

HEARTLAND SEPARATELY MANAGED ACCOUNTS

SMALL CAP VALUE STRATEGY

All information, unless otherwise indicated, is as of 6/30/10



PORTFOLIO MANAGEMENT TEAM & INDUSTRY EXPERIENCE

Will Nasgovitz - 9 yrs
Brad Evans, CFA - 14
Bill Nasgovitz - 41

Seeks long-term capital appreciation by investing in small and micro-cap companies

HISTORICAL RETURNS (ANNUALIZED FOR MULTI-YEAR PERIODS) — NET OF FEES VS. BENCHMARK INDICES

	SINCE INCEPTION (10-1-88)	TEN YEARS	FIVE YEARS	THREE YEARS	ONE YEAR	YEAR-TO DATE	SECOND QUARTER 2010
Heartland Small Cap Value Composite (Net of Advisory Fees) [†]	13.39%	10.15%	0.58%	-8.59%	13.95%	-8.69%	-10.55%
Heartland Small Cap Value Composite (Net of Bundled Fees) [†]	11.33	8.32	-0.79	-9.55	12.81	-9.14	-10.77
Russell 2000 Index ^{**}	8.27	3.00	0.37	-8.60	21.48	-1.95	-9.92
Russell 2000 Value Index ^{**}	9.96	7.48	-0.51	-9.85	25.07	-1.64	-10.60

Heartland Advisors, Inc. has prepared and presented this report in compliance with the Global Investment Performance Standards (GIPS®). *See Note 6 in Accompanying Notes on reverse side

**Source: FactSet Research Systems, Inc. (See Note 7 in the Accompanying Notes on reverse side)

INVESTMENT STRATEGY

The Small Cap Value Strategy seeks long-term capital appreciation by investing in small and micro-cap companies, generally with market capitalizations of less than \$2.5 billion at the time of purchase. The small and micro-cap segment of the stock market is robust with thousands of publicly traded issues, many of which lack traditional Wall Street research coverage. Thus, we believe this market is often inefficient, mispricing businesses and offering opportunities for fundamental research-minded investors such as Heartland.

INVESTMENT PROCESS

The Strategy utilizes Heartland's 10 Principles of Value Investing™ to identify companies with strong financial profiles and low prices relative to earnings, cash flows and book values. This process is driven by our disciplined and rigorous research efforts, based on more than 800 annual meetings with management teams. The approach provides both a potential margin of safety to limit downside risk and the opportunity for capital appreciation.

PORTFOLIO CONSTRUCTION

- Approximately 30-50 stocks
- Individual stocks usually represent less than 10% of portfolio
- Industry weightings typically represent less than 25% of the portfolio
- Generally fully invested but may hold cash equivalents during atypical markets
- Target two to three year investment horizon

RISK MANAGEMENT

- Consistent discipline of Heartland's 10 Principles of Value Investing™
- Potential safety margin: Focus on low price-to-earnings and strong balance sheets
- Liquidity analysis: Disciplined review of quantitative and qualitative factors, both at portfolio and individual position levels
- Analytical tools: Drawdown, upside/downside, risk/return, correlation, attribution, contribution
- Team approach and extensive collaboration

Our sell decisions may be driven by factors such as:

- Valuation targets achieved
- Change in investment thesis
- Deteriorating financial position
- Meeting fewer criteria of our 10 Principles of Value Investing™

CFA is a registered trademark owned by the CFA Institute.

Past performance does not guarantee future results. Current performance may differ due to market volatility. Portfolio holdings are subject to change.

[†]Source: FactSet Research Systems, Inc. [‡]Trailing 12-month actual earnings. [§]Weighted median.[¶]Shown as supplemental information. See important notes on reverse side.

PORTFOLIO CHARACTERISTICS (Equity Securities Only)[†]

	SMALL CAP VALUE COMPOSITE [‡]	RUSSELL 2000 INDEX [‡]	RUSSELL 2000 VALUE INDEX [‡]
LT Debt/Capital	18.8%	30.0%	32.4%
P/E [§]	10.1x	18.4x	15.2x
P/CF	6.7	9.0	7.4
P/B [§]	1.2	1.8	1.2
Avg Wgt Mkt Cap	\$731 mil	\$910 mil	\$844 mil
Median Mkt Cap	\$364 mil	\$395 mil	\$363 mil

SECTOR WEIGHTINGS (Equity Securities Only)[†]

	SMALL CAP VALUE COMPOSITE	RUSSELL 2000 INDEX [‡]	RUSSELL 2000 VALUE INDEX [‡]
Consumer Discretionary	0.6%	13.8%	9.7%
Consumer Staples	6.1	3.3	3.4
Energy	6.7	5.4	6.8
Financials	6.5	21.4	38.6
Health Care	27.3	13.8	5.8
Industrials	19.5	15.4	14.0
Information Technology	18.8	17.9	9.4
Materials	9.3	4.8	5.2
Telecommunication Services	5.2	1.0	0.6
Utilities	0.0	3.2	6.5
Total	100.0%	100.0%	100.0%

Industry and sector classifications for each security held in the Composite are generally determined by referencing the Global Industry Classification Standard Codes (GICS) developed by Standard & Poor's and Morgan Stanley Capital International.

TOP TEN LARGEST HOLDINGS (Equity Securities Only)[†]

COMPANY	% COMPOSITE	INDUSTRY
Accuray, Inc.	5.3%	Health Care Equipment & Supplies
Companhia de Saneamento Basico (ADR)	5.2	Water Utilities
InterDigital, Inc.	5.0	Communications Equipment
Gammon Gold Inc.	4.8	Metals & Mining
Golden Star Resources	4.2	Metals & Mining
STAAR Surgical Co.	4.1	Health Care Equipment & Supplies
Federal Signal Corp.	3.6	Machinery
Zhongpin, Inc.	3.3	Food Products
PDI, Inc.	3.1	Health Care Providers & Services
Extreme Networks, Inc.	3.1	Communications Equipment

NEW ACCOUNT MINIMUM: \$1,000,000

SMALL CAP VALUE COMPOSITE DECEMBER 31	NUMBER OF ACCOUNTS	MARKET VALUE \$ MILLIONS	ASSET-WEIGHTED DISPERSION	% OF ASSETS IN WRAP ACCOUNTS	% OF FIRM ASSETS	TOTAL FIRM ASSETS \$ MILLIONS	ANNUAL PORTFOLIO TURNOVER % ¹
2009	26	\$212.0	8.10%	4.57%	6.72%	\$3,156.1	71.0%
2008	25	132.5	3.19	4.59	5.77	2,296.9	56.7
2007	29	251.8	2.64	4.88	8.74	2,880.9	70.6
2006	58	351.3	4.18	7.66	11.00	3,193.7	61.2
2005	70	355.1	3.61	5.41	14.08	2,521.5	61.2
2004	62	433.3	4.51	2.59	14.32	3,026.2	50.7
2003	35	432.1	6.47	0.31	14.06	3,072.4	53.4
2002	27	236.9	3.22	N/A	17.10	1,385.0	54.2
2001	27	239.8	4.91	N/A	14.77	1,624.1	66.4
2000	40	436.7	6.66	N/A	25.66	1,701.7	59.1

Heartland Advisors, Inc. has prepared and presented this report in compliance with the Global Investment Performance Standards (GIPS®).

TOTAL RETURNS AS OF JUNE 30, 2010 • NET OF FEES

ANNUALIZED RETURNS YEAR	SMALL CAP VALUE COMPOSITE (net of advisory fees)	SMALL CAP VALUE COMPOSITE (net of bundled fees)**	RUSSELL 2000 INDEX***	RUSSELL 2000 VALUE INDEX***
Inception*	13.39%	11.33%	8.27%	9.96%
Ten	10.15	8.32	3.00	7.48
Five	0.58	-0.79	0.37	-0.51
Three	-8.59	-9.55	-8.60	-9.85
One	13.95	12.81	21.48	25.07

CUMULATIVE RETURNS YEAR	SMALL CAP VALUE COMPOSITE (net of advisory fees)	SMALL CAP VALUE COMPOSITE (net of bundled fees)**	RUSSELL 2000 INDEX***	RUSSELL 2000 VALUE INDEX***
Inception*	1437.33%	931.30%	462.66%	687.86%
Ten	162.84	122.43	34.42	105.72
Five	2.93	-3.89	1.85	-2.54
Three	-23.62	-26.00	-23.65	-26.73
One	13.95	12.81	21.48	25.07

ANNUAL RETURNS YEAR	SMALL CAP VALUE COMPOSITE (net of advisory fees)	SMALL CAP VALUE COMPOSITE (net of bundled fees)**	RUSSELL 2000 INDEX***	RUSSELL 2000 VALUE INDEX***
2009	73.03%	71.27%	27.17%	20.58%
2008	-44.18	-44.72	-33.79	-28.92
2007	-10.54	-11.78	-1.57	-9.78
2006	20.09	17.74	18.37	23.48
2005	1.99	-0.01	4.55	4.71
2004	8.30	6.20	18.33	22.25
2003	76.72	73.25	47.25	46.03
2002	-0.97	-2.89	-20.48	-11.43
2001	38.11	35.41	2.49	14.02
2000	-4.29	-6.16	-3.02	22.83

*10-1-88

**See Note 6 in Accompanying Notes

***See Note 7 in Accompanying Notes

¹Excludes Treasury bills, cash, and cash equivalents

Investing in small companies and value stocks presents certain additional risks. While during some periods, the stocks of small companies have performed better than the stocks of large companies, during other periods large cap stocks have outperformed small cap stocks. Stocks of small companies generally are more volatile and may have a smaller public market than stocks of large companies. Small companies may have a shorter history of operations than large companies, may not have the ability to raise capital as easily as large companies, and may have a less diversified product line, making them more susceptible to market pressure. Value investments are subject to the risk that their intrinsic values may never be recognized by the broad market.

ACCOMPANYING NOTES

- The Firm is a wholly owned subsidiary of Heartland Holdings, Inc. The Firm is registered with the Securities and Exchange Commission.
- The effective date of firm compliance is January 1, 1993.
- For the period from January 1, 2006 through March 31, 2009 verifications and performance examinations were performed by Ashland Partners & Company LLP. For the period January 1, 1993 through December 31, 2005, verifications and performance examinations were performed by other independent accountants. Periods after March 31, 2009 have not been examined.
- This composite was created in 1993 and consists of fully discretionary equity portfolios primarily invested in companies with market capitalizations less than \$2.5 billion. Beginning January 1, 2007, the minimum account size for this composite is \$1,000,000. For the period January 1, 2004 through December 31, 2006, the minimum account size for this composite is \$500,000. For the period from January 1, 1999 through December 31, 2003, the minimum account size for the composite was \$1,000,000 and prior to January 1, 1999, the minimum account size for the account was \$500,000. Portfolios in the composite that later drop below the composite minimum due to market volatility are only removed from the composite when their market value falls below \$750,000. Wrap accounts are included in the composite.
- The investment management fee schedule for the composite is as follows: 1.00% per annum on the first \$5,000,000; and 0.85% per annum on the next \$10,000,000. Fees on accounts over \$15,000,000 are negotiable. Actual investment advisory fees incurred by clients may vary. Further information on the Firm's fees can be found in Part II of its Form ADV. In addition to the management fee, wrap accounts also pay an all-inclusive fee based on a percentage of assets under management. In lieu of brokerage commissions, this fee includes portfolio monitoring, consulting services and in some cases, custodial services. As of June 30, 2010 the highest applicable sponsor portion of the separately managed wrap account fee was 1.00%, which may differ significantly from fees in other wrap accounts included in this composite.
- The US dollar is the currency used to express performance. Results are based on fully discretionary accounts under management, including those accounts no longer with the Firm. Returns are presented net of advisory fees and net of bundled fees and include the reinvestment of all income. Returns net of bundled fees are presented net of all fees and transaction costs incurred, include the investment of all income, and are based on the maximum all-inclusive wrap fee paid by any of the accounts included in the composite. The returns net of bundled fees were calculated by subtracting the highest applicable sponsor portion of the separately managed wrap account fee from the net of advisory fees return.
- For comparison purposes, the composite is measured against the Russell 2000 and Russell 2000 Value Indices. The Russell 2000 Index includes the 2000 firms from the Russell 3000 Index with the smallest market capitalizations. The Russell 2000 Value Index measures the performance of those Russell 2000 companies with lower price-to-book ratios and lower forecasted growth values. All indices are unmanaged. It is not possible to invest directly in an index. The index performance was taken from published sources and is not covered by the report of independent accountants.
- Client portfolios included in the composite are managed by multiple portfolio managers whose investment management styles may differ. In addition, some client portfolios may be managed more or less conservatively, subject to individual client restrictions. As a result, performance differences between client portfolios in the same composite may occur. The annual composite dispersion is an asset-weighted standard deviation calculated for the accounts in the composite the entire year.
- A complete list and description of the Firm's composites and additional information regarding the policies for calculating and reporting returns are available upon request. Contact Institutional Sales at Heartland Advisors, Inc., 789 N. Water Street, Suite 500, Milwaukee, WI 53202 or call 888-505-5180.