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This brochure provides information about the qualifications and business practices of Parallax Investments, LLC. If you have any questions about the contents of this brochure, please contact us at (713)-400-4555 and/or JBott@parallaxinvestments.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

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

MATERIAL CHANGES TO OUR ADVISORY BUSINESS

Marlana Splettstosser replaced Robert F. Falkenberg at the Chief Compliance Officer as of September 12, 2011.

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DESCRIPTION OF OUR ADVISORY BUSINESS

Parallax Investments, LLC ("PI" or "the firm" or "we") has been in operation as an investment advisor since 1998. The firm's principal owner is John Bott. Mr. Bott determines the firm's overall investment strategy and the specific investments to acquire or dispose of for PI clients.

PI currently offers investment supervisory services to the exclusion of any other investment advisory activity. This service means that we manage your money; PI selects the investments, places the trades, and does so in accordance with Mr. Bott's investment philosophy and his analysis of which type of investments will achieve the highest returns. So that we can react quickly to any changes in the investment market, our usual agreement includes PI clients giving PI trading authority over the assets placed under management.

As of December 2010, PI managed 227 accounts on a discretionary basis and had approximately \$64.5 million in assets under management.

PI manages client assets under two distinct operating units; Parallax Capital, LP (PCP) and Parallax Asset Management (PAM).

Parallax Capital, LP is the General Partner of Parallax Capital Partners, LP, a limited partnership domiciled in the State of Texas. The limited partnership is a pooled investment vehicle that is restricted to accredited investors. The limited partnership is listed in Schedule D of Part I of PI's Form ADV.

PAM manages separate accounts for investors. PAM's services are not restricted to accredited investors and includes individuals, trusts, estates, endowments, foundations and corporations.

PI's investment strategy over the last few years has been focused on fixed income investments (bonds), issued by corporations, municipal government entities, or mortgage servicing agencies created by Federal Law. Mr. Bott's experience in the investing business allows PI to change investment philosophy should the macroeconomic and investment environment indicate other investment strategies would outperform PI's current and recent overall strategy.

FEES AND COMPENSATION

Parallax Investments, LLC is compensated primarily through fees based on a percentage of assets under advisory management.

Our advisory fees for PAM clients throughout 2010 were 1% of the client's asset under management.

Beginning on March 1, 2011 for all new clients, management fees are charged on a sliding scale, depending on the clients' assets under PI supervision ("AUM"). The percentages charged on assets managed are:

As of March 1, 2011 our fee schedule is as follows:

2.5% for AUM < \$50,000

2.25% for AUM of \$50,001 through \$100,000

2% for AUM of \$100,001 through \$250,000

1.75% for AUM of \$250,001 through \$500,000

1.5% for AUM of \$500,001 through \$1,000,000

1% for AUM of \$1,000,001 through \$2,500,000

Fees on client accounts with AUM in excess of \$2,500,001 are fully negotiable.

The fee schedule shown is the maximum annual advisory fee charged. The charges shown do not include brokerage commissions or other service fees that are assessed by custodians or executing brokers. For the purposes of computing the fees, all of a client's account values will be aggregated and the combined balances shall be used to compute the fees. This tiered fee structure will be phased in for all clients over the next year or a longer period of time. Minimum account size is generally \$50,000 for opening a separate account, although PI reserves the right in its sole discretion to accept client accounts with fewer initial assets.

PAM charges management fees in advance, based on the customer's balance on the last day of the billing period. Should a customer terminate their advisory relationship prior to the end of a quarter that have already paid PI for advisory services, the fees will be refunded based on the computation described in the client's advisory contract.

Parallax Capital, LP charges its management fees monthly on the pooled investment vehicle. The fees are charged in arrears based on the ending monthly balance of the fund. The initial contribution of each limited partner will be \$500,000 or such lesser amount as the general partner, in its discretion, may permit. The limited partnership is offered only to accredited investors and qualified clients.

PCLP will receive a 2% yearly management fee paid at 0.5% per quarter based on the ending balance on the last day of the preceding calendar quarter. There is also an incentive fee of 20% of profits, calculated quarterly relative to an annual high water mark.

PCLP may, in its sole discretion, waive all or part of the management or performance fee payable by any investor in fund or agree to different fees for any managed account. The fees earned are deducted directly from the assets of the fund and managed accounts.

PI is affiliated by common ownership with a FINRA member broker-dealer (Tri-Star Financial or TSF) that introduces clients to Southwest Securities on a fully-disclosed basis. While it is not necessary for a client to have an account with our affiliated brokerage firm or Southwest Securities, it is recommended that our advisory clients use the brokers we have relationships with to perform their securities transactions. PI does offer clients the option of using Eqis Capital, an investment advisor, to implement an investment strategy that involves funds (including exchange traded funds or ETF's), equities, and bond products not normally offered through PI and TSF. Eqis Capital uses FolioFN as its custodial broker to execute trades and maintain custody of investment advisory accounts. Eqis charges advisory fees of 2% annually and will split the fee with PI; PI will receive half of the advisory fees charged by Eqis.

Should a client use TSF as their securities broker for the advisory accounts, this creates a conflict of interest between the advisor and the client. This conflict of interest exists because PI has an economic incentive to perform more trades; the commissions will be received by our affiliated company (of which Mr. Bott has a significant ownership interest). In addition, John Bott is both the advisor and the broker for the client account and receives the full direct benefit of both the advisory fees and brokerage commissions. To reduce the conflict of interest, PI will diligently monitor activity in the client accounts to make sure that trades done are of clear economic benefit to the customer and not just trades done to produce commissions.

In the course of purchasing securities, clients will pay ticket charges, transaction fees, and commissions charged by TSF, Southwest Securities, and FolioFN brokerage firms actually involved in buying or selling the securities. The ticket charges and transaction fees for any given client charged by Southwest Securities and FolioFN are usually less than \$50.00. TSF's typical charge for most CMO purchases are between 3 – 4% of the principal value of the trade.

Separate disclosures showing the exact fees charged by Southwest Securities and FolioFN will be given to our clients when an account is opened with either of those firms.

PI accordingly informs our clients and prospective clients that substantively similar services may be obtained elsewhere at a lower cost.

To the extent mutual funds are selected the annual advisory fee set forth above does not include the customary fees and expenses associated with investing in mutual funds or other costs of establishing and maintaining an account with mutual funds including Rule 12b-1 fees and expenses. In addition to the annual advisory fee each mutual fund in which your assets are invested will incur separate investment advisory fees and other expenses for which you will bear a proportionate share.

PERFORMANCE BASED FEES AND SIDE-BY-SIDE MANAGEMENT

PI charges performance based fees on PCPLP. Once the total annual returns for the Limited Partnership exceed 6%, PCP (the General Partner of the Limited Partnership) is eligible for 20% of the total return during that calendar year.

In all instances performance fee arrangements may only be entered into in accordance with applicable law and regulation.

TYPES OF CLIENTS

PI provides advisory services mostly to individuals considered “high net worth individuals”. Due to our overall strategy and fee structure, PI services may not be appropriate for investors with modest amount to invest. PI management has established a minimum household investment amount with PI as \$50,000.00, but this can be waived by PI upon request.

It is also expected that PI will provide services to small businesses, such as sole proprietorships, partnerships, and small corporations. PI does not specifically market to business clients, but it is expected that some of our high net worth or individual clients will be business owners that may want advisory services for their businesses.

METHODS OF ANALYSIS, INVESTMENT STRATEGIES, AND RISK OF LOSS

PI's investment strategy is based on an analysis of near and medium term trends and conditions with market interest rates. Based on that analysis, we select fixed income products that will produce high total returns. We are focused on long-term investing for aggressive growth, high current income, and lower risk of principal loss than the risk associated with equity based investing. While PI attempts to manage risk, no investments are completely free of all risks, even in our least aggressive investment portfolios. Investments may decline in value or lose some or all of the client's original principal investment. Many of our portfolio composition is extremely aggressive

Over the last 4 years, the fixed income product offering the best opportunity for high returns has been Inverse Floating Rate CMO's. These products are tied to the London Interbank Offering Rate (LIBOR) and the yield for the bond increases if LIBOR declines. The primary risk for these bonds is that the rate can drop (and often sharply drop) if LIBOR increases. A majority of the inverse floater CMO's in our clients' portfolios will have no effective yield if LIBOR increases to 4.5 – 5.5%. LIBOR (as of October 11, 2011) is at .24% and had been for the last several months. (LIBOR rates fluctuate, prospective clients and encouraged to check on the current rates and our current

investment strategy before signing an advisory contract.) With such an environment also reducing the price of the bonds, this could result in a large part of client portfolios being turned into zero coupon bonds, valued far less than the original investment.

These bonds also have a high amount of liquidity risk (which means that it may be difficult to find a buyer), can prepay rapidly (which could create losses if the bonds were bought for more than par value), and can have profound fluctuations in their market value. Most of the CMO's bought for clients are issued by Agencies sponsored by the Federal Government and come with varying degrees of principal protection. The principal protection ranges from a contractual obligation made by the issuing agency all the way through the bond's principal repayment backed by the full faith and credit of the United States Government.

We advise prospective clients to mitigate the aggressive investment strategies normally used by PI by having assets held elsewhere that they self-direct or by having funds placed with money-managers that use more traditional investment strategies. John Bott has also advised clients to take some of the gains they have earned on their portfolio over the last 4 years and buy fixed annuities to provide a degree of protection for those gains and have a source of cash flow should the environment lead to a major devaluation in the price of the bonds.

Clients are reminded that all investments carry some risk of loss. PI will carefully consider the potential for loss of principal prior to recommending any investment, but even the most conservatively managed bonds will have price fluctuations and perhaps long term reduced returns compared to other bonds available in the market.

A client may need cash when an investment is priced lower than the price the client paid for it. PI will not have any control over market and economic conditions that will reduce the prices for which investments can be liquidated. PI will attempt to reduce the client's potential for loss, but cannot completely eliminate the possibility of principal loss.

DISCIPLINARY INFORMATION

John Bott owns 40% of Tri-Star Financial, a registered broker-dealer. In July of 2010, TSF agreed to settle an alleged rule violation brought by the firm's self-regulatory organization, FINRA. FINRA alleged that in September 2005, TSF overcharged 13 customers on a corporate bond trade. TSF settled the allegation, without admitting guilt, by paying a \$20,000 fine to FINRA, paying \$13,146 of restitution to the clients involved in the trade, and modifying TSF's compliance policies and supervision.

OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

Parallax Investments, LLC is the name of the investment advisory business owned by John Bott. John Bott is a 40% owner of Tri-Star Financial (the operating name of "Mutual Money Investment, Inc.") a brokerage firm, Member FINRA, SIPC and

registered with the Securities and Exchange Commission, and several States in which we do business, as a brokerage firm.

John Bott is also an Insurance Agent and registered as such with the State of Texas.

Parallax Investments, LLC, has relationships with other broker-dealers that are crucial to our investment advisory business. We use Tri-Star Financial as our sole broker at this point and TSF introduces its clients to Southwest Securities on a fully disclosed basis. Parallax Investments is also the 100% owner of PCP and the 100% owner of Parallax Asset Management.

CODE OF ETHICS, PARTICIPATION & INTEREST IN CLIENTS TRANSACTIONS AND PERSONAL TRADING

PI has prepared a firm wide Code of Ethics which applies to all PI employees; the Code emphasizes the obligations of our firm and its employees to act in the best interests of our clients in providing investment advice. The Code of Ethics also specifies conduct prohibited by PI. Violations of the Code are cause for disciplinary action by PI. The Code also requires that the CCO vigorously enforce the Code. A full and complete copy of the Code of Ethics will be provided to our clients and to prospective clients on their request.

John Bott occasionally “trades with” clients in the purchase of bonds. This means that Mr. Bott will acquire bonds for his own personal account from the same block of bonds purchased by the TSF trading department. TSF has an employee policy that permits bonds bought and behalf of clients to be bought at the same time by their employees in limited circumstances. PI and TSF employees may be charged lower mark-up than the one charged to clients.

On rare occasions, a client will need liquidity and Mr. Bott will buy bonds directly from the client for his own personal account. The usual circumstances producing this type of trade activity are a client leaving and a bond position being too small to transfer or a client needing funds and TSF not being able to find a 3rd party buyer for the amount of the bonds the client wants to sell. In these circumstances, the TSF trading will attempt to obtain street bids for these bonds in order to determine the fair price that Mr. Bott will pay for the bonds.

We are currently unaware of when the last cross agency trade took place involving PI clients (this is where two PI customers are on both sides of a trade); it is TSF and PI policy that any cross agency trades will be executed by the clearing firm and take place at prevailing market prices. PI does not prohibit cross agency trading but TSF’s CCO does need to approve any cross – agency trades.

Recommending that a client invest in an entity that a PI employee has a material (more than 1%) interest will be absolutely prohibited, without a clear disclosure of the facts of the investment and written affirmation of the trade by the advisory client.

PI employee trading will be monitored and recorded. Our Code of Ethics prohibits trading ahead of a customer order or using any other scheme to obtain a better price on securities than the price a customer would pay when we have a customer ratification of an order in hand.

BROKERAGE PRACTICES

PI is affiliated by common ownership with a FINRA member, SEC registered brokerage firm that introduces accounts to Southwest Securities on a fully disclosed basis. We will recommend to our clients that they implement our investment advice through our affiliated broker. The clients will benefit from this arrangement due to:

- Easier monitoring of their investment portfolio and performance by their Advisor;
- Timely implementation of investment changes recommended by their Advisor,
- Convenient billing to the client for Advisory services; and
- Familiarity by their Advisor with the order processing and cash handling procedures of the clearing broker (which permits better customer service).

The primary drawback to the client (if they elect to use our recommended broker) is that the Advisor assigned to their account is a registered representative and part owner of the broker. This could induce the advisor/broker to trade more frequently in the client's account, which will have economic benefit to the advisor/representative assigned to the client, while increasing the client's costs and reducing potential investment returns.

This conflict of interest will be minimized by account reviews done by PI compliance staff and the requirement that Advisors which are also the brokerage representatives adhere to PI's investment model of long-term buy and hold investment strategy. PI will have little tolerance for trading activity recommended to the client which does not have a clear economic benefit for the client.

The client should consider that even if the client's account advisor is not getting paid for trades done through the affiliated broker, the brokerage activity will benefit the owner of PI, due to the advisory firm and introducing broker being one and the same.

REVIEW OF ACCOUNTS

PI compliance staff reviews all trades monthly. A sample of accounts is reviewed monthly. John Bott, ADD HIS TITLE will review accounts for free cash balances at least weekly and often on a daily basis.

An account review will be done at the client's request, or for accounts that show unusual money movement or trade activity. John Bott is the primary reviewer for investment composition and performance; the firm's CCO is the primary reviewer for accounts that show unusual activity.

CLIENT REFERRALS AND OTHER COMPENSATION

As mentioned previously, PI is affiliated with a broker-dealer (TSF) by common ownership. TSF and its clearing firm provide PI with trading services, back office support, and other services related to maintaining brokerage accounts for PI clients. PI's position is that the arrangements between PI and TSF are not "soft dollars", in that the services provided are not an enticement to PI to select TSF as a broker to the detriment of PI customers. Any services provided by TSF are paid by the PI clients in the form of trading costs and by John Bott, since Mr. Bott receives only a portion of the total commission on any trade processed through TSF.

CUSTODY

PAM does not take custody or possession of client funds or securities. All client assets under management will be held at Southwest Securities, if the client accepts our recommendation to use brokers with whom we have existing relationships.

Any requests for fund withdrawals must be directed to the broker holding the client's funds.

Parallax Capital Partners is the General Partner of the Parallax Capital Partners Limited Partnership and as such, is considered to have control (therefore custody) over the partnership's assets. An independent accountant prepares statements monthly and sends those statements to the limited partners. PI is not involved in this process. An independent accounting firm performs an annual audit of the Partnership annually. Investors will receive the financial statements in the timeframe required.

INVESTMENT DISCRETION

PI manages client accounts on a discretionary basis. PI determines the specific investments to meet client objectives and performs the trading we believe is necessary to achieve those objectives.

VOTING CLIENT SECURITIES

Client equity securities will be held at our clearing firm. Our clients will have a brokerage account at Southwest Securities or other institution that will forward proxies

to clients or vote proxies in accordance with rules covering voting of proxies. PI will not provide any advice or inducement to clients on any proxy vote.

FINANCIAL INFORMATION

PI does not bill clients more than 6 months in advance and more than \$1,200 in advance.

The SEC does requires us to have sufficient assets to meet our obligations, and PI complies with this requirement at this time. We are further required to tell our customers or prospective customers if we become aware of a financial situation that could have a profound impact on our financial condition. We are not aware of any such situations at this time.