

Form ADV Part 2A Brochure

February 10, 2015

ZUCKERMAN INVESTMENT GROUP

This Brochure provides information about the qualifications and business practices of Zuckerman Investment Group, LLC. If you have any questions about the contents of this Brochure, please contact us at 312-948-8000 or admin@zuckermaninvestmentgroup.com. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Zuckerman Investment Group, LLC is a registered investment adviser. Registration as an Investment Adviser with the United States Securities and Exchange Commission or any state securities authority does not imply any level of skill or training.

Additional information about Zuckerman Investment Group, LLC also is available on the SEC's website at www.adviserinfo.sec.gov.

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Item 2 - Material Changes

This Brochure dated February 10, 2015 is Zuckerman Investment Group, LLC's annual updating amendment to the Form ADV Part 2A Brochure. This section summarizes the material changes since the previous annual updating amendment to the Form ADV Part 2A Brochure dated March 15, 2014.

Item 15 has been amended to reflect Zuckerman Investment Group, LLC's use of a pricing hierarchy to value certain securities (primarily bonds) and to indicate that management fees are calculated based on the prices obtained from the pricing hierarchy.

If you would like to request a copy of the Brochure, please contact us at 312-948-8000 or admin@zuckermaninvestmentgroup.com.

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Item 4 - Advisory Business

Zuckerman Investment Group, LLC manages equity, balanced and fixed income portfolios for high net worth individuals and families, trusts, limited partnerships, retirement plans, and charitable foundations. We provide investment advice, counseling and portfolio management on both a discretionary and non-discretionary basis through the use of separately managed accounts. Each client establishes a custodial relationship with an independent bank or brokerage firm and opens an investment account in the client's name that is managed by Zuckerman Investment Group, LLC.

We have a value-oriented investment philosophy and conduct our own research and analysis to support our investment decisions. We primarily invest in publically traded equity and fixed income securities. On a limited non-discretionary basis, we may recommend that our clients invest in alternative assets including hedge funds, private equity and real estate. Although the investment management agreement with our clients gives us broad investment authority, we do not anticipate investing in other security types.

In order to understand our clients' goals and objectives, we have an initial assessment meeting as well as ongoing communication with the clients. At the onset of a client relationship, we set equity and fixed income targets with the client and typically do not fully invest the client's assets immediately. Instead, new client accounts will become fully invested over time as we identify investment opportunities. Clients may impose restrictions on investing in certain securities or types of securities.

Zuckerman Investment Group, LLC was formed in 2005. The firm is beneficially owned, directly or indirectly, by Sherwin A. Zuckerman, Daniel R. Zuckerman and immediate family members. Biographies and other information regarding Sherwin A. Zuckerman and Daniel R. Zuckerman are contained in Zuckerman Investment Group, LLC's Form ADV Part 2B Brochure Supplement.

As of December 31, 2014, we managed approximately \$803,000,000 in discretionary assets and approximately \$13,000,000 in non-discretionary assets.

Item 5 - Fees and Compensation

We charge an investment management fee of 1% of a client's assets under management. In limited circumstances, the investment management fee is negotiable depending on many factors including, but not limited to, the size of the account, the aggregate value of related accounts, the nature of the relationship, the complexity of the services provided and other factors.

Each client executes an investment contract with Zuckerman Investment Group, LLC which establishes the investment management fee. We generally bill clients in advance each calendar quarter and directly debit the fee from the clients' bank or brokerage custodial accounts. Accounts initiated or terminated during a calendar quarter will generally be charged a prorated fee. Upon termination of any account, any prepaid, unearned fees will be refunded.

Zuckerman Investment Group, LLC's fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses incurred by the client. Clients may incur certain charges imposed by custodians, brokers, third-party investment managers such as private equity and hedge fund managers, and other third-parties. These charges may include, but are not limited to, management and performance fees charged by third-party managers, ticket charges, brokerage commissions, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Mutual funds, money market funds, and exchange traded funds also charge internal management fees, which are disclosed in a fund's prospectus. These charges, fees and commissions are exclusive of and in addition to Zuckerman Investment Group, LLC's management fee.

Item 15 further discusses Zuckerman Investment Group, LLC's use of a pricing hierarchy to value certain securities (primarily bonds) and the impact it may have on investment management fees.

Item 12 further describes the factors that Zuckerman Investment Group, LLC considers in selecting or recommending broker-dealers for client transactions.

Item 6 - Performance-Based Fees and Side-By-Side Management

Zuckerman Investment Group, LLC does not charge any performance-based fees.

Item 7 - Types of Clients

Zuckerman Investment Group, LLC provides investment advice, counseling, and portfolio management to high net worth individuals and families, trusts, limited partnerships, retirement plans, and charitable foundations. Typically, Zuckerman Investment Group, LLC provides investment management services to clients with investable assets of at least \$2 million. We may adjust the minimum depending on the nature of the relationship.

Item 8 - Methods of Analysis, Investment Strategies and Risk of Loss

Zuckerman Investment Group, LLC manages equity, fixed income, and balanced portfolios and we conduct our own research and analysis to support our investment decisions. We may talk directly with companies, competitors, suppliers and industry contacts. We generally look for businesses that are both understandable and predictable and that have high returns on capital, sustainable competitive advantages, strong balance sheets and reliable management teams. We follow a value-oriented investment approach and buy companies that trade at a discount to our estimate of intrinsic

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value. Investing in securities, like all investments, involves the risk of loss of principal that clients should be prepared to bear.

We generally have a long term investment horizon. Our investment thesis typically plays out over years, not months. We have a disciplined process and sell an investment if, among other things, its value reaches our estimate of intrinsic value or if there is an unexpected change that negatively impacts the investment. It is common that we will establish a new position at the low end of its target weight and then increase the position size over time. We are mindful of tax implications and generally manage holding periods to minimize taxes at the individual account level.

Our approach has many risks. There is the potential that we can lose all or part of any investment. There is both market risk that macro factors will negatively impact equities and fixed income securities in general and security risk that specific company factors could negatively impact the investments in our clients' portfolios. We generally manage concentrated portfolios and therefore, there will be times that our performance will vary from the overall market.

Item 9 - Disciplinary Information

Neither Zuckerman Investment Group, LLC, nor any of its personnel has been the subject of any material legal or disciplinary events.

Item 10 - Other Financial Industry Activities and Affiliations

Jeffrey D. Izenman is an Associated Person and Principal of Rabar Market Research, Inc., a Commodity Futures Trading Commission registered Commodity Trading Advisor and Commodity Pool Operator. Rabar Market Research, Inc. is also a member of the National Futures Association in such capacities. Neither this relationship, nor any other financial industry activities and affiliations are material to our clients or advisory business.

Item 11 - Code of Ethics, Participation or Interest in Client Transactions & Personal Trading

Zuckerman Investment Group, LLC has adopted a Code of Ethics for all supervised persons, describing our high standard of business conduct, and fiduciary duty to our clients. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, a prohibition against spreading rumors, restrictions on accepting significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. All supervised persons at Zuckerman Investment Group, LLC must acknowledge the terms of the Code of Ethics annually, or as amended.

Subject to satisfying the Code of Ethics and applicable laws, employees of Zuckerman Investment Group, LLC or affiliated accounts may trade for their own accounts in securities which are purchased or recommended for Zuckerman Investment Group, LLC's clients. The Code of Ethics is designed to assure that the personal securities transactions, activities and interests of the employees of Zuckerman Investment Group, LLC will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts.

Under the Code certain classes of securities have been designated as exempt transactions, based upon a determination that these would not interfere materially with the best interest of Zuckerman Investment Group, LLC's clients. Because the Code of Ethics permits employees to invest in the same securities as clients, there is a possibility that employees might benefit from market activity by a client in a security held by an employee. Employee trading is continually monitored under the Code of Ethics to reasonably prevent and mitigate conflicts of interest between Zuckerman Investment Group, LLC and its clients.

Generally, employees of Zuckerman Investment Group invest in the same securities which are purchased or recommended for our clients, and all employee accounts that hold reportable securities must be held at one of the firm's custodians. Exceptions to the above may be granted by the Co-CEO, CCO, or the CCO's designee. Zuckerman Investment Group has adopted the following principles governing personal investment activities by Zuckerman Investment Group's supervised persons:

- The interests of client accounts will at all times be placed first;
- All employee securities transactions will be conducted in such manner as to avoid any actual or potential conflict of interest or any abuse of an individual's position of trust and responsibility; and
- Supervised persons must not take inappropriate advantage of their positions.

Client trades may be executed as part of bunched orders with employee, family, and/or affiliated accounts. In all cases of partial execution, client accounts are allocated to first in a manner which is fair and equitable to the client. As a result, employee, family and affiliated accounts may receive higher or lower execution prices than clients on the same securities. Any variation from this practice must be approved by the Co-CEO, the CCO or the CCO's designee.

In the case of partially executed orders, they will be allocated either on a pro-rata basis or random basis depending on the execution quantity and security type. From time to time, we will use discretion based on the share price of the security to round the allocation amounts and ensure that smaller allocations are completely filled. In all cases of partial execution, employees or affiliated accounts do not participate in a trade order until all client allocations are filled at the designated broker. Zuckerman Investment Group, LLC's clients or prospective clients may request a copy of the firm's Code of Ethics by contacting us at 312-948-8000 or admin@zuckermaninvestmentgroup.com.

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Item 12 - Brokerage Practices

Zuckerman Investment Group, LLC has the authority and discretion to choose the executing broker-dealer for client transactions. We consider several factors in selecting the broker-dealer, including but not limited to, the nature of the security being traded, the size of the transaction, the commissions charged by the broker, particular expertise in the type of security or transaction, and access to relevant markets.

Zuckerman Investment Group, LLC may receive research, brokerage or other products or services ("soft dollar benefits") other than execution from a broker-dealer in connection with transactions on behalf of clients. In selecting a broker-dealer, we may take into consideration such soft dollar benefits.

The types of research, brokerage and/or other products or services we acquired in the previous year included: electronic research and brokerage software, research consultants, and quotation services. Additionally, in some cases, these "soft" or commission dollars may be used to service client accounts that did not pay for the benefits since we do not allocate soft dollar benefits to client accounts based on the soft dollar credit the accounts generate. As a result, the commissions paid to broker-dealers could exceed the lowest possible commissions available and clients could be deemed to be paying for such services with "soft" or commission dollars.

When "soft" or commission dollars are used to obtain research, brokerage or other products or services, the adviser receives a benefit because the adviser does not have to produce or pay for the research, brokerage, products or services. On the other hand, the client benefits because they receive research, brokerage, and other products or services they otherwise would not have been able to benefit from. This may create an incentive to select or recommend a broker-dealer based on our interest in receiving the research or other products or services. Zuckerman Investment Group, LLC determines in good faith that commissions charged are reasonable in relation to the value of services received in view of the terms of the particular transaction or the adviser's overall responsibilities to all of its clients.

In all cases, "soft dollar" arrangements will comply with the so-called "safe harbor" provisions of Section 28(e) of the Securities Exchange Act of 1934. Zuckerman Investment Group, LLC may also receive incidental research-related products or services from brokers outside of formal soft dollar arrangements that may nonetheless be considered a "soft dollar benefit" under applicable law.

Clients may request us to direct brokerage to a certain broker-dealer. If a client chooses to direct brokerage, the agreement between the client and broker must be provided to us in writing. Zuckerman Investment Group, LLC's ability to achieve best execution may be partially or wholly limited by the nature of the directed brokerage agreement that the client has instructed us to follow. For example, the commissions charged in directed brokerage arrangements may be higher than what Zuckerman Investment Group, LLC would pay for similar transactions. Additionally, the client may incur a higher cost because we may be unable to obtain the most favorable execution and/or we will not be able to aggregate the order to reduce transaction costs. We generally aggregate orders to obtain a more advantageous execution price and a lower commission rate for the services obtained from the broker.

The firm will occasionally direct trades of securities directly between client accounts when, in the judgment of Zuckerman Investment Group, LLC, the transaction is in the best interest of each client participating in the transaction. When this occurs, we arrange the transaction through an independent broker-dealer for one client account to purchase a security directly from another client account at prevailing market prices. We are not a broker-dealer and we do not receive compensation from a cross trade. However, the broker-dealer facilitating the cross trade normally charges an administrative fee to the clients' accounts.

Item 13 - Review of Accounts

Zuckerman Investment Group, LLC investment professionals, which may include members of the investment committee, the Director of Research, and investment analysts, review all client accounts on an as needed basis to ensure the accounts are consistent with the client's stated objectives and identify accounts that warrant a more detailed review. Client accounts are also reviewed on an as needed basis based on market conditions and changes to a client's financial situation. The account reviews include, but are not limited to, assessing the client's objectives, evaluating the asset class weightings against targets, analyzing the composition of the individual securities in the portfolio, and reviewing any stated restrictions by the client.

On a quarterly basis, all clients receive a package that contains written reports regarding their account which may include a summary of assets, billing statement and other client specific statements. Clients may request that specific reports be added to their quarterly package.

Item 14 - Client Referrals and Other Compensation

Zuckerman Investment Group, LLC generally does not pay third parties for client referrals nor do we generally receive any other compensation for client referrals.

Zuckerman Investment Group, LLC has entered into an arrangement with one other investment advisor in which we compensate that advisor for client referrals based on a percentage of the management fees paid by each client referred to us. After the expiration of a specified period of time, compensation payments will cease. The fees paid to this investment advisor will not be passed on to any referred clients.

In addition to this agreement, Zuckerman Investment Group, LLC may enter into other arrangements with unaffiliated third parties for their assistance in referring business to Zuckerman Investment Group, LLC. Typically, Zuckerman Investment Group, LLC will pay cash compensation under these arrangements based on a percentage of the management fee paid on referred assets under management. The fees paid to the unaffiliated third

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parties are not passed on to any introduced clients.

The details of any specific agreement with unaffiliated third parties for their assistance in referring business to Zuckerman Investment Group, LLC will be provided to affected clients prior to, or at the time of, entering into any advisory contract with such clients.

Any such arrangements will comply with Rule 206(4)-3 under the Investment Advisers Act of 1940.

Item 15 - Custody

Zuckerman Investment Group, LLC generally does not have physical custody of client funds or securities, with the exception of debiting advisory fees. However, principals of Zuckerman Investment Group, LLC act as trustees for certain trusts and in that regard Zuckerman Investment Group, LLC is deemed to have custody over the assets of certain of those trusts. Additionally, for a limited number of accounts, pursuant to the clients' request, Zuckerman Investment Group, LLC has the authority to facilitate asset transfers, which is deemed custody.

Clients generally receive at least quarterly statements from the broker-dealer, bank or other qualified custodian that holds and maintains the client's investment assets. Zuckerman Investment Group, LLC urges clients to carefully review these statements and compare these official custodial records to the account statements that we provide.

In order to efficiently and consistently price certain securities (primarily bonds), Zuckerman Investment Group, LLC will obtain quotes from each of the custodians that our clients, collectively, have a relationship with. The custodians are listed in a hierarchy determined by Zuckerman Investment Group, LLC. When Zuckerman Investment Group, LLC prices the securities we will use the quotes provided by the first custodian on the list. If that custodian does not have quotes available for the security, Zuckerman Investment Group, LLC will move to the second custodian on the list and so on. As a result of this pricing method, the prices reflected in Zuckerman Investment Group, LLC statements for the subject securities, may differ from those in a client's custodial statement. As explained in "Item 5 - Fees and Compensation", Zuckerman Investment Group, LLC charges a management fee based on a percentage of assets under management. Accordingly, when the pricing hierarchy described above is used, the value of the assets under management in a client's account, and thus the actual management fee charged to the client, may be higher or lower than if the prices of the subject securities were obtained directly from the client's own custodian. Additionally, our statements may vary slightly from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

Beginning on January 1, 2014, the IRS implemented new regulations in regards to bond cost basis reporting by qualified custodians. In general, the client's qualified custodian will hold the official record of the cost basis of certain bonds purchased after January 1, 2014. Clients are urged to compare the cost basis of bonds reported by Zuckerman Investment Group, LLC to the cost basis reported by the client's qualified custodian.

Item 16 - Investment Discretion

Zuckerman Investment Group, LLC's standard investment contract provides us with full discretionary authority to select the identity and amount of securities to be bought or sold. In all cases such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account.

Clients execute an Investment Management Agreement which appoints Zuckerman Investment Group, LLC as investment adviser for their investment accounts. Clients are responsible for informing us in writing of any investment guidelines or restrictions and any changes to their investment objectives.

When selecting securities and determining amounts, Zuckerman Investment Group, LLC observes the investment policies, limitations and restrictions of the clients for which it advises.

Item 17 - Voting Client Securities

Zuckerman Investment Group, LLC has the authority to vote proxies on clients' behalf and utilizes the services of Broadridge to manage the proxy voting process. We vote proxies in the best interest of clients. This policy also applies to consents and other solicitations requested by various private funds, and proxies relating to securities held directly by clients but managed by us. Because solicited votes with respect to private funds often raise unique questions, we review, evaluate and vote these on a case by case basis. When a consent or other solicited vote or proxy relates to a routine matter, we generally vote in accordance with the objective of encouraging action that enhances client value. Clients who wish to vote their own proxies should notify us at 312-948-8000 or admin@zuckermaninvestmentgroup.com.

When we identify a potential conflict of interest, we will determine whether the conflict is material. If we determine the conflict is material, we will take one or some of the following steps:

- Inform the client of the material conflict and our voting decision.
- Discuss the proxy vote with the client.
- Fully disclose the material facts regarding the conflict and seek the client's consent to vote the proxy as intended.
- Seek the recommendation of an independent third party.

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In all cases, we will document the steps we took to address the conflict.

Clients may obtain a copy of Zuckerman Investment Group, LLC's complete proxy voting policies and procedures upon request. Clients may also obtain information from Zuckerman Investment Group, LLC about how Zuckerman Investment Group, LLC voted any proxies on behalf of their account(s).

Item 18 - Financial Information

Zuckerman Investment Group, LLC has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.