

HEARTLAND, INC.  
Form 10KSB  
April 14, 2008

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

FORM 10-KSB

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

FOR FISCAL YEAR ENDED DECEMBER 31, 2007

HEARTLAND, INC.  
(Name of small business issuer in  
its charter)

Maryland  
(State or other  
jurisdiction  
of incorporation or  
organization)

36-4286069  
(I.R.S. Employer  
Identification  
Number)

1501 Cumberland Gap  
Parkway  
Middlesboro, KY 40965  
(Address of principal  
executive offices) (Zip Code)

606-248-7323  
(Issuer's telephone  
no.)

Securities registered pursuant to Section 12(b) of the Exchange Act: None

Securities registered pursuant to Section 12(g) of the Exchange Act: Common Stock, \$.001 par value

Check whether the issuer (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 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

Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-B not contained in this form, and no disclosure will be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB. []

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

Issuer's revenues for its most recent fiscal year ended December 31, 2007 were: \$14,112,726

The aggregate market value of the Registrant's voting common stock held by non-affiliates of the registrant as of April 11, 2008, was approximately: \$5,883,059 at \$0.15 price per share. Number of shares of the registrant's common stock outstanding as of April 11, 2008 was: 37,147,105.

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PART I

ITEM 1 DESCRIPTION OF BUSINESS

INTRODUCTION

**FORWARD-LOOKING STATEMENTS.** This annual report contains certain 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, that involve risks and uncertainties. In addition, the Company (Heartland, Inc., a Maryland corporation), may from time to time make oral forward-looking statements. Actual results are uncertain and may be impacted by many factors. In particular, certain risks and uncertainties that may impact the accuracy of the forward-looking statements with respect to revenues, expenses and operating results include without limitation; cycles of customer orders, general economic and competitive conditions and changing customer trends, technological advances and the number and timing of new product introductions, shipments of products and components from foreign suppliers, and changes in the mix of products ordered by customers. As a result, the actual results may differ materially from those projected in the forward-looking statements.

Because of these and other factors that may affect the Company's operating results, past financial performance should not be considered an indicator of future performance, and investors should not use historical trends to anticipate results or trends in future periods.

(A) THE COMPANY

The Company was incorporated in the State of Maryland on April 6, 1999 as Origin Investment Group, Inc. ("Origin"). On December 27, 2001, the Company went through a reverse merger with International Wireless, Inc. Thereafter on January 2, 2002, the Company changed its name from Origin to International Wireless, Inc. On November 15, 2003, the Company went through a reverse merger with PMI Wireless, Inc. Thereafter in May 2004, the Company changed its name from International Wireless, Inc. to our current name, Heartland Inc.

The Company was originally formed as a non-diversified closed-end management investment company, as those terms are used in the Investment Company Act of 1940 ("1940 Act"). The Company at that time elected to be regulated as a business development company under the 1940 Act. On December 7, 2001 the Company's shareholders voted on withdrawing the Company from being regulated as a business development company and thereby no longer be subject to the 1940 Act.

Unless the context indicates otherwise, the terms "Company," "Corporate", "Heartland," and "we" refer to Heartland, Inc. and its subsidiaries. Our executive offices are located at 1501 Cumberland Gap Parkway, Middlesboro, KY, telephone number (606) 248-7323. Our Internet address is [www.heartlandholdingsinc.com](http://www.heartlandholdingsinc.com) for the corporate information. Additionally, the Mound Technology division of the company currently maintains an Internet addresses at [www.moundtechnologies.com](http://www.moundtechnologies.com). The information contained on our web site(s) or connected to our web site is not incorporated by reference into this Annual Report on Form 10-KSB and should not be considered part of this report.

We emphasize quality and innovation in our services, products, manufacturing, and marketing. We strive to provide well-built, dependable products supported by our service network. We have committed funding for engineering and research in order to improve existing products and develop new products. Through these efforts, we seek to be responsive to trends that may affect our target markets now and in the future.

(B) BUSINESS DEVELOPMENT

On November 15, 2003, a change in control of the Company occurred when the Company went through a reverse merger with PMI Wireless, Inc., a Delaware corporation with corporate headquarters located in Cordova, Tennessee. The acquisition, took place on December 1, 2003 for the aggregate consideration of fifty thousand dollars (\$50,000) which was paid to the U.S. Internal Revenue Service for the Company's prior obligations, plus assumption of the Company's existing debts, for 9,938,466 newly issued common shares of the Company. Under the said reverse merger, the former Shareholders of PMI Wireless ended up owning an 84.26% interest in the Company.

On December 10, 2003, the Company acquired 100% of Mound Technologies, Inc. ("Mound"), a Nevada corporation with its corporate headquarters located in Springboro, Ohio. The acquisition was a stock for stock exchange in which the Company acquired all of the issued and outstanding common stock of Mound in exchange for 1,256,000 newly issued shares of its common stock. As a result of this transaction, Mound became a wholly owned subsidiary of the Company.

In May 2004, the Company changed its name from International Wireless, Inc. to our current name, Heartland, Inc.

On December 27, 2004, the Company acquired 100% of Monarch Homes, Inc. ("Monarch"), a Minnesota corporation with its corporate headquarters located in Ramsey, MN for \$5,000,000. The acquisition price consisted of \$100,000 in cash which was paid at closing, a promissory note for \$1,900,000 which was payable on or before February 15, 2005, and six hundred sixty-seven thousand (667,000) restricted newly issued shares of the Company's common stock which was provided at closing. The Company has since rescinded this acquisition and no longer owns monarch.

On December 30, 2004, the Company acquired 100% of Evans Columbus, LLC ("Evans"), an Ohio corporation with its corporate headquarters located in Blacklick, OH for \$3,005,000. The acquisition price consisted of \$5,000 in cash at closing, and 600,000 restricted newly issued shares of the Company's common stock which was provided at closing. The Company has since rescinded this acquisition and no longer owns Evans.

On December 31, 2004, the Company acquired 100% of Karkela Construction, Inc. ("Kerkela"), a Minnesota corporation with its corporate headquarters located in St. Louis Park, MN for \$3,000,000. The acquisition price consisted of \$100,000 in cash at closing, a short term promissory note payable of \$50,000 on or before January 31, 2005, a promissory note for \$1,305,000 payable on or before March 31, 2005 which, if not paid by that date, interest is due from December 31, 2004 to actual payment at 8%, simple interest, compounded annually and 500,000 restricted newly issued shares of the Company's common stock which was provided at closing. In the event the common stock of the Company was not trading at a minimum of \$4.00 as of December 31, 2005, the Company was required to compensate the original Karkela shareholders for the difference in additional stock. As a result of the aforementioned, the Company issued the former Karkela shareholders 262,500 shares of common stock on March 20, 2006. The Company has since rescinded this acquisition and no longer owns Karkela.

On June 21, 2006, the Company agreed to accept rescissions of the December, 2004 acquisition agreements from Evans Columbus, LLC effective March 31, 2006 and from Monarch Homes, Inc. effective June 1, 2006.

On July 29, 2005, the Company entered into a binding Stock Purchase Agreement with Steven Persinger, an individual, to acquire all the issued and outstanding shares of common stock of Persinger Equipment, Inc., a Minnesota corporation ("Persinger") for \$4,735,000. The Company has abandoned its plans to acquire Persinger Equipment, Inc. in January 2007.

On September 12, 2005, the Company entered into a binding Agreement for Purchase and Sale of Shares with Calvin E. Bergman, Lynn E. Bergman, Jerry L. Bergman, Barbara A. Vance and Marvin Bergman, individually, to acquire all the issued and outstanding shares of common stock of Ney Oil Company, an Ohio corporation ("Ney Oil Company") for

\$5,000,000. The Company abandoned its plans to acquire Ney Oil Company on January 18, 2007.



On September 12, 2005, the Company entered into a Letter of Intent with Terry Robbins, President of Ohio Valley Lumber, to acquire all the issued and outstanding shares of common stock of NKR, Inc, d.b.a. Ohio Valley Lumber, a Delaware corporation ("NKR") for \$8,000,000.00. The Company abandoned its plans to acquire NKR, Inc. on February 26, 2007.

On September 21, 2005, the Company entered into a binding Acquisition Agreement with Terry L. Lee and Gary D. Lee, individually, to acquire all the issued and outstanding shares of common stock of Lee Oil Company, Inc., a Virginia corporation, Lee Enterprises, Inc., a Kentucky corporation and Lee's Food Marts LLC, a Tennessee Limited Liability Company, (collectively hereinafter "Lee Oil Company") for \$6,000,000.00. The Company is currently renegotiating the terms of the acquisition agreement.

On September 26, 2005, the Company entered into a binding Acquisition Agreement with Robert Daniel, Karol K. Hart-Bendure, M. Lucille Daniel, and Joe M. Daniel, individually, to acquire all the issued and outstanding shares of common stock of Schultz Oil Company, Inc., an Ohio Corporation ("Schultz Oil Company") for \$3,500,000 consisting of \$1,500,000 in cash at closing and 1,000,000 of common stock. In the event the common stock of the Company does not have a value of at least \$2.00 as of September 26, 2007, the Company is required to compensate the shareholders for the difference with the issuance of additional shares. The Company abandoned its plans to acquire Schultz Oil Company on January 18, 2007.

## (C) BUSINESS

Our mission is to become a leading diversified company with business interests in well established industries. We plan to successfully grow our revenues by acquiring companies with historically profitable results, strong balance sheets, high profit margins, and solid management teams in place. By providing access to financial markets, expanded marketing opportunities and operating expense efficiencies, we hope to become the facilitator for future growth and higher long-term profits. In the process, we hope to develop new synergies among the acquired companies, which should allow for greater cost effectiveness and efficiencies, thus further enhancing each individual company's strengths. To date, we have completed an acquisition in the steel fabrication industry. Additionally, we have identified acquisition opportunities in gasoline distribution and equipment distribution.

We are headquartered in Middlesboro, Kentucky and currently trade on the OTC Bulletin Board under the symbol HTLJ.OB. Including the senior management team, we currently employ 71 people.

Currently, we operate one major subsidiary as follows:

Mound Technologies, Inc. of Springboro, OH acquired in December 2003 (Steel Fabrication)

### STEEL FABRICATION

Mound Technologies, Inc. ("Mound") was incorporated in the state of Nevada in November of 2002, with its corporate offices located in Springboro, Ohio. Mound is in the business of Steel Fabrication ("Steel Fabrication").

Mound is located in Springboro, Ohio and is a full service structural and miscellaneous steel fabricator. It also manufactures steel stairs and railings, both industrial and architectural quality. The present capacity of the facility is approximately 6,000 tons per year of structural and miscellaneous steel. Mound had been previously known as Mound

Steel Corporation, which was started at the same location in 1964.

Mound is focused on the fabrication of metal products. Mound produces structural steel, miscellaneous metals, steel stairs, railings, bar joists, metal decks and the erection thereof. Mound produced gross sales of approximately \$7.4 million in 2004. In the steel products segment, steel joists and joist girders, and steel deck are sold to general contractors and fabricators throughout the United States. Substantially all work is to order and no unsold inventories of finished products are maintained. All sales contracts are firm fixed-price contracts and are normally competitively bid against other suppliers. Cold finished steel and steel fasteners are manufactured in standard sizes and inventories are maintained.

This division's customers are typically U.S. based companies that require large structural steel fabrication, with needs such as building additions, new non-residential construction, etc. Customers are typically located within a one-day drive from the Company's facilities. The Company is able to reach 70% of the U.S. population, yielding a significant potential customer base. Marketing of the Division's products is done by advertising in industry directories, word-of-mouth from existing customers, and by the dedicated efforts of in-house sales staff monitoring business developments opportunities within the Company's region. Large clients typically work with the Company on a continual basis for all their fabricated metal needs.

Competition overall in the U.S. steel fabrication industry has been reduced by approximately 50% over the last few years due to economic conditions leading to the lack of sustained work. The number of regional competitors has gone down from ten (10) to three (3) over the past five years. Larger substantial work projects have declined dramatically with the downturn in the economy. Given the geographical operating territory of the Company, foreign competition is not a major factor. In addition to competition, steel pricing represents another significant challenge. The cost of steel, our highest input cost, has seen significant increases in recent years. The Company will manage this challenge by stockpiling the most common steel component products and incorporating price increases in job pricing as deemed appropriate.

#### Competition and Other Factors

We are subject to a wide variety of federal, state, and international environmental laws, rules, and regulations. These laws, rules, and regulations may affect the way we conduct our operations, and failure to comply with these regulations could lead to fines and other penalties.

Competition within the steel industry, both in the United States and globally, is intense and expected to remain so. Mound competes with large U.S. competitors such as United States Steel Corporation, Nucor Corporation, AK Steel Holding Corporation, Ispat Inland Inc. and IPSCO Inc along with a number of local suppliers. The steel market in the United States is also served by a number of non-U.S. sources and U.S. supply is subject to changes in worldwide demand and currency fluctuations, among other factors.

More than 35 U.S. companies in the steel industry have declared bankruptcy since 1997 and have either ceased production or more often continued to operate after being acquired or reorganized. In addition, many non-U.S. steel producers are owned and subsidized by their governments and their decisions with respect to production and sales may be influenced by political and economic policy considerations rather than by prevailing market conditions. The steel industry is highly cyclical in nature and subject to significant fluctuations in demand as a result of macroeconomic changes in global economies, including those resulting from currency volatility. The global steel industry is also generally characterized by overcapacity, which can result in downward pressure on steel prices and gross margins.

Mound competes with other flat-rolled steel producers (both integrated steel mills and mini-mills) and producers of plastics, aluminum, ceramics, carbon fiber, concrete, glass, plastic and wood that can be used in lieu of flat-rolled steels in manufactured products. Mini-mills generally offer a narrower range of products than integrated steel mills but can have some cost advantages as a result of their different production processes.

Price, quality, delivery and service are the primary competitive factors in all markets that Mound serves and vary in relative importance according to the product category and specific customer.

In some areas of our business, we are primarily an assembler, while in others we serve as a fully integrated manufacturer. We have strategically identified specific core manufacturing competencies for vertical integration and have chosen outside vendors to provide other products and services. We design component parts in cooperation with our vendors, contract with them for the development of tooling, and then enter into agreements with these vendors to purchase component parts manufactured using the tooling. Operations are also designed to be flexible enough to accommodate product design changes required to respond to market demand.

## Raw Materials

Mound's business depends on continued access to reliable supplies of various raw materials. Mound believes there will be adequate sources of its principal raw materials to meet its near term needs, although probably at higher prices than in the past.

## UNFAIR TRADE PRACTICES AND TRADE REMEDIES

Under international agreement and U.S. law, remedies are available to domestic industries where imports are "dumped" or "subsidized" and such imports cause material injury to a domestic industry. Dumping involves selling for export a product at a price lower than the same or similar product is sold in the home market of the exporter or where the export prices are lower than a value that typically must be at or above the full cost of production. Subsidies from governments (including, among other things, grants and loans at artificially low interest rates) under certain circumstances are similarly actionable. The remedy available is an antidumping duty order or suspension agreement where injurious dumping is found and a countervailing duty order or suspension agreement where injurious subsidization is found. When dumping or subsidies continue after the issuance of an order, a duty equal to the amount of dumping or subsidization is imposed on the importer of the product. Such orders and suspension agreements do not prevent the importation of product, but rather require either that the product be priced at an un-dumped level or without the benefit of subsidies or that the importer pay the difference between such undumped or unsubsidized price and the actual price to the U.S. government as a duty.

## SECTION 201 TARIFFS

On March 20, 2002, in response to an investigation initiated by the office of the President of the United States under Section 201 of the Trade Act of 1974, the President of the United States imposed a remedy to address the serious injury to the domestic steel industry that was found. The remedy was an additional tariff on specific products up to 30% (as low as 9%) in the first year and subject to reductions each year. The remedy provided was potentially for three years and a day, subject to an interim review after 18 months as to continued need. On December 4, 2003 by Proclamation 7741, the President of the United States terminated the import relief provided under this law pursuant to Section 204(b) (1) (A) of the Trade Act of 1974 on the basis that "the effectiveness of the action taken under Section 203 has been impaired by changed economic circumstances" based upon a report from the U.S. International Trade Commission and the advice from the Secretary of Commerce and the Secretary of Labor. Thus, no relief under this law was provided to domestic producers during 2006.

## ENVIRONMENTAL MATTERS

Mound's operations are subject to a broad range of laws and regulations relating to the protection of human health and the environment. Mound expects to expend in the future, substantial amounts to achieve or maintain ongoing compliance with U.S. federal, state, and local laws and regulations, including the Resource Conservation and Recovery Act (RCRA), the Clean Air Act, and the Clean Water Act. These environmental expenditures are not projected to have a material adverse effect on Mound's financial position or on Mound's competitive position with respect to other similarly situated U.S. steelmakers subject to the same environmental requirements.



## GENERAL

The Company's mission is to become a leading diversified company with business interests in well established industries.

In addition to the risks identified above the Company also faces risks of its own. The Company is reliant upon identifying, contracting and financing each acquisition it identifies. Since the Company is in its early stages, it may not be able to obtain the necessary funding to continue its growth plan. Additionally, the potential synergies identified with each of the acquisitions may not materialize to the extent, if at all, as initially identified.

### Employees

As of April 17, 2008, we employed 71 employees. From time to time, we also retain consultants, independent contractors, and temporary and part-time workers.

We believe our relationship with our current employees is good. Our employees are not represented by a labor union. Our success is dependent, in part, upon our ability to attract and retain qualified management and technical personnel and subcontractors. Competition for these personnel is intense, and we will be adversely affected if we are unable to attract key employees. We presently do not have a stock option plan for key employees and consultants.

### Customers

Overall, our management believes that long-term we are not dependent on a single customer. While the loss of any substantial customer could have a material short-term impact, we believe that our diverse distribution channels and customer base should reduce the long-term impact of any such loss.

## ITEM 2 DESCRIPTION OF PROPERTY

The following properties are used in the operation of our business:

Our principal executive and administrative offices are located at 1501 Cumberland Gap Parkway, Middlesboro, Kentucky 40965. Our phone number is (606) 248-7323. We utilize approximately 2,000 square feet on a month to month lease for \$2,000 per month. This space may not be sufficient for us as we add employees to the corporate staff. In light of this the corporation will evaluate its office needs and determine the best option as we continue to grow.

In Springboro, Ohio we lease approximately 39,000 square feet pursuant to a five year lease with a stockholder of the company. The lease calls for monthly payments of \$16,250 and expires August 31, 2010. The facilities include 34,000 square feet which is used for manufacturing and 5,000 square feet for office space. The space is used by Mound. The Company is currently in negotiation to acquire the property.

## ITEM 3 LEGAL PROCEEDINGS

In the normal course of our business, we and/or our subsidiaries are named as defendants in suits filed in various state and federal courts. We believe that none of the litigation matters in which we, or any of our subsidiaries, are involved would have a material adverse effect on our consolidated financial condition or operations.

There is no past, pending or, to our knowledge, threatened litigation or administrative action which has or is expected by our management to have a material effect upon our business, financial condition or operations, including any litigation or action involving our officers, directors, or other key personnel.

## ITEM 4 SUBMISSIONS OF MATTERS TO A VOTE OF SECURITY HOLDERS

None

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

Our common stock has been quoted on the OTC Bulletin Board since August 2002. Our symbol is "HTLJ". For the periods indicated, the following table sets forth the high and low bid prices per share of common stock. These prices represent inter-dealer quotations without retail markup, markdown, or commission and may not necessarily represent actual transactions.

	HIGH	LOW
FISCAL YEAR ENDED DECEMBER 31, 2007		
First Quarter	0.50	0.17
Second Quarter	0.33	0.11
Third Quarter	0.27	0.13
Fourth Quarter	0.65	0.18
FISCAL YEAR ENDED DECEMBER 31, 2006		
First Quarter	0.82	0.33
Second Quarter	0.50	0.50
Third Quarter	0.25	0.25
Fourth Quarter	0.40	0.40

## Common Stock

The Company has authorized 100,000,000 shares of common stock with a par value of \$.001 per share. As of December 31, 2007, the Company had 36,567,105 shares of common stock issued and outstanding.

During the year ended December 31, 2007, the Company's common stock transactions were as follows:



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Issued 1,182,000 common shares for services valued at \$411,570, including 650,000 shares valued at \$211,250 issued to members of the Board of Directors.

The company issued an additional 3,082,000 including the 1,000,000 shares issued in connection with the new CEO employment package and other various services rendered or monies received during 2007 bringing the total shares issued in 2007 to 4,264,000.

As of April 11, 2008, there were 37,147,105 shares of common stock outstanding.

As of April 11, 2008, there were approximately 774 stockholders of record of our common stock. This does not reflect those shares held beneficially or those shares held in "street" name.

We did not pay cash dividends in the past, nor do we expect to pay cash dividends for the foreseeable future. We anticipate that earnings, if any, will be retained for the development of our business.

#### Preferred Stock

The Company has 5,000,000 shares of preferred stock authorized with a par value of \$.001. As of December 31, 2007, the Company has 2,370,000 shares of Series A Convertible Preferred Stock issued and outstanding. The preferred stock has a face value of \$0.25 per share and the basis of conversion is one share of the Company's common stock for each share of preferred stock. The preferred stock has liquidation priority rights over all other stockholders. The preferred shares can be converted at any time at the option of the stockholder, but will convert automatically at the end of three years into the Company's common stock. All but 120,000 of these preferred shares had been issued as of the end of the year.

#### Transfer Agent

The Company's transfer agent and registrar of the common stock is Securities Transfer Corporation, 2591 Dallas Parkway, Suite 102, Frisco, Texas 75034

#### Warrants

The preferred shares include a Series A and Series B common stock purchase warrant. The Series A warrant allows the holder to purchase 20% of the number of preferred shares purchased at \$0.75 per share; the Series B warrant allows the holder to purchase 20% of the number of preferred shares purchased at \$1.00 per share. Both series of warrants are exercisable over a three year period. The Company can call in the warrants after 12 months if the price of the common stock in the market is 150% of the warrant price for 10 consecutive days. The company had 2,370,000 shares of Series A Convertible Preferred Stock issued and outstanding as of December 31, 2007.

#### Options

The Company has one employee non-statutory stock option agreement as detailed in Form 8-K filed on June 28, 2007. This particular option was granted with Board approval to Terry L. Lee and contains the option to purchase 1,822,504 shares of common stock at an exercise price of \$0.33 over a pro-rata five year basis. All shares issued under this option would be restricted and any portion of the option not exercised by June 26, 2012 will expire.

#### Penny Stock Considerations

Because our shares trade at less than \$5.00 per share, they are “penny stocks” as that term is generally defined in the Securities Exchange Act of 1934 to mean equity securities with a price of less than \$5.00. Our shares thus will be subject to rules that impose sales practice and disclosure requirements on broker-dealers who engage in certain transactions involving a penny stock.

Under the penny stock regulations, a broker-dealer selling a penny stock to anyone other than an established customer or accredited investor must make a special suitability determination regarding the purchaser and must receive the purchaser’s written consent to the transaction prior to the sale, unless the broker-dealer is otherwise exempt. Generally, an individual with a net worth in excess of \$1,000,000 or annual income exceeding \$100,000 individually or \$300,000 together with his or her spouse is considered an accredited investor. In addition, under the penny stock regulations the broker-dealer is required to:

- \* Deliver, prior to any transaction involving a penny stock, a disclosure schedule prepared by the Securities and Exchange Commission relating to the penny stock market, unless the broker-dealer or the transaction is otherwise exempt;
- \* Disclose commissions payable to the broker-dealer and our registered representatives and current bid and offer quotations for the securities;
- \* Send monthly statements disclosing recent price information pertaining to the penny stock held in a customer's account, the account's value and information regarding the limited market in penny stocks; and
- \* Make a special written determination that the penny stock is a suitable investment for the purchaser and receive the purchaser's written agreement to the transaction, prior to conducting any penny stock transaction in the customer's account.

Because of these regulations, broker-dealers may encounter difficulties in their attempt to sell shares of our common stock, which may affect the ability of selling shareholders or other holders to sell their shares in the secondary market and have the effect of reducing the level of trading activity in the secondary market. These additional sales practice and disclosure requirements could impede the sale of our securities, if our securities become publicly traded. In addition, the liquidity for our securities may be decreased, with a corresponding decrease in the price of our securities. Our shares in all probability will be subject to such penny stock rules and our shareholders will, in all likelihood, find it difficult to sell their securities.

#### Dividends

We do not anticipate paying dividends on any common shares of stock in the foreseeable future. We plan to retain any future earnings for use in our business. Any decisions as to future payments of dividends will depend on our earnings and financial position and such other facts as the Board of Directors deems relevant. The outstanding preferred shares of stock do carry an annual 10% stock dividend until converted at the option of the stockholder or automatically after three years from the date of purchase.

#### Recent Sales of Unregistered Securities

In January 2008 the company issued 580,000 shares to 10 individuals in a private placement.

In February 2007 the company issued 1,348,636 shares to 12 individuals in a private placement and issued 200,000 shares to BullMarketMadness.com; 40,000 to the law firm of Sichenzia Ross Friedman Ference LLP; and 40,000 shares to smallcapvoice.com for services rendered to the company; and issued 250,000 shares to board member Trent Sommerville; 200,000 shares to board member Jerry Gruenbaum and 200,000 shares to board member Kenneth B. Farris as compensation.

The company issued a total of 4,264,000 shares of common stock in 2007 including the 1,000,000 shares issued in connection with the new CEO employment package and other various services rendered or monies received during 2007.

We relied upon Section 4(2) of the Securities Act of 1933, as amended for the above issuances. We believed that Section 4(2) was available because:

- \* None of these issuances involved underwriters, underwriting discounts or commissions;
- \* We placed restrictive legends on all certificates issued;
- \* No sales were made by general solicitation or advertising;
- \* Sales were made only to accredited investors or investors who were sophisticated enough to evaluate the risks of the investment.

In connection with the above transactions, although some of the investors may have also been accredited, we provided the following to all investors:

- \* Access to all our books and records.
- \* Access to all material contracts and documents relating to our operations.
- \* The opportunity to obtain any additional information, to the extent we possessed such information, necessary to verify the accuracy of the information to which the investors were given access.

ITEM 6 MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATIONS

Overview

The following discussion should be read in conjunction with the financial statements for the year ended December 31, 2007 included with this Form 10-KSB.

The following discussion and analysis provides certain information, which the Company's management believes is relevant to an assessment and understanding of the Company's results of operations and financial condition for the year ended December 31, 2007.

The statements contained in this section that are not historical facts are forward-looking statements (as such term is defined in the Private Securities Litigation Reform Act of 1995) that involve risks and uncertainties. Such forward-looking statements may be identified by, among other things, the use of forward-looking terminology such as "believes," "expects," "may," "will," "should" or "anticipates" or the negative thereof or other variations thereon or comparative terminology, or by discussions of strategy that involve risks and uncertainties. From time to time, we or our representatives have made or may make forward-looking statements, orally or in writing. Such forward-looking statements may be included in our various filings with the SEC, or press releases or oral statements made by or with the approval of our authorized executive officers.

These forward-looking statements, such as statements regarding anticipated future revenues, capital expenditures and other statements regarding matters that are not historical facts, involve predictions. Our actual results, performance or achievements could differ materially from the results expressed in, or implied by, these forward-looking statements. We do not undertake any obligation to publicly release any revisions to these forward-looking statements or to reflect the occurrence of unanticipated events. Many important factors affect our ability to achieve its objectives, including, among other things, technological and other developments in the Internet field, intense and evolving competition, the lack of an "established trading market" for our shares, and our ability to obtain additional financing, as well as other risks detailed from time to time in our public disclosure filings with the SEC.

The Company was incorporated in the State of Maryland on April 6, 1999 as Origin Investment Group, Inc. ("Origin"). On December 27, 2001, the Company went through a reverse merger with International Wireless, Inc. Thereafter on January 2, 2002, the Company changed its name from Origin to International Wireless, Inc. On November 15, 2003, the Company went through a reverse merger with PMI Wireless, Inc. Thereafter in May 2004, the Company changed its name from International Wireless, Inc. to our current name, Heartland Inc.

The Company was originally formed as a non-diversified closed-end management investment company, as those terms are used in the Investment Company Act of 1940 ("1940 Act"). The Company at that time elected to be regulated as a business development company under the 1940 Act. On December 7, 2001 the Company's shareholders voted on withdrawing the Company from being regulated as a business development company and thereby no longer be subject to the 1940 Act.

The Company's original investment strategy when it was regulated as a business development company under the 1940 Act was to invest in a diverse portfolio of private companies that could be used to build an Internet infrastructure by offering hardware, software and/or services which enhance the use of the Internet. Prior to its reverse merger with International Wireless, the Company identified two eligible portfolio companies within which they entered into agreements to acquire interests within such companies and to further invest capital in these companies to further develop their business. However, on each occasion and prior to each closing, the Company was either unable to raise sufficient capital to consummate the transaction or discovered information which modified its understanding of the eligible portfolio company's financial status to such an extent where it was unadvisable for it to continue and consummate the transaction.

From December 27, 2001 through June 2003, the Company attempted to develop its bar code technology and bring it to market. To that extent, the Company moved its operations to Woburn, Massachusetts, hired numerous computer programmers, developers and sales people in addition to support staff. Due to the Company's inability to raise sufficient capital, the Company was unable to pay current operating expenses and by June, 2003 shut down its operations entirely.

On August 29, 2003, a change in control of the Company occurred in conjunction with naming Attorney Jerry Gruenbaum of First Union Venture Group, LLC as attorney of record for the purpose of overseeing the proper disposition of the Company and its remaining assets and liabilities by any means appropriate, including settling any and all liabilities to the U.S. Internal Revenue Service and the Commonwealth of Massachusetts' Attorney General's office for unpaid wages.

In conjunction with naming Attorney Jerry Gruenbaum of First Union Venture Group, LLC as attorney of record for the purpose of overseeing the proper disposition of the Company and its remaining assets and liabilities, the Company issued First Union Venture Group, LLC, a Nevada Limited Liability Company, Thirty Million (30,000,000) newly issued common shares as consideration for their services. In addition, the Company canceled any and all outstanding options, warrants, and/or debentures not exercised to date. The Company further nullified any and all salaries, bonuses, and benefits including severance pay and accrued salaries to Stanley A. Young and Michael Dewar.

On November 12, 2003, the Company approved the spin-off of the two subsidiaries of the Company and any and all remaining assets of the Company, including any intellectual property, to enable the Company to pursue a suitable merger candidate. In addition, the Company approved a 30 to 1 reverse split of all existing outstanding common shares of the Company. Following the 30 to 1 reverse split, the Company had 1,857,137 shares of common stock outstanding.

On November 15, 2003, a change in control of the Company occurred when the Company went through a reverse merger with PMI Wireless, Inc., a Delaware corporation with corporate headquarters located in Cordova, Tennessee. The acquisition, took place on December 1, 2003 for the aggregate consideration of fifty thousand dollars (\$50,000) which was paid to the U.S. Internal Revenue Service for the Company's prior obligations, plus assumption of the Company's existing debts, for 9,938,466 newly issued common shares of the Company. Under the said reverse merger, the former Shareholders of PMI Wireless ended up owning an 84.26% interest in the Company.

On December 10, 2003, the Company acquired 100% of Mound Technologies, Inc. ("Mound"), a Nevada corporation with its corporate headquarters located in Springboro, Ohio. The acquisition was a stock for stock exchange in which the Company acquired all of the issued and outstanding common stock of Mound in exchange for 1,256,000 newly issued shares of its common stock. As a result of this transaction, Mound became a wholly owned subsidiary of the Company.

In May 2004, the Company changed its name from International Wireless, Inc. to our current name, Heartland, Inc.

On December 27, 2004, the Company acquired 100% of Monarch Homes, Inc., a Minnesota corporation with its corporate headquarters located in Ramsey, MN for \$5,000,000. On June 21, 2006, the Company agreed to accept the rescission of the December, 2004 acquisition agreement from Monarch Homes, Inc. effective June 1, 2006.

On December 30, 2004, the Company acquired 100% of Evans Columbus, LLC, an Ohio corporation with its corporate headquarters located in Blacklick, OH for \$3,005,000. On June 21, 2006, the Company agreed to accept the rescission of the December, 2004 acquisition agreement from Evans Columbus, LLC effective March 31, 2006.



On December 31, 2004, the Company acquired 100% of Karkela Construction, Inc., a Minnesota corporation with its corporate headquarters located in St. Louis Park, MN for \$3,000,000. The acquisition price consisted of the following:

- \* \$100,000 at closing,
- \* a short term promissory note payable of \$50,000 on or before January 31, 2005,
- \* a promissory note of \$1,305,000 payable on or before March 31, 2005 which, if not paid by that date, interest is due from December 31, 2004 to actual payment at 8%, simple interest, compounded annually and
- \* 500,000 restricted newly issued shares of the Company's common stock provided at closing.

In the event the common stock of the Company is not trading at a minimum of \$4.00 as of December 31, 2005, the Company was required to compensate the original Karkela shareholders for the difference in additional stock. As a result of the aforementioned, the Company issued the former Karkela shareholders 262,500 shares of common stock on March 20, 2006. On November 1, 2007, the Company elected to discontinue efforts with respect of the December, 2004 acquisition agreement from Karkela Construction, Inc. effective June 30, 2007.

On July 29, 2005, the Company entered into a binding Stock Purchase Agreement with Steven Persinger, an individual, to acquire all the issued and outstanding shares of common stock of Persinger Equipment, Inc., a Minnesota corporation ("Persinger") for \$4,735,000. The Company abandoned its plans to acquire Persinger Equipment, Inc in January 2007.

On September 12, 2005, the Company entered into a binding Agreement for Purchase and Sale of Shares with Calvin E. Bergman, Lynn E. Bergman, Jerry L. Bergman, Barbara A. Vance and Marvin Bergman, individually, to acquire all the issued and outstanding shares of common stock of Ney Oil Company, an Ohio corporation ("Ney Oil Company") for \$5,000,000. On January 18, 2007 the Company abandoned its plans to acquire Ney Oil Company.

On September 12, 2005, the Company entered into a Letter of Intent with Terry Robbins, President of Ohio Valley Lumber, to acquire all the issued and outstanding shares of common stock of NKR, Inc, d.b.a. Ohio Valley Lumber, a Delaware corporation ("NKR") for \$8,000,000.00. The Company abandoned its plans to acquire NKR, Inc. on February 26, 2007.

On September 21, 2005, the Company entered into a binding Acquisition Agreement with Terry L. Lee and Gary D. Lee, individually, to acquire all the issued and outstanding shares of common stock of Lee Oil Company, Inc., a Virginia corporation, Lee Enterprises, Inc., a Kentucky corporation and Lee's Food Marts LLC, a Tennessee Limited Liability Company, (collectively hereinafter "Lee Oil Company") for \$6,000,000.00. The Company is currently renegotiating the final terms of the acquisition agreement. On June 27, 2007, Terry Lee was named CEO of the Company.

On September 26, 2005, the Company entered into a binding Acquisition Agreement with Robert Daniel, Karol K. Hart-Bendure, M. Lucille Daniel, and Joe M. Daniel, individually, to acquire all the issued and outstanding shares of common stock of Schultz Oil Company, Inc., an Ohio Corporation ("Schultz Oil Company") for \$3,500,000 consisting of \$1,500,000 in cash at closing and 1,000,000 of common stock. On January 18, 2007 the Company abandoned its plans to acquire Schultz Oil Company.

## Results of Operations

**Revenues:** Our consolidated revenues increased \$2,190,819, or 18%, to \$14,112,726 in 2007 compared to \$11,921,907 for the prior year. One of the primary reasons for the increase in the sales figures as well as the cost of goods sold would be the increase in the cost of raw materials related to the steel industry. Contracts are bid with an escalating clause in order to cover such increase. Additionally, the jobs scheduled for the steel fabrication business were booked well in advance for most of 2007 and into 2008. Having the ability to schedule the work ahead of time makes the operations a little more efficient and more can naturally get done in the same amount of time without requiring more resources.

**Share-Based Compensation:** The largest difference in the expenses was the reduction in share-based compensation from \$2,982,278 in 2006 to \$806,878 in 2007, or a 73% reduction in those expenses. This helped the company to lower the operating loss from (\$2,555,232) in 2006 to (\$1,016,231) in 2007.

**Discontinued Operations:** The Company is trying to lower expenses even more by discontinuing the operations that were not generating a positive cash flow and causing a drain on the profitable operations. The last of the construction segments, Karkela, was discontinued effective June 30, 2007. Two other related segments had been discontinued in 2006.

**Rent:** The Company is currently leasing the building in Springboro, OH for \$16,250 per month and is currently negotiating with the owner to purchase the building. This should allow for a reduction of the rent expense of \$195,000 per year with no additional maintenance. The sale is expected to be completed sometime in the second quarter.

**Depreciation and Amortization:** Depreciation and amortization increased from \$59,864 in 2006 to \$67,557 in 2007. One of the causes for this increase would be the Company recording a capitalized lease on individual overhead cranes at the steel fabrication shop in Springboro.

**Loss per Common Share:** Our earnings per common share fell from a profit of \$.16 per share in 2006 to a loss per common share of (\$.03) in 2007. The dramatic change in earnings per common share can be attributed to (i) a \$6,970,905 gain from discontinued operation in 2006 as compared to a gain of \$213,721 from discontinued operations in 2007 and (ii) the preferred stock dividends declared in 2007 of \$162,286.

## Liquidity and Capital Resources

As reflected in our consolidated financial statements, we incurred a loss of (\$1,038,832) in 2007 as compared to a profit of \$4,103,133 in 2006.

In response to these conditions, commencing in June 2007, our Board of Directors initiated the restructuring of our management, led by the replacement of our Chief Executive Officer. Our executive restructuring further included the replacement of our Chief Financial Officer. Led by our newly appointed CEO and supported by our Board of Directors, our restructured management team has developed a strategic plan to alleviate our liquidity shortfalls, curtail expenses and, ultimately, achieve profitability. Since June 2007, execution of this plan has included the substantial curtailment of operating costs and expenses, principally in the area of outside consultants and professionals. However, in addition to the restructuring of our current operations, we are currently evaluating certain substantial financing arrangements, performing due diligence procedures on certain acquisition candidates and carefully considering other strategic initiatives to bring the Company into a state of profitability and continued growth.

## Subsequent Events

The Company filed a Form 4 on March 10, 2008 relating to Jerry Gruenbaum no longer being subject to Section 16 reporting requirements.

The Company filed a Form 8-K on March 11, 2008 relating to the appointment of Randy Frevert as a director of the company in order to fill the vacancy left when Jerry Gruenbaum resigned from the Board of Directors.

ITEM 7. FINANCIAL STATEMENTS

HEARTLAND, INC. AND SUBSIDIARIES

FINANCIAL STATEMENTS

FOR THE YEAR ENDED  
DECEMBER 31, 2007

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MEYLER & COMPANY, LLC  
CERTIFIED PUBLIC ACCOUNTANTS  
ONE ARIN PARK  
1715 HIGHWAY 35  
MIDDLETOWN, NJ 07748

Report of Independent Registered Public Accounting Firm

To the Board of Directors  
Heartland, Inc.  
Cumberland Gap, Tennessee

We have audited the accompanying consolidated balance sheets of Heartland, Inc. and Subsidiaries as of December 31, 2007 and 2006 and the related consolidated statements of operations, stockholders' equity and cash flows for each of the years in the two-year period ended December 31, 2007. Heartland, Inc.'s management is responsible for these financial statements. Our responsibility is to express an opinion on these financial statements 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. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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, Inc. and Subsidiaries as of December 31, 2007 and 2006, and the results of its operations and its cash flows for each of the years in the two-year period ended December 31, 2007, in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note A to the consolidated financial statements, the Company has a loss from continuing operations of \$1,090,267 in 2007 and an accumulated deficit of \$14,958,608 at December 31, 2007, and there are existing uncertain conditions which the Company faces relative to its obtaining capital in the equity markets. These conditions raise substantial doubt about its ability to continue as a going concern. Management's plans regarding those matters also are described in Note A. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ Meyler & Company, LLC

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Middletown, NJ  
April 10, 2008

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## HEARTLAND, INC. AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS

## ASSETS

	December 31,	
	2007	2006
<b>CURRENT ASSETS</b>		
Cash	\$ 216,570	\$ 249,209
Accounts receivable net of allowance for doubtful accounts of \$187,680 and \$196,376, respectively	3,188,591	2,902,851
Costs and estimated earnings in excess of billings on uncompleted contracts	311,899	553,577
Inventory	904,409	858,191
Prepaid expenses and other	1,259	1,000
Total current assets	4,622,728	4,564,828
<b>PROPERTY, PLANT AND EQUIPMENT, net of accumulated depreciation of \$509,392 and \$523,838, respectively</b>	<b>701,168</b>	<b>919,655</b>
<b>OTHER ASSETS</b>		
Other assets	426,321	4,149
Total other assets	426,321	4,149
<b>Total assets</b>	<b>\$ 5,750,217</b>	<b>\$ 5,488,632</b>

See accompanying notes to financial statements.



## HEARTLAND, INC. AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS

## LIABILITIES AND STOCKHOLDERS' EQUITY

	December 31,	
	2007	2006
<b>CURRENT LIABILITIES</b>		
Convertible promissory notes payable	\$ 53,450	\$ 63,450
Current portion of notes payable	24,604	39,471
Current portion of notes payable to related parties	89,156	87,903
Current portion of capital lease	8,320	--
Accounts payable	2,167,027	1,992,978
Obligations to related parties	12,008	50,000
Accrued payroll and related taxes	292,769	683,073
Accrued interest	124,847	51,278
Accrued expenses	587,942	243,902
Billings in excess of costs and estimated earnings on uncompleted contracts	195,432	253,497
Net liabilities of entities discontinued	--	213,721
<b>Total Current Liabilities</b>	<b>3,555,555</b>	<b>3,679,273</b>
<b>LONG-TERM OBLIGATIONS</b>		
Notes payable, less current portion	180,799	428,501
Notes payable to related parties, less current portion	403,607	475,005
Capital leases, less current portion	26,571	--
<b>Total Long Term Liabilities</b>	<b>610,977</b>	<b>903,506</b>
<b>STOCKHOLDERS' EQUITY</b>		
Preferred stock \$0.001 par value 5,000,000 shares authorized, 2,370,000 shares issued and outstanding	2,370	--
Additional paid-in capital – preferred stock	713,567	--
Common stock, \$0.001 par value 100,000,000 shares authorized; issued and outstanding 36,567,105 and 32,303,105 shares at December 31, 2007 and 2006, respectively	36,566	32,303
Additional paid-in capital	15,789,790	14,832,175
Accumulated deficit	(14,958,608)	(13,958,625)
<b>Total Stockholders' Equity</b>	<b>1,583,685</b>	<b>905,853</b>
<b>Total Liabilities and Stockholders' Equity</b>	<b>\$ 5,750,217</b>	<b>\$ 5,488,632</b>

See accompanying notes to financial statements.

HEARTLAND, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF OPERATIONS

	December 31,	
	2007	2006
REVENUE - SALES	\$ 14,112,726	\$ 11,921,907
<b>COSTS AND EXPENSES</b>		
Cost of goods sold	12,641,424	10,098,960
Selling, general and administrative expenses	2,419,976	4,318,315
Depreciation and amortization	67,157	59,864
Total Costs and Expenses	15,128,957	14,477,139
NET OPERATING LOSS	(1,016,231)	(2,555,232)
<b>OTHER INCOME (EXPENSE)</b>		
Other income	10,945	110,849
Gain (loss) on disposal of property, plant and equipment	32,763	(3,540)
Interest expense	(117,744)	(419,849)
Total Other Income (Expense)	(74,036)	(3,121,400)
<b>LOSS FROM CONTINUING OPERATIONS</b>		
BEFORE INCOME TAXES	(1,090,267)	(2,867,772)
FEDERAL AND STATE INCOME TAXES	--	--
LOSS FROM CONTINUING OPERATIONS	(1,090,267)	(2,867,772)
<b>DISCONTINUED OPERATIONS:</b>		
Income from discontinued operations (net of income tax expense of \$0)	82,196	84,800
Gain on disposal of discontinued operations (net of income tax expense of \$0)	131,525	4,004,060
Loss from discontinued operations of VIEs (net of income tax expense of \$0)	--	(12,692)
Gain on disposal of discontinued operations of VIEs (net of income tax expense of \$0)	--	2,894,737
Total discontinued operations	213,721	6,970,905
NET (LOSS) INCOME	(876,546)	4,103,133
LESS: Preferred Dividends	(162,286)	--
NET (LOSS) INCOME AVAILABLE TO COMMON		
STOCKHOLDERS	\$ (1,038,832)	\$ 4,103,133
<b>EARNINGS (LOSS) PER COMMON SHARE</b>		
Continuing operations		
	Basic and diluted \$	\$
	(.04)	(.12)
Net income (loss)		
	Basic and diluted \$	\$
	(.03)	0.16
<b>WEIGHTED AVERAGE COMMON SHARES OUTSTANDING</b>		
Basic and diluted	35,223,242	24,923,495

See accompanying notes to financial statements.



## HEARTLAND, INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

	December 31,	
	2007	2006
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss from continuing operations before income taxes	\$ (1,090,267)	\$ (2,867,772)
Adjustments to reconcile net loss to cash flows used in operating activities:		
Share-based compensation	806,878	2,982,278
(Gain)/loss on disposal of property, plant and equipment	(32,763)	3,540
Depreciation and amortization	67,557	59,864
Acquisition deposits	--	50,000
Changes in assets and liabilities:		
(Increase) Decrease in:		
Accounts receivable	(285,740)	(1,247,886)
Costs in excess of billings on uncompleted contracts	241,678	(522,285)
Inventory	(46,218)	(171,680)
Prepays and other	(259)	105,000
Other assets	(1,130)	13,203
(Decrease) increase in:		
Accounts payable	194,049	989,808
Obligations to related parties	(7,992)	19,350
Accrued payroll taxes	(390,304)	178,329
Accrued interest	73,569	307,839
Accrued expenses	344,040	(120,983)
Billings in excess of costs on uncompleted contracts	(58,065)	1 18J61
Cash (used in) continuing operations before income taxes	(184,967)	(103,234)
Discontinued operations		
Income before income taxes	213,721	6,968,093
(Decrease) increase in net liabilities of entities discontinued	(213,721)	(630,904)
Gain on rescission of acquisitions	--	(6,335,000)
Cash provided by discontinued operations	--	2j89
<b>NET CASH (USED IN) OPERATING</b>		
<b>ACTIVITIES</b>	<b>(184,967)</b>	<b>(101,045)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from disposition of property, plant and equipment	177,715	--
Payments for other assets	(415,029)	--
Payments for property, plant and equipment	(177j34)	(44,336)
<b>NET CASH PROVIDED BY (USED IN) INVESTING</b>		
<b>ACTIVITIES</b>	<b>(414,448)</b>	<b>(44,336)</b>

See accompanying notes to financial statements.

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## HEARTLAND, INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

	December 31,	
	2007	2006
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments on convertible promissory notes payable	(10,000)	(166,985)
Payments on notes payable	(48,220)	(36,698)
Payments on notes payable to related parties	(70,145)	(49,037)
Payments of obligations by related party	--	50,000
Payment on capital lease obligation	(2,359)	--
Proceeds from issuance of common stock	135,000	509,850
Proceeds from issuance of preferred stock	562,500	--
<b>NET CASH PROVIDED BY</b>		
<b>FINANCING ACTIVITIES</b>		
	566,776	307,300
<b>(DECREASE) INCREASE IN CASH</b>	<b>(32,639)</b>	<b>161,749</b>
CASH, BEGINNING OF YEAR	249,209	87,460
CASH, END OF YEAR	\$ 216,570	\$ 249,209

See accompanying notes to financial statements.

## HEARTLAND, INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

	December 31,	
	2007	2006
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</b>		
Interest paid	\$ 44,174	\$ 112,010
Taxes paid	--	--
<b>NON-CASH INVESTING AND FINANCING ACTIVITIES</b>		
Issuance of common stock for services	734,790	2,982,278
Issuance of common stock in payment of convertible promissory notes payable		1,450,265
Issuance of common stock in payment of accrued interest		179,438
Issuance of common stock for payment of obligations to related parties	50,000	--
Issuance of preferred stock for services	30,000	--
Preferred stock dividend from imbedded beneficial conversation feature	123,437	--
Issuance of common stock and options for executive compensation	42,088	--
Purchase of equipment with a capital lease	37,250	--
Purchase of equipment under trade-in	13,000	--
Purchase of equipment with a note payable	23,823	--
Payment of note payable upon sale of property	225,172	--
Payment for other assets upon sale of property	6,013	--
Payment of accounts payable by related party	20,000	--

See accompanying notes to financial statements.

## HEARTLAND, INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

For the Years Ended December 31, 2007 and 2006

	Preferred Shares	Stock Capital	Additional Paid - In Capital	Common stock Shares	Common stock Capital	Additional paid in Capital	Accumulated Deficit	Total
Balance, December 31, 2005	--	\$ --	\$ --	23,746,024	\$ 23,746	\$ 16,053,901	\$(18,061,758)	\$(1,984,111)
Issuance of common stock for conversion of convertible notes at \$.50 per share	--	--	--	2,900,530	2,900	1,447,365	--	1,450,265
Issuance of common stock for cash at \$.17 to \$.38 per share	--	--	--	1,666,940	1,667	508,183	--	509,850
Issuance of common stock for services rendered to the company at \$.25 to \$.75 per share	--	--	--	5,230,735	5,231	2,977,047	--	2,982,278
Issuance of common stock for payments of interest on convertible notes	--	--	--	358,876	359	179,079	--	179,438
Common stock cancelled upon rescission of certain acquisitions	--	--	--	(1,600,000)	(1,600)	(6,333,400)	--	(6,335,000)
Net income for the year ended December 31, 2006	--	--	--	--	--	--	4j03j33	4j03j33
	--	\$ --	\$ --	32,303,105	\$ 32,303	\$ 14,832,175	\$(13,958,625)	\$ 905,853



Balance December  
31, 2006

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## HEARTLAND, INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

For the Years Ended December 31, 2007 and 2006

	Preferred Shares	Stock Capital	Additional Paid - In Capital	Common stock Shares	Capital	Additional paid- in Capital	Accumulated Deficit	Total
Balance December 31, 2006	--	\$ --	\$ --	32,303,105	\$ 32,303	\$ 14,832,175	\$ (13,958,625)	\$ 905,853
Issuance of common stock for cash at \$.20 - \$.325 per share	--	--	--	696,538	696	134,304	--	135,000
Issuance of common stock to Chief Executive Officer for accrued salary at \$.50 per share	--	--	--	120,000	120	59,880	--	60,000
Issuance of common stock for the settlement of amounts owed at \$.36 per share	--	--	--	77,000	77	27,643	--	27,720
Issuance of common stock to related party for services rendered at \$.24 per share	--	--	--	250,000	250	59,750	--	60,000
Issuance of common stock to Chief Executive Officer per employment agreement at \$.	--	--	--	1,000,000	1,000	--	--	1,000

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18 per share									
Issuance of common stock for services rendered at \$.19 - \$.40 per share	--	--	--	1,316,616	1,316	374,504	--	375,820	
Issuance of common stock for repayment of loans at \$.325 per share	--	--	--	153,846	154	49,846	--	50,000	
Issuance of common stock to directors for services rendered at \$.325 per share	--	--	--	650,000	650	210,600	--	211,250	
Issuance of preferred stock for cash at \$.25 per share	2,250,000	2,250	560,250	--	--	--	--	562,500	
Issuance of preferred stock for services at \$.25 per share	120,000	120	29,880	--	--	--	--	30,000	
Preferred stock dividends	--	--	123,437	--	--	--	(123,437)	--	
Share based compensation	--	--	--	--	--	41,088	--	41,088	
Net loss for the year ended December 31, 2007	--	--	--	--	--	--	(876,146)	(876,546)	
Balance at December 31, 2007	2,370,000	\$ 2,370	\$ 713,567	36,567,105	\$ 36,566	\$ 15,789,790	\$ (14,958,608)	\$ 1,583,685	

See accompanying notes to financial statements.

HEARTLAND, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2007

NOTE A - PRINCIPLES OF CONSOLIDATION AND NATURE OF BUSINESS

The consolidated financial statements include the accounts of Heartland, Inc. (formerly International Wireless, Inc.) (“Heartland”) and its wholly owned subsidiary, Mound Technologies, Inc. (“Mound”) a steel fabricator acquired in December, 2003.

Karkela Construction, Inc., a commercial construction contractor, acquired in December 2004 has been discontinued effective July 1, 2007.

Going Concern Uncertainty and Management’s Plans

As reflected in the accompanying financial statements, the Company had a loss from continuing operations of \$1,090,267 and an accumulated deficit of \$14,958,608 for the year ended and as of December 31, 2007. The Company is currently seeking financing in order to acquire additional profitable companies. Failure to raise equity capital or secure some other form of long-term debt arrangement would prohibit the Company from acquiring additional profitable companies. There are no assurances that the Company will succeed in obtaining equity or debt financing or if it is successful that it will be able to locate favorable companies to acquire.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Cash and Cash Equivalents

The company considers all highly-liquid investments, with a maturity of three months or less when purchased, to be cash equivalents.



HEARTLAND, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2007

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Income (Loss) Per Common Share

The Company computes per share amounts in accordance with Statement of Financial Accounting Standards (“SFAS”) No. 128, “Earnings per Share”. SFAS No. 128 requires presentation of basic and diluted EPS. Basic EPS is computed by dividing the income (loss) available to Common Stockholders by the weighted-average number of common shares outstanding for the period. Diluted EPS is based on the weighted-average number of shares of Common Stock and Common Stock equivalents outstanding during the periods.

Business Combinations

The Company follows the purchase method of accounting for business combinations in accordance with SFAS No. 141 “Business Combinations”. Under SFAS No. 141, we record as our cost the estimated fair value of the acquired assets less liabilities assumed. Any difference between the cost of an acquired company and the sum of the fair values of tangible and intangible assets less liabilities is recorded as Goodwill. The operations of the acquired company from the date of acquisition are included in the financial statements.

Goodwill and Other Intangible Assets

The Company follows SFAS No. 142 “Goodwill and Other Intangible Assets” in assessing Goodwill for impairment. The Company performs an impairment review, at least annually, for our reporting unit with assigned goodwill using a fair value approach, whenever events or changes in circumstances indicate that the goodwill asset may not be fully recoverable. Reporting units may be operating segments, or one level below an operating segment, referred to as a component. Under the fair value approach, whenever the carrying value of the reporting unit, including the goodwill asset, exceeds the fair value of the reporting unit (generally based on the reporting unit’s future estimated discounted cash flows), then the goodwill asset may be impaired and the Company is required to compare the implied fair value of the reporting units goodwill with the carrying amount of the reporting unit’s goodwill. If the carrying amount of the reporting unit’s goodwill is greater than the implied fair value of the reporting unit’s goodwill an impairment loss must be recognized for the excess.

Property, Plant and Equipment and Depreciation

Property, plant and equipment is stated at cost and is depreciated using the straight line method over the estimated useful lives of the respective assets. Routine maintenance, repairs and replacement costs are expensed as incurred and improvements that extend the useful life of the assets are capitalized. When property, plant and equipment is sold or otherwise disposed of, the cost and related accumulated depreciation are eliminated from the accounts and any resulting gain or loss is recognized in operations.



HEARTLAND, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2007

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Share-Based Compensation

On January 1, 2006, the Company adopted the provisions of SFAS No. 123 (R) "Share-Based Payment" using the modified prospective method. SFAS 123 (R) requires companies to recognize the cost of employee services received in exchange for awards of equity instruments based upon the grant date fair value of those awards. Under the modified prospective method, the Company recognizes compensation cost for all share-based payments granted after January 1, 2006, plus any awards granted prior to January 1, 2006 that remain unvested at that time. Under this method of adoption, no restatement of prior periods is made. The Company had no unvested awards granted prior to January 1, 2006.

Prior to January 1, 2006, the Company recognized the cost of employee services received in exchange for equity instruments in accordance with Accounting Principles Board Opinion No. 25 "Accounting for Stock Issued to Employees" ("APB 25"). APB 25 required the use of the intrinsic value method, which measures compensation cost as the excess, if any, of the quoted market price of the stock over the amount the employee must pay for the stock. Compensation expense was measured under APB 25 on the date the shares were granted.

The Company accounts for stock issued for services using the fair value method. In accordance with Emerging Issues Task Force ("EITF") 96-18, the measurement date of shares issued for service is the date at which the counterparty's performance is complete.

Accounts Receivable

Accounts receivable represent amounts due from customers and are recorded at invoiced amounts, net of allowances and do not bear interest.

Allowance for Doubtful Accounts

It is the company's policy to provide an allowance for doubtful accounts. The allowance is based on prior experience and management's evaluation of the collectibility of accounts receivable.

Inventories

Inventories are stated at the lower of cost or market value. Cost is determined using the first-in, first-out (FIFO) method.

Fair Values of Financial Instruments



The Company uses financial instruments in the normal course of business. The carrying values of cash, accounts receivable, advance receivable, prepaid expenses, bank lines of credit, accounts payable, notes payable, convertible promissory note, accrued expenses and customer deposits approximate their fair value due to the short-term maturities of these assets and liabilities. The carrying values of notes payable and loans payable approximate their fair value based upon management's estimates using the best available information.

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HEARTLAND, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2007

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition

The Company recognizes revenue when the product is manufactured and shipped. Revenues from fixed-price and modified fixed-price construction contracts are recognized on the percentage-of-completion method, measured by the percentage of total cost incurred to date to estimated total cost for each contract. This method is used because management considers expended total cost to be the best available measure of progress on these contracts. Revenues from cost-plus-fee contracts are recognized on the basis of costs incurred during the period plus the fee earned, measured by the cost-to-cost method.

Contract costs include all direct material and labor costs and those indirect costs related to contract performance, such as indirect labor, supplies, tools, repairs, and depreciation costs. Selling, general, and administrative costs are charged to expense as incurred. Provisions for estimated losses on uncompleted contracts are made in the period in which such losses are determined. Changes in job performance, job conditions, and estimated profitability, including those arising from contract penalty provisions, and final contract settlements may result in revisions to costs and income and are recognized in the period in which the revisions are determined. Profit incentives are included in revenues when their realization is reasonably assured. An amount equal to contract costs attributable to claims is included in revenues when realization is probable and the amount can be reliably estimated.

The asset, "Costs and estimated earnings in excess of billings on uncompleted contracts," represents revenues recognized in excess of amounts billed. The liability, "Billings in excess of costs and estimated earnings on uncompleted contracts," represents billings in excess of revenues recognized.

Impairment of Long-Lived Assets

The Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets.

Reclassification

Certain amounts in the 2006 Financial Statements have been reclassified to conform to the presentation used in the 2007 Financial Statements.



HEARTLAND, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2007

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Accounting Pronouncements

In February 2007, the FASB issued SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities ("SFAS 159"). SFAS 159 allows entities to measure at fair value many financial instruments and certain other assets and liabilities that are not otherwise required to be measured at fair value. SFAS 159 is effective for fiscal years beginning after November 15, 2007. The Company has not determined what impact, if any, that adoption will have on results of operations, cash flows or financial position.

In June 2007, the FASB ratified the Emerging Issues Task Force (EITF) consensus on Issue No. 06-11, "Accounting for Income Tax Benefits of Dividends on Share-Based Payment Awards" (EITF 06-11). Effective January 1, 2008, EITF 06-11 requires on a prospective basis that the tax benefit related to dividend equivalents paid on restricted stock and restricted stock units which are expected to vest be recorded as an increase to additional paid-in capital. Prior to January 1, 2008, the Company accounted for this tax benefit as a reduction to income tax expense. The adoption of EITF 06-11 will not have a material impact on the Company's financial condition and results of operations.

In November 2007, the Securities and Exchange Commission (SEC) issued Staff Accounting Bulletin (SAB) No. 109, "Written Loan Commitments Recorded at Fair Value Through Earnings" (SAB 109). SAB 109 requires that the expected net future cash flows related to servicing of a loan be included in the measurement of all written loan commitments that are accounted for at fair value through earnings. The adoption of SAB 109 is on a prospective basis and effective for the Company's loan commitments measured at fair value through earnings which are issued or modified after January 1, 2008. The adoption of SAB 109 will not have a material impact on the Company's financial condition and results of operations.

In December 2007, the FASB issued SFAS No. 160, "Noncontrolling Interests in Consolidated Financial Statements - an amendment of ARB No. 51". The objective of this Statement is to improve the relevance, comparability, and transparency of the financial information that a reporting entity provides in its consolidated financial statements by establishing accounting and reporting standards that require the following changes. The ownership interests in subsidiaries held by parties other than the parent be clearly identified, labeled, and presented in the consolidated statement of financial position within equity, but separate from the parent's equity. The amount of consolidated net income attributable to the parent and to the noncontrolling interest be clearly identified and presented on the face of the consolidated statement of income. When a subsidiary is deconsolidated, any retained noncontrolling equity investment in the former subsidiary is initially measured at fair value. The gain or loss on the deconsolidation of the subsidiary is measured using the fair value of any noncontrolling equity investment rather than the carrying amount of that retained investment and entities provide sufficient disclosures that clearly identify and distinguish between the interests of the parent and the interests of the noncontrolling owners. The changes to current practice resulting from the application of SFAS No. 160 is effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years. The adoption of SFAS No. 160 before December 15, 2008 is

prohibited. The Company has not evaluated the effect, if any, that SFAS No. 160 will have on its financial statements.

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## HEARTLAND, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2007

## NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

## Recent Accounting Pronouncements (Continued)

In December 2007, the FASB issued SFAS No. 141(R), 'Business Combinations - Revised,' that improves the relevance, representational faithfulness, and comparability of the information that a reporting entity provides in its financial reports about a business combination and its effects. To accomplish that, this statement establishes principles and requirements how the acquirer recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree, recognizes and measures the goodwill acquired in the business combination or a gain from a bargain purchase, and determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. The changes to current practice resulting from the application of SFAS No. 141(R) are effective for financial statements issued for fiscal years beginning after December 15, 2008. The adoption of SFAS No. 141(R) before December 15, 2008 is prohibited. The Company does not expect the adoption of SFAS No. 141(R) to have a material effect on its financial statements.

In March 2008, the FASB issued SFAS No. 161, Disclosures about Derivative Instruments and Hedging Activities—an amendment of FASB Statement No. 133. SFAS No. 161 gives financial statement users better information about the reporting entity's hedges by providing for qualitative disclosures about the objectives and strategies for using derivatives, quantitative data about the fair value of and gains and losses on derivative contracts, and details of credit-risk-related contingent features in their hedged positions. The standard is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008, with early application encouraged, but not required. We do not anticipate the adoption of SFAS No. 161 will have a material effect on the Company's financial statements.

## NOTE C - INVENTORY

Inventory consists of the following:

	December 31,	
	2007	2006
Raw material	\$ 885,183	\$ 824,824
Work in process	16,961	30,421
Finished goods	2,265	2,946

\$ 904,409 \$ 858,191

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## HEARTLAND, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2007

## NOTE D -

## UNCOMPLETED CONTRACTS

Costs, estimated earnings, and billings on uncompleted contracts are summarized as follows:

	December 31,	
	2007	2006
Costs incurred on uncompleted contracts	\$ 4,546,687	\$ 7,171,771
Estimated earnings	1,525,310	1,075,654
	6,071,997	8,247,425
Billing to date	5,955,530	7,947,345
	\$ 116,467	\$ 300,080

These amounts are reflected in the balance sheet as follows:

Costs and estimated earnings in excess of billings on uncompleted contracts	\$ 311,899	\$ 553,577
Billings in excess of costs and estimated earnings on uncompleted contracts	\$ (195,432)	\$ (253,497)

## NOTE E -

## PROPERTY, PLANT, AND EQUIPMENT

Property, plant, and equipment consists of the following:

	December 31,		Years of Average Useful Life
	2007	2006	
Land	\$ 35,998	\$ 73,400	--
Leasehold improvements	91,830	91,830	31.5
Buildings	374,002	762,600	37.5
Furniture and fixtures	132,973	114,426	5-7
Machinery and equipment	430,192	324,874	5-12
Automotive equipment	90,315	76,363	5
Equipment held under capital lease	55,250	--	8
	1,210,560	1,443,493	



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Less: accumulated depreciation	509,392	523,838
	\$ 701,168	\$ 919,655

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HEARTLAND, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2007

NOTE F - OTHER ASSETS

The Company is currently in negotiations to acquire the property where the Mound Facilities are located from the current owner who is a stockholder of the Company. In consideration of the purchase, the Company will assume certain outstanding debts secured by the property, including mortgages and any liens for real estate taxes and assessments. At December 31, 2007, these payments amounted to \$421,042 and will be allocated to the building and other costs upon completion of the purchase.

NOTE G - BANK LINES OF CREDIT

A Company subsidiary has a \$500,000 line of credit with a bank expiring July 27, 2008 of which the entire amount was available at December 31, 2007. The line bears interest at one month Libor plus 2% as published on the first day of the month in the Wall Street Journal. The Libor rate at December 31, 2007 was 4.28%. The line is secured by all assets of the Company. No amounts were due on this line at December 31, 2007.

NOTE H - CONVERTIBLE PROMISSORY NOTES PAYABLE

The Company issued \$734,150 and \$1,026,550 in convertible promissory notes payable to various individuals and organizations in 2005 and 2004, respectively. During 2007, the Company paid off \$10,000 of convertible promissory notes. During 2006, the Company converted \$1,450,265 of convertible promissory notes into 2,900,530 shares of common stock. Also, during 2006 the Company paid off \$166,985 of convertible promissory notes and issued 358,876 shares of common stock as payment for \$179,438 of interest on the notes. The notes are unsecured, due within 1 year from date of issue, and bear interest at the rate of 10%. The notes can be converted into common stock of the Company, generally at \$0.50 per share. The amounts due at December 31, 2007 and 2006 amount to \$53,450 and \$63,450, respectively. At December 31, 2007, the Company was in default on these convertible notes.

NOTE I - NOTES PAYABLE

Notes payable consist of the following:

	2007	December 31, 2006
	\$ 24,915	\$ 35,937

Notes payable to banks due February 2010 and March 2010, payable in 72 monthly installments of \$734 and \$284 including interest at 6.17% and 6.27%, respectively. The notes are collateralized by transportation equipment

Mortgage notes payable to a bank due March 2017 and May 2017, payable in 180 monthly installments of \$2,260 and \$2,739 including interest at 7.50% and 7.25%, respectively. The notes are collateralized by buildings. During 2007, the company sold the building which had the May 2017 mortgage payable.

	180,488	432,035
Less: current portion	205,403	467,972
	24,604	39,471
Long-term portion	\$ 180,799	\$ 428,501

At December 31, 2007, minimum future principal payments over the next five years and in the aggregate are as follows:

	Year	Amount
	2008	\$ 24,604
	2009	26,912
	2010	18,923
	2011	17,589
	2012	18,955
	Thereafter	98,420
	Total	\$ 205,403

## HEARTLAND, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2007

NOTE J –

## CAPITAL LEASE OBLIGATION

The Company is a lessee of machinery and equipment under a capital lease expiring in 2011 with an implied interest rate of 24.18%. The asset and liability under capital lease are recorded at the lower of the present value of the minimum lease payments or the fair value of the asset. The asset is amortized over its estimated productive life. Amortization of the asset under capital lease is included in depreciation expense.

## Property and equipment held under capital lease:

Machinery and equipment	\$	55,250
Less accumulated amortization		(2,167)
Net	\$	53,083

Minimum future lease payments under capital lease as of December 31, 2007 for each of the next five years in the aggregate are:

2008	\$	15,876
2009		15,876
2010		15,876
2011		2,647
Net minimum lease payment		50,275
Less amount representing interest		(15,384)
Present value of net minimum lease payments	\$	34,891
Less current portion		8,320
Long term portion	\$	26,571

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HEARTLAND, INC. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2007

NOTE K - RELATED PARTY TRANSACTIONS

Obligations to Related Parties

During, 2007 and 2006, a stockholder of the company paid certain obligations on behalf of the company in the amount of \$20,000 and \$50,000, respectively. During 2007, the stockholder was repaid \$57,992 of which \$50,000 was repaid with 153,846 shares of common stock. The amounts due at December 31, 2007 and 2006 amounted to \$11,008 and \$50,000, respectively.

Notes Payable to Related Parties

	2007	2006
During 2005, obligations to a related party and accrued rent in the amounts of \$45,907 and \$205,907, respectively were converted to a note payable. The note is payable in 120 monthly installments in the amount of \$2,796 and bears interest at the rate of 6.00%	209,270	\$ 229,588
During 2005, obligations to related party in the amount of \$425,000 was converted to a note payable. The note is payable in 90 monthly installments in the amount of \$4,152 and is non-interest bearing	265,743	315,570
Obligations to two related parties in the amount of \$27,750. The notes are payable on demand and bear interest at the rate of 7%	17,750	17,750
<b>Total</b>	<b>492,763</b>	<b>562,908</b>
Less: current maturities	89,156	87,903
<b>Long-term portion</b>	<b>\$ 403,607</b>	<b>\$ 475,005</b>

At December 31, 2007, minimum future principal payments over the next five years and in the aggregate are as follows:

Year    Amount

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2008 \$	89,156
2009	72,737
2010	74,150
2011	75,650
2012	77,243
Thereafter	103,827
Total \$	492,763

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HEARTLAND, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2007

NOTE K- RELATED PARTY TRANSACTIONS (CONTINUED)

Transactions With Related Parties

Issued 250,000 common shares to a related party for services rendered valued at \$60,000.

Issued 120,000 common shares to Chief Executive Officer for accrued salary valued at \$60,000.

Issued 1,000,000 common shares to Chief Executive Officer for five year employment contract valued at \$180,000 [See Note Q].

NOTE L- STOCKHOLDERS' EQUITY

Preferred Stock

In January 2007, the Board of Directors approved the authorization of 5,000,000 shares of Series A Convertible Preferred Stock - par value \$0.001. As of December 31, 2007, the Company has 2,370,000 shares of Series A Convertible Preferred Stock issued and outstanding. The preferred stock has a face value of \$0.25 per share and the basis of conversion is one share of the Company's common stock for each share of preferred stock. The preferred stock has liquidation priority rights over all other stockholders. The preferred shares can be converted at any time at the option of the stockholder, but will convert automatically at the end of three years into the Company's common stock.

The preferred shares carry a 10% annual stock dividend for the three years they are outstanding prior to conversion. The Preferred dividend in arrears for the year ended December 31, 2007 was \$38,849.

The preferred shares include a Series A and Series B common stock purchase warrant. The Series A warrant allows the holder to purchase 20% of the number of preferred shares purchased at \$0.75 per share; the Series B warrant allows the holder to purchase 20% of the number of preferred shares purchased at \$1.00 per share. Both series of warrants are exercisable over a three year period. The Company can call in the warrants after 12 months if the price of the common stock in the market is 150% of the warrant price for 10 consecutive days (i.e. \$1.13 for the A warrant and \$1.50 for the B warrant).

During the quarter ended March 31, 2007, the Company sold 610,000 shares of Series A Convertible Preferred Stock ("Series A Preferred") and received proceeds of \$152,500.

During the quarter ended June 30, 2007, the Company sold 1,640,000 shares of Series A Preferred and received proceeds of \$410,000. In addition, 120,000 shares of Series A Preferred were issued for services valued at \$30,000.





HEARTLAND, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2007

NOTE L

STOCKHOLDERS EQUITY (Continued)

Preferred Stock (Continued)

Included with the Series A Preferred were 474,000 Series A warrants and 474,000 Series B warrants. The Series A and Series B warrants were valued at \$123,347 using the Black-Scholes option-pricing model and such amount is included in Additional Paid in Capital – Preferred Stock. The assumptions used were as follows:

Expected Life	3 years
Expected Volatility	109.80% - 111.84%
Risk Free Interest Rate	2.5%
Expected Dividends	--

At December 31, 2007, there were 474,000 Series A warrants and 474,000 Series B warrants outstanding.

In accordance with Emerging Issues Task Force Issue 98-5, Accounting for Convertible Securities with a Beneficial Conversion Features or Contingently Adjustable Conversion Ratios (“EITF 98-5), the Company recognized an imbedded beneficial conversion feature present in the Series A Convertible Preferred Stock. The Company allocated a portion of the proceeds equal to the intrinsic value of that feature to additional paid in capital. The Company recognized and measured an aggregate of \$123,437 of the proceeds, which is equal to the intrinsic value of the imbedded beneficial conversion feature, to additional paid-in capital and as a dividend to the holders of the Series A Convertible Preferred Stock issued during the year ended December 31, 2007.

Common Stock

The Company has authorized 100,000,000 shares of common stock with a par value of \$.001 per share. As of December 31, 2007, the Company had 36,567,105 shares of common stock issued and outstanding.

During the year ended December 31, 2007, the Company’s common stock transactions were as follows:

Issued 1,182,000 common shares for services valued at \$411,570, including 650,000 shares valued at \$211,250 issued to members of the Board of Directors.

HEARTLAND, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2007

NOTE L

STOCKHOLDERS EQUITY (Continued)

Common Stock (Continued)

Issued 635,000 common shares for cash of \$115,000, including 210,000 shares issued for cash previously received.

Issued 77,000 shares of common stock for the settlement of amounts owed of \$27,720.

Issued 400,000 common shares for \$20,000 in cash, \$50,000 in loan repayments and \$60,000 of services.

Issued 600,000 common shares for services valued at \$115,500.

Per an Executive Employee Agreement (see Note Q) the Company issued 1,000,000 common shares valued at \$180,000. The Company also granted five year employee non-statutory stock options to purchase 1,822,504 shares of common stock at an exercise price of \$.33 per share. The options were valued at \$240,883 using the Black-Scholes option-pricing model. The total amount of \$420,883 is being amortized over five years. \$42,088 has been included in common stock and additional paid-in capital. The assumptions used were as follows

Expected Life	5 years
Expected Volatility	111.84%
Risk Free Interest Rate	2.5%
Expected Dividends	--

Issued 250,000 common shares to a related party for services rendered valued at \$60,000.

Issued 120,000 common shares to the chief executive officer for accrued salary valued at \$60,000.

2006

In June 2006, the Company agreed to accept the rescissions of the December 2004 acquisition agreements with Evans Columbus, LLC effective March 31, 2006 and with Monarch Homes, Inc. effective June 1, 2006. As a result, 1,600,000 shares of the Company's common stock issued for the acquisitions (600,000 – Evans and 1,000,000 – Monarch) were cancelled.

In November 2006, the Company, based upon prior approval of the Board of Directors, issued 200,000 shares of its common stock to both its Chief Executive Officer and its Chief Financial Officer. The 400,000 shares were valued at \$0.575 per share and an amount of \$230,000 was charged as stock based compensation.



HEARTLAND, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2007

NOTE L STOCKHOLDERS EQUITY (Continued)

2006

At various times during 2006, the Company issued a total of 2,900,530 shares of its common stock to holders of convertible promissory notes upon the conversion of \$1,450,265 of notes at a price of \$0.50 per share. Additionally, the Company issued 358,876 shares of its common stock at \$0.50 per share for payment of interest accrued on the convertible promissory notes.

The Company sold a total of 1,666,940 shares of its common stock at prices ranging from \$0.17 to \$0.38 per share to various individuals during 2006 for total proceeds of \$509,850.

At various times during 2006, the Company, upon prior approval of its Board of Directors, issued a total of 4,830,735 shares of its common stock to various individuals for services rendered to the Company. The shares were valued at prices ranging from \$0.25 to \$0.75 per share. Accordingly, stock based compensation expense of \$2,752,278 was recorded.

NOTE M- INCOME TAXES

The Company has elected as of December 31, 2005, to file a consolidated Federal income tax return. Certain pre-acquisition net operating loss carryforwards are limited under Section 382 of the Internal Revenue Code due to the significant ownership changes resulting from the acquisitions. The carryforward losses available to the Company from losses incurred in the parent corporation, Heartland, Inc., and any losses from its wholly owned subsidiary resulting subsequent to the respective acquisition dates as of December 31, 2007 aggregate approximately \$5,842,000 to offset future taxable income of which \$450,000 expires in 2024, \$3,268,000 expires in 2025, \$637,000 expires in 2026, and \$1,487,000 expires in 2027.

The Federal and State income tax provision (benefit) is as follows:

	2007	2006
Current:		

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Federal	\$	--	\$	--
State		--		--
Total Current Expense		--		--
Deferred:				
Federal		--		--
State		--		--
Total Deferred Benefit		--		--
Federal and State income tax benefit	\$	--	\$	--

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## HEARTLAND, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2007

NOTE M-

INCOME TAXES (CONTINUED)

Temporary differences which give rise to deferred taxes are summarized as follows for the years ended December 31, 2007 and 2006:

	2007	2006
Allowance for doubtful accounts	\$ 75,072	\$ 78,550
Deferred revenues	(610,124)	(391,565)
Vacation accrual	4,452	6,149
Net operating losses	2,337,000	1,742,000
Net deferred tax assets	1,806,400	1,435,134
Less: Valuation allowance	(1,806,400)	(1,435,134)
Net	\$ --	\$ --

The parent company has recorded a full valuation allowance to reflect the estimated amount of deferred tax assets that may not be realized since the generation of future taxable income is not assured beyond a reasonable doubt. The valuation allowance increased (decreased) in the amount of approximately \$371,000 and \$(84,000) for the years ended December 31, 2007 and 2006, respectively.

There is no significant difference between the effective income tax rate and the statutory Federal income tax rate.

On January 1, 2007, the Company adopted Financial Accounting Standards Board (FASB) Interpretation No. 48, "Accounting for Uncertainty in Income Taxes - an interpretation of FASB Statement No. 109" (FIN 48). There was no impact on the Company's consolidated financial position, results of operations or cash flows at December 31, 2006 and for the year then ended, as a result of implementing FIN 48. At the adoption date of January 1, 2007, the Company did not have any unrecognized tax benefits. The Company's practice is to recognize interest and/or penalties related to income tax matters in income tax expense. As of January 1, 2007, the Company had no accrued interest or penalties. The Company currently has no federal or state tax examinations in progress nor has it had any federal or state tax examinations since its inception. All of the Company's tax years are subject to federal and state tax examination.

HEARTLAND, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2007

NOTE N -

COMMITMENTS AND CONTINGENCIES

Leases

The Company leased its former corporate office space in Plymouth, Minnesota pursuant to a four year lease which expires on December 31, 2009. The lease calls for monthly payments of \$2,347 in 2008 and \$2,389 in 2009. In addition, the Company is responsible for its pro-rata share of real estate taxes and operating expenses. During 2006, the Company relocated its corporate office and the lease was assumed by an unrelated third party. The company remains contingently liable under the terms of the lease.

The Company leases the Mound Facilities from a stockholder of the Company. The lease calls for monthly payments of \$16,250 and expires August 31, 2010.

Minimum Future lease payments under the leases are as follows:

F o r t h e Y e a r s		
Ending December 31,	Unrelated	Related Party
2008	\$ 28,160	\$ 195,000
2009	28,672	195,000
2010	--	130,000
Total	\$ 56,832	\$ 520,000

Rent expense amounted to \$164,941 and \$111,158 for the years ended December 31, 2007 and 2006.

HEARTLAND, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2007

NOTE O - CONCENTRATION OF CREDIT RISK

Cash accounts are generally held in FDIC insured banks. The Company's cash accounts in certain banks exceed the FDIC insured limit of \$100,000. At December 31, 2007 and 2006, the at risk amounts the Company had were approximately \$179,000 and \$568,000, respectively.

NOTE P - DISCONTINUED OPERATIONS

In November 2007, in connection with the Company's default under the terms of the acquisition note owed to the former owner of Karkela Construction, Inc. and the former owner's intention to foreclose on the related security interest, the Company elected to discontinue efforts with respect to Karkela and forfeit the security interest pledged, the assets of Karkela including 100% of the equity interest of Karkela. As a result, effective July 1, 2007, Karkela's operations, which comprised the construction and property management segment, have been discontinued and Karkela is no longer a subsidiary of the Company. As a result, the steel fabrication business comprises all of the operations of the company and no segment information is presented.

On June 21, 2006, the Company agreed to accept rescissions of the December 2004 acquisition agreements from Evans Columbus, LLC effective March 31, 2006 and from Monarch Homes, Inc. effective June 1, 2006. Additionally, in the second quarter of 2006 the company concluded that it was no longer the primary beneficiary of the three entities previously reported as VIE's, Mundus, Wyncrest and PAR. Evans' business was manufacturing and Monarch was included in the construction and property management segment. Revenues, pre tax profit (loss) and net assets (liabilities) on the discontinued entities are as follows:

2007	Karkela
Revenue	\$ 4,388,948
Pre tax profit (loss)	84,008
Net assets (liabilities)	--

2006	Karkela	Evans	Monarch	PAR	Wyncrest	Mundus
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Revenue	\$ 8,302,360	\$ 2,416,738	\$ 1,844,709	\$ --	\$ --	\$ --
Pre tax profit (loss)	84,008	792	--	(12,692)	--	--
Net assets(liabilities)	(213,721)	--	--	--	--	--

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HEARTLAND, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2007

NOTE Q

EMPLOYEMENT AGREEMENT

Effective June 27, 2007, the Company entered into an employment agreement with its new chief executive officer ["CEO"]. The Agreement has a five year term with an annual base salary of \$120,000. Additional terms include the issuance of 1,000,000 shares of common stock and five year non-statutory stock options to purchase 1,823,504 shares of common stock at an exercise price of \$.33 per share. Effective December 31, 2007, the Company issued 120,000 shares of common stock to the CEO at \$0.50 per share for accrued salary of \$60,000.

The fair value of the common stock (\$180,000) and employee non-statutory stock option (\$240,833) will be expensed over the five year term of the agreement. Expense for the year ended December 31, 2007 was \$42,088.

The options were valued at the date of grant using the Black-Scholes option-pricing model. The assumptions used were as follows:

Expected Life 5 years  
Expected Volatility 111.84%  
Risk Free Interest Rate 2.5%  
Expected Dividends --

NOTE R

LETTER OF INTENT

On September 28, 2007, the Company entered into a letter of intent with Harris Oil Co, Inc. ("Harris") and DHS Development, LLC ("DHS") (collectively "the sellers") to purchase certain assets of the sellers on or before December 31, 2007, unless extended. The purchase price of \$4,100,000 is for the following assets:

- All equipment, supply contracts and other assets of Harris;
- Three convenience store sites of DHS located in Cookeville, TN, Hartsville, TN and Sparta, TN;
  - 30 year supply contracts on remaining DHS locations with a right of first refusal for purchase;
- 10 year purchase option on remaining DHS locations if no bona fide third party offer has been received at an agreed upon appraised value;
- The letter of intent calls for the completion of definitive documentation, completion of due diligence, and the completion of a US GAAP audit of the sellers' companies prior to December 31, 2007.

NOTE S-

SUBSEQUENT EVENTS

In January and February 2008, the company sold 580,000 common shares at \$.50 per share and received proceeds of \$290,000. A member of the Board of Directors received a 10% commission totaling \$29,000 for the sale of the common shares.

Currently, the terms of the original letter of intent with Harris and DHS has expired. The Company is seeking financing to fund the acquisition and if such attempts are successful management plans to enter into a new letter of intent if the terms remain favorable.

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ITEM 8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

There have been no disagreements between the Company and Meyler & Company, LLC (“MC”) in connection with any services provided to us by them for the periods of their engagement on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure.

No accountant’s report on the financial statements for the past two years contained an adverse opinion or a disclaimer of opinion or was qualified or modified as to uncertainty, audit scope or accounting principles, except such reports did contain a going concern qualification; such financial statements did not contain any adjustments for uncertainties stated therein. In addition, MC did not advise the Company with regard to any of the following:

1. That information has come to their attention, which made them unwilling to rely on management’s representations, or unwilling to be associated with the financial statements prepared by management; or
2. That the scope of the audit should be expanded significantly, or information has come to the accountant’s attention that the accountant has concluded will, or if further investigated might, materially impact the fairness or reliability of a previously issued audit report or the underlying financial statements, except as indicated in the financial statements issued or to be issued covering the fiscal periods subsequent to the date of the most recent audited financial statements, and the issue was not resolved to the accountant’s satisfaction prior to its resignation or dismissal. During the most recent two fiscal years and during any subsequent interim periods preceding the date of each engagement, we have not consulted MC regarding any matter requiring disclosure under Regulation S-K, Item 304(a)(2).

ITEM 8A AND 8A (T). CONTROLS AND PROCEDURES.

Disclosure Controls and Procedures

ITEM 8A AND 8A (T). CONTROLS AND PROCEDURES.

Disclosure Controls and Procedures

As required by Rule 13a-15 under the Exchange Act, our management, including our Chief Executive Officer and our Chief Financial Officer, evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of December 31, 2007.

Disclosure controls and procedures refer to controls and other procedures designed to ensure that information required to be disclosed in the reports we file or submit under the Securities Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC and that such information is accumulated and communicated to our management, including our chief executive officer and chief financial officer, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating our disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management is required to apply its judgment in evaluating and implementing possible controls and procedures.

Management conducted its evaluation of disclosure controls and procedures under the supervision of our chief executive officer and our chief financial officer. Based on that evaluation, our chief executive officer and our chief financial officer concluded that because of the significant deficiencies in internal control over financial reporting described below, our disclosure controls and procedures were not effective as of December 31, 2007.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act. Our management is also required to assess and report on the effectiveness of our internal control over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act of 2002 ("Section 404"). Management assessed the effectiveness of our internal control over financial reporting as of December 31, 2007. In making this assessment, we used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control - Integrated Framework. During our assessment of the effectiveness of internal control over financial reporting as of December 31, 2007, management identified significant deficiencies related to (i) the U.S. GAAP expertise of our internal accounting staff, (ii) our internal audit functions and (iii) the absence of an Audit Committee as of December 31, 2007.

In 2007, the Company engaged a new chief executive officer and chief financial officer. As a result, new management has only recently begun to address these deficiencies. Management determined that the lack of an Audit Committee of the board of directors of the Company also contributed to insufficient oversight of our accounting and audit functions.

In order to correct the foregoing deficiencies, we have taken the following remediation measures:

- In 2007, we engaged Mitchell Cox, our new CFO. Mr. Cox has extensive experience in internal control and U.S. GAAP reporting compliance, and together with our chief executive officer will oversee and manage our the financial reporting process and required training of the accounting staff.
- We have committed to the establishment of effective internal audit functions, however, due to the scarcity of qualified candidates with extensive experience in U.S. GAAP reporting and accounting in the region, we were not able to hire sufficient internal audit resources before end of 2007. However, we will increase our search for qualified candidates with assistance from recruiters and through referrals.
- In 2008, we intend to appoint additional directors with to serve on an audit committee.

We believe that the foregoing steps will remediate the significant deficiency identified above, and we will continue to monitor the effectiveness of these steps and make any changes that our management deems appropriate.

A material weakness (within the meaning of PCAOB Auditing Standard No. 5) is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those responsible for oversight of the company's financial reporting.

Except for a material weakness in our revenue recognition, our management is not aware of any material weaknesses in our internal control over financial reporting, and nothing has come to the attention of management that causes them to believe that any material inaccuracies or errors exist in our financial statement as of December 31, 2007. The material weakness in revenue recognition related to duplicate billing and calculation of percentage of completion, which weaknesses have been addressed by the Company. The reportable conditions and other areas of our internal control over financial reporting identified by us as needing improvement have not resulted in a material restatement of our financial statements. Nor are we aware of any instance where such reportable conditions or other identified areas of weakness have resulted in a material misstatement of omission in any report we have filed with or submitted to the Commission.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. 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 and procedures may deteriorate.

#### Auditor Attestation

This annual report does not include an attestation report of our registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by our registered public accounting firm pursuant to temporary rules of the Securities and Exchange Commission that permit us to provide

only management's report in this annual report.

#### Changes in Internal Controls over Financial Reporting

Except as described above, there were no changes in our internal controls over financial reporting during the fourth quarter of fiscal year 2007 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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## Item 8B. OTHER INFORMATION

None.

## PART III

ITEM 9. DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS AND CONTROL PERSONS:  
COMPLIANCE WITH SECTION 16(A) OF THE EXCHANGE ACT

The directors and officers of our Company are set forth below. The directors held office for their respective term and until their successors were duly elected and qualified. Vacancies in the existing Board were filled by a majority vote of the remaining directors. The officers serve at the will of the Board of Directors.

Name	Age	With Company Since	Director/Position
Terry L. Lee	53	06/2007	CEO, Chairman of the Board
Thomas C. Miller	52	12/2003	Secretary and Director
Mitchell L. Cox, CPA	46	09/2007	Chief Financial Officer
Trent Sommerville	40	12/2003	Director
Kenneth B. Farris	58	01/2004	Director

## MR. TERRY L. LEE - CHIEF EXECUTIVE OFFICER AND CHAIRMAN OF THE BOARD

Prior to joining the Company, from 1995 to the present, Mr. Lee has served as the President and Chief Executive Officer of Commercial Bank where he is responsible for the management of \$426 million in assets, 14 locations and 151 employees. In 1989, prior to his appointment as Chief Executive Officer in 1994, Mr. Lee began his career with Commercial Bank as a bookkeeper where he eventually moved to Vice President - Marketing in 1991, Vice president – Loan Officer in 1991 and Senior Vice President – Senior Lending Officer in 1992. In addition to serving as the Chief Executive Officer and President of Commercial Bank, Mr. Lee serves as the Chief Executive Officer and President of Lee Oil Company, Inc., Lee Enterprises, Inc., Lee's Food Mart, LLC, Cumberland Ford Motors, Inc., L & M Ventures, Inc., Green Hill Properties, Inc. and Berea Ford Motors, Inc. Mr. Lee graduated from Lincoln Memorial University with a Bachelor of Arts in Business Administration and Management in 1979.

## MR. MITCHELL L. COX, CPA – CHIEF FINANCIAL OFFICER

Mr. Cox is a certified public accountant and has served as the President and owner of Accounting & Tax Solutions, Inc. advising clients on all aspects of the accounting business. Further, Mr. Cox has also served as the Controller and Secretary for Lee Oil Company where he has managed all financial transactions and record keeping. Terry Lee, the Company's CEO, is also a shareholder, director and officer of Lee Oil Company. Mr. Cox received his BD in Business from Carson Newman College in Jefferson City, TN in 1984.





**MR. TRENT SOMMERVILLE – DIRECTOR**

Mr. Sommerville was elected as Director and Chairman of the Board on December 1, 2003. Mr. Sommerville has been appointed as our Chief Executive Officer and served in that capacity from December 1, 2003 until June 27, 2007 when Terry L. Lee was appointed to serve in that capacity. Mr. Sommerville attended Perkingston College. Mr. Sommerville worked at Anjet where he obtained NASD Series 22 and Series 63 licenses. Following his experience there, Mr. Sommerville started IGE Capital where he has been actively involved in many venture capital opportunities including FYBX Corporation, Cyber Operations, Way Cool 3D, and PMI Wireless.

**MR. THOMAS C. MILLER – SECRETARY AND DIRECTOR**

Mr. Miller has been with the Registrant since 2003 when it acquired Mound Technologies, Inc. Mr. Miller was elected to the Board of Directors on May 23, 2006, and as its Chief Operating Officer on September 27, 2006. From May 23, 2006 to September 27, 2006, Mr. Miller acted as the Registrant's Chief Executive Officer. Mr. Miller graduated from Ohio State University with a Bachelor of Science degree in Civil Engineering in 1978 and continued his education at the University of Dayton where he received a Master of Business Administration degree in 1983. He is a registered engineer in the state of Ohio. Mr. Miller started on the shop floor at Mound Steel Corporation as a welder. He spent time working in the engineering and sales department before becoming Vice President of Sales and Quality in 1986. He became President of Mound Steel Corporation in 1990. The additional title of Chief Executive was added to his responsibilities in 2001. In November of 2002, Mr. Miller became Chief Executive officer of Mound Technologies, Inc. In 1988 he was elected to the Lebanon City Council. He was re-elected in 1992 and served as Vice Mayor during that time period. Mr. Miller has served on various local boards including the Middletown Regional Hospital Foundation, Dan Beard Council of Boy Scouts of America, and the Warren County Business Advisory Council. In addition to his new position as President and Chief Operating Officer of the Registrant, Mr. Miller will continue as President of the Registrant's subsidiary Mound Technologies, Inc.

**DR. KENNETH B. FARRIS – DIRECTOR**

Dr. Farris was appointed a director of our Company on January 8, 2004. Dr. Farris, a resident of New Orleans, Louisiana is a graduate of Tulane University's School of Medicine where he received his MD and MPH degrees in 1975. He is a graduate of Carnegie-Mellon University where he received his BS degree in 1971. Dr. Farris is board certified in Pathology. He has been teaching at Tulane University School of Medicine since 1975 where he has received numerous awards for outstanding teaching. Since 1991 he has held the position of Clinical Associate Professor, Department of Pathology and Clinical Associate Professor Department of Pediatrics. In addition, Dr. Farris holds the position of Director of Pathology at West Jefferson Medical Center in Marrero, Louisiana, and Medical Director, Laboratory at Pendleton Memorial Methodist Hospital. Dr. Farris is a member of various medical societies and has published extensively. Among his many accomplishments in his field, as of 1982 he holds the position of Laboratory Accreditation Program Inspector for the College of American Pathologists. He is a founding member and past President of the Greater New Orleans Pathology Society. He is currently a Delegate to the House of Delegates to the American Medical Association. He has held various positions including past President, Speaker to the House of Delegates, member of the Board of Governors and a current Delegate to the House of Delegates to the Louisiana State Medical Society. He has held the position of President, Vice President, Secretary and Treasurer for the Tulane Medical Alumni Association. He is a former Drug Control Crew Chief to the United States Olympic Committee.

Our bylaws currently provide for a board of directors comprised of such number as is determined by the Board.



## FAMILY RELATIONSHIPS

None.

## BOARD COMMITTEES

We currently have established both a compensation committee and audit committee, but a recent resignation has left each committee a person short and we are in the process of selecting another individual to fill the vacancy. In the meantime, all members of our board of directors participate in all discussions concerning the company.

## LEGAL PROCEEDINGS

No officer, director, or persons nominated for such positions, promoter or significant employee has been involved in legal proceedings that would be material to an evaluation of our management.

## Compliance with Section 16(a) of the Exchange Act

Section 16(a) of the Securities Exchange Act of 1934 requires our directors and executive officers, and persons who own more than 10 percent of our Common Stock, to file with the SEC the initial reports of ownership and reports of changes in ownership of common stock. Officers, directors and greater than 10 percent stockholders are required by SEC regulation to furnish us with copies of all Section 16(a) forms they file.

Specific due dates for such reports have been established by the Commission and we are required to disclose any failure to file reports. Except as otherwise set forth herein, based solely on review of the copies of such forms furnished to us, or written representations that no reports were required, we believe that to date all required forms have been filed, and that there was no failure to comply with Section 16(a) filing requirements applicable to our officers, directors and ten percent stockholders.

## CODE OF ETHICS

Because we are an early stage company with limited resources, we have not yet adopted a "code of ethics", as defined by the SEC, that applies to the Company's Chief Executive Officer, Chief Financial Officer, principal accounting officer or controller and persons performing similar functions. We are in the process of drafting and adopting a Code of Ethics.

## ITEM 10. EXECUTIVE COMPENSATION

The following table provides summary information for the years 2005, 2006 and 2007 concerning cash and non-cash compensation paid or accrued by us to or on behalf of the president and the only other employee(s) to receive compensation in excess of \$100,000.

SUMMARY COMPENSATION TABLE

Name/ Position	Year	Salary	Bonus	Stock	Other	Total
Trent Sommerville – Former CEO and Chairman	2007	\$ 0	\$ 0	\$ 81,250	\$ 29,000	\$ 110,250
	2006	\$ 155,500	\$ 0	\$ 50,000	\$ 0	\$ 205,500

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	2005	\$	205,000	\$	0	\$	690,000	\$	0	\$	895,000
Jerry Gruenbaum – Former CFO, Secretary and Director	2007	\$	0	\$	0	\$	65,000	\$	0	\$	65,000
	2006	\$	88,000	\$	0	\$	50,000	\$	0	\$	138,000
	2005	\$	25,000	\$	0	\$	0	\$	0	\$	25,000
Terry L Lee – CEO and Chairman	2007	\$	60,000	\$	0	\$	42,088	\$	0	\$	102,088
	2006	\$	0	\$	0	\$	0	\$	0	\$	0
	2005	\$	0	\$	0	\$	0	\$	0	\$	0

## COMPENSATION AGREEMENTS

The Company has entered into an employment contract with Terry L. Lee as the CFO and is detailed in the 8-K filed on June 28, 2007. The five year employment contract calls for a base salary of \$120,000 a year which is actually a one year contract with the option to automatically renew for four additional one year periods. In addition to the base salary, Mr Lee was granted 1,000,000 shares of common stock and an option to purchase additional shares over the term of the five year contract. Currently, no portion of this option has been exercised.

No other annual compensation, including a bonus or other form of compensation; and no long-term compensation, including restricted stock awards, securities underlying options, LTIP payouts, or other form of compensation, were paid to these individuals during this period.

## BOARD COMPENSATION

Members of our Board of Directors do not normally receive cash compensation for their services as Directors, although some Directors are reimbursed for reasonable expenses incurred in attending Board or committee meetings. All corporate actions are conducted by unanimous written consent of the Board of Directors. There was 650,000 shares of common stock issued in the first quarter of 2007 for members of the Board as compensation and Terry Lee received 120,000 shares of common shares in lieu of a cash payment of \$60,000 for services rendered from July through December in accordance with the employment contract.

## STOCK OPTION PLAN

The Company has one employee non-statutory stock option agreement as detailed in Form 8-K filed on June 28, 2007. This particular option was granted with Board approval to Terry L. Lee and contains the option to purchase 1,822,504 shares of common stock at an exercise price of \$0.33 over a pro-rata five year basis. All shares issued under this option would be restricted and any portion of the option not exercised by June 26, 2012 will expire.

## WARRANTS

The preferred shares include a Series A and Series B common stock purchase warrant. The Series A warrant allows the holder to purchase 20% of the number of preferred shares purchased at \$0.75 per share; the Series B warrant allows the holder to purchase 20% of the number of preferred shares purchased at \$1.00 per share. Both series of warrants are exercisable over a three year period. The Company can call in the warrants after 12 months if the price of the common stock in the market is 150% of the warrant price for 10 consecutive days. The company had 2,370,000 shares of Series A Convertible Preferred Stock issued and outstanding as of December 31, 2007.

## ITEM 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth as of April 14, 2008, information with respect to the beneficial ownership of the Company's Common Stock by (i) each person known by the Company to own beneficially 5% or more of such stock, (ii) each Director of the Company who owns any Common Stock, and (iii) all Directors and Officers as a group, together with their percentage of beneficial holdings of the outstanding shares.

The information presented below regarding beneficial ownership of our voting securities has been presented in accordance with the rules of the Securities and Exchange Commission and is not necessarily indicative of ownership

for any other purpose. Under these rules, a person is deemed to be a "beneficial owner" of a security if that person has or shares the power to vote or direct the voting of the security or the power to dispose or direct the disposition of the security. A person is deemed to own beneficially any security as to which such person has the right to acquire sole or shared voting or investment power within 60 days through the conversion or exercise of any convertible security, warrant, option or other right. More than one person may be deemed to be a beneficial owner of the same securities. The percentage of beneficial ownership by any person as of a particular date is calculated by dividing the number of shares beneficially owned by such person, which includes the number of shares as to which such person has the right to acquire voting or investment power within 60 days, by the sum of the number of shares outstanding as of such date plus the number of shares as to which such person has the right to acquire voting or investment power within 60 days. Consequently, the denominator used for calculating such percentage may be different for each beneficial owner. Except as otherwise indicated below and under applicable community property laws, we believe that the beneficial owners of our common stock listed below have sole voting and investment power with respect to the shares shown.

## SECURITY OWNERSHIP OF BENEFICIAL OWNERS (1):

Title of Class	Name	Shares	Percent
Common Stock	John E. Gracik	1,763,696	4.74%
	First Union Venture Group, LLC	1,750,000(2)	4.71%

## SECURITY OWNERSHIP OF MANAGEMENT:

Title of Class	Name	Shares	Percent
Common Stock	Trent Sommerville	3,300,000	8.88%
	Terry L. Lee	1,120,000	3.02%
	Kenneth B. Farris	563,636	1.52%
	Thomas Miller	1,450,000	3.90%
All Directors and Executive Officers as a group (5 persons)		6,433,636	17.32%

(1) These tables are based upon 37,147,105 shares outstanding as of April 11, 2008 and information derived from our stock records. Unless otherwise indicated in the footnotes to these tables and subject to community property laws where applicable, we believe unless otherwise noted that each of the shareholders named in this table has sole or shared voting and investment power with respect to the shares indicated as beneficially owned. For purposes of this table, a person or group of persons is deemed to have "beneficial ownership" of any shares which such person has the right to acquire within 60 days as of April 11, 2008. For purposes of computing the percentage of outstanding shares held by each person or group of persons named above on April 14, 2008 any security which such person or group of persons has the right to acquire within 60 days after such date is deemed to be outstanding for the purpose of computing the percentage ownership for such person or persons, but is not deemed to be outstanding for the purpose of computing the percentage ownership of any other person.

(2) First Union Venture Group, LLC which owns 1,000,000 shares is owned one half by Atty. Jerry Gruenbaum and one half by another individual who is not related to Atty. Gruenbaum or under his control. In addition Jerry Gruenbaum owns 750,000 shares in his own name.





ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

No director, executive officer or nominee for election as a director of our company, and no owner of five percent or more of our outstanding shares or any member of their immediate family has entered into or proposed any transaction in which the amount involved exceeds \$60,000 except as set forth below.

Our management is involved in other business activities and may, in the future become involved in other business opportunities. If a specific business opportunity becomes available, such persons may face a conflict in selecting between our business and their other business interests. We have not and do not intend in the future to formulate a policy for the resolution of such conflicts.

In Springboro, Ohio we lease approximately 39,000 square feet pursuant to a five year lease with a stockholder of the company. The lease calls for a monthly payment of \$16,250 and expires August 31, 2010. The facilities include 34,000 square feet which is used for manufacturing and 5,000 square feet for office space. The space is used by Mound. The Company is currently in negotiations to acquire the property.

ITEM 13. EXHIBITS

Exhibit Number	Document Description
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3.1	Certificate of Incorporation of Origin Investment Group, Inc. as filed with the Maryland Secretary of State on April 6, 1999, incorporated by reference to the Company's Registration Statement on Form 10-KSB filed with the Securities and Exchange Commission on August 16, 1999.
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3.2	Amended Certificate of Incorporation of International Wireless, Inc. as filed with the Maryland Secretary of State on June 12, 2003, incorporated by reference to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on June 12, 2003.
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3.3	Amended Certificate of Incorporation of International Wireless, Inc. to change name to Heartland, Inc. as filed with the Maryland Secretary of State on June 12, 2003, incorporated by reference to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on June 15, 2004.
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3.4	Bylaws of Origin Investment Group, Inc., incorporated by reference to the Company's Registration Statement on Form 10-SB filed with the Securities and Exchange Commission on August 16, 1999.
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31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes Oxley Act.
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31.2	
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Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes Oxley Act.

32.1 Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350 as adopted Pursuant to Section 906 of the Sarbanes Oxley Act of 2002.

32.2 Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350 as adopted Pursuant to Section 906 of the Sarbanes Oxley Act of 2002.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The following table sets forth fees billed to us by our auditors during the fiscal years ended December 31, 2007 and December 31, 2006 for: (i) services rendered for the audit of our annual financial statements and the review of our quarterly financial statements, (ii) services by our auditor that are reasonably related to the performance of the audit or review of our financial statements and that are not reported as Audit Fees, (iii) services rendered in connection with tax compliance, tax advice and tax planning, and (iv) all other fees for services rendered.

(i) Audit Fees

	FIRM	FISCAL YEAR 2007	FISCAL YEAR 2006
RBSM, LLP		\$ 44,692	\$ 0
Meyler & Company, LLC		\$ 144,800	\$ 165,000

(ii) Audit Related Fees

None

(iii) Tax Fees

None

(iv) All Other Fees

None

## TOTAL FEES

	FIRM	FISCAL YEAR 2007	FISCAL YEAR 2006
RBSM, LLP		\$ 44,692	\$ 0.00
Meyler & Company, LLC		\$ 144,800	\$ 165,000.00

**AUDITFEES.** Consists of fees billed for professional services rendered for the audit of our consolidated financial statements and review of the interim consolidated financial statements included in quarterly reports and services that are normally provided in connection with statutory and regulatory filings or engagements.

**AUDIT-RELATED FEES.** Consists of fees billed for assurance and related services that are reasonably related to the performance of the audit or review of our consolidated financial statements and are not reported under "Audit Fees." There were no Audit-Related services provided in fiscal 2007 or 2006.

**TAX FEES.** Consists of fees billed for professional services for tax compliance, tax advice and tax planning.

**ALL OTHER FEES.** Consists of fees for products and services other than the services reported above.

**POLICY ON AUDIT COMMITTEE PRE-APPROVAL OF AUDIT AND PERMISSIBLE NON-AUDIT SERVICES OF INDEPENDENT AUDITORS**

The Company currently has a designated Audit Committee, and accordingly, the Company's Board of Directors' policy is to pre-approve all audit and permissible non-audit services provided by the independent auditors. These services may include audit services, audit-related services, and tax services and other services. Pre-approval is generally provided for up to one year and any pre-approval is detailed as to the particular service or category of services and is generally subject to a specific budget. The independent auditors and management are required to periodically report to the Company's Board of Directors regarding the extent of services provided by the independent auditors in accordance with this pre-approval, and the fees for the services performed to date. The Board of Directors may also pre-approve particular services on a case-by-case basis.

SIGNATURES

In accordance with Section 13 or 15(d) of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, there unto duly authorized.

HEARTLAND INC.  
(Registrant)

Date: April 14, 2008  
Terry Lee  
Chief Executive Officer  
And Chairman of the Board of Directors

By: /s/ Terry Lee

Date: April 14, 2007  
Mitchell Cox  
Chief Financial Officer

By: /s/ Mitchell Cox

In accordance with the Exchange Act, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

SIGNATURE	NAME	TITLE	DATE
/s/ Terry Lee	Terry Lee	Chief Executive Officer, Chairman & Director	April 14, 2008
/s/ Mitchell Cox	Mitchell Cox	Chief Financial Officer	April 14, 2008
/s/ Thomas C. Miller	Thomas C. Miller	Secretary & Director	April 14, 2008
/s/ Trent Sommerville	Trent Sommerville	Director	April 14, 2008

