

As of 7.15.10

## **RISK FACTORS**

**This is neither an offer to sell nor a solicitation of an offer to buy Wells Timberland REIT, Inc.; an offering is made only by prospectus. This information must be preceded or accompanied by a prospectus in order to understand fully all of the implications and risks of the offering. Neither the Attorney General of the State of New York nor any other State regulators have passed on or endorsed the merits of the offering. Any representation to the contrary is a criminal offense.**

On October 9, 2007, Wells Timberland REIT, Inc. made its only acquisition, a collection of timberlands in Georgia and Alabama. Currently, the REIT has not made any offers on additional properties. The REIT has a limited operating history, and future results are not easily predicted.

As of May 24, 2010, the REIT's total borrowings were approximately 50% of the cost of the timber assets before adjustments for depletion and amortization and 114% of net assets. At this time, the REIT's Mahrt lender has prohibited the REIT from paying distributions and share redemptions (except for qualified disabilities and death) until it attains certain financial performance measures. This could recur with future lenders.

This investment is not suitable for all investors. Please read the prospectus carefully for complete details and state suitability standards. Risks include:

- Illiquidity. Shares are not publicly traded; if shares can be sold, they may be worth less than what was paid for them.
- We believe we are organized and operate in a manner that qualifies for REIT income tax status. Should REIT requirements not be met, taxes may increase, thereby reducing investors' returns.
- The REIT may pay distributions from sources other than cash from operations, which may be considered return of capital and could reduce funds available to acquire properties.
- The REIT is likely to utilize debt in the future, which represents investment risk. If debt financing occurs at high interest rates, this would impact the balance sheet, the portfolio's operations, its intended diversification, and its ability to refinance. Higher interest rates may increase debt payments, increase expenses, reduce the number of acquisitions, and decrease investor distributions.
- If the REIT defaults on the loan, stockholders could lose some or all of their investment;
- Global market conditions may create an unpredictable business environment.
- The REIT's participation in joint venture partnerships could reduce investors' overall returns.
- The REIT has not yet paid any distributions. Future distributions may vary in frequency and amount.
- Regardless of fund performance, considerable fees and expenses are paid to the Advisor, its affiliates, and broker/dealers.
- Conflicts of interest regarding the use of financial and intellectual resources face the Advisor and its affiliates.
- The REIT may not meet its stated investment objectives, and investors may or may not lose their investment.

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- **Product not FDIC or NCUA/NCUSIF insured, not bank or credit union guaranteed, and may lose value.**

In 2009, the REIT incurred an operating loss of approximately \$7.9 million. Adjusted EBITDA, which is a non-GAAP measure of operating performance and cash-generating capacity, was approximately \$13.7 million. Please refer to the 2009 Form 10-K for discussion of Adjusted EBITDA reconciled to Net Loss. The REIT also incurred a net loss of approximately \$19.9 million, primarily as a result of incurring an operating loss and interest expense in connection with borrowings used to finance Mahrt Timberland. As of December 31, 2009, the REIT had an accumulated deficit of approximately \$91.2 million as a result of net losses incurred since 2005.

As of [TODAY'S DATE], 2010, the Wells Timberland follow-on offering is not effective in Alabama, Maryland, Michigan, Ohio, or Tennessee. Please visit [www.WellsTimberland.com](http://www.WellsTimberland.com) for more details.

**Wells Timberland REIT, Inc. and Wells Real Estate Funds, Inc. are affiliated with Wells Investment Securities, Inc. — Distributor — Member FINRA/SIPC.**