

**Zacks Investment Management**

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# Form ADV Part II

Please retain for your records.

**FORM ADV****Uniform Application for Investment Adviser Registration****Part II - Page 1**

## OMB APPROVAL

OMB Number 3235-0049

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hours per response . . . 4.07

Name of Investment Adviser:

**Zacks Investment Management, Inc.**

Address:	(Number and Street)	(City)	(State)	(Zip Code)	Area Code:	Telephone Number:
<b>100 North Riverside Plaza, Suite 2200</b>	<b>Chicago</b>	<b>IL</b>	<b>60606</b>	<b>(312)</b>	<b>265-9500</b>	

**This part of Form ADV gives information about the investment adviser and its business for the use of clients.  
The information has not been approved or verified by any government authority.**

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(Schedules A, B, C, D, and E are included with Part I of this Form, for the use of regulatory bodies, and are not distributed to clients.)

**Potential persons who are to respond to the collection of information contained in this form  
Are not required to respond unless the form displays a currently valid OMB control number.**

**Schedule F of  
FORM ADV – Page 2  
Continuation Sheet for Form ADV Part II**

Applicant: <b>Zacks Investment Management, Inc.</b>	SEC File Number 801-40592	Date: March 1, 2010
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(Do not use this Schedule as a continuation sheet for Form ADV Part I or any other schedules.)

Full name of applicant exactly as stated in Item 1A of Part I of Form ADV: <b>Zacks Investment Management, Inc.</b>	IRS Empl. Ident. No.: <b>36-3792197</b>
Item of Form (identify)	Answer

**1. A. Advisory Service and Fees** (check the applicable boxes)

For each type of service provided, state the approximate % of total advisory billings from that service. (See instructions below.)

Applicant:

- (1) Provides investment supervisory services \_\_\_\_\_ %
- (2) Manages investment advisory accounts not involving investment supervisory services 99 %
- (3) Furnishes investment advice through consultations not included in either service described above \_\_\_\_\_ %
- (4) Issues periodicals about securities by subscriptions \_\_\_\_\_ %
- (5) Issues special reports about securities not included in any service described above \_\_\_\_\_ %
- (6) issues, not as part of any service described above, any charts, graphs, formulas, or other devices which clients may use to evaluate securities \_\_\_\_\_ %
- (7) On more than an occasional basis, furnishes advice to clients on matters not involving securities \_\_\_\_\_ %
- (8) Provides a timing service \_\_\_\_\_ %
- (9) Furnishes advice about securities in any manner not described above 1 %

(Percentages should be based on applicant's last fiscal year. If applicant has not completed its first fiscal year, provide estimates of advisory billings for that year and state that the percentages are estimates.)

B. Does applicant call any of the services it checked above financial planning or some similar term? Yes No

C. Applicant offers investment advisory services for: (check all that apply)

- (1) A percentage of assets under management
- (2) Hourly charges
- (3) Fixed fees (not including subscription fees)
- (4) Subscription fees
- (5) Commissions
- (6) Other

D. For each checked box in A above, describe on Schedule F:

the services provided, including the name of any publication or report issued by the adviser on a subscription basis or for a fee applicant's basic fee schedule, how fees are charged and whether its fees are negotiable when compensation is payable, and if compensation is payable before service is provided, how a client may get a refund or may terminate an investment advisory contract before its expiration date

**2. Types of clients** – Applicant generally provides investment advice to: (check those that apply)

- A. Individuals
- B. Banks or thrift institutions
- C. Investment companies
- D. Pension and profit sharing plans
- E. Trusts, estates, or charitable organizations
- F. Corporations or business entities other than those listed above
- G. Other (describe on Schedule F)

**Schedule F of  
FORM ADV – Page 3  
Continuation Sheet for Form ADV Part II**

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**3. Types of Investments.** Applicant offers advice on the following: (check those that apply)

- |   |  |
|---|--|
| <p>A. Equity securities</p> <ul style="list-style-type: none"> <li><input checked="" type="checkbox"/> (1) exchange-listed securities</li> <li><input checked="" type="checkbox"/> (2) securities traded over-the-counter</li> <li><input checked="" type="checkbox"/> (3) foreign issuers</li> </ul> <p>B. <input type="checkbox"/> Warrants</p> <p>C. <input checked="" type="checkbox"/> Corporate debt securities (other than commercial paper)</p> <p>D. <input type="checkbox"/> Commercial paper</p> <p>E. <input type="checkbox"/> Certificates of deposit</p> <p>F. <input checked="" type="checkbox"/> Municipal securities</p> <p>G. Investment company securities</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> (1) variable life insurance</li> <li><input type="checkbox"/> (2) variable annuities</li> <li><input checked="" type="checkbox"/> (3) mutual fund shares</li> </ul> | <p><input checked="" type="checkbox"/> H. United States government securities</p> <p>I. Options contracts on:</p> <ul style="list-style-type: none"> <li><input checked="" type="checkbox"/> (1) securities</li> <li><input type="checkbox"/> (2) commodities</li> </ul> <p>J. Future contracts on:</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> (1) tangibles</li> <li><input checked="" type="checkbox"/> (2) intangibles</li> </ul> <p>K. Interests in partnerships investing in:</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> (1) real estate</li> <li><input type="checkbox"/> (2) oil and gas interests</li> <li><input type="checkbox"/> (3) other (explain in Schedule 1)</li> </ul> <p><input checked="" type="checkbox"/> L. Other (explain on Schedule F)</p> |
|---|--|

**4. Methods of Analysis, Sources of Information, and Investment Strategies.**

**A. Applicant's security analysis methods include:** (check those that apply)

- |   |  |
|---|--|
| (1) <input type="checkbox"/> Charting               | (4) <input type="checkbox"/> Cyclical                      |
| (2) <input checked="" type="checkbox"/> Fundamental | (5) <input type="checkbox"/> Other (explain on Schedule F) |
| (3) <input type="checkbox"/> Technical              |  |

**B. The main source of information applicant uses include:** (check all that apply)

- |   |   |
|---|---|
| (1) <input checked="" type="checkbox"/> Financial newspapers and magazines    | (5) <input type="checkbox"/> Timing services  |
| (2) <input type="checkbox"/> Inspections of corporate activities              | (6) <input checked="" type="checkbox"/> Annual reports, prospectuses, filings with the Securities and Exchange Commission |
| (3) <input checked="" type="checkbox"/> Research materials prepared by others | (7) <input checked="" type="checkbox"/> Company press release   |
| (4) <input checked="" type="checkbox"/> Corporate rating services             | (8) <input type="checkbox"/> Other (explain on Schedule F)  |

**Schedule F of  
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Continuation Sheet for Form ADV Part II**

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(Do not use this Schedule as a continuation sheet for Form ADV Part I or any other schedules.)

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**C. The investment strategies used to implement advice given to clients include:** (check all that apply)

- |  |  |
|--|--|
| (1) <input checked="" type="checkbox"/> Long term purchases<br>(securities held at least a year) | (5) <input checked="" type="checkbox"/> Margin transactions  |
| (2) <input checked="" type="checkbox"/> Short term purchases<br>(securities sold within a year)  | (6) <input checked="" type="checkbox"/> Option writing, including covered options,<br>uncovered options, or spreading strategies |
| (3) <input checked="" type="checkbox"/> Trading (securities sold within 30 days)                 | (7) <input checked="" type="checkbox"/> Other (explain on Schedule F)  |
| (4) <input checked="" type="checkbox"/> Short sales  |  |

**5. Education and Business Standards.**

Yes No

Are there any general standards of education or business experience that applicant requires of those involved in determining or giving investment advice to clients?  Yes  No

(If yes, describe these standards on Schedule F.)

**6. Education and Business Background.**

**For:**

- each member of the investment committee or group that determines general investment advice to be given to clients, or
- if the applicant has no investment committee or group, each individual who determines general advice given to clients (if more than five, respond only for their supervisors)
- each principal executive officer of applicant or each person with similar status or performing similar functions.

On Schedule F, give the:

- name formal education after high school
- year of birth business background for the preceding five years

**7. Other Business Activities.** (check those that apply)

- A. Applicant is actively engaged in a business other than giving investment advice.
- B. Applicant sells products or services other than investment advice to clients.
- C. The principal business of applicant or its principal executive officers involves something other than providing investment advice.

(For each checked box describe the other activities, including the time spent on them, on Schedule F.)

**8. Financial Industry Activities or Affiliations.** (check those that apply)

- A. Applicant is registered (or has an application pending) as a securities broker-dealer.
- B. Applicant is registered (or has an application pending) as a future commission merchant, commodity pool operator or commodity trading adviser.
- C. Applicant has arrangements that are material to its advisory business or its clients with a related person who is a:
- |  |  |
|--|--|
| <input checked="" type="checkbox"/> (1) broker-dealer      | <input type="checkbox"/> (7) accounting firm |
| <input checked="" type="checkbox"/> (2) investment company | <input type="checkbox"/> (8) law firm        |



**Schedule F of  
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Item of Form (identify)	Answer	

**12. Investment or Brokerage Discretion.**

- A. Does applicant or any related person have authority to determine, without obtaining specific client consent, the:
- |  |  |                                |
|--|--|--------------------------------|
| (1) securities to be bought or sold?               | Yes<br><input checked="" type="checkbox"/> | No<br><input type="checkbox"/> |
| (2) amount of the securities to be bought or sold? | Yes<br><input checked="" type="checkbox"/> | No<br><input type="checkbox"/> |
| (3) broker or dealer to be used?                   | Yes<br><input checked="" type="checkbox"/> | No<br><input type="checkbox"/> |
| (4) commission rates paid?                         | Yes<br><input checked="" type="checkbox"/> | No<br><input type="checkbox"/> |
- B. Does applicant or a related person suggest brokers to clients?  
 Yes     No

For each yes answer to A describe on Schedule F any limitations on the authority. For each yes to A(3), A(4) or B, describe on Schedule F the factors considered in selecting brokers and determining the reasonableness of their commissions. If the value of products, research and services given to the applicant or a related person is a factor, describe:

- the products, research and services
- whether clients may pay commissions higher than those obtainable from other brokers in return for those products and services
- whether research is used to service all of applicant's accounts paying for it; and
- any procedures the applicant used during the last fiscal year to direct client transactions to a particular broker in return for products and research services received.

**13. Additional Compensation.**

Does the applicant or a related person have any arrangements, oral or in writing, where it:

- A. is paid cash by or receives some economic benefit (including commissions, equipment or non-research services) from a non-client in connection with giving advice to clients?  
 Yes     No
- B. directly or indirectly compensates any person for client referrals?  
 Yes     No  
(For each yes, describe the arrangements on Schedule F.)

**14. Balance Sheet.** Applicant must provide a balance sheet for the most recent fiscal year on Schedule G if applicant:

- has custody of client funds or securities; or
  - requires prepayment of more than \$500 in fees per client and 6 more months in advance
- Has applicant provided a Schedule G balance sheet?  
 Yes     No

**Schedule F of  
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**1. D ADVISORY SERVICES AND FEES**

Zacks Investment Management, Inc. (“Adviser”) manages investment advisory accounts on a discretionary basis. Adviser manages separate accounts, public and private pooled investment vehicles, and is an adviser to a number of wrap-fee programs.

**Negotiated Discretionary Accounts [1.A (2)]**

For accredited investors, the advisory fees charged are performance based and negotiated depending upon amount of assets being managed, number of years account is under management and the client’s investment guidelines. Performance fees do not exceed 20% of the total return of the account during a 12-month period. Performance fees are either based on the total return or above the S&P 500 benchmark return. Management fees up to 1% of assets may also be charged. With respect to all performance fees charged, Adviser will be in compliance with Rule 205-3 under the Investment Advisers Act of 1940 (the “Advisers Act”).

The advisory fees for non-accredited investors are based on assets under management and are negotiated. This annual management fee will not exceed 3% of client assets under management. Management fees are billed at the end of each calendar quarter.

Performance based fees are not applicable or charged to non-accredited clients.

Those clients paying a performance fee, after the first 12 months, are billed quarterly at the end of the quarter ½ of 1% of the value of the account as a draw against the 12 month performance fee. At the end of the 12-month period based on the performance, the client pays any unpaid balance due, or if the total of the three quarterly payments exceeds the amount due based on the performance for the year, the amount of the excess is returned to the client.

**“Wealth Management Program” Accounts [1.A (2)]**

Adviser also manages investment advisory accounts on a discretionary basis under the “Wealth Management Program”. This program offers clients an asset allocation approach to investments and includes ten investment strategies: “Zacks Dividend Strategy”, “Zacks Rank Strategy”, “Zacks Quantitative Strategy”, “Zacks International Equity Strategy (Developed Countries)”, “Zacks International Equity Strategy (Emerging Markets)”, and “Zacks Fixed-Income Strategy”, “Zacks Focused Growth”, “Zacks MLP Strategy”, “Zacks Energy Strategy”, “Zacks Preferred Income Strategy”, “Zacks Large-Cap Strategy” The asset allocation also incorporates cash and cash-like instruments in its portfolios. Each strategy is described more fully under Investment Strategies discussed in Item 4.C.7 below.

**“Zacks Alternative Investments” Accounts [1.A (2)]**

Adviser also manages investment advisory accounts on a discretionary basis under “Zacks Alternative Investments” accounts. This program offers clients a unique approach to investments and includes the following strategies: “Zacks Merger Opportunities Strategy,” “Zacks Long/Short Strategy,” and “Zacks Market Neutral Strategy”. The minimum account that will be accepted is \$ 500,000. The typical management fee is 1% and where applicable a performance incentive fee of 20% of the total return above the high-water mark is charged quarterly. The strategy is described more fully under Investment Strategies discussed in Item 4.C.7 below.

**Financial Planning Accounts [1.A (9)]**

Financial Planning activities may result in the subsequent management of client assets by the Adviser for which it may receive advisory fees from the client, see 1.A (2) above. The Adviser utilizes the services of various firms for assistance in providing advice to clients requesting financial planning assistance.

**Schedule F of  
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Continuation Sheet for Form ADV Part II**

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Item of Form (identify)	Answer	

1. D All clients with Retail Wealth Management Program accounts that have been opened as of February 26, 2004 pay the following annual Assets Under Management Fees, which are payable quarterly based on the average assets under management in the client’s account at the end of each calendar quarter. The fees for a limited number of individual accounts may differ from this schedule.

- 1.8% if assets under management are less than \$200,000
- 1.6% if assets under management are between \$200,000 and \$400,000
- 1.4% if assets under management are between \$400,000 and \$600,000
- 1.2% if assets under management are between \$600,000 and \$1,000,000
- 1.0% if assets under management are between \$1,000,000 and \$3,000,000
- 0.8% if assets under management are over \$3,000,000

All clients with Retail Wealth Management Program accounts that are opened effective February 27, 2004 and later pay the following annual Assets Under Management Fees, which are payable quarterly in advance based on the market value of the client’s account on the last business day of the previous calendar quarter.

- 1.80% if assets under management are up to \$500,000
- 1.65% if assets under management are between \$500,000 and \$1,000,000
- 1.50% if assets under management are between \$1,000,000 and \$1,500,000
- 1.45% if assets under management are between \$1,500,000 and \$2,000,000
- 1.35% if assets under management are between \$2,000,000 and \$2,500,000
- 1.30% if assets under management are between \$2,500,000 and \$3,000,000
- 1.25% if assets under management are between \$3,000,000 and \$3,500,000
- 1.20% if assets under management are between \$3,500,000 and \$4,000,000
- 1.15% if assets under management are between \$4,000,000 and \$4,500,000
- 1.10% if assets under management are between \$4,500,000 and \$5,000,000
- 1.05% if assets under management are between \$5,000,000 and \$10,000,000
- 1.00% if assets under management are greater than \$10,000,000

Wealth Management Program clients that have their assets held at FOLIO*fn* Investments, Inc., an online discount broker-dealer (“FOLIO*fn*”); pay Adviser an annual, fixed, non-refundable account administration fee of \$495 *per* client account, for an account with over \$50,000. For accounts between \$20,000 and \$50,000 in assets, the fee is \$295 *per* client account; for client accounts under \$20,000, the fee is zero. If client initiates non-window trades in its FOLIO*fn* account, incurs margin debt, or executes other selected transactions, the client may be charged a fee by FOLIO*fn*. Clients that have their assets held at FOLIO*fn* are entitled to have up to twenty different strategies in their account. If the client holds more than twenty portfolios, the client pays a non-refundable fee of \$50 *per* year to FOLIO*fn* for each additional account. FOLIO*fn* receives 20 basis points of management fees charged to clients custodied at FOLIO*fn*, which is non-refundable to the Adviser and/or the client. A client agreement may be canceled at any time, by either party, for any reason upon receipt of 30 days written notice. Upon termination of any account, any prepaid, unearned fees will be promptly refunded, and any earned, unpaid fees will be due and payable. Unless a client requests otherwise in writing, the Adviser’s general policy is to liquidate terminating accounts.

Clients with assets consisting of individual fixed-income securities such as treasury, corporate and municipal bonds pay the following annual Assets Under Management Fees, which are payable quarterly in advance based on the market value of the client’s account on the last business day of the previous calendar quarter.

- 0.65% if assets under management are between \$500,000 and \$2,000,000
- 0.50% if assets under management are between \$2,000,000 and \$4,000,000
- 0.40% if assets under management are between \$4,000,000 and \$6,000,000
- 0.25% if assets under management are greater than \$6,000,000

Institutional clients pay the following annual Assets Under Management Fees, which are payable quarterly in arrears based on the market value of the client’s account on the last business day of the previous calendar quarter.

75 basis points on the first \$10,000,000

**Schedule F of  
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- 1.D. 65 basis points on amounts greater than \$10,000,000 but below \$20,000,000.  
(Continued) 55 basis points on amounts greater than \$20,000,000 but below \$50,000,000.  
The fees for amounts over \$50,000,000 are negotiable.

Adviser serves as a portfolio manager in a number of wrap fee programs. Management of wrap accounts is viewed by Adviser as part of its wholesale business. The list of programs includes, but is not necessarily limited to: (i) Wells Fargo & Company's Access Program; (ii) UBS Mac Platform Program; (iii) Smith Barney IMS Program; (iv) Charles Schwab Access RIA Program; (v) Morgan Stanley's Access, PPA, and Vision Programs; (vi) Merrill Lynch's UMA and Consults Programs; (vii) LPL Manager Select Program; (viii) Janney Montgomery Partners Advisory Account/Advisors Account Program; (ix) Fidelity Funds Network Program; and (x) Commonwealth PPS Direct Program. These wrap fee programs are arrangements in which investment advisory services, brokerage execution services and custody are provided by a sponsor for a single predetermined "wrap" fee (regardless of the number of trades completed by a client). Generally, clients participating in a wrap fee program ("Wrap Program Clients") pay this single, all-inclusive fee quarterly in advance or arrears to the program sponsor, based on the net assets under management. Adviser receives from the program sponsor a portion of the wrap fee for the portfolio management services it provides. Each program sponsor is required to prepare and deliver a brochure which contains detailed information about its wrap fee program, including the wrap fee charged. Copies of each brochure are available from the program sponsor upon request. Each wrap program sponsor has retained Adviser through a separate investment advisory contract. In limited cases, a participant in a Wrap Program has dual agreements, one agreement with the Wrap Program sponsor and an agreement with Adviser. Wrap Program Clients should note that Adviser will execute transactions for their accounts through the Wrap Sponsor. Transactions executed through a Wrap Sponsor may be less favorable in some respects than Adviser's clients whose trades are not executed through the Wrap Sponsor. This is because Adviser may have no ability to negotiate price or take advantage of combined orders or volume discounts. Adviser may be constrained in obtaining best execution for Wrap Program Clients by sending trades to the Wrap Sponsor

Adviser has a small number of wholesale arrangements where it provides model portfolio investment recommendations without brokerage execution or additional services. Adviser's fees for these services are negotiated on a case-by-case basis. This type of client account is not managed by Adviser; the client may be notified of changes to Adviser's model portfolio after Adviser's discretionary client accounts have traded. The client may or may not use the information received from Adviser in making investment decisions.

**2.G. WHOLESALING OF INVESTMENT STRATEGIES**

We offer our strategies to a limited number of third party brokerage firms, Registered Investment Advisors and Independent broker-dealers. We call this our Wholesaling business. In this business, we are marketing our investment strategies directly to the institutions and their respective sales groups.

**3. L TYPES OF INVESTMENTS**

We may purchase Exchange-Traded Funds ("ETFs") (e.g., SPDRs, DIAMONDS, etc.) for client accounts. An ETF is a type of investment company (usually, an open-end fund or unit investment trust) who's primary objective is to achieve the same return as a particular market index. An ETF is similar to an index fund in that it will primarily invest in the securities of companies that are included in a selected market index. Unlike traditional mutual funds, which can only be redeemed at the end of a trading day, ETFs trade throughout the day on an exchange.

**Schedule F of  
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**4. C.7 INVESTMENT STRATEGIES**

While Adviser principally invests in long and short positions in equity securities, for certain clients Adviser invests, to a limited extent, in S&P 500 Index futures contracts to gain exposure to the general equity market, as measured by the S&P 500 Index, as a supplement to their long and short portfolios. Adviser will not enter into any commodity futures contract or any option related to such a contract if such contract or option would cause the aggregate initial margin and option premiums of the portfolio to exceed 10% of the fair market value of the portfolio's total assets, after taking into account unrealized profits and losses on contracts it has entered into and excluding the "in money" amount of any options it holds or is subject to as such term is defined in CFTC Section 190.01(x). In addition, the Adviser provides wealth management services which utilizes an asset allocation model that employs the various strategies described below and above in section 3 (Types of Investments).

The Zacks Quantitative Strategy is designed to utilize the effectiveness of the Zacks proprietary stock ranking system (the Zacks Performance Rank), a quantitative stock ranking model based on earnings estimate revisions and earnings surprises. The Quantitative Strategy purchases between 125 and 260 stocks the majority of which have an attractive Zacks Rank at the time of rebalance. The strategy is rebalanced periodically and generates more turnover than other strategies offered. The portfolio manager of the strategy has the ability to over ride the quantitative model and purchase lower ranked Zacks stocks as desired at any point in time. Additionally, the portfolio manager may change the rebalance frequency and bring the strategy to cash for defensive purposes. The objective of the Quantitative Strategy is to outperform the S&P 500 Index over a full market cycle.

The Zacks Focus Growth Strategy invests in a diversified group of stocks that Zacks believes will outperform the market over the next twelve months. The strategy primarily invests in growth oriented stocks with a large cap bias. The Focus Growth Strategy makes use of a proprietary multi-factor model. The Strategy contains 50 to 100 stocks and is diversified across multiple sectors. The strategy makes use of an optimizer. The Benchmark for the strategy is the Russell 1000 Growth Index.

Zacks International Equity Strategy is invested in markets outside the U.S.A. and diversifies across nations to lower the overall risk and gain the benefit of an asset class with historically low correlations to the U.S. equity markets. The Strategy's tactical allocation provides exposure to both developed and emerging market nations, allowing for risk controlled growth. The Strategy utilizes a number of country-specific Exchange Traded Funds ("ETFs") to capture growth in foreign nations. The manager of the strategy may bring the strategy to cash or reduce emerging market exposure for defensive purposes.

The Zacks Rank Strategy consists of between 50 to 200 stocks that are selected based on a combination of qualitative decisions and a multi-factor model. The objective of the Zacks Rank Strategy is to provide risk-adjusted returns and diversification benefits relative to either the S&P 500 index or the Russell 3000 index. The Zacks Rank Strategy is diversified across sectors and market caps. The strategy may hold ETFs if desired by the portfolio manager.

The Zacks Dividend Strategy is designed to produce tax efficient returns from both capital appreciation and dividends. The strategy holds between 50 and 100 stocks believed to represent good fundamental value as determined by a proprietary multi-factor value model which includes dividend yield. The benchmark for the Strategy is the Russell 1000 Value Index. The strategy makes use of an optimizer.

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FORM ADV – Page 11  
Continuation Sheet for Form ADV Part II**

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Full name of applicant exactly as stated in Item 1A of Part I of Form ADV: <b>Zacks Investment Management, Inc.</b>		IRS Empl. Ident. No.: <b>36-3792197</b>
Item of Form (identify)	Answer	

The Zacks Fixed-Income Strategy is employed as an important component in the allocation efforts for client accounts. The objective is to outperform the Lehman Brothers U.S. Aggregate Bond Index on a short, mid and long- term basis. A portfolio manager manages the Fixed Income strategy using a mix of corporate and government bonds through the purchase and sale of various Fixed-Income Exchange Traded Funds (ETF's).

The Zacks MLP Strategy invests, primarily, in Master Limited Partnerships with some holdings in Business Development Companies and U.S. Royalty Trusts. Master Limited Partnerships (MLPs) provide an excellent opportunity for total return through a combination of higher than average yields and the potential for appreciation. MLPs are, typically, investments in energy-related companies that benefit from certain tax law provisions that allow the companies to pass on the majority of their income to shareholders. A portfolio manager manages the Zacks MLP Strategy.

The Zacks Energy Strategy selects positions within the energy sector that have favorable risk reward characteristics and reasonable P/E multiples relative to prior cycles.

The Zacks Preferred Income Strategy incorporates a blend of traditional preferred securities, trust preferred and third party trust preferred securities we are able to provide a high level of current income. The Preferred Income Strategy allows investors to capture yield and generate income. The strategy is managed qualitatively by a portfolio manager.

The Zacks Market Neutral Fund's objective is to generate positive returns in both rising and falling equity markets. The Fund will simultaneously invest in long and short positions to minimize portfolio exposure to overall equity market risk. The Fund may be appropriate for investors seeking to generate returns that are independent of the direction of the stock market.

The Zacks Multi-Cap Opportunities Fund has been designed to utilize Zacks' decades of earnings research and their ranking model to guide investment selection. The Fund's primary objective is capital appreciation. The Fund may be appropriate for investors seeking a high total return potential, a varied portfolio of small-, mid-, and large-cap stocks, and a unique process to identify companies with earnings growth potential.

The Zacks Merger Opportunities Strategy is focused on corporate mergers and acquisitions. Each investment in the portfolio is made to capture the spread between the current and projected value of each company involved in a corporate takeover. Our aim is to provide a low-risk rate of return that is uncorrelated with the market. Then through the controlled use of leverage we enhance these returns for the portfolio.

**6. EDUCATION AND BUSINESS BACKGROUND**

**BENJAMIN L. ZACKS**

Birth date: December 3, 1946

Education: Boston University, B.A., 1968

Business

Background: Managing Director & Senior Portfolio Mgr, Zacks Investment Management, Inc., 9/91-Present.  
Executive Vice President, Zacks Investment Research, Inc., 3/81-Present  
Principal, Zacks & Company, 3/79-Present

**MITCHEL ZACKS**

Birth date: November 2, 1973

Education: University of Chicago, M.B.A., 1999  
Yale University, B.S., 1995

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Business  
Background: Managing Director & Portfolio Mgr, Zacks Investment Management, Inc., 11/96-Present  
Investment Banking Analyst, Lazard Freres, 1995-1996

**MANISH JAIN**

Birth date: July 14, 1972  
Education: Michigan State University, B.A., 1993

Business  
Background: Account Executive, Frankwell Management Services, 7/93-6/94  
Financial Advisor, H&R Block 10/94-12/02  
Portfolio Manager, Peoples Bank Trust Dept., 12/02-6/04  
Asst. VP Investment Management, Peoples Bank, 6/04-1/07  
Fixed Income Portfolio Manager, Zacks Investment Management, 2/07-Present

**LEONARD ZACKS**

Birth date: September 6, 1944  
Education: Massachusetts Institute of Technology, B.S., 1965  
Massachusetts Institute of Technology, PhD., 1969

Business  
Background: President, Chairman, CEO, Zacks Investment Research, Inc. 1981-Present  
President, Chairman, Zacks & Company, 9/78-Present

7 and 8.C. Leonard Zacks provides executive management along with direction and oversight for ZIM. Len spends the majority of his time carrying out his duties for Zacks Investment Research, Inc. ("ZIR"). ZIR wholly owns ZIM; the staff at ZIM are employees of ZIR. ZIR is a provider of market data services over the Internet and other media. ZIR engages in various e-commerce activities, including the sale of full-text brokerage research reports, investment newsletters and other investment publications over its web site and the web sites of its investor network. The Adviser utilizes research from ZIR as a tool in managing portfolios. The affiliated broker-dealer, Zacks & company, is utilized by ZIR clients for soft-dollar credits. ZIM does not utilize Zacks and Company for any of its clients trading activity in individual stocks or bonds. Adviser is affiliated with a number of mutual funds, as described in response to Items 1 and 13

**8. D OTHER FINANCIAL INDUSTRY ACTIVITIES OR AFFILIATIONS**

ZIR, the parent company of Adviser, among other business activities, serves as General Partner of Zacks Limited Partnership ("ZLP"), established in 1994, Zacks Strategies II, Limited Partnership ("ZSII"), established in 2002, Zacks Long/Short Limited Partnership ("ZLS"), established in 2004 and Zacks Limited Partnership 2008 ("ZLP2008"), established in 2008.

ZLP seeks to achieve total investment return for its partners principally through active trading of large cap common stocks. Stocks are selected for investment based upon the Zacks Indicator, a proprietary fundamental model monitoring earnings estimate revisions and deviations between projected and actual reported quarterly earnings. Stocks may be bought or sold short to take advantage of expected price fluctuations due to estimate revisions and differences between projected and actual earnings of the companies.

ZSII seeks to achieve total investment return for its partners principally through active trading of common stocks issued by companies that appear on the Russell 3000 Index (i.e., large, mid and small cap stocks) and/or the Russell 2000 Index (i.e., small cap stocks). Depending on the partnership class, ZSII uses either a market neutral strategy or a long strategy. Stocks are selected for investment based upon the Zacks Indicator, a proprietary fundamental model monitoring earnings estimate

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revisions and deviations between projected and actual reported quarterly earnings. Stocks may be bought or sold short to take advantage of expected price fluctuations due to estimate revisions and differences between projected and actual earnings of the companies.

ZLS seeks to achieve total investment return for its Partners principally through investing in a concentrated long portfolio of common stocks while selling short a concentrated portfolio of common stocks. The purpose is to hedge market exposure while attempting to generate excess market returns. From time to time, the Partnership may sell covered calls against certain long positions and sell covered puts against certain short positions to enhance returns. It also may employ exchange traded funds (“ETF’s”) to achieve desired exposures.

ZLP2008 seeks to achieve total investment return for its partners principally through active trading of common stocks. Stocks are selected for investment based upon the Zacks Indicator, a proprietary fundamental model monitoring earnings estimate revisions and deviations between projected and actual reported quarterly earnings. Stocks may be bought or sold short to take advantage of expected price fluctuations due to estimate revisions and differences between projected and actual earnings of the companies.

Adviser assists the partnerships in making investment decisions for the partnerships and receives compensation for its services from the partnerships. Clients who are eligible to invest in the partnerships may be solicited to invest. Interests in the partnerships are sold exclusively to qualified clients and accredited investors.

**9. D & 9.E PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS**

**LIMITED PARTNERSHIPS**

When reviewing a qualified advisory client’s investment objectives, Adviser may recommend an investment in ZLP and/or ZSII and/or ZLS, or a transfer of capital from an individually managed account into one or both of the partnerships. At that time, Adviser explains in writing and discusses with the client the differences in the investment process and risk profile between an individually managed account and the partnerships.

Possible changes in fees and expenses are explained and the client is furnished a copy of the Offering Memorandum of the partnership being recommended by Adviser. Adviser may purchase securities for clients that are also purchased for the Zacks Limited Partnership and/or the Zacks Strategies II, Limited Partnership. Certain individuals and/or entities (i.e. ZIR) related to Adviser may be limited partners in one or both partnerships. ZIM has a conflict of interest to favor the Private Funds over other client accounts since ZIM has the ability to earn incentive fees and ZIR has an ownership interest in the Private Funds. Performance based fees may create an incentive for Adviser to make investments that are riskier or more speculative than would be the case in the absence of a performance fee. Advisers have an inherent conflict of interest to recommend accounts that pay more in fees, such as performance based fees.

**CODE OF ETHICS**

Adviser has adopted a Code of Ethics (the “Code”) in accordance with the Advisers Act, which includes written procedures governing the conduct of Adviser, certain officers and managers, as well as other advisory persons, investment personnel and access persons of Adviser. To mitigate risks and potential conflicts involving personal trades, the Adviser’s Code includes a personal securities and insider trading policies and procedures. The Adviser’s Code requires, among other things, that employees:

- Act with integrity, competence, diligence, respect, and in an ethical manner with the public, clients, prospective clients, employers, employees, colleagues in the investment profession, and other participants in the global capital markets;

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**9. D & 9.E (Continued)**

- Place the integrity of the investment profession, the interests of clients, and the interests of Zacks above one’s own personal interests;
- Adhere to the fundamental standard that you should not take inappropriate advantage of your position;
- Mitigate any actual or potential conflict of interest;
- Conduct all personal securities transactions in a manner consistent with this policy;
- Use reasonable care and exercise independent professional judgment when conducting investment analysis, making investment recommendations, taking investment actions, and engaging in other professional activities;
- Practice and encourage others to practice in a professional and ethical manner that will reflect credit on yourself and the profession; Promote the integrity of, and uphold the rules governing, capital markets;
- Maintain and improve your professional competence and strive to maintain and improve the competence of other investment professionals.
- Comply with applicable provisions of the federal securities laws.

The Adviser’s Code requires access persons to: 1) pre-clear certain personal securities transactions, 2) report personal securities transactions on at least a quarterly basis, and 3) provide the Adviser with a detailed summary of certain holdings (both initially upon commencement of employment and annually thereafter) over which such access persons have a direct or indirect beneficial interest. ZIM prohibits access persons from trading in individual stocks. Trades in government securities, open ended mutual funds and certain ETFs are permitted; also, transactions in "grandfathered" securities (prior to August 1, 2009) and other extraordinary trading in individual stocks are permitted with the prior written approval of the CCO, who actively monitors these limited trades.

In addition to the foregoing, the Code also imposes upon advisory representatives certain reporting obligations. The Code and applicable securities transactions are monitored by Adviser’s Compliance Officer. Upon request, a copy of the Code will be provided to any (prospective) client or investor.

**SUMMARY OF PROXY VOTING POLICY**

Zacks Investment Management, Inc. (“Zacks”) often has voting power with respect to securities in client accounts. Zacks has adopted a proxy voting policy and procedures (the “Proxy Policy”) with respect to the voting of proxies for client accounts for which Zacks has proxy voting authority. Advisor utilizes Broadridge for the execution and recordkeeping of Zacks’s proxy voting.

Under the Proxy Policy, Zacks monitors corporate events and votes the proxies in a manner that it deems consistent with the best interests of its clients. The Proxy Policy provides for the process by which proxy voting decisions are made, the identification and handling of material conflicts of interest, disclosing the Proxy Policy to clients, maintaining appropriate books and records relating to proxies, and proxy voting guidelines for common proxy proposals.

As a general rule, Zacks will vote all proxies relating to a particular proposal the same way for all client accounts holding the security in accordance with the proxy voting guidelines set forth in the Proxy Policy, unless a client specifically instructs Zacks in writing to vote such client’s securities otherwise. One such instruction example requires Zacks to vote against all matters that might negatively impact rights or benefits for members of organized labor (i.e. Taft Hartley). In ZLS, ZSII, and ZLP, Zacks splits up proxy voting guidelines according to the percentage of ownership held by Taft Hartley investors and all other investors. For example, if Taft-Hartley investors make up 20% of a fund, Zacks anticipates voting 20% of proxies according to Taft-Hartley instructions,, and the remaining 80% of proxies according to

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**SUMMARY OF PROXY VOTING POLICY (Continued)**

the Adviser’s guidelines in the Proxy Policy. For separately managed accounts with FOLIOfn, the client will reserve and retain the right to vote by proxy securities held in the Account unless Zacks and the client agree in writing that Zacks will have authority to vote proxies for securities held in the Account.

Notwithstanding anything in the Proxy Policy, Zacks places priority on investment returns over corporate governance correctness. Accordingly, when economic considerations or extraordinary circumstances warrant, Zacks may make exceptions to the proxy voting guidelines or, as Zacks deems to be in the best interests of clients, intentionally refrain from voting a proxy or sell the security.

Clients may, without charge, request a copy of the Proxy Policy or information about how Zacks voted proxies relating to securities held in their accounts by contacting Mary Coffey by e-mail at mcoffey@zacks.com, by facsimile at 312-630-9393, or by mail c/o Zacks Investment Management, Inc., 100 N. Riverside Plaza, Suite 2200, Chicago, Illinois 60606.

**10. CONDITIONS FOR MANAGING ACCOUNTS**

**Negotiated Discretionary Accounts**

Generally, each client must represent and warrant that either (a) the value of the client’s account initially is at least \$750,000 or (b) the client’s net worth, which may include assets held jointly with a spouse, is more than \$1.5 million. However, Adviser may accept clients with smaller accounts and/or lower net worth, but such clients will not be charged a performance-based fee.

**Wealth Management Program Accounts**

To open a Wealth Management Program account, a client must place equity assets with a value of at least \$500,000. For individual fixed-income securities accounts, a client must place assets with a value of at least \$500,000.

**11. A REVIEW OF ACCOUNTS**

Each client account is reviewed on an ongoing basis, including at the time of any purchase or sale of securities, upon receipt of each confirmation of a transaction and upon receipt of each monthly statement of the brokerage account for the client account. Investment Consultants (“IC”) generally review client accounts on a quarterly basis. During each review the IC’s should determine if any circumstances in the client life require their allocation to be changed. Circumstances that would trigger a reevaluation of a client’s portfolio may include, but are not limited to: retirement, loss of employment, change in income, marriage, birth of a child or a child entering college. If circumstance arises that prompts an allocation review the IC submits that account to a member of the Investment Committee for a change in the allocation.

**11. B REPORTS TO CLIENTS**

The securities broker-dealer, through whom a client’s transactions are executed, sends or delivers in electronic format, to the client a confirmation of each transaction. The broker-dealer also sends the client a monthly statement of the account showing all transactions during the month and the month-end position in either physically printed or electronic format. ZIM sends client quarterly performance reports approximately a month after the quarter end.

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**12. A & 12.B INVESTMENT OR BROKERAGE DISCRETION**

Subject to the conditions for managing accounts discussed in Item 10 above, Institutional clients may designate any broker-dealer through whom the client's transactions are to be executed. Adviser has specifically suggested that advisory clients use J.P. Morgan Chase as broker and custodian for their account. We suggest J.P. Morgan Chase because of their execution capability and competitive commission rates, and to facilitate the trading and management of clients' accounts by having the majority of client accounts resident at same brokerage firm.

Adviser may execute brokerage transactions through brokers or dealers who also provide it with statistical, research and other information or services that enhance its investment research and portfolio management capability generally, including FOLIO*fn*. However, no brokerage transactions shall be executed directly or indirectly through Zacks & Company, an affiliated broker-dealer. The commission paid to any broker may be in excess of the commission another broker would charge for the same transaction. Such research and other services, moreover, may be available to Adviser on a cash basis. Before effecting any such transaction, Adviser will determine in good faith that the amount of the commission is reasonable in relation to the value of the broker and research services provided by the broker, viewed in terms of either that particular transaction or its overall responsibilities to all of its clients, including consideration of relative equitable treatment of all its clients.

Adviser has a policy of aggregating trades for client accounts in the same security. Aggregated orders may include transactions for registered investment companies, employee benefit plans and private investment vehicles (e.g. limited partnerships or limited liability companies) in which Adviser's principals or employees are among the investors. To ensure the fair aggregation and allocation of securities purchased for all client accounts, accounts in which principals or employees have a beneficial interest are not given favorable treatment. All clients receive the average execution price for each bunched order. For client accounts that use Morgan Stanley or Bear Stearns as their prime broker-dealer, the accounts receive a *pro rata* allocation of the total transaction cost. In situations where a bunched order is only partially filled by the executing broker-dealer, Adviser allocates the order to all participating accounts on a *pro rata* basis.

To the extent brokerage transactions are placed with a particular or preferred broker, there may be limitations on Adviser's ability to negotiate commissions, obtain volume discounts, aggregate client orders and seek execution of transactions as efficiently as possible and at the best price. Under these circumstances a disparity of commission charges may exist between the commissions charged to Adviser's other clients.

Transactions for each strategy may be completed independently. As such, there may be circumstances under which Adviser deems it appropriate to cause one of its advisory clients to sell a security and another of its advisory clients to purchase the security on the same day. Further, at times, a security may be held in more than one strategy. For example, an energy stock may be held in the Zacks Energy Strategy and Zacks Rank Strategy.

**13. A & 13.B AFFILIATED COMPENSATION**

Adviser has affiliated entities that have relationships with investment products that Adviser may place client assets into. 1) The PowerShares Zacks Micro Cap Portfolio (Ticker Symbol: PZI) is based upon an index that an affiliate of Zacks Investment Management, Inc. has constructed and licensed for use by PowerShares. Our affiliate, Zacks Investment Research, Inc., receives compensation from PowerShares pursuant to the license agreement between PowerShares and Zacks Investment Research, Inc. 2) The Zacks Multi-Cap Opportunities Fund (Ticker Symbols: CZOAX & CZOCX) are advised by Zacks Investment Management and Zacks Investment Management may receive additional compensation for any assets placed into this Fund. Additionally, our affiliate broker/dealer Zacks & Company may receive compensation from the Fund distributor. 3) The PowerShares Zacks Small Cap Portfolio

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**13. A & 13.B AFFILIATED COMPENSATION (Continued)**

(Ticker Symbol: PZJ) is based upon an index that an affiliate of Zacks Investment Management, Inc. has constructed and licensed for use by PowerShares. Our affiliate, Zacks Investment Research, Inc., receives compensation from PowerShares pursuant to the license agreement between PowerShares and Zacks Investment Research, Inc. 4) The Claymore/Zacks Sector Rotation ETF (Ticker Symbol: XRO) is based upon an index that an affiliate of Zacks Investment Management, Inc. has constructed and licensed for use by Claymore. Our affiliate, Zacks Investment Research, Inc., receives compensation from Claymore pursuant to the license agreement between Claymore and Zacks Investment Research, Inc. 5) The Claymore/Zacks Multi-Asset Income Index (Ticker Symbol: CVY) is based upon an index that an affiliate of Zacks Investment Management, Inc. has constructed and licensed for use by Claymore. Our affiliate, Zacks Investment Research, Inc., receives compensation from Claymore pursuant to the license agreement between Claymore and Zacks Investment Research, Inc. 6) The Claymore/Zacks Mid-Cap Core ETF (Ticker Symbol: CZA) is based upon an index that an affiliate of Zacks Investment Management, Inc. has constructed and licensed for use by Claymore. Our affiliate, Zacks Investment Research, Inc., receives compensation from Claymore pursuant to the license agreement between Claymore and Zacks Investment Research, Inc. 7) The Claymore/Zacks International Multi-Asset Income Index ETF (Ticker Symbol: HGI) is based upon an index that an affiliate of Zacks Investment Management, Inc. has constructed and licensed for use by Claymore. Our affiliate, Zacks Investment Research, Inc., receives compensation from Claymore pursuant to the license agreement between Claymore and Zacks Investment Research, Inc. 8) The Claymore/Zacks Country Rotation ETF (Ticker Symbol: CRO) is based upon an index that an affiliate of Zacks Investment Management, Inc. has constructed and licensed for use by Claymore. Our affiliate, Zacks Investment Research, Inc., receives compensation from Claymore pursuant to the license agreement between Claymore and Zacks Investment Research, Inc. 9) The Claymore/Zacks Dividend Rotation ETF (Ticker Symbol: IRO) is based upon an index that an affiliate of Zacks Investment Management, Inc. has constructed and licensed for use by Claymore. Our affiliate, Zacks Investment Research, Inc., receives compensation from Claymore pursuant to the license agreement between Claymore and Zacks Investment Research, Inc. 10) The Claymore/Zacks Small-Cap Value Portfolio UIT (Ticker Symbol: CZCSAX) is based upon an index that an affiliate of Zacks Investment Management, Inc. has constructed and licensed for use by Claymore. Our affiliate, Zacks Investment Research, Inc., receives compensation from Claymore pursuant to the license agreement between Claymore and Zacks Investment Research, Inc. 11) The Claymore/Zacks Large-Cap Value Portfolio UIT (Ticker Symbol: CZCKEX) is based upon an index that an affiliate of Zacks Investment Management, Inc. has constructed and licensed for use by Claymore. Our affiliate, Zacks Investment Research, Inc., receives compensation from Claymore pursuant to the license agreement between Claymore and Zacks Investment Research, Inc. 12) The Claymore/Zacks Select Portfolio UIT (Ticker Symbol: CZACHX) is based upon an index that an affiliate of Zacks Investment Management, Inc. has constructed and licensed for use by Claymore. Our affiliate, Zacks Investment Research, Inc., receives compensation from Claymore pursuant to the license agreement between Claymore and Zacks Investment Research, Inc. 13) The TDAX 2010,2020, 2030, 2040 & In-Target ETF(s) (Ticker Symbols: TDD, TDH, TDN, TDV, TDX) is based upon an index that an affiliate of Zacks Investment Management, Inc. has constructed and licensed for use by TDAX. Our affiliate, Zacks Investment Research, Inc., receives compensation from TDAX pursuant to the license agreement between TDAX and Zacks Investment Research, Inc. 14) The Zacks Market Neutral Fund (Ticker Symbols: ZMNAX & ZMNCX) are advised by Zacks Investment Management and Zacks Investment Management may receive additional compensation for any assets placed into this Fund. Additionally, our affiliate broker/dealer Zacks & Company may receive compensation from the Fund distributor.

As a result, in certain instances there may be layering of fees where Zacks Investment Management or its affiliates receive additional compensation; clients must be aware that there are cheaper alternatives available. Zacks Investment Management has a conflict of interest to recommend affiliated investment products over unaffiliated products in cases where additional compensation is received by Zacks Investment Management and/or Zacks' affiliates.

Zacks Investment Management, Inc. may refer clients or prospects to professional service providers, such as CPA's, attorneys, tax experts, or others who pay a fee to Zacks Investment Management. Zacks Investment Management, Inc. may enter into compensation arrangements with solicitors for new business. Any soliciting arrangements will comply with Rule 206(4)-3 under the Investment

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**13. A & 13.B AFFILIATED COMPENSATION (Continued)**

Advisers Act of 1940 pursuant to which persons introducing new client accounts to Zacks Investment Management, Inc. may receive a portion of the advisory fee generated by the account for a period of time that varies on a case by case basis.

Investment Consultants at the Adviser may receive a portion of a client’s management fees and annual account administration fees per their arrangement with the firm.

**PRIVACY NOTICE**

Zacks Investment Management, Inc. is committed to protecting the confidentiality and security of the nonpublic personal information we collect about you to provide you with investment advisory services. This Privacy Notice describes certain steps we have taken to ensure the privacy of information of individuals protected by Regulation S-P, issued by the United States Securities and Exchange Commission. Our privacy policies and practices are designed to protect individuals who use our services primarily for personal, family, or household purposes.

**What Information Do We Collect?** —We limit the collection and use of information to the minimum we require to provide service to your account. Such service includes maintaining your account with us, processing transactions and administering our business. We collect the following kinds of information about you: identifying information (such as name, address and social security number), application information (such as net worth or annual net income), and transaction information (such as securities positions, account performance, and account fees). Identifying and application information is obtained directly from you or your financial advisor or broker when you apply for an account. Transaction information is tracked by us in the process of administering your account.

**What Information Do We Disclose?** —We do not sell your nonpublic personal information to anyone and we do not disclose such information to anyone except as permitted or required by law. We may disclose any information we collect to third parties permitted by law as needed to service your account, such as custodians, brokers, accountants, attorneys, or other professionals and regulatory or law enforcement agencies. Even if you are no longer a client, our privacy policies and practices will continue to apply to you.

**How Do We Protect Information?** —Our employees are required to protect the confidentiality of your information and to comply with our privacy policies and practices. They may access information only when there is an appropriate reason to do so, such as to administer our services. Employees who violate our privacy policies and practices are subject to disciplinary process. We maintain physical, electronic and procedural safeguards to protect your nonpublic personal information.

**Revised Privacy Policies and Practices.** We reserve the right to revise our privacy policies and practices, but we will not disclose your personal nonpublic information, except as required or permitted by law, without giving you an opportunity to direct us not to disclose such information.

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**MISCELLANEOUS**

**ZACKS FUNDS – QUALIFIED & INDIVIDUAL RETIREMENT ACCOUNTS**

All qualified and individual retirement accounts will receive a fee refund for the account's proportional share of the net fees earned by managing the Zacks Market Neutral and Multi-Cap Opportunity Funds ("Zacks Funds") from the inception of the investment in the Funds. Client's retirement account's share of the net fees we earn for managing the Zacks Funds will automatically be refunded to clients on a quarterly basis in arrears.

The Market Neutral and Multi-Cap Opportunity Funds pay Zacks an investment advisory fee computed at the annual rate of 1.10% and .90%, respectively. However, under the terms of our investment advisory agreement, Zacks has agreed through March 31, 2012, to waive our fee and, if necessary, reimburse the Fund for certain expenses in order to limit both Funds' annual operating expenses to 1.65% of the Fund's average assets for Class A Shares.

To the extent that Zacks waives our fees for managing the mutual fund, we are entitled to be reimbursed in the future if the fund's operating expenses are lower. Client refunds are calculated net of any such waivers, and if we are reimbursed for waived fees in future months that reimbursement is included in calculating the refund clients receive. The management fees payable to Zacks by the mutual fund are more fully described in the fund's prospectus and statement of additional information, copies of which are available on [www.zackswmg.com/fund](http://www.zackswmg.com/fund).

The account fees payable by individual client accounts are described in Section 1.D. of this document. Clients' refunds for owning the Zacks Funds in a retirement account will typically be less than the account fee for the same period, and will be credited against the account management fee to the extent it can be determined in advance. If necessary, adjustments will be made in future quarters. The refund can only be applied to investment management fees that are paid out of retirement accounts.

We consider an investment in the Zacks Funds to be helpful in reducing the overall risk of client's portfolios as the funds attempts to generate returns in excess of their benchmark. There are no specific limits on our ability to use the Zacks Funds in your retirement account.