

HEARTLAND, INC.  
Form 10KSB  
April 14, 2008

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

FORM 10-KSB

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

FOR FISCAL YEAR ENDED DECEMBER 31, 2007

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

Maryland  
(State or other  
jurisdiction  
of incorporation or  
organization)

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

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

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

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

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

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

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

Edgar Filing: HEARTLAND, INC. - Form 10KSB

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

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

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

## TABLE OF CONTENTS

Item #	Description	Page Numbers
PART I		
ITEM 1.	Description of Business	3
ITEM 2.	Description of Property	8
ITEM 3.	Legal Proceedings	9
ITEM 4.	Sumissions of Matters to a Vote of Security Holders	9
PART II		
ITEM 5.	Market for Registrant’s Common Equity, Related Stockholder Matters, and Issuer Purchases of Equity Securities	9
ITEM 6.	Management’s Discussion and Analysis or Plan of Operations	12
ITEM 7.	Financial Statements and Supplementary Data	16
ITEM 8.	Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	44
ITEM 8A.	Controls and Procedures	44
ITEM 8B.	Other Information	46
PART III		
ITEM 9.	Directors, Executive Officers, Promoters and Control Persons: Compliance with Section 16(A) of the Exchange Act	46
ITEM 10.	Executive Compensation	48
ITEM 11.	Security Ownership of Certain Beneficial Owners and Management.	50
ITEM 12.	Certain Relationships and Related Transactions, and Director Independence	51
ITEM 13.	Exhibits and Reports on Form 8-K	51
ITEM 14.	Principal Accountant Fees and Services	52
	Signatures	53



PART I

ITEM 1 DESCRIPTION OF BUSINESS

INTRODUCTION

**FORWARD-LOOKING STATEMENTS.** This annual report contains certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, that involve risks and uncertainties. In addition, the Company (Heartland, Inc., a Maryland corporation), may from time to time make oral forward-looking statements. Actual results are uncertain and may be impacted by many factors. In particular, certain risks and uncertainties that may impact the accuracy of the forward-looking statements with respect to revenues, expenses and operating results include without limitation; cycles of customer orders, general economic and competitive conditions and changing customer trends, technological advances and the number and timing of new product introductions, shipments of products and components from foreign suppliers, and changes in the mix of products ordered by customers. As a result, the actual results may differ materially from those projected in the forward-looking statements.

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

(A) THE COMPANY

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

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

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

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

(B) BUSINESS DEVELOPMENT

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

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

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

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

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

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

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

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

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

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



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

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

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

## (C) BUSINESS

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

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

Currently, we operate one major subsidiary as follows:

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

### STEEL FABRICATION

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

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

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

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

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

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

#### Competition and Other Factors

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

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

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

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

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

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

## Raw Materials

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

## UNFAIR TRADE PRACTICES AND TRADE REMEDIES

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

## SECTION 201 TARIFFS

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

## ENVIRONMENTAL MATTERS

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



## GENERAL

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

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

### Employees

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

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

### Customers

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

## ITEM 2 DESCRIPTION OF PROPERTY

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

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

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

ITEM 3 LEGAL PROCEEDINGS

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

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

ITEM 4 SUBMISSIONS OF MATTERS TO A VOTE OF SECURITY HOLDERS

None

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

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

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