HEARTLAND, INC.
Form 10KSB
April 14, 2008

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

FORM 10-KSB

x 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 x 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. [X]

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 for the corporate information. Additionally, the Mound Technology division of the company currently maintains an Internet addresses at 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.

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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.

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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:

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 recived 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 shrares 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 recived 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 compara 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 it’s 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

CONTENTS

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

Middletown, NJ
April 10, 2008

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HEARTLAND, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

ASSETS

	December 31, 2007	2006
CURRENT ASSETS		
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
PROPERTY, PLANT AND EQUIPMENT, net of accumulated depreciation of $509,392 and $523,838, respectively	701,168	919,655
OTHER ASSETS		
Other assets	426,321	4,149
Total other assets	426,321	4,149
Total assets	$ 5,750,217	$ 5,488,632

See accompanying notes to financial statements.

HEARTLAND, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

LIABILITIES AND STOCKHOLDERS' EQUITY

	December 31,	
	2007	2006
CURRENT LIABILITIES		
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
Total Current Liabilities	3,555,555	3,679,273
LONG-TERM OBLIGATIONS		
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	--
Total Long Term Liabilities	610,977	903 j06
STOCKHOLDERS' EQUITY		
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)
Total Stockholders' Equity	1,583,685	905,853
Total Liabilities and Stockholders' Equity	$ 5,750,217	$ 5,488,632

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
COSTS AND EXPENSES			
Cost of goods sold		12,641,424	10,098,960
Selling, general and administrative expenses		2,419,976	4,318,315
Depreciation and amortization		67i57	59,864
Total Costs and Expenses		15,128,957	14,477,139
NET OPERATING LOSS		(1,016,231)	(2,555,232)
OTHER INCOME (EXPENSE)			
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 12i40)
LOSS FROM CONTINUING OPERATIONS BEFORE INCOME TAXES		(1,090,267)	(2,867,772)
FEDERAL AND STATE INCOME TAXES		--	--
LOSS FROM CONTINUING OPERATIONS		(1,090,267)	(2,867 ,772)
DISCONTINUED OPERATIONS:			
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
EARNINGS (LOSS) PER COMMON SHARE			
Continuing operations			
	Basic and diluted	$ (.04)	$ (.12)
Net income (loss)			
	Basic and diluted	$ (.03)	$ 0.16
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING			
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
CASH FLOWS FROM OPERATING ACTIVITIES		
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)
Prepaids 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
NET CASH (USED IN) OPERATING ACTIVITIES	(184,967)	(101,045)
CASH FLOWS FROM INVESTING ACTIVITIES		
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)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	(414,448)	(44,336)

See accompanying notes to financial statements.

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HEARTLAND, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

	December 31, 2007	2006
CASH FLOWS FROM FINANCING ACTIVITIES		
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	--
NET CASH PROVIDED BY FINANCING ACTIVITIES	566,776	307j30
(DECREASE) INCREASE IN CASH	(32,639)	161,749
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	December 31, 2006
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Interest paid	$ 44,174	$ 112,010
Taxes paid	--	--
NON-CASH INVESTING AND FINANCING ACTIVITIES		
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.

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HEARTLAND, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
For the Years Ended December 31, 2007 and 2006

	Preferred Stock Shares	Preferred 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 Stock Shares	Preferred Stock Capital	Additional Paid - In Capital	Common stock Shares	Common stock 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

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	--	--	--	--	--	--	(876i46)	(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.

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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.

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.

Reclassificaiton

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

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 dearly 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 alter 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.

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 noncontroling 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
		2007		2006	Life
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	

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:

	December 31, 2007	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

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
Total	492,763		562,908
Less: current maturities	89,156		87,903
Long-term portion	$ 403,607	$	475,005

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

Year Amount

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.

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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:		

Federal	$ --	$ --
State	--	--
Total Current Expense	--	--
Deferred:		
Federal	--	--
State	--	--
Total Deferred Benefit	--	--