

Wells Timberland REIT, Inc.
Form POS AM
April 23, 2009
Table of Contents

Index to Financial Statements

As filed with the Securities and Exchange Commission on April 23, 2009

Registration No. 333-129651

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

Post-Effective Amendment No. 5

to

Form S-11

REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

OF SECURITIES OF CERTAIN REAL ESTATE COMPANIES

Wells Timberland REIT, Inc.

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

6200 The Corners Parkway

Norcross, Georgia 30092-3365

(770) 449-7800

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

Leo F. Wells, III

President

Wells Timberland REIT, Inc.

6200 The Corners Parkway

Norcross, Georgia 30092-3365

(770) 449-7800

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

Copy to:

Rosemarie A. Thurston

Lesley H. Solomon

Alston & Bird LLP

1201 West Peachtree Street

Atlanta, Georgia 30309

(404) 881-7000

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

Edgar Filing: Wells Timberland REIT, Inc. - Form POS AM

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

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

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

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

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

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

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

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

Table of Contents

Index to Financial Statements

This Post-Effective Amendment No. 5 consists of the following:

1. The Registrant's Prospectus dated December 14, 2007 (the Prospectus);
2. Supplement No. 14 dated April 23, 2009, filed herewith, which will be delivered as an unattached document along with the Prospectus. This Supplement No. 14 supersedes and replaces the following prior supplements to the prospectus dated December 14, 2007: Supplement No. 1 dated February 11, 2008, Supplement No. 2 dated February 29, 2008, Supplement No. 3 dated April 16, 2008, Supplement No. 4 dated April 23, 2008, Supplement No. 5 dated June 3, 2008, Supplement No. 6 dated July 11, 2008, Supplement No. 7 dated July 31, 2008, Supplement No. 8 dated August 22, 2008, Supplement No. 9 dated August 29, 2008, Supplement No. 10 dated October 20, 2008, Supplement No. 11 dated November 21, 2008, Supplement No. 12 dated December 23, 2008 and Supplement No. 13 dated April 14, 2009;
3. Part II, included herewith; and
4. Signatures, included herewith.

Table of Contents

Index to Financial Statements

WELLS TIMBERLAND REIT, INC.

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

Minimum Offering of 200,000 Shares of Common Stock

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

We are offering up to 75,000,000 shares of common stock in our primary offering for \$10.00 per share, with volume discounts available to investors who purchase more than 50,000 shares at any one time. Discounts are also available for other categories of purchasers as described in Plan of Distribution. We are also offering up to 10,000,000 shares to be issued pursuant to our distribution reinvestment plan at a purchase price equal to \$9.55 per share during our primary offering. We reserve the right to reallocate the shares of common stock we are offering between the primary offering and the distribution reinvestment plan. On July 11, 2007, excluding shares purchased by our executive officers, directors and our advisor and its affiliates, we had received and accepted subscriptions in our offering for 234,477 shares of common stock, or \$2,332,845, thereby exceeding the minimum offering. As of December 6, 2007, we had received aggregate gross offering proceeds, net of discounts, of approximately \$36 million from the sale of approximately 3.6 million shares in this offering. As of December 6, 2007, approximately 71.4 million shares remained available for sale to the public, exclusive of shares available under our distribution reinvestment plan.

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

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

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

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

Our charter limits a person from owning more than 9.8% of our common stock without prior approval of our board of directors. We are dependent upon our advisor and its affiliates to conduct our operations and this offering. Adverse changes in the financial health of our advisor or its affiliates or our relationship with them could cause our operations to suffer.

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

Edgar Filing: Wells Timberland REIT, Inc. - Form POS AM

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

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

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

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

	Price to Public*	Selling Commissions*	Dealer- Manager Fee*	Net Proceeds (Before Expenses)
Primary Offering				
Per Share	\$ 10.00	\$ 0.70	\$ 0.18	\$ 9.12
Total Minimum	2,000,000	140,000	36,000	1,824,000
Total Maximum	\$ 750,000,000	\$ 52,500,000	\$ 13,500,000	\$ 684,000,000
Distribution Reinvestment Plan				
Per Share	9.55			9.55
Total Maximum	\$ 95,500,000	\$	\$	\$ 95,500,000

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

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

December 14, 2007

Table of Contents

Index to Financial Statements

SUITABILITY STANDARDS

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

a net worth of at least \$150,000; or

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

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

Arizona, Michigan, Missouri, North Carolina, Tennessee and Texas Investors must have either (1) a net worth of at least \$225,000, or (2) gross annual income of at least \$60,000 and a net worth of at least \$60,000.

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

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

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

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

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

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

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

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

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

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

Those selling shares on our behalf must make every reasonable effort to determine that the purchase of shares in this offering is a suitable and appropriate investment for each stockholder based on information provided by the stockholder regarding the stockholder's financial situation and

Edgar Filing: Wells Timberland REIT, Inc. - Form POS AM

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.

Table of Contents

Index to Financial Statements

TABLE OF CONTENTS

PROSPECTUS SUMMARY	1
<i><u>Wells Timberland REIT, Inc.</u></i>	1
<i><u>Our Advisor</u></i>	1
<i><u>Our Sponsor</u></i>	1
<i><u>Investment Objectives</u></i>	1
<i><u>Summary Risk Factors</u></i>	2
<i><u>Our Corporate Structure</u></i>	2
<i><u>Conflicts of Interest</u></i>	5
<i><u>Compensation of the Advisor and its Affiliates</u></i>	6
<i><u>Description of Investments</u></i>	8
<i><u>Sources of Income</u></i>	8
<i><u>Board of Directors and Executive Officers</u></i>	8
<i><u>Leverage</u></i>	8
<i><u>Michigan Rescission Offer</u></i>	9
QUESTIONS AND ANSWERS ABOUT THE OFFERING	10
<i><u>What is a REIT?</u></i>	10
<i><u>When will you become qualified as a REIT?</u></i>	10
<i><u>What will you do with the money raised in this offering?</u></i>	10
<i><u>What kind of offering is this?</u></i>	11
<i><u>How does a best efforts offering work?</u></i>	11
<i><u>How long will this offering last?</u></i>	11
<i><u>Who can buy shares?</u></i>	11
<i><u>For whom is an investment in our shares recommended?</u></i>	11
<i><u>Are there any special restrictions on the ownership or transfer of shares?</u></i>	11
<i><u>Are there any special considerations that apply to employee benefit plans subject to ERISA or other retirement plans that are investing in shares?</u></i>	12
<i><u>Is there any minimum investment required?</u></i>	12
<i><u>How do I subscribe for shares?</u></i>	12
<i><u>Have you achieved a minimum of \$2,000,000 in this offering?</u></i>	12
<i><u>What are your exit strategies?</u></i>	12
<i><u>If I buy shares in this offering, how may I later sell them?</u></i>	13
<i><u>If I buy shares, will I receive distributions and how often?</u></i>	14
<i><u>How will you calculate the payment of distributions to stockholders?</u></i>	14
<i><u>May I reinvest my distributions in shares of Wells Timberland REIT?</u></i>	14
<i><u>Will the distributions I receive be taxable as ordinary income?</u></i>	15
<i><u>Will I be notified of how the company and my investment are performing?</u></i>	15
<i><u>When will I get my detailed tax information?</u></i>	15
<i><u>Who can help answer my questions?</u></i>	16
RISK FACTORS	17
Risks Related to Investing in this Offering	17
<i><u>There is no public trading market for your shares; therefore, it will be difficult for you to sell your shares</u></i>	17
<i><u>If we are unable to find suitable investments, we may not be able to achieve our investment objectives or pay distributions</u></i>	17

Table of Contents**Index to Financial Statements**

<u>We have acquired only one property and have not yet identified any additional properties that we will purchase with the proceeds of this offering, which makes your investment more speculative</u>	17
<u>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</u>	18
<u>We have a very limited operating history, which makes our future performance and the performance of your investment difficult to predict</u>	18
<u>We expect our real estate investments to be concentrated in timberland properties, making us more vulnerable economically than if our investments were diversified</u>	18
<u>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</u>	18
<u>Our cash distributions are not guaranteed and may fluctuate</u>	19
<u>The loss of or inability to obtain key personnel of our advisor or its manager could delay or hinder implementation of our investment strategies, which could limit our ability to make distributions and decrease the value of your investment</u>	19
<u>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</u>	19
<u>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</u>	20
<u>Risks Related to Conflicts of Interest</u>	20
<u>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</u>	20
<u>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</u>	20
<u>Wells TIMO and its affiliates, including our officers and one of our directors, will face conflicts of interest caused by compensation arrangements with us and other programs advised by Wells Capital, which could result in actions that are not in the long-term best interests of our stockholders. The amounts payable to Wells TIMO upon termination of the advisory agreement may also influence decisions about terminating Wells TIMO or our acquisition or disposition of investments</u>	21
<u>The fees we pay Wells TIMO under the advisory agreement and the amounts payable to Wells TIMO under the Wells Timberland OP partnership agreement were not determined on an arm's-length basis and therefore may not be on the same terms as those we could negotiate with a third party. Because the advisory agreement must be renewed annually, the fees and other amounts that we pay to Wells TIMO may increase in future renewals</u>	21
<u>Risks Related to Our Corporate Structure</u>	22
<u>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</u>	22
<u>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</u>	22
<u>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</u>	22

Table of Contents

Index to Financial Statements

You will have limited control over changes in our policies and operations, which increases the uncertainty and risks you face as a stockholder 23

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 23

The offering price was not established on an independent basis; the actual value of your investment may be substantially less than what you pay 24

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 24

Your interest in us will be diluted if we issue additional shares, which could reduce the overall value of your investment 24

Payment of fees to Wells TIMO and its affiliates will reduce cash available for investment and distribution and increases the risk that you will not be able to recover the amount of your investment in our shares 24

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 25

Our designation and issuance of preferred stock may limit proceeds payable to the holders of common stock in the event we are liquidated or dissolved prior to the redemption of the preferred stock 25

Risks Related to Investments in Timberland 25

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 25

Changes in demand for higher and better use property may reduce our anticipated land sale revenues 25

Large-scale increases in the supply of timber may affect timber prices and reduce our revenues 26

The cyclical nature of the forest products industry could impair our ability to make distributions to our stockholders 26

Uninsured losses relating to the timberland properties we acquire may reduce our stockholders returns 26

The forest products industry and the market for timberland properties are highly competitive, which could force us to pay higher prices for our properties or limit the amount of suitable timberland investments we are able to acquire and thereby reduce our profitability and the return on an investment in us 27

Harvesting our timber may be subject to limitations which could impair our ability to receive income and make distributions to our stockholders 27

We face possible liability for environmental clean up costs and wildlife protection laws related to the timberland properties we acquire, which could increase our costs and reduce our profitability and cash distributions to our stockholders 27

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 28

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 29

We may be unable to obtain accurate data on the volume and quality of the standing timber on a property that we intend to acquire, which may impair our ability to derive the anticipated benefits from the timberland property 29

Our estimates of the timber growth rates on our properties may be inaccurate, which would impair our ability to realize expected revenues from those properties 29

Table of Contents**Index to Financial Statements**

<u>Changes in assessments, property tax rates and state property tax laws may reduce our net income and our ability to make distributions to our stockholders</u>	30
<u>Changes in land uses in the vicinity of our timberland properties may increase the amount of the property that we classify as HBU property, and property tax regulations may reduce our ability to realize the values of those HBU properties</u>	30
<u>We may be unable to properly estimate non-timber revenues from the properties that we acquire, which would impair our ability to acquire attractive properties, as well as our ability to derive the anticipated revenues from those properties</u>	30
<u>Our international investments will be subject to changes in global market trends that could adversely impact our ability to make distributions to our stockholders</u>	30
Risks Associated with Debt Financing	31
<u>If we default on the terms of the mezzanine loan or the senior loan obtained by us in connection with the acquisition of the South Central Timberland, stockholders who invest in us prior to the repayment of the mezzanine loan or the senior loan could lose some or all of their investment</u>	31
<u>The credit agreement for the mezzanine loan obtained by us in connection with the acquisition of the South Central Timberland prohibits us from paying distributions or redeeming shares (except in cases of death or disability) until we repay the loan in full</u>	31
<u>We are likely to incur mortgage and other indebtedness, which may increase our business risks and may reduce the value of your investment</u>	31
<u>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</u>	32
<u>Lenders may require us to enter into restrictive covenants relating to our operations, which could limit our ability to make distributions to our stockholders</u>	32
<u>Increases in interest rates could increase the amount of our debt payments and limit our ability to pay distributions to our stockholders</u>	32
<u>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</u>	32
<u>Actions of our joint venture partners could reduce the returns on our joint venture investments and decrease your overall return</u>	33
Federal Income Tax Risks	33
<u>Our determination to delay our election to be taxed as a REIT could result in adverse tax consequences to us and our stockholders.</u>	33
<u>We have not qualified as a REIT and may fail to meet the requirements to qualify as a REIT which will require us to pay additional taxes and which could reduce our funds available to make distributions to our stockholders.</u>	34
<u>You may have current tax liability on distributions you elect to reinvest in our common stock</u>	34
<u>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</u>	34
<u>Upon qualification as a REIT, we may be forced to borrow funds during unfavorable market conditions to make distributions to our stockholders, which could increase our operating costs and decrease the value of your investment</u>	35
<u>To qualify and maintain our REIT status, we may be forced to forego otherwise attractive opportunities, which could delay or hinder our ability to meet our investment objectives and lower the return on your investment</u>	35
<u>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</u>	35
<u>Certain of our business activities are potentially subject to the prohibited transaction tax, which could reduce the return on your investment</u>	35
Retirement Plan Risks	36
<u>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</u>	36

Table of Contents

Index to Financial Statements

<i>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</i>	36
<u>CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS</u>	37
<u>ESTIMATED USE OF PROCEEDS</u>	38
<u>MANAGEMENT</u>	40
<u>Board of Directors</u>	40
<u>Committees of the Board of Directors</u>	40
<u>Audit Committee</u>	41
<u>Nominating and Corporate Governance Committee</u>	41
<u>Executive Officers and Directors</u>	41
<u>Compensation of Directors</u>	45
<u>2005 Long-Term Incentive Plan</u>	46
<u>Limited Liability and Indemnification of Directors, Officers, Employees and Other Agents</u>	48
<u>Our Sponsor</u>	49
<u>Our Advisor</u>	51
<u>The Advisory Agreement</u>	52
<u>Initial Investment by Our Sponsor</u>	53
<u>Dealer-Manager</u>	54
<u>Management Decisions</u>	54
<u>MANAGEMENT COMPENSATION</u>	55
<u>STOCK OWNERSHIP</u>	61
<u>CONFLICTS OF INTEREST</u>	62
<u>Our Sponsor's Interests in Other Wells Real Estate Programs</u>	62
<u>Receipt of Fees and Other Compensation by Wells TIMO and its Affiliates</u>	63
<u>Fiduciary Duties Owed by Affiliates of Our Advisor to Other Entities</u>	63
<u>Affiliated Dealer-Manager</u>	64
<u>Certain Conflict Resolution Procedures</u>	64
<u>INDUSTRY OVERVIEW</u>	68
<u>General</u>	68
<u>Supply and Demand Dynamics</u>	69
<u>Stages of Biological Growth</u>	71
<u>Biological Growth Compared to Value Growth</u>	72
<u>Market Opportunity</u>	72
<u>BUSINESS AND POLICIES</u>	73
<u>Our Business</u>	73
<u>Investment Objectives</u>	73
<u>Investment Strategy</u>	73
<u>Operational Strategy</u>	74
<u>Joint Venture Investments</u>	75
<u>Borrowing Policies</u>	75
<u>Disposition Policies</u>	76
<u>Our Higher and Better Use Land Sales</u>	76
<u>Investment Limitations</u>	77

Table of Contents

Index to Financial Statements

<u>Changes in Investment Objectives and Limitations</u>	77
<u>Issuing Securities for Property</u>	78
<u>Acquisitions of Our Common Stock</u>	78
<u>Liquidity Event</u>	78
<u>TIMBERLAND INVESTMENTS</u>	79
<u>South Central Timberland</u>	79
<u>MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS</u>	
<u>General</u>	83
<u>Election of REIT Status</u>	83
<u>Liquidity and Capital Resources</u>	84
<u>Results of Operations</u>	86
<u>Inflation</u>	86
<u>Critical Accounting Policies</u>	86
<u>Related-Party</u>	88
<u>Commitments and Contingencies</u>	89
<u>Subsequent Event</u>	90
<u>PRIOR PERFORMANCE SUMMARY</u>	91
<u>Prior Public Programs</u>	91
<u>Prior Private Programs</u>	93
<u>Adverse Business Developments or Conditions</u>	93
<u>Summary of Recent Acquisitions by Wells Prior Programs</u>	95
<u>Additional Information</u>	95
<u>FEDERAL INCOME TAX CONSIDERATIONS</u>	96
<u>Taxation of Our Company as a C Corporation</u>	96
<u>Taxation of Wells Timberland OP</u>	96
<u>Taxation of Taxable U. S. Stockholders</u>	97
<u>Taxation of Tax-Exempt Stockholders</u>	98
<u>Special Tax Considerations for Non-U. S. Stockholders</u>	98
<u>Federal Income Taxation of Our Company as a REIT</u>	99
<u>Requirements for Qualification</u>	101
<u>Annual Distribution Requirements</u>	106
<u>Earnings and Profits</u>	107
<u>Statutory Relief</u>	108
<u>Taxable REIT Subsidiaries</u>	108
<u>Taxation of U. S. Stockholders if We Qualify and Elect to be Taxed as a REIT</u>	108
<u>Taxation of Tax-Exempt Stockholders if We Qualify and Elect to be Taxed as a REIT</u>	110
<u>Special Tax Considerations for Non-U. S. Stockholders if We Qualify and Elect to be Taxed as a REIT</u>	110
<u>Information Reporting Requirements and Backup Withholding Tax</u>	112
<u>ERISA CONSIDERATIONS</u>	114
<u>Prohibited Transactions</u>	114
<u>Plan Asset Considerations</u>	115
<u>Other Prohibited Transactions</u>	116
<u>Annual Valuation</u>	116

Table of Contents

Index to Financial Statements

<u>DESCRIPTION OF SHARES</u>	118
<u>Common Stock</u>	118
<u>Preferred Stock</u>	118
<u>Uncertificated Shares</u>	119
<u>Meetings and Special Voting Requirements</u>	119
<u>Restriction on Ownership of Shares</u>	119
<u>Distributions</u>	122
<u>Distribution Reinvestment Plan</u>	123
<u>Share Redemption Plan</u>	125
<u>Registrar and Transfer Agent</u>	127
<u>Restrictions on Roll-Up Transactions</u>	127
<u>CERTAIN PROVISIONS OF MARYLAND LAW AND OF OUR CHARTER AND BYLAWS</u>	129
<u>Business Combinations</u>	129
<u>Control Share Acquisitions</u>	129
<u>Subtitle 8</u>	130
<u>Advance Notice of Director Nominations and New Business</u>	131
<u>Anti-takeover Effect of Certain Provisions of Maryland Law and of the Charter and Bylaws</u>	131
<u>THE OPERATING PARTNERSHIP AGREEMENT</u>	132
<u>General</u>	132
<u>Capital Contributions</u>	132
<u>Operations</u>	132
<u>Distributions and Allocations of Profits and Losses</u>	132
<u>Rights, Obligations and Powers of the General Partner</u>	133
<u>Redemption Rights</u>	134
<u>Change in General Partner</u>	134
<u>Transferability of Interests</u>	135
<u>Amendment of Limited Partnership Agreement</u>	135
<u>PLAN OF DISTRIBUTION</u>	