

HEARTLAND, INC.  
Form 10-Q  
August 14, 2008

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

FORM 10-Q

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

For the quarterly period ended June 30, 2008

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

HEARTLAND, INC.

(Exact name of small business registrant as specified in its charter)

Maryland	000-27045	36-4286069
(State or other jurisdiction of incorporation or organization)	(Commission File Number)	(I.R.S. Employer Identification Number)

1501 US Hwy 25E  
Middlesboro, KY 40965  
(Address of principal executive offices) (Zip Code)

606-248-7323  
(Registrant's telephone no., including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer

Non accelerated filer  (Do not check if a smaller reporting company) Smaller reporting company

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

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date: As of August 13, 2008, there were 37,321,084 shares of common stock, \$.0001 par value per share, outstanding.



HEARTLAND, INC.

FORM 10-Q  
TABLE OF CONTENTS

PART I. FINANCIAL INFORMATION	3
ITEM 1. FINANCIAL STATEMENTS	3
ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION	12
ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS	18
ITEM 4. CONTROLS AND PROCEDURES	18
ITEM 4T. CONTROLS AND PROCEDURES	18
PART II. OTHER INFORMATION	19
ITEM 1. - LEGAL PROCEEDINGS	19
ITEM 1A. RISK FACTORS	19
ITEM 2. - UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS	19
ITEM 3. - DEFAULTS UPON SENIOR SECURITIES	19
ITEM 4. - SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS	19
ITEM 5. - OTHER INFORMATION	20
ITEM 6. - EXHIBITS	20
SIGNATURES	21

## PART I. FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS

HEARTLAND, INC. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED BALANCE SHEETS

## ASSETS

	June 30, 2008 (Unaudited)	Dec. 31, 2007
<b>CURRENT ASSETS</b>		
Cash	\$ 745,796	\$ 216,570
Accounts receivable, net	5,128,732	3,188,591
Costs and estimated earnings in excess of billings on uncompleted contracts	168,318	311,899
Inventory	1,539,717	904,409
Prepaid expenses and other	4,020	1,259
Total current assets	7,586,583	4,622,728
PROPERTY, PLANT AND EQUIPMENT, net	1,979,801	701,168
<b>OTHER ASSETS</b>		
Other assets	-	426,321
Total other assets	-	426,321
Total assets	\$ 9,566,384	\$ 5,750,217

The accompanying notes are an integral part of the unaudited condensed consolidated financial statements.

HEARTLAND, INC. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED BALANCE SHEETS

LIABILITIES AND STOCKHOLDERS' EQUITY

	June 30, 2008 (Unaudited)	Dec. 31, 2007
<b>CURRENT LIABILITIES</b>		
Convertible promissory notes payable	\$ 53,450	\$ 53,450
Current portion of notes payable	44,721	24,604
Current portion of notes payable to related parties	75,930	89,156
Current portion of capital lease	-	8,320
Accounts payable	3,372,938	2,167,027
Obligations to related parties	12,008	12,008
Accrued payroll and related taxes	378,521	292,769
Accrued interest	127,534	124,847
Accrued expenses	310,618	587,942
Billings in excess of costs and estimated earnings on uncompleted contracts	969,262	195,432
<b>Total current liabilities</b>	<b>5,344,982</b>	<b>3,555,555</b>
<b>LONG-TERM OBLIGATIONS</b>		
Notes payable, less current portion	1,045,312	180,799
Notes payable to related parties, less current portion	367,682	403,607
Capital lease, less current portion	-	26,571
<b>Total long term liabilities</b>	<b>1,412,994</b>	<b>610,977</b>
<b>STOCKHOLDERS' EQUITY</b>		
Preferred stock \$0.001 par value 5,000,000 shares authorized, 2,370,000 shares issued and outstanding	2,370	2,370
Additional paid-in capital – preferred stock	713,567	713,567
Common stock, \$0.001 par value 100,000,000 shares authorized; 37,321,084 and 36,567,105 shares issued and outstanding at June 30, 2008 and December 31, 2007, respectively	37,321	36,566
Additional paid-in capital – common stock	16,182,500	15,789,790
Accumulated deficit	(14,127,350)	(14,958,608)
<b>Total stockholders' equity</b>	<b>2,808,408</b>	<b>1,583,685</b>
<b>Total Liabilities and Stockholders' Equity</b>	<b>\$ 9,566,384</b>	<b>\$ 5,750,217</b>

The accompanying notes are an integral part of the unaudited condensed consolidated financial statements



HEARTLAND, INC. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

UNAUDITED

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
REVENUE - SALES	\$ 6,199,788	\$ 3,086,271	\$ 10,258,584	\$ 6,487,341
<b>COSTS AND EXPENSES</b>				
Cost of goods sold	5,292,264	2,435,866	8,570,489	5,326,584
Selling, general and administrative expenses	458,355	1,057,599	817,381	2,161,625
Depreciation and amortization	32,591	19,674	53,922	36,770
Total Costs and Expenses	5,783,210	3,513,139	9,441,792	7,524,979
NET OPERATING INCOME (LOSS)	416,578	(426,868)	816,792	(1,037,638)
<b>OTHER INCOME (EXPENSE)</b>				
Other income	31,571	12,051	41,127	23,170
Gain (loss) on disposal of property, plant and equipment	-	-	-	(19,432)
Interest expense	(18,649)	(46,220)	(26,662)	(91,996)
Total Other Income (Expense)	12,922	(34,169)	14,465	(88,258)
INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	429,500	(461,037)	831,257	(1,125,896)
FEDERAL AND STATE INCOME TAXES	-	-	-	-
INCOME (LOSS) FROM CONTINUING OPERATIONS	429,500	(461,037)	831,257	(1,125,896)

The accompanying notes are an integral part of the unaudited condensed consolidated financial statements

HEARTLAND, INC. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS – Continued

UNAUDITED

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
<b>DISCONTINUED OPERATIONS:</b>				
Income from discontinued operations (net of income tax expense of \$0)	\$ -	\$ 70,365	\$ -	\$ 82,1
Gain on disposal of discontinued operations (net of income tax expense of \$0)	-	131,525	-	131,5
Total discontinued operations	-	201,890	-	213,7
NET INCOME (LOSS)	429,500	(259,147)	831,257	(912,1
LESS: Preferred Dividends	(14,813)	(49,168)	(29,626)	(123,4
NET INCOME (LOSS) AVAILABLE TO COMMON STOCKHOLDERS	\$ 414,687	\$ (308,315)	\$ 801,631	\$ (1,035,6
<b>EARNINGS (LOSS) PER COMMON SHARE</b>				
Continuing operations : Basic	\$ 0.012	\$ (0.013)	\$ 0.022	\$ (0.0
: Diluted	\$ 0.010	\$ (0.013)	\$ 0.020	\$ (0.0
Discontinued operations :Basic	\$ -	\$ 0.006	\$ -	\$ 0.0
:Diluted	\$ -	\$ 0.002	\$ -	\$ 0.0
Net income (loss) : Basic	\$ 0.012	\$ (0.007)	\$ 0.022	\$ (0.0
:Diluted	\$ 0.010	\$ (0.007)	\$ 0.020	\$ (0.0
<b>WEIGHTED AVERAGE COMMON SHARES OUTSTANDING:</b>				
Basic	37,237,105	34,742,160	37,132,409	34,133,1
Diluted	39,986,039	35,723,060	39,879,796	35,114,0

The accompanying notes are an integral part of the unaudited condensed consolidated financial statements



HEARTLAND, INC. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
UNAUDITED

	Six Months Ended June 30,	
	2008	2007
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income (loss) from continuing operations before income taxes	\$ 831,257	\$(1,125,896)
<b>Adjustments to reconcile net income (loss) to cash flows used in operating activities</b>		
Stock issued for services and settlement	-	644,790
Loss on disposal of property, plant and equipment	-	19,432
Depreciation and amortization	53,922	42,030
Share-based compensation	103,465	-
<b>Changes in assets and liabilities</b>		
(Increase) in accounts receivable	(1,940,141)	(342,738)
Decrease in costs in excess of billings on uncompleted contracts	143,581	170,462
(Increase) in inventory	(635,308)	(84,260)
(Increase) decrease in prepaids and other	(2,761)	6,418
Increase (decrease) in accounts payable	1,205,911	(637,274)
Increase in obligations to related parties	-	12,008
Increase (decrease) increase in accrued payroll taxes	85,752	(179,829)
Increase in accrued interest	2,688	69,624
Increase in accrued expenses	7,340	154,558
Increase in billings in excess of costs on uncompleted contracts	773,830	267,909
Cash provided by (used in) continuing operations before income taxes	629,536	(982,766)
<b>Discontinued operations</b>		
Income (loss) before income taxes	-	82,196
(Decrease) increase in net liabilities of entities discontinued	-	131,525
Cash provided by discontinued operations	-	213,721
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<b>629,536</b>	<b>(769,045)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payments for property, plant and equipment	(1,190,898)	(55,797)
Payments for other assets	-	-
<b>NET CASH (USED IN) INVESTING ACTIVITIES</b>	<b>(1,190,898)</b>	<b>(55,797)</b>

The accompanying notes are an integral part of the unaudited condensed consolidated financial statements

HEARTLAND, INC. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)  
UNAUDITED

	Six Months Ended June 30,	
	2008	2007
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from (payments on) notes payable	\$ (884,630)	\$ (20,184)
Payments on notes payable to related parties	(49,151)	(34,921)
Payments on capital lease	(34,891)	-
Payments on convertible promissory notes	-	(10,000)
Proceeds from issuance of common stock	290,000	135,000
Proceeds from issuance of preferred stock	-	562,500
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>	<b>1,090,588</b>	<b>632,395</b>
<b>INCREASE (DECREASE) IN CASH</b>	<b>529,226</b>	<b>(192,447)</b>
<b>CASH, BEGINNING OF PERIOD</b>	<b>216,570</b>	<b>641,608</b>
<b>CASH, END OF PERIOD</b>	<b>\$ 745,796</b>	<b>\$ 449,161</b>
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</b>		
Interest paid	\$ 26,662	\$ 22,372
Taxes paid	\$ -	\$ -
<b>NON CASH INVESTING AND FINANCING ACTIVITIES</b>		
Purchase of Mound Technologies facility by settlement of amount due to/from former landlord	\$ 141,657	\$ -
Settlement of amount due from former landlord	\$ 426,321	\$ -
Settlement of amount owed former landlord	\$ 284,664	\$ -
Issuance of common stock for payment of obligations to related parties	\$ -	\$ 50,000
Preferred stock dividend from embedded beneficial conversion feature	\$ -	\$ 123,437

The accompanying notes are an integral part of the unaudited condensed consolidated financial statements.

HEARTLAND, INC. AND SUBSIDIARIES  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2008

NOTE A BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements have been prepared in accordance with Regulation S-K promulgated by the Securities and Exchange Commission and do not include all of the information and footnotes required by generally accepted accounting principles in the United States for complete financial statements. In the opinion of management, these interim financial statements include all adjustments, which include only normal recurring adjustments, necessary in order to make the financial statements not misleading. The results of operations for such interim periods are not necessarily indicative of results of operations for a full year. The unaudited consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto of the Company and management's discussion and analysis of financial condition and results of operations included in the Company's Annual Report for the year ended December 31, 2007 as filed with the Securities and Exchange Commission on Form 10-KSB.

The balance sheet at December 31, 2007 has been derived from the audited financial statement of that date, but does not include all of the information and footnotes required by accounting principles generally accepted in United States of America for complete financial statements.

NOTE B ACCOUNTING POLICIES

During September 2006, the Financial Accounting Standards Board ("FASB") issued SFAS No. 157, Fair Value Measurements, which is effective for fiscal years beginning after November 15, 2007, with earlier adoption encouraged. SFAS 157 defines fair value, establishes a framework for measuring fair value in GAAP, and expands disclosures about fair value measurements. In February 2008, the FASB issued FASB Staff Position FAS 157-2, Effective Date of FASB Statement No. 157, which delayed the effective date of SFAS 157 for all non-financial assets and liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis, until January 1, 2009. The Company adopted SFAS 157 on January 1, 2008, for all financial assets and liabilities, but the implementation did not have a significant impact on the Company's financial position or results of operations. The Company has not yet determined the impact the implementation of SFAS 157 will have on the Company's non-financial assets and liabilities which are not recognized or disclosed on a recurring basis. However, the Company does not anticipate that the full adoption of SFAS 157 will significantly impact its consolidated financial statements.

During February 2007, the FASB issued SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities—Including an Amendment of FASB Statement No. 115, which permits entities to choose to measure many financial instruments and certain other items at fair value. The objective of SFAS 159 is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. The Company adopted SFAS 159 on January 1, 2008, but the implementation of SFAS 159 did not have a significant impact on the Company's financial position or results of operations.

During June 2008, the FASB issued EITF Issue No. 07-05, "Determining Whether an Instrument (or Embedded Feature) Is Indexed to an Entity's Own Stock" (the final abstract is not available at this time) which is effective for fiscal years beginning after December 15, 2008. The Company has not yet determined the impact the implementation of EITF 07-05 will have on the Company's consolidated financial statements.

During June 2008, the FASB also issued EITF Issue No. 08-04, "Transition Guidance for Conforming Changes to EITF Issue No. 98-5, 'Accounting for Convertible Securities with Beneficial Conversion Features or Contingently Adjustable Conversion Ratios'" (the final abstract is not available at this time) which is effective for fiscal years beginning after December 15, 2008. The Company has not yet determined the impact the implementation of this EITF will have on the Company's consolidated financial statements.

#### NOTE C GOING CONCERN

As reflected in the accompanying financial statements, the Company has an accumulated deficit of \$14,127,350. The Company has reduced certain administrative costs and has adapted a strategic plan for identifying profitable companies to acquire. The Company's ability to eliminate its accumulated deficit is dependent on its ability to obtain financing for profitable acquisitions and operate existing holdings efficiently.

#### NOTE D 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. 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.

As of June 30, 2008, the Company has 2,370,000 shares of Series A Convertible Preferred Stock issued and outstanding. The preferred shares carry a 10% annual stock dividend for the three years they are outstanding prior to conversion. The preferred dividend in arrears at June 30, 2008 and 2007 was \$75,286 and \$15,872, respectively.

##### 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 (i.e. \$1.13 for the A warrant and \$1.50 for the B warrant).

HEARTLAND, INC. AND SUBSIDIARIES  
 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
 JUNE 30, 2008

NOTE D STOCKHOLDERS EQUITY (Continued)

Options

The Company has one employee non-statutory stock option agreement. This option was granted with Board approval to the Company's Chief Executive Officer and provides for 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.

Common Stock

The Company has authorized 100,000,000 shares of common stock, with a par value of \$.001 per share. As of June 30, 2008, the Company has 37,321,084 shares of common stock issued and outstanding.

During the quarter ended March 30, 2008, the Company issued 580,000 shares of common stock for cash of \$290,000.

During the quarter ending June 30, 2008, the Company authorized the issuance of 185,718 shares of common stock for director compensation. These shares were authorized as two separate issuances and were based on the closing price of the common shares on May 31, 2008 and June 30, 2008. The number of shares authorized on May 31, 2008 was 100,002 shares. The number of shares authorized on June 30, 2008 was 85,716. The non-cash compensation represented by these shares was \$60,000.60.

NOTE E INVENTORY

Inventory consists of the following at June 30, 2008:

Raw material	\$ 1,521,076
Work in process - manufacturing	18,641
	\$ 1,539,717

In November 2007, in connection with the Company's default under the terms of the acquisition note owed to the former owner of Karkela Construction, Inc. and the former owner's intention to foreclose on the related security interest, the Company elected to discontinue efforts with respect to Karkela and forfeit the security interest pledged, the assets of Karkela including 100% of the equity interest of Karkela. As a result, effective July 1, 2007, Karkela's operations, which comprised the construction and property management segment, have been discontinued and Karkela is no longer a subsidiary of the Company. As a result, the steel fabrication business comprises all of the operations of the company and no segment information is presented for 2008. The results of operations and balance sheet items relating to Karkela for the six months ended June 30, 2007 were:



HEARTLAND, INC. AND SUBSIDIARIES  
 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
 JUNE 30, 2008

NOTE F DISCONTINUED OPERATIONS (Continued)

Karkela

Revenue	\$ 4,388,948
Income before income taxes	82,196
Net assets (liabilities)	204,632

NOTE G SUBSEQUENT EVENT

On July 17, 2008, the Company entered into a Letter of Intent to purchase all the assets of Lee Oil Company, Inc., Lee's Food Mart, LLC, and Lee Enterprises, Inc. Terry Lee, the CEO and Chairman of the Company, is also an owner of the Lee Companies. Mr. Lee has abstained from any negotiating or structuring of the acquisition. Form 8-K was filed on July 17, 2008 with the SEC detailing the purchase price and how the company expects to fund the purchase along with allowing both parties time to perform due diligence on the proposed acquisition. The parties currently expect to close on the acquisition prior to September 30, 2008.

NOTE H RECLASSIFICATIONS

Certain amounts in the June 30, 2007 Financial Statements have been reclassified to conform to the presentation used in the June 30, 2008 Financial Statements.

NOTE I BUILDING PURCHASE

The Company finalized the purchase of the property located at 25 Mound Park Drive in Springboro, OH on April 18, 2008. The gross selling price of the property was \$1,112,983 and was funded through a loan of \$900,000 provided through Commercial Bank of Harrogate, TN., net settlement of amounts due from the former landlord of \$426,321 and amounts due to the former landlord of \$284,664 and Company generated funds making up the remainder. The note was for a term of 60 months, a fixed interest rate of 7.5%, and consisted of 59 monthly payments of \$7,250.00 and one payment due on April 18, 2013 of \$794,989.16. This is the same property which Mound Technologies currently uses for its operations and had been renting from a related party for \$16,250 per month. The Company's CEO is also the CEO of Commercial Bank. Allocation of the purchase price was \$271,055 for land and \$841,928 allocated to the buildings.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION.

Cautionary Statement Pursuant to Safe Harbor Provisions of the Private Securities Litigation Reform Act of 1995:

This Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2008 contains "forward-looking" statements within the meaning of the Federal securities laws. These forward-looking statements include, among others, statements concerning the Company's expectations regarding sales trends, gross and net operating margin trends, political and economic matters, the availability of equity capital to fund the Company's capital requirements, and other statements of expectations, beliefs, future plans and strategies, anticipated events or trends, and similar expressions concerning matters that are not historical facts. The forward-looking statements in this Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2008 are subject to risks and uncertainties that could cause actual results to differ materially from those results expressed in or implied by the statements contained herein.

The interim financial statements have been prepared by Heartland, Inc. and in the opinion of management, reflect all material adjustments which are necessary to a fair statement of results for the interim periods presented, including normal recurring adjustments. Certain information and footnote disclosures made in the most recent annual financial statements included in the Company's Form 10-KSB for the year ended December 31, 2007, have been condensed or omitted for the interim statements. It is the Company's opinion that, when the interim statements are read in conjunction with the December 31, 2007 financial statements, the disclosures are adequate to make the information presented not misleading. The results of operations for the three months ended June 30, 2008 are not necessarily indicative of the operating results for the full fiscal year.

(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 US Hwy 25E, Middlesboro, KY, telephone number (606) 248-7323. Our Internet address is [www.heartlandholdingsinc.com](http://www.heartlandholdingsinc.com) for the corporate information. Additionally, the Mound Technology division of the company currently maintains an Internet address at [www.moundtechnologies.com](http://www.moundtechnologies.com). The information contained on our web site(s) or connected to our web site is not incorporated by reference into this Report on Form 10-Q 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. ("Karkela"), a Minnesota corporation with its corporate headquarters located in St. Louis Park, MN for \$3,000,000. The acquisition price consisted of \$100,000 in cash at closing, a short term promissory note payable of \$50,000 on or before January 31, 2005, a promissory note for \$1,305,000 payable on or before March 31, 2005 which, if not paid by that date, interest is due from December 31, 2004 to actual payment at 8%, simple interest, compounded annually and 500,000 restricted newly issued shares of the Company's common stock which was provided at closing. In the event the common stock of the Company was not trading at a minimum of \$4.00 as of December 31, 2005, the Company was required to compensate the original Karkela shareholders for the difference in additional stock. As a result of the aforementioned, the Company issued the former Karkela shareholders 262,500 shares of common stock on March 20, 2006. The Company has since rescinded this acquisition and no longer owns Karkela.

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

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

On September 12, 2005, the Company entered into a binding Agreement for Purchase and Sale of Shares with Calvin E. Bergman, Lynn E. Bergman, Jerry L. Bergman, Barbara A. Vance and Marvin Bergman, individually, to acquire all

the issued and outstanding shares of common stock of Ney Oil Company, an Ohio corporation (“Ney Oil Company”) for \$5,000,000. The Company abandoned its plans to acquire Ney Oil Company on January 18, 2007.

On September 12, 2005, the Company entered into a Letter of Intent with Terry Robbins, President of Ohio Valley Lumber, to acquire all the issued and outstanding shares of common stock of NKR, Inc, d.b.a. Ohio Valley Lumber, a Delaware corporation (“NKR”) for \$8,000,000. 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 shares 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.

On September 28, 2007, the Company entered into a Letter of Intent with Harris Oil Co. Inc. and DHS Development, LLC pursuant to which each agreed to sell and the Company agreed to purchase certain assets of each on or prior to December 31, 2007 unless extended. The Company abandoned its plans to acquire the assets of Harris Oil Co. Inc. and DHS Development, LLC on March 11, 2008.

On July 17, 2008, the Company entered into a Letter of Intent to purchase all the assets of Lee Oil Company, Inc., Lee’s Food Mart, LLC, and Lee Enterprises, Inc. Terry Lee, the CEO and Chairman of the Company, is also an owner of the Lee Companies. Mr. Lee has abstained from any negotiating or structuring of the acquisition. Form 8-K was filed on July 17, 2008 with the SEC detailing the purchase price and how the company expects to fund the purchase along with allowing both parties time to perform due diligence on the proposed acquisition. The parties currently expect to close on the acquisition prior to September 30, 2008.

## (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.

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

Currently, we operate one major subsidiary Mound Technologies, Inc. of Springboro, OH acquired in December 2003 (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 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 and 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.

#### RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED JUNE 30, 2008 COMPARED TO THE THREE MONTHS ENDED JUNE 30, 2007.

We are a company with operations in steel fabrication. Revenues for the three months ended June 30, 2008 were \$6,199,788 compared to \$3,086,271 for the same period in 2007, which represents an increase of \$3,113,517. The increase in revenues for the period ending June 30, 2008 as compared to the three months ended June 30, 2007 was partially the result of increases in the price of the raw materials used in the manufacturing process and those increases being passed along to the customers. The Company has been successful in securing a couple of school construction projects that have progressed a little faster than normally would have been expected and revenue for those projects under the percentage-of-completion have been recognized as the work has progressed. The Company has also been able to maintain a high backlog of projects over the last quarter and this has allowed management to be more efficient in the use of the resources available. Total operating expenses were \$5,783,210 for the three months ended June 30, 2008 compared to \$3,513,139 for the same period in 2007. Maintaining a better control over the administrative costs along with the heavy backlog of projects have allowed the Company to generate a positive operating income of approximately 6.7% in the current period versus an operating loss of about 13.8% in the same period of 2007. Our costs of goods sold increased from \$2,425,866 for the three months ended June 30, 2007 to \$5,292,264 for the three months ended June 30, 2008, which represented 78.9% as a percentage of sales and 85.3% as a percentage of sales, respectively. The reason for the increase in cost of good sold as a percentage of sales can be tied to steel and other various other raw materials used the fabrication processes having increased dramatically along with surcharges for materials and miscellaneous supplies that cover increasing transportation costs. The company would expect to see these surcharges continue as long as the price of fuel remains at this elevated level.

Interest expense for the three months ended June 30, 2008 was \$18,649 compared to \$46,220 for the same period in 2007. This decrease was primarily due to the conversion of convertible promissory notes and the reduction in an acquisition note payable upon the discontinued operations of Karkela. The Company saw an increase in the interest expense in the second quarter from the first quarter due primarily to the purchase of the Mound property in April and

the interest expense relating to this purchase should remain fairly constant during the first five years of the loan.

As a result, Income (Loss) from continuing operations was \$429,500 for the three months ended June 30, 2008, compared to (\$461,037) for the same period in 2007.

## LIQUIDITY AND CAPITAL RESOURCES

Net cash provided from operating activities was \$629,536 for the six months ended June 30, 2008. The Company did obtain new funding in the form of a note from Commercial Bank in the original amount of \$900,000 to purchase the Mound property. This note along with a net settlement with the landlord for monies owed the Company along with company generated funds was used to make the acquisition.

Total short-term and long-term debt at June 30, 2008 was \$6,757,976 and total shareholders' equity was \$2,808,408.

Our business is seasonally working capital intensive and requires funding for purchases of raw materials used in production, replacement parts inventory, capital expenditures, expansion and upgrading of existing facilities, as well as for financing receivables from customers. Additionally, our auditors, in their opinion on our financial statements for the year ended December 31, 2007 issued a "going concern" qualification to their report dated April 10, 2008. We believe that cash generated from operations, together with our bank credit lines, and cash on hand, will provide us with a majority of our liquidity to meet our operating requirements. We believe that the combination of funds available through future anticipated financing arrangements, coupled with forecasted cash flows, will be sufficient to provide the necessary capital resources for our anticipated working capital, capital expenditures, and debt repayments for at least the next twelve months.

We may experience problems, delays, expenses, and difficulties sometimes encountered by an enterprise in our stage of development, many of which are beyond our control. For potential acquisitions, these include, but are not limited to, unanticipated problems relating to the identifying partner(s), obtaining financing, culminating the identified partner due to a number of possibilities (prices, dates, terms, etc). Due to limited experience in operating the combined entities for the Company, we may experience production and marketing problems, incur additional costs and expenses that may exceed current estimates, and competition.

During the three months ended June 30, 2008, the Company has not engaged in:

- Material off-balance sheet activities, including the use of structured finance or special purpose entities;
- Trading activities in non-exchange traded contracts; or
- Transactions with persons or entities that benefit from their non-independent relationship with the Company

### Inflation

We are subject to the effects of inflation and changing prices. As previously mentioned, we experienced rising prices for steel and other commodities during fiscal 2007 and for the first six months of 2008 that had an impact on our gross margins and net earnings. In the remainder of fiscal 2008, we expect average prices of steel and other commodities to be higher than the average prices paid in fiscal 2007 and for the first three months of 2008. We will attempt to mitigate the impact of these anticipated increases in steel and other commodity prices and other inflationary pressures by actively pursuing internal cost reduction efforts and introducing price increases.

### Critical Accounting Policies and Estimates

In preparing our consolidated financial statements in conformity with accounting principles generally accepted in the United States of America, we must make decisions that impact the reported amounts of assets, liabilities, revenues and expenses, and related disclosures. Such decisions include the selection of the appropriate accounting principles to be applied and the assumptions on which to base accounting estimates. In reaching such decisions, we apply judgments based on our understanding and analysis of the relevant circumstances, historical experience, and actuarial valuations. Actual amounts could differ from those estimated at the time the consolidated financial statements are prepared.

Our significant accounting policies are described in Note A to the consolidated financial statements. Some of those significant accounting policies require us to make difficult subjective or complex judgments or estimates. An accounting estimate is considered to be critical if it meets both of the following criteria: (i) the estimate requires assumptions about matters that are highly uncertain at the time the accounting estimate is made, and (ii) different estimates that reasonably could have been used, or changes in the estimate that are reasonably likely to occur from period to period, would have a material impact on the presentation of our financial condition, changes in financial condition or results of operations.

**Accounts Receivable Valuation.** We value accounts receivable, net of an allowance for doubtful accounts. Each quarter, we estimate our ability to collect outstanding receivables that provides a basis for an allowance estimate for doubtful accounts. In doing so, we evaluate the age of our receivables, past collection history, current financial conditions of key customers, and economic conditions. Based on this evaluation, we establish a reserve for specific accounts receivable that we believe are uncollectible, as well as an estimate of uncollectible receivables not specifically known. A deterioration in the financial condition of any key customer or a significant slow down in the economy could have a material negative impact on our ability to collect a portion or all of the accounts and notes receivable.

### OFF-BALANCE SHEET ARRANGEMENTS

We have no off-balance sheet arrangements that have or are reasonably likely to have a current or future material effect on us.

### Item 3. Quantitative and Qualitative Disclosures About Market Risks

Not applicable

### Item 4. Controls and Procedures

As a “smaller reporting company” as defined by Item 10 of Regulation S-K, the Company is not required to provide information required by this Item.

### Item 4T. Controls and Procedures

As of the end of the period covered by this report, our principal executive officer and principal financial officer carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures. This evaluation was carried out under the supervision and with the participation of the Company’s management, including the Company’s Chief Executive Officer and Chief Financial Officer who concluded that the Company’s disclosure controls and procedures were effective as of the date of the evaluation.

There were no changes in internal controls during the quarterly period ended June 30, 2008 that have materially affected, or are reasonably likely to have materially affected, our internal controls subsequent to the date we carried out our evaluation.



Disclosure controls and procedures are controls and other procedures that are designed to provide reasonable assurance that information required to be disclosed in the Company's reports filed or submitted under the Securities Exchange Act of 1934 ("Exchange Act") is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to provide reasonable assurance that information required to be disclosed in Company reports filed under the Exchange Act is accumulated and communicated to management, as appropriate, to allow timely decisions regarding required disclosure.

## PART II. OTHER INFORMATION

### ITEM 1. 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 1A. Risk Factors

As a "smaller reporting company" as defined by Item 10 of Regulation S-K, the Company is not required to provide information required by this Item.

### ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds

During the quarter ended March 30, 2008, the Company issued 580,000 shares of common stock for cash of \$290,000.

During the quarter ending June 30, 2008, the Company authorized the issuance of 185,718 shares of common stock for director compensation. These shares were authorized as two separate issuances and were based on the closing price of the common shares on May 31, 2008 and June 30, 2008. The number of shares authorized on May 31, 2008 was 100,002 shares. The number of shares authorized on June 30, 2008 was 85,716. The non-cash compensation represented by these shares was \$60,000.60.

The offering and sale was deemed to be exempt under Rule 506 of Regulation D and/or Section 4(2) of the Securities Act of 1933, as amended. No advertising or general solicitation was employed in offering the securities. The offerings and sales were made to a limited number of persons, all of whom were accredited investors or a limited number of unaccredited investors, business associates of the Company or executive officers of the Company, and transfer was restricted by the Company in accordance with the requirements of the Securities Act of 1933. In addition to representations by the above-referenced persons, the Company has made independent determinations that all of the above-referenced persons were accredited or sophisticated investors, and that they were capable of analyzing the merits and risks of their investment, and that they understood the speculative nature of their investment. Furthermore, all of the above-referenced persons were provided with access to our Securities and Exchange Commission filings.



ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None

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

None

ITEM 5. OTHER INFORMATION

The Company finalized the purchase of the property located at 25 Mound Park Drive in Springboro, OH on April 18, 2008. The gross selling price of the property was \$1,112,983 and was funded through a loan of \$900,000 provided through Commercial Bank of Harrogate, TN., net settlement of amounts due from the former landlord of \$426,321 and amounts due to the former landlord of \$284,664 and Company generated funds making up the remainder. The note was for a term of 60 months, a fixed interest rate of 7.5%, and consisted of 59 monthly payments of \$7,250.00 and one payment due on April 18, 2013 of \$794,989.16. This is the same property which Mound Technologies currently uses for its operations and had been renting from a related party for \$16,250 per month. The Company's CEO is also the CEO of Commercial Bank. Allocation of the purchase price was \$271,055 for land and \$841,928 allocated to the buildings.

On July 17, 2008, the Company entered into a Letter of Intent to purchase all the assets of Lee Oil Company, Inc., Lee's Food Mart, LLC, and Lee Enterprises, Inc. Terry Lee, the CEO and Chairman of the Company, is also an owner of the Lee Companies. Mr. Lee has abstained from any negotiating or structuring of the acquisition. Form 8-K was filed on July 17, 2008 with the SEC detailing the purchase price and how the company expects to fund the purchase along with allowing both parties time to perform due diligence on the proposed acquisition. The parties currently expect to close on the acquisition prior to September 30, 2008.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

Exhibit 31.1 Certification of Terry L. Lee, Chief Executive Officer& Chairman of the Board

Exhibit 31.2 Certification of Mitchell L Cox, CPA, Chief Financial Officer

Exhibit 32.1 Certification of Terry L. Lee, Chief Executive Officer& Chairman of the Board

Exhibit 32.2 Certification of Mitchell L. Cox, CPA, Chief Financial Officer

SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

HEARTLAND, INC.  
(Registrant)

Date: August 14, 2008

By: /s/ Terry L. Lee  
Terry L. Lee  
Chief Executive Officer and  
Chairman of the Board  
(Duly Authorized Officer)

Date: August 14, 2008

By: /s/ Mitchell L. Cox, CPA  
Mitchell L. Cox  
Chief Financial Officer  
(Principal Financial  
and Accounting Officer)