

Wells Timberland REIT, Inc.
Form 424B3
November 18, 2010
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FILED PURSUANT TO

RULE 424 (B)(3)

REGISTRATION NO: 333-157087

WELLS TIMBERLAND REIT, INC.

SUPPLEMENT NO. 10 DATED NOVEMBER 18, 2010

TO THE PROSPECTUS DATED AUGUST 6, 2009

This document supplements, and should be read in conjunction with, our prospectus dated August 6, 2009, relating to our offering of up to \$2,200,000,000 of shares of our common stock, as supplemented by Supplement No. 6 dated April 14, 2010, Supplement No. 7 dated May 26, 2010, Supplement No. 8 dated August 19, 2010 and Supplement No. 9 dated October 21, 2010. Defined terms used in this supplement have the same meanings as set forth in the prospectus. The purpose of this supplement is to disclose:

the status of our public offerings;

information regarding our indebtedness;

amendments to our share redemption plan, an amended and restated copy of which is attached to this supplement as Annex A;

a clarification regarding our subscriptions procedures;

a revision to the Risk Factors Risks Related to Our Corporate Structure section of the prospectus; and

our Quarterly Report on Form 10-Q for the quarter ended September 30, 2010, as filed with the Securities and Exchange Commission on November 10, 2010, which is attached to this supplement as Annex B.

Status of Our Public Offerings

On August 11, 2006, we commenced our initial public offering of up to 85.0 million shares of common stock, of which 10.0 million shares were reserved for issuance through our distribution reinvestment plan. Our initial public offering ended on August 11, 2009. We raised gross offering proceeds of approximately \$174.9 million from the sale of approximately 17.6 million shares in our initial public offering.

On August 12, 2009, we commenced a follow-on public offering of 220.9 million shares of common stock, of which 20.9 million shares of common stock are being offered under our distribution reinvestment plan. As of November 10, 2010 we had raised gross offering proceeds of approximately \$58.1 million from the sale of approximately 5.8 million shares of common stock under our follow-on offering. As of November 10, 2010, approximately 194.2 million shares remained available for sale to the public in our follow-on offering, exclusive of shares available under our distribution reinvestment plan. Unless extended, our follow-on offering is expected to terminate on August 6, 2011.

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As of November 10, 2010, we had received aggregate gross offering proceeds of approximately \$233.0 million from the sale of approximately 23.3 million shares in our public offerings. After incurring approximately \$19.4 million in selling commissions and dealer manager fees, approximately \$2.8 million in other organization and offering expenses, and funding common stock redemptions of approximately \$1.4 million pursuant to the share redemption program, as of November 10, 2010, we had raised aggregate net offering proceeds available for investment in properties of approximately \$209.4 million, substantially all of which had been invested in timberland properties.

Information Regarding Our Indebtedness

As of November 10, 2010, our leverage ratio, or the ratio of total debt to total purchase price of timber assets plus cash and cash equivalents, was approximately 43%. As of November 10, 2010, our debt-to-net assets ratio, defined as total debt as a percentage of our total assets (other than intangibles), valued at cost prior to deducting depreciation, reserves for bad debts and other non-cash reserves, less total liabilities, was approximately 86%.

As of November 10, 2010, we had total outstanding indebtedness of approximately \$177.2 million, which consisted of a five-year senior loan, which we refer to as the Mahrt loan, in the original principal amount of \$211.0 million with CoBank, ACB and Wells Fargo Securities, LLC. The proceeds of the Mahrt loan, which was entered

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into in March 2010, were used to refinance the outstanding balances due on a senior loan and a mezzanine loan entered into in October 2007 in connection with our acquisition from MeadWestvaco Corporation of certain timberland and long-term leasehold interests in timberland, along with associated mineral rights and other related assets, which we refer to as the Mahrt Timberland.

Amendment and Restatement of Share Redemption Plan

On November 8, 2010, we amended and restated our share redemption plan (the Amended Share Redemption Plan). The Amended Share Redemption Plan, which will take effect on December 9, 2010, provides the criteria that we will use to determine a qualifying disability under the Amended Share Repurchase Plan. In addition, the Amended Share Redemption Plan provides for the redemption of a stockholder's shares in connection with the qualification for federal assistance for confinement to a long term care facility and provides the criteria for such determination.

The Amended Share Redemption Plan also changes the price at which we will redeem shares pursuant to the plan. For all redemptions other than in connection with death, qualifying disability, or qualification for federal assistance for confinement to a long-term care facility, the Amended Share Redemption Plan provides that through the end of the period of one year after the completion of our offering stage, the price at which we will redeem shares will be 91% of the aggregate amount paid to us for all shares owned by the redeeming stockholder that were received from us divided by the number of shares owned by such stockholder that were received from us. For the period beginning one year after we complete our offering stage, the price at which we will redeem shares will be 95% of the per share value, as estimated by our advisor or another firm chosen for that purpose.

For shares to be redeemed in connection with death, qualifying disability, or qualification for federal assistance for confinement to a long-term care facility, the Amended Share Redemption Plan provides that through the end of a period of one year after we complete our offering stage, the price at which we will redeem shares will be at an amount equal to 100% of the aggregate amount paid to us for all shares owned by the redeeming stockholder that were received from us, divided by all shares owned such stockholder that were received from us. For the period beginning one year after we complete our offering stage, the price at which we will redeem shares will be 100% of the aggregate amount paid to us for all shares owned by the redeeming stockholder that were received from us divided by all shares owned by such stockholder that were received from us, plus or minus (i) a valuation adjustment, which will be the aggregate distributions per share of any net sale proceeds from the sale of one or more of our assets and/or (ii) any other special distributions designated by our board of directors.

Finally, the Amended Share Redemption Plan clarifies that no shares that have been transferred for value by a stockholder will be eligible to participate in the Amended Share Redemption Plan. A copy of the Amended Share Redemption Plan is attached as [Annex A](#).

Clarification Regarding Subscription Procedures

Each stockholder is required to represent that such stockholder has received a copy of the final prospectus. We will not accept payment for shares from you to complete a sale of shares to you until at least five business days after the date that you have received a final prospectus. You will receive a written confirmation of purchase. If we reject your subscription within 30 days of receipt of such subscription, you will receive a refund of your subscription amount automatically.

A Revision to Risk Factors Risks Related to Our Corporate Structure

The following risk factor previously disclosed in our prospectus with the caption set forth below is hereby revised to read as follows:

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.

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We are dependent upon our advisor and its affiliates to conduct our operations and this offering. Thus, adverse changes to our relationship with, or the financial health of, our advisor and its affiliates, including changes arising from litigation, could hinder their ability to successfully manage our operations and our portfolio of investments.

Affiliates of our advisor serve as a general partner to many Wells-sponsored limited partnership programs. Those affiliates may have contingent liability for the obligations of such partnerships. Enforcement of such obligations against our advisor's affiliates could result in a substantial reduction of their net worth. If such liabilities affected the level of services that our advisor could provide, our operations and financial performance could suffer.

In addition, affiliates of our advisor are currently parties to litigation regarding the internalization of entities affiliated with our advisor by Piedmont Office Realty Trust, Inc., formerly known as Wells Real Estate Investment Trust, Inc. (referenced herein as Piedmont REIT). Due to the uncertainties inherent in the litigation process, it is not possible for us to predict the ultimate outcome of these matters and, as with any litigation, the risk of financial loss does exist. Affiliates of our advisor have and may continue to incur defense costs associated with the litigation. A summary of the nature and status of the litigation is set forth below.

On March 12, 2007, a stockholder of Piedmont REIT filed a putative class action and derivative complaint, presently styled *In re Wells Real Estate Investment Trust, Inc. Securities Litigation*, in the United States District Court for the District of Maryland against, among others, Piedmont REIT; Leo F. Wells, III; Wells Capital, Wells Management; and other affiliates of our advisor. The litigation was filed prior to the closing of the internalization transaction on April 16, 2007.

The complaint alleged, among other things, (i) that the consideration to be paid as part of the internalization is excessive; (ii) violations of the federal proxy rules based upon allegations that the proxy statement contains false and misleading statements or omits to state material facts; (iii) that the board of directors and the current and previous advisors breached their fiduciary duties to the class and to Piedmont REIT; and (iv) that the proposed internalization will unjustly enrich certain directors and officers of Piedmont REIT, including Messrs. Wells and Williams. The complaint sought, among other things, unspecified monetary damages and nullification of the Piedmont REIT internalization transaction.

On June 27, 2007, the plaintiff filed an amended complaint, which contained the same counts as the original complaint, described above, with amended factual allegations based primarily on events occurring subsequent to the original complaint and the addition of one of Piedmont REIT's officers as an individual defendant. On March 31, 2008, the Court granted in part the defendants' motion to dismiss the amended complaint. The Court dismissed five of the seven counts of the amended complaint in their entirety. The Court dismissed the remaining two counts with the exception of allegations regarding the failure to disclose in the Piedmont REIT proxy statement details of certain expressions of interest in acquiring Piedmont REIT. On April 21, 2008, the plaintiff filed a second amended complaint, which alleges violations of the federal proxy rules based upon allegations that the proxy statement to obtain approval for the Piedmont REIT internalization transaction omitted details of certain expressions of interest in acquiring Piedmont REIT. The second amended complaint seeks, among other things, unspecified monetary damages, to nullify and rescind the internalization transaction, and to cancel and rescind any stock issued to the defendants as consideration for the internalization transaction. On May 12, 2008, the defendants answered and raised certain defenses to the second amended complaint.

On June 23, 2008, the plaintiff filed a motion for class certification. On September 16, 2009, the Court granted the plaintiff's motion for class certification. On September 20, 2009, the defendants filed a petition for permission to appeal immediately the Court's order granting the motion for class certification with the Eleventh Circuit Court of Appeals. The petition for permission to appeal was denied on October 30, 2009.

On April 13, 2009, the plaintiff moved for leave to amend the second amended complaint to add additional defendants. The Court denied the plaintiff's motion for leave to amend on June 23, 2009.

On December 4, 2009, the parties filed motions for summary judgment. On August 2, 2010, the Court entered an order denying the defendants' motion for summary judgment and granting, in part, the plaintiff's motion for partial summary judgment. The Court ruled that the question of whether certain expressions of interest in acquiring Piedmont REIT constituted material information required to be disclosed in the proxy statement to obtain approval for the Piedmont REIT internalization transaction raises questions of fact that must be determined at trial. A trial date has not been set.

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ANNEX A

WELLS TIMBERLAND REIT, INC.

AMENDED AND RESTATED SHARE REDEMPTION PLAN

The board of directors (the Board) of Wells Timberland REIT, Inc., a Maryland corporation (the Company), has adopted a Share Redemption Plan (the SRP), the terms and conditions of which are set forth below. Capitalized terms shall have the same meaning as set forth in the Company's charter unless otherwise defined herein.

1. **Share Redemption**. Subject to the terms and conditions of the Company's credit agreements and the terms and conditions of this SRP, including the limitations on redemptions set forth in paragraph 3 and the procedures for redemption set forth in paragraph 4, the Company will redeem such number of shares of the Company's Common Stock (the Shares) as requested by a stockholder or the authorized representative of a stockholder. Redemptions sought on the special terms identified in paragraph 5 do not require a one-year holding period and 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 the Company's board of directors.

2. **Redemption Price**. The price at which the Company will redeem a Share depends on whether the redemption is sought within two years of a stockholder's death, Qualifying Disability (as defined in paragraph 6) or qualification for federal assistance for confinement to a Long-Term Care Facility (as defined in paragraph 7). The redemption of a Share that is not sought within two years of a stockholder's death, Qualifying Disability or qualification for federal assistance for confinement to a Long-Term Care Facility is referred to as an Ordinary Redemption.

a. The price that the Company will pay to redeem Shares pursuant to an Ordinary Redemption is as follows:

i. through the end of the period of one year after the Company completes its offering stage, the redemption price will be at an amount per share equal to 91% of the aggregate amount paid to the Company for all Shares owned by such stockholder that were received from the Company, divided by all Shares owned by the stockholder that were received from the Company; and

ii. following a period of one year after the Company completes its offering stage, 95% of the per share value of Shares, as estimated by the Company's advisor or other firm chosen for that purpose.

b. The price that the Company will pay to redeem Shares within two years of a stockholder's death, Qualifying Disability or qualification for federal assistance for confinement to a Long-Term Care Facility (each such redemption, a Special Redemption) is as follows:

i. through the end of a period of one year after the Company completes its offering stage, the redemption price will be at an amount per share equal to 100% of the aggregate amount paid to the Company for all Shares owned by such stockholder that were received from the Company, divided by all Shares owned by the stockholder that were received from the Company; and

ii. following a period of one year after the Company completes its offering stage, 100% of the aggregate amount paid to the Company for all Shares owned by such stockholder that were received from the Company, divided by all Shares owned by the stockholder that were received from the Company, plus or minus (x) a valuation adjustment (the aggregate distributions per Share of any net sale proceeds from the sale of one or more of the Company's assets) and/or, (y) any other special distributions so designated by the Board.

Notwithstanding the foregoing, during any period in which the Company is engaged in a public offering of Shares, the purchase price paid to redeem any Shares shall not exceed the then-current offering price.

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The Company will view its offering stage as complete upon the termination of its last public equity offering prior to the listing of its shares on a national securities exchange. For purposes of the SRP, the Company will exclude from the definition of "public equity offering" certain issuances by it as described under the "ERISA Considerations - Annual Valuation" subsection of the Company's prospectus. The Company will report the redemption price in the annual report and the three quarterly reports it is required to publicly file with the U.S. Securities and Exchange Commission.

3. Limitations on Redemption. Notwithstanding anything contained in this SRP to the contrary, the Company's obligation to redeem Shares pursuant to paragraph 1 hereof is limited as follows.

a. The Company will not redeem any Share pursuant to this SRP that has been transferred for value by a stockholder. After a transfer for value, the transferee and all subsequent holders of the share are not eligible to participate in the SRP.

b. The Company will not make an Ordinary Redemption of a Share until such Share has been issued and outstanding for at least one year, provided that, if the Company is redeeming all of a stockholder's Shares, then the Company will redeem Shares purchased by such stockholder pursuant to the Company's distribution reinvestment plan, even if such Shares have not been issued and outstanding for at least one year.

c. During any calendar year, the Company will not redeem in excess of 5% of the weighted-average number of shares outstanding during the prior calendar year.

d. The Company will not redeem Shares on any Redemption Date (as defined in paragraph 4 below) to the extent that such redemptions would cause the aggregate amount paid for redemptions since the beginning of the then-current calendar year to exceed the sum of (x) 100% of the net proceeds from the Company's distribution reinvestment plan during such period and (y) any additional amount reserved for such purpose by the Board.

4. Procedures for Redemption. The Company will redeem Shares on the last business day of each month (each such date a "Redemption Date"). For a stockholder's Shares to be eligible for redemption on a given Redemption Date, the Company must receive a written redemption request at least five business days before the Redemption Date. If the Company cannot repurchase all Shares presented for redemption in any month, then the Company will attempt to honor redemption requests on a pro rata basis, except that (i) if a pro rata redemption would result in a stockholder owning less than half of the minimum amount described in the "Plan of Distribution - Minimum Purchase Requirements" subsection of the Company's prospectus, then the Company would redeem all of such stockholder's Shares; and (ii) if a pro rata redemption would result in a stockholder owning more than half but less than all of the applicable minimum amount, then the Company would not redeem any Shares that would reduce a stockholder's ownership of Shares below the applicable minimum amount.

If the Company does not completely satisfy a redemption request at month-end because the Company did not receive the request in time, or because of the restrictions on the number of Shares the Company may redeem under the SRP, then the Company will treat the unsatisfied portion of the redemption request as a request for redemption at the next Redemption Date, unless the redemption request is withdrawn. Any stockholder may withdraw a redemption request by sending written notice to the Company at the address set forth in paragraph 7, provided such notice is received before the Redemption Date.

5. Special Provisions upon Death, Qualifying Disability or Qualification for Federal Assistance for Confinement to a Long-Term Care Facility.

Notwithstanding anything herein to the contrary, the Company will treat redemption requests sought pursuant to a Special Redemption differently than Ordinary Redemptions, as follows:

a. There is no requirement that Shares be issued and outstanding for at least one year before being redeemed;

b. The Special Redemption pricing terms set forth in paragraph 2.b. will apply.

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c. The limitation on redemptions set forth in paragraph 3.b. will not apply.

d. A stockholder that is a trust may only redeem on the terms available in connection with a Special Redemption if the deceased or disabled was the sole beneficiary of the trust, or if the only other beneficiary of the trust was the spouse of the deceased or disabled.

6. **Qualifying Disability Determinations.** In order for a stockholder's disability to entitle such stockholder to the Special Redemption terms described in paragraph 5 (a Qualifying Disability), (1) the stockholder must receive a determination of disability based upon a physical or mental condition or impairment arising after the date the stockholder acquired the Shares to be redeemed, and (2) such determination of disability must be made by the governmental agency responsible for reviewing the disability retirement benefits that the stockholder could be eligible to receive (the Applicable Government Agency). The Applicable Government Agencies are limited to the following: (i) if the stockholder paid Social Security taxes and, therefore, could be eligible to receive Social Security disability benefits, then the Applicable Governmental Agency is the Social Security Administration or the agency charged with responsibility for administering Social Security disability benefits at that time if other than the Social Security Administration; (ii) if the stockholder did not pay Social Security taxes and, therefore, could not be eligible to receive Social Security disability benefits, but the stockholder could be eligible to receive disability benefits under the Civil Service Retirement System (CSRS), then the Applicable Governmental Agency is the U.S. Office of Personnel Management or the agency charged with responsibility for administering CSRS benefits at that time if other than the Office of Personnel Management; or (iii) if the stockholder did not pay Social Security taxes and, therefore, could not be eligible to receive Social Security benefits but suffered a disability that resulted in the stockholder's discharge from military service under conditions that were other than dishonorable and, therefore, could be eligible to receive military disability benefits, then the Applicable Governmental Agency is the Department of Veterans Affairs or the agency charged with the responsibility for administering military disability benefits at that time if other than the Department of Veterans Affairs.

A disability determination by a governmental agency for purposes other than those listed above, including but not limited to worker's compensation insurance, administration or enforcement of the Rehabilitation Act or Americans with Disabilities Act, or waiver of insurance premiums will not be considered a Qualifying Disability. Redemption requests following an award by the Applicable Governmental Agency of disability benefits must be accompanied by: (1) the investor's initial application for disability benefits and (2) a Social Security Administration Notice of Award, a U.S. Office of Personnel Management determination of disability under CSRS, a Department of Veterans Affairs record of disability-related discharge or such other documentation issued by the Applicable Governmental Agency that the Company deems acceptable and that demonstrates an award of the disability benefits.

Because the following disabilities do not entitle a worker to Social Security disability benefits, they will not be considered Qualifying Disabilities, except in the limited circumstances when the investor is awarded disability benefits by the other Applicable Governmental Agencies described above:

a. disabilities occurring after the legal retirement age;

b. temporary disabilities; and

c. disabilities that do not render a worker incapable of performing substantial gainful activity.

7. **Qualifying for Federal Assistance for Confinement to a Long-Term Care Facility.**

With respect to the Special Redemption terms described in paragraph 5 sought in connection with a stockholder (or stockholder's spouse) qualifying for federal assistance for confinement to a Long-Term Care Facility, a Long-Term Care Facility shall mean an institution that: (a) either (i) is approved by Medicare as a provider of skilled nursing care, or (ii) is licensed as a skilled nursing home by the state or territory in which it is located (it must be within the United States, Puerto Rico, or U.S. Virgin Islands); and (b) meets all of the following requirements: (i) its main function is to provide skilled, intermediate or custodial nursing care; (ii) it provides continuous room and board to three or more persons; (iii) it is supervised by a registered nurse or

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licensed practical nurse; (iv) it keeps daily medical records of all medication dispensed; and (v) its primary service is other than to provide housing for residents.

A stockholder seeking a Special Redemption of his or her Shares in order to qualify for federal assistance for confinement of the stockholder (or the stockholder's spouse) to a Long-Term Care Facility must submit: (a) a written statement from a licensed physician certifying either (i) the continuous and continuing confinement of the stockholder (or the stockholder's spouse) to a Long-Term Care Facility beginning at any time in the last two years, or (ii) that the licensed physician has determined that the stockholder (or the stockholder's spouse) should be or is eligible to be indefinitely confined to a Long-Term Care Facility; and (b) evidence satisfactory to the Company in its sole discretion that the redemption of the Shares and complete or partial exhaustion of the redemption proceeds is necessary for the stockholder (or the stockholder's spouse) to meet the income or asset levels required by applicable state or federal assistance programs in order to qualify for state or federal assistance in paying for his or her Long-Term Care Facility.

The Company may not effect a Special Redemption of Shares if the stockholder seeking redemption was confined to (or eligible to be confined to) a Long-Term Care Facility on the date he or she became a stockholder and had received skilled nursing care at such Long Term Care Facility prior to or on such date. If the Shares are not held by a natural person, or through a revocable grantor trust or an IRA or other retirement or profit sharing plan, then the right of redemption described in this paragraph 7 does not apply.

8. Termination, Suspension or Amendment of the SRP by the Company. The Company may amend, suspend or terminate the SRP for any reason upon 30 days' notice to the Company's stockholders. The Company will notify stockholders of such developments (i) in the quarterly reports mentioned in Section 2. above or (ii) by means of a separate mailing, accompanied by disclosure in a current or periodic report under the Securities Exchange Act of 1934, as amended. During the current public offering, the Company will also include this information in a prospectus supplement or post-effective amendment to the registration statement, as then required under federal securities laws.

The SRP provides stockholders a limited ability to redeem Shares for cash until a secondary market develops for the Shares. If and when such a secondary market develops, the SRP will terminate automatically.

9. Address for Notice of Redemption Requests. Stockholders who desire to redeem their shares must provide written notice to Wells Investment Securities at 6200 The Corners Parkway, Norcross, Georgia 30092-3365, Attn: Client Services.

10. Liability of the Company. The Company shall not be liable for any act done in good faith or for any good faith omission to act.

11. Governing Law. The SRP shall be governed by the laws of the State of Maryland.

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ANNEX B

QUARTERLY REPORT ON FORM 10-Q

FOR THE

QUARTERLY PERIOD ENDED SEPTEMBER 30, 2010

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-Q

(Mark One)

Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended September 30, 2010

OR

Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the transition period from _____ to _____

Commission file number 000-53193

WELLS TIMBERLAND REIT, INC.

(Exact name of registrant as specified in its charter)

Maryland
(State or other jurisdiction of incorporation or organization)

20-3536671
(I.R.S. Employer Identification Number)

6200 The Corners Parkway

Norcross, Georgia 30092

(Address of principal executive offices)

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(Zip Code)

(770) 449-7800

(Registrant's telephone number, including area code)

N/A

(Former name, former address, and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or such shorter period that the registrant was required to submit and post such files)

Yes No

[Not yet applicable to the registrant]

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 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 (Do not check if a smaller reporting company)

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

Number of shares outstanding of the registrant's only

class of common stock, as of October 31, 2010: 24,217,219 shares

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FORM 10-Q

WELLS TIMBERLAND REIT, INC.

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements contained in this Quarterly Report on Form 10-Q of Wells Timberland REIT, Inc. and subsidiaries (Wells Timberland REIT, we, our, or us) other than historical facts may be considered forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the Securities Act), and Section 21E of the Securities Exchange Act of 1934 (the Exchange Act). We intend for all such forward-looking statements to be covered by the applicable safe harbor provisions for forward-looking statements contained in those acts. Such statements include, in particular, statements about our plans, strategies, and prospects and are subject to certain risks and uncertainties, as well as known and unknown risks, which could cause actual results to differ materially from those projected or anticipated. Therefore, such statements are not intended to be a guarantee of our performance in future periods. Such forward-looking statements can generally be identified by our use of forward-looking terminology such as may, will, expect, intend, anticipate, estimate, believe, continue, or other similar words. We caution you to be cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date that this report is filed with the Securities and Exchange Commission (SEC). We make no representations or warranties (express or implied) about the accuracy of any such forward-looking statements contained in this report, and we do not intend to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

Any such forward-looking statements are subject to unknown risks, uncertainties, and other factors and are based on a number of assumptions involving judgments with respect to, among other things, future economic, competitive, and market conditions, all of which are difficult or impossible to predict accurately. To the extent that our assumptions differ from actual results, our ability to meet such forward-looking statements, including our ability to generate positive cash flow from operations, make distributions to stockholders, and maintain the value of our real estate properties, may be significantly hindered. See Item 1A herein, as well as Item 1A in Wells Timberland REIT s Annual Report on Form 10-K for the year ended December 31, 2009, for a discussion of some of the risks and uncertainties that could cause actual results to differ materially from those presented in our forward-looking statements. The risk factors described herein and in our Annual Report on Form 10-K for the year ended December 31, 2009 are not the only ones we face, but do represent those risks and uncertainties that we believe are material to us. Additional risks and uncertainties not currently known to us or that we currently deem immaterial may also harm our business.

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PART I. FINANCIAL INFORMATION

ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The information furnished in the accompanying consolidated balance sheets and related consolidated statements of operations, stockholders equity, and cash flows reflects all normal and recurring adjustments that are, in management's opinion, necessary for a fair and consistent presentation of the aforementioned financial statements.

The accompanying consolidated financial statements should be read in conjunction with the condensed notes to Wells Timberland REIT's consolidated financial statements and Management's Discussion and Analysis of Financial Condition and Results of Operations included in this quarterly report on Form 10-Q and with Wells Timberland REIT's Annual Report on Form 10-K for the year ended December 31, 2009. Wells Timberland REIT's results of operations for the three months and nine months ended September 30, 2010 are not necessarily indicative of the operating results expected for the full year.

Table of Contents**WELLS TIMBERLAND REIT, INC. AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEETS**

	(Unaudited)	
	September 30, 2010	December 31, 2009
Assets:		
Cash and cash equivalents	\$ 7,574,643	\$ 5,636,878
Restricted cash and cash equivalents	6,461,902	7,955,701
Accounts receivable	952,767	992,750
Prepaid expenses and other assets	514,909	690,596
Deferred financing costs, less accumulated amortization of \$230,605 and \$9,873,172 as of September 30, 2010 and December 31, 2009, respectively	1,977,315	867,857
Timber assets, at cost:		
Timber and timberlands, net (Note 3)	343,708,983	354,761,315
Intangible lease assets, less accumulated amortization of \$495,624 and \$370,793 as of September 30, 2010 and December 31, 2009, respectively	541,229	666,060
Total assets	\$ 361,731,748	\$ 371,571,157
Liabilities:		
Accounts payable and accrued expenses	\$ 3,055,520	\$ 2,808,318
Due to affiliates (Note 8)	24,306,509	19,470,549
Other liabilities	3,538,891	4,926,182
Notes payable (Note 4):		
Mahrt loan	182,836,766	
Senior loan		201,852,588
Mezzanine loan		14,988,709
Total liabilities	213,737,686	244,046,346
Commitments and Contingencies (Note 5)		
Stockholders Equity:		
Preferred stock, \$0.01 par value; 100,000,000 shares authorized:		
8.5% Series A preferred stock, \$1,000 liquidation preference; 32,128 shares issued and outstanding as of September 30, 2010 and December 31, 2009	40,261,928	38,219,379
8.5% Series B preferred stock, \$1,000 liquidation preference; 11,500 shares issued and outstanding as of September 30, 2010 and December 31, 2009	13,452,089	12,720,973
Common stock, \$0.01 par value; 900,000,000 shares authorized; 23,631,753 and 19,460,028 shares issued and outstanding as of September 30, 2010 and December 31, 2009, respectively	236,318	194,601
Additional paid-in capital	203,079,004	167,627,870
Accumulated deficit	(109,035,277)	(91,238,012)
Total stockholders equity	147,994,062	127,524,811
Total liabilities and stockholders equity	\$ 361,731,748	\$ 371,571,157

See accompanying notes.

Table of Contents**WELLS TIMBERLAND REIT, INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF OPERATIONS**

	(Unaudited) Three Months Ended September 30,		(Unaudited) Nine Months Ended September 30,	
	2010	2009	2010	2009
Revenues:				
Timber sales	\$ 11,867,484	\$ 11,665,742	\$ 31,474,933	\$ 32,675,442
Timberland sales	1,489,387		1,492,387	5,024,208
Other revenues	717,299	676,296	3,214,926	2,369,291
	14,074,170	12,342,038	36,182,246	40,068,941
Expenses:				
Contract logging and hauling costs	5,699,494	6,371,755	16,004,746	16,499,678
Depletion	3,432,893	4,260,347	10,756,235	12,913,371
Cost of timberland sales	1,144,964		1,141,820	3,416,263
General and administrative expenses	1,023,466	1,011,080	3,402,225	2,904,849
Asset and forestry management fees:				
Related-party	991,956	992,304		