

**FORM ADV Uniform Application for Investment Adviser Registration  
Part 2A: Investment Adviser Brochure  
Item 1: Cover Page**

# **Parasol Investment Management, LLC**

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Westmont, IL 60559

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CRD # 156074

April 2011

***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](http://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 within the Form ADV Part II 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 a summary form. Should you have any questions related to this brochure, please contact a firm representative at your convenience.

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#### **Item 4: Advisory Business**

Established in 2010 as a wholly-owned subsidiary of First Midwest Bancorp, Inc., Parasol Investment Management, LLC (“Parasol”) serves as an investment adviser to institutional and retail clients alike. The firm’s primary services extend to the management of separately managed accounts including two bank operated Common Trust Funds<sup>1</sup>. Each fund is comprised of individual investment allocations held in trust. Parasol provides advice and investment management services on behalf of the bank operating as a sub-advisor or contractor.

First Midwest Bancorp, Inc. established Parasol as an advisory arm to better serve the interests of investors on an institutional and retail basis. Where banking clients with trust accounts may seek the professional management skills of an adviser, the firm has appointed Chief Compliance Officer and portfolio manager Mark W. DiOrio, CFA to manage its operations.

The firm’s investment management services extend to the management of the open-end common trust accounts and providing supervision over the individual investment allocations therein. The firm may utilize a mixture of exchange listed, OTC, and foreign issued securities, along with options/futures contracts, and publicly-traded interests in real estate and petroleum partnerships to accomplish its objective of sound and practical investment management.

The firm strongly encourages clients to review this brochure and any other disclosure materials with respect to their investment choices to fully appreciate the services offered.

Please note; due to the nature of the firm’s current business model, the firm is not yet subject to a reporting requirement with respect to assets under management.

#### **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 150 basis points. The deduction of fees is performed in accordance with those terms and conditions stipulated within the client/firm advisory agreement.

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<sup>1</sup> Common Trust Funds: Collective investment fund of pooled investments typically managed by a bank trust department. Similar to an open-end investment company or mutual fund, but with participation limited to those investors with trust accounts.

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

Parasol's investment advice does not extend to the management of *Private Funds*<sup>2</sup>. Where advisers manage Private Funds in addition to portfolio management services, the potential for a conflict of interest is magnified, particularly where the firm may have an incentive to favor those accounts charged a performance fee. As Parasol's advisory services do not incorporate performance fees or the offering of any additional investment services, side-by-side management does not apply to those services rendered by the firm.

## **Item 7: Types of Clients**

Parasol's advisory offerings are provided to institutional and retail clients. These clients might include individuals, pension/profit sharing plans, and corporations or other business entities. The firm's investment strategies are such that the firm requires a minimum investment allocation of \$1,000,000.00 from each individual client. However, such a requirement does not pertain to those accounts serviced as part of its investment advisory agreement with First Midwest.

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

Parasol's investment strategies are implemented using a wide variety of research and analysis methodologies. Such analysis extends to a fundamental approach where various market sectors and investment track records are analyzed for overall opportunity and consistent performance. The firm employs certain third party research materials to gauge trends, growth potential, and risk. Such research may incorporate the use of graphs, charts, and various software programs designed to perform an in-depth analysis of the marketplace. Although the firm provides an ongoing assessment of each of its managed accounts, investing carries an inherent risk that clients should be prepared to bear.

## **Item 9: Disciplinary Information**

Rule 206(4)-4 of the Investment Advisers 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 are not currently subject to any reportable disciplinary, regulatory, criminal, civil, or otherwise reportable events.

## **Item 10: Other Financial Industry Activities and Affiliations**

Parasol was established to serve in an advisory capacity to certain trust accounts held with First Midwest Bank ("First Midwest"). Accordingly, the firm and its personnel retain a close relationship with First Midwest and its senior management. The firm serves

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<sup>2</sup> **Private Fund** *def.* Rule 203(b)(3)-1 Investment Advisers Act 1940.

primarily in a third party capacity to advise the accounts according to the terms and conditions of an agreement between First Midwest and Parasol. Effectively, First Midwest and its common fund interests serve as clients of Parasol.

<b>Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading</b>
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Parasol has adopted a Code of Ethics that sets forth the basic policies of ethical conduct for all managers, officers, and employees of the firm and describes the firm's fiduciary duties and obligations to clients.

The Code of Ethics governs the personal trading activities of each supervised person. The Code is actively enforced by the firm to ensure that all advisory related activities are conducted in a manner that avoids any actual or potential conflict of interest between such persons and firm clientele.

Parasol collects and maintains records of securities holdings and securities transactions effected by firm representatives. 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. A copy of the Code will be made available upon request.

<b>Item 12: Brokerage Practices</b>
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Parasol's investment management services are provided via an arrangement with a preferred broker-dealer selected by the firm. The broker-dealer is selected based upon a combination of factors including overall quality of execution, cost, reputation, capabilities, and availability of other services. Accordingly, the firm believes that such factors outweigh those lower priced services that might be found elsewhere.

As a fiduciary, 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. Although Parasol's investment management services do incorporate the use of research, such research is not obtained through any soft dollar benefit arrangement with said brokers and/or other providers.

Where the firm's discretionary securities transactions incur additional cost to client accounts, each account remains responsible for such charges. Parasol's management fees remain separate from such transaction-based costs. Accordingly, clients are encouraged to review their quarterly account statements for a full understanding of fees charged. As

accounts are held in custody with First Midwest, First Midwest will provide quarterly statements to clients.

#### **Item 13: Review of Accounts**

Accounts are monitored on an ongoing basis by Mark W. DiOrio, the firm's Chief Compliance Officer and portfolio manager. Factors warranting such review may include changes in market conditions, a re-balancing of assets to maintain proper asset allocation and any material change in a client's financial situation. Clients are provided written statements on a quarterly basis from the trustee or custodian of record.

#### **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**

Other than exercising the authority to deduct fees from client accounts held with a qualified custodian, Parasol does not maintain or accept custody of any client funds or securities. All fee deduction is performed according to the terms and conditions of the client/firm agreement.

#### **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. Where such terms may conflict with the client's ability to supervise the account, the firm's authority in this regard is limited to those terms and conditions of the client/firm agreement. Discretionary authority is typically limited to the firm being granted the following allowances:

- The power to make purchases for or sales from the clients account,
- 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 will not vote, nor 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. Clients will receive such proxies or other similar solicitations directly from the transfer agent or other third party designee where applicable.

### **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.

## **Parasol Investment Management, LLC**

***Mark W. DiOrio***  
**Chief Compliance Officer/Portfolio Manager**

***Rita Klopfenstein***  
**Portfolio Officer**

***Charles H. Self, III***  
**Product Manager**

520 North Cass Avenue, Suite 200  
Westmont, IL 60559

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April 2011

*This brochure provides information about the qualifications and business practices of Parasol Investment Management, LLC and its supervised personnel. This information is provided as a supplement to the Form ADV Part 2A which has been provided for your review. Should you have any questions about this supplement, or if you have not received the Form ADV Part 2A please contact the firm immediately.*

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## **Item 2: Educational Background and Business Experience**

Firm CCO and portfolio manager Mark W. DiOrio, CFA (born 1974) has served with the firm since its inception in 2011. In tandem with his advisory duties, he also serves as an officer with First Midwest, a position he has held since July of 2006. Prior to his work with First Midwest, Mr. DiOrio served as an officer of both Greatbanc Trust Company and Pennant Management, Inc., in Oak Brook Illinois. He earned his MBA with a concentration in Financial Management from Benedictine University, and is a 1997 graduate of Eastern Illinois University. He is a current holder of the Chartered Financial Analyst (CFA<sup>3</sup>) designation as awarded by the CFA Institute. Mark's financial services career began in May of 1997 as a registered representative with Fortis Investors, Inc. in Downers Grove, Illinois.

## **Item 3: Disciplinary Information**

Mr. DiOrio is not now, nor has he ever been, the subject of any regulatory, legal, or otherwise reportable event.

## **Items 4 & 5: Other Business Activity & Additional Compensation**

As stated previously within Item 2 of this brochure supplement, Mr. DiOrio currently serves as an officer with First Midwest. Accordingly, Mr. DiOrio draws a salary and bonus compensation for his services. Although clients of First Midwest may similarly serve as clients of Parasol, Mr. DiOrio's salary and his fee-based advisory compensation remains the same.

## **Item 6: Supervision**

Mr. DiOrio serves as the Chief Compliance Officer of Parasol. Accordingly he is responsible for the firm's operation and the supervision of firm personnel. His duties are subject to the oversight of First Midwest's senior management and board of directors. Questions relative to the operation of the firm may be addressed with Mr. DiOrio directly.

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<sup>3</sup> **Chartered Financial Analyst (CFA):** Awarded by the CFA Institute ([www.cfainstitute.org](http://www.cfainstitute.org)), the CFA designation is granted to those individuals that have successfully completed a rigorous course of study. Organized into three levels with a six hour examination at each level, charter holders must also adhere to the institute's Code of Ethics and Standards of Professional Conduct. Please see the institutes website for further information.

## **Item 2: Educational Background and Business Experience**

Rita Klopfenstein serves as the firm's portfolio specialist beginning in 2011. In conjunction with her advisory duties, she also serves as an officer of First Midwest. Ms. Klopfenstein served as a portfolio officer for First Midwest. She has held various roles within the investment division of First Midwest since December 2000. Her experience includes research, trading, and portfolio management. She is a graduate of the University of St. Francis.

## **Item 3: Disciplinary Information**

Ms. Klopfenstein is not now, nor has she ever been, the subject of any regulatory, legal, or otherwise reportable event.

## **Items 4 & 5: Other Business Activity & Additional Compensation**

As stated previously within Item 2 of this brochure supplement, Ms. Klopfenstein also serves as an officer of First Midwest. Accordingly, she draws a salary and bonus compensation for her services. Although clients of First Midwest may similarly serve as clients of Parasol, Ms. Klopfenstein's salary and fee-based advisory compensation remains the same.

## **Item 6: Supervision**

Ms. Klopfenstein serves as an employee of Parasol. Accordingly she is subject to the supervision of the firm's Chief Compliance Officer, Mark W. DiOrio. Questions relative to Ms. Klopfenstein's performance and background may be directed to Mr. DiOrio directly.

## **Item 2: Educational Background and Business Experience**

Charles Self has served as the firm's Product Manager since the firm's inception in 2011. In tandem with his duties with the firm, he also serves as an officer with First Midwest. Accordingly, and in addition to his advisory duties, Mr. Self draws an annual salary and bonus compensation. Prior to his work with Parasol, Mr. Self was Senior Vice President of Institutional sales at B.C Ziegler and Company from February of 2009 to September of 2010. He was also Senior Vice President of marketing operations at Deerfield Capital Management in Rosemont, Illinois from March of 2004 to February of 2009. A graduate of the University of Minnesota, Mr. Self also earned an MBA from the University of Chicago. Mr. Self currently holds the Chartered Financial Analyst designation as awarded by the CFA Institute<sup>4</sup>.

## **Item 3: Disciplinary Information**

Mr. Self is not now, nor has he ever been, the subject of any regulatory, legal, or otherwise reportable event.

## **Items 4 & 5: Other Business Activity & Additional Compensation**

Outside of his advisory duties, Mr. Self is the Director of the New Covenant Trust Company in Jefferson, Indiana. Mr. Self spends approximately 2% of his work-related time on New Covenant related business. He is not compensated for this activity. Mr. Self is also the webmaster of [www.passengertraininfo.com](http://www.passengertraininfo.com). As he spends less than 2% of his time related to the business of the website, he is subject to minimal compensation. Finally, Mr. Self is also the Director of Government Interinsurance Managers of Bloomington, Illinois. He is paid an annual fee for his duties with the firm and spends approximately 2% of his time with same.

## **Item 6: Supervision**

Mr. Self serves as an employee of Parasol. Accordingly he is subject to the supervision of the firm's Chief Compliance Officer, Mark W. DiOrio. Questions relative to Mr. Self's performance and background may be directed to Mr. DiOrio directly.

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<sup>4</sup> **Chartered Financial Analyst (CFA):** Awarded by the CFA Institute ([www.cfainstitute.org](http://www.cfainstitute.org)), the CFA designation is granted to those individuals that have successfully completed a rigorous course of study. Organized into three levels with a six hour examination at each level, charter holders must also adhere to the institute's Code of Ethics and Standards of Professional Conduct. Please see the institute's website for further information.