HEARTLAND, INC.
Form 10QSB
May 21, 2007

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

FORM 10-QSB

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

FOR QUARTER ENDED MARCH 31, 2007

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)

982 Airport Road, Suite A
Destin, Florida 32541
(Address of principal executive offices) (Zip Code)

850-837-0025
(Registrant's telephone no., including area code)

(Former name, former address and former fiscal year, if changed since last report)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities 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 [ ]

Number of shares of the registrant's common stock outstanding as of May 21, 2007 was: 36,450,095

Traditional Small Business Disclosure Format: Yes [ ] No [X]

HEARTLAND, INC.

FORM 10-QSB
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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

HEARTLAND, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEET
MARCH 31, 2007 (UNAUDITED)

ASSETS

CURRENT ASSETS	
Cash	$ 644,552
Accounts receivable, net	2,885,823
Cost and estimated earnings in excess of billings on uncompleted contracts	738,982
Inventory	857,413
Prepaid expenses and other	47,378
Total current assets	5,174,148
PROPERTY, PLANT AND EQUIPMENT, net	956,282
OTHER ASSETS	
Goodwill	1,291,390
Other intangible assets, net	16,173
Other assets	62,239
Total other assets	1,369,802
Total assets	$ 7,500,232

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

HEARTLAND, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET
MARCH 31, 2007 (UNAUDITED)

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES	
Convertible promissory notes payable	$ 63,450
Current portion of notes payable	40,181
Current portion of notes payable to related parties	89,010
Accounts payable	2,199,754
Acquisition notes payable to related parties	1,350,000
Obligations to related parties	19,008
Accrued payroll and related taxes	727,218
Accrued interest	423,722
Accrued expenses	322,946
Billings in excess of costs and estimated earnings on uncompleted contracts	301,519
Total current liabilities	5,536,808
LONG-TERM OBLIGATIONS	
Notes payable, less current portion	417,324
Notes payable to related parties, less current portion	456,476
Total long term liabilities	873,800
STOCKHOLDERS' EQUITY	
Preferred stock $0.001 par value 5,000,000 shares	
authorized, 610,000 shares issued and outstanding	610
Additional paid-in capital – preferred stock	226,159
Common stock, $0.001 par value 100,000,000 shares	
authorized; 34,597,105 shares issued and outstanding	34,597
Additional paid-in capital – common stock	15,514,170
Accumulated deficit	(14,685,912)
Total stockholders' equity	1,089,624
Total Liabilities and Stockholders' Equity	$ 7,500,232

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 March 31, 2007 (Unaudited)	Three Months Ended March 31, 2006 (Unaudited)
REVENUE - SALES	$ 5,675,695	$ 3,935,849
COSTS AND EXPENSES		
Cost of goods sold	4,916,955	3,198,314
Selling, general and administrative expenses	1,341,885	985,801
Depreciation and amortization	19,299	21,632
Total costs and expenses	6,278,139	4,205,747
NET OPERATING LOSS	(602,444)	(269,898)
OTHER INCOME (EXPENSE)		
Other income	14,634	36,842
Loss on disposal of property, plant and equipment	(19,432)	--
Interest expense	(45,776)	(123,855)
Total other income (expense)	(50,574)	(87,013)
LOSS FROM CONTINUIING OPERATIONS BEFORE INCOME TAXES	(653,018)	(356,911)
FEDERAL AND STATE INCOME TAX	--	--
LOSS FROM CONTINUING OPERATIONS	(653,018)	(356,911)
DISCONTINUED OPERATIONS:		
Income from discontinued operations (net of income tax expenses of $0)	--	792
Gain on disposal of discontinued operations (net of income tax expenses of $0)	--	4,004,060
Loss from discontinued operations of VIEs (net of income tax expenses of $0)	--	(12,692)
Gain on disposal of discontinued operations of VIEs (net of income tax expenses of $0)	--	2,894,737
Total discontinued operations	--	6,886,897
NET INCOME (LOSS)	$ (653,018)	$ 6,529,986
Less: Preferred Dividends	(74,269)	--
Net income (loss) available to common stockholders	$ (727,287)	$ 6,529,986
EARNINGS (LOSS) PER COMMON SHARE		
Continuing operations		
Basic and diluted	$ (.02)	$ (.01)
Net income (loss)		
Basic and diluted	$ (.02)	$ .27
WEIGHTED AVERAGE COMME SHARES OUTSTANDING		
Basic and diluted	33,517,327	23,870,178

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

	Three Month Ended March 31, 2007 (Unaudited)	2006 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Continuing operations	$ (653,018)	$ (356,911)
Loss before income taxes		
Adjustments to reconcile net loss to cash flows used in operating activities		
Stock issued for services and settlement	499,290	212,500
Loss on disposal of property, plant and equipment	19,432	--
Depreciation and amortization	19,299	21,632
Changes in assets and liabilities		
Decrease (increase) in accounts receivable	715,654	(20,918)
(Increase) decrease in costs in excess of billings on uncompleted contracts	(104,295)	208,443
Decrease (increase) in inventory	778	(56,102)
Decrease (increase) in prepaids and other	(29,069)	32,861
Increase in other assets	--	(26,136)
Increase (decrease) in accounts payable	(752,177)	(376,855)
Increase in obligations to related parties	19,008	--
(Decrease) increase in accrued payroll taxes	(47,699)	(165,120)
Increase in accrued interest	34,944	65,697
(Decrease) in accrued expenses	145,979	71,522
Increase (decrease) in billings in excess of costs on uncompleted contracts	(74,853)	(28,961)
Cash provided by (used in) continuing operation before income taxes	(206,727)	(418,348)
Discontinued operations		
Income (loss) before income taxes	--	6,886,897
(Decrease) increase in net liabilities of entities discontinued	--	(546,896)
Gain on rescission of acquisitions	--	(6,335,000)
Cash provided by discontinued operations	--	5,001
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	(206,727)	(413,347)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for property, plant and equipment	(49,940)	(29,872)
NET CASH (USED IN) INVESTING ACTIVITIES	(49,940)	(29,872

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

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

	March 31, 2007	March 31, 2006
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on notes payable	(10,467)	(8,898)
Payments on notes payable to related parties	(17,422)	(17,136)
Proceeds from issuance of common stock	135,000	243,283
Proceeds from issuance of preferred stock	152,500	--
NET CASH PROVIDED BY FINANING ACTIVITIES	259,611	217,249
INCREASE (DECREASE) IN CASH	2,944	(225,970)
CASH, BEGINNING OF PERIOD	641,608	232,902
CASH, END OF PERIOD	$ 644,552	$ 6,932
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Interest paid	$ 10,832	$ 78,099
Taxes paid	$ --	$ --
NON CASH INVESTING AND FINANCING ACTIVITIES		
Issuance of common stock for services and settlement	$ 499,290	$ 212,500
Issuance of common stock in payment of convertible promissory notes payable and accrued interest	$ --	$ 1,088,640
Issuance of common stock for payment of obligations to related parties	$ 50,000	$ --

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

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HEARTLAND, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2007
(UNAUDITED)

NOTE A BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements have been prepared in accordance with Regulation S-B 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 unaudted 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, 2006 as filed with the Securities and Exchange Commission on Form 10-KSB.

NOTE B ACCOUNTING POLICIES

The accounting policies followed by the Company are set forth in Note B to the Company's audited consolidated financials statements in the Company's Annual Report for the year ended December 31, 2006 as filed with the Securities and Exchange Commission on Form 10-KSB.

NOTE C GOING CONCERN

As reflected in the accompanying financial statements, the Company has negative working capital of $362,660 and an accumulated deficit of $14,685,912. The Company's auditors, in their opinion on the Company's annual financial statements for 2006 dated April 16, 2007, included a "going concern" qualification related to substantial doubt about the Company's ability to continue as a going concern.

HEARTLAND, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2007
(UNAUDITED)

NOTE D STOCKHOLDERS EQUITY

Preferred Stock

In January 2007, the Board of Directors approved the authorization of 2,000,000 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.

The preferred shares carry a 10% annual stock dividend for the three years they are outstanding prior to conversion.

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.

Included with the Series A Preferred was 122,000 Series A warrants and 122,000 Series B warrants. The Series A and Series B warrants were valued at $36,969 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%
Risk Free Interest Rate	2.5%
Expected Dividends	--

At March 31, 2007, no other options or warrants were issued or 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 $74,269 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 three months ended March 31, 2007.

HEARTLAND, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2007
(UNAUDITED)

NOTE D STOCKHOLDERS EQUITY (Continued)

Common Stock

The Company has authorized 100,000,000 shares of common stock, with a par value of $.001 per share. As of March 31, 2007, the Company has 34,597,105 shares of common stock issued and outstanding.

During the quarter ended March 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.

Issued 635,000 common shares for cash of $110,000, 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.

NOTE E INVENTORY

Inventory consists of the following at March 31, 2007:

Raw material	$823,030	
Work in process - manufacturing	34,383	
		$857,413

HEARTLAND, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2007
(UNAUDITED)

NOTE F OPERATING SEGMENTS

The Company presently organizes its business units into two reportable segments: steel fabrication and construction and property management. The steel fabrication segment focuses on the fabrication of metal products. The construction and property management segment functions as a general contractor in the greater St. Paul and Minneapolis, Minnesota area and also owns and manages industrial property in Ohio.

The Company's reportable business segments are strategic business units that offer different products and services. Each segment is managed separately because they require different technologies and market to different classes of customers.

Three months ended March 31, 2007:

	Parent Company	Steel Fabrication	Construction	Total
Revenue	$ --	$ 3,401,070	$ 2,274,625	$ 5,675,695
Net income (loss)	(890,532)	202,776	34,738	(653,018)
Total assets	20,587	4,993,939	2,485,706	7,500,232
Other significant items				
Depreciation and amortization	--	16,669	2,630	19,299
Interest	34,944	10,832	--	45,776
Expenditures for assets	--	40,760	9,180	49,940

Three months ended March 31, 2006:

	Parent Company	Steel Fabrication	Construction	Total
Revenue	$ --	$ 2,103,665	$ 1,832,184	$ 3,935,849
Net income (loss)	(591,595)	312,369	(77,685)	(356,911)
Other significant items				
Depreciation and amortization	398	20,229	1,005	21,632
Interest	110,996	12,859	--	123,855
Expenditures for assets	--	26,862	3,010	29,872

NOTE G DISCONTINUED OPERATIONS

On June 21, 2006, the Company agreed to accept rescissions of the December 2004 acquisition agreements from Evans Columbus, LLC effective March 31, 2006 and from Monarch Homes, Inc. effective June 1, 2006. Additionally, in the second quarter of 2006 the company concluded that it was no longer the primary beneficiary of the three entities previously reported as VIE's, Mundus, Wyncrest and PAR. Evans business was

manufacturing and Monarch was included in the construction and property management segment. Revenues, pre tax profit (loss) and net assets (liabilities) on the discontinued entities are as follows:

2006	Evans	Monarch	PAR	Wyncrest	Mondus
Revenues	$ 2,416,738	$ 1,844,709	$ --	$ --	$ --
Pre tax profit (loss)	792	--	(12,692)	--	--
Net assets (liabilities)	--	--	--	--	--

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

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

This Quarterly Report on Form 10-QSB for the quarterly period ended March 31, 2007 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-QSB for the quarterly period ended March 31, 2007 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, 2006, 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, 2006 financial statements, the disclosures are adequate to make the information presented not misleading. The results of operations for the three months ended March 31, 2007 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. In 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 982A Airport Road, Destin, Florida 32541, telephone number (850) 837-0025. Our Internet address is www.heartlandholdingsinc.com for the corporate information. Additionally, the following divisions of the company currently maintain Internet addresses: 1) Evans Columbus, www.evanscolumbusllc.com, 2) Monarch Homes, www.monarchhomesmn.com, 3) Karkela www.karkela.com and 4) Mound Technologies 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 classify our operations into four reportable segments: steel fabrication, construction and property management, manufacturing, and agriculture (currently idle but available for future use). A fifth segment called "other" consists of corporate functions. Sales of our segments accounted for the following approximate percentages of our consolidated sales for fiscal years 2004: Steel Fabrication, 14.78 percent; Construction and Property Management, 69.38 percent;

Manufacturing 15.84 percent, Agriculture 0 percent and Other, 0 percent.

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

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 entered into an Acquisition Agreement to acquire 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 entered into an Acquisition Agreement to acquire 100% of Monarch Homes, Inc. ("Monarch"), a Minnesota corporation with its corporate headquarters located in Ramsey, MN for $5,000,000. The acquisition price was made up of:

* $100,000 at closing,
* a promissory note of $1,900,000 payable on or before February 15, 2005 which, if not paid by that date, interest shall be due from then to actual payment at 8%, simple interest, compounded annually, and
*

six hundred sixty-seven thousand (667,000) restricted newly issued shares of the Company’s common stock provided at closing.

On December 30, 2004, the Company entered into an Acquisition Agreement to acquire 100% of Evans Columbus, LLS ("Evans"), an Ohio corporation with its corporate headquarters located in Blacklick, OH for $3,005,000. The acquisition price was paid as follows:

* $5,000 at closing, and
* 600,000 restricted newly issued shares of the Company's common stock provided at closing.

In the event the common stock of the Company was not trading at a minimum of $5.00 as of December 30, 2005, the Company was required to compensate the original Evans shareholders for the difference in additional stock. The Company has since rescinded this agreement and no longer owns Evans.

On December 31, 2004, the Company entered into an Acquisition Agreement to acquire 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 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. Karkela is a wholly owned subsidiary of the Company. To date January 18, 2007, the promissory note has not been paid and interest continues to accrue.

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 on January 18, 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 has abandoned its plans to acquire Ney Oil Company on January 18, 2007.

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

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 January 18, 2007, the Company abandoned its intent to acquire Persinger Equipment, Inc., Ney Oil Company and Schultz Oil Company.

On February 26, 2007 the Company abandoned its intent to acquire NKR, Inc, d.b.a. Ohio Valley Lumber.

(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 acquisitions in the steel fabrication, residential and commercial construction, and steel drum manufacturing industries. Additionally, we have identified acquisition opportunities in gasoline distribution, lumber manufacturing, and equipment distribution.

We are headquartered in Plymouth, MN and currently trade on the OTC Bulletin Board under the symbol HTLJ.OB. Including the senior management team, we currently employs 101 people.

Currently, we operate two major subsidiaries in the following segments:

Mound Technologies, Inc. of Springboro, OH acquired in December 2003 (Steel Fabrication)
Karkela Construction, Inc. of St. Louis Park, MN, acquired in December of 2004 (Construction and Property Management).

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. This business includes a Steel Fabrication ("Steel Fabrication"), a Property Management Division ("Property Management") and a wholly owned subsidiary, Freedom Products of Ohio ("Freedom").

The Steel Fabrication Division and Property Management Division are both located in Springboro, Ohio. The Steel Fabrication Division 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. This division had been previously known as Mound Steel Corporation, which was started at the same location in 1964.

The Steel Fabrication Division is focused on the fabrication of metal products. This Division produces structural steel, miscellaneous metals, steel stairs, railings, bar joists, metal decks and the erection thereof. This Division 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 2004.

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.

CONSTRUCTION

a) **Karkala Construction, Inc.**

Karkela Construction, Inc. (“Karkela”) was acquired in December 2004 and is located in St. Louis Park, MN. Karkela was acquired in December 2004 and is a general contractor in the greater St. Paul and Minneapolis, Minnesota area specializing in commercial, industrial, hospitality or multi-family space. More specifically, Karkela is a designer and builder of custom office buildings for medical, financial and other service type businesses. Karkela was originally founded in 1983 and incorporated in 1990. During fiscal year 2005, Karkela had revenues of approximately $8.6 million. It is the intent of Heartland to expand that territory to include those geographies where the company can benefit from its reputation.

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Competition and Other Factors

The conventional construction industry is essentially a “local” business and is highly competitive. Karkela competes in a market with numerous other homebuilders and general construction companies, including national, regional and local builders. The industries top six competitors based on revenues for their most recent fiscal year-end are as follows: Beazer Homes USA, Inc., D. R. Horton, Inc., KB Homes, Lennar Corporation, Pulte Homes, Inc. and The Ryland Group, Inc. The main competitive factors affecting Karkela’s operations are location, price, availability of mortgage financing for customers, construction costs, design and quality of homes, customer service, marketing expertise, availability of land, price of land and reputation. We believe that Karkela compete effectively by building high quality units, maintaining geographic diversity, responding to the specific demands of each market and managing the operations at a local level.

The construction industry is affected by changes in national and local economic conditions, job growth, long-term and short-term interest rates, consumer confidence, governmental policies, zoning restrictions and, to a lesser extent, changes in property taxes, energy costs, federal income tax laws, federal mortgage financing programs and various demographic factors. The political and economic environments affect both the demand for construction and the subsequent cost of financing. Unexpected climatic conditions, such as unusually heavy or prolonged rain or snow, may affect operations in certain areas.

The construction industry is subject to extensive regulations. The Company and its subcontractors must comply with various federal, state and local laws and regulations, including worker health and safety, zoning, building standards, erosion and storm water pollution control, advertising, consumer credit rules and regulations, and the extensive and changing federal, state and local laws, regulations and ordinances governing the protection of the environment, including the protection of endangered species. The Company is also subject to other rules and regulations in connection with its manufacturing and sales activities, including requirements as to incorporate building materials and building designs. All of these regulatory requirements are applicable to all construction companies, and, to date, compliance with these requirements has not had a material impact on the operation. We believe that the Company is in material compliance with these requirements.

We purchase materials, services and land from numerous sources (primarily local vendors), and believe that we can deal effectively with the challenges we may experience relating to the supply or availability of materials, services and land.

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 extend, if at all, as initially identified.

Employees

As of May 18, 2007, we employed 68 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 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 for any of the segments results. While the loss of any substantial customer could have a material short-term impact on a segment, we believe that our diverse distribution channels and customer base should reduce the long-term impact of any such loss.

RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED MARCH 31, 2007 COMPARED TO THE THREE MONTHS ENDED MARCH 31, 2006.

We are a company with operations in steel fabrication, and construction. Revenues for the three months ended March 31, 2007 were $5,675,695 compared to $3,935,849 for the same periods in 2006. Total operating expenses were $6,278,139 for the three months ended March 31, 2007 compared to $4,205,747 for the same periods in 2006. The increases were primarily a result of increase in cost of goods sold.

Interest expense for the three months ended March 31, 2007 was $45,776 compared to $123,855 for the same periods in 2006. The decreases were primarily due to the conversion of convertible promissory notes.

As a result, Income (Loss) Prior to continued operations was ($653,018) for the three months ended March 31, 2007, compared to ($356,911) for the same periods in 2006.

LIQUIDITY AND CAPITAL RESOURCES

Net cash used in operating activities was ($206,727) for the three months ended March 31, 2007. This was primarily related to the decrease in accounts receivable.

Total short-term and long-term debt at March 31, 2007 was $6,410,608 and total shareholders' equity was $1,089,624.

Our businesses are seasonally working capital intensive and require 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, 2006 issued a "going concern" qualification to their report dated April 21, 2007. 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, as discussed below, 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 are seeking to raise up to $20 million of additional capital from private investors and institutional money managers in the next few months, but there can be no assurance that we will be successful in doing so. If we are not successful in raising any of this additional capital, our current cash resources may not sufficient to fund our current operations.

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.

Our businesses are seasonally working capital intensive and require 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. During the three months ended March 31, 2007, 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 2006 and for the first three months of 2007 that had a negative impact on our gross margins and net earnings. In the remainder of fiscal 2007, we expect average prices of steel and other commodities to be higher than the average prices paid in fiscal 2006 and for the first three months of 2007. 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. CONTROLS AND PROCEDURES.

Management after reviewing comments raised by the Securities and Exchange Commission in March 2006 with respect to its financial reporting and the related adequacy of the Company's disclosure controls and procedures, has determined that its disclosure controls and procedures were not effective as of December 31, 2004 and 2005 and there were material deficiencies in its disclosure controls and procedures. A "material weakness" is a reportable condition in which the design or operation of one or more of the specific control components has a defect or defects that could have a material adverse effect on our ability to record, process, summarize and report financial data in the financial statements in a timely manner. These material weaknesses are: (1) limited resources and manpower in the preparation and review of the financial statements in a timely manner, and (2) inadequacy of the financial review process as it pertains to various account analyses. While we believe that we have adequate policies, we believe that our implementation of those policies should be improved. We are re-evaluating these various factors and are implementing additional procedures to alleviate these weaknesses. The impacts of the above conditions were relevant to the quarter ended March 31, 2007.

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 2. CHANGES IN SECURITIES AND USE OF PROCEEDS

In January 2007 the company issued 145,000 shares to 4 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.

In March 2007 the Company cancelled 1,000,000 shares issued to Robert Cox on November 7, 2006.

In May 2007 the Company issued 500,000 shares to 2 individuals in a private placement and 128,992 shares shareholders that were owed shares from 2005.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None

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

None

ITEM 5. OTHER INFORMATION

The Company is obligated under the terms of a lease dated February 25, 2005 with the Receivership of Mound Properties, LP in Springboro, Ohio owned by a related party on behalf of Mound for a month to month term beginning January 2005 at a monthly rent of $16,250. Each party has the right to terminate this lease with 30 days notice. Under the terms of the lease, the Company is responsible for utilities, personal property taxes, repairs and maintenance.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits:

Exhibit 31.1	Certification of Trent Sommerville, Chief Executive Officer& Chairman of the Board
Exhibit 31.2	Certification of Jerry Gruenbaum, Chief Financial Officer & Director
Exhibit 32.1	Certification of Trent Sommerville, Chief Executive Officer& Chairman of the Board
Exhibit 32.2	Certification of Jerry Gruenbaum, Chief Financial Officer & Director

(b) Reports on Form 8-K:

Three Months Ended March 31, 2007

The Company filed a Form 8-K on February 26, 2007 relating to termination of Robert Cox as CEO of the Company.

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: May 21, 2007

By: /s/ TRENT SOMMERVILLE
Trent Sommerville
Chief Executive Officer and
Chairman of the Board
(Duly Authorized Officer)

Date: May 21, 2007

By: /s/ JERRY GRUENBAUM
Jerry Gruenbaum

Chief Financial Officer and
Director
(Principal Financial
and Accounting Officer)