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Dear Heartland Shareholder:

The historic events of the third quarter may never again be seen in our lifetime. Our government took over the country's two largest mortgage lenders and the country's largest insurer. Two premier investment banks lost their independence, one through bankruptcy and the other in a Fed takeover.

The single common denominator? Excessive leverage. For example, Lehman Brothers, Merrill Lynch and Fannie Mae had leverage of \$31 (or more) in debt per dollar of equity.* We would have trouble sleeping under such leveraged odds.

Heartland long ago recognized the dangers of leverage. One of the 10 Principles of Value Investing™ is to focus on companies who use debt prudently, and this has been the case throughout the many years we've managed money. We know that leverage can enhance returns, but we are also aware that it can have devastating effects. **As value investors, it is precisely this downside risk we seek to avoid.**

Our research team's focus on low-debt companies served you well this year, as it allowed us to avoid many of the issues plaguing the financial sector. While the government has taken unprecedented action to bail out troubled firms, we remain unconvinced that the recent rally in financial stocks is supported by underlying fundamentals.

We believe market volatility presents an exceptional opportunity for the disciplined, enterprising investor and will try to use this volatility to your advantage. Many may currently fear the market, yet through the relentless search for individual businesses with compelling prospects, we believe there is money to be made.

Our company's founder, Bill Nasgovitz, has observed in his 40 years of professional experience that bull markets have always followed bear markets. It has been a difficult market and it's not clear to us when stability will return. **What we are clear on is the consistency of our process, our long-term view of investing and that we will work diligently on your behalf.** And, unlike some companies on Wall Street, Heartland Advisors, Inc. is free of debt, which should help all of us sleep a little better at night.

We thank you for your business and appreciate your continued confidence.

Sincerely,

Your Heartland Investment Team

* Source: *Bloomberg.com, September 15, 2008.*