

Edgar Filing: HEARTLAND EXPRESS INC - Form 10-K

HEARTLAND EXPRESS INC  
Form 10-K  
February 28, 2008

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Fiscal Year Ended December 31, 2007

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 0-15087

HEARTLAND EXPRESS, INC.

(Exact name of registrant as specified in its charter)

Nevada

93-0926999

(State or Other Jurisdiction of  
Incorporation or organization)

(I.R.S. Employer Identification No.)

901 North Kansas Avenue, North Liberty, Iowa  
(Address of Principal Executive Offices)

52317  
(Zip Code)

Registrant's telephone number, including area code: 319-626-3600

Securities Registered Pursuant to section 12(b) of the Act: None

Securities Registered Pursuant to section 12(g) of the Act:

Common stock, \$0.01 par value

The NASDAQ Stock Market LLC

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. YES  NO

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 of Section 15(d) of the Act. YES  NO

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. (See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act). Large accelerated filer  Accelerated filer  Non-accelerated filer

## Edgar Filing: HEARTLAND EXPRESS INC - Form 10-K

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES [ ] NO [X]

The aggregate market value of voting common stock held by non-affiliates of the registrant as of June 30, 2007 was \$944.4 million. As of January 31, 2008 there were 96,157,633 shares of the Company's common stock (\$0.01 par value) outstanding.

Portions of the Proxy Statement for the annual shareholders' meeting to be held on May 8, 2008 are incorporated by reference in Part III of this report.

### TABLE OF CONTENTS

	Page
Part I	
Item 1. Business	1
Item 1A. Risk Factors	5
Item 1B. Unresolved Staff Comments	9
Item 2. Properties	9
Item 3. Legal Proceedings	10
Item 4. Submission of Matters to a Vote of Security Holders	10
Part II	
Item 5. Market for the Registrant's Common Equity, Related Stockholder Matters, and Issuer Purchases of Equity Securities	10
Item 6. Selected Financial Data	13
Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations	14
Item 7A. Quantitative and Qualitative Disclosures about Market Risk	21
Item 8. Financial Statements and Supplementary Data	21
Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	21
Item 9A. Controls and Procedures	21
Item 9B. Other Information	24
Part III	
Item 10. Directors, Executive Officers, and Corporate Governance	24
Item 11. Executive Compensation	24

## Edgar Filing: HEARTLAND EXPRESS INC - Form 10-K

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	24
Item 13. Certain Relationships and Related Transactions, and Director Independence	24
Item 14. Principal Accounting Fees and Services	24
Part IV	
Item 15. Exhibits, Financial Statement Schedule	25
Signatures	27

### FORWARD LOOKING STATEMENTS

This Annual Report contains certain statements that may be considered forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended and Section 21E of the Securities Exchange Act of 1934, as amended. Such statements may be identified by their use of terms or phrases such as "expects," "estimates," "projects," "believes," "anticipates," "intends," and similar terms and phrases. Forward-looking statements are inherently subject to risks and uncertainties, some of which cannot be predicted or quantified, which could cause future events and actual results to differ materially from those set forth in, contemplated by, or underlying the forward-looking statements. Readers should review and consider the factors discussed in "Risk Factors" of this Annual Report on Form 10-K, along with various disclosures in our press releases, stockholder reports, and other filings with the Securities and Exchange Commission. We disclaim any obligation to update or revise any forward-looking statements to reflect actual results or changes in the factors affecting the forward-looking information.

### PART I

#### ITEM 1. BUSINESS

##### General

Heartland Express, Inc. ("Heartland" or the "Company") is a short-to-medium haul truckload carrier with corporate headquarters in North Liberty, Iowa and operating regional terminal locations in eight states outside of Iowa. The Company provides regional dry van truckload services from its eight regional operating centers plus its corporate headquarters. The Company transports freight for major shippers and generally earns revenue based on the number of miles per load delivered. The Company's primary traffic lanes are between customer locations east of the Rocky Mountains. In the second quarter of 2005, the Company expanded to the Western United States with the opening of a terminal in Phoenix, Arizona. The keys to maintaining a high level of service are the availability of late-model equipment and experienced drivers. Management believes that the Company's service standards and equipment accessibility have made it a core carrier to many of its major customers.

Heartland was founded by Russell A. Gerdin in 1978 and became publicly traded in November 1986. Over the twenty-one years from 1986 to 2007, Heartland has grown to \$591.9 million in revenue from \$21.6 million and net income has increased to \$76.2 million from \$3.0 million. Much of this growth has been attributable to expanding service for existing customers, acquiring new customers, and continued expansion of the Company's operating regions. More

## Edgar Filing: HEARTLAND EXPRESS INC - Form 10-K

information regarding the Company's revenues and profits for the past three years can be found in our "Consolidated Statements of Income" that is included in this report.

In addition to internal growth, Heartland has completed five acquisitions since 1987 with the most recent in 2002. In June 2002, the Company purchased the business and trucking assets of Chester, Virginia based truckload carrier Great Coastal Express. These five acquisitions have enabled Heartland to solidify its position within existing regions, expand into new operating regions, and to pursue new customer relationships in new markets. The Company will continue to evaluate acquisition candidates that meet its financial and operating objectives.

Heartland Express, Inc. is a holding company incorporated in Nevada, which owns all of the stock of Heartland Express Inc. of Iowa, Heartland Express Services, Inc., Heartland Express Maintenance Services, Inc., and A & M Express, Inc. The Company operates as one reportable operating segment.

### Operations

Heartland's operations department focuses on the successful execution of customer expectations and providing consistent opportunity for the fleet of employee drivers and independent contractors, while maximizing equipment utilization. These objectives require a combined effort of marketing, regional operations managers, and fleet management.

The Company's operations department is responsible for maintaining the continuity between the customer's needs and Heartland's ability to meet those needs by communicating customer's expectations to the fleet management group. They are charged with development of customer relationships, ensuring service standards, coordinating proper freight-to-capacity balancing, trailer asset management, and daily tactical decisions pertaining to matching the customer demand with the appropriate capacity within geographical service areas. They assign orders to drivers based on well-defined criteria, such as driver safety and United States Department of Transportation (the "DOT") compliance, customer

1

needs and service requirements, equipment utilization, driver time at home, operational efficiency, and equipment maintenance needs.

Fleet management employees are responsible for driver management and development. Additionally, they maximize the capacity that is available to the organization to meet the service needs of the Company's customers. Their responsibilities include meeting the needs of the drivers within the standards that have been set by the organization and communicating the requirements of the customers to the drivers on each order to ensure successful execution.

Serving the short-to-medium haul market (512-mile average length of haul in 2007) permits the Company to use primarily single, rather than team drivers and dispatch most loads directly from origin to destination without an intermediate equipment change other than for driver scheduling purposes.

Heartland also operates eight specialized regional distribution operations in Atlanta, Georgia; Carlisle, Pennsylvania; Columbus, Ohio; Jacksonville, Florida; Kingsport, Tennessee; Chester, Virginia; Olive Branch, Mississippi; and Phoenix, Arizona in addition to operations at our corporate headquarters. These short-haul operations concentrate on freight movements generally within a 400-mile radius of the regional terminal and are designed to meet the needs of

## Edgar Filing: HEARTLAND EXPRESS INC - Form 10-K

significant customers in those regions.

Personnel at the regional locations manage these operations, and the Company uses a centralized computer network and regular communication to achieve company-wide load coordination.

The Company emphasizes customer satisfaction through on-time performance, dependable late-model equipment, and consistent equipment availability to meet the volume requirements of its large customers. The Company also maintains a high trailer to tractor ratio, which facilitates the positioning of trailers at customer locations for convenient loading and unloading. This minimizes waiting time, which increases tractor utilization and promotes driver retention.

### Customers and Marketing

The Company targets customers in its operating area with multiple, time-sensitive shipments, including those utilizing "just-in-time" manufacturing and inventory management. In seeking these customers, Heartland has positioned itself as a provider of premium service at compensatory rates, rather than competing solely on the basis of price. Freight transported for the most part is non-perishable and predominantly does not require driver handling. We believe Heartland's reputation for quality service, reliable equipment, and equipment availability makes it a core carrier for many of its customers.

Heartland seeks to transport freight that will complement traffic in its existing service areas and remain consistent with the Company's focus on short-to-medium haul and regional distribution markets. Management believes that building lane density in the Company's primary traffic lanes will minimize empty miles and enhance driver "home time."

The Company's 25, 10, and 5 largest customers accounted for 69%, 50%, and 36% of revenue, respectively, in 2007. The Company's primary customers include retailers and manufacturers. The distribution of customers is not significantly different from the previous year. One customer accounted for 13% of revenue in 2007 which was also not significantly different from the previous year. No other customer accounted for as much as ten percent of revenue.

### Seasonality

The nature of the Company's primary traffic (appliances, automotive parts, consumer products, paper products, packaged foodstuffs, and retail goods) causes it to be distributed with relative uniformity throughout the year. However, seasonal variations during and after the winter holiday season have historically resulted in reduced shipments by several industries. In addition, the Company's operating expenses historically have been higher during the winter months due to increased operating costs and higher fuel consumption in colder weather.

### Drivers, Independent Contractors, and Other Employees

Heartland relies on its workforce in achieving its business objectives. As of December 31, 2007, Heartland employed 3,291 persons. The Company also contracted with independent contractors to provide and operate tractors. Independent contractors own their own tractors and are responsible for all

associated expenses, including financing costs, fuel, maintenance, insurance, and highway use taxes. The Company historically has operated a combined fleet of company and independent contractor tractors.

## Edgar Filing: HEARTLAND EXPRESS INC - Form 10-K

Management's strategy for both employee drivers and independent contractors is to (1) hire only safe and experienced drivers; (2) promote retention with an industry leading compensation package, positive working conditions, and targeting freight that requires little or no handling; and (3) minimize safety problems through careful screening, mandatory drug testing, continuous training, and financial rewards for accident-free driving. Heartland also seeks to minimize turnover of its employee drivers by providing modern, comfortable equipment, and by regularly scheduling them to their homes. All drivers are generally compensated on the basis of miles driven including empty miles. This provides an incentive for the Company to minimize empty miles and at the same time does not penalize drivers for inefficiencies of operations that are beyond their control.

Heartland is not a party to a collective bargaining agreement. Management believes that the Company has good relationships with its employees.

### Revenue Equipment

Heartland's management believes that operating high-quality, efficient equipment is an important part of providing excellent service to customers. All tractors are equipped with satellite-based mobile communication systems. This technology allows for efficient communication with our drivers to accommodate the needs of our customers. A uniform fleet of tractors and trailers are utilized to minimize maintenance costs and to standardize the Company's maintenance program. In June 2004, the Company began the replacement of its entire tractor fleet with trucks manufactured by Navistar International Corporation. At December 31, 2007, primarily all the Company's tractors are manufactured by Navistar International Corporation. Primarily all of the Company's trailers are manufactured by Wabash National Corporation. The Company operates the majority of its tractors while under warranty to minimize repair and maintenance cost and reduce service interruptions caused by breakdowns. In addition, the Company's preventive maintenance program is designed to minimize equipment downtime, facilitate customer service, and enhance trade value when equipment is replaced. Factors considered when purchasing new equipment include fuel economy, price, technology, warranty terms, manufacturer support, driver comfort, and resale value. Owner-operator tractors are periodically inspected by the Company for compliance with operational and safety requirements of the Company and the DOT.

Effective October 1, 2002, the Environmental Protection Agency (the "EPA") implemented engine requirements designed to reduce emissions. These requirements have been/will be implemented in multiple phases starting in 2002 and require progressively more restrictive emission requirements through 2010. Beginning in January 2007, all newly manufactured truck engines must comply with a new set of more restrictive engine emission requirements. Compliance with the new emission standards have resulted in a significant increase in the cost of new tractors, lower fuel efficiency, and higher maintenance costs. Prior to the new engine emission requirements that became effective January 1, 2007, the Company completed a fleet upgrade of tractors with pre-January 2007 engine requirements. As of December 31, 2007, 100% of the Company's tractor fleet continues to be models with pre-January 2007 engine requirements. Beginning in 2010 a new set of more restrictive engine emission requirements will become effective. The inability to recover tractor cost increases, as a result of new engine emission requirements, with rate increases or cost reduction efforts could adversely affect the Company's results of operations.

### Fuel

The Company purchases over-the-road fuel through a network of approximately 22 fuel stops throughout the United States at which the Company has negotiated price discounts. In addition, bulk fuel sites are maintained at the nine Company

## Edgar Filing: HEARTLAND EXPRESS INC - Form 10-K

regional operating centers, including its corporate headquarters, plus two service terminal locations in order to take advantage of volume pricing. Both above ground and underground storage tanks are utilized at the bulk fuel sites. Exposure to environmental clean up costs is minimized by periodic inspection and monitoring of the tanks.

Increases in fuel prices can have an adverse effect on the results of operations. The Company has fuel surcharge agreements with most customers enabling the pass through of long-term price increases. Operating income during the fourth quarter of 2007 was negatively impacted approximately \$4.6 million due to an increase in fuel prices. Fuel costs did not have a material effect on operating income during the fourth quarter of 2006. Fuel consumed by empty and out-of-route miles and by truck engine idling time is not recoverable.

3

### Competition

The truckload industry is highly competitive and fragmented with thousands of carriers of varying sizes. The Company competes with other truckload carriers; primarily those serving the regional, short-to-medium haul market. Logistics providers, railroads, less-than-truckload carriers, and private fleets provide additional competition but to a lesser extent. The industry is highly competitive based primarily upon freight rates, service, and equipment availability. The Company competes effectively by providing high-quality service and meeting the equipment needs of targeted shippers. In addition, there is a strong competition within the industry for hiring of drivers and independent contractors.

### Safety and Risk Management

We are committed to promoting and maintaining a safe operation. Our safety program is designed to minimize accidents and to conduct our business within governmental safety regulations. The Company hires only safe and experienced drivers. We communicate safety issues with drivers on a regular basis and emphasize safety through equipment specifications and regularly scheduled maintenance intervals. Our drivers are compensated and recognized for the achievement of a safe driving record.

The primary risks associated with our business include cargo loss and physical damage, personal injury, property damage, and workers' compensation claims. The Company self-insures a portion of the exposure related to all of the aforementioned risks. Insurance coverage, including self-insurance retention levels, is evaluated on an annual basis. The Company actively participates in the settlement of each claim incurred.

The Company self-insures auto liability (personal injury and property damage) claims up to \$1.0 million per occurrence. In addition, the Company is responsible for the first \$2.0 million in the aggregate for all claims in excess of \$1.0 million and below \$2.0 million. Liabilities in excess of these amounts and up to \$50.0 million per occurrence are covered through insurance policies. The Company retains any liability in excess of \$50.0 million. Catastrophic physical damage coverage is carried to protect against natural disasters. The Company self-insures workers' compensation claims up to \$1.0 million per occurrence. The Company increased the retention amount from \$500,000 to \$1.0 million effective April 1, 2005. All liabilities in excess of \$1.0 million are covered through insurance policies. In addition, primary and excess coverage is maintained for employee medical and hospitalization expenses.

### Regulation

## Edgar Filing: HEARTLAND EXPRESS INC - Form 10-K

The Company is a common and contract motor carrier regulated by the DOT and various state and local agencies. The DOT generally governs matters such as safety requirements, registration to engage in motor carrier operations, insurance requirements, and periodic financial reporting. The Company currently has a satisfactory DOT safety rating, which is the highest available rating. A conditional or unsatisfactory DOT safety rating could have an adverse effect on the Company, as some of the Company's contracts with customers require a satisfactory rating. Such matters as weight and dimensions of equipment are also subject to federal, state, and international regulations.

In response to the recent decision by the D.C. Circuit Court of Appeals vacating two key provisions of the existing hours of service rules, the Federal Motor Carrier Safety Administration (the "FMCSA") of the U.S. Department of Transportation issued an Interim Final Rule ("IFR") on December 17, 2007 which became effective on December 27, 2007. The FMCSA stated that the IFR, temporarily reinstates those two provisions while the agency gathers public comment on its actions. The two rules discussed are the 11 hour driving rule, and the 34 hour restart to the 70 hour rule. Shortly after the IFR was published, an activist group petitioned the court to again vacate the rules. On January 24, 2008 the Court denied the petition to vacate the rules. Accordingly, the IFR remains in effect until a final rule is issued, though additional challenges to the IFR are still possible.

We may also become subject to new or more restrictive regulations relating to matters such as fuel emissions and ergonomics. Our company drivers and independent contractors also must comply with the safety and fitness regulations promulgated by the DOT, including those relating to drug and alcohol testing. Additional changes in the laws and regulations governing our industry could affect the economics of the industry by requiring changes in operating practices or by influencing the demand for, and the costs of providing, services to shippers.

The Company's operations are subject to various federal, state, and local environmental laws and regulations, implemented principally by the EPA and similar state regulatory agencies. These laws and regulations include the management of underground fuel storage tanks, the transportation of hazardous materials, the discharge of pollutants into the air and surface and underground

4

waters, and the disposal of hazardous waste. The Company transports an insignificant number of hazardous material shipments. Management believes that its operations are in compliance with current laws and regulations and does not know of any existing condition that would cause compliance with applicable environmental regulations to have a material effect on the Company's capital expenditures, earnings and competitive position. In the event the Company should fail to comply with applicable regulations, the Company could be subject to substantial fines or penalties and to civil or criminal liability.

### Available Information

The Company files its Annual Report on Form 10-K, its Quarterly Reports on Form 10-Q, Definitive Proxy Statements and periodic Current Reports on Form 8-K with the Securities and Exchange Commission (the "SEC"). The public may read and copy any material filed by the Company with the SEC at the SEC's Public Reference Room at 450 Fifth Street NW, Washington, DC 20549. The public may obtain information from the Public Reference Room by calling the SEC at 1-800-SEC-0330.



## Edgar Filing: HEARTLAND EXPRESS INC - Form 10-K

The Company's Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Definitive Proxy Statements, Current Reports on Form 8-K and other information filed with the SEC are available to the public over the Internet at the SEC's website at <http://www.sec.gov> and through a hyperlink on the Company's Internet website, at <http://www.heartlandexpress.com>. Information on the Company's website is not incorporated by reference into this annual report on Form 10-K.

### ITEM 1A. RISK FACTORS

Our future results may be affected by a number of factors over which we have little or no control. The following issues, uncertainties, and risks, among others, should be considered in evaluating our business and growth outlook.

Our business is subject to general economic and business factors that are largely out of our control.

Our business is dependent on a number of factors that may have a materially adverse effect on our results of operations, many of which are beyond our control. The most significant of these factors are recessionary economic cycles, changes in customers' inventory levels, excess tractor or trailer capacity in comparison with shipping demand, and downturns in customers' business cycles. Economic conditions, particularly in market segments and industries where we have a significant concentration of customers and in regions of the country where we have a significant amount of business, that decrease shipping demand or increase the supply of tractors and trailers can exert downward pressure on rates or equipment utilization, thereby decreasing asset productivity. Adverse economic conditions also may harm our customers and their ability to pay for our services. Customers encountering adverse economic conditions represent a greater potential for loss, and we may be required to increase our allowance for doubtful accounts.

We are subject to factors within the capital markets that may affect our short-term liquidity. Primarily all of the Company's investments as of December 31, 2007 are in short-term investments in auction rate student loan educational bonds backed by the U.S. government. The investments typically have an interest reset provision of 35 days with contractual maturities generally greater than 20 years from the date of original issuance. All investments held by the Company have AAA (or equivalent) ratings from recognized rating agencies. At the reset date the Company has the option to roll the investment and reset the interest rate or sell the investment in an auction. The Company receives the par value of the investment plus accrued interest on the reset date if the underlying investment is sold in an auction. There is no guarantee that when the Company elects to participate in an auction and therefore sell investments, that a willing buyer will purchase the security and therefore the Company receive cash upon the election to sell. Upon an unsuccessful auction, the interest rate of the underlying investment is reset to a default maximum interest rate as stated in the prospectus of the underlying security. Until a subsequent auction is successful or the underlying security is called by the issuer, the Company will be required to hold the underlying investment until maturity. The Company only holds senior positions of underlying securities. The Company does not invest in asset backed securities and does not have direct securitized sub-prime mortgage loans exposure or loans to, commitments in, or investments in sub-prime lenders. Should the Company have a need to liquidate any of these investments, the Company may be required to discount these securities for liquidity but the Company currently does not have this liquidity requirement. If current conditions in the credit and capital markets continue, we may be required to recognize impairments and/or reclassify these investments from short-term to long-term investments.

## Edgar Filing: HEARTLAND EXPRESS INC - Form 10-K

We are also subject to increases in costs that are outside of our control that could materially reduce our profitability if we are unable to increase our rates sufficiently. Such cost increases include, but are not limited to, declines in the resale value of used equipment, increases in interest rates, fuel prices, taxes, tolls, license and registration fees, insurance costs, and cost of revenue equipment, and healthcare for our employees. We could be affected by strikes or other work stoppages at customer, port, border, or other shipping locations.

In addition, we cannot predict the effects on the economy or consumer confidence of actual or threatened armed conflicts or terrorist attacks, efforts to combat terrorism, military action against a foreign state or group located in a foreign state, or heightened security requirements. Enhanced security measures could impair our operating efficiency and productivity and result in higher operating costs.

Our growth may not continue at historic rates.

Historically, we have experienced significant and rapid growth in revenue and profits. There can be no assurance that our business will continue to grow in a similar fashion in the future or that we can effectively adapt our management, administrative, and operational systems to respond to any future growth. Further, there can be no assurance that our operating margins will not be adversely affected by future changes in and expansion of our business or by changes in economic conditions.

Increased prices, reduced productivity, and restricted availability of new revenue equipment may adversely affect our earnings and cash flows.

We have experienced higher prices for new tractors over the past few years, partially as a result of government regulations applicable to newly manufactured tractors and diesel engines, in addition to higher commodity prices and better pricing power among equipment manufacturers. More restrictive Environmental Protection Agency, or EPA, emissions standards that began in 2002 with additional new requirements for 2007 have required vendors to introduce new engines. Additional EPA mandated emission standards will become effective for newly manufactured trucks beginning in January 2010. Our business could be harmed if we are unable to continue to obtain an adequate supply of new tractors and trailers. At December 31, 2007, 100% of our tractor fleet was comprised of tractors with pre-2007 engines that meet EPA-mandated clean air standards. We expect to continue to pay increased prices for equipment. Furthermore, when we do decide to purchase tractors with post-2007 engines, such engines are expected to reduce equipment productivity and lower fuel mileage, thereby, increasing our operating expenses.

In addition, a decreased demand for used revenue equipment could adversely affect our business and operating results. We rely on the sale and trade-in of used revenue equipment to offset the cost of new revenue equipment. The demand for used revenue equipment is currently stable. However, a reversal of this trend could result in lower market values. This would increase our capital expenditures for new revenue equipment, decrease our gains on sale of revenue equipment, or increase our maintenance costs if management decides to extend the use of revenue equipment in a depressed market.

If fuel prices increase significantly, our results of operations could be adversely affected.

We are subject to risk with respect to purchases of fuel. Prices and availability of petroleum products are subject to political, economic, and market factors that are generally outside our control. Political events in the Middle East, Venezuela, and elsewhere, as well as hurricanes and other weather-related events, may cause the price of fuel to increase. Because our

## Edgar Filing: HEARTLAND EXPRESS INC - Form 10-K

operations are dependent upon diesel fuel, significant increases in diesel fuel costs could materially and adversely affect our results of operations and financial condition if we are unable to pass increased costs on to customers through rate increases or fuel surcharges. Historically, we have sought to recover a portion of short-term increases in fuel prices from customers through fuel surcharges. Fuel surcharges that can be collected do not always fully offset the increase in the cost of diesel fuel. To the extent we are not successful in these negotiations our results of operations may be adversely affected.

Difficulty in driver and independent contractor recruitment and retention may have a materially adverse effect on our business.

Difficulty in attracting or retaining qualified drivers, including independent contractors, could have a materially adverse effect on our growth and profitability. Our independent contractors are responsible for paying for their own equipment, fuel, and other operating costs, and significant increases

6

in these costs could cause them to seek higher compensation from us or seek other opportunities within or outside the trucking industry. In addition, competition for drivers, which is always intense, continues to increase. If a shortage of drivers should continue, or if we were unable to continue to attract and contract with independent contractors, we could be forced to limit our growth, experience an increase in the number of our tractors without drivers, which would lower our profitability, or be required to further adjust our driver compensation package. We have increased our driver compensation on several occasions recently. While no additional pay increases are planned for 2008, increases in driver compensation could adversely affect our profitability if not offset by a corresponding increase in rates.

We operate in a highly regulated industry, and increased costs of compliance with, or liability for violation of, existing or future regulations could have a materially adverse effect on our business.

Our operations are regulated and licensed by various U.S. agencies. Our company drivers and independent contractors also must comply with the safety and fitness regulations of the United States Department of Transportation, including those relating to drug and alcohol testing and hours-of-service. Such matters as weight and equipment dimensions are also subject to U.S. regulations. We also may become subject to new or more restrictive regulations relating to fuel emissions, drivers' hours-of-service, ergonomics, or other matters affecting safety or operating methods. Other agencies, such as the EPA and the Department of Homeland Security (the "DHS"), also regulate our equipment, operations, and drivers. Future laws and regulations may be more stringent and require changes in our operating practices, influence the demand for transportation services, or require us to incur significant additional costs. Higher costs incurred by us, or by our suppliers who pass the costs onto us through higher prices, could adversely affect our results of operations.

The DOT, through the Federal Motor Carrier Safety Administration Act, imposes safety and fitness regulations on us and our drivers. The FMCSA has proposed a rule that may require companies with a history of serious hours-of-service violations to install electronic on-board recorders (EOBR) in all of their commercial vehicles. This installation would be for a minimum of two years. On January 30, 2008, The Company completed a full FMCSA compliance review which found no evidence of any serious violations thereby maintaining its Satisfactory Safety Rating. The FMCSA is currently studying rules relating to braking distance and on-board data recorders that could result in new rules

## Edgar Filing: HEARTLAND EXPRESS INC - Form 10-K

being proposed. We are unable to predict the effects, if any such proposed rules may have on the Company.

In the aftermath of the September 11, 2001 terrorist attacks, federal, state, and municipal authorities have implemented and continue to implement various security measures, including checkpoints and travel restrictions on large trucks. The Transportation Security Administration (the "TSA") of the DHS has adopted regulations that require determination by the TSA that each driver who applies for or renews his or her license for carrying hazardous materials is not a security threat. This could reduce the pool of qualified drivers, which could require us to increase driver compensation, limit our fleet growth, or let trucks sit idle. These regulations also could complicate the matching of available equipment with hazardous material shipments, thereby increasing our response time on customer orders and our non-revenue miles. As a result, it is possible we may fail to meet the needs of our customers or may incur increased expenses to do so. These security measures could negatively impact our operating results.

Some states and municipalities have begun to restrict the locations and amount of time where diesel-powered tractors, such as ours, may idle, in order to reduce exhaust emissions. These restrictions could force us to alter our drivers' behavior, purchase on-board power units that do not require the engine to idle, or face a decrease in productivity.

Our operations are subject to various environmental laws and regulations, the violation of which could result in substantial fines or penalties.

In addition to direct regulation by the DOT and other agencies, we are subject to various environmental laws and regulations dealing with the handling of hazardous materials, underground fuel storage tanks, and discharge and retention of storm-water. We operate in industrial areas, where truck terminals and other industrial facilities are located, and where groundwater or other forms of environmental contamination have occurred. Our operations involve the risks of fuel spillage or seepage, environmental damage, and hazardous waste disposal, among others. We also maintain bulk fuel storage and fuel islands at the majority of our facilities.

If we are involved in a spill or other accident involving hazardous substances, or if we are found to be in violation of applicable laws or regulations, it could have a materially adverse effect on our business and operating results. If we should fail to comply with applicable environmental regulations, we could be subject to substantial fines or penalties and to civil and criminal liability.

7

Our business also is subject to the effects of new tractor engine design requirements implemented by the EPA such as those that became effective October 1, 2002, and additional EPA emission requirements that became effective in January 2007 which are discussed above under "Risk Factors - Increased prices, reduced productivity and restricted availability of new revenue equipment may materially and adversely affect our earnings and cash flows." Additional changes in the laws and regulations governing or impacting our industry could affect the economics of the industry by requiring changes in operating practices or by influencing the demand for, and the costs of providing, services to shippers.

We may not make acquisitions in the future, or if we do, we may not be successful in integrating the acquired company, either of which could have a materially adverse effect on our business.

Historically, acquisitions have been a part of our growth. There is no

## Edgar Filing: HEARTLAND EXPRESS INC - Form 10-K

assurance that we will be successful in identifying, negotiating, or consummating any future acquisitions. If we fail to make any future acquisitions, our growth rate could be materially and adversely affected. Any acquisitions we undertake could involve the dilutive issuance of equity securities and/or incurring indebtedness. In addition, acquisitions involve numerous risks, including difficulties in assimilating the acquired company's operations, the diversion of our management's attention from other business concerns, risks of entering into markets in which we have had no or only limited direct experience, and the potential loss of customers, key employees, and drivers of the acquired company, all of which could have a materially adverse effect on our business and operating results. If we make acquisitions in the future, we cannot guarantee that we will be able to successfully integrate the acquired companies or assets into our business.

If we are unable to retain our key employees or find, develop, and retain service center managers, our business, financial condition, and results of operations could be adversely affected.

We are highly dependent upon the services of several executive officers and key management employees. The loss of any of their services could have a short-term, negative impact on our operations and profitability. We must continue to develop and retain a core group of managers if we are to realize our goal of expanding our operations and continuing our growth. Failing to develop and retain a core group of managers could have a materially adverse effect on our business. The Company has developed a structured business plan and procedures to prevent a long-term effect on future profitability due to the loss of key management employees.

We are highly dependent on a few major customers, the loss of one or more of which could have a materially adverse effect on our business.

A significant portion of our revenue is generated from several major customers. For the year ended December 31, 2007, our top 25 customers, based on revenue, accounted for approximately 69% of our revenue. This was not significantly different than the previous year. A reduction in or termination of our services by one or more of our major customers could have a materially adverse effect on our business and operating results.

Seasonality and the impact of weather affect our operations and profitability.

Our tractor productivity decreases during the winter season because inclement weather impedes operations, and some shippers reduce their shipments after the winter holiday season. Revenue can also be affected by bad weather and holidays, since revenue is directly related to available working days of shippers. At the same time, operating expenses increase and fuel efficiency declines because of engine idling and harsh weather which creates higher accident frequency, increased claims, and more equipment repairs. We can also suffer short-term impacts from weather-related events such as hurricanes, blizzards, ice storms, and floods that could harm our results or make our results more volatile.

Ongoing insurance and claims expenses could significantly reduce our earnings.

Our future insurance and claims expense might exceed historical levels, which could reduce our earnings. We self-insure for a portion of our claims exposure resulting from workers' compensation, auto liability, general liability, cargo and property damage claims, as well as employees' health insurance. We also are responsible for our legal expenses relating to such claims. We reserve currently for anticipated losses and related expenses. We periodically evaluate and adjust our claims reserves to reflect our experience. However, ultimate results may differ from our estimates, which could result in losses over our reserved amounts.

We maintain insurance above the amounts for which we self-insure with licensed insurance carriers. Although we believe the aggregate insurance limits should be sufficient to cover reasonably expected claims, it is possible that one or more claims could exceed our aggregate coverage limits. Insurance carriers have raised premiums for many businesses, including trucking companies. As a result, our insurance and claims expense could increase, or we could raise our self-insured retention when our policies are renewed. If these expenses increase, or if we experience a claim in excess of our coverage limits, or we experience a claim for which coverage is not provided, results of our operations and financial condition could be materially and adversely affected.

We are dependent on computer and communications systems, and a systems failure could cause a significant disruption to our business.

Our business depends on the efficient and uninterrupted operation of our computer and communications hardware systems and infra structure. We currently use a centralized computer network and regular communication to achieve system-wide load coordination. Our operations and those of our technology and communications service providers are vulnerable to interruption by fire, earthquake, power loss, telecommunications failure, terrorist attacks, Internet failures, computer viruses, and other events beyond our control. In the event of a significant system failure, our business could experience significant disruption.

We operate in a highly regulated industry and changes in regulations could have a materially adverse effect on our business.

Our operations are regulated and licensed by various government agencies, including the DOT. The DOT, through the Federal Motor Carrier Safety Administration, or FMCSA, imposes safety and fitness regulations on us and our drivers. New rules that limit driver hours-of-service were adopted effective January 4, 2004, and then modified effective October 1, 2005 (the "2005 Rules"). On July 24, 2007, a federal appeals court vacated portions of the 2005 Rules. Two of the key portions that were vacated include the expansion of the driving day from 10 hours to 11 hours, and the "34-hour restart," which allows drivers to restart calculations of the weekly on-duty time limits after the driver has at least 34 consecutive hours off duty. The court indicated that, in addition to other reasons, it vacated these two portions of the 2005 Rules because FMCSA failed to provide adequate data supporting its decision to increase the driving day and provide for the 34-hour restart. Following a request by FMCSA for a 12-month extension of the vacated rules, the court, in an order filed on September 28, 2007, granted a 90-day stay of the mandate and directed that issuance of its ruling be withheld until December 27, 2007, to allow FMCSA time to prepare its response. On December 17, 2007, FMCSA submitted the IFR, which became effective December 27, 2007. The IFR retains the 11 hour driving day and the 34-hour restart, but provides greater statistical support and analysis regarding the increased driving time and the 34-hour restart. On January 23, 2008, a federal court denied an advocacy group's request that it prevent FMCSA from implementing the IFR. Accordingly, the IFR remains in effect; though, challenges to the IFR are still possible. FMCSA is currently taking comments on the IFR, which are due no later than February 15, 2008, and expects to publish a final rule later in 2008. As advocacy groups may continue to challenge the IFR, a court's decision to strike down the IFR could have varying effects, as reducing driving time to 10 hours daily may reduce productivity in some lanes, while eliminating the 34-hour restart could enhance productivity in certain instances. As a result, such a ruling could decrease productivity and cause some loss of efficiency, as drivers and shippers may need to be retrained, computer programming may require modifications, additional drivers may need to be

## Edgar Filing: HEARTLAND EXPRESS INC - Form 10-K

employed or engaged, additional equipment may need to be acquired, and some shipping lanes may need to be reconfigured. We are also unable to predict the effect of any new rules that might be proposed, but any such proposed rules could increase costs in our industry or decrease productivity.

### ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

### ITEM 2. PROPERTIES

Heartland's headquarters are located in North Liberty, Iowa which is located on Interstate 380 near the intersection of Interstates 380 and 80. This represents a centralized location along the Cedar Rapids/Iowa City business corridor. Prior to July 2007, Heartland's headquarters were located adjacent to Interstate 80, near Iowa City, Iowa. The new headquarters was funded with proceeds from the sale of the previous headquarters location, sales of company-owned facilities in Columbus, Ohio, and Dubois, Pennsylvania, and cash flows from operations. The following table provides information regarding the Company's facilities and/or offices:

9

Company Location	Office	Shop	Fuel	Owned or Leased
North Liberty, Iowa (1)	Yes	Yes	Yes	Owned
Ft. Smith, Arkansas	No	Yes	Yes	Owned
O'Fallon, Missouri	No	Yes	Yes	Owned
Atlanta, Georgia	Yes	Yes	Yes	Owned
Columbus, Ohio	Yes	Yes	Yes	Owned
Jacksonville, Florida	Yes	Yes	Yes	Owned
Kingsport, Tennessee	Yes	Yes	Yes	Owned
Olive Branch, Mississippi	Yes	Yes	Yes	Owned
Chester, Virginia	Yes	Yes	Yes	Owned
Carlisle, Pennsylvania	Yes	Yes	Yes	Owned
Phoenix, Arizona (2)	Yes	Yes	Yes	Owned

(1) The Company moved into its new corporate headquarters in July 2007. Prior to July 2007 the Company headquarters located in Iowa City, Iowa and was located on owned and leased property.

(2) The Company leased a facility in Phoenix, Arizona for a portion of 2007. In 2005, the Company acquired fourteen acres of land in Phoenix, Arizona for the construction of a new regional operating facility. Construction began in 2006 and was completed in the second quarter of 2007. Construction was financed by cash flows from operations. The leased facilities did not include fuel facilities.

## Edgar Filing: HEARTLAND EXPRESS INC - Form 10-K

### ITEM 3. LEGAL PROCEEDINGS

The Company is a party to ordinary, routine litigation and administrative proceedings incidental to its business. These proceedings primarily involve claims for personal injury, property damage, and workers' compensation incurred in connection with the transportation of freight. The Company maintains insurance to cover liabilities arising from the transportation of freight for amounts in excess of certain self-insured retentions.

### ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

During the fourth quarter of 2007, no matters were submitted to a vote of security holders.

## PART II

### ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS, AND ISSUER PURCHASES OF EQUITY SECURITIES

#### Price Range of Common Stock

The Company's common stock trades on the NASDAQ Global Select Market under the symbol HTLD. The following table sets forth, for the calendar periods indicated, the range of high and low price quotations for the Company's common stock as reported by the NASDAQ Global Select Market and the Company's dividends declared per common share from January 1, 2006 to December 31, 2007. The prices and dividends declared have been restated to reflect a four-for-three stock split on May 15, 2006.

Period	High	Low	Dividends Declared per Common Share
Calendar Year 2007			
1st Quarter	\$ 17.81	\$ 15.14	\$.020
2nd Quarter	18.92	15.36	2.02
3rd Quarter	17.46	14.11	.020
4th Quarter	15.80	12.98	.020
Calendar Year 2006			
1st Quarter	\$ 18.75	\$ 14.55	\$.015
2nd Quarter	19.59	15.73	.020
3rd Quarter	18.51	14.10	.020
4th Quarter	17.71	14.79	.020

10

On January 31, 2008, the last reported sale price of our common stock on the NASDAQ Global Select Market was \$16.25 per share.

The prices reported reflect interdealer quotations without retail mark-ups, markdowns or commissions, and may not represent actual transactions. As of February 1, 2008, the Company had 193 stockholders of record of its common stock. However, the Company estimates that it has a significantly greater number of stockholders because a substantial number of the Company's shares of record are held by brokers or dealers for their customers in street names.

#### Dividend Policy

During the third quarter of 2003, the Company announced the implementation of a quarterly cash dividend program. The Company has declared and paid quarterly dividends for the past eighteen consecutive quarters. On March 9,



## Edgar Filing: HEARTLAND EXPRESS INC - Form 10-K

2007, the Board of Directors announced a quarterly dividend of \$0.02 per common share, approximately \$2.0 million, which was paid on April 2, 2007 to shareholders of record at the close of business on March 22, 2007. On May 14, 2007 the Company announced that, in addition to the quarterly dividend of \$0.02 per common share, the Company would pay a special dividend of \$2.00 per common share, or approximately \$196.5 million, to shareholders of record on May 24, 2007. On September 7, 2007 the Board of Directors, declared a regular quarterly dividend of \$0.02 per common share, or approximately \$1.9 million, payable October 2, 2007, and on January 3, 2008, the Company paid a quarterly dividend of approximately \$1.9 million at the rate of \$0.02 per common share to shareholders of record at the close of business on December 21, 2007. The Company does not currently intend to discontinue the quarterly cash dividend program. However, future payments of cash dividends will depend upon the financial condition, results of operations and capital requirements of the Company, as well as other factors deemed relevant by the Board of Directors.

### Stock Split

On April 20, 2006, the Board of Directors approved a four-for-three stock split, affected in the form of a 33 percent stock dividend. The stock split occurred on May 15, 2006, to shareholders of record as of May 5, 2006. This stock split increased the number of outstanding shares to 98.4 million from 73.8 million. The number of common shares issued and outstanding and all per share amounts have been adjusted to reflect the stock split for all periods presented.

### Stock Repurchase

In September 2001, the Board of Directors approved the repurchase of up to 15.4 million shares, adjusted for stock splits, of Heartland Express, Inc. common stock in open market or negotiated transactions using available cash, cash equivalents, and short term investments. During the years ended December 31, 2007 and 2006, approximately 1.3 million and 0.2 million shares were repurchased, respectively, in the open market and pursuant to the above-referenced plan, a trade plan under Rule 10b5-1, for \$19.4 million and \$2.5 million, respectively, at an approximate weighted average price of \$14.86 and \$14.41 per share, respectively, and the shares were retired. The cost of such shares purchased and retired in excess of their par value in the amount of approximately of \$19.4 million and \$2.5 million during the years ended December 31, 2007 and 2006 was charged to retained earnings. The authorization to repurchase remains open at December 31, 2007 and has no expiration date but may be suspended or discontinued at any time without prior notice. Approximately 12.3 million shares remain authorized for repurchase under the Board of Director's approval.

11

Shares repurchased during the three month quarter period ended December 31, 2007 are as follows:

Period	(a) Total number of shares Purchased	(b) Average price paid per share	(c) Total number of shares purchased as part of publicly announced plans or programs	(d) Maximum number of shares that may yet be purchased under the plans or programs (in millions)
October 1, 2007 - October 31, 2007	-	-	-	12.3
November 1, 2007 - November 30, 2007	7,600	\$ 12.99	7,600	12.3

## Edgar Filing: HEARTLAND EXPRESS INC - Form 10-K

December 1, 2007 -					
December 31, 2007	-	-	-	12.3	
	-----		-----		
	7,600		7,600		
	=====		=====		

### Share Based Compensation

On March 7, 2002, the Company's chief executive officer transferred 181,500 of his own shares establishing a restricted stock plan on behalf of key employees. The shares vested over a five year period or upon death or disability of the recipient. The shares were valued at the March 7, 2002 market value of approximately \$2.0 million. The market value of \$2.0 million was amortized over a five year period as compensation expense. Compensation expense of \$0.1 million, \$0.4 million, and \$0.4 million for the years ended December 31, 2007, 2006, and 2005, respectively, is recorded in salaries, wages, and benefits on the consolidated statement of income. All unvested shares are included in the Company's 96.9 million outstanding shares as of December 31, 2007. As of December 31, 2007 there are no securities authorized for issuance under equity compensation plans.

A summary of the Company's non-vested restricted stock as of December 31, 2007 and 2006, and changes during the twelve months ended December 31, 2007 and 2006 is presented in the table below:

	Shares	Grant-date Fair Value
	-----	-----
Non-vested stock outstanding at January 1, 2006	68,200	\$ 11.00
Granted	-	-
Vested	(34,000)	11.00
Forfeited	-	-
	-----	-----
Non-vested stock outstanding at December 31, 2006	34,200	11.00
	-----	-----
Non-vested stock outstanding at January 1, 2007	34,200	11.00
Granted	-	-
Vested	(34,000)	11.00
Forfeited	-	-
	-----	-----
Non-vested stock outstanding at December 31, 2007	200	\$ 11.00
	=====	=====

The fair value of the shares vested was \$544,020, \$578,245 and \$549,201 for the twelve months ended December 31, 2007, 2006 and 2005, respectively.

In December 2004, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 123(R), "Share-Based Payment," ("SFAS No. 123(R)") a revision of SFAS No. 123, which addresses the accounting for share-based payment transactions. SFAS No. 123(R) eliminates the ability to account for employee share-based compensation transactions using APB Opinion No. 25, "Accounting for Stock Issued to Employees," and generally requires instead that such transactions be accounted and recognized in the consolidated statement of income based on their fair value. SFAS No. 123(R) also requires entities to estimate the number of forfeitures expected to occur and record expense based upon the number of awards expected to vest. The Company implemented SFAS No. 123(R) on January 1, 2006. The unamortized portion of unearned compensation was reclassified to retained earnings upon implementation.

## Edgar Filing: HEARTLAND EXPRESS INC - Form 10-K

The amortization of unearned compensation was recorded as additional paid-in capital effective January 1, 2006 through December 31, 2007. The implementation of SFAS No. 123(R) had no effect on the Company's results of operations for the years ended December 31, 2007 and 2006.

### ITEM 6. SELECTED FINANCIAL DATA

The selected consolidated financial data presented below is derived from the Company's consolidated financial statements. The information set forth below should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Company's consolidated financial statements and notes thereto included in Item 8 of this Form 10-K.

	Year Ended December 31, (in thousands, except per share data)				
	2007	2006	2005	2004	2003
	-----	-----	-----	-----	-----
Statements of Income Data:					
Operating revenue	\$591,893	\$571,919	\$523,792	\$457,086	\$405,116
	-----	-----	-----	-----	-----
Operating expenses:					
Salaries, wages, and benefits (3)	196,303	189,179	174,180	157,505	141,293
Rent and purchased transportation	21,421	24,388	29,635	36,757	49,988
Fuel	164,285	146,240	123,558	83,263	62,218
Operations and maintenance	12,314	12,647	14,955	12,939	13,298
Operating taxes and licenses	9,454	9,143	8,968	8,996	8,403
Insurance and claims (3)	18,110	16,621	17,938	16,545	2,187
Communications and utilities	3,857	3,721	3,554	3,669	3,605
Depreciation (2)	48,478	47,351	38,228	29,628	26,534
Other operating expenses	17,380	17,356	16,697	14,401	12,539
Gain on disposal of property and equipment (2)	(10,159)	(18,144)	(8,032)	(175)	(46)
	-----	-----	-----	-----	-----
	481,443	448,502	419,681	363,528	320,019
	-----	-----	-----	-----	-----
Operating income (2)	110,450	123,417	104,111	93,558	85,097
Interest income	10,285	11,732	7,373	3,071	2,046
	-----	-----	-----	-----	-----
Income before income taxes	120,735	135,149	111,484	96,629	87,143
Federal and state income taxes	44,565	47,978	39,578	34,183	29,922
	-----	-----	-----	-----	-----
Net income (2)	\$ 76,170	\$ 87,171	\$ 71,906	\$ 62,446	\$ 57,221
	=====	=====	=====	=====	=====
Weighted average shares outstanding (1)	97,735	98,359	99,125	100,000	100,000
	=====	=====	=====	=====	=====
Earnings per share (1) (2)	\$ 0.78	\$ 0.89	\$ 0.73	\$ 0.62	\$ 0.57
	=====	=====	=====	=====	=====
Dividends declared per share (1)	\$ 2.080	\$ 0.075	\$ 0.060	\$ 0.050	\$ 0.020
	=====	=====	=====	=====	=====
Balance Sheet data:					
Net working capital	\$182,546	\$294,252	\$271,263	\$242,472	\$186,648
Total assets	526,294	669,070	573,508	517,012	448,407
Stockholders' equity	342,759	495,024	433,252	389,343	331,516

The Company had no long-term debt during any of the five years presented.

## Edgar Filing: HEARTLAND EXPRESS INC - Form 10-K

(1) Periods 2003 through 2005 reflect the four-for-three stock split of May 15, 2006.

(2) Effective July 1, 2005, the Company adopted SFAS No. 153, "Exchanges of Non-monetary Assets--An Amendment of Accounting Principles Board Opinion No. 29, Accounting for Non-monetary Transactions" ("SFAS 153"). The prospective application of SFAS 153 after June 30, 2005 resulted in the immediate recognition of gains from the trade-in of revenue equipment rather than reduction in the cost of the new revenue equipment. The recognition of gains from trade-in of revenue equipment is offset over the equipment life by increased depreciation expense. For the twelve month periods of 2007 and 2006, and the six month period of 2005, gains resulting from the adoption of SFAS 153 were \$1.9 million, \$17.6 million and \$6.5 million, respectively.

(3) The Company increased the amount accrued for workers' compensation by \$2.9 million and decreased the amount accrued for accident liability claims by \$11.2 million during the 2003 period as a result of actuarial studies.

13

### ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

#### Overview

Heartland Express, Inc. is a short-to-medium haul truckload carrier. The Company transports freight for major shippers and generally earns revenue based on the number of miles per load delivered. The Company provides regional dry van truckload services from eight regional operating centers plus its corporate headquarters. The Company's eight regional operating centers, not including operations at the corporate headquarters, accounted for 64.5% and 62.6% of the 2007 and 2006 operating revenues. The Company takes pride in the quality of the service that it provides to its customers. The keys to maintaining a high level of service are the availability of late-model equipment and experienced drivers.

Operating efficiencies and cost controls are achieved through equipment utilization, operating a fleet of late model equipment, maintaining an industry leading driver to non-driver employee ratio, and the effective management of fixed and variable operating costs. At December 31, 2007, the Company's tractor fleet had an average age of 2.1 years while the trailer fleet had an average age of 3.8 years. The Company has grown internally by providing quality service to targeted customers with a high density of freight in the Company's regional operating areas. In addition to the development of its regional operating centers, the Company has made five acquisitions since 1987. Future growth is dependent upon several factors including the level of economic growth and the related customer demand, the available capacity in the trucking industry, potential of acquisition opportunities, and the availability of experienced drivers.

The Company ended the year with operating revenues of \$591.9 million, including fuel surcharges, net income of \$76.2 million, and earnings per share of \$0.78 on average outstanding shares of 97.7 million. The Company posted an 81.3% operating ratio (operating expenses as a percentage of operating revenues) and a 12.9% net margin (net income as a percentage of operating revenues). The Company ended the year with cash, cash equivalents, and short-term investments of \$196.6 million and a debt-free balance sheet. The Company has total assets of \$526.3 million at December 31, 2007. The Company achieved a return on assets of 12.7% and a return on equity of 18.2%. The Company's cash flow from operations for the year of \$119.6 million was 20.2% of operating revenues.

The years ended December 31, 2007 and 2006 and six-month period from July 1 to December 31, 2005 periods have been favorably impacted by gains on the

## Edgar Filing: HEARTLAND EXPRESS INC - Form 10-K

trade-in of revenue equipment. Prior to the implementation of SFAS No. 153 on July 1, 2005, the gains related to trade-in of revenue producing equipment was deferred as a reduction of the basis of the new equipment. For the years ended December 31, 2007, 2006 and 2005, gains from the trade-in of revenue equipment were \$1.9 million, \$17.6 million and \$6.5 million, respectively. Also during 2007 the Company recorded gains of approximately \$6.8 million related to sales of real estate and the remaining gains during 2007 related to sales of equipment that did not involve trades.

The decline in the demand for freight services and an overcapacity of trucks has negatively impacted the operating results of 2007. The soft freight demand has resulted in downward pressures on freight and fuel surcharge rates and has resulted in higher empty miles and lower equipment utilization. Fuel expense, net of fuel surcharge recoveries, increased 18% to \$81.9 million during the year ended December 31, 2007 compared to \$69.5 million for the year ended December 31, 2006.

The Company hires only experienced drivers with safe driving records. In order to attract and retain experienced drivers who understand the importance of customer service, the Company increased pay for all drivers by \$0.03 per mile during both the first quarters of 2004 and 2005. Effective October 2, 2004, the Company began paying all drivers an incremental amount for miles driven in the upper Northeastern United States. In 2006, the Company implemented additional pay increases for drivers in selected operations groups and a fleet-wide incentive for all drivers maintaining a valid hazardous materials endorsement on their commercial driver's license. The Company has solidified its position as an industry leader in driver compensation with these aforementioned increases.

14

The Company has been recognized as one of the Forbes magazine's "200 Best Small Companies in America" sixteen times in the past twenty-one years and for the past six consecutive years. The Company has paid cash dividends over the past eighteen consecutive quarters, including a special dividend of \$196.5 million in May, 2007. The Company became publicly traded in November, 1986 and is traded on the NASDAQ National Market under the symbol HTLD.

### Results of Operations

The following table sets forth the percentage relationships of expense items to total operating revenue for the years indicated.

	Year Ended December 31,		
	2007	2006	2005
Operating revenue	100.0%	100.0%	100.0%
Operating expenses:			
Salaries, wages, and benefits	33.2%	33.1%	33.3%
Rent and purchased transportation	3.6	4.3	5.7
Fuel	27.8	25.6	23.6
Operations and maintenance	2.1	2.2	2.9
Operating taxes and license	1.6	1.6	1.7
Insurance and claims	3.1	2.9	3.4
Communications and utilities	0.7	0.7	0.7
Depreciation	8.2	8.3	7.3
Other operating expenses	2.9	3.0	3.2
Gain on disposal of property and equipment	(1.7)	(3.2)	(1.5)
	81.3%	78.4%	80.1%

## Edgar Filing: HEARTLAND EXPRESS INC - Form 10-K

	-----	-----	-----
Operating income	18.7%	21.6%	19.9%
Interest income	1.7	2.1	1.4
	-----	-----	-----
Income before income taxes	20.4%	23.6%	21.3%
Income taxes	7.5	8.4	7.6
	-----	-----	-----
Net income	12.9%	15.2%	13.7%
	=====	=====	=====

Year Ended December 31, 2007 Compared With Year Ended December 31, 2006

Operating revenue increased \$20.0 million (3.5%), to \$591.9 million for the year ended December 31, 2007 from \$571.9 million in the 2006 period. The increase in revenue resulted from the Company's expansion of its fleet, increased freight miles, and improved freight rates. Operating revenue for both periods was positively impacted by fuel surcharges assessed to customers. Fuel surcharge revenue increased \$5.2 million, (6.4%) to \$86.6 million for the year ended December 31, 2007 from \$81.4 million in the compared 2006 period.

Salaries, wages, and benefits increased \$7.1 million (3.8%), to \$196.3 million for the year ended December 31, 2007 from \$189.2 million in the 2006 period. These increases were the result of increased reliance on employee drivers due to a decrease in the number of independent contractors utilized by the Company and driver pay increases. The Company increased driver pay by \$0.01 per mile in January 2006 for all drivers maintaining a valid hazardous materials endorsement on their commercial driver's license and implemented quarterly pay increases in 2006 for selected operating divisions. The cumulative impact of the quarterly increases to driver compensation in 2006 resulted in a cost increase of approximately \$1.8 million for the year ended December 31, 2007. During the year ended December 31, 2007, employee drivers accounted for 95% and independent contractors for 5% of the total fleet miles, compared with 94% and 6%, respectively, for 2006. Additional miles in 2007 by company drivers accounted for approximately \$4.0 million increase in wages over 2006. Workers' compensation expense increased \$2.3 million (53.6%) to \$6.5 million for the year ended December 31, 2007 from \$4.2 million in for the same period in 2006 due to an increase in frequency and severity of claims. Health insurance expense decreased \$1.4 million (16.2%) to \$7.1 million for the year ended December 31, 2007 from \$8.5 million in the same period of 2006 due to a decrease in frequency and severity of claims. The remaining increase was the result of non-driver payroll increases.

Rent and purchased transportation decreased \$3.0 million (12.2%), to \$21.4 million for the year ended December 31, 2007 from \$24.4 million in the compared

15

period of 2006. This reflects the Company's decreased reliance upon independent contractors. Rent and purchased transportation for both periods includes amounts paid to independent contractors under the Company's fuel stability program. In the first quarter of 2006, the Company increased the independent contractor base mileage pay by \$0.01 per mile for all independent contractors maintaining a hazardous materials endorsement on their commercial driver's license, and an additional \$0.01 per mile per quarter in 2006 beginning on April 1, 2006. These base mileage pay increases of approximately \$0.3 million in 2007 were offset by a decrease attributable to fewer miles driven by independent contractors.

Fuel increased \$18.0 million (12.3%), to \$164.3 million for the year ended

## Edgar Filing: HEARTLAND EXPRESS INC - Form 10-K

December 31, 2007 from \$146.2 million for the same period of 2006. The increase is the result of an increase in fuel cost per gallon, an increased reliance on company-owned tractors, and a decrease in fuel economy associated with certain EPA mandated clean air engine requirements on tractor models acquired during 2006. The Company's fuel cost per company-owned tractor mile increased 9.3% during 2007 compared to 2006. Fuel cost per mile, net of fuel surcharge, increased 14.7% in 2007 compared to 2006. The Company's fuel cost per gallon increased 7.2% in 2007 and average miles per gallon decreased 2.2% compared to 2006.

Operations and maintenance decreased \$0.3 million (2.6%), to \$12.3 million for the year ended December 31, 2007 from \$12.6 million for the compared 2006 period due to an increase in preventative maintenance and parts replacement.

Operating taxes and licenses increased \$0.3 million (3.4), to \$9.5 million for the year ended December 31, 2007 from \$9.1 million in the compared 2006 period due an increase in the property taxes associated with new facilities in Phoenix, Arizona and North Liberty, Iowa and an increase in fuel taxes paid.

Insurance and claims increased \$1.5 million (9.0%), to \$18.1 million for the year ended December 31, 2007 from \$16.6 million in the same period of 2006 due to an increase in the frequency of larger claims and development increases on existing liability claims.

Depreciation increased \$1.1 million (2.4%), to \$48.5 million during the year ended December 31, 2007 from \$47.4 million in the compared 2006 period. This increase is attributable to the growth of our company-owned tractor and trailer fleet, and an increased cost of new tractors and trailers relative to the costs of those units being replaced. Our tractor and trailer fleet have grown approximately 3.4% and 5.7% respectively in comparison to the same period in 2006. This contributed to a \$0.6 million increase in revenue equipment depreciation during 2007. Also, higher depreciation on new corporate headquarters facilities and new Phoenix terminal contributed to an increase of \$0.5 million in other property and equipment depreciation.

Other operating expenses were essentially unchanged during the year ended December 31, 2007 compared to the same period of 2006. Other operating expenses consists of costs incurred for advertising expense, freight handling, highway tolls, driver recruiting expenses, and administrative costs.

Gain on the disposal of property and equipment decreased \$8.0 million (44.0%), to \$10.2 million during the year ended December 31, 2007 from \$18.1 million in the same period of 2006. The decline is attributable to an 87% decrease in the total number of tractors and trailers traded during the 2007 period compared to the same period of 2006. A tractor fleet upgrade was completed in December 2006. During 2007 the Company sold real estate in Columbus, Ohio, Coralville, Iowa, and Dubois, Pennsylvania recording total gains of approximately \$6.8 million. The proceeds received from these sales were used in the financing of the new corporate headquarters.

Interest income decreased \$1.4 million (12.3%), to \$10.3 million during the year ended December 31, 2007 from \$11.7 million in the same period of 2006 because of the decrease in cash, cash equivalents, and investments associated with the payment of the special dividend in May 2007 offset by improved rate of return on cash, cash equivalents, and short-term investments.

The Company's effective tax rate was 36.9% and 35.5%, respectively, for the years ended December 31, 2007 and 2006. The increase is primarily attributable to a higher effective state rate as a result of the adoption of FASB Interpretation No. 48 ("FIN 48") effective January 1, 2007.

As a result of the foregoing, the Company's operating ratio (operating

## Edgar Filing: HEARTLAND EXPRESS INC - Form 10-K

expenses as a percentage of operating revenue) was 81.3% during the year ended December 31, 2007 compared with 78.4% during the year ended December 31, 2006. Net income decreased \$11.0 million (12.6%), to \$76.2 million for the year ended December 31, 2007 from \$87.2 million during the compared 2006 period as a result of the net effects discussed above.

16

Year Ended December 31, 2006 Compared With Year Ended December 31, 2005

Operating revenue increased \$48.1 million (9.2%), to \$571.9 million in 2006 from \$523.8 million in 2005, as a result of the Company's expansion of its fleet and customer base as well as improved freight rates. Operating revenue for both periods was positively impacted by fuel surcharges assessed to the customer base. Fuel surcharge revenue increased \$21.7 million, (36.3%) to \$81.4 million in 2006 from \$59.7 million reported in 2005.

Salaries, wages, and benefits increased \$15.0 million (8.6%), to \$189.2 million in 2006 from \$174.2 million in 2005. These increases were the result of increased reliance on employee drivers due to a decrease in the number of independent contractors utilized by the Company and a driver pay increase. The Company increased driver pay by \$0.01 per mile in January 2006 for all drivers maintaining a valid hazardous materials endorsement on their commercial driver's license and implemented quarterly pay increases for selected operating divisions. These increases to driver compensation resulted in a cost increase of approximately \$5.6 million in 2006. During 2006, employee drivers accounted for 94% and independent contractors 6% of the total fleet miles, compared with 92% and 8%, respectively, in 2005. Workers' compensation expense increased \$0.6 million (18.0%) to \$4.2 million in 2006 from \$3.6 million in 2005 due to an increase in frequency and severity of claims. Health insurance expense increased \$0.8 million (10.3%) to \$8.5 million in 2006 from \$7.7 million in 2005 due to an increase in frequency and severity of claims and increased reliance on employee drivers.

Rent and purchased transportation decreased \$5.2 million (17.7%), to \$24.4 million in 2006 from \$29.6 million in 2005. This reflected the Company's decreased reliance upon independent contractors. Rent and purchased transportation for both periods includes amounts paid to independent contractors for fuel stabilization. The Company increased the base mileage rate for independent contractors by \$0.03 per mile in the first quarter of 2005 for the second consecutive year. In the first quarter of 2006, the Company increased the independent contractor base mileage pay by \$0.01 per mile for all independent contractors maintaining a hazardous materials endorsement on their commercial driver's license, and an additional \$0.01 per mile per quarter beginning on April 1, 2006.

Fuel increased \$22.7 million (18.4%), to \$146.3 million in 2006 from \$123.6 million in 2005. The increase is the result of increased fuel prices and an increased reliance on company-owned tractors. The Company's fuel cost per company-owned tractor mile increased 13.8% in 2006 compared to 2005. Fuel cost per mile, net of fuel surcharge, decreased 2.3% in 2006 compared to 2005. The Company's fuel cost per gallon increased 11.7% in 2006 compared to 2005 primarily due to continued instability in the Middle East and concerns over domestic inventory levels.

Operations and maintenance decreased \$2.3 million (15.4%), to \$12.6 million in 2006 from \$14.9 million in 2005. The decrease is primarily attributed to the improved average age of the revenue equipment in our fleet. The average age of our tractor fleet is 1.2 years while the average age of the trailer fleet is 3.1 years. In 2005, the average age of tractors was 1.5 years with trailers averaging 3.2 years.



## Edgar Filing: HEARTLAND EXPRESS INC - Form 10-K

Insurance and claims decreased \$1.3 million (7.3%), to \$16.6 million in 2006 from \$17.9 million in 2005 due to a decrease in the frequency and severity of claims.

Depreciation increased \$9.1 million (23.9%), to \$47.3 million in 2006 from \$38.2 million in 2005. This increase is attributable to the growth of our company-owned tractor and trailer fleet, an increased cost of new tractors primarily associated with the EPA-mandated clean air engines, a fleet upgrade during 2006, and the implementation of SFAS No. 153. New tractors have a higher cost than the models being replaced due to EPA-mandated clean air standards. As of December 31, 2006, 100% of the Company's tractor fleet had the EPA clean air engine compared to 68.6% at December 31, 2005. For the year ended December 31, 2006, as a result of SFAS No. 153, approximately \$2.8 million of additional depreciation was recognized due to a higher depreciable basis of revenue equipment acquired through trade-ins. For the same period of 2005, the additional depreciation attributable to SFAS No. 153 was \$369,000. In future periods, we expect depreciation will increase as we continue to upgrade our fleet in compliance with EPA-mandated engine changes and due to the impact of SFAS No. 153.

Other operating expenses increased \$0.7 million (4.0%), to \$17.4 million in 2006 from \$16.7 million in 2005. Other operating expenses consist of costs incurred for advertising expense, freight handling, highway tolls, driver recruiting expenses, and administrative costs.

17

Gain on the disposal of property and equipment increased \$10.1 million (125.9%), to \$18.1 million in 2006 from \$8.0 million in the 2005 period. The 2006 period includes \$17.6 million from gains on trade-ins of revenue equipment which are recognized under SFAS No. 153 compared to \$6.5 million for the same period of 2005. Prior to the implementation of SFAS No 153, gains from trade-ins of revenue equipment were deferred as a reduction of the basis of the new equipment. Management does not believe gains in the future will be at similar levels realized in the 2006 period.

Interest income increased \$4.3 million (59.1%), to \$11.7 million in 2006 from \$7.4 million in 2005. The increase is the result of higher average balances of cash, cash equivalents, and short-term investments and higher yields than 2005.

The Company's effective tax rate was 35.5% for 2006 and 2005, respectively. Income taxes have been provided for at the statutory federal and state rates, adjusted for certain permanent differences between financial statement income and income for tax reporting.

As a result of the foregoing, the Company's operating ratio (operating expenses as a percentage of operating revenue) was 78.4% during the year ended December 31, 2006 compared with 80.1% for 2005. Net income increased \$15.3 million (21.2%), to \$87.2 million for the year ended December 31, 2006 from \$71.9 million for the year ended December 31, 2005.

### Inflation and Fuel Cost

Most of the Company's operating expenses are inflation-sensitive, with inflation generally producing increased costs of operations. During the past three years, the most significant effects of inflation have been on revenue equipment prices and the compensation paid to the drivers. Innovations in equipment technology, EPA mandated new engine emission requirements on tractor engines manufactured after January 1, 2007, and comfort have resulted in

## Edgar Filing: HEARTLAND EXPRESS INC - Form 10-K

higher tractor prices, and there has been an industry-wide increase in wages paid to attract and retain qualified drivers. The Company historically has limited the effects of inflation through increases in freight rates and certain cost control efforts. In addition to inflation, fluctuations in fuel prices can affect profitability. Most of the Company's contracts with customers contain fuel surcharge provisions. Although the Company historically has been able to pass through most long-term increases in fuel prices and operating taxes to customers in the form of surcharges and higher rates, shorter-term increases are not fully recovered.

Fuel prices have remained high throughout 2005, 2006, and 2007, thus increasing our cost of operations. In addition to the increased fuel costs, the reduced fuel efficiency of the new EPA engines has put additional pressure on profitability due to increased fuel consumption. Competitive conditions in the transportation industry, such as lower demand for transportation services, could affect the Company's ability to obtain rate increases or fuel surcharges.

### Liquidity and Capital Resources

The growth of the Company's business requires significant investments in new revenue equipment. Historically the Company has been debt-free, funding revenue equipment purchases with cash flow provided by operations. The Company also obtains tractor capacity by utilizing independent contractors, who provide a tractor and bear all associated operating and financing expenses. The Company's primary source of liquidity for the year ended December 31, 2007, was net cash provided by operating activities of \$119.6 million compared to \$128.1 million in 2006 due primarily to net income (excluding noncash depreciation, deferred tax and amortization of unearned compensation, and gains on disposal of equipment) being approximately \$6.8 million lower in 2007 compared to 2006 and a decrease in operating assets and liabilities decrease of approximately \$1.7 million. The net decrease in cash provided by operating assets and liabilities was primarily the result of changes in insurance accruals and accrued compensation. Cash flow from operating activities was 20.2% of operating revenues in 2007 compared with 22.4% in 2006.

Capital expenditures for property and equipment, net of trade-ins, totaled \$43.6 million for 2007 compared to \$76.1 million during 2006. We currently expect capital expenditures for property and equipment, net of trades in 2008, to be comparable to capital expenditures for property and equipment, net of trades in 2007. Total expenditures for the new corporate headquarters, including furniture and fixtures, and shop facility in North Liberty, Iowa and Phoenix facility were approximately \$19.7 million during 2007.

The Company paid cash dividends of \$204.3 million in 2007 compared to \$6.9 million in 2006. The Company paid a one-time special dividend of \$196.5 million

18

during the second quarter of 2007. The Company declared a \$1.9 million cash dividend in December 2007, included in accounts payable and accrued liabilities at December 31, 2007, which was paid on January 3, 2008.

The Company paid income taxes of \$41.6 million in 2007 which was essentially unchanged compared to \$41.3 million paid in 2006.

In September, 2001, the Board of Directors of the Company authorized a program to repurchase 15.4 million shares, adjusted for stock splits, of the Company's Common Stock in open market or negotiated transactions using available cash and cash equivalents. The authorization to repurchase remains open at December 31, 2007 and has no expiration date. During the year ended December 31,

## Edgar Filing: HEARTLAND EXPRESS INC - Form 10-K

2007, approximately 1.3 million shares of the Company's common stock were repurchased for approximately \$19.4 million at approximately \$14.86 per share. This compares to approximately 0.2 million shares of the Company's common stock repurchased for \$2.5 million at approximately \$14.41 per share during the year ended December 31, 2006. The repurchased shares were subsequently retired. At December 31, 2007, the Company has approximately 12.3 million shares remaining under the current Board of Director repurchase authorization. Future purchases are dependent upon market conditions.

Management believes the Company has adequate liquidity to meet its current and projected needs. Management believes the Company will continue to have significant capital requirements over the long-term which are expected to be funded from cash flow provided by operations and from existing cash, cash equivalents, and short-term investments. The Company ended the year with \$196.6 million in cash, cash equivalents, and short-term investments and no debt. Net working capital for the year ended December 31, 2007 decreased by \$111.7 million over 2006. The most significant transaction causing the decrease was the sale of short-term investments of approximately \$134.2 million to fund the special dividend payment of \$196.5 million discussed above. Working capital was positively impacted by the \$21.4 million reduction in current tax liabilities due to the adoption of FIN 48. Based on the Company's strong financial position, management believes outside financing could be obtained, if necessary, to fund capital expenditures.

Primarily all of the Company's investments as of December 31, 2007 are in short-term investments in auction rate student loan educational bonds backed by the U.S. government. The investments typically have an interest reset provision of 35 days with contractual maturities generally greater than 20 years from the date of original issuance. All investments held by the Company have AAA (or equivalent) ratings from recognized rating agencies. At the reset date the Company has the option to roll the investment and reset the interest rate or sell the investment in an auction. The Company receives the par value of the investment plus accrued interest on the reset date if the underlying investment is sold in an auction. There is no guarantee that when the Company elects to participate in an auction and therefore sell investments, that a willing buyer will purchase the security and therefore the Company receive cash upon the election to sell. The Company has not historically experienced any failures in auctions of such investments when it has elected to sell an investment, but has experienced unsuccessful auctions during February 2008 (as discussed in the footnotes to the financials). Upon an unsuccessful auction, the interest rate of the underlying investment is reset to a default maximum interest rate as stated in the prospectus of the underlying security. Until a subsequent auction is successful or the underlying security is called by the issuer, the Company will be required to hold the underlying investment until maturity. The Company only holds senior positions of underlying securities. The Company does not invest in asset backed securities and does not have direct securitized sub-prime mortgage loans exposure or loans to, commitments in, or investments in sub-prime lenders. Should the Company have a need to liquidate any of these investments, the Company may be required to discount these securities for liquidity, but the Company currently does not have this liquidity requirement. Based on historical and current operating cash flows, the Company does not currently anticipate a requirement to liquidate underlying investments at discounted pricing. If current conditions in the credit and capital markets continue, we may be required to recognize impairments and/or reclassify these investments from short-term to long-term investments. Further, the Company may be required to seek alternative financing arrangements.

### Off-Balance Sheet Transactions

The Company's liquidity is not materially affected by off-balance sheet transactions.

## Edgar Filing: HEARTLAND EXPRESS INC - Form 10-K

### Contractual Obligations and Commercial Commitments

As of December 31, 2007 the Company did not have any purchase obligations, significant operating lease obligations, capital lease obligations or outstanding long-term debt obligations.

19

At December 31, 2007, the Company had a total of \$25.7 million in gross unrecognized tax benefits. Of this amount, \$16.7 million represents the amount of unrecognized tax benefits that, if recognized, would impact our effective tax rate. These unrecognized tax benefits relate to the state income tax filing position for the Company's corporate subsidiaries. The total amount of accrued interest and penalties for such unrecognized tax benefits was \$14.9 million as of December 31, 2007. Interest and penalties related to income taxes are classified as income tax expense in our consolidated financial statements. The federal statute of limitations remains open for the years 2004 and forward. Tax years 1997 and forward are subject to audit by state tax authorities depending on the tax code of each state.

A number of years may elapse before an uncertain tax position is audited and ultimately settled. It is difficult to predict the ultimate outcome or the timing of resolution for uncertain tax positions. It is reasonably possible that the amount of unrecognized tax benefits could significantly increase or decrease within the next twelve months. These changes could result from the expiration of the statute of limitations, examinations or other unforeseen circumstances. As of December 31, 2007, the Company did not have any ongoing examinations or outstanding litigation related to tax matters. At this time, management's best estimate of the reasonably possible change in the amount of unrecognized tax benefits to be a decrease of approximately \$2.5 to \$3.5 million mainly due to the expiration of certain statute of limitations.

### Critical Accounting Policies

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods.

The Company's management routinely makes judgments and estimates about the effect of matters that are inherently uncertain. As the number of variables and assumptions affecting the probable future resolution of the uncertainties increase, these judgments become even more subjective and complex. The Company has identified certain accounting policies, described below, that are the most important to the portrayal of the Company's current financial condition and results of operations.

The most significant accounting policies and estimates that affect the financial statements include the following:

- \* Revenue is recognized when freight is delivered.
- \* Selections of estimated useful lives and salvage values for purposes of depreciating tractors and trailers. Depreciable lives of tractors and trailers are 5 and 7 years, respectively. Estimates of salvage value are based upon the expected market values of equipment at the end of the expected useful life.
- \* Management estimates accruals for the self-insured portion of pending accident liability, workers' compensation, physical damage and cargo damage claims. These accruals are based upon individual case estimates, including reserve development, and estimates of

## Edgar Filing: HEARTLAND EXPRESS INC - Form 10-K

- incurred-but-not-reported losses based upon past experience.
- \* Management judgment is required to determine the provision for income taxes and to determine whether deferred income taxes will be realized. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which the temporary differences are expected to be recovered or settled. A valuation allowance is required to be established for the amount of deferred income tax assets that are determined not to be realizable. A valuation allowance for deferred income tax assets has not been established due to the profitability of the Company's business. Further, management judgment is required in the accounting for uncertainty in income taxes recognized in the financial statements based on recognition threshold and measurement attributes for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return.

Management periodically re-evaluates these estimates as events and circumstances change. These factors may significantly impact the Company's results of operations from period-to-period.

### New Accounting Pronouncements

See Note 1 of the consolidated financial statements for a full description of recent accounting pronouncements and the respective dates of adoption and effects on results of operations and financial position.

20

### ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Primarily all of the Company's investments as of December 31, 2007 are in short-term investments in auction rate student loan educational bonds backed by the U.S. government. The investments typically have an interest reset provision of 35 days with contractual maturities generally greater than 20 years from the date of original issuance. All investments held by the Company have AAA (or equivalent) ratings from a recognized rating agency. At the reset date the Company has the option to roll the investment and reset the interest rate or sell the investment in an auction. The Company receives the par value of the investment plus accrued interest on the reset date if the underlying investment is sold in an auction. There is no guarantee that when the Company elects to participate in an auction and therefore sell investments, that a willing buyer will purchase the security and therefore the Company receive cash upon the election to sell. The Company has not historically experienced any failures in auctions of such investments when it has elected to sell an investment but has experienced unsuccessful auctions during February 2008 (as discussed in the footnotes to the financials). Upon an unsuccessful auction, the interest rate of the underlying investment is reset to a default maximum interest rate as stated in the prospectus of the underlying security. Until a subsequent auction is successful or the underlying security is called by the issuer, the Company will be required to hold the underlying investment until maturity. The Company only holds senior positions of underlying securities. The Company does not invest in asset backed securities and does not have direct securitized sub prime mortgage loans exposure or loans to, commitments in, or investments in sub prime lenders. Should the Company have a need to liquidate any of these investments, the Company may be required to discount these securities for liquidity but the Company currently does not have this liquidity requirement. Based on historical and current operating cash flows, the Company does not currently anticipate a requirement to liquidate underlying investments at discounted pricing. If current conditions in the credit and capital markets continue, we may be required to recognize impairments and/or reclassify these investments from short-term to long-term investments.

## Edgar Filing: HEARTLAND EXPRESS INC - Form 10-K

Assuming we maintain our short term investment balance consistent with balances as of December 31, 2007, \$188.6 million, and if market rates of interest on our short term investments decreased by 100 basis points, the estimated reduction in annual interest income would be approximately \$1.9 million.

The Company has no debt outstanding as of December 31, 2007 and therefore, has no market risk related to debt.

Volatile fuel prices will continue to impact us significantly. Based on the Company's historical experience, the Company is not able to pass through to customers 100% of fuel price increases. For the year ended December 31, 2007 and 2006, fuel expense, net of fuel surcharge, was \$81.9 million and \$69.5 million or 20.5% and 18.7%, respectively, of the Company's total operating expenses, net of fuel surcharge. A significant increase in fuel costs, or a shortage of diesel fuel, could materially and adversely affect our results of operations. In February 2007, the Board of Directors authorized the Company to begin hedging activities related to commodity fuels. In the event of hedging activities, the Company will implement the provisions of SFAS No. 133 "Accounting for Derivative Instruments and Hedging Activities" and contract with an unrelated third party to transact the hedge. It is expected any such transactions will be accounted for on a mark-to-market with changes reflected in the statement of income as a component of fuel costs. As of December 31, 2007, the Company has no derivative financial instruments to reduce its exposure to diesel fuel price fluctuations.

### ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The report of KPMG LLP, the Company's independent registered public accounting firm, financial statements of the Company and its consolidated subsidiaries and the notes thereto, and the financial statement schedule are included beginning on page F-1.

### ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

### ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures - The Company has established disclosure controls and procedures to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to the officers who certify the Company's financial reports and to other members of senior management and the Board of Directors.

21

Based on their evaluation as of December 31, 2007, the principal executive officer and principal financial officer of the Company have concluded that the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) are effective to ensure that the information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms.

Management's Annual Report on Internal Control Over Financial Reporting- The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f) of the Exchange Act. Under the supervision and with the participation of our management, including our

## Edgar Filing: HEARTLAND EXPRESS INC - Form 10-K

principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission as of December 31, 2007. Based on our evaluation under the framework in "Internal Control - Integrated Framework", our management concluded that our internal control over financial reporting was effective as of December 31, 2007. The Company's auditor, KPMG LLP, an independent registered public accounting firm, has issued an audit report on the effectiveness of the Company's internal control over financial reporting which is included in this filing.

Changes in Internal Control Over Financial Reporting - There were no changes in our internal control over financial reporting that occurred during the quarter ended December 31, 2007, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

22

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders  
Heartland Express, Inc.:

We have audited Heartland Express, Inc. and subsidiaries' (the "Company") internal control over financial reporting as of December 31, 2007, based on criteria established in "Internal Control--Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal

## Edgar Filing: HEARTLAND EXPRESS INC - Form 10-K

control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Heartland Express, Inc. and subsidiaries maintained, in all material respects, effective internal control over financial reporting as of December 31, 2007, based on criteria established in "Internal Control--Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Heartland Express, Inc. and subsidiaries as of December 31, 2007 and 2006, and the related consolidated statements of income, stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2007, and our report dated February 28, 2008 expressed an unqualified opinion on those consolidated financial statements.

/s/ KPMG LLP

Des Moines, Iowa  
February 28, 2008

23

### ITEM 9B. OTHER INFORMATION

NONE

### PART III

### ITEM 10. DIRECTORS, EXECUTIVE OFFICERS, AND CORPORATE GOVERNANCE

The information required by Item 10 of Part III, with the exception of the Code of Ethics discussed below, is incorporated herein by reference to the Company's Proxy Statement for the annual shareholders' meeting to be held on May 8, 2008 (the "Proxy Statement").

Code of Ethics



## Edgar Filing: HEARTLAND EXPRESS INC - Form 10-K

The Company has adopted a code of ethics known as the "Code of Business Conduct and Ethics" that applies to the Company's employees including the principal executive officer, principal financial officer, and controller. In addition, the Company has adopted a code of ethics known as "Code of Ethics for Senior Financial Officers". The Company makes these codes available on its website at [www.heartlandexpress.com](http://www.heartlandexpress.com) (and in print to any shareholder who requests them).

### ITEM 11. EXECUTIVE COMPENSATION

The information required by Item 11 of Part III is incorporated herein by reference to the Company's Proxy Statement and is included within the Proxy Statement under the heading Compensation Discussion and Analysis.

### ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT, AND RELATED STOCKHOLDER MATTERS

The information required by Item 12 of Part III is incorporated herein by reference to the Proxy Statement and is included within the Proxy Statement under the heading Security Ownership of Principal Stockholders and Management.

### ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by Item 13 of Part III is incorporated herein by reference to the Proxy Statement and is included within the Proxy Statement under the headings Certain Relationships and Related Transactions and Corporate Governance and Board of Directors.

### ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The information required by Item 14 of Part III is incorporated herein by reference to the Proxy Statement and is included within the Proxy Statement under the heading Relationship with Independent Registered Public Accounting Firm.

24

## PART IV

### ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

#### (a) 1. Financial Statements and Schedules.

Report of Independent Registered Public Accounting Firm . . . . .	F-1
Consolidated Balance Sheets - December 31, 2007 and 2006 . . . . .	F-2
Consolidated Statements of Income - Years ended December 31, 2007, 2006 and 2005 . . . . .	F-3
Consolidated Statements of Stockholders' Equity - Years ended December 31, 2007, 2006 and 2005 . . . . .	F-4
Consolidated Statements of Cash Flows - Years ended December 31, 2007, 2006 and 2005 . . . . .	F-5
Notes to Consolidated Financial Statements . . . . .	F-6

#### 2. Financial Statements Schedule

Valuation and Qualifying Accounts and Reserves- Years ended December 31, 2007, 2006 and 2005 . . . . .	S-1
---	-----

Schedules not listed have been omitted because they are not applicable or

## Edgar Filing: HEARTLAND EXPRESS INC - Form 10-K

are not required or the information required to be set forth therein is included in the Consolidated Financial Statements or Notes thereto.

3. Exhibits - The exhibits required by Item 601 of Regulation S-K are listed at paragraph (b) below.

(b) Exhibits. The following exhibits are filed with this form 10-K or incorporated herein by reference to the document set forth next to the exhibit listed below:

### EXHIBIT INDEX

Exhibit No. -----	Document -----	Method of Filing -----
3.1	Articles of Incorporation	Incorporated by reference to the Company's Registration statement on Form S-1, Registration No. 33-8165, effective November 5, 1986.
3.2	Amended and Restated Bylaws	Filed herewith
3.3	Certificate of Amendment to Articles of Incorporation	Incorporated by reference to the Company's Form 10-QA, or the quarter ended June 30, 1997, dated March 20, 1998.
4.1	Articles of Incorporation	Incorporated by reference to the Company's Registration statement on Form S-1, Registration No. 33-8165, effective November 5, 1986.
4.2	Amended and Restated Bylaws	Filed herewith
25		
4.3	Certificate of Amendment to Articles of Incorporation	Incorporated by reference to the Company's Form 10-QA, for the quarter ended June 30, 1997, dated March 20, 1998.
9.1	Voting Trust Agreement dated June 6, 1997 between Larry Crouse, as trustee under the Gerdin Educational Trusts, and Larry Crouse, voting trustee.	Incorporated by reference to the Company's Form 10-K for the year ended December 31, 1997. Commission file no.0-15087
9.2	Voting Trust Agreement dated July 10, 2007 between Lawrence D. Crouse, as the voting trustee for certain Grantor Retained Annuity Trusts established by Russell A. Gerdin and Ann S. Gerdin ("GRATS"), and Mr.	Filed herewith.

Edgar Filing: HEARTLAND EXPRESS INC - Form 10-K

and Mrs. Gerdin, the trustees  
for certain GRATS.

10.2	Restricted Stock Agreement	Incorporated by reference to the Company's Form 10-K for the year ended December 31, 2002. Commission file no.0-15087
10.3	Nonqualified Deferred Compensation Plan	Incorporated by reference to the Company's Form 10-K for the year ended December 31, 2006. Commission file no.0-15087
21	Subsidiaries of the Registrant	Filed herewith.
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act, as amended.	Filed herewith.
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act, as amended.	Filed herewith.
32	Certification of Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	Filed herewith.

26

SIGNATURES

Pursuant to the requirements of Sections 13 or 15(d) of the Securities Act of 1934, the registrant has duly caused the report to be signed on its behalf by the undersigned thereunto duly authorized.

HEARTLAND EXPRESS, INC.

Date: February 28, 2008

By: /s/ Russell A. Gerdin  
-----

Russell A. Gerdin  
Chief Executive Officer  
(Principal executive officer)

By: /s/ John P. Cosaert  
-----

John P. Cosaert

## Edgar Filing: HEARTLAND EXPRESS INC - Form 10-K

Executive Vice  
President of Finance  
and Chief Financial Officer  
(Principal accounting and  
financial officer)

Pursuant to the Securities Act of 1934, this report has been signed below by the following persons on behalf of the registrant in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Russell A. Gerdin ----- Russell A. Gerdin	Chairman and Chief Executive Officer (Principal executive officer)	February 28, 2008
/s/ Michael J. Gerdin ----- Michael J. Gerdin	President and Director	February 28, 2008
/s/ John P. Cosaert ----- John P. Cosaert	Executive Vice President of Finance, Chief Financial Officer, and Treasurer (Principal accounting and financial officer)	February 28, 2008
/s/ Richard O. Jacobson ----- Richard O. Jacobson	Director	February 28, 2008
/s/ Benjamin J. Allen ----- Benjamin J. Allen	Director	February 28, 2008
/s/ Lawrence D. Crouse ----- Lawrence D. Crouse	Director	February 28, 2008
/s/ James G. Pratt ----- James G. Pratt	Director	February 28, 2008

## Edgar Filing: HEARTLAND EXPRESS INC - Form 10-K

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders  
Heartland Express, Inc.:

We have audited the accompanying consolidated balance sheets of Heartland Express, Inc. and subsidiaries (the Company) as of December 31, 2007 and 2006, and the related consolidated statements of income, stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2007. In connection with our audits of the consolidated financial statements, we also have audited financial statement schedule II (as listed in Part IV, Item 15(a) (2) herein). These consolidated financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Heartland Express, Inc. and subsidiaries as of December 31, 2007 and 2006, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2007, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

As discussed in Note 2 to the consolidated financial statements, the Company adopted the provisions of Financial Accounting Standards Board Interpretation No. 48, "Accounting for Uncertainty in Income Taxes", as of January 1, 2007. As discussed in Note 2 to the consolidated financial statements, the Company changed its method of quantifying errors in 2006. In addition, as discussed in Note 1 to the consolidated financial statements, the Company adopted the provisions of Statement of Financial Accounting Standards No. 153, "Exchanges of Nonmonetary Assets--an amendment of APB Opinion No. 29", on July 1, 2005.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2007, based on criteria established in "Internal Control--Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated February 28, 2008, expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

/s/ KPMG LLP

Des Moines, Iowa  
February 28, 2008

Edgar Filing: HEARTLAND EXPRESS INC - Form 10-K

F-1

HEARTLAND EXPRESS, INC.  
AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS  
(in thousands, except per share amounts)

	December 31, 2007	December 31, 2006
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 7,960	\$ 8,459
Short-term investments	188,643	322,829
Trade receivables, net of allowance for doubtful accounts of \$775 at December 31, 2007 and 2006	44,359	43,499
Prepaid tires	4,764	5,076
Other prepaid expenses	1,692	1,635
Income tax receivable	57	-
Deferred income taxes	30,443	29,177
	-----	-----
Total current assets	\$ 277,918	\$ 410,675
	-----	-----
PROPERTY AND EQUIPMENT		
Land and land improvements	17,264	12,016
Buildings	25,413	18,849
Furniture & fixtures	2,220	1,114
Shop & service equipment	4,685	2,839
Revenue equipment	320,776	309,506
	-----	-----
	370,358	344,324
Less accumulated depreciation	132,545	96,293
	-----	-----
Property and equipment, net	\$ 237,813	\$ 248,031
	-----	-----
GOODWILL	4,815	4,815
OTHER ASSETS	5,748	5,549
	-----	-----
	\$ 526,294	\$ 669,070
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 13,073	\$ 15,076
Compensation & benefits	14,699	15,028
Income taxes payable	-	21,419
Insurance accruals	60,882	56,652
Other accruals	6,718	8,248

Edgar Filing: HEARTLAND EXPRESS INC - Form 10-K

Total current liabilities	\$ 95,372	\$ 116,423
LONG-TERM LIABILITIES		
Income taxes payable	\$ 37,593	-
Deferred income taxes	50,570	\$ 57,623
Total long-term liabilities	\$ 88,163	\$ 57,623
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY		
Preferred stock, par value \$.01; authorized 5,000 shares; none issued	-	-
Capital stock; common, \$.01 par value; authorized 395,000 shares; issued and outstanding 96,949 in 2007 and 98,252 in 2006	\$ 970	\$ 983
Additional paid-in capital	439	376
Retained earnings	341,350	493,665
	\$ 342,759	\$ 495,024
	\$ 526,294	\$ 669,070

The accompanying notes are an integral part of these consolidated financial statements.

F-2

HEARTLAND EXPRESS, INC.  
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME  
(in thousands, except per share amounts)

	Years Ended December 31,		
	2007	2006	2005
OPERATING REVENUE	\$ 591,893	\$ 571,919	\$ 523,792
OPERATING EXPENSES:			
Salaries, wages, benefits	\$ 196,303	\$ 189,179	\$ 174,180
Rent and purchased transportation	21,421	24,388	29,635
Fuel	164,285	146,240	123,558
Operations and maintenance	12,314	12,647	14,955
Operating taxes and licenses	9,454	9,143	8,968
Insurance and claims	18,110	16,621	17,938
Communications and utilities	3,857	3,721	3,554
Depreciation	48,478	47,351	38,228
Other operating expenses	17,380	17,356	16,697
Gain on disposal of property & equipment	(10,159)	(18,144)	(8,032)

Edgar Filing: HEARTLAND EXPRESS INC - Form 10-K

	-----	-----	-----
	481,443	448,502	419,681
	-----	-----	-----
Operating income	110,450	123,417	104,111
Interest income	10,285	11,732	7,373
	-----	-----	-----
Income before income taxes	120,735	135,149	111,484
Federal and state income taxes	44,565	47,978	39,578
	-----	-----	-----
Net Income	\$ 76,170	\$ 87,171	\$ 71,906
	=====	=====	=====
Earnings per share	\$ 0.78	\$ 0.89	\$ 0.73
	=====	=====	=====
Weighted average shares outstanding	97,735	98,359	99,125
	=====	=====	=====
Dividends declared per share	\$ 2.080	\$ 0.075	\$ 0.060
	=====	=====	=====

The accompanying notes are an integral part of these consolidated financial statements.

F-3

HEARTLAND EXPRESS, INC.  
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY  
(in thousands, except per share amounts)

	Capital Stock, Common	Additional Paid-In Capital	Retained Earnings	Unearned Compen- sation	Total
	-----	-----	-----	-----	-----
Balance, January 1, 2005	\$ 751	\$ 8,511	\$ 380,906	\$ (824)	\$ 389,342
Net income	-	-	71,906	-	71,906
Dividends on common stock, \$0.060 per share	-	-	(5,941)	-	(5,941)
Stock purchase	(12)	(8,493)	(13,914)	-	(22,419)
Forfeiture of stock awards	-	(18)	(4)	22	(10)
Amortization of share based compensation	-	-	-	363	363
	-----	-----	-----	-----	-----
Balance, December 31, 2005	739	-	432,953	(439)	433,253
Net income	-	-	87,171	-	87,171
Impact of adopting SAB 108	-	-	(15,854)	-	(15,854)
Dividends on common stock, \$0.075 per share	-	-	(7,375)	-	(7,375)
Stock split	246	-	(246)	-	-
Stock repurchase	(2)	-	(2,545)	-	(2,547)
Reclassification of share based compensation	-	-	(439)	439	-
Amortization of share based compensation	-	376	-	-	376



Edgar Filing: HEARTLAND EXPRESS INC - Form 10-K

Balance, December 31, 2006	983	376	493,665	-	495,0
Net income	-	-	76,170	-	76,1
Impact of adopting FIN 48	-	-	(4,798)	-	(4,7
Dividends on common stock, \$2.08 per share	-	-	(204,312)	-	(204,3
Stock repurchase	(13)	-	(19,375)	-	(19,3
Amortization of share based compensation	-	63	-	-	
Balance, December 31, 2007	\$ 970	\$ 439	\$ 341,350	\$ -	\$ 342,7

The accompanying notes are an integral part of these consolidated financial statements.

F-4

HEARTLAND EXPRESS, INC.  
AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(in thousands)

	Years Ended December 31,		
	2007	2006	2005
OPERATING ACTIVITIES			
Net income	\$ 76,170	\$ 87,171	\$ 71,906
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	48,486	47,371	38,248
Deferred income taxes	494	5,101	(2,630)
Amortization of share based compensation	63	376	363
Gain on disposal of property and equipment	(10,159)	(18,144)	(8,032)
Changes in certain working capital items:			
Trade receivables	(860)	(639)	(5,758)
Prepaid expenses	166	(2,325)	(611)
Accounts payable, accrued liabilities, and accrued expenses	2,731	7,609	11,308
Accrued income taxes	2,506	1,554	146
Net cash provided by operating activities	119,597	128,074	104,940
INVESTING ACTIVITIES			

Edgar Filing: HEARTLAND EXPRESS INC - Form 10-K

Proceeds from sale of property and equipment	13,228	1,966	2,310
Purchases of property and equipment, net of trades	(43,579)	(76,056)	(49,154)
Net sale (purchases) of municipal bonds	134,186	(40,574)	(25,528)
Change in other assets	(207)	(889)	(433)
	-----	-----	-----
Net cash provided by (used in) investing activities	103,628	(115,553)	(72,805)
	-----	-----	-----
FINANCING ACTIVITIES			
Cash dividend	(204,336)	(6,882)	(5,960)
Stock repurchase	(19,388)	(2,547)	(22,419)
	-----	-----	-----
Net cash used in financing activities	(223,724)	(9,429)	(28,379)
	-----	-----	-----
Net (decrease) increase in cash and cash equivalents	(499)	3,092	3,756
CASH AND CASH EQUIVALENTS			
Beginning of year	8,459	5,367	1,611
	-----	-----	-----
End of year	\$ 7,960	\$ 8,459	\$ 5,367
	=====	=====	=====
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION			
Cash paid during the year for:			
Income taxes, net	\$ 41,564	\$ 41,323	\$ 42,062
Noncash investing activities:			
Fair value of revenue equipment traded	\$ 6,429	45,669	\$ 41,866
Purchased property and equipment in accounts payable at year end	459	2,638	68
Common stock dividends declared in accounts payable at year end	1,954	1,978	1,48

The accompanying notes are an integral part of these consolidated financial statements.

F-5

HEARTLAND EXPRESS, INC.  
AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Significant Accounting Policies

Nature of Business:

Heartland Express, Inc., (the "Company") is a short-to-medium-haul truckload carrier of general commodities. The Company provides nationwide transportation service to major shippers, using late-model equipment and a combined fleet of company-owned and owner-operator tractors. The Company's

## Edgar Filing: HEARTLAND EXPRESS INC - Form 10-K

primary traffic lanes are between customer locations east of the Rocky Mountains. In 2005, the Company expanded to the Western United States with the opening of a terminal in Phoenix, Arizona. The Company operates the business as one reportable segment.

### Principles of Consolidation:

The accompanying consolidated financial statements include the parent company, Heartland Express, Inc., and its subsidiaries, all of which are wholly owned. All material intercompany items and transactions have been eliminated in consolidation.

### Use of Estimates:

The preparation of the consolidated financial statements in conformity with U.S. generally accepted accounting principles ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities 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.

### Cash and Cash Equivalents:

Cash equivalents are short-term, highly liquid investments with insignificant interest rate risk and original maturities of three months or less. Restricted and designated cash and short-term investments totaling \$5.7 million in 2007 and \$5.5 million in 2006 are classified as other assets. The restricted funds represent those required by state agencies for self-insurance purpose and designated funds that are earmarked for a specific purpose not for general business use.

### Short-term Investments:

The Company's investments are primarily in the form of tax free short-term auction rate educational bonds backed by the U.S. government. The investments typically have an interest reset provision of 35 days. At the reset date the Company has the option to roll the investment and reset the interest rate or sell the investment in an auction. The Company receives the par value of the investment plus accrued interest on the reset date if the underlying investment is sold. All investments have AAA (or equivalent) rating from recognized rating agencies. These investments are reported at amortized cost and reviewed for impairment as deemed necessary. Investment income received is generally exempt from federal income taxes and accrued as earned.

### Trade Receivables and Allowance for Doubtful Accounts:

Revenue is recognized when freight is delivered creating a credit sale and an accounts receivable. Credit terms for customer accounts are typically on a net 30 day basis. The Company uses a percentage of aged receivable method in determining the allowance for bad debts. The Company reviews the adequacy of its allowance for doubtful accounts on a monthly basis. The Company is aggressive in its collection efforts resulting in a low number of write-offs annually. Conditions that would lead an account to be considered uncollectible include; customers filing bankruptcy and the exhaustion of all practical collection efforts. The Company will use the necessary legal recourse to recover as much of the receivable as is practical under the law.

## Edgar Filing: HEARTLAND EXPRESS INC - Form 10-K

### Property, Equipment, and Depreciation:

Property and equipment are reported at cost, net of accumulated depreciation, while maintenance and repairs are charged to operations as incurred. Tires are capitalized separately from revenue equipment and are amortized over two years.

Effective July 1, 2005, gains from the trade of revenue equipment are being recognized in operating income in compliance with Statement of Financial Accounting Standards ("SFAS") No. 153, "Accounting for Non-monetary Transactions". Prior to July 1, 2005, gains from the trade-in of revenue equipment were deferred and presented as a reduction of the depreciable basis of new revenue equipment. Operating income for the years ended December 31, 2007, 2006 and 2005 were favorably impacted by \$1.9 million, \$17.6 million and \$6.5 million, respectively, from gains on the trade-in of revenue equipment. SFAS No. 153 was adopted prospectively July 1, 2005, thus trade-ins that occurred prior to July 1, 2005 did not impact gain on sale.

Depreciation for financial statement purposes is computed by the straight-line method for all assets other than tractors. Tractors are depreciated by the 125% declining balance method. Tractors are depreciated to salvage values of \$15,000 while trailers are depreciated to salvage values of \$4,000.

Lives of the assets are as follows:

	Years
Land improvements and building	3-30
Furniture and fixtures	3-5
Shop & service equipment	3-10
Revenue equipment	5-7

### Advertising Costs:

The Company expenses all advertising costs as incurred. Advertising costs are included in other operating expenses in the consolidated statements of income. Advertising expense was \$2.3 million, \$3.0 million and \$3.4 million for the years ended December 31, 2007, 2006 and 2005.

### Goodwill:

Goodwill is tested at least annually for impairment by applying a fair value based analysis in accordance with the provisions of SFAS No. 142, "Goodwill and Other Intangible Assets". Management determined that no impairment charge was required for the years ended December 31, 2007, 2006 and 2005.

### Workers' Compensation and Accident Costs:

Insurance accruals reflect the estimated cost for auto liability, cargo loss and damage, bodily injury and property damage (BI/PD), and workers' compensation claims, including estimated loss and loss adjustment expenses incurred but not reported, not covered by insurance. The cost of cargo and BI/PD insurance and claims are included in insurance and claims expense, while the costs of workers' compensation insurance and claims are included in salaries, wages, and benefits in the consolidated statements of income.

### Revenue and Expense Recognition:

Revenue, drivers' wages and other direct operating expenses are recognized when freight is delivered. Sales taxes and other taxes collected from customers and remitted to the government are recorded on a net basis. Fuel surcharge

## Edgar Filing: HEARTLAND EXPRESS INC - Form 10-K

revenue charged to customers is included in operating revenue.

### Earnings per Share:

Earnings per share are based upon the weighted average common shares outstanding during each year. The Company has no common stock equivalents; therefore, diluted earnings per share are equal to basic earnings per share. All earnings per share data presented reflect the four-for-three stock split on May 15, 2006.

F-7

### Share-Based Compensation:

The Company recorded share-based compensation arrangements in accordance with SFAS No. 123 (revised 2004), "Share-Based Payment." This standard requires that share-based transactions be accounted for and recognized in the statement of income based on their fair value. At December 31, 2006, the Company had one share-based compensation program, which is further detailed in Note 7. That program expired in March of 2007 and, at this date, the Company does not plan any additional share-based programs.

### Impairment of Long-Lived Assets:

The Company periodically evaluates property and equipment for impairment upon the occurrence of events or changes in circumstances that indicate the carrying amount of assets may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset group to future net undiscounted cash flows expected to be generated by the group. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount over which the carrying amount of the assets exceeds the fair value of the assets. There were no impairment charges recognized during the years ended December 31, 2007, 2006, and 2005.

### Income Taxes:

The Company uses the asset and liability method of accounting for income taxes. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statements carrying amount of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

Beginning with the adoption of Financial Accounting Standards Board ("FASB") Interpretation No. 48, "Accounting for Uncertainty in Income Taxes" (FIN 48) as of January 1, 2007, the Company recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs. Prior to the adoption of FIN 48, the Company recognized the effect of income tax positions only if such positions were probable of being sustained. The Company records interest and penalties related to unrecognized tax benefits in income tax expense.

### New Accounting Pronouncements:

In September 2006, the FASB issued Statement of Financial Accounting

## Edgar Filing: HEARTLAND EXPRESS INC - Form 10-K

Standards ("SFAS") No. 157, "Fair Value Measurements" ("SFAS No. 157"). SFAS No. 157 defines fair value, establishes a framework for the measurement of fair value, and enhances disclosures about fair value measurements. SFAS No. 157 does not require any new fair value measures. SFAS No. 157 is effective for fair value measures already required or permitted by other standards for fiscal years beginning after November 15, 2007. The Company is required to adopt SFAS No. 157 beginning on January 1, 2008. SFAS No. 157 is required to be applied prospectively, except for certain financial instruments. Any transition adjustment will be recognized as an adjustment to opening retained earnings in the year of adoption. In November 2007, the FASB proposed a one-year deferral of SFAS No. 157's fair-value measurement requirements for nonfinancial assets and liabilities that are not required or permitted to be measured at fair value on a recurring basis. As of December 31, 2007, management believes that SFAS No. 157 will have no effect on the financial position, results of operations, and cash flows of the Company.

In 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities" ("SFAS No. 159"), which provides the Company the option to measure many financial instruments and certain other items at fair value that are not currently required or permitted to be measured at fair value. SFAS No. 159 is effective for the Company January 1, 2008. Management believes that SFAS No. 159 will have no effect on the financial position, results of operations, and cash flows of the Company.

In December 2007, the FASB issued SFAS No. 141R, "Business Combinations" ("SFAS 141R") and SFAS Statement No. 160, "Noncontrolling Interests in Consolidated Financial Statements - an amendment to ARB No. 51" ("SFAS 160") (collectively, "the Statements"). The Statements require most identifiable assets, liabilities, noncontrolling interests, and goodwill acquired in a business combination to be recorded at "full fair value" and require noncontrolling interests (previously referred to as minority interests) to be reported as a component of equity, which changes the accounting for transactions with noncontrolling interest holders. The Statements are effective for periods.

F-8

beginning on or after December 15, 2008, and earlier adoption is prohibited. SFAS 141R will be applied to business combinations occurring after the effective date. SFAS 160 will be applied prospectively to all noncontrolling interests, including any that arose before the effective date. The Company is currently evaluating the impact of adopting the Statements on its results of operations and financial position.

### 2. Adopted Accounting Pronouncements

In December 2004, the FASB issued SFAS No. 123 (revised 2004), "Share-Based Payment" ("SFAS 123R"), a revision of SFAS No. 123, "Accounting for Stock Based Compensation". SFAS 123R eliminates the ability to account for employee share-based compensation transactions using APB Opinion No. 25, "Accounting for Stock Issued to Employees", and generally requires instead that such transactions be accounted for and recognized in the statement of income based on their fair value. SFAS 123R also requires entities to estimate the number of forfeitures expected to occur and record expense based upon the number of awards expected to vest. The Company implemented SFAS No. 123R on January 1, 2006. The unamortized portion of unearned compensation was reclassified to retained earnings upon adoption. The amortization of unearned compensation is being recorded as additional paid-in capital effective January 1, 2006. All remaining unearned compensation was amortized as of December 31, 2007. The implementation of SFAS No. 123R had no effect on the Company's results of operations for the

## Edgar Filing: HEARTLAND EXPRESS INC - Form 10-K

twelve months ended December 31, 2007 and 2006.

In September 2006, the SEC issued Staff Accounting Bulletin No. 108, "Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements" (SAB 108), to address diversity in practice in quantifying financial statement misstatements. SAB 108 requires an entity to quantify misstatements using a balance sheet and income statement approach and to evaluate whether either approach results in quantifying an error that is material in light of relevant quantitative and qualitative factors. SAB 108 was effective as of the beginning of the Company's 2006 fiscal year, allowing a one-time transitional cumulative effect adjustment to retained earnings as of January 1, 2006 for errors that were not previously deemed material, but are material under the guidance in SAB 108. The Company adopted the provisions of SAB No. 108 and recorded a \$15.9 million cumulative adjustment to the January 1, 2006 retained earnings for a previously unrecorded state income tax exposure liability and related deferred tax liability. The amount recorded pertains to potential state income tax liabilities for the years 1996 through 2005 and the impact on deferred tax liabilities for those same years. These errors were considered immaterial under the Company's previous method of evaluating misstatements.

In June 2006, the FASB issued FASB Interpretation No. 48 "Accounting for Uncertainty in Income Taxes" (an interpretation of FASB Statement No. 109) ("FIN 48"), which is effective for fiscal years beginning after December 15, 2006. This interpretation was issued to clarify the accounting for uncertainty in income taxes recognized in the financial statements by prescribing 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 recorded a cumulative adjustment of approximately \$4.8 million to decrease the January 1, 2007 retained earnings upon adoption as allowed under the interpretation's transition provisions.

### 3. Concentrations of Credit Risk and Major Customers

The Company's major customers represent the consumer goods, appliances, food products and automotive industries. Credit is granted to customers on an unsecured basis. The Company's five largest customers accounted for 36% of total gross revenues for the year ended December 31, 2007 and 35% and 32% for the years ended December 31, 2006 and 2005 respectively. Operating revenue from one customer exceeded 10% of total gross revenues in 2007, 2006, and 2005. Annual revenues for this customer were \$77.1 million, \$79.5 million, and \$66.2 million, for the years ended December 31, 2007, 2006, and 2005, respectively.

F-9

### 4. Income Taxes

Deferred income taxes are determined based upon the differences between the financial reporting and tax basis of the Company's assets and liabilities. Deferred taxes are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

## Edgar Filing: HEARTLAND EXPRESS INC - Form 10-K

Deferred tax assets and liabilities as of December 31 are as follows:

	2007	2006
	-----	-----
	(in thousands)	
Long-term deferred income tax liabilities, net		
Property and equipment	\$ 59,557	\$ 57,623
Indirect tax benefits of FIN48 tax accruals	(8,987)	-
	-----	-----
	\$ 50,570	\$ 57,623
	-----	-----
Current deferred income tax assets, net:		
Allowance for doubtful accounts	\$ 305	\$ 306
Accrued expenses	6,548	6,691
Insurance accruals	23,941	22,351
Other	(351)	(171)
	-----	-----
	\$ 30,443	\$ 29,177
	=====	=====

The Company has not recorded a valuation allowance. In management's opinion, it is more likely than not that the Company will be able to utilize its deferred tax assets in future periods as a result of the Company's history of profitability, taxable income and reversal of deferred tax liabilities.

The income tax provision is as follows:

	2007	2006	2005
	-----	-----	-----
	(in thousands)		
Current income taxes:			
Federal	\$ 37,800	\$ 35,821	\$ 37,709
State	6,271	7,056	4,499
	-----	-----	-----
	44,071	42,877	42,208
	-----	-----	-----
Deferred income taxes:			
Federal	(746)	4,758	(1,825)
State	1,240	343	(805)
	-----	-----	-----
	494	5,101	(2,630)
	-----	-----	-----
Total	\$ 44,565	\$ 47,978	\$ 39,578
	=====	=====	=====

The income tax provision differs from the amount determined by applying the U.S. federal tax rate as follows:

	2007	2006	2005
	-----	-----	-----
	(in thousands)		
Federal tax at statutory rate (35%)	\$ 42,257	\$ 47,302	\$ 39,019
State taxes, net of federal benefit	5,515	4,809	2,401
Non-taxable interest income	(3,451)	(4,039)	(2,540)
Other	244	(94)	698
	-----	-----	-----
	\$ 44,565	\$ 47,978	\$ 39,578
	=====	=====	=====



## Edgar Filing: HEARTLAND EXPRESS INC - Form 10-K

As stated in Note 2 above, the Company adopted SAB 108 by recording a \$15.9 million cumulative adjustment to retained earnings during the year ended December 31, 2006. The Company adjusted retained earnings due to a previously unrecorded state income tax exposure liability of \$11.8 million and related increase in the deferred tax liability of \$4.1 million.

In July 2006, the FASB issued FIN 48. The Company adopted the provisions of FIN 48, effective January 1, 2007. This interpretation was issued to clarify the accounting for uncertainty in income taxes recognized in the financial statements by prescribing 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 recognized additional tax liabilities of \$4.8 million with a corresponding reduction to beginning retained earnings as of January 1, 2007 as a result of the adoption of FIN 48. The total amount of gross unrecognized tax benefits was \$25.2 million as of January 1, 2007, the date of adoption. At December 31, 2007, the Company had a total of \$25.7 million in gross unrecognized tax benefits. Of this amount, \$16.7 million represents the amount of unrecognized tax benefits that, if recognized, would impact our effective tax rate. These unrecognized tax benefits relate to risks associated with state income tax filing positions for the Company's corporate subsidiaries.

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

	(in thousands)
Balance at January 1, 2007	\$ 25,180
Additions based on tax positions related to current year	3,320
Additions for tax positions of prior years	-
Reductions for tax positions of prior years	-
Reductions due to lapse of applicable statute of limitations	(2,824)
Settlements	-
	-----
Balance at December 31, 2007	\$ 25,676
	=====

The total amount of accrued interest and penalties for such unrecognized tax benefits was \$13.1 million as of January 1, 2007, the date of adoption, and was \$14.9 million at December 31, 2007 and is included in income taxes payable. Interest and penalties related to unrecognized tax benefits are classified as income tax expense in our consolidated statements of income and was \$1.8 million for the year ended December 31, 2007. Management's estimate of the range of the reasonably possible change in the amount of unrecognized tax benefits is a decrease of \$2.5 to \$3.5 million during the next 12 months mainly due to the expiration of certain statute of limitations. The Company does not currently anticipate any significant increases in unrecognized tax benefits within the next 12 months. The federal statute of limitations remains open for the years 2004 and forward. Tax years 1997 and forward are subject to audit by state tax authorities depending on the tax code of each state.

### 5. Related Party Transactions

Prior to moving into the new corporate headquarters in July 2007, the Company leased two office buildings and a storage building from its chief executive officer under a lease which provided for monthly rentals of approximately \$0.03 million plus the payment of all property taxes, insurance and maintenance, which are reported in the Company's consolidated financial

## Edgar Filing: HEARTLAND EXPRESS INC - Form 10-K

statements. The lease was renewed for a five year term on June 1, 2005 increasing the monthly rental from approximately \$0.025 million to approximately \$0.03 million. The lease was terminated in July 2007 with no penalties for early termination. The Company currently rents storage space from its chief executive officer on a month-to-month lease, which provides monthly rentals that are not significant. In the opinion of management, the rates paid are comparable to those that could be negotiated with a third party.

Rent expense paid to the Company's chief executive officer totaled approximately \$0.2 million, \$0.3 million and \$0.3 million for the years ended December 31, 2007, 2006 and 2005 respectively. Rent expense is included in rent and purchased transportation per the consolidated statements of income. There were not any amounts due and not paid under these leases as of December 31, 2007.

F-11

During the first quarter of 2006, the Company purchased 16.7 acres of land in North Liberty from the Company's chief executive officer for \$1.25 million. The purchase price was based on the fair market value that could be obtained from an unrelated third party on an arm's length basis. The transaction was approved by the Board of Directors.

The Company acquired a new corporate headquarters and shop facility from its CEO on July 12, 2007 for \$15.4 million. This amount represents the actual cost of the facilities. This transaction was consummated to facilitate a like-kind exchange for the benefit of the Company and was approved by the Board of Directors.

### 6. Accident and Workers' Compensation Insurance Liabilities

The Company acts as a self-insurer for auto liability involving property damage, personal injury, or cargo up to \$1.0 million for any individual claim. In addition, the Company is responsible for \$2.0 million in the aggregate for all claims in excess of \$1.0 million and below \$2.0 million. Liabilities in excess of these amounts are assumed by an insurance company up to \$50.0 million. The Company increased the retention amount from \$0.5 million to \$1.0 million for each claim effective April 1, 2003.

The Company acts as a self-insurer for workers' compensation liability up to \$1.0 million for any individual claim. The Company increased the retention amount from \$0.5 million to \$1.0 million effective April 1, 2005. Liabilities in excess of this amount are assumed by an insurance company. The State of Iowa has required the Company to deposit \$0.7 million into a trust fund as part of the self-insurance program. This deposit has been classified in other assets on the consolidated balance sheet. In addition, the Company has provided its insurance carriers with letters of credit of approximately \$2.5 million in connection with its liability and workers' compensation insurance arrangements. There were no outstanding balances due on the letters of credit at December 31, 2007 or 2006.

Accident and workers' compensation accruals include the estimated settlements, settlement expenses and an estimate for claims incurred but not yet reported for property damage, personal injury and public liability losses from vehicle accidents and cargo losses as well as workers' compensation claims for amounts not covered by insurance.

Accident and workers' compensation accruals are based upon individual case estimates, including reserve development, and estimates of incurred-but-not-reported losses based upon past experience. Since the reported liability is an estimate, the ultimate liability may be more or less than reported. If adjustments to previously established accruals are required, such

## Edgar Filing: HEARTLAND EXPRESS INC - Form 10-K

amounts are included in operating expenses in the current period.

### 7. Stockholders' Equity

On April 20, 2006, the Board of Directors approved a four-for-three stock split, affected in the form of a 33 percent stock dividend. The stock split occurred on May 15, 2006, to shareholders of record as of May 5, 2006. This stock split increased the number of outstanding shares to 98.4 million from 73.8 million. The number of common shares issued and outstanding and all per share amounts reflect the stock split for all periods presented.

In September, 2001, the Board of Directors of the Company authorized a program to repurchase 15.4 million shares, adjusted for stock splits after the approval, of the Company's Common Stock in open market or negotiated transactions using available cash and cash equivalents. In 2007, 2006 and 2005, respectively, 1.3 million, 0.2 million, and 1.2 million shares were repurchased in the open market and pursuant to a trade plan under Rule 10b5-1, and retired. The authorization to repurchase remains open at December 31, 2007 and has no expiration date. Approximately 12.3 million shares remain authorized for repurchase under the Board of Director's approval.

On March 7, 2002, the principal stockholder awarded approximately 0.2 million shares of his common stock to key employees of the Company. These shares had a fair market value of \$11.00 per share on the date of the award. The shares vested over a five-year period subject to restrictions on transferability and to forfeiture in the event of termination of employment. Any forfeited shares were returned to the principal stockholder. The fair market value of these shares, approximately \$2.0 million on the date of the award, was treated as a contribution of capital and was amortized on a straight-line basis over the five year vesting period as compensation expense. Compensation expense of approximately \$0.1 million, \$0.4 million, and \$0.4 million, was recognized for the years ended December 31, 2007, 2006, and 2005, respectively. The original value of forfeited shares is treated as a reduction of additional paid in capital and unearned compensation in the consolidated statements of shareholders' equity. There were no shares forfeited during the years ended December 31, 2007 and 2006. There were 2,000 shares forfeited in 2005 and no shares forfeited in 2004.

F-12

In addition to quarterly dividends declared during 2007, the Company announced a one-time special dividend of \$2.00 per common share, approximately \$196.5 million, paid May 30, 2007 to stockholders of record on May 24, 2007.

### 8. Profit Sharing Plan and Retirement Plan

The Company has a retirement savings plan (the "Plan") for substantially all employees who have completed one year of service and are 19 years of age or older. Employees may make 401(k) contributions subject to Internal Revenue Code limitations. The Plan provides for a discretionary profit sharing contribution to non-driver employees and a matching contribution of a discretionary percentage to driver employees. Company contributions totaled approximately \$1.4, million, \$1.4 million, and \$1.1 million, for the years ended December 31, 2007, 2006, and 2005, respectively.

### 9. Commitments and Contingencies

The Company is a party to ordinary, routine litigation and administrative proceedings incidental to its business. In the opinion of management, the Company's potential exposure under pending legal proceedings is adequately provided for in the accompanying consolidated financial statements.

## Edgar Filing: HEARTLAND EXPRESS INC - Form 10-K

### 10. Quarterly Financial Information (Unaudited)

	First	Second	Third	Fourth
(In Thousands, Except Per Share Data)				
Year ended December 31, 2007				
Operating revenue	\$ 143,429	\$ 149,103	\$ 146,575	\$ 152,786
Operating income	31,288	28,070	26,509	24,583
Income before income taxes	34,604	30,976	28,250	26,905
Net income	22,553	19,841	17,145	16,631
Earnings per share	0.23	0.20	0.18	0.17
Year ended December 31, 2006				
Operating revenue	\$ 134,999	\$ 143,059	\$ 147,057	\$ 146,804
Operating income	28,099	35,499	32,534	27,284
Income before income taxes	30,605	38,406	35,675	30,462
Net income	19,740	24,772	23,011	19,648
Earnings per share (1)	0.20	0.25	0.23	0.20

(1) The above earnings per share data reflect the May 15, 2006 four-for-three stock split.

### 11. Subsequent Events

On January 3, 2008, the Company paid the \$1.9 million dividend declared during the fourth quarter of 2007.

Subsequent to December 31, 2007, the Company has repurchased approximately 0.8 million shares of common stock for an aggregate purchase price of approximately \$10.6 million. As a result of the stock repurchase, retained earnings was decreased approximately \$10.6 million subsequent to December 31, 2007.

During February 2008, the Company experienced approximately \$110 million in unsuccessful auctions of short-term investments. The Company will be required to hold such investments until a successful auction occurs or the underlying securities are called by the issuer. Management believes that current amounts of cash and cash equivalents along with cash flows from operations are sufficient to meet the Company's short term cash flow requirements which would not require the sale of such short-term investments at discounted pricing. The Company will continue to explore other financing alternatives to meet cash flow requirements although no requirement currently exists.

Edgar Filing: HEARTLAND EXPRESS INC - Form 10-K

F-13

SCHEDULE II VALUATION AND QUALIFYING ACCOUNTS AND RESERVES  
(In Thousands, Except Per Share Data)

Column A	Column B	Column C		Column D	Column E
Description	Balance At Beginning of Period	Charges To		Deductions	Balance At End of Period
		Cost And Expense	Other Accounts		
Allowance for doubtful accounts:					
Year ended December 31, 2007	\$ 775	\$ 44	\$ -	\$ 44	\$ 775
Year ended December 31, 2006	775	221	-	221	775
Year ended December 31, 2005	775	84	-	84	775

S-1

Exhibit No. 3.2

AMENDED AND RESTATED BYLAWS  
OF  
HEARTLAND EXPRESS, INC.

ARTICLE I  
OFFICES

Section 1. Principal Office.

In the State of Nevada the principal office of the Corporation shall be at One East First Street, Reno, Washoe County, Nevada 89501.

Section 2. Additional Offices.

The Corporation may also have offices at such other places, both within and without the State of Nevada as the Board of Directors may from time to time determine or as the business of the Corporation may require.

ARTICLE II

MEETINGS OF STOCKHOLDERS

Section 1. Time and Place.

A meeting of stockholders for any purpose may be held at such time and place, within or without the State of Nevada, as the Board of Directors may fix from time to time and as shall be stated in the notice of the meeting or in a duly executed waiver of notice thereof.

Section 2. Annual Meeting.

Annual meetings of stockholders, commencing with the year 1987, shall be held at any time within six (6) months after the fiscal year end and at such place, date and time as shall, from time to time, be designated by the Board of Directors and stated in the notice of the meeting. At such annual meeting, the stockholders shall elect by a plurality vote a Board of Directors and transact such other business as may properly be brought before the meeting.

Section 3. Special Meetings.

Special meetings of the stockholders, for any purpose or purposes, unless otherwise prescribed by statute or by the Articles of Incorporation, may be called by the President and shall be called by the President or Secretary at the

## Edgar Filing: HEARTLAND EXPRESS INC - Form 10-K

request in writing of a majority of the Board of Directors, or at the request in writing of the stockholders owning not less than twenty percent (20%) of the entire capital stock of the Corporation issued and outstanding and entitled to vote. Such request shall state the purpose or purposes of the proposed meeting.

### Section 4. Notice of Meeting.

Notices of meetings shall be in writing and signed by the President or Vice President, or the Secretary, or an assistant secretary, or by such other person or persons as the Directors shall designate. Such notice shall state the purpose or purposes for which the meeting is called and the time when, and the place, which may be within or without this state, where it is to be held. A copy of such notice shall be either delivered personally to or shall be mailed, postage prepaid, to each stockholder of record entitled to vote at such meeting not less than ten (10) nor more than sixty (60) days before such meeting. If mailed, it shall be directed to a shareholder at his address as it appears on the records of the Corporation and upon such mailing of any such notice, the service thereof shall be complete, and the time of the notice shall begin to run from the date upon which such notice is deposited in the mail for transmission to such shareholder. Personal delivery of any such notice to any officer of a corporation or association, or to any member of a partnership shall constitute delivery of such notice to such corporation, association or partnership. In the event of the transfer of stock after delivery or mailing of the notice of or prior to the holding of the meeting, it shall not be necessary to deliver or mail notice of the meeting to the transferee.

### Section 5. Purpose of Special Meeting.

Business transacted at any special meeting of stockholders shall be limited to the purposes stated in the notice.

### Section 6. Quorum; Adjournments.

The holders of forty percent (40%) of the stock issued and outstanding and entitled to vote thereat, present in person or represented by proxy, shall constitute a quorum at all meetings of the stockholders for the transaction of business except as otherwise provided by statute or the Articles of Incorporation. When a quorum is present or represented at any meeting, the vote of a majority of the shares present in person or represented by proxy shall decide any question brought before such meeting, unless the question is one upon which by express provision of the statutes or the Articles of Incorporation a different vote is required in which case such express provision shall govern and control the decision of such question. If, however, such quorum shall not be present or represented at any meeting of the stockholders, the stockholders entitled to vote thereat, present in person or represented by proxy, shall have the power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present or represented. At such adjourned meeting at which a quorum shall be present or represented any business may be transacted which might have been transacted at the meeting as originally notified.

### Section 7. Proxies.

At any meeting of the stockholders, any stockholder may be represented and vote by proxy or proxies appointed by an instrument in writing. In the event any such instrument in writing shall designate two or more persons to act as proxies, a majority of such persons present at the meeting, or, if only one shall be present, than that one shall have and may exercise all the powers conferred by such written instrument upon all of the persons so designated unless the instrument shall otherwise provide. No such proxy shall be valid after the expiration of six months from the date of its execution, unless coupled with an interest, or unless the person executing it specifies therein the length of time for which it is to continue in force, which in no case shall exceed seven years from the date of its execution. Subject to the above, any proxy duly executed is not revoked and continues in full force and effect until an instrument revoking it or a duly executed proxy bearing a later date is filed

## Edgar Filing: HEARTLAND EXPRESS INC - Form 10-K

with the Secretary of the Corporation.

### Section 8. Action by Consent.

Any action, except election of directors, which may be taken by a vote of the stockholders at a meeting, may be taken without a meeting if authorized by the written consent of stockholders holding at least a majority of the voting power, unless the provisions of the statutes or the Articles of Incorporation require a greater proportion of voting power to authorize such action in which case such greater proportion of written consents shall be required.

## ARTICLE III

### DIRECTORS

#### Section 1. General Powers; Number; Tenure.

The business of the Corporation shall be managed by its Board of Directors, which may exercise all powers of the Corporation and perform all lawful acts and thing which are not by law, the Articles of Incorporation or these Bylaws directed or required to be exercised or performed by the stockholders. Within the limits specified in this Section 1, the minimum number of directors shall be one until such time as there is more than one stockholder and upon such event the minimum number of directors shall be three. In the sole discretion of the Board of Directors, the number of directors may from time to time be increased or decreased; provided the number of directors shall not be decreased to less than three unless there are then less than three stockholders in which event the number of directors may be reduced to the number of then stockholders. The directors shall be elected at the annual meeting of the stockholders, except as provided in Section 2 of this Article, and each director elected shall hold office until his successor is elected and shall qualify. Directors need not be stockholders.

#### Section 2. Vacancies.

If any vacancies occur in the Board of Directors, or if any new directorships are created, they may be filled by a majority of the directors then in office, although less than a quorum, or by a sole remaining director. Each director so chosen shall hold office until the next annual meeting of stockholders and until his successor is duly elected and shall qualify. If there are no directors in office, any officer or stockholder may call a special meeting of stockholders in accordance with the provisions of the Articles of Incorporation or these Bylaws, at which meeting such vacancies shall be filled.

#### Section 3. Removal; Resignation.

- (a) Except as otherwise provided by law or the Articles of Incorporation, any director, directors or the entire Board of Directors may be removed, with or without cause, by the vote or written consent of stockholders representing not less than two-thirds of the issued and outstanding capital stock entitled to voting power.
- b) Any director may resign at any time by giving written notice to the Board of Directors, the Chairman of the Board, the President or the Secretary of the Corporation. Unless otherwise specified in such written notice, a resignation shall take effect upon delivery thereof to the Board of Directors or the designated officer. It shall not be necessary for a resignation to be accepted before it becomes effective.

#### Section 4. Place of Meetings.

The Board of Directors may hold meetings, both regular and special, either within or without the State of Nevada.



## Edgar Filing: HEARTLAND EXPRESS INC - Form 10-K

### Section 5. Annual Meeting.

The annual meeting of each newly elected Board of Directors shall be held immediately following the annual meeting of stockholders, and no notice of such meeting shall be necessary to the newly elected directors in order legally to constitute the meeting, provided a quorum shall be present.

### Section 6. Regular Meetings.

Additional regular meetings of the Board of Directors may be held without notice, at such time and place as may from time to time be determined by the Board of Directors.

### Section 7. Special Meetings.

Special meetings of the Board of Directors may be called by the President or Secretary on the written request of two directors on at least 2 days' notice to each director, if such notice is delivered personally or sent by telegram, or on at least 3 days' notice if sent by mail. Special meetings shall be called by the President or Secretary in like manner and on like notice on the written request of one-half or more of the number of directors then in office. Any such notice need not state the purpose or purposes of such meeting except as provided in Article X.

### Section 8. Quorum; Adjournments.

At all meetings of the Board of Directors, a majority of the directors then in office shall constitute a quorum for the transaction of business, and the act of a majority of the directors present at any meeting at which there is a quorum shall be the act of the Board of Directors, except as may be otherwise specifically provided by law or the Articles of Incorporation. If a quorum is not present at any meeting of the Board of Directors, the directors present may adjourn the meeting, from time to time, without notice other than announcement at the meeting, until a quorum shall be present.

### Section 9. Compensation.

Directors shall be entitled to such compensation for their services as directors and to such reimbursement for any reasonable expenses incurred in attending meetings as may from time to time be fixed by the Board of Directors. The compensation of directors may be on such basis as is determined by the Board of Directors. Any director may waive compensation for any meeting. Any director receiving compensation under these provisions shall not be barred from serving the Corporation in any other capacity and receiving compensation and reimbursement for reasonable expenses for such other services.

### Section 10. Action by Consent.

Any action required or permitted to be taken at any meeting of the Board of Directors may be taken without a meeting if a written consent, setting forth the action so taken, is signed by all members of the Board of Directors entitled to vote and such written consent is filed with the minutes of its proceedings.

### Section 11. Meetings by Telephone or Similar Communications.

The Board of Directors may participate in a meeting by means of conference telephone or similar communications equipment by means of which all directors participating in the meeting can hear each other, and participation in such meeting shall constitute presence in person by such director at such meeting.

## ARTICLE IV

### COMMITTEES

#### Section 1. Executive Committee.

The Board of Directors, by resolution adopted by a majority of the whole Board, may appoint an Executive Committee consisting of at least one and not

## Edgar Filing: HEARTLAND EXPRESS INC - Form 10-K

more than five directors, one of whom shall be designated as Chairman of the Executive Committee. Each member of the Executive Committee shall continue as a member thereof until the expiration of his term as a director, or his earlier resignation, unless sooner removed as a member or as a director.

### Section 2. Powers.

The Executive Committee shall have and may exercise those rights, powers and authority of the Board of Directors as may from time to time be granted to it (to the extent permitted by law) by the Board of Directors and may authorize the seal of the Corporation, if any, to be affixed to all papers which may require it.

### Section 3. Procedure; Meetings.

The Executive Committee shall fix its own rules of procedure and shall meet at such times and at such place or places as may be provided by such rules or as the members of the Executive Committee shall provide. The Executive Committee shall keep regular minutes of its meetings and deliver such minutes to the Board of Directors. The Chairman of the Executive Committee, or, in his absence, a member of the Executive Committee chosen by a majority of the members present, shall preside at meetings of the Executive Committee, and another member thereof chosen by the Executive Committee shall act as Secretary of the Executive Committee.

### Section 4. Quorum.

A majority of the Executive Committee shall constitute a quorum for the transaction of business, and the affirmative vote of a majority of the members of the Executive Committee shall be required for any action of the Executive Committee; provided, however, that when an Executive Committee of one member is authorized under the provisions of Section 1 of this Article, such one member shall constitute a quorum.

### Section 5. Other Committees.

The Board of Directors, by resolutions adopted by a majority of the whole Board, may appoint such other committee or committees as it shall deem advisable and with such functions and duties as the Board of Directors shall prescribe.

### Section 6. Vacancies; Changes; Discharge.

The Board of Directors shall have the power at any time to fill vacancies in, to change the membership of, and to discharge any committee.

### Section 7. Compensation.

Members of any committee shall be entitled to such compensation for their services as members of any such committee and to such reimbursement for any reasonable expenses incurred in attending committee meetings as may from time to time be fixed by the Board of Directors. Any member may waive compensation for any meeting. Any committee member receiving compensation under these provisions shall not be barred from serving the Corporation in any other capacity and receiving compensation and reimbursement of reasonable expenses for such other services.

### Section 8. Action by Consent.

Any action required or permitted to be taken at any meeting of any committee of the Board of Directors may be taken without a meeting if a written consent to such action is signed by all members of the committee and such written consent is filed with the minutes of its proceedings.

### Section 9. Meetings by Telephone or Similar Communications.

The members of any committee designated by the Board of Directors may participate in a meeting of such committee by means of a conference telephone or similar communications equipment by means of which all persons participating in such meeting can hear each other and participation in such meeting shall

## Edgar Filing: HEARTLAND EXPRESS INC - Form 10-K

constitute presence in person at such meeting.

### ARTICLE V

#### NOTICES

##### Section 1. Form; Delivery.

Whenever, under the provisions of law, the Articles of Incorporation or these Bylaws, notice is required to be given to any director or stockholder, it shall not be construed to mean personal notice unless otherwise specifically provided, but such notice shall be given in writing, by mail, addressed to such director or stockholder, at his address as it appears on the records of the Corporation, with postage thereon prepaid. As to stockholders, such notice shall be signed by the President or a vice president, or the Secretary, or an assistant secretary, or by such other person or persons as the Board of Directors shall designate and such notice shall state the purpose or purposes for which the meeting is called and the time when, and the place, which may be within or without the State of Nevada, where it is to be held. Such notices shall be deemed to have been given at the time they are deposited in the United States mail. Notice to a director may also be given personally or by telegram sent to his address as it appears on the records of the Corporation.

##### Section 2. Waiver.

Whenever any notice is required to be given under the provisions of law, the Articles of Incorporation or these Bylaws, a written waiver thereof, signed by the person or persons entitled to said notice, whether before or after the time stated therein, shall be deemed to be equivalent to such notice. In addition, whenever all persons entitled to vote at any meeting, whether directors or stockholders, consent, either by a writing on the records of the meeting or filed with the Secretary, or by presence at such meeting, and oral consent entered on the minutes, or by taking part in the deliberations at such meeting without objection, the actions of such meeting shall be as valid as if had at a meeting regularly called and noticed. At such meeting any business may be transacted which is not excepted from the written consent or to the consideration of which no objection for want of notice is made at that time. If any meeting is irregular for want of notice or of such consent, provided a quorum was present at such meeting, the proceedings of the meeting may be ratified and approved and rendered likewise valid and the irregularity or defect therein waived by a writing signed by all parties, having the right to vote at such meeting.

### ARTICLE VI

#### OFFICERS

##### Section 1. Designations.

The officers of the Corporation shall be chosen by the Board of Directors. The Board of Directors may choose a Chairman of the Board, a President, a Vice President or Vice Presidents, a Secretary, a Treasurer, one or more Assistant Secretaries and/or Assistant Treasurers and other officers and agents as it shall deem necessary or appropriate. All officers of the Corporation shall exercise such powers and perform such duties as shall from time to time be determined by the Board of Directors. Any number of offices may be held by the same person, unless the Articles of Incorporation or these Bylaws otherwise provide.

##### Section 2. Term of Office; Removal.

The Board of Directors at its first regular meeting after each annual meeting of stockholders shall choose a President, a Secretary and a Treasurer.

## Edgar Filing: HEARTLAND EXPRESS INC - Form 10-K

The Board of Directors may also choose a Chairman of the Board, a Vice President or Vice Presidents, one or more Assistant Secretaries and/or Assistant Treasurers, and such other officers and agents as it shall deem necessary or appropriate. Each officer of the Corporation shall hold office until his successor is chosen and shall qualify. Any officer elected or appointed by the Board of Directors may be removed, with or without cause, at any time by the affirmative vote of a majority of the directors then in office. Such removal shall not prejudice the contract rights, if any, of the person so removed. Any vacancy occurring in any office of the Corporation may be filled for the unexpired portion of the term by the Board of Directors.

### Section 3. Compensation.

The salaries of all officers of the Corporation shall be fixed from time to time by the Board of Directors and no officer shall be prevented from receiving such salary by reason of the fact that he is also a director of the Corporation.

### Section 4. The Chairman of the Board.

The Chairman of the Board, if any, shall be an officer of the Corporation and, subject to the direction of the Board of Directors, shall perform such executive, supervisory and management functions and duties as may be assigned to him from time to time by the Board of Directors. He shall, if present, preside at all meetings of stockholders and of the Board of Directors.

### Section 5. The President.

- (a) The President shall be the chief executive officer of the Corporation and, subject to the direction of the Board of Directors, shall have general charge of the business, affairs and property of the Corporation and general supervision over its other officers and agents. In general, he shall perform all duties incident to the office of President and shall see that all orders and resolutions of the Board of Directors are carried into effect. In addition to and not in limitation of the foregoing, the President shall be empowered to authorize any change of the principal office or registered agent (or both) of the Corporation in the State of Nevada.
- (b) Unless otherwise prescribed by the Board of Directors, the President shall have fully power and authority on behalf of the Corporation to attend, act and vote at any meeting of security holders of other corporations in which the Corporation may hold securities. At such meeting the President shall possess and may exercise any and all rights and powers incident to the ownership of such securities which the Corporation might have possessed and exercised if it had been present. The Board of Directors may from time to time confer like powers upon any other person or persons.

### Section 6. The Vice President.

The Vice President, if any (or in the event there be more than one, the Vice Presidents in the order designated, or in the absence of any designation, in the order of their election), shall, in the absence of the President or in the event of his disability, perform the duties and exercise the powers of the President and shall generally assist the President and perform such other duties and have such other powers as may from time to time be prescribed by the Board of Directors.

### Section 7. The Secretary.

The Secretary shall attend meetings of the Board of Directors and all meetings of stockholders and record all votes and the proceedings of the meetings in a book to be kept for that purpose and shall perform like duties for

## Edgar Filing: HEARTLAND EXPRESS INC - Form 10-K

the Executive Committee or other committees, if required. He shall give, or cause to be given, notice of all meetings of stockholders and special meetings of the Board of Directors, and shall perform such other duties as may from time to time be prescribed by the Board of Directors, the Chairman of the Board or the President, under whose supervision he shall act. He shall have custody of the seal of the Corporation, if any, and he, or an Assistant Secretary, shall have authority to affix the same to any instrument requiring it, and, when so affixed, the seal may be attested by his signature or by the signature of such Assistant Secretary. The Board of Directors may give general authority to any other officer to affix the seal, if any, of the Corporation and to attest the affixing thereof by his signature.

### Section 8. The Assistant Secretary.

The Assistant Secretary, if any (or in the event there be more than one, the Assistant Secretaries in the order designated, or in the absence of any designation, in the order of their election), shall, in the absence of the Secretary or in the event of his disability, perform the duties and exercise the powers of the Secretary and shall perform such other duties and have such other powers as may from time to time be prescribed by the Board of Directors.

### Section 9. The Treasurer.

The Treasurer shall have the custody of the corporate funds and other valuable effects, including securities, and shall keep fully and accurate accounts of receipts and disbursements in books belonging to the Corporation and shall deposit all moneys and other valuable effects in the name and to the credit of the Corporation in such depositories as may from time to time be designated by the Board of Directors. He shall disburse the funds of the Corporation as may be ordered by the Board of Directors, taking proper vouchers for such disbursements, and shall render to the Chairman of the Board, the President and the Board of Directors, at regular meetings of the Board, or whenever they may require it, an account of all his transactions as Treasurer and of the financial condition of the Corporation.

### Section 10. The Assistant Treasurer.

The Assistant Treasurer, if any (or in the event there shall be more than one, the Assistant Treasurers in the order designated, or in the absence of any designation, in the order of their election), shall, in the absence of the Treasurer or in the event of his disability, perform the duties and exercise the powers of the Treasurer and shall perform such other duties and have such other powers as may from time to time be prescribed by the Board of Directors.

## ARTICLE VII

### AFFILIATED TRANSACTIONS AND INTERESTED DIRECTORS

#### Section 1. Affiliated Transactions.

No contract or transaction between the Corporation and one or more of its directors or officers, or between the Corporation and any other corporation, partnership, association or other organization in which one or more of its directors or officers are directors or officers, or have a financial interest, shall be void or voidable solely for this reason, or solely because the director or officer is present at or participates in the meeting of the Board of Directors or committee thereof which authorizes the contract or transaction or solely because his or their votes are counted for such purpose, if:

- (a) The fact of the common directorship or financial interest is disclosed or known to the Board of Directors or committee and noted in the minutes, and the directors or committee authorizes, approves or ratifies the contract or transaction in good faith by a vote sufficient for the purpose without counting the vote or votes of such director or directors; or

## Edgar Filing: HEARTLAND EXPRESS INC - Form 10-K

- (b) The fact of the common directorship or financial interest is disclosed or known to the stockholders, and they approve or ratify the contract or transaction in good faith by a majority vote or written consent of stockholders holding a majority of the shares entitled to vote; the votes of common or interested directors or officers shall be counted in any such vote of stockholders; or
- (c) The contract or transaction is fair as to the Corporation as of the time it is authorized, approved or ratified.

### Section 2. Determining Quorum.

Common or interested directors may be counted in determining the presence of a quorum at a meeting of the Board of Directors or of a committee thereof which authorizes, approves or ratifies the contract or transaction, and if the votes of the common or interested directors are not counted at such meeting, then a majority of the disinterested directors may authorize, approve or ratify the contract or transaction.

## ARTICLE VIII

### STOCK CERTIFICATES

#### Section 1. Stock Certificates; Uncertificated Shares.

- (a) Where any shares of the capital stock of the Corporation are represented by certificates, each certificate shall be signed by the Chairman of the Board or the President and the Treasurer or an assistant treasurer or the Secretary or an assistant secretary of the Corporation, exhibiting the number and class (and series, if any) of shares owned by him, and bearing the seal, if any, of the Corporation. Such signatures and seal, if any, may be facsimile. A certificate may be manually signed by a transfer agent or registrar other than the Corporation or its employee and may be a facsimile. In case any officer who has signed, or whose facsimile signature was placed on, a certificate shall have ceased to be such officer before such certificate is issued, it may nevertheless be issued by the Corporation with the same effect as if he were such officer at the date of its issue.
- (b) All stock certificates representing shares of capital stock which are subject to restrictions on transfer or to other restrictions may have imprinted thereon such notation to such effect as may be determined by the Board of Directors.
- (c) The Board of Directors of the Corporation may authorize the issuance of uncertificated shares of some or all of the shares of any or all of its classes or series. The issuance of uncertificated shares shall have no effect on existing certificates for shares until surrendered to the Corporation, or on the respective rights and obligations of the stockholders. Unless otherwise provided by applicable law, the rights and obligations of stockholders shall be identical whether or not certificates represent their shares of stock. Within a reasonable time after the issuance or transfer of uncertificated stock, the Corporation shall send to the registered owner of such shares a written statement containing the information required to be set forth or stated on actual stock certificates as specified herein or by applicable law. At least annually thereafter, the Corporation shall provide to its stockholders of record, a written statement confirming the information contained in the informational statement previously sent pursuant to this section.

## Edgar Filing: HEARTLAND EXPRESS INC - Form 10-K

### Section 2. Registration of Transfer.

Upon surrender to the Corporation or any transfer agent of the Corporation of a certificate for shares duly endorsed or accompanied by proper evidence of succession, assignment or authority to transfer; or, in the case of uncertificated shares, upon compliance with appropriate procedures for transferring shares in uncertificated form, it shall be the duty of the Corporation or its transfer agent to issue a new certificate or uncertificated share, as applicable, to the person entitled thereto, to cancel the old certificate, if any, and to record the transaction upon its books.

### Section 3. Registered Stockholders.

- (a) Except as otherwise provided by law, the Corporation shall be entitled to recognize the exclusive right of a person who is registered on its books as the owner of shares of its capital stock to receive dividends or other distributions, to vote as such owner, and to hold liable for calls and assessments any person who is registered on its books as the owner of shares of its capital stock. The Corporation shall not be bound to recognize any equitable or legal claim to or interest in such shares on the part of any other person.
- (b) If a stockholder desires that notices and/or dividends shall be sent to a name or address other than the name or address appearing on the stock ledger maintained by the Corporation (or by the transfer agent or registrar, if any), such stockholder shall have the duty to notify the Corporation (or the transfer agent or registrar, if any) in writing, of such desire. Such written notice shall specify the alternate name or address to be used.

### Section 4. Record Date.

In order that the Corporation may determine the stockholders of record who are entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, or entitled to receive payment of any dividend or other distribution, or to make a determination of the stockholders of record for any other proper purpose, the Board of Directors may, in advance, fix a date as the record date for any such determination. Such date shall not be more than 60 nor less than 10 days before the date of such meeting, nor more than 60 days prior to the date of any other action. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting taken pursuant to Section 6 of Article II; provided, however, that the Board of Directors may fix a new record date for the adjourned meeting.

### Section 5. Lost, Stolen or Destroyed Certificates.

The Board of Directors may direct a new certificate to be issued in place of any certificate theretofore issued by the Corporation which is claimed to have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the person claiming the certificate of stock to be lost, stolen or destroyed. When authorizing such issue of a new certificate, the Board of Directors may, in its discretion and as a condition precedent to the issuance thereof, require the owner of such lost, stolen or destroyed certificate, or his legal representative, to advertise the same in such manner as it shall require and/or to give the Corporation a bond in such sum, or other security in such form, as it may direct as indemnity against any claim that may be made against the Corporation with respect to the certificate claimed to have been lost, stolen or destroyed.

# Edgar Filing: HEARTLAND EXPRESS INC - Form 10-K

## ARTICLE IX

### GENERAL PROVISIONS

#### Section 1. Dividends.

Subject to the provisions of the Articles of Incorporation, dividends upon the outstanding capital stock of the Corporation may be declared by the Board of Directors at any regular or special meeting, pursuant to law, and may be paid in cash, in property or in shares of the Corporation's capital stock.

#### Section 2. Reserves.

The Board of Directors shall have full power, subject to the provisions of law and the Articles of Incorporation, to determine whether any, and, if so, what part, of the funds legally available for the payment of dividends shall be declared as dividends and paid to the stockholders of the Corporation. The Board of Directors, in its sole discretion, may fix a sum which may be set aside or reserved over and above the paid-in capital of the Corporation for working capital or as a reserve for any proper purpose, and may, from time to time, increase, diminish or vary such fund or funds.

#### Section 3. Fiscal Year.

The fiscal year of the Corporation shall be as determined from time to time by the Board of Directors.

#### Section 4. Seal.

The corporate seal shall have inscribed thereon the name of the Corporation, the year of its incorporation and the words "Corporate Seal" and "Nevada."

#### Section 5. Nevada Acquisition of Controlling Interest Statute.

The provisions of Sections 78.378 to 78.3793, inclusive, of the Nevada Revised Statutes shall not apply to the Company or to an acquisition of a controlling interest (as defined in the statute) by any existing or future stockholders of the Company.

## ARTICLE X

### AMENDMENTS

The Board of Directors shall have the power to make, alter and repeal these Bylaws, and to adopt new bylaws, by an affirmative vote of a majority of the whole Board, provided that notice of the proposal to make, alter or repeal these Bylaws, or to adopt new bylaws, must be included in the notice of the meeting of the Board of Directors at which such action takes place.

Exhibit No. 9.2

### GERDIN CONTROLLED CORPORATION VOTING TRUST AGREEMENT

This Voting Trust Agreement is made and entered into this 10th day of July, 2007, by LAWRENCE D. CROUSE, Voting Trustee, RUSSELL A. GERDIN of North Liberty, Johnson County, Iowa and ANN S. GERDIN of North Liberty, Johnson County, Iowa.



## Edgar Filing: HEARTLAND EXPRESS INC - Form 10-K

### PRELIMINARY STATEMENT

Russell A. Gerdin and Ann S. Gerdin (the "Gerdins") have established, and may from time to time in the future establish and amend grantor retained annuity trusts ("GRATs") which may direct that under certain conditions, shares of a Controlled Corporation should be held in the GERDIN CONTROLLED CORPORATION VOTING TRUST. All such shares shall be held and voted by the Voting Trustee in accordance with this VOTING TRUST AGREEMENT.

The Trustee may from time to time hold shares of a Controlled Corporation for multiple GRATs. The shares of each Controlled Corporation shall be held and administered separately for each GRAT.

NOW, THEREFORE, it is agreed as follows:

1. Definitions.

- A. The Trust created by this Voting Trust Agreement be named the "Gerdin Controlled Corporation Voting Trust", and may be referred to in this Voting Trust Agreement as the "Voting Trust".
- B. The term "Voting Trustee" as used in this Voting Trust Agreement shall refer initially to Lawrence D. Crouse in his capacity as Voting Trustee of this Voting Trust, and to any other person or entity acting as Voting Trustee, Voting Trustees or Successor Voting Trustee. The term "Voting Trustee" may be construed in the singular or plural, and as masculine, feminine or neuter, as the context or circumstances may require.
- C. The term "Voting Shares" shall refer to voting shares of a Controlled Corporation, and any securities of a Controlled Corporation that have voting rights or are convertible into or give the right to acquire voting shares of a Controlled Corporation, and shall include any new, substitute or additional shares or securities with voting rights or which may be converted to shares with voting rights.
- D. The term "Controlled Corporation" shall refer to any business entity which is a "controlled corporation" as to the Settlor of a GRAT under Section 2036(b) of the Internal Revenue Code of 1986, as amended.

2. Agreement. A duplicate copy of this Voting Trust Agreement, and of every supplemental or amendatory agreement, shall be filed in the

office of the Controlled Corporation, and as otherwise required by law. All voting trust certificates issued as hereinafter provided shall be issued, received, and held subject to all the terms of this Voting Trust Agreement. Every person or entity entitled to receive voting trust certificates representing shares of capital stock of a Controlled Corporation, and their transferees and assigns, upon accepting the voting trust certificates issued hereunder, shall be bound by the provisions of this Voting Trust Agreement.

3. Transfer to Voting Trustee. Each GRAT's shares of common stock of any Controlled Corporation shall be transferred and delivered to the Voting Trustee. All certificates for stock of any Controlled Corporation transferred and delivered to the Voting Trustee pursuant to this Agreement shall be surrendered by the Voting Trustee and

Edgar Filing: HEARTLAND EXPRESS INC - Form 10-K

cancelled, and new certificates herefor shall be issued to and held by the Voting Trustee in the name of "Lawrence D. Crouse as Voting Trustee." Voting Trustee shall hold the Voting Shares subject to the terms of this Voting Trust Agreement, and shall issue and deliver to the Stockholders voting trust certificates for the shares deposited to this Trust.

4. Voting Trust Certificates. The voting trust certificates shall be in the following form:

Gerdin Controlled Corporation Voting Trust  
Trust Certificate

No. \_\_\_\_\_ Shares

Lawrence D. Crouse, Voting Trustee of the shares of (name of Controlled Corporation), under an agreement dated \_\_\_\_\_, 2007, having received certain shares of the Corporation, pursuant to such agreement, which agreement the holder hereof by accepting this certificate ratifies and adopts, hereby certifies that the (name of GRAT) will be entitled to receive a certificate for \_\_\_\_\_ fully paid common shares of (name of Controlled Corporation), on the expiration of the term of the GRAT or this Voting Trust Agreement, and in the meantime shall be entitled to receive payments equal to any cash dividends or dividends payable in property other than voting shares of (name of Controlled Corporation) that may be collected by the undersigned Voting Trustee upon a like number of such shares held by it under the terms of the Voting Trust Agreement.

This certificate is transferable only on the books of the undersigned Voting Trustee by the registered holder in person or by his duly authorized attorney, and the holder hereof, by accepting this certificate, manifests his consent that the undersigned Voting Trustee may treat the registered holder hereof as the true owner for all purposes, except the delivery of share certificates, which delivery shall not be made without the surrender hereof.

In witness whereof the Voting Trustee has executed this certificate this \_\_\_\_ day of \_\_\_\_\_, 20\_\_.

\_\_\_\_\_  
Lawrence D. Crouse, Voting Trustee

5. Transfer of Certificates. The voting trust certificates shall be transferable at the Voting Trustee's principal office at 901 North Kansas Avenue, North Liberty, Iowa 52317 (or at such other office as the Voting Trustee may designate by an instrument signed by him and sent by mail to the registered holders of voting trust certificates), on the books of the Voting Trustee, by the registered owner thereof, either in person or by attorney thereto duly authorized, upon surrender of their voting trust certificate and execution of an irrevocable Assignment in a form acceptable to Voting Trustee. The Voting Trustee may treat the registered holder as owner thereof for all purposes, but he shall not be required to deliver stock certificates hereunder without the surrender of such voting trust certificates.
6. Transfer or Sale of Shares. The registered holder of any Voting Trust Certificate may, at any time, make a transfer or sale of shares represented by the Certificate. Upon written notice of any such sale or transfer, the Voting Trustee shall promptly deliver shares held by this Trust in accordance with the written direction of the registered holder. The registered holder shall be entitled to the entire proceeds

## Edgar Filing: HEARTLAND EXPRESS INC - Form 10-K

from the sale of any shares represented by the holder's Voting Trust Certificates.

### 7. Termination Procedure.

- (a) Upon the termination of this Agreement at any time, as hereinafter provided, the Voting Trustee, at such time as he may choose during the period commencing twenty (20) days before and ending twenty (20) days after such termination, shall mail written notice of such termination to the registered owners of the voting trust certificates, at the addresses appearing on the Voting Trustee's transfer books. After the date specified in any such notice (which date shall be fixed by the Voting Trustee), the voting trust certificates shall cease to have any effect, and their holders shall have no further rights under this Agreement other than to receive certificates for shares of the Controlled Corporation's stock or other property distributable under the terms hereof and upon the surrender of such voting trust certificates.
- (b) Within thirty (30) days after the termination of this Agreement, the Voting Trustee shall accomplish the transfer, to the registered holders of all voting trust certificates, of the number of shares of the Controlled Corporation's capital stock, represented by voting trust certificates, upon the surrender thereof properly endorsed, such delivery to be made in each case at the Voting Trustee's office.

### 8. Dividends.

- (a) The holder of each voting trust certificate shall be entitled to receive payments equal to the cash dividends, if any, received by the Voting Trustee upon a like number and class of shares of the Controlled Corporation's capital stock as is called for by each such voting trust certificate. If any dividend in respect of the stock deposited with the Voting Trustee is paid, in whole or in part, in the Controlled Corporation's voting shares, the Voting Trustee shall likewise hold, subject to the terms of this Agreement, the certificates for securities which are received by him on account of such dividend. The holder of each voting trust certificate representing stock on which such dividend has been paid shall be entitled to receive a voting trust certificate issued under this Agreement for the number of shares and class of stock received as such dividend with respect to the shares represented by such voting trust certificate. Holders entitled to receive the dividends described above shall be those registered as such on the Voting Trustee's transfer books at the close of business on the day fixed by the Controlled Corporation for the taking of a record to determine those holders of its stock entitled to receive such dividends.
- (b) If any dividend in respect of the stock deposited with the Voting Trustee is paid other than in cash or in voting shares of the Controlled Corporation, then the Voting Trustee shall distribute the same among the holders of voting trust certificates registered as such at the close of business on the day fixed by the Controlled Corporation for taking a record to determine the holders of shares entitled to receive such distribution. Such distribution shall be made to such holders of voting trust certificates ratably, in accordance with the number of shares

## Edgar Filing: HEARTLAND EXPRESS INC - Form 10-K

represented by their respective voting trust certificates.

- (c) In lieu of receiving cash dividends upon the capital stock of the Controlled Corporation and paying the same to holders of voting trust certificates pursuant to the provisions of this Agreement, the Voting Trustee may instruct the Controlled Corporation in writing to pay such dividends to the holders of the voting trust certificates. Upon receipt of such written instructions and acceptance by the Controlled Corporation, and until revoked by the Voting Trustee, all liability of the Voting Trustee with respect to such dividends shall cease. The Voting Trustee may at any time revoke such instructions and by written notice to the Controlled Corporation direct it to make dividend payments to the Voting Trustee.
9. **Subscription Rights.** If any stock or other securities of the Controlled Corporation are offered for subscription to the holder of its capital stock deposited hereunder, the Voting Trustee, promptly upon receipt of notice of such offer, shall mail a copy thereof to each holder of the voting trust certificates. Upon receipt by the Voting Trustee, at least five (5) days prior to the last day fixed by the Controlled Corporation for subscription and payment, of a request from any such registered holder of voting trust certificates to subscribe in his behalf, accompanied with the sum of money required to pay for such stock or securities (not in excess of the amount subject to subscription in respect of the shares represented by the voting trust certificate held by such certificate holder), the Voting Trustee shall make such subscription and payment. Upon receiving from the Controlled Corporation the certificates for shares or securities so subscribed for, the Voting Trustee shall issue to such holder a voting trust certificate in respect thereof if the shares or securities received are voting shares. If, however, the shares or securities are not voting shares, the Voting Trustee shall mail or deliver such securities to the certificate holder in whose behalf the subscription was made, or may instruct the Controlled Corporation to make delivery directly to the certificate holder entitled thereto.
10. **Dissolution of the Controlled Corporation.** In the event of the dissolution or total or partial liquidation of the Controlled Corporation, whether voluntary or involuntary, the Voting Trustee shall receive the moneys, securities, rights, or property to which the holders of the Controlled Corporation's capital stock deposited hereunder are entitled, and shall distribute the same among the registered holders of voting trust certificates in proportion to their interests, as shown by the books of the Voting Trustee. Alternatively, the Voting Trustee may in his discretion deposit such moneys, securities, rights, or property with any federally insured bank or trust company doing business in Iowa City, Iowa, with authority and instructions to distribute the same as above provided, and upon such deposit, all further obligations or liabilities of the Voting Trustee in respect of such moneys, securities, rights, or property so deposited shall cease.
11. **Reorganization of the Controlled Corporation.** In the event of any merger, consolidation, exchange, sale of assets, or other business combination in which the Controlled Corporation stockholders receive securities of another entity, then in connection with such transfer the term "Controlled Corporation" for all purposes of this Agreement shall be deemed to include such successor entity, and the Voting Trustee shall receive and hold under this Agreement any of such

## Edgar Filing: HEARTLAND EXPRESS INC - Form 10-K

successor's securities having voting power of that are convertible into or give the holder the right to acquire voting securities, received on account of the ownership of the securities held hereunder prior to such business combination. Voting trust certificates issued and outstanding under this Agreement at the time of such business combination may remain outstanding or the Voting Trustee may, in his discretion, substitute for such voting trust certificates new voting trust certificates in appropriate form, and the terms "stock", "capital stock" and "securities" as used herein shall be taken to include any securities having voting power of that are convertible into or give the holder the right to acquire voting securities, which may be received by the Voting Trustee in lieu of all or any part of the Controlled Corporation's capital stock.

### 12. Rights of Voting Trustee.

- (a) Until the actual delivery to the holders of voting trust certificates issued hereunder of stock certificates in exchange therefor, and until the surrender of the voting trust certificates for cancellation, the Voting Trustee shall have the right, subject to the provisions of this paragraph hereinafter set forth, to exercise, in person or by his nominees or proxies, all stockholders' voting rights and powers in respect of all stock deposited hereunder, and to take part in or consent to any corporate or stockholders' actions of any kind whatsoever. The right to vote shall include the right to vote for the election of directors, and in favor of or against any resolution or proposed action of any character whatsoever, which may be presented at any meeting or require the consent of the Controlled Corporation's stockholders. Without limiting such general right, it is understood that such action or proceeding may include, upon terms satisfactory to the Voting Trustee or his nominees or proxies thereto appointed by him, mortgaging, creating a security interest in, and pledging of all or any part of the Controlled Corporation's property, the lease or sale of all or any part of its property, for cash, securities, or other property, and the dissolution of the Controlled Corporation, or its consolidation, merger, reorganization, or recapitalization.
  
- (b) In voting the stock held by him hereunder either in person or by his nominees or proxies, the Voting Trustee shall exercise his best judgment to select suitable directors of the Controlled Corporation, and shall otherwise, insofar as he may as a stockholder of the Controlled Corporation, take such part or action in respect to the management of its affairs as he may deem necessary so as to be kept advised on the affairs of the Controlled Corporation and its management. In voting upon any matter that may come before him at any stockholders' meeting, the Voting Trustee shall exercise like judgment. The Voting Trustee, however, shall not be personally liable for any action taken pursuant to his vote or any act committed or omitted to be done under this Agreement, provided that such commission or omission does not amount to willful misconduct on his part and that he at all times exercises good faith in such matters.

### 13. Voting Trustees.

- (a) The Voting Trustee (and any successor Voting Trustee) may at any time resign by mailing to the registered holders of voting trust certificates a written resignation, to take effect ten (10) days

## Edgar Filing: HEARTLAND EXPRESS INC - Form 10-K

thereafter or upon its prior acceptance. In the event the serving Voting Trustee should die, resign, or for any reason become unable to serve, then that person or entity designated by him in writing (other than Russell A. Gerdin or Ann S. Gerdin) shall serve as Voting Trustee hereunder. If Lawrence D. Crouse shall fail to make such a designation or if his designation fails or qualify, dies, resigns or otherwise becomes unable to serve, then Richard S. Reiser shall serve as successor Voting Trustee, and if Richard S. Reiser is for any reason unable or unwilling to serve, then those of the Settlor's living children who are willing and able shall serve.

- (b) The rights, powers, and privileges of the Voting Trustee named hereunder shall be possessed by the successor Voting Trustees, with the same effect as though such successors had originally been parties to this Agreement. The word "Voting Trustee," as used in this Agreement, means the Voting Trustee or any successor Voting Trustees acting hereunder, and shall include both the single and the plural number. The words "he," "him," and "his," as used in this Agreement in reference to the Voting Trustee shall mean "they," "them," and "their," respectively, when more than one Voting Trustee is acting hereunder.

### 14. Term.

- (a) This Agreement shall continue in effect as to each GRAT until the expiration of the term of the GRAT and the distribution of all shares of any Controlled Corporation held by the GRAT. This Agreement shall terminate as to all GRATS on or before December 31, 2017. The voting trust is irrevocable and shall not be subject to amendment or modification.
- (b) At any time within two (2) years prior to the time of expiration of the term hereof as theretofore extended, the holders of all of the voting trust certificates hereunder may, by agreement in writing and with the Voting Trustee's written consent, extend the duration of this Agreement for an additional period not exceeding fifteen (15) years. In the event of such extension, the Voting Trustee shall, prior to the time of expiration as hereinabove provided, as originally fixed, or as theretofore extended, as the case may be, file in any Controlled Corporation's principal office, a copy of such extension agreement, and of the consent thereto. Thereupon the duration of this Voting Trust Agreement shall be extended for the period fixed by such extension

agreement, provided, however, that no such extension agreement shall extend the term of this Agreement beyond the maximum period then permitted by applicable law or affect the rights or obligations of persons not parties thereto.

- 15. Compensation and Reimbursement of Voting Trustee. The Voting Trustee shall serve without compensation. The Voting Trustee shall have the right to incur and pay such reasonable expenses and charges, to employ and pay such agents, attorneys, and counsel as he may deem necessary and proper to effectuate this Agreement. All such expenses or charges incurred by and due to the Voting Trustee may be deducted from the dividends or other moneys or property received by him on the stock deposited hereunder. Nothing herein contained shall disqualify the Voting Trustee or successor Voting Trustees, or incapacitate him or them from serving any Controlled Corporation or any of the

## Edgar Filing: HEARTLAND EXPRESS INC - Form 10-K

subsidiaries as officer or director, or in any other capacity, and in any such capacity receiving compensation.

16. Notice.

(a) Unless otherwise specifically provided herein, any notice to or communication with the holders of the voting trust certificates hereunder shall be deemed to be sufficiently given or made if enclosed in postpaid envelopes (regular not registered mail) addressed to such holders at their respective addresses appearing on the Voting Trustee's transfer books, and deposited in any post office or post office box. The addresses of the holders of voting trust certificates, as shown on the Voting Trustee's transfer books, shall in all cases be deemed to be the addresses of voting trust certificate holders for all purposes under this Agreement, without regard to what other or different addresses the Voting Trustee may have for any voting trust certificate holder on any other books or records of the Voting Trustee. Every notice so given shall be effective, whether or not received, and the date of mailing shall be the date such notice is deemed given for all purposes.

(b) Any notice to the Voting Trustee hereunder may be enclosed in a postpaid envelope and sent by registered mail to the Voting Trustee, addressed to him at such addresses as he may from time to time furnish in writing to the Controlled Corporation, and if no such address had been so furnished by the Voting Trustee, then to him in care of the Controlled Corporation.

(c) All distributions of cash, securities, or other property hereunder by the Voting Trustee to the holders of voting trust certificates may be made, in the Voting Trustee's discretion, by mail (regular or registered mail, as the Voting Trustee may deem advisable), in the same manner as hereinabove provided for the giving of notices to the holders of voting trust certificates.

17. Entire Agreement. This Agreement supersedes all prior agreements between the parties relating to its subject matter. There are no other understandings or agreements between them concerning the subject matter.

18. Nonwaiver. No delay or failure by a party to exercise any right under this Agreement, and no partial or single exercise of that right, shall constitute a waiver of that or any other right, unless otherwise expressly provided herein.

19. Headings. Headings in this Agreement are for convenience only and shall not be used to interpret or construe its provisions.

20. Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument.

21. Binding Effect. The provisions of this Agreement shall be binding upon and inure to the benefit of each of the parties and their respective legal representatives, successors and assigns.

IN WITNESS WHEREOF, the Voting Trustee has executed this Voting Trust Agreement on the date and year first above written.

Edgar Filing: HEARTLAND EXPRESS INC - Form 10-K

/s/Lawrence D. Crouse  
Lawrence D. Crouse, Voting Trustee

/s/Russell A. Gerdin  
Russell A. Gerdin

/s/Ann S. Gerdin  
Ann S. Gerdin

Exhibit No. 21

Subsidiaries of the Registrant

		State of Incorporation
Heartland Express, Inc.	Parent	NV
A & M Express, Inc.	Subsidiary	TN
Heartland Express, Inc. of Iowa	Subsidiary	IA
Heartland Express Maintenance Services, Inc.	Subsidiary	IA
Heartland Express Services, Inc.	Subsidiary	IA



Exhibit No. 31.1

Certification

I, Russell A. Gerdin, Chairman and Chief Executive Officer of Heartland Express, Inc., certify that:

1. I have reviewed this annual report on Form 10-K of Heartland Express, Inc. (the "registrant");
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

## Edgar Filing: HEARTLAND EXPRESS INC - Form 10-K

- c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this annual report based on such evaluation; and
  - d) Disclosed in this annual report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
- a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 28, 2008

By: /s/ Russell A. Gerdin  
Russell A. Gerdin  
Chairman and  
Chief Executive Officer  
(Principal Executive Officer)

Exhibit No. 31.2

### Certification

I, John P. Cosaert, Executive Vice President, Chief Financial Officer, and Treasurer of Heartland Express, Inc., certify that:

- 1. I have reviewed this annual report on Form 10-K of Heartland Express, Inc. (the "registrant");
- 2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

## Edgar Filing: HEARTLAND EXPRESS INC - Form 10-K

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this annual report based on such evaluation; and
  - d) Disclosed in this annual report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 28, 2008

By: /s/ John P. Cosaert

Edgar Filing: HEARTLAND EXPRESS INC - Form 10-K

John P. Cosaert  
Executive Vice President-Finance,  
Chief Financial Officer and  
Treasurer  
(Principal Financial Officer)

Exhibit No. 32

CERTIFICATION OF  
CHIEF EXECUTIVE OFFICER  
AND  
CHIEF FINANCIAL OFFICER  
PURSUANT TO 18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Russell A. Gerdin, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge, the Annual Report of Heartland Express, Inc., on Form 10-K for the fiscal year ended December 31, 2007, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and that the information contained in such Annual Report on Form 10-K fairly presents, in all material respects, the financial condition and results of operations of Heartland Express, Inc.

Dated: February 28, 2008

By: /s/ Russell A. Gerdin  
Russell A. Gerdin  
Chairman and  
Chief Executive Officer

I, John P. Cosaert, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge, the Annual Report of Heartland Express, Inc., on Form 10-K for the fiscal year ended December 31, 2007, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and that the information contained in such Annual Report on Form 10-K fairly presents, in all material respects, the financial condition and results of operations of Heartland Express, Inc.

Dated: February 28, 2008

By: /s/ John P. Cosaert  
John P. Cosaert  
Executive Vice President-Finance  
and Chief Financial Officer

