and any party-in-interest or disqualified person with respect to that Benefit Plan, unless an administrative or statutory exemption applies. These transactions are prohibited regardless of how beneficial they may be for the Benefit Plan. Prohibited transactions include the sale, exchange or leasing of property, and the lending of money or the extension of credit, between a Benefit Plan and a party-in-interest or disqualified person. The transfer to (or use by or for the benefit of) a party-in-interest or disqualified person of any assets of a Benefit Plan is also prohibited, as is the furnishing of services between a plan and a party-in-interest. A fiduciary of a Benefit Plan is also prohibited from engaging in self-dealing, acting for a person who has an interest adverse to the

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plan in connection with a transaction involving the plan or receiving any consideration for its own account from a party dealing with the plan in a transaction involving plan assets. Furthermore, Section 408 of the Internal Revenue Code states that assets of an IRA trust may not be commingled with other property except in a common trust fund or common investment fund.

Plan Asset Considerations

In order to determine whether an investment in our shares by a Benefit Plan creates or gives rise to the potential for either prohibited transactions or a commingling of assets as referred to above, a fiduciary must consider whether an investment in our shares will cause our assets to be treated as assets of the investing Benefit Plan. Neither ERISA nor the Internal Revenue Code defines the term plan assets ; however, regulations promulgated by the Department of Labor provide guidelines as to whether, and under what circumstances, the underlying assets of an entity will be deemed to constitute assets of a Benefit Plan when the plan invests in that entity (Plan Assets Regulation). Under the Plan Assets Regulation, the assets of corporations, partnerships or other entities in which a Benefit Plan makes an equity investment will generally be deemed to be assets of the Benefit Plan, unless the entity satisfies one of the exceptions to this general rule. As discussed below, we have received an opinion of counsel that, based on the Plan Assets Regulation, it is more likely than not that our underlying assets would not be deemed to be plan assets of Benefit Plans investing in our shares, assuming the conditions set forth in the opinion are satisfied, based upon the fact that at least one of the specific exemptions set forth in the Plan Assets Regulation is satisfied, as determined under the criteria set forth below.

Specifically, the Plan Assets Regulation provides that the underlying assets of REITs will not be treated as assets of a Benefit Plan investing therein if the interest the Benefit Plan acquires is a publicly offered security. A publicly offered security must be:

sold as part of a public offering registered under the Securities Act of 1933, as amended, and be part of a class of securities registered under the Securities Exchange Act of 1934, as amended, within a specified time period;

part of a class of securities that is owned by 100 or more persons who are independent of the issuer and one another; and

freely transferable.

Our shares are being sold as part of an offering of securities to the public pursuant to an effective registration statement under the Securities Act, and are part of a class that will be registered under the Securities Exchange Act within the specified period. In addition, we will have well in excess of 100 independent stockholders. Thus, both the first and second criteria of the publicly offered security exception will be satisfied.

Whether a security is freely transferable depends upon the particular facts and circumstances. For example, our shares are subject to certain restrictions on transferability intended to ensure that we continue to qualify for federal income tax treatment as a REIT. The regulation provides, however, that where the minimum investment in a public offering of securities is $10,000 or less, the presence of a restriction on transferability intended to prohibit transfers that would result in a termination or reclassification of the entity for state or federal tax purposes will not ordinarily affect a determination that such securities are freely transferable. The minimum investment in our shares is less than $10,000; thus, the restrictions imposed in order to maintain our status as a REIT should not cause the shares to be deemed not to be freely transferable.

In the event that our underlying assets were treated by the Department of Labor as the assets of investing Benefit Plans, our management would be treated as fiduciaries with respect to each Benefit Plan stockholder, and an investment in our shares might constitute an ineffective delegation of fiduciary responsibility to Wells Capital, our advisor, and expose the fiduciary of the Benefit Plan to co-fiduciary liability under ERISA for any breach by Wells Capital of the fiduciary duties mandated under ERISA.

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Further, if our assets are deemed to be plan assets, an investment by an IRA in our shares might be deemed to result in an impermissible commingling of IRA assets with other property.

If Wells Capital or its affiliates were treated as fiduciaries with respect to Benefit Plan stockholders, the prohibited transaction restrictions of ERISA and the Internal Revenue Code would apply to any transaction involving our assets. These restrictions could, for example, require that we avoid transactions with persons who are affiliated with or related to us or our affiliates or require that we restructure our activities in order to obtain an administrative exemption from the prohibited transaction restrictions. Alternatively, we might have to provide Benefit Plan stockholders with the opportunity to sell their shares to us or we might dissolve.

If a prohibited transaction were to occur, the Internal Revenue Code imposes an excise tax equal to 15% of the amount involved and authorizes the IRS to impose an additional 100% excise tax if the prohibited transaction is not corrected in a timely manner. These taxes would be imposed on any disqualified person who participates in the prohibited transaction. In addition, Wells Capital and possibly other fiduciaries of Benefit Plan stockholders subject to ERISA who permitted the prohibited transaction to occur or who otherwise breached their fiduciary responsibilities (or a nonfiduciary participating in a prohibited transaction) could be required to restore to the Benefit Plan any profits they realized as a result of the transaction or breach and make good to the Benefit Plan any losses incurred by the Benefit Plan as a result of the transaction or breach. With respect to an IRA that invests in our shares, the occurrence of a prohibited transaction involving the individual who established the IRA, or his or her beneficiary, would cause the IRA to lose its tax-exempt status under Section 408(e)(2) of the Internal Revenue Code.

We have obtained an opinion from counsel that it is more likely than not that our shares will be deemed to constitute publicly offered securities and, accordingly, that it is more likely than not that our underlying assets should not be considered plan assets under the Plan Assets Regulation, assuming the offering takes place as described in this prospectus. If our underlying assets are not deemed to be plan assets, the problems discussed in the immediately preceding three paragraphs are not expected to arise.

Other Prohibited Transactions

Regardless of whether the shares qualify for the publicly offered security exception of the Plan Assets Regulation, a prohibited transaction could occur if we, Wells Capital, any selected broker/ dealer or any of their affiliates is a fiduciary (within the meaning of Section 3(21) of ERISA) with respect to any Benefit Plan purchasing our shares. Accordingly, unless an administrative or statutory exemption applies, shares should not be purchased by a Benefit Plan with respect to which any of the above persons is a fiduciary. A person is a fiduciary with respect to a Benefit Plan under Section 3(21) of ERISA if, among other things, the person has discretionary authority or control with respect to the Benefit Plan or plan assets, or provides investment advice for a fee with respect to plan assets. Under a regulation issued by the Department of Labor, a person shall be deemed to be providing investment advice if that person renders advice as to the advisability of investing in our shares and that person regularly provides investment advice to the Benefit Plan pursuant to a mutual agreement or understanding (written or otherwise) (1) that the advice will serve as the primary basis for investment decisions, and (2) that the advice will be individualized for the Benefit Plan based on its particular needs.

Annual Valuation

A fiduciary of an employee benefit plan subject to ERISA is required to determine annually the fair market value of each asset of the plan as of the end of the plan s fiscal year and to file a report reflecting that value with the Department of Labor. When the fair market value of any particular asset is not available, the fiduciary is required to make a good faith determination of that asset s fair market value, assuming an orderly liquidation at the time the determination is made. In addition, a trustee or custodian of an IRA must provide an IRA participant with a statement of the value of the IRA each year. In discharging its obligation to value assets of a plan, a fiduciary subject to ERISA must act consistently with the relevant provisions of the plan and the general fiduciary standards of ERISA.

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Unless and until our shares are listed on a national securities exchange, we do not expect that a public market for our shares will develop. To date, neither the IRS nor the Department of Labor has promulgated regulations specifying how a plan fiduciary should determine the fair market value of shares when the fair market value of such shares is not determined in the marketplace. Therefore, to assist fiduciaries in fulfilling their valuation and annual reporting responsibilities, we intend to have our advisor prepare annual reports of the estimated value of our shares.

Eventually, we may engage a third-party valuation firm to value our shares; however, we intend to use our advisor s estimate until the completion of our offering stage. (We will view our offering stage as complete upon the termination of our last public equity offering prior to the listing of our shares on a national securities exchange. For purposes of this definition, we do not consider a public equity offering to include offerings on behalf of selling stockholders or offerings related to a distribution reinvestment plan, employee benefit plan or the redemption of interests in Wells Timber OP.) Furthermore, until we have completed our offering stage, our advisor has indicated that it intends to use the most recent price paid to acquire a share in our offering (ignoring purchase price discounts for certain categories of purchasers) as its estimated per share value of our shares. Although this approach to valuing our shares has the advantage of avoiding the cost of paying for appraisals or other valuation services, the estimated value may bear little relationship and will likely exceed what you might receive for your shares if you tried to sell them or if we liquidated our portfolio.

After 12 months from completion of our offering stage, we will publish a valuation of our shares as determined by our advisor or another firm chosen for that purpose, which estimate will be based upon a number of assumptions that may not be accurate or complete. We do not currently anticipate obtaining appraisals for our properties and, accordingly, the estimates should not be viewed as an accurate reflection of the fair market value of our properties nor will they represent the amount of net proceeds that would result from an immediate sale of our properties. For these reasons, the estimated valuations should not be utilized for any purpose other than to assist plan fiduciaries in fulfilling their annual valuation and reporting responsibilities. Even after our advisor no longer uses the most recent offering price as the estimated value of our shares, you should be aware of the following:

- the estimated values may not be realized by us or by you upon liquidation (in part because estimated values do not necessarily indicate the price at which assets could be sold and because the estimates may not take into account the expenses of selling our assets);
- you may not realize these values if you were to attempt to sell your shares; and
- the estimated values, or the method used to establish values, may not comply with the ERISA or IRA requirements described above.

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DESCRIPTION OF SHARES

Our charter authorizes the issuance of 1 billion shares of stock, of which 900 million shares are designated as common stock with a par value of $0.01 per share, and 100 million shares are designated as preferred stock with a par value of $0.01 per share. In addition, our board of directors may amend our charter without stockholder approval to increase or decrease the number of our authorized shares.

As of the date of this prospectus, 20,000 shares of our common stock were issued and outstanding, and no shares of preferred stock were issued and outstanding.

Common Stock

Except as may otherwise be specified in the terms of any class or series of common stock, the holders of common stock are entitled to one vote per share on all matters voted on by stockholders, including election of our directors. Our charter does not provide for cumulative voting in the election of our directors. Therefore, the holders of a majority of the outstanding common shares can elect our entire board of directors. Subject to any preferential rights of any outstanding series of preferred stock, the holders of common stock are entitled to such distributions as may be authorized from time to time by our board of directors and declared by us out of legally available funds and, upon liquidation, are entitled to receive all assets available for distribution to our stockholders. Holders of shares of common stock will not have preemptive rights, which means that you will not have an automatic option to purchase any new shares that we issue.

Our board of directors has authorized the issuance of shares of our stock without certificates. We expect that, until our shares are listed on a national securities exchange, we will not issue shares in certificated form. We maintain a stock ledger that contains the name and address of each stockholder and the number of shares that the stockholder holds. With respect to uncertificated stock, we will continue to treat the stockholder registered on our stock ledger as the owner of the shares until the new owner delivers a properly executed form to us, which form we will provide to any registered holder upon request.

Preferred Stock

Our charter authorizes our board of directors to classify and reclassify any unissued shares of our common and preferred stock into one or more classes or series of stock, and to issue such classified or reclassified stock, without stockholder approval. Our board of directors must determine the relative rights, preferences and privileges of each class or series of stock so issued, which may be more beneficial than the rights, preferences and privileges attributable to the common stock. The issuance of such stock could have the effect of delaying, deferring or preventing a change in control. Our board of directors has no present plans to issue preferred stock, but may do so at any time in the future without stockholder approval.

Meetings and Special Voting Requirements

An annual meeting of the stockholders will be held each year, no earlier than 30 days after delivery of our annual report. Special meetings of stockholders may be called by our board of directors, a majority of the independent directors, the president or the chief executive officer, or by our secretary upon the written request of stockholders entitled to cast at least 10% of the votes entitled to be cast on any issue proposed to be considered at the special meeting. The presence in person or by proxy of stockholders entitled to cast a majority of all the votes entitled to be cast at the meeting constitutes a quorum. Unless otherwise provided by the Maryland General Corporation Law or our charter, the affirmative vote of a majority of all votes cast is necessary to take stockholder action, except that the affirmative vote of a majority of the shares of stock present in person or by proxy at a meeting is required to elect a director.

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Our charter provides that the concurrence of the board is not required in order for the stockholders to elect or remove directors. However, we have been advised that Maryland law does require board approval in order to amend our charter or dissolve. Without the approval of the holders of shares entitled to cast a majority of all the votes entitled to be cast on the matter, the board of directors may not:

amend the charter to adversely affect the rights, preferences and privileges of the stockholders;

amend charter provisions relating to director qualifications, fiduciary duties, liability and indemnification, conflicts of interest, investment policies or investment restrictions;

cause our liquidation or dissolution after our initial investment in property;

sell all or substantially all of our assets other than in the ordinary course of business; or

cause our merger or reorganization.

Wells Capital is selected and approved as our advisor annually by our directors. While the stockholders do not have the ability to vote to replace Wells Capital or to select a new advisor, stockholders do have the ability, by the affirmative vote of a majority of the shares entitled to vote on such matter, to remove a director from our board.

Restriction on Ownership of Shares

Ownership Limit

In order for us to qualify as a REIT, during the last half of each taxable year, not more than 50% of the value of our outstanding shares may be owned, directly or indirectly, by five or fewer individuals, as defined in the Internal Revenue Code to include certain entities. In addition, the outstanding shares must be owned by 100 or more persons independent of us and each other during at least 335 days of a 12-month taxable year or during a proportionate part of a shorter taxable year. Each of the requirements specified in the two preceding sentences shall not apply until after the first taxable year for which we make an election to be taxed as a REIT. We may prohibit certain acquisitions and transfers of shares so as to ensure our continued qualification as a REIT under the Internal Revenue Code. However, we cannot assure you that this prohibition will be effective.

Our charter contains limitations on ownership that prohibit any person or group of persons from acquiring, directly or indirectly, beneficial 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 our outstanding common shares, unless exempted by our board of directors. Our charter provides that any transfer of shares that would violate our share ownership limitations is null and void and the intended transferee will acquire no rights in such shares, unless the transfer is approved by our board of directors based upon receipt of information that such transfer would not violate the provisions of the Internal Revenue Code for qualification as a REIT.

Our charter further prohibits (i) any person from owning shares of our stock that would result in our being closely held under Section 856(h) of the Internal Revenue Code or otherwise cause us to fail to qualify as a REIT and (ii) any person from transferring shares of our stock if the transfer would result in our stock being owned by fewer than 100 persons. Any person who acquires or intends to acquire shares of our stock that may violate any of these restrictions, or who is the intended transferee of shares of our stock that are transferred to the trust, as described below, is required to give us immediate notice and provide us with such information as we may request in order to determine the effect of the transfer on our status as a REIT. The above restrictions will not apply if our board of directors determines that it is no longer in our best interest to continue to qualify as a REIT.

Our board of directors, in its sole discretion, may exempt a person from these limits. However, the board may not exempt any person whose ownership of our outstanding stock would result in our being closely held within the meaning of Section 856(h) of the Internal Revenue Code or otherwise would result in our failing to qualify as a REIT. In order to be considered by the board for exemption, a person

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also must not own, directly or indirectly, an interest in any lessee of our property (or a lessee of any entity which we own or control) that would cause us to own, directly or indirectly, more than a 9.9% interest in the lessee. The person seeking an exemption must represent to the satisfaction of the board that it will not violate these two restrictions. The person also must agree that any violation or attempted violation of these restrictions will result in the automatic transfer of the shares of stock causing the violation to a trust. The board of directors may require a ruling from the Internal Revenue Service or an opinion of counsel in order to determine or ensure our status as a REIT.

Any attempted transfer of our stock which, if effective, would result in our stock being owned by fewer than 100 persons will be null and void. Any attempted transfer of our stock which, if effective, would result in violation of the ownership limits discussed above or in our being closely held under Section 856(h) of the Internal Revenue Code or otherwise failing to qualify as a REIT, will cause the number of shares causing the violation (rounded to the nearest whole share) to be automatically transferred to a trust for the exclusive benefit of one or more charitable beneficiaries, and the proposed transferee will not acquire any rights in the shares. The automatic transfer will be deemed to be effective as of the close of business on the business day prior to the date of the transfer. Shares of our stock held in the trust will be issued and outstanding shares. The proposed transferee will not benefit economically from ownership of any shares of stock held in the trust, will have no rights to distributions and no rights to vote or other rights attributable to the shares of stock held in the trust. The trustee of the trust will have all voting rights and rights to dividends or other distributions with respect to shares held in the trust. These rights will be exercised for the exclusive benefit of the charitable beneficiary. Any dividend or other distribution paid prior to our discovery that shares of stock have been transferred to the trust will be paid by the recipient to the trustee upon demand. Any dividend or other distribution authorized but unpaid will be paid when due to the trustee. Any dividend or distribution paid to the trustee will be held in trust for the charitable beneficiary. Subject to Maryland law, the trustee will have the authority (i) to rescind as void any vote cast by the proposed transferee prior to our discovery that the shares have been transferred to the trust and (ii) to recast the vote in accordance with the desires of the trustee acting for the benefit of the charitable beneficiary. However, if we have already taken irreversible corporate action, then the trustee will not have the authority to rescind and recast the vote.

Within 20 days of receiving notice from us that shares of our stock have been transferred to the trust, the trustee will sell the shares to a person designated by the trustee, whose ownership of the shares will not violate the above ownership limitations. Upon the sale, the interest of the charitable beneficiary in the shares sold will terminate and the trustee will distribute the net proceeds of the sale to the proposed transferee and to the charitable beneficiary as follows. The proposed transferee will receive the lesser of (i) the price paid by the proposed transferee for the shares or, if the proposed transferee did not give value for the shares in connection with the event causing the shares to be held in the trust (e.g., a gift, devise or other similar transaction), the market price (as defined in our charter) of the shares on the day of the event causing the shares to be held in the trust and (ii) the price received by the trustee from the sale or other disposition of the shares. Any net sales proceeds in excess of the amount payable to the proposed transferee will be paid immediately to the charitable beneficiary. If, prior to our discovery that shares of our stock have been transferred to the trust, the shares are sold by the proposed transferee, then (i) the shares shall be deemed to have been sold on behalf of the trust and (ii) to the extent that the proposed transferee received an amount for the shares that exceeds the amount he was entitled to receive, the excess shall be paid to the trustee upon demand.

In addition, shares of our stock held in the trust will be deemed to have been offered for sale to us, or our designee, at a price per share equal to the lesser of (i) the price per share in the transaction that resulted in the transfer to the trust (or, in the case of a devise or gift, the market price at the time of the devise or gift) and (ii) the market price on the date we, or our designee, accept the offer. We will have the right to accept the offer until the trustee has sold the shares. Upon a sale to us, the interest of the charitable beneficiary in the shares sold will terminate and the trustee will distribute the net proceeds of the sale to the proposed transferee.

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All certificates representing shares of our stock will bear a legend referring to the restrictions described above, although we do not plan to issue shares in certificated form unless and until our shares are listed on a national securities exchange.

Every owner of more than 5% (or such lower percentage as required by the Internal Revenue Code or the regulations promulgated thereunder) of our stock, within 30 days after the end of each taxable year, is required to give us written notice, stating his name and address, the number of shares of each class and series of our stock which he beneficially owns, and a description of the manner in which the shares are held. Each such owner shall provide us with such additional information as we may request in order to determine the effect, if any, of his beneficial ownership on our status as a REIT and to ensure compliance with the ownership limits. In addition, each stockholder shall upon demand be required to provide us with such information as we may request in good faith in order to determine our status as a REIT and to comply with the requirements of any taxing authority or governmental authority or to determine such compliance.

These ownership limits could delay, defer or prevent a transaction or a change in control that might involve a premium price for our common stock or otherwise be in the best interest of our stockholders.

Suitability Standards and Minimum Purchase Requirements

Our charter requires that purchasers of our stock meet standards regarding (1) net worth and/or income and (2) minimum purchase amounts. These standards are described under Suitability Standards on page i of this prospectus and below at Plan of Distribution Minimum Purchase Requirements. The standards apply not only to purchasers in this offering, but also to potential transferees for value of your shares. As a result, the requirements regarding suitability and minimum purchase amounts, which are applicable until our shares of common stock are listed on a national securities exchange, may make it more difficult for you to sell your shares.

Distributions

Distributions will be paid on a quarterly basis regardless of the frequency with which such distributions are declared. Distributions will be paid to investors who are stockholders as of the record dates selected by our board of directors. During the offering period, we expect to calculate our quarterly distributions based upon daily record dates so that our investors will be entitled to be paid distributions immediately upon purchasing our shares. We expect to make quarterly distribution payments following such calculation.

We are required to make distributions sufficient to satisfy the requirements for qualification as a REIT for tax purposes. Generally, income distributed as distributions will not be taxable to us under the Internal Revenue Code if we distribute at least 90% of our REIT taxable income (computed without regard to the dividends paid deduction and excluding net capital gain). See Federal Income Tax Considerations Annual Distribution Requirements.

Except with respect to the first year following our acquisition of a timberland property, as a result of tax treatment provided to certain timber sale contracts under the Internal Revenue Code, substantially all of our income will constitute net capital gain for federal tax purposes. Unlike most existing REITs, therefore, we do not anticipate, except with respect to the first year following our acquisition of a timberland property, that the 90% distribution requirement applicable to REITs will require us to distribute any material amounts of cash in order to remain qualified as a REIT. Notwithstanding the lack of any federal income tax requirement that we do so, we intend to make distributions to our stockholders based on a methodology to be adopted by our board of directors. Generally after the first year following our acquisition of a timberland property, we expect these distributions to be treated as capital gain

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dividends. 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, 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.

As a result of the tax treatment provided to certain timber sale contracts under the Internal Revenue Code, we expect, except in the first year following our acquisition of a timberland property, that a significant portion of our distributions to our stockholders will be taxed at capital gains rates, which are lower for noncorporate U.S. taxpayers than the rates for ordinary income.

Because we may receive income from harvesting timber at various times during our fiscal year, distributions may not reflect our income earned in that particular distribution period but may be made in anticipation of cash flow that we expect to receive during a later quarter and may be made in advance of actual receipt of funds in an attempt to make distributions relatively uniform. We may borrow money, issue securities or sell assets in order to make distributions. Distributions paid from borrowings or sources other than cash from operations will constitute a return of capital, which will reduce your basis in your shares of our common stock.

We are not prohibited from distributing our own securities in lieu of making cash distributions to stockholders, provided that the securities so distributed to stockholders are readily marketable. Stockholders who receive marketable securities in lieu of cash distributions may incur transaction expenses in liquidating the securities.

Distribution Reinvestment Plan

We have adopted a distribution reinvestment plan that allows you to have distributions otherwise distributable to you invested in additional shares of our common stock. The following discussion summarizes the principal terms of this plan. The full text of our distribution reinvestment plan is included as Appendix B to this prospectus.

Eligibility

All of our stockholders are eligible to participate in our distribution reinvestment plan except for restrictions imposed by us, if any, in order to comply with the securities laws of various jurisdictions. We may elect to deny your participation in this plan if you reside in a jurisdiction or foreign country where, in our judgment, the burden or expense of compliance with applicable securities laws makes your participation impracticable or inadvisable.

At any time prior to the listing of our shares on a national stock exchange, you can only continue to participate in our distribution reinvestment plan if you continue to meet the suitability standards and if you are able to make the other investor representations set forth in the then-current prospectus and subscription agreement. Participants must agree to notify us promptly when they no longer meet these standards. See the Suitability Standards section of this prospectus (on page i of this prospectus) and the form of subscription agreement attached hereto as Appendix A. Participants must agree to notify us promptly when they no longer meet these standards.

Election to Participate

Assuming you are eligible, you may elect to participate in our distribution reinvestment plan by completing the subscription agreement or other approved enrollment form available from the dealer-manager or a participating broker/ dealer. Your participation in the plan will begin with the next distribution made after receipt of your enrollment form. Once enrolled, you may generally continue to purchase shares under our distribution reinvestment plan until we have sold all of the shares registered in this offering, have terminated this offering or have terminated the plan. We may extend the term of the

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distribution reinvestment plan beyond the term of this offering. You can choose to have all or a portion of your distributions reinvested through our distribution reinvestment plan. You also may change the percentage of your distributions that will be reinvested at any time if you complete a new enrollment form or other form provided for that purpose. Any election to increase your level of participation must be made through your participating broker/ dealer or investment adviser or, if you purchase shares in this offering other than through a participating broker/ dealer or investment adviser, through the dealer-manager.

Stock Purchases

Shares will be purchased under our distribution reinvestment plan on the quarterly distribution payment dates. The purchase of fractional shares is a permissible and likely result of the reinvestment of distributions under the plan.

The purchase price per share 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 offering of shares 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. (For these purposes, we do not consider a public equity offering to include (1) offerings on behalf of selling stockholders, (2) offerings related to a distribution reinvestment plan or employee benefit plan or (3) the redemption of interests in Wells Timber OP.) The valuation determined by our advisor or another firm chosen for that purpose 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.

Excluded Distributions

Our board of directors may designate that certain cash distributions attributable to net proceeds from the sale of one or more of our properties or other investments will be excluded from distributions that may be reinvested in shares under our distribution reinvestment plan. If all or a portion of a distribution of proceeds attributable to a sale transaction is determined by our board to be an excluded distribution, the excluded amounts will be paid in cash to all stockholders, including distribution reinvestment plan participants, and will not be reinvested in our shares pursuant to our distribution reinvestment plan.

Account Statements

Our dealer-manager or a participating broker/ dealer will provide a confirmation of your quarterly purchases under the distribution reinvestment plan. The dealer-manager or participating broker/ dealer will provide the confirmation to you or your designee within five business days after the end of the quarterly distribution period, which confirmation is to disclose the following information:

each distribution reinvested for your account during the quarter;

the date of the reinvestment; and

the number and price of the shares purchased by you.

Fees and Commissions

We will not pay selling commissions or a dealer-manager fee on shares sold under our distribution reinvestment plan. We will not reimburse Wells Capital for any organization and offering expenses from proceeds of sales pursuant to our distribution reinvestment plan. The amount that would have been paid as selling commissions and dealer-manager fees if the shares sold pursuant to our distribution reinvestment plan had been sold pursuant to our primary offering will be retained and used by us. Therefore, the net proceeds to us for sales under our distribution reinvestment plan will be greater than the net proceeds to us for sales pursuant to our primary offering, at least during our offering stage and for all periods in which the estimated value of a share of our common stock is at least $10 per share. The economic benefits resulting

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from the increased net proceeds per share for purchases pursuant to our distribution reinvestment plan will inure to the benefit of all of our stockholders.

Voting

You may vote all shares acquired through our distribution reinvestment plan.

Tax Consequences of Participation

If you elect to participate in our distribution reinvestment plan and are subject to federal income taxation, you will incur a tax liability for distributions allocated to you even though you have elected not to receive the distributions in cash but rather to have the distributions withheld and reinvested pursuant to the plan. Specifically, you will be treated as if you have received the distribution from us in cash and then applied such distribution to the purchase of additional shares. In addition, to the extent you purchase shares through our distribution reinvestment plan at a discount to their fair market value, you will be treated for tax purposes as receiving an additional distribution equal to the amount of the discount. The purchase price per share will be at the following discounts: (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. Therefore, at least until this offering is complete, participants in our distribution reinvestment plan will be treated for federal income tax purposes as having received a dividend of $10.00 for each $9.55 reinvested by them under the plan (or if shares in the most recent offering were offered at a price other than $10.00 per share, then the deemed distribution would be equal to such per share amount and the amount reinvested would be 95.5% of such amount). You will be taxed on the amount of such distribution as a dividend to the extent such distribution is from current or accumulated earnings and profits, unless we have designated all or a portion of the distribution as a capital gain dividend. See Federal Income Tax Considerations Taxation of U.S. Stockholders and Distributions Generally. We will withhold 28% of the amount of dividends or distributions paid if you fail to furnish a valid taxpayer identification number, fail to properly report interest or distributions, or fail to certify that you are not subject to withholding.

Termination of Participation

You may terminate your participation in our distribution reinvestment plan at any time by providing us with written notice. For your termination to be effective for a particular distribution, we must have received your notice of termination at least 10 business days prior to the last day of the quarterly distribution period to which the distribution relates. Any transfer of your shares will effect a termination of the participation of those shares in the distribution reinvestment plan. We will terminate your participation to the extent that a reinvestment of your distributions in our shares would cause you to exceed the ownership limitation contained in our charter.

Amendment or Termination of Plan

We may amend or terminate our distribution reinvestment plan for any reason at any time, but any amendment that adversely affects the rights or obligations of a participant (as determined in the sole discretion of our board of directors) will take effect only upon 10 days prior written notice to participants.

Share Redemption Plan

Our board of directors has adopted a share redemption plan that enables our stockholders to sell their shares to us in limited circumstances. Our board of directors may, however, choose to amend its provisions without stockholder approval. Our share redemption plan permits you to sell your shares back to us after you have held them for at least one year, subject to the significant conditions and limitations described below.

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Initially, the price at which we will repurchase your stock under the share redemption plan will be $9.10 unless the shares were being redeemed in connection with the death or qualifying disability of a stockholder in which case the price may be greater. The initial redemption price will remain fixed for one year after we complete the offering stage. Thereafter, the redemption price will equal 95% of the estimated per share value of our shares, as estimated by our advisor or another firm chosen for that purpose. We will view our offering stage as complete upon the termination of our initial public equity offering that is followed by a one-year period during which we do not engage in another public equity offering. For purposes of the share redemption plan, we will exclude from the definition of public equity offering certain issuances by us as described under ERISA Considerations Annual Valuation. We will report the redemption price to you in the annual report that we will file with the SEC and deliver to you and in the three quarterly reports that we also are required to file with the SEC. 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.

Our share redemption plan 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 will cause the amount paid for redemptions 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.

We will redeem shares on the last business day of each month. Requests for redemption must be received at least five business days before that date in order for us to repurchase the shares that month. If we cannot purchase all shares presented for redemption in any month, we will attempt to honor redemption requests on a pro rata basis. We will deviate from pro rata purchases in two minor ways: (1) if a pro rata redemption would result in a stockholder owning less than half of the applicable minimum amount described in Plan of Distribution Minimum Purchase Requirements, then we would redeem all of that stockholder s shares; and (2) if a pro rata redemption would result in a stockholder owning more than half but less than all of the applicable minimum amount, then we would not redeem any shares that would reduce that stockholder s holdings below the applicable minimum amount. In the event that a stockholder redeems all of his or her shares, there will be no holding period requirement for shares purchased pursuant to our distribution reinvestment plan.

If we do not completely satisfy a stockholder s redemption request at month-end because the request was not received in time or because of the restrictions on the number of shares we may redeem under the plan, we will treat the unsatisfied portion of the redemption request as a request for redemption in the following month unless the stockholder withdraws his or her request before the next date for redemptions. Any stockholder could withdraw a redemption request upon written notice to the address provided below before the date for redemption.

In several respects we may treat redemptions sought within two years of the death or qualifying disability of a stockholder differently from other redemptions. First, there is no one-year holding requirement. Second, if redemption is sought until one year after we complete our offering stage, the redemption price will be 100% of the amount paid for the shares. Thereafter, the redemption price will be 100% of the price at which we sold the share or 95% of the estimate of our per share value, whichever is greater. Finally, redemptions sought within two years of death or qualifying disability are subject only to the overall limitation that, during any calendar year, aggregate redemptions may not exceed 100% of the net proceeds from our distribution reinvestment plan during the calendar year and any additional amounts reserved for such purpose by our board of directors.

Qualifying stockholders who desire to redeem their shares need to give written notice to Wells Investment Securities, our dealer-manager, at 6200 The Corners Parkway, Norcross, Georgia 30092-3365,

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Attn: Client Services. Wells Investment Securities is responsible for all services to be performed in connection with the share redemption plan, although it might outsource clerical duties to our advisor.

Our board of directors may amend, suspend or terminate the program upon 30 days notice. We will notify you of such developments (1) in the quarterly reports mentioned above or (2) by means of a separate mailing to you, accompanied by disclosure in a current or periodic report under the Securities Exchange Act of 1934. During this offering, we will also include this information in a prospectus supplement or post-effective amendment to the registration statement, as then required under federal securities laws.

Our share redemption plan will provide stockholders only a limited ability to redeem shares for cash until a secondary market develops for the shares, at which time the plan will terminate.

No such market presently exists, and we cannot assure you that any market for your shares will ever develop.

Registrar and Transfer Agent

Wells Capital, a registered transfer agent, will serve as the registrar and transfer agent for our common stock.

Restrictions on Roll-Up Transactions

In connection with any proposed transaction considered a Roll-up Transaction (defined below) involving us and the issuance of securities of an entity, which we refer to as a Roll-up Entity, that would be created or would survive after the successful completion of the Roll-up Transaction, an appraisal of all properties will be obtained from a competent independent appraiser. The properties will be appraised on a consistent basis, and the appraisal will be based on the evaluation of all relevant information and will indicate the value of the properties as of a date immediately preceding the announcement of the proposed Roll-up Transaction. The appraisal will assume an orderly liquidation of properties over a 12-month period. The terms of the engagement of the independent appraiser will clearly state that the engagement is for our benefit and the benefit of our stockholders. A summary of the appraisal, indicating all material assumptions underlying the appraisal, will be included in a report to stockholders in connection with any proposed Roll-up Transaction.

A Roll-up Transaction is a transaction involving the acquisition, merger, conversion or consolidation, directly or indirectly, of us and the issuance of securities of a Roll-up Entity. This term does not include:

a transaction involving our securities that have been listed for at least 12 months on a national securities exchange; or

a transaction involving the conversion to corporate, trust, or association form of only us if, as a consequence of the transaction, there will be no significant adverse change in stockholder voting rights, the term of our existence, compensation to Wells Capital or our investment objectives.

In connection with a proposed Roll-up Transaction, the person sponsoring the Roll-up Transaction must offer to stockholders who vote no on the proposal the choice of:

(1) accepting the securities of the Roll-up Entity offered in the proposed Roll-up Transaction; or

(2) one of the following:

(A) remaining as stockholders of us and preserving their interests therein on the same terms and conditions as existed previously; or

(B) receiving cash in an amount equal to the stockholder s pro rata share of the appraised value of our net assets.

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We are prohibited from participating in any proposed Roll-up Transaction:

that would result in the stockholders having democracy rights in a Roll-up Entity that are less than those provided in our charter and described elsewhere in this prospectus, including rights with respect to the election and removal of directors, annual reports, annual and special meetings, amendment of our charter, and dissolution of us;

that includes provisions that would operate to materially impede or frustrate the accumulation of shares by any purchaser of the securities of the Roll-up Entity, except to the minimum extent necessary to preserve the tax status of the Roll-up Entity, or that would limit the ability of an investor to exercise the voting rights of its securities of the Roll-up Entity on the basis of the number of shares held by that investor;

in which investors rights of access to records of the Roll-up Entity will be less than those provided in our charter and described in the section of this prospectus entitled Description of Shares Meetings and Special Voting Requirements; or

in which any of the costs of the Roll-up Transaction would be borne by us if the Roll-up Transaction is not approved by the stockholders.

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CERTAIN PROVISIONS OF MARYLAND LAW AND OF OUR CHARTER AND BYLAWS

Business Combinations

Under Maryland law, business combinations between a Maryland corporation and an interested stockholder or an affiliate of an interested stockholder are prohibited for five years after the most recent date on which the interested stockholder becomes an interested stockholder. These business combinations include a merger, consolidation, share exchange, or, in circumstances specified in the statute, an asset transfer or issuance or reclassification of equity securities. An interested stockholder is defined as:

- any person who beneficially owns 10% or more of the voting power of the corporation s shares; or
- an affiliate or associate of the corporation who, at any time within the two-year period prior to the date in question, was the beneficial owner of 10% or more of the voting power of the then-outstanding voting stock of the corporation.

A person is not an interested stockholder under the statute if the board of directors approved in advance the transaction by which he otherwise would have become an interested stockholder. However, in approving a transaction, the board of directors may provide that its approval is subject to compliance, at or after the time of approval, with any terms and conditions determined by the board.

After the five-year prohibition, any business combination between the Maryland corporation and an interested stockholder generally must be recommended by the board of directors of the corporation and approved by the affirmative vote of at least:

- 80% of the votes entitled to be cast by holders of outstanding shares of voting stock of the corporation; and
- two-thirds of the votes entitled to be cast by holders of voting stock of the corporation other than shares held by the interested stockholder with whom or with whose affiliate the business combination is to be effected or held by an affiliate or associate of the interested stockholder.

These super-majority vote requirements do not apply if the corporation s common stockholders receive a minimum price, as defined under Maryland law, for their shares in the form of cash or other consideration in the same form as previously paid by the interested stockholder for its shares.

The statute permits various exemptions from its provisions, including business combinations that are exempted by the board of directors before the time that the interested stockholder becomes an interested stockholder. Our board of directors has adopted a resolution providing that any business combination between us and any other person is exempted from this statute, provided that such business combination is first approved by our board. This resolution, however, may be altered or repealed in whole or in part at any time. If this resolution is repealed, the statute may discourage others from trying to acquire control of us and increase the difficulty of consummating any offer.

Control Share Acquisitions

Maryland law provides that control shares of a Maryland corporation acquired in a control share acquisition have no voting rights except to the extent approved by a vote of two-thirds of the votes entitled to be cast on the matter. Shares owned by the acquiror, by officers or by directors who are employees of the corporation are excluded from shares entitled to vote on the matter. Control shares are voting shares of stock which, if aggregated with all other shares of stock owned by the acquiror or in respect of which the acquiror is able to exercise or direct the exercise of voting power (except solely by virtue of a revocable

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proxy), would entitle the acquiror to exercise voting power in electing directors within one of the following ranges of voting power:

one-tenth or more but less than one-third,

one-third or more but less than a majority, or

a majority or more of all voting power.

Control shares do not include shares the acquiring person is then entitled to vote as a result of having previously obtained stockholder approval. A control share acquisition means the acquisition of control shares, subject to certain exceptions.

A person who has made or proposes to make a control share acquisition may compel the board of directors of the corporation to call a special meeting of stockholders to be held within 50 days of demand to consider the voting rights of the shares. The right to compel the calling of a special meeting is subject to the satisfaction of certain conditions, including an undertaking to pay the expenses of the meeting. If no request for a meeting is made, the corporation may itself present the question at any stockholders meeting.

If voting rights are not approved at the meeting or if the acquiring person does not deliver an acquiring person statement as required by the statute, then the corporation may redeem for fair value any or all of the control shares, except those for which voting rights have previously been approved. The right of the corporation to redeem control shares is subject to certain conditions and limitations. Fair value is determined, without regard to the absence of voting rights for the control shares, as of the date of the last control share acquisition by the acquiror or of any meeting of stockholders at which the voting rights of the shares are considered and not approved. If voting rights for control shares are approved at a stockholders meeting and the acquiror becomes entitled to vote a majority of the shares entitled to vote, all other stockholders may exercise appraisal rights. The fair value of the shares as determined for purposes of appraisal rights may not be less than the highest price per share paid by the acquiror in the control share acquisition.

The control share acquisition statute does not apply (i) to shares acquired in a merger, consolidation or share exchange if the corporation is a party to the transaction, or (ii) to acquisitions approved or exempted by the charter or bylaws of the corporation.

Our bylaws contain a provision exempting from the control share acquisition statute any and all acquisitions of shares of our stock by any person. There can be no assurance that this provision will not be amended or eliminated at any time in the future.

Subtitle 8

Subtitle 8 of Title 3 of the Maryland General Corporation Law permits a Maryland corporation with a class of equity securities registered under the Securities Exchange Act of 1934 and at least three independent directors to elect to be subject, by provision in its charter or bylaws or a resolution of its board of directors and notwithstanding any contrary provision in the charter or bylaws, to any or all of five provisions:

a classified board,

a two-thirds vote requirement for removing a director,

a requirement that the number of directors be fixed only by vote of the directors,

a requirement that a vacancy on the board be filled only by the remaining directors and for the remainder of the full term of the class of directors in which the vacancy occurred, and

a majority requirement for the calling of a special meeting of stockholders.

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Through provisions in our charter and bylaws unrelated to Subtitle 8, we vest in our board of directors the exclusive power to fix the number of directorships. We do not intend to elect to be subject to any of the provisions of Subtitle 8 that would conflict with the North American Securities Administrators Association s Statement of Policy Regarding Real Estate Investment Trusts as long as our shares of common stock are not listed on any national securities exchange and are subject to the policy statement.

Advance Notice of Director Nominations and New Business

Our bylaws provide that with respect to an annual meeting of stockholders, nominations of individuals for election to the board of directors and the proposal of business to be considered by stockholders may be made only (i) pursuant to our notice of the meeting, (ii) by or at the direction of the board of directors or (iii) by a stockholder who is entitled to vote at the meeting and who has complied with the advance notice procedures of the bylaws. With respect to special meetings of stockholders, only the business specified in our notice of the meeting may be brought before the meeting. Nominations of individuals for election to the board of directors at a special meeting may be made only (i) pursuant to our notice of the meeting, (ii) by or at the direction of the board of directors, or (iii) provided that the board of directors has determined that directors will be elected at the meeting by a stockholder who is entitled to vote at the meeting and who has complied with the advance notice provisions of the bylaws.

Anti-takeover Effect of Certain Provisions of Maryland Law and of the Charter and Bylaws

The business combination provisions and the control share acquisition provisions of Maryland law, any provisions of our charter electing to be subject to Subtitle 8 in the future, and the advance notice provisions of our bylaws could delay, defer or prevent a transaction or a change in control of our company that might involve a premium price for stockholders or otherwise be in their best interest.

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THE OPERATING PARTNERSHIP AGREEMENT

General

Wells Timber Operating Partnership, L.P., which we refer to as Wells Timber OP, was formed in November 2005 to acquire, own and operate properties on our behalf. As a result of this structure, we are considered to be an umbrella partnership real estate investment trust, or UPREIT. An UPREIT is a structure REITs often use to acquire real property from owners on a tax-deferred basis (the sellers can generally accept partnership units and defer taxable gain otherwise required to be recognized by them upon the disposition of their properties). Such owners also may desire to achieve diversity in their investment and other benefits afforded to stockholders in a REIT. For purposes of satisfying the asset and income tests for qualification as a REIT for tax purposes, the REIT s proportionate share of the assets and income of Wells Timber OP will be deemed to be assets and income of the REIT.

We expect that substantially all of our assets will be held by Wells Timber OP. We are the sole general partner of Wells Timber OP and, as of the date of this prospectus, we own 20,000 common units, or a 99% partnership interest. Wells Capital owns 200 common units, or a 1% partnership interest, and also owns 100 special units. As the sole general partner, we have the exclusive power to manage and conduct the business of Wells Timber OP.

The following is a summary of material provisions of the limited partnership agreement of Wells Timber OP. This summary is qualified by the specific language in the limited partnership agreement. You should refer to the actual limited partnership agreement for more detail. You may request a copy of the partnership agreement, at no cost, by writing or telephoning us as set forth below at Where You Can Find More Information.

Capital Contributions

As we accept subscriptions for shares, we will transfer all of the net proceeds of the offering to Wells Timber OP as a capital contribution; however, we will be deemed to have made capital contributions in the amount of the gross offering proceeds of the sale of shares to investors, regardless of any purchase price discounts applicable to such sales and without reduction for the selling commissions and other costs associated with the offering. If Wells Timber OP requires additional funds at any time in excess of capital contributions made by us and Wells Capital or from borrowing, we may borrow funds from a financial institution or other lender and lend such funds to Wells Timber OP on the same terms and conditions as are applicable to our borrowing of such funds. If Wells Timber OP issues additional units to any new or existing partner in exchange for cash capital contributions, the contributor will receive a number of limited partnership units and a percentage interest in Wells Timber OP calculated based on the amount of the capital contribution and the value of Wells Timber OP at the time of such contribution. In addition, we are authorized to cause Wells Timber OP to issue partnership interests for less than fair market value if we conclude in good faith that such issuance is in the best interest of Wells Timber OP and us.

Operations

The limited partnership agreement of Wells Timber OP provides that, so long as we remain qualified as a REIT, Wells Timber OP is to be operated in a manner that will enable us to satisfy the requirements for being classified as a REIT for tax purposes. As a general partner of Wells Timber OP, we also are empowered to do anything to ensure that Wells Timber OP will not be classified as a publicly traded partnership for purposes of Section 7704 of the Internal Revenue Code. Classification as a publicly traded partnership could result in Wells Timber OP being taxed as a corporation, rather than as a partnership.

Distributions and Allocations of Profits and Losses

The limited partnership agreement provides that, except as provided below with respect to the special units, Wells Timber OP will distribute cash flow from operations to its partners in accordance with their relative percentage interests on at least a quarterly basis in amounts that we, as general partner, determine. As a common unit holder, we will receive distributions from Wells Timber OP that we will then distribute

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to our stockholders. The effect of these distributions will be that a holder of one common unit of Wells Timber OP will receive the same amount of annual cash flow distributions as the amount of annual distributions paid to the holder of one of our shares.

Similarly, the limited partnership agreement provides that taxable income is allocated to the partners of Wells Timber OP in accordance with their relative percentage interests. Subject to compliance with the provisions of Sections 704(b) and 704(c) of the Internal Revenue Code and corresponding Treasury Regulations, the effect of these allocations will be that a holder of one common unit of Wells Timber OP will be allocated taxable income for each taxable year in an amount equal to the amount of taxable income to be recognized by a holder of one of our shares. Losses, if any, will generally be allocated among the partners (other than the holder of the special units) in accordance with their respective percentage interests in Wells Timber OP. Losses cannot be passed through to our stockholders.

If Wells Timber OP liquidates, debts and other obligations must be satisfied before the partners may receive any distributions. Any distributions to partners then will be made to partners in accordance with their respective positive capital account balances.

The holder of the special units will be entitled to distributions from Wells Timber OP in an amount equal to a percentage of the net sales proceeds received by Wells Timber OP as follows:

After we have made distributions to our stockholders (including amounts paid to redeem shares pursuant to our share redemption plan) equal to, in the aggregate, a return of the total capital raised from stockholders plus a cumulative, non-compounded return on average invested capital of 7.0% per year, then the holder of the special units is entitled to receive a distribution from Wells Timber OP equal to the difference between (1) 10% of the aggregate net sales proceeds from the sale of all properties and real estate related investments to date and (2) the total amount of all prior distributions to the holder of the special units of net sales proceeds.

Notwithstanding the foregoing, after we have made distributions to our stockholders (including amounts paid to redeem shares pursuant to our share redemption plan) equal to, in the aggregate, a return of the total capital raised from stockholders plus a cumulative, non-compounded return on average invested capital of 8.0% per year, then the holder of the special units is entitled to receive a distribution from Wells Timber OP equal to the difference between (1) 20% of the aggregate net sales proceeds from the sale of all properties and real estate related investments to date and (2) the total amount of all prior distributions to the holder of the special units of net sales proceeds.

There will be a corresponding allocation of realized (or, in the case of redemption, unrealized) profits of Wells Timber OP made to the owner of the special units in connection with the amounts payable with respect to the special units, including amounts payable upon redemption of the special units, and those amounts will be payable only out of realized (or, in the case of redemption, unrealized) profits of Wells Timber OP.

Depending on various factors, including the date on which shares of our common stock are purchased and the price paid for such shares of common stock, each individual stockholder may receive more or less than a return of the original issue price for such stockholder s shares plus the 7.0% or 8.0% cumulative noncompounded annual pre-tax return on their net contributions described above prior to the commencement of distributions to the owner of the special units.

Rights, Obligations and Powers of the General Partner

As Wells Timber OP s general partner, we generally have complete and exclusive discretion to manage and control Wells Timber OP s business and to make all decisions affecting its assets. This authority generally includes, among other things, the authority to:

acquire, purchase, own, operate, lease and dispose of any real property and any other property;

construct buildings and make other improvements on owned or leased properties;

authorize, issue, sell, redeem or otherwise purchase any debt or other securities;

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borrow money;

make or revoke any tax election;

maintain insurance coverage in amounts and types as we determine is necessary;

retain employees or other service providers;

form or acquire interests in joint ventures; and

merge, consolidate or combine Wells Timber OP with another entity.

Wells Timber OP will pay all the administrative and operating costs and expenses it incurs in acquiring and operating real properties. Wells Timber OP also will pay all of our administrative costs and expenses, and such expenses will be treated as expenses of Wells Timber OP. Such expenses will include:

all expenses relating to our formation and continuity of existence;

all expenses relating to the public offering and registration of our securities;

all expenses associated with the preparation and filing of our periodic reports under federal, state or local laws or regulations;

all expenses associated with our compliance with applicable laws, rules and regulations; and

all of our other operating or administrative costs incurred in the ordinary course of business.

The only costs and expenses we may incur for which we will not be reimbursed by Wells Timber OP will be costs and expenses relating to properties we may own outside of Wells Timber OP. We will pay the expenses relating to such properties directly.

Redemption Rights

The limited partners of Wells Timber OP have the right to cause Wells Timber OP to redeem their common units for cash in an amount equal to the value of an equivalent number of our shares, or, at our option, we may purchase their common units for cash or by issuing one share of our common stock for each common unit redeemed. These redemption rights may not be exercised, however, if and to the extent that the delivery of shares upon such exercise would:

result in any person owning shares in excess of the ownership limit in our charter (unless exempted by our board of directors);

result in our shares being owned by fewer than 100 persons;

result in us being closely held within the meaning of Section 856(h) of the Internal Revenue Code; or

cause us to own 10% or more of the ownership interests in a lessee within the meaning of Section 856(d)(2)(B) of the Internal Revenue Code.

Furthermore, limited partners who hold common units may exercise their redemption rights only after their common units have been outstanding for one year. A limited partner may not deliver more than two redemption notices each calendar year and may not exercise a redemption right for less than 1,000 common units, unless such limited partner holds less than 1,000 units. In that case, he must exercise his redemption right for all of his units.

The holder of the special units has the right to have the special units redeemed upon the earlier to occur of the listing of our common shares on a national securities exchange (which we refer to as a listing) or the termination of the advisory agreement.

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If the special units are redeemed upon a listing, the redemption payment will be calculated as follows:

If (1) the market value of our outstanding common stock at listing plus the total distributions paid to stockholders prior to listing exceeds (2) the sum of the total amount of capital raised from stockholders (less amounts paid to redeem shares pursuant to our share redemption plan) plus the amount of cash that, if distributed to the stockholders as of the date of listing, would have provided them with a cumulative, noncompounded return equal to 7.0% per year, then the redemption payment will equal 10% of such excess amount.

Notwithstanding the foregoing, if (1) the market value of our outstanding common stock at listing plus the total distributions paid to stockholders prior to listing exceeds (2) the sum of the total amount of capital raised from stockholders (less amounts paid to redeem shares pursuant to our share redemption plan) plus the amount of cash that, if distributed to the stockholders as of the date of listing, would have provided them with a cumulative, noncompounded return equal to 8.0% per year, then the redemption payment will equal 20% of such excess amount.

If the redemption payment due upon listing is earned, Wells Timber OP would pay the amount due in cash, or we would have the option to purchase the special units in exchange for cash or shares of our common stock. For purposes of the redemption payment described in this paragraph, the market value of our outstanding shares following listing will be calculated based on the average market value of the shares issued and outstanding at the time of listing for the 30 trading days beginning on the 180th day after the shares are first listed on a national securities exchange.

If the special units are redeemed upon a termination of the advisory agreement, other than a termination for cause, the redemption payment would be equal to the aggregate amount, if any, of net sales proceeds that would have been distributed to the holder of the special units as described above under Distributions and Allocations of Profits and Losses if, on the date of the occurrence of termination, all assets of Wells Timber OP had been sold for their fair market value and all liabilities of Wells Timber OP had been satisfied in full according to their terms. Wells Timber OP would either redeem the special units for cash or issue an interest-bearing promissory note in the amount of the redemption payment. If the promissory note is not paid within five years of issuance, we would be required to purchase the note in exchange for cash or shares of our common stock.

In the event we terminate the advisory agreement for cause, which includes fraud, criminal conduct, willful misconduct, willful or grossly negligent breach of fiduciary duty and a material breach of the advisory agreement by the advisor, we would redeem the special units for $1.00.

Change in General Partner

We are generally not allowed to withdraw as the general partner of Wells Timber OP or transfer our general partnership interest in Wells Timber OP (except to a wholly owned subsidiary). The principal exception to this is if we merge with another entity and (1) the holders of a majority of partnership units (including those we hold) approve the transaction; (2) the limited partners receive or have the right to receive an amount of cash, securities or other property equal in value to the amount they would have received if they had exercised their exchange rights immediately before such transaction; (3) we are the surviving entity and our stockholders do not receive cash, securities, or other property in the transaction; or (4) the successor entity contributes substantially all of its assets to Wells Timber OP in return for an interest in Wells Timber OP and agrees to assume all obligations of the general partner of Wells Timber OP. If we voluntarily seek protection under bankruptcy or state insolvency laws, or if we are involuntarily placed under such protection for more than 90 days, we would be deemed to be automatically removed as the general partner. Otherwise, the limited partners have no right to remove us as general partner.

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Transferability of Interests

With certain exceptions, the limited partners may not transfer their interests in Wells Timber OP, in whole or in part, without our written consent as the general partner. In addition, pursuant to our charter, Wells Capital may not transfer its interest in Wells Timber OP as long as it is acting as our advisor.

Amendment of Limited Partnership Agreement

An amendment to the limited partnership agreement requires the consent of the holders of a majority of the partnership units (including the partnership units we hold). Additionally, we, as general partner, must approve any amendment. However, certain amendments require the consent of the holders of a majority of the partnership units (excluding the partnership units we or one of our affiliates holds). Such amendments include:

- any amendment affecting the redemption right to the detriment of the limited partners (except for certain business combinations where we merge with another entity and leave Wells Timber OP in existence to hold all the assets of the surviving entity);
- any amendment that would adversely affect the limited partners rights to receive distributions, except for amendments we make to create and issue preferred partnership units;
- any amendment that would alter how we allocate profits and losses, except for amendments we make to create and issue preferred partnership units; and
- any amendment that would impose on the limited partners any obligation to make additional capital contributions.

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PLAN OF DISTRIBUTION

General

We are publicly offering a maximum of 85 million shares through Wells Investment Securities, our dealer-manager, a registered broker/ dealer affiliated with Wells Capital, our advisor. Of this amount, we are offering 75 million shares in our primary offering at a price of $10.00 per share (except as noted below) on a best efforts basis, which means that the dealer-manager must use only its best efforts to sell the shares and has no firm commitment or obligation to purchase any of the shares. We are offering the remaining 10 million shares through our distribution reinvestment plan at a purchase price 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 public 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. Our primary offering will terminate by August 11, 2008; thereafter, we may continue to offer shares in this offering only through our distribution reinvestment plan. We reserve the right to terminate this offering at any time. Prior to the conclusion of this offering, if any of the shares initially allocated to the distribution reinvestment plan remain unsold after meeting anticipated obligations under the distribution reinvestment plan, we may decide to sell some or all of such remaining shares to the public as part of the primary offering. Similarly, prior to the conclusion of this offering, if all of the shares initially allocated to the distribution reinvestment plan have been purchased but shares initially allocated to our primary offering remain unsold and we anticipate additional demand for shares under our distribution reinvestment plan, we may choose to reallocate some or all of the remaining shares initially allocated to the primary offering to the distribution reinvestment plan.

Our board of directors determined the offering price of $10.00 per share based on consideration of the offering price of shares offered by similar REITs and the administrative convenience to us and investors of the share price being an even dollar amount. This price bears no relationship to the value of our assets or other established criteria for valuing shares. We have not had any operations as of the date of this prospectus and we have no assets other than subscription proceeds from the sale of our common shares to Wells Capital at $10.00 per share and the sale of Wells Timber OP units to Wells Capital at $10.00 per unit.

Compensation of Dealer-Manager and Participating Broker/ Dealers

Except as provided below, Wells Investment Securities, our dealer-manager and affiliate, will receive selling commissions of 7.0% of the gross offering proceeds for shares sold in our primary offering. In addition, except as described below, the dealer-manager will receive 1.8% of the gross offering proceeds as compensation for acting as the dealer-manager and for expenses incurred in connection with marketing our shares and paying the employment costs of the dealer-manager s wholesalers. Out of its dealer-manager fee, the dealer-manager may pay salaries and sales-based compensation to its wholesalers in the aggregate amount of up to 0.75% of the gross offering proceeds. We will not pay selling commissions or a dealer-manager fee for shares sold pursuant to our distribution reinvestment plan. We will not pay referral or similar fees to any accountants, attorneys or other persons in connection with the distribution of the shares.

We currently expect the dealer-manager to utilize two channels to sell our shares in our primary offering, each of which has a different selling commission and dealer-manager fee structure. The dealer-manager may authorize other broker/ dealers who are members of the NASD, which we refer to as participating broker/ dealers, to sell our shares. Our first distribution channel involves (1) those participating broker/ dealers compensated solely on a commission basis for the sale and (2) sales through investment advisory representatives affiliated with a participating broker/ dealer in which the representative is compensated for investment advisory services on a fee-for-service basis. Our second distribution channel will be sales through independent investment advisers (i.e., investment advisers not affiliated with a broker/dealer).

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In the event of the sale of shares in our primary offering by a participating broker/dealer involving a registered representative compensated on a commission basis for the sale, the dealer-manager will reallow its selling commissions in an amount equal to 7.0% of the gross offering proceeds attributable to the participating broker/dealer. In the event of the sale of shares in our primary offering through an investment advisory representative affiliated with a participating broker/dealer in which the representative is compensated on a fee-for-service basis by the investor, the dealer-manager will waive its right to a commission, and we will sell such shares for $9.30 per share, reflecting that selling commissions in the amount of $0.70 per share will not be payable.

The dealer-manager may reallow to a participating broker/dealer a portion of the dealer-manager fee earned on the proceeds raised by the participating broker/dealer. This reallowance would generally be in the form of a marketing fee, which fee will not exceed 1.0% of the gross sales of the broker/dealer.

In the event of the sale of shares in our primary offering through an independent investment advisor, the dealer-manager will waive its right to a selling commission and will reduce the dealer-manager fee to .8% of gross offering proceeds. We will sell such shares for $9.20 per share, reflecting that selling commissions in the amount of $0.70 per share will not be payable and that the dealer-manager fee will be reduced from 1.8% to .8%, or by approximately $0.10 per share. At the request of certain participating broker/dealers, our dealer-manager may agree to reduce its dealer-manager fee and to reduce or waive the selling commissions in connection with sales made through such participating broker/dealers. The net proceeds to us would not be affected by such fee reductions.

In addition to the compensation described above, we will also reimburse the dealer-manager and its affiliates for some of their costs in connection with the offering as described in the table below, which table sets forth the nature and estimated amount of all items viewed as underwriting compensation by the NASD, assuming we sell all of the shares offered by this prospectus. To show the maximum amount of dealer-manager and participating broker/dealer compensation that we may pay in this offering, this table assumes that all shares are sold through distribution channels associated with the highest possible selling commissions and dealer-manager fee.

Dealer-Manager and
Participating Broker/Dealer Compensation

Dealer-manager fee (maximum)	$	13,500,000
Selling commissions (maximum)		52,500,000
Salary allocations of sales managers and their support personnel[1][2]		405,000
Expense reimbursements for retail seminars[1][3][4]		2,060,000
Expense reimbursements for educational conferences [1][4][5]		700,000
Legal fees allocable to dealer-manager[1][4]		125,000
Reimbursement of due diligence expenses[1][4][6]		25,000
Total	$	69,315,000

(1) Amounts shown are estimates.

(2) These costs are borne by Wells Capital and are not reimbursed by us.

(3) These amounts consist primarily of reimbursements for travel, meals, lodging and attendance fees incurred by employees of Wells Investment Securities, Wells Capital or one of their affiliates to attend retail seminars sponsored by participating broker/dealers.

(4) Subject to the cap on organization and offering expenses described below, we will reimburse Wells Investment Securities or its affiliates for these expenses. In some cases, these payments will serve to reimburse Wells

Investment Securities for amounts it has paid to participating broker/dealers for the items noted.

(5) These amounts consist of expense reimbursements for actual costs incurred in connection with attending educational conferences hosted by us. The expenses consist of the travel, meals and lodging

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of (a) representatives of participating broker/ dealers and (b) wholesalers and other NASD-registered personnel associated with Wells Investment Securities. All conferences will be held in the vicinity of our headquarters, which is in Norcross, Georgia, unless the NASD permits a conference in another location.

(6) We may reimburse the dealer-manager for reimbursements it may make to broker/ dealers for reasonable bona fide due diligence expenses up to a maximum of 0.5% of our gross offering proceeds. In many cases, however, a marketing fee agreement between the dealer-manager and the participating broker/ dealer will provide that neither we nor the dealer-manager will be obligated to reimburse the due diligence expenses of the participating broker/ dealer. Because of those marketing fee arrangements, we expect the total amount of our reimbursement of bona fide due diligence expenses of broker/ dealers will be far less than the 0.5% of gross offering proceeds permitted by the NASD.

As required by the rules of the NASD, total underwriting compensation will not exceed 10% of our gross offering proceeds, except for bona fide due diligence expenses, which will not exceed 0.5% of our gross offering proceeds. The NASD and many states also limit our total organization and offering expenses to 15% of gross offering proceeds. With Wells Capital s obligation to reimburse us to the extent the organization and offering expenses (other than the dealer-manager fee and selling commissions) exceed 1.2% of the gross offering proceeds from our primary offering (Wells Capital will not be entitled to any such reimbursement from proceeds of sales under our distribution reinvestment plan), our total organization and offering expenses are capped at 10.0% of the gross proceeds of our primary offering, as shown in the following table:

Organization and Offering Expenses

Expense	Maximum Percent of Gross Offering Proceeds
Selling commissions	7.0%
Dealer-manager fee	1.8
All other organization and offering expenses	1.2
Total	10.0%

To the extent permitted by law and our charter, we will indemnify the participating broker/ dealers and the dealer-manager against some civil liabilities, including certain liabilities under the Securities Act and liabilities arising from breaches of our representations and warranties contained in the dealer-manager agreement. See Management Limited Liability and Indemnification of Directors, Officers, Employees and Other Agents.

We may sell shares in our primary offering to participating broker/ dealers, their retirement plans, their representatives and their family members, IRAs and qualified plans of their representatives for $9.30 per share, reflecting that selling commissions in the amount of $0.70 per share will not be payable in consideration of the services rendered by such broker/ dealers and representatives in the offering. For purposes of this discount, we consider a family member to be a spouse, parent, child, sibling, mother- or father-in-law, son- or daughter-in-law, or brother- or sister-in-law. The net proceeds to us from such sales made net of commissions will be substantially the same as the net proceeds we receive from other sales of shares.

Our directors and officers and directors, officers and employees of Wells Capital or its affiliates may purchase shares in our primary offering at a discount. Except for the share ownership limitations contained in our charter, there is no limit on the number of shares that we may sell to those individuals. The purchase price for such shares shall be $9.12 per share reflecting the fact that selling commissions in the amount of $0.70 per share and dealer-manager fees in the amount of $0.18 per share will not be payable in connection with such sales. The net proceeds to us from such sales made net of commissions will be substantially the same as the net proceeds we receive from other sales of

shares. Directors, officers and employees of Wells Capital and its affiliates are expected to hold their shares purchased as stockholders

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for investment and not with a view toward distribution. Any shares sold to these persons will not be included in calculating our minimum offering requirement.

An investor purchasing more than 50,000 shares at any one time through a single participating broker/ dealer will be eligible for a discount on the purchase price of the shares above 50,000. The selling commission payable to the participating broker/ dealer will be commensurately reduced. The following table shows the discounted price per share and reduced selling commissions payable for volume discounts.

Shares Purchased	Commission Rate	Price per Share
1 to 50,000	7.0%	$ 10.00
50,001 to 100,000	6.0	9.90
100,001 to 200,000	5.0	9.80
200,001 to 300,000	4.0	9.70
300,001 to 400,000	3.0	9.60
400,001 to 500,000	2.0	9.50
500,001 and up	1.0	9.40

The reduced selling price per share and selling commissions are applied to the incremental shares falling within the indicated range only. All commission rates are calculated assuming a $10.00 price per share. Thus, for example, an investment of $1,249,996 would result in a total purchase of 126,020 shares as follows:

50,000 shares at $10.00 per share (total: $500,000) and a 7.0% commission;

50,000 shares at $9.90 per share (total: $495,000) and a 6.0% commission; and

26,020 shares at $9.80 per share (total: $254,996) and a 5.0% commission.

Subscription Procedures

To purchase shares in this offering, you must complete the Subscription Agreement, a sample of which is contained in this prospectus as Appendix A. Initially, your check should be made payable to U.S. Bank, as escrow agent for WTREIT. After we meet the minimum offering requirement, unless you are a resident of Pennsylvania, your check should be made payable to Wells Timber Real Estate Investment Trust, Inc. If you are a resident of Pennsylvania your check should be made payable to U.S. Bank, as escrow agent for WTREIT until we have received aggregate gross proceeds from this offering of at least $37,500,000, after which time it may be made payable to Wells Timber Real Estate Investment Trust, Inc. After you have satisfied the $5,000 minimum purchase requirement, additional purchases must be in increments of $100, except for purchases made pursuant to our distribution reinvestment plan. Subscriptions will be effective only upon our acceptance, and we reserve the right to reject any subscription in whole or in part. Subscription payments will be deposited into an account in our name at such time as we have accepted or rejected the subscription. Subscriptions will be accepted or rejected within 30 days of receipt by us and, if rejected, all funds shall be returned to the rejected subscribers within 10 business days. You will receive a confirmation of your purchase. We generally admit stockholders on a daily basis.

You are required to represent in the Subscription Agreement that you have received a copy of this prospectus. In order to ensure that you have had sufficient time to review this prospectus, we will refund your subscription amount upon written request if we receive your request within five business days of your receipt of this prospectus. To revoke your subscription and receive a refund of your subscription amount,

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send your written request (including the date upon which you completed your subscription agreement or received this prospectus, as applicable) to the following address:

Client Services Department
Wells Real Estate Funds, Inc.
6200 The Corners Parkway
Norcross, Georgia 30092-3365
Telephone: (800) 557-4830 or (770) 243-8282
Fax: (770) 243-8198
E-mail: clientservices@wellsref.com
www.wellsref.com

Investors who desire to purchase shares in this offering at regular intervals may be able to do so through their participating broker/ dealer or, if they are investing in this offering other than through a participating broker/ dealer, through the dealer-manager by completing an automatic investment plan enrollment form. Participation in the automatic investment plan is limited to investors who have already met the minimum purchase requirement in this offering of $5,000. The minimum periodic investment is $100 per month.

We will provide a confirmation of your monthly purchases under the automatic investment plan within five business days after the end of each month. The confirmation will disclose the following information:

the amount of the investment;

the date of the investment; and

the number and price of the shares purchased by you.

We will pay dealer-manager fees and selling commissions in connection with sales under the automatic investment plan to the same extent that we pay those fees and commissions on shares sold in this offering outside of the automatic investment plan.

You may terminate your participation in the automatic investment plan at any time by providing us with written notice. If you elect to participate in the automatic investment plan, you must agree that if at any time you fail to meet the applicable investor suitability standards or cannot make the other investor representations set forth in the then-current prospectus and subscription agreement, you will promptly notify us in writing of that fact and your participation in the plan will terminate. See the Suitability Standards section of this prospectus (on page i) and the form of subscription agreement attached hereto as Appendix A.

Stockholder Suitability

Those selling shares on our behalf have the responsibility to make every reasonable effort to determine that the purchase of shares in this offering is a suitable and appropriate investment based on information provided by the prospective stockholder regarding such person s financial situation and investment objectives. In making this determination, those selling shares on our behalf have a responsibility to ascertain that the prospective stockholder:

meets the minimum income and net worth standards set forth under Suitability Standards on page i of this prospectus;

can reasonably benefit from an investment in our shares based on the prospective stockholder s overall investment objectives and portfolio structure;

is able to bear the economic risk of the investment based on the prospective stockholder s overall financial situation;

is in a financial position appropriate to enable the prospective stockholder to realize to a significant extent the benefits described in this prospectus of an investment in the shares; and

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has an apparent understanding of:

the fundamental risks of the investment;

the risk that the stockholder may lose the entire investment;

the lack of liquidity of the shares;

the restrictions on transferability of the shares;

the background and qualifications of Wells Capital and its affiliates; and

the tax consequences of the investment.

Relevant information for this purpose will include at least the age, investment objectives, investment experience, income, net worth, financial situation and other investments of the prospective stockholder, as well as any other pertinent factors. Those selling shares on our behalf must maintain, for a six-year period, records of the information used to determine that an investment in shares is suitable and appropriate for each stockholder.

Minimum Purchase Requirements

For your initial investment in our shares, you must invest at least $5,000, except as described below. In order to satisfy the minimum purchase requirement for retirement plans, unless otherwise prohibited by state law, a husband and wife may jointly contribute funds from their separate IRAs, provided that each such contribution is made in increments of $100. You should note that an investment in our shares will not, in itself, create a retirement plan and that, in order to create a retirement plan, you must comply with all applicable provisions of the Internal Revenue Code.

Unless and until our shares of common stock are listed on a national securities exchange, you may not transfer your shares in a manner that causes you or your transferee to own fewer than the number of shares required for the minimum purchase described above, except in the following circumstances: transfers by gift; transfers by inheritance; intrafamily transfers; family dissolutions; transfers to affiliates; and by operation of law.

Special Notice to Pennsylvania Investors

Because the minimum offering of our common stock is less than $37.5 million, Pennsylvania investors are cautioned to evaluate carefully our ability to fully accomplish our stated objectives and to inquire as to the current dollar volume of our subscription proceeds. Notwithstanding our $2 million minimum offering amount for all other jurisdictions, we will not sell any shares to Pennsylvania investors unless we raise a minimum of $37.5 million 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 $37.5 million threshold within 120 days of the date that we first accept a subscription payment from a Pennsylvania investor, we will, within 10 days of the end of that 120-day period, notify Pennsylvania investors in writing of their right to receive refunds with interest and without deductions for expenses. If a Pennsylvania investor requests 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, along with any interest, on behalf of that subscriber. Amounts held in the Pennsylvania escrow account from Pennsylvania investors not requesting a refund will continue to be held for subsequent 120-day periods until we raise at least $37.5 million or until the end of the subsequent escrow periods. At the end of each subsequent escrow period, we will again notify Pennsylvania investors of their right to receive refunds with interest, along with any interest, from the day after the expiration of the initial 120-day period.

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LEGAL MATTERS

The validity of the shares of our common stock being offered hereby has been passed upon for us by Venable LLP, Baltimore, Maryland. The statements under the caption Federal Income Tax Considerations as they relate to federal income tax matters have been reviewed by Alston & Bird LLP, Atlanta, Georgia, and Alston & Bird LLP has opined as to certain income tax matters relating to an investment in our shares. Alston & Bird LLP has also represented Wells Capital, our advisor, Wells Investment Securities, our dealer-manager, in other matters and may continue to do so in the future.

EXPERTS

The consolidated financial statements as of December 31, 2005 and for the period from November 10, 2005 (inception) through December 31, 2005 included in this prospectus have been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report appearing herein, and are included in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

WHERE YOU CAN FIND MORE INFORMATION

We have filed a registration statement on Form S-11 with the SEC with respect to the shares of our common stock to be issued in the offering. This prospectus is a part of that registration statement and, as allowed by SEC rules, does not include all of the information you can find in the registration statement or the exhibits to the registration statement. For additional information relating to us, we refer you to the registration statement and the exhibits to the registration statement. Statements contained in this prospectus as to the contents of any contract or document referred to are necessarily summaries of such contract or document and in each instance, if the contract or document is filed as an exhibit to the registration statement, we refer you to the copy of the contract or document filed as an exhibit to the registration statement.

After commencement of the offering, we will file annual, quarterly and special reports, proxy statements and other information with the SEC. We will furnish our stockholders by mail (or, where permitted, by electronic delivery and notification) with annual reports containing consolidated financial statements certified by an independent registered public accounting firm. The registration statement is, and any of these future filings with the SEC will be, available to the public over the Internet at the SEC s Web site at http://www.sec.gov. You also may read and copy any filed document at the SEC s public reference room in Washington, D.C. at 100 F Street, N.E., Room 1580, Washington, D.C. Please call the SEC at (800) SEC-0330 for further information about the public reference room.

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

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholder
Wells Timber Real Estate Investment Trust, Inc.

We have audited the accompanying consolidated balance sheet of Wells Timber Real Estate Investment Trust, Inc. and subsidiaries (the Company) as of December 31, 2005 and the related statements of loss, stockholder s equity and cash flows for the period from November 10, 2005 (inception) through December 31, 2005. These consolidated financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated balance sheet is free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Wells Timber Real Estate Investment Trust, Inc. and subsidiaries as of December 31, 2005 and the results of their operations and cash flows for the period then ended in conformity with accounting principles generally accepted in the United States of America.

/s/ Deloitte & Touche LLP

Atlanta, Georgia
June 6, 2006 except for Note 6, as to which the date is August 8, 2006

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WELLS TIMBER REAL ESTATE INVESTMENT TRUST, INC.
CONSOLIDATED BALANCE SHEETS

	(Unaudited) March 31, 2006	December 31, 2005
Assets:		
Cash and cash equivalents	$ 203,000	$ 203,000
Prepaid expenses	285,995	0
Total assets	$ 488,995	$ 203,000
Liabilities and Stockholder s Equity:		
Due to affiliate	$ 366,168	$
Commitments and Contingencies		
Minority Interest	3,000	3,000
Stockholder s Equity:		
Preferred stock, $0.01 par value; 100 million shares authorized, no shares issued and outstanding		
Common stock, $0.01 par value; 900 million shares authorized, 20,000 shares issued and outstanding	200	200
Additional paid-in capital	199,800	199,800
Accumulated deficit	(80,173)	
Total stockholder s equity	119,827	200,000
Total liabilities and stockholder s equity	$ 488,995	$ 203,000

See accompanying notes.

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WELLS TIMBER REAL ESTATE INVESTMENT TRUST, INC.
CONSOLIDATED STATEMENTS OF LOSS

	(Unaudited) Three Months Ended March 31, 2006	Period From November 10, 2005 (inception) through December 31, 2005
REVENUES:	$	$
EXPENSES:		
General and administrative expenses	(80,173)	
NET LOSS	$ (80,173)	$

See accompanying notes.

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WELLS TIMBER REAL ESTATE INVESTMENT TRUST, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDER S EQUITY
FOR THE PERIOD FROM NOVEMBER 10, 2005 (INCEPTION) THROUGH
DECEMBER 31, 2005 AND FOR THE THREE MONTHS ENDED MARCH 31, 2006 (UNAUDITED)

	Common Stock		Additional Paid-In Capital	Accumulated Deficit	Total Stockholder s Equity
	Shares	Amount			
BALANCE, November 10, 2005 (inception)		$	$	$	$
Issuance of common stock	20,000	200	199,800		200,000
BALANCE, December 31, 2005	20,000	200	199,800		200,000
Net loss				(80,173)	(80,173)
BALANCE, March 31, 2006	20,000	$ 200	$ 199,800	$ (80,173)	$ 119,827

See accompanying notes.

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WELLS TIMBER REAL ESTATE INVESTMENT TRUST, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	(Unaudited) Three Months Ended March 31, 2006	Period From November 10, 2005 (inception) through December 31, 2005
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	**$ (80,173)**	$
Changes in asset and liability necessary to reconcile net loss to net cash provided by operating activities:		
Prepaid expenses	(285,995)	
Net cash used in operating activities	(366,168)	
CASH FLOWS FROM FINANCING ACTIVITIES:		
Due to affiliate	366,168	
Issuance of common stock		200,000
Contribution from minority interest partner		3,000
Net cash provided by financing activities	366,168	203,000
NET INCREASE IN CASH AND CASH EQUIVALENTS		203,000
CASH AND CASH EQUIVALENTS, beginning of period	203,000	
CASH AND CASH EQUIVALENTS, end of period	$ 203,000	$ 203,000

See accompanying notes.

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WELLS TIMBER REAL ESTATE INVESTMENT TRUST, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2006(UNAUDITED)
AND DECEMBER 31, 2005

1. ORGANIZATION

Wells Timber Real Estate Investment Trust, Inc. (Wells Timber REIT) was formed on September 27, 2005 as a Maryland corporation that intends to qualify as a real estate investment trust (REIT). Prior to November 9, 2005, Wells Timber REIT was known as Wells Real Estate Investment Trust IV, Inc. Substantially all of Wells Timber REIT s business is expected to be conducted through Wells Timber Operating Partnership, L.P. (Wells Timber OP), a Delaware limited partnership formed on November 9, 2005. Wells Timber REIT is the sole general partner, possesses full legal control and authority over the operations and owns 99% of the common units of Wells Timber OP. Wells Capital, Inc. (the Advisor) is the sole limited partner of Wells Timber OP and has contributed $2,000 to Wells Timber OP for 200 common units therein and $1,000 for 100 special partnership units therein. Neither Wells Timber REIT nor Wells Timber OP has engaged in any operations to date. References to Wells Timber REIT herein shall include Wells Timber OP unless otherwise noted.

Wells Timber REIT and Wells Timber OP have executed an agreement with the Advisor (Advisory Agreement), under which the Advisor will perform certain key functions on behalf of Wells Timber REIT and Wells Timber OP, including, among others, the investment of capital proceeds and management of day-to-day operations.

Wells Timber REIT expects to acquire timberland properties in the timber-producing regions of the United States and, to a limited extent, in other countries. Wells Timber REIT intends to generate a substantial majority of its revenue and income by selling the rights to access land and harvest timber to third parties pursuant to supply agreements and through open-market sales. Wells Timber REIT expects to generate additional revenues and income from selling high-quality timberland, selling the rights to extract natural resources from timberland other than timber, and leasing land-use rights to third parties.

As of March 31, 2006 and December 31, 2005, Wells Timber REIT and Wells Timber OP have neither purchased nor contracted to purchase any assets, nor has the Advisor identified any assets in which there is a reasonable probability that Wells Timber REIT or Wells Timber OP will invest.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation and Basis of Presentation

The accompanying consolidated financial statements include the accounts of Wells Timber REIT and Wells Timber OP. The financial statements of Wells Timber OP are prepared using accounting policies consistent with those used by Wells Timber REIT. All significant intercompany balances and transactions have been eliminated upon consolidation.