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ANNUAL AUDITED REPORT

FORM X-17A-5

PART III

FEB 27 2014

Washington DC 404

SEC FILE NUMBER
8- 31924

FACING PAGE

Information Required of Brokers and Dealers Pursuant to Section 17 of the Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

REPORT FOR THE PERIOD BEGINNING 01/01/2013 AND ENDING 12/31/2013

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: Wells Investment securities, Inc.

OFFICIAL USE ONLY
FIRM I.D. NO.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.) 6200 The Corners Parkway

Norcross Georgia 30092

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT Robert McCullough 770-243-8449

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Frazier & Deeter, LLC

600 Peachtree Street, Suite 1900 Atlanta Georgia 30308

CHECK ONE:

- [X] Certified Public Accountant
[] Public Accountant
[] Accountant not resident in United States or any of its possessions.

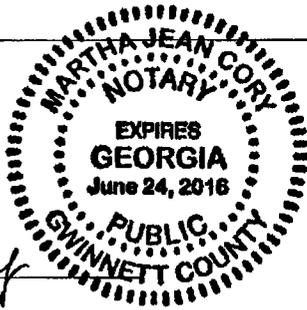
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*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

DD 3/14/14

OATH OR AFFIRMATION

I, Robert McCullough, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Wells Investment Securities, Inc., as of December 31, 2013, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:



Martha Jean Cory
Notary Public

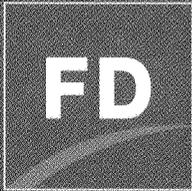
Robert McCullough
Signature

CFO, Treasurer & FINOP
Title

This report ** contains (check all applicable boxes):

- (a) Facing Page.
- (b) Statement of Financial Condition.
- (c) Statement of Income (Loss).
- (d) Statement of Changes in Financial Condition.
- (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- (g) Computation of Net Capital.
- (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- (l) An Oath or Affirmation.
- (m) A copy of the SIPC Supplemental Report.
- (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

**For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).



Frazier
& Deeter
CPAs & ADVISORS

Washington DC
404
Financial Statements and Supplemental Information

Wells Investment Securities, Inc.

**For the Year Ended December 31, 2013
With Report and Supplementary
Independent Auditors' Report**

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Washington DC
404

Financial Statements and Supplemental Information

Wells Investment Securities, Inc.

**For the Year Ended December 31, 2013
With Report and Supplementary
Independent Auditors' Report**

Wells Investment Securities, Inc.

Financial Statements
and Supplemental Information

Year Ended December 31, 2013

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Supplementary Independent Auditors' Report on Internal Control Required by SEC
Rule 17a-518



600 Peachtree Street, N.E.
Suite 1900
Atlanta, Georgia 30308
404.253.7500
www.frazierdeeter.com

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholder
Wells Investment Securities, Inc.
Norcross, Georgia

We have audited the accompanying financial statements of Wells Investment Securities, Inc. (the Company) (a wholly-owned subsidiary of Wells Real Estate Funds, Inc.), which are comprised of the statement of financial condition as of December 31, 2013, and the related statements of operations, changes in stockholder's equity, and cash flows for the year then ended, and the related notes to the financial statements that are filed pursuant to Rule 17a-5 under the Securities Exchange Act of 1934.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Wells Investment Securities, Inc. as of December 31, 2013, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The information contained in Schedules I and II is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by Rule 17a-5 under the Securities Exchange Act of 1934. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information in Schedules I and II is fairly stated in all material respects in relation to the financial statements as a whole.

February 24, 2014
Frazier & Deeter, LLC
Atlanta, Georgia

A handwritten signature in black ink that reads "Frazier & Deeter, LLC". The signature is written in a cursive, flowing style.

Wells Investment Securities, Inc.

Statement of Financial Condition

December 31, 2013

ASSETS

Cash and cash equivalents	\$ 895,112
Due from related party (Note 3)	39,809
Prepaid expenses and other current assets	167,569
Income tax receivable	29,391
Total assets	<u>\$ 1,131,881</u>

LIABILITIES AND STOCKHOLDER'S EQUITY

Liabilities:	
Accounts payable and accrued expenses	\$ 161,304
Total liabilities	<u>161,304</u>
Commitments and contingencies (Note 7)	
Stockholder's equity:	
Common stock (\$1 par value; 100,000 shares authorized; 6,000 shares issued and outstanding)	6,000
Additional paid-in capital	4,110,902
Accumulated deficit	(3,146,325)
Total stockholder's equity	<u>970,577</u>
Total liabilities and stockholder's equity	<u>\$ 1,131,881</u>

See accompanying notes.

Wells Investment Securities, Inc.

Statement of Operations

Year Ended December 31, 2013

Revenues:	
Selling commissions	\$ 4,731,169
Dealer-manager fees	1,703,306
Reimbursement income - related party (Note 3)	5,292,774
Interest and other income	6,878
Total revenues	<u>11,734,127</u>
Expenses:	
Selling commissions re-allowed to participating broker-dealers	4,731,169
Marketing fees re-allowed to participating broker-dealers	892,373
Salaries, sales-based compensation, and benefits	4,077,181
General and administrative	1,890,273
SIPC and FINRA fees	136,333
Total expenses	<u>11,727,329</u>
Income before taxes	6,798
Income tax expense (Note 5):	
Federal	-
State	-
Total income tax expense	<u>-</u>
Net income	<u>\$ 6,798</u>

See accompanying notes.

Wells Investment Securities, Inc.

Statement of Changes in Stockholder's Equity

Year Ended December 31, 2013

	<u>Common Stock</u>		<u>Additional Paid-In Capital</u>	<u>Accumulated Deficit</u>	<u>Total Stockholder's Equity</u>
	<u>Shares</u>	<u>Amount</u>			
Balance at December 31, 2012	6,000	\$ 6,000	\$ 4,110,902	\$ (3,153,123)	\$ 963,779
Net income	-	-	-	6,798	6,798
Balance at December 31, 2013	<u>6,000</u>	<u>\$ 6,000</u>	<u>\$ 4,110,902</u>	<u>\$ (3,146,325)</u>	<u>\$ 970,577</u>

See accompanying notes.

Wells Investment Securities, Inc.

Statement of Cash Flows

Year Ended December 31, 2013

Operating activities:	
Net income	\$ 6,798
Adjustments to reconcile net income to net cash used in operating activities:	
Changes in assets and liabilities:	
Decrease in commissions, dealer-manager fees, and distribution fees receivable from affiliates	213,946
Decrease in prepaid expenses and other current assets	59,087
Increase in due from related party	(41,444)
Increase in income tax receivable	(21,785)
Decrease in accounts payable and accrued expenses	(1,148,911)
Decrease in payable to broker-dealers	(123,437)
Total adjustments	<u>(1,062,544)</u>
Net cash used in operating activities	<u>(1,055,746)</u>
Cash and cash equivalents at beginning of year	<u>1,950,858</u>
Cash and cash equivalents at end of year	<u>\$ 895,112</u>
Other supplemental disclosures:	
Income taxes paid	<u>\$ 48,176</u>

See accompanying notes.

Wells Investment Securities, Inc.

Notes to Financial Statements

1. **Organization and Business**

Wells Investment Securities, Inc. (the Company) was organized on April 20, 1984 as a corporation under the Georgia Business Corporation Code and commenced operations on May 22, 1984. Upon its formation effective February 17, 1997, Wells Real Estate Funds, Inc. (WREF) became the sole stockholder of the Company. Leo F. Wells, III is the sole stockholder of WREF.

During 2013, the Company acted as an agent in connection with the management, coordination, and distribution of securities issued by Wells Core Office Income Real Estate Investment Trust, Inc. (Wells Core). Wells Core Office Income REIT Advisory Services, LLC (Wells Core Advisor) serves as the Advisor to Wells Core. Wells Core Advisor is a wholly-owned subsidiary of WREF. On June 10, 2013, Wells Core terminated the public offering of its shares. On December 16, 2013, the Form of Dealer Manager Agreement (Dealer Manager Agreement) was terminated, thus ending the dealer manager relationship between the Company and Wells Core.

The Company is a broker-dealer registered with the Securities and Exchange Commission (SEC) and a member of the Financial Industry Regulatory Authority (FINRA). In connection therewith, the Company pays fees to the Securities Investor Protection Corporation (SIPC), an agency created to insure customers against losses from failed brokerage firms. As of December 16, 2013, the Company did not have any customer accounts.

WREF has determined that it will no longer sponsor future offerings and has decided to wind down operations. The Company will no longer conduct business of operating as a broker-dealer. Accordingly, during 2013, the Company eliminated all employee positions. On December 17, 2013, the Company filed form Uniform Request Withdrawal From Broker-Dealer Registration (Form BDW) formally requesting deregistration with FINRA. Pursuant to FINRA regulations, the deregistration period can potentially last up to 2 years and 2 months, during which time the Company must maintain compliance with all FINRA rules and regulations. During the deregistration period, WREF will continue to provide funding support as necessary. See Note 3.

2. **Summary of Significant Accounting Policies**

Use of Estimates

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP), management is required to make estimates and assumptions that affect the amounts reported in the financial statements and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Wells Investment Securities, Inc.

Notes to Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Basis of Presentation

The Company has adopted the Financial Accounting Standard Board (FASB) Accounting Standards Codification (Codification). The Codification is the single official source of authoritative U.S. GAAP recognized by the FASB to be applied by nongovernmental entities and, all of the Codification's content carries the same level of authority.

Revenue Recognition

The Company's revenues are primarily comprised of selling commissions and dealer-manager fees earned as compensation in connection with the distribution of Wells Core. Commissions and dealer-manager fees are recognized on a trade-date basis. The Company re-allows substantially all selling commissions, and in accordance with the respective prospectus for Wells Core, a portion of the dealer-manager fees is re-allowed in the form of marketing fees to the participating broker-dealers involved in the distribution and sale of Wells Core.

The Company also records reimbursement revenue from WREF. See Note 3.

Cash and Cash Equivalents

The Company maintains two accounts consisting of demand deposits and short-term investments with one financial institution. These accounts are insured up to \$250,000 per institution by the U.S. Federal Deposit Insurance Corporation. The Company considers all highly liquid investments with maturities of three months or less when purchased to be cash equivalents.

Reserve for Doubtful Accounts Receivable

As of December 31, 2013, all outstanding receivables are due from a related party. Management believes that this receivable is collectible based on the financial viability of and historical collections from such related party. Accordingly, no reserves for such receivables have been provided for in the accompanying financial statements.

Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets consist of insurance premiums, FINRA Personnel and Sales Assessment fees and the Company's fidelity bond premium for 2014, which the Company paid during 2013. Prepaid expenses will amortize on a straight-line basis during 2014.

Additionally, prepaid expenses include deposits held for FINRA's Central Registration Depository (CRD), a system designed to provide banking services to FINRA member firms. Among other things, these deposits are applied against recurring FINRA fees related to examinations, registrations, and licensing as incurred by the Company.

Wells Investment Securities, Inc.

Notes to Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Liabilities

As of December 31, 2013, the Company had no liabilities subordinated to claims of its creditors.

Income Taxes

The Company accounts for income taxes according to a framework whereby deferred taxes are provided for based upon the differences between the financial statement and tax bases of assets and liabilities using currently enacted tax laws and rates. Deferred tax expenses or benefits are recognized in the financial statements according to the changes in deferred tax assets or liabilities between years. Valuation allowances are established to reduce deferred tax assets when it becomes more likely than not that such assets, or portions thereof, will not be realized.

The Company evaluates all tax positions to determine the existence of any uncertain tax positions. The Company evaluates the tax positions within a framework that sets a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The Company has evaluated fiscal years ended December 31, 2006-2013, as those years are still subject to examination by major tax jurisdictions. The Company currently has no uncertain tax positions that qualify for either recognition or disclosure in the financial statements.

Subsequent Events

The Company has evaluated subsequent events through February 24, 2014, which is the date these financial statements were available to be issued. All subsequent events, if any, requiring recognition as of December 31, 2013, have been incorporated into these financial statements.

3. Related-Party Transactions

Selling Commissions and Dealer-Manager Fees

The Company earned selling commissions from the sale of Wells Core. During 2013, selling commissions were calculated as up to 7% of gross investment proceeds raised by Wells Core. There were no selling commissions earned pursuant to the Dividend Reinvestment Program (DRP) of Wells Core.

The Company earned dealer-manager fees from the sale of Wells Core. During 2013, dealer-manager fees were calculated as 2.5% of the gross investment proceeds raised from the distribution of Wells Core. There were no dealer-manager fees earned pursuant to the DRPs of Wells Core.

Wells Investment Securities, Inc.

Notes to Financial Statements (continued)

3. Related-Party Transactions (continued)

Due from Related Party

Due from related party as of December 31, 2013 is due from Wells Capital, Inc. (Wells Capital), a wholly-owned subsidiary of WREF. The balance due from Wells Capital primarily represents net receivables pursuant to the Payroll Reimbursement and Administrative Support Services Agreement (as outlined below).

Payroll Reimbursement and Administrative Support Services Agreement

Effective November 1, 2008, the Company, WREF, and its other subsidiaries entered into a Payroll Reimbursement and Administrative Support Services Agreement (the Administrative Agreement). This agreement is for a one year term with automatic annual extensions.

Under the Administrative Agreement, the Company has agreed to reimburse WREF for administrative support services, including the costs associated with WREF's Information Technology, Corporate Accounting, Accounts Payable, Human Resources, Risk Management, and Finance departments and excluding the related payroll costs and costs otherwise reimbursable to WREF from other affiliated parties. The Company is required to reimburse WREF for an allocation of such overhead costs based on the Company's employee headcount relative to all personnel employed by WREF's subsidiaries provided that, following such reimbursements, the Company maintains stockholder's equity and revenues sufficient to satisfy the minimum net capital requirements of the SEC (Note 4). During 2013, the Company reimbursed \$355,461 to WREF for such overhead expenses, including \$236,863 in rent expense. Such expenses are included in general and administrative expenses in the accompanying statement of operations. Future allocations for such expenses are not expected as the Company has no employees as of December 31, 2013.

Under the Administrative Agreement and in addition to the reimbursements noted above, WREF agreed to reimburse the Company for any cumulative deficits resulting after deducting from the maximum marketing fees allowable per the Wells Core prospectus the actual marketing fees paid and all compensation, benefits, and operating expenses.

During 2013, WREF and its subsidiaries reimbursed \$5,292,774 to the Company for such expenses, which is recorded as reimbursement income-related party in the accompanying statement of operations.

On April 16, 2007, Piedmont Office Realty Trust, Inc. (PORT) completed an agreement and plan of merger (the Merger Agreement) with WREF, Wells Capital, Wells Advisory Services I, LLC (WAS1), a subsidiary of WREF, Wells Real Estate Advisory Services, Inc., a wholly-owned subsidiary of WREF, Wells Government Services, Inc., a wholly-owned subsidiary of Wells Management Company, Inc., WRT Acquisition Company, LLC (WRT Acquisition Sub), a wholly-owned subsidiary of PORT and WGS Acquisition Company, LLC (WGS Acquisition Sub), a wholly-owned subsidiary of PORT. In connection with the closing of the Merger

Wells Investment Securities, Inc.

Notes to Financial Statements (continued)

3. Related-Party Transactions (continued)

Payroll Reimbursement and Administrative Support Services Agreement (continued)

Agreement, PORT issued 19,546,302 shares of PORT common stock to WREF as Merger Consideration and 22,339 shares of PORT common stock in exchange for the 20,000 limited partnership units held by Wells Capital for a total of 19,568,641 shares.

Subsequent to the completion of the Merger Agreement, WREF formed the Wells Stock Distribution Plan I, which compensates various personnel employed by WREF and its subsidiaries. Under that plan, eligible employees were granted a right to receive a number of PORT shares. An eligible employee's shares were vested 25% as of April 16, 2007 and an additional 25% each anniversary of the merger completion date that the individual is employed by WREF or its subsidiaries. The final vesting under the plan occurred in 2010.

Pursuant to the Addendum to the Administrative Agreement, WREF shall be solely responsible to satisfy any obligation of the Company related to its employees resulting from the Wells Stock Distribution Plan I dated April 16, 2007.

In August 2011, WREF elected to distribute 20% of the shares under the plan to eligible employees. As a result, 134,945 shares were distributed to the Company's employees. There were no distributions under the plan in 2012. In January 2013, WREF distributed the remaining 80% of the vested shares from the Wells Stock Distribution Plan I. As a result, 539,779 shares were distributed to the Company's employees.

4. Net Capital Computation

The Company is subject to the SEC Uniform Net Capital Rule (Rule 15c3-1), which requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital, as defined, shall not exceed 15 to 1. Rule 15c3-1 also provides that equity may not be withdrawn or cash dividends paid if the resulting ratio of aggregate indebtedness to net capital would exceed 10 to 1. As of December 31, 2013, the Company had net capital of \$733,808, which was \$723,054 in excess of its required net capital of \$10,754, and the Company's ratio of aggregate indebtedness to net capital was 0.2 to 1.

5. Income Taxes

During the year ended December 31, 2013, the Company recorded deferred income tax expense of \$3,299, including a deferred income tax benefit of \$168,604 attributable to the current year operating loss carryforward. During the year ended December 31, 2013, the Company reversed a valuation allowance of \$3,299, and recorded a deferred income tax benefit for a net deferred tax of \$0. There was no current income tax expense for the year ended December 31, 2013.

Wells Investment Securities, Inc.

Notes to Financial Statements (continued)

5. Income Taxes (continued)

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for income tax.

Significant components of the Company's net deferred tax assets are as follows:

Federal/State NOLs	\$ 1,434,362
Other	7,387
Valuation allowance	<u>(1,441,749)</u>
Total deferred tax assets	<u><u>\$ -</u></u>

As of December 31, 2013, federal operating loss carryforwards are \$3,606,042 and state operating loss carryforwards are \$4,189,328. Operating loss carryforwards expire beginning in 2028.

The reconciliation of income tax computed at the U.S. federal statutory rate to the income tax benefit is as follows:

	<u>Amount</u>	<u>Percentage</u>
Pretax book income tax effected	\$ 2,379	35.00%
State tax expenses, net of federal tax benefit	347	5.10%
Other	573	8.43%
Valuation allowance	<u>(3,299)</u>	<u>(48.53%)</u>
Income tax expense	<u><u>\$ -</u></u>	<u><u>- %</u></u>

6. Defined Contribution Plan

WREF sponsors a 401(k) defined contribution plan (the Plan) under which the Company is allowed to make contributions for all of its employees. The Plan functions as the primary retirement program for the Company. Eligible participants may contribute a percentage of their annual compensation, subject to the maximum amount established by the United States Internal Revenue Service. The Company makes employer-matching contributions equal to \$0.25 per dollar invested in the Plan for participants during their first two years of service. During the pay period beginning the participants' third year of service, the Company increases matching contributions to \$0.50 per dollar invested in the Plan. During the pay period beginning the participants' fourth year of service, the Company increases matching contributions to \$0.75 per dollar invested in the Plan. During the pay period beginning the participants' fifth year of service, the Company increases matching contributions to \$1.00 per dollar invested in the Plan.

Wells Investment Securities, Inc.

Notes to Financial Statements (continued)

6. **Defined Contribution Plan (continued)**

Employer-matching contributions are 100% vested and non-forfeitable and are capped at 11% of each employee's income on a biweekly basis. Under the Administrative Agreement, WREF reimburses the Company for all employer-matching contributions (Note 3). During 2013, the Company incurred \$124,036 in employer-matching contributions to the Plan.

7. **Commitments and Contingencies**

In the ordinary course of business, the Company may become subject to litigation or claims. Except as disclosed below, there are no material pending legal proceedings or proceedings known to be contemplated by governmental authorities involving the Company.

Fleming Arbitration

On June 16, 2012, an owner of the Tenant-in-Common (TIC) Co-Ownership interest in a building sponsored by Wells Exchange-Market Place Boulevard I, Irving LP (a Wells 1031 Exchange Program) filed a FINRA Arbitration Statement of Claim (SOC), styled Nancy D. Fleming (Claimant) v. 1st Global Capital Corp., a FINRA broker-dealer and the Company, a FINRA broker-dealer with FINRA, Arbitration Proceeding.

The SOC formal allegations included federal securities fraud, breach of fiduciary duty and constructive fraud, fraud and deceit, Washington securities fraud, unfair sales practices, and negligence and negligent misrepresentation.

On August 10, 2012, the Company served its Interim Answer to the SOC denying the charging allegations in the Claimant's SOC and denies that the Company engaged in any misconduct or breached any duty, and further denies all liability to Claimant.

On May 17, 2013, the Fleming Arbitration was settled and a dismissal and release agreement was signed by all parties. The terms of the agreement released 1st Global Capital Corp. and the Company from any future claims and required a payment from 1st Global Capital Corp. of \$250,000. The Company has reimbursed 1st Global Capital Corp. for \$125,000.

White Arbitration

On August 13, 2012, an owner of a TIC Co-Ownership interest in a building sponsored by Wells Exchange-Market Place Boulevard I, Irving LP (a Wells 1031 Exchange Program) and an owner of a TIC Co-Ownership Interest in a building sponsored by Wells Exchange-Market Place Boulevard I, Irving LP and a TIC Co-Ownership interest in a building sponsored by Wells Exchange-Samson Way filed a FINRA SOC, styled Daniel D. White, personally and on behalf of the Dan White Revocable Living Trust; and Donald A. Bill and Gloria F. Bill, personally and on behalf of the Bill Family Trust dated November 5, 2003 (Claimants) v. Signator Investors Inc., a FINRA broker-dealer, Dennis J. Pettinelli, a registered representative, and the Company, a FINRA broker-dealer with FINRA, Arbitration Proceeding.

Wells Investment Securities, Inc.

Notes to Financial Statements (continued)

7. **Commitments and Contingencies (continued)**

White Arbitration (continued)

The SOC formal allegations included federal securities fraud, breach of fiduciary duty and constructive fraud, fraud and deceit, California securities fraud, unfair sales practices, and negligence and negligent misrepresentation.

On October 4, 2012, the Company served its Interim Answer to the SOC denying the charging allegations in the Claimant's SOC and denies that the Company engaged in any misconduct or breached any duty, and further denies all liability to Claimant.

On September 4, 2013, the White Arbitration was settled and a dismissal and release agreement was signed by all parties. The terms of the agreement released Signator Investors, Inc., Dennis Pettinelli, and the Company from any future claims and required a total payment of \$226,493 to claimant White and \$253,507 to claimant Bills from Signator Investors, Inc., Dennis Pettinelli, and the Company, of which each respondent paid one third of the total payment.

Liebergesell Arbitration

On July 8, 2013, an owner of a TIC Co-Ownership interest in a building sponsored by Wells Exchange-Market Place Boulevard I, Irving LP (a Wells 1031 Exchange Program) filed a FINRA SOC, styled Bernd Liebergesell and Annette Liebergesell (Claimants) v. the Company. The requested hearing locale is San Francisco, California.

The SOC formal allegations include fraud and deceit, unfair sales practice, and negligence and negligent misrepresentation. The SOC seeks, among other things, damages in the amount of \$638,722 and an award of exemplary or punitive damages.

On October 10, 2013, the Company filed an answer to the SOC and a FINRA Submission Agreement. The appropriate insurance provider was notified of the SOC. The Arbitration is scheduled for September 15-19, 2014 in San Francisco.

SEC Investigation

The Company received a subpoena dated February 4, 2013 from the Enforcement Division of the SEC regarding an investigation of the activities of the Company in connection with its sales of Wells REIT II and Wells Timberland REIT. The subpoena requires the Company to produce related documents for the time period January 1, 2008 through February 5, 2013. The inquiry is an examination and not an indication that any violation has occurred.

FINRA Investigation

On July 30, 2013, the Company received correspondence from FINRA notifying the Company of an inquiry related to the Company's participation in the offerings of Wells Timberland REIT and Wells Core. All requested information has been provided to FINRA.

Wells Investment Securities, Inc.

Notes to Financial Statements (continued)

8. Subsequent Event

The broker-dealer withdrawal became effective and the Company's registration with FINRA was terminated on February 18, 2014. The SEC withdrawal is still pending.

SUPPLEMENTAL SCHEDULES

Wells Investment Securities, Inc.

Schedule I
Computation of Net Capital and Aggregate Indebtedness
Pursuant to Rule 15c3-1 of the
Securities and Exchange Commission

December 31, 2013

Net capital

Total stockholder's equity per financial statements	\$ 970,577
Deduct assets not allowable for net capital	236,769
Net capital per Rule 15c3-1	<u>\$ 733,808</u>

Aggregate indebtedness

Total liabilities per financial statements	\$ 161,304
Total aggregate indebtedness	<u>\$ 161,304</u>

Computation of basic net capital requirement

Minimum net capital required: the greater of \$5,000 or 6.67% of aggregate indebtedness	<u>\$ 10,754</u>
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Net capital surplus at 1500%	<u>\$ 723,054</u>
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Net capital surplus at 1000%	<u>\$ 717,678</u>
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Ratio: Aggregate indebtedness to net capital	<u>0.2 to 1</u>
--	-----------------

**Reconciliation with Company's computation (included in Part IIA of
Form X-17A-5 as of December 31, 2013)**

Net capital, as reported in Company's Part IIA (Unaudited) FOCUS report	\$ 733,808
Audit adjustments	-
Net capital per above	<u>\$ 733,808</u>

Wells Investment Securities, Inc.

Schedule II
Statement Regarding SEC Rule 15c3-3

December 31, 2013

Exemptive Provision

The Company claims exemption from the requirements of Rule 15c3-3 under Section (k)(2)(i) of the Rule.

SUPPLEMENTARY REPORT

**SUPPLEMENTARY INDEPENDENT AUDITORS' REPORT
ON INTERNAL CONTROL REQUIRED BY SEC RULE 17A-5**

The Board of Directors and Stockholder
Wells Investment Securities, Inc.
Norcross, Georgia

In planning and performing our audit of the financial statements of Wells Investment Securities, Inc. (the Company), as of and for the year ended December 31, 2013, in accordance with auditing standards generally accepted in the United States of America, we considered its internal control over financial reporting (internal control), as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

Also, as required by Rule 17a-5(g)(1) of the Securities and Exchange Commission (SEC), we have made a study of the practices and procedures followed by the Company, including consideration of control activities for safeguarding securities. The study included tests of such practices and procedures that we considered relevant to the objectives stated in Rule 17a-5(g) in making the periodic computations of aggregate indebtedness (or aggregate debits) and net capital under Rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of Rule 15c3-3. Because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities, we did not review the practices and procedures followed by the Company in any of the following:

1. Making quarterly securities examinations, counts, verifications, and comparisons and recordation of differences required by Rule 17a-13.
2. Complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System.

The management of the Company is responsible for establishing and maintaining internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the SEC's above-mentioned objectives. Two of the objectives of internal control and the practices and procedures are to provide management with reasonable but not absolute assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition and that transactions are executed in

accordance with management's authorization and recorded properly to permit the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in internal control and the practices and procedures referred to above, error or fraud may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the company's financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first and second paragraphs and would not necessarily identify all deficiencies in internal control that might be material weaknesses. We did not identify any deficiencies in internal control and control activities for safeguarding securities that we consider to be material weaknesses as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures, as described in the second paragraph of this report, were adequate at December 31, 2013, to meet the SEC's objectives.

This report is intended solely for the information and use of the Board of Directors, management, the SEC, and other regulatory agencies that rely on Rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers, and is not intended to be and should not be used by anyone other than these specified parties.

February 24, 2014
Frazier & Deeter, LLC
Atlanta, Georgia

A handwritten signature in cursive script that reads "Frazier & Deeter, LLC". The signature is written in black ink and is positioned to the right of the typed name and address.