

Form ADV Part 2A: Firm Brochure

Item 1: Cover Page

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This brochure provides information about the qualifications and business practices of Parasol Investment Management, LLC and its supervised personnel. If you have any questions about the contents of this brochure, please contact us at the phone number listed above.

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. Please note, where this brochure may use the terms “registered investment adviser” and/or “registered”, registration itself does not imply a certain level of skill or training.

Additional information about the firm and its representatives is also available on the SEC’s website at www.adviserinfo.sec.gov

Item 2: Material Changes

Due to a series of recent changes in securities regulation, investment advisers are now required to deliver disclosure information in this new format. This brochure incorporates the same information provided previously with the Form ADV Part II issued July 2011, but with expanded disclosures designed to provide further information about the firm, its practices, and its personnel.

Material updates to the information contained within this brochure will be provided to clients on an immediate basis. This section will be updated to reflect such material changes in summary form. The following are the only material changes that have taken place since the last annual update of this brochure on March 3, 2012.

At the close of business on December 31, 2012, Chuck Self, Product Manager, is no longer with the firm.

Beginning January 2, 2013, Eric McMullen has assumed the role of Product Manager. Eric is a dual employee with First Midwest Bank, an affiliate. He is a Senior Vice President of First Midwest Bank and has been with First Midwest Bank for more than 7 years.

Should you have any questions related to this brochure, please contact a firm representative at your convenience.

Item 3: Table of Contents

Topic

Item 1:	Cover Page
Item 2:	Material Changes
Item 3:	Table of Contents
Item 4:	Advisory Business
Item 5:	Fees & Compensation
Item 6:	Performance-Based Fees and Side by Side Management
Item 7:	Types of Clients
Item 8:	Methods of Analysis, Investment Strategies, & Risk of Loss
Item 9:	Disciplinary Information
Item 10:	Other Financial Industry Activities & Affiliations
Item 11:	Code of Ethics, Participation or Interest in Client Transactions, & Personal Trading
Item 12:	Brokerage Practices
Item 13:	Review of Accounts
Item 14:	Client Referrals & Other Compensation
Item 15:	Custody
Item 16:	Investment Discretion
Item 17:	Voting Client Securities
Item 18:	Financial Information

Item 4: Advisory Business

Parasol Investment Management, LLC, is an SEC-registered investment adviser with its principal place of business located in Westmont, IL. Parasol began conducting business in 2011. The firm is a wholly owned subsidiary of First Midwest Bancorp, Inc., a publicly traded regional bank holding company (NASDAQ Global Select Ticker: FMBI). First Midwest established Parasol to pursue the ongoing management duties for a primary strategy referred to commonly as GEMS (Globally Enhanced Management Strategy). The firm manages accounts in a separately managed account structure. The firm generally utilizes a mixture of exchange traded funds to provide its allocation exposures.

Currently, Parasol is a one strategy firm with GEMS being the main strategy. Although our main focus is the GEMS strategy, we do have clients that have the need for more customized strategies or who have investment restrictions. In those instances, we will provide a tailored strategy.

As of December 31, 2012, Parasol manages a total of \$127.89 million in discretionary client assets across 106 accounts. Zero dollars are managed on a non-discretionary basis.

Item 5: Fees and Compensation

The firm's management practices are provided in consideration for a percentage-based fee charged to each account and based upon the assets under management. The firm works on a negotiated fee schedule with a maximum annual fee of 75 basis points. The deduction of fees is performed in accordance with those terms and conditions stipulated within the client/advisory agreement. Other fees that may be incurred include the expenses charged by the fund providers of the ETF's used, brokerage commissions for trade execution and custodial fees as defined in the client agreement and described below in Item 12: Brokerage Practices.

The securities purchased by Parasol to implement the strategy may be purchased through other brokers or agents not currently used by Parasol.

Item 6: Performance-Based Fees and Side-by-Side Management

Parasol does not currently charge performance based fees.

Item 7: Types of Clients

Parasol's primary business is as a discretionary manager or sub-adviser for institutional investors. . The types of clients include individuals, pooled investment vehicles (other than investment companies), pension and profit sharing plans, and other investment advisers.

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

Parasol Investment Management aims to deliver portfolio management strategies that strive to earn attractive, risk-adjusted returns. The firm's flagship strategy, GEMS, was launched in 2007. The following is a description of the strategy.

GEMS STRATEGY

The strategy pursues a flexible top-down approach to access a global opportunity set. The strategy seeks to maintain a risk level consistent with a global balanced portfolio while expanding the traditional stock and bond asset allocation to include global stocks, global bonds, currencies, and commodities. Investing in securities involves risk of loss that clients should be prepared to bear.

GEMS seeks to participate in positions in any of the world's major capital markets. Positions may reflect views on the overall capital markets or specific unique opportunities. The manager considers both economic adjustment themes as well as shorter-term technical conditions when choosing trading positions. GEMS may invest in multiple markets in anticipation of expected market movements. These movements may result from forecasted shifts in world economies, political changes or global supply and demand imbalances.

GEMS PROFILE

Style:	Global All-Asset – Tactical ETF
Asset Classes:	Stocks/Bonds/Cash/Currencies/Commodities
Primary Objective:	3-Month Libor + 5%
Market Based Benchmark:	60% MSCI ACWI/40% Citi WGBI
Allocation Fit:	Global Multi-Asset, Global Macro/Tactical, Multialternative

Please note that the objective is an absolute return target measured over time. The absolute return target is goal oriented and not investable. The portfolio risk level is consistent with the market based benchmark. Only investors with a three year or longer time horizon should consider investing. Past performance is not indicative of future results. Not FDIC Insured. As with any investment, investors should be aware of the potential for loss of principal.

The main investment vehicles used to implement the strategy are exchanged traded products (ETP's). Every ETP has their own inherent risk whether it is market, credit, currency, leverage, or interest rate risk. All of these may negatively impact a client's portfolio at any given time.

ALLOCATION STRATEGY

GEMS uses an active risk budgeting approach to maintain a long-term risk asset allocation strategy consistent with the traditional balanced portfolio as represented by the market based benchmark. Risk

budgeting is a portfolio management concept where asset correlations, liquidity, and volatility shape the portfolio at any given time. The allocation strategy is enacted with guidelines expressed as a policy risk allocation.

Risk Allocation	Baseline Target	Operating Range
Domestic Company Risk	20%	0 - 40%
Global Company Risk	20%	0 - 40%
Special Opportunities	20%	0 - 40%
Inflation Risk	20%	0 - 40%
Capital Risk	20%	0 - 80%

Domestic Company Risk – a position on US equities

Investments: domestic stocks, sectors, styles

Global Company Risk – a position on global equities

Investments: global stocks, sectors, regions, countries

Special Opportunities – an allocation to adjust to market conditions or express a conviction

Investments: fixed income, developed and emerging market stocks, commodities, currencies and hedging techniques

Inflation Risk – can refer to inflation, deflation, reflation, or disinflation depending on conditions

Investments: fixed income, developed or emerging market bonds, currencies, commodities, equities

Capital Risk – This category refers to protecting capital, or investing with a margin of safety

Investments: short-term fixed income, money markets, government obligations, short-term credit, hedging existing portfolio exposures

Item 9: Disciplinary Information

Rule 206(4)-4 of the Investment Adviser’s Act of 1940 requires investment advisers to provide clients with disclosure as to any legal or disciplinary activities deemed material to the client’s evaluation of the adviser. Parasol and its management personnel have not been and are not currently the subject to any reportable disciplinary, regulatory, criminal, civil, or otherwise reportable events.

Item 10: Other Financial Industry Activities and Affiliations

Parasol was initially established to serve in an advisory capacity to certain trust accounts held with First Midwest Bank. Accordingly, the firm and its personnel retain a close relationship with First Midwest and its senior management. The firm serves primarily in a third party capacity to manage the accounts consistent with the firm’s primary strategy, GEMS. Effectively, First Midwest as the fiduciary on behalf of its individual accounts is a client of Parasol.

Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

The firm has adopted the CFA Institute's Asset Manager Code of Professional Conduct. A copy can be viewed at www.cfainstitute.org/ethics/codes/assetmanager/Pages/index.aspx

Parasol has adopted a Code of Ethics and employees acknowledge adherence to the Code annually. A copy of the firm's Code of Ethics is available upon request.

Parasol collects and maintains records of securities holdings and securities transactions affected by firm representatives. Parasol or its employees do not have an economic interest in client transactions outside of its normal investment management operation. Where such activity is performed in tandem with advisory duties, such records will be reviewed regularly to identify and resolve any potential conflicts of interest.

Item 12: Brokerage Practices

The firm seeks the best possible execution for securities transactions made on behalf of client accounts. While best execution is difficult to define and challenging to measure, there is some consensus that the term is not limited solely to the achievement of the best price on a given transaction. Rather, it is a collective consideration of factors concerning the execution of the trade in question. Such factors include the security being traded, the price of the trade, the execution capability and quality, size of order, commission and execution costs, financial responsibility and responsiveness of brokers.

Where possible, trades will be aggregated to achieve the best possible execution and commission. If trades are not aggregated, the best negotiated commission will be used, but note that aggregation of trades does typically provide the lowest commission and competitive execution. Parasol directs brokerage and does not collect soft dollars.

Item 13: Review of Accounts

Accounts are reviewed formally quarterly by two members of the portfolio management team, Mark W. DiOrio, Portfolio Manager and Rita Klopfenstein, Portfolio Specialist. More frequent reviews may occur if market conditions or specific security actions dictate or per client request/need. Client reports are available directly from the custodian. Statements to the client are delivered quarterly from the custodian. Additionally, custodians generally allow clients to access account information on-line.

Item 14: Client Referrals and Other Compensation

Parasol does not compensate or receive compensation from others for client referrals. The nature of the firm's practice is specific to traditional client/firm relationships.

Item 15: Custody

Client assets are held at a qualified custodian. Parasol does not maintain or accept custody of client funds or securities. An affiliate under common ownership, First Midwest Bank, does serve as custodian

to most of Parasol clients. Parasol engages an independent public accountant that is registered and subject to inspection by the Public Company Accounting Oversight Board, to conduct an unannounced examination of client assets, as required by the SEC's Custody Rule.

All fee deductions are performed according to the terms and conditions of the client/firm agreement. Clients will receive statements from the custodian on at least a quarterly basis and should review those statements carefully.

Item 16: Investment Discretion

The nature of Parasol's investment management services depends on the firm having the authority to affect securities transactions for client accounts on an immediate basis. Discretionary authority is typically limited to the firm being granted the following allowances:

- The power to make purchases and sales for client accounts,
- The authority to select broker-dealers or other qualified custodians,
- The ability to make such purchases, sales, and/or selections without having prior contact with the client.

Again, such authority is only exercised in accordance with the terms and conditions of the client/firm agreement and any client-enforced limitations therein.

Item 17: Voting Client Securities

Parasol's proxy voting policy is to vote with management. If requested, Parasol may vote, or advise clients how to vote proxies for securities held in client accounts. The client maintains the authority and responsibility for the voting of these proxies. The firm and its clients agree to this by contract.

Item 18: Financial Information

Pursuant to Rule 206(4)-4 of the Investment Advisers Act of 1940, investment advisers are required to disclose certain financial information about their business practices that might serve as material to a client's decision in choosing an investment adviser.

At this time, Parasol does not accept or receive prepayment of fees, maintain any financial hardships or operate under any other adverse conditions that might impair its ability to meet its contractual obligations to clients. Should this change in the future, the firm will provide the proper notifications and disclosures as necessary.