

Item 1. Cover Page

**Brochure of
Parallax Volatility Advisers, LLC**

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This brochure provides information about the qualifications and business practices of Parallax Volatility Advisers, LLC (“Parallax”). If you have any questions about the contents of this brochure, please contact us at 415-445-6646 or jarmstrong@parallaxfund.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.

Additional information about Parallax also is available on the SEC’s website at www.adviserinfo.sec.gov.

Item 2. Material Changes

Not applicable.

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Item 4. Advisory Business

Parallax is a California limited liability company that has been in business since 1996. The managing members of Parallax are Daniel Hutchison and William F. Bartlett. Its executive committee and principal owners consist of Messrs. Hutchison and Bartlett and Jill Armstrong and Thomas MacFarland. Mr. Hutchison, as the principal portfolio manager, and Mr. Bartlett are primarily responsible for day-to-day trading activities. Mr. Hutchison has final authority on all matters.

As of January 1, 2012, Parallax had total discretionary net assets under management of approximately \$452 million. Parallax only manages assets on a discretionary basis.

Parallax serves as the general partner of, and investment adviser to, a domestic investment limited partnership and as the investment adviser to an investment fund organized as Cayman exempted company. Both of the domestic investment fund and the offshore fund invest substantially all their assets in a master fund (the “Master Fund”), of which Parallax is the general partner and investment adviser. In this brochure, Parallax refers to the feeder funds and the master fund individually as a “Fund,” and together as the “Funds.” The Funds are currently Parallax’s only clients, although it may manage additional client accounts in the future.

The Master Fund employs an equity volatility relative value strategy that targets the most attractive risk adjusted portfolio of volatility exposures through US listed options contracts (including covered and uncovered puts and calls) and other securities instruments. Additional information about the Master Fund’s investment strategy is at Item 8 of this brochure. Parallax is authorized to enter into any type of investment transaction that it deems appropriate under the terms of the Master Fund’s partnership agreement.

Fund investors have no opportunity to select or evaluate any Master Fund investments or strategies. Parallax selects all Master Fund investments and strategies. Parallax does not tailor its advisory services to the individual needs of particular Fund investors, but manages the Master Fund according to its stated strategy.

Item 5. Fees and Compensation

Quarterly and Annual Fees. Fund investors pay Parallax a quarterly management fee through the Master Fund. The management fee is equal to 3% per year on the first \$200 million in aggregate net assets of the Funds, excluding the net asset value of amounts as to which Parallax has waived its management fee, and 1.5% per year of the amount by which such aggregate net assets of the Funds exceed \$200 million. Parallax allocates each feeder fund’s pro rata share of the management fee to Fund investors (other than investors for whom Parallax has waived the management fee), proportionately based on their respective investment. The Master Fund pays this fee to Parallax on the first day of each calendar quarter based on the net market values of Fund investors’ capital accounts on that date.

The Funds also allocate from each Fund investor to Parallax a performance allocation equal to 25% of net profits (including both realized and unrealized gains and losses) that the Funds would otherwise allocate to such investor. The Funds assess performance allocations in arrears on an annual basis and on withdrawal or redemption of capital during the year, with respect to the

amount withdrawn or redeemed. Performance allocations only apply to the portion of profits that exceed the cumulative losses previously incurred by investors.

Parallax complies with Rule 205-3 under the Investment Advisers Act of 1940, to the extent applicable. Performance allocations may create an incentive for Parallax to make more risky and speculative investments than it would otherwise make.

Parallax deducts management fees and performance allocations directly from client accounts. If the Master Fund invests in mutual funds, such as ETFs, it is also paying, indirectly, investment advisory fees to the managers of those funds. Parallax believes that its fees and performance allocations are competitive with fees charged by other investment advisers for comparable services. Comparable services may be available, however, from other sources for lower fees. Parallax's fees are not generally negotiable, but it may waive fees and performance allocations for its employees and members, and their family members and friends.

The disclosure in this Item 5, together with the disclosure in Item 12, allow a plan that is subject to the Employee Retirement Income Security Act of 1974 and that invests in a Fund to use the "alternative reporting option" to report Parallax's compensation as "eligible indirect compensation" on the Schedule C of the plan's Form 5500 Annual Return/Report of Employee Benefit Plan.

Fees Relating to Terminations, Withdrawals and Redemptions. Parallax's relationship with each Fund will terminate on expiration of the Fund's term, dissolution of the Fund or on Parallax's withdrawal or other termination as general partner or investment adviser of the Fund. An investor may withdraw or redeem from a Fund on the last day of any calendar quarter (subject to Parallax's right to suspend withdrawals or redemptions in certain unusual circumstances and the 25% gate limitation described below) by giving the respective Fund at least 45 days advance notice. If a Fund investor makes a withdrawal or redemption from a Fund within the first year of the investor's investment in that Fund in most cases that investor must pay the Fund a fee of up to 2% of the amount withdrawn or redeemed.

The Funds limit investor withdrawals and redemptions to 25% of the aggregate net assets of the Funds (excluding certain assets) on any quarter end, except that the Funds will not apply this restriction to any investor on a quarter end if that investor's withdrawal or redemption request on the 2 immediately preceding quarter ends was reduced as a result of the 25% limitation.

In all cases, investors bear expenses, the pro rata portion of the management fee and the performance allocations through the date of termination, withdrawal or redemption. If an investor withdraws or redeems from a Fund on a date other than the last day of a quarter, the Funds do not refund any management fee previously paid by that investor, and that investor also bears a fee of up to 1% of the amount withdrawn or redeemed, depending on the Fund.

Expenses. Each fund is responsible for its own costs and expenses, as described in the Funds' offering materials, including certain costs of Parallax's investment program. Parallax bears its own general, administrative and overhead costs and expenses. Securities brokerage firms and futures commission merchants that execute clients' securities and commodities trades, however, may pay all or part of these costs and expenses, as discussed in Item 12 below.

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

As noted above, Parallax currently manages only the Funds, which provide for performance-based allocations to Parallax, as described in Item 5. It does not manage accounts that do not pay performance-based compensation, except that Parallax may waive some or all of its fees for certain Fund investors, such as employees and members, and their family members and friends.

Item 7. Types of Clients

Parallax provides investment advice to the Funds. Investors in the Funds are required to invest a minimum of \$2,000,000, but Parallax may waive this minimum.

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

Investment Strategy.

The Master Fund invests in and trades principally, but not solely, options (including covered and uncovered puts and calls), stocks and other equity related securities, bonds, notes, warrants, bills, participating and convertible debt instruments, rights, futures and options on futures, currency forward contracts, swaps and other derivative instruments and other securities of U.S. and non-U.S. issuers that are traded publicly and privately. It also engages in margin trading and seeks to profit from declines in the value of securities and hedge its positions by short selling, futures trading and other strategies. The other Funds invest substantially all their assets in the Master Fund.

The Master Fund seeks to achieve its investment objective by investing in securities that Parallax believes present arbitrage opportunities, including, without limitation, “risk arbitrage” opportunities, and opportunities resulting from a disparity in the pricing of related securities, such as those described below. A “risk arbitrage” opportunity exists when a security or a group of securities is, in the opinion of Parallax, undervalued in relation to the anticipated value of the cash, securities or other consideration to be paid or exchanged for such securities in a proposed corporate transaction. An opportunity to take advantage of a disparity in pricing of related securities is present when a selected security or a group of securities is, in the opinion of Parallax, undervalued in relation to (a) any other related or unrelated security, index, or group of securities or (b) the selected securities’ theoretical or estimated value as judged by Parallax.

The investment strategy summarized above represents Parallax’s current intentions, is general in nature and is not exhaustive. The Funds have no limits on the types of securities or commodities they may hold, the types of positions that they may take, the concentration of their investments or the amount of leverage that they may use. Parallax may use any trading or investment techniques for the Funds, whether or not contemplated by the investment strategy described above. In addition, there are limitations in describing any investment strategy due to its complexity, confidentiality and indefinite nature. Depending on conditions and trends in securities and commodities markets and the economy generally, Parallax may pursue any objectives or use any techniques that it considers appropriate and in clients’ interest.

Risk Factors

Investing in securities and commodities involves risk of loss that clients should be prepared to bear. Below are brief summaries of some of the risks that investors should consider before investing in a Fund. Any or all of such risks could materially and adversely affect investment performance, the value of any account or any security or commodity held in the Master Fund, and could cause investors to lose substantial amounts of money. Potential investors in a Fund should review such Fund's offering materials carefully and in its entirety, and consult with their professional advisers before deciding whether to invest. A potential client or Fund investor should discuss with Parallax's representatives any questions that such person may have before investing in a Fund.

General

- The Funds may not achieve their investment objectives. A strategy may not be successful and investors may lose some or all of their investment.
- The success of Parallax's investment strategy depends on the skill and acumen of its principal portfolio manager, Daniel Hutchison, and its managing members, Mr. Hutchison and William F. Bartlett. Although Messrs. Hutchison and Bartlett have extensive experience working for Parallax, until January 1, 2011, they worked under the general supervision of Roger M. Low, who stepped down as the principal portfolio manager of Parallax on that date. The Partnership's past performance does not provide an accurate indication of its future results for many reasons, including, because of these changes.
- Messrs. Hutchison and Bartlett and the Parallax trading team may devote a significant amount of time to other activities. Parallax may change the members of its portfolio management team from time to time without notice. If a significant number of the members of that team should cease to participate in Parallax's activities, its ability to select attractive investments and manage its portfolio could be impaired.

Risks Associated with the Funds' Investment Strategy

- Parallax relies heavily on internal and third-party computer hardware and software, online services, data feeds, including those focused on market data, trading platforms, and other computer-related and communications technology and equipment to implement the Partnership's strategies and investment and trading activities. Disruptions or malfunctions in the operation of any of that technology or equipment could materially adversely affect the Partnership.
- Parallax may be vulnerable to computer viruses, malware or other contamination, computer hackers or other malicious outside corruption although it does employ various security measures. If such attacks lead to the loss of trade secrets, disruption to programs and activities or to the malicious modification of Parallax's programs or data, significant trading losses could result.

- The Master Fund's investment strategy includes frequent trading in options, swaps, forwards, contracts for difference, futures and other derivatives. The prices of these instruments generally are more volatile than the prices of the underlying securities, and prices of futures and other commodities are particularly volatile. The Master Fund speculates on market fluctuations of such securities, commodities and securities exchange indices while investing only a small percentage of the value of the securities, underlying the contract thus permitting a high degree of leverage.
- The Master Fund trades in non-U.S. options, which present additional risks of loss. Trades in non-U.S. options execute and clear on non-U.S. boards of trade, and are subject to local laws and regulations. In addition any variance in the foreign exchange rate of the currency in which the option is denominated affects the price of such options.
- Using stock index futures contracts as a hedging device involves particular risks. Price movements in the stock index and the underlying securities do not always correlate. Positions in futures contracts may be closed out only on the exchange on which they were entered into or through a linked exchange. There is no secondary market for such contracts. In addition, there may be no active market for the contracts at any particular time. Some exchanges do not permit trading in particular contracts at prices that fluctuate more than a set limit in any day. If prices fluctuate during a single day beyond those limits, the Master Fund may not be able to liquidate unfavorable positions promptly and may lose money.
- The Master Fund uses significant leverage by borrowing on margin, selling securities short and trading options, futures and other derivatives, which increases volatility and risk of loss. These instruments are highly volatile and risky and can be difficult to value. An incorrect valuation could result in losses.
- The Master Fund frequently sells covered and uncovered options on securities. Option prices generally are more volatile than prices of other securities. The sale of uncovered options could result in unlimited losses.
- The Master Fund may have higher portfolio turnover and transaction costs than a similar account managed by another investment adviser. These costs reduce the capital invested and potential profit, or increase losses.
- The Master Fund sells securities short, resulting in a theoretically unlimited risk of loss if the prices of the securities sold short increase.
- Management and stockholders of an issuer may sue short sellers to deter short sales of the issuer's securities. Parallax and the Funds could be subject to such actions, even if they are baseless, and the Funds could incur substantial costs defending them.
- To make a short sale, the Master Fund must borrow the securities being sold short. It may be impossible to borrow securities at the most desirable time to make a short sale, particularly in illiquid securities markets.

- Special rules, which differ from jurisdiction to jurisdiction, apply to short sales. For example, temporary or permanent governmental orders may from time to time prevent the Master Fund from executing short sales of these securities at the most desirable time.
- If the prices of securities sold short increase, the Master Fund may need to provide additional funds or collateral to maintain the short positions. This could require the Master Fund to liquidate other investments to provide additional collateral. Such liquidations might not be at favorable prices.
- Investing in exchange traded funds (ETFs) presents additional risks than the risks of investing in the underlying investments. For example, an ETF may own a significant portion of securities that is different from its stated purpose, or the bid and ask spread for its shares may become significant if the ETF becomes thinly traded.
- The Master Fund engages in hedging, which may reduce profits, increase expenses and cause losses. Price movements in a hedging instrument and the security hedged do not always correlate, resulting in losses on both the hedged security and the hedging instrument. Parallax is not obligated to hedge the Master Fund's portfolio positions, and it frequently may not do so.
- Parallax may not obtain complete or accurate information about an investment and may misinterpret the information that it does receive.
- Counterparties such as brokers, dealers, futures commission merchants, custodians and administrators with which Parallax does business on behalf of the Funds may default on their obligations. For example, the Master Fund may lose its assets on deposit with a broker if the broker, its clearing broker or an exchange clearing house becomes bankrupt.
- Parallax may cause the Master Fund to enter into repurchase agreements or reverse repurchase agreements. These instruments can have effects similar to margin trading and leveraging strategies.
- Parallax may cause the Master Fund to invest in securities of non-U.S., private and government issuers. The risks of these investments include political risks; economic conditions of the country in which the issuer is located; limitations on foreign investment in any such country; currency exchange risks; withholding taxes; limited information about the issuer; limited liquidity; and limited regulatory oversight.
- Changes in economic conditions can adversely affect investment performance. At times, economic conditions in the U.S. and elsewhere have deteriorated significantly, resulting in volatile securities and commodities markets and large investment losses. Government actions responding to these conditions could lead to inflation and other negative consequences to investors.
- Some of the Master Fund's portfolio positions may be or become illiquid, in which case the Master Fund may not be able to sell those positions.

Investment Funds' Structure Risk

- Parallax consults with the Funds' administrator to determine the value of securities and commodities held in the Master Fund's accounts, whether or not a public market exists for those instruments. If Parallax's valuation is inaccurate, it might receive more compensation than that to which it is entitled, a new Fund investor might receive an interest that is worth more or less than the investor paid and an investor that is withdrawing or redeeming assets might receive more or less than the amount to which the investor is entitled, to the detriment of that investor or the other investors in that Fund.
- The Funds and not Parallax generally are responsible for any trade errors that Parallax makes in an account, even when the error hurts the Funds or Fund investors.
- Parallax and its affiliates and agents generally are not responsible to any client or investor for losses incurred in an account unless the conduct resulting in such loss results from Parallax's gross negligence or willful misconduct.
- There is not and will never be an active market for Fund interests. It may be impossible to transfer those interests, even in an emergency.
- The Master Fund may be unable to generate cash necessary to satisfy investor withdrawals and redemptions. Substantial withdrawals and redemptions in a short period could force the Master Fund to sell portfolio positions too rapidly, and may so reduce the size of the Master Fund that it cannot generate returns or reduce losses.
- If investors seek to withdraw or redeem more than 25% of the Funds' aggregate assets on any quarter end, the Funds will limit withdrawals and redemptions to such 25%, subject to certain exceptions.
- A Fund may establish a reserve for contingencies if Parallax considers it appropriate. Investors may not withdraw or redeem assets covered by that reserve until it is lifted.
- If the assets that Parallax manages grow too large, it may adversely affect performance, because it is more difficult for Parallax to find attractive investments as the amount of assets that it must invest increases.
- No client, Fund investor or Fund has been represented by separate counsel. The attorneys who represent Parallax do not represent the Funds or Fund investors. Fund investors must hire their own counsel for legal advice and representation.
- The Funds may dissolve or expel any investor at any time, even if such actions adversely affect such investor.
- Parallax, the Funds' administrator or any government agency may freeze assets that any of them believes an investor holds in violation of anti-money laundering laws or rules or on behalf of a suspected terrorist, and may transfer such assets to a government agency. None

of Parallax, the Funds or the Funds' administrator will be liable for losses related to actions taken in an effort to comply with anti-money laundering regulations.

- The Funds do not intend to make distributions, but intend instead to reinvest substantially all income and gain. Therefore, an investor may have taxable income from a Fund without a cash distribution to pay the related taxes.
- Federal, state and international governments are increasing regulation of investment advisers, private investment funds and derivative securities, which may increase the time and resources that Parallax must devote to regulatory compliance, to the detriment of investment activities.
- Parallax currently is not registered with the SEC, although it has applied to be so registered, nor is it registered with FINRA as a broker-dealer or with the Commodity Futures Trading Commission as a commodity pool operator. The interests in the Funds are not registered under the Securities Act of 1933, and the Funds are not registered investment companies under the Investment Company Act of 1940. Parallax believes that none of these registrations is required because exemptions are available under applicable law. If a regulatory authority deems that any of these registrations is required, Parallax and any Fund could be subject to expensive and distracting legal action and potential termination. In addition, investors in the Funds do not have certain regulatory protections that they would have if these registrations were in place.
- Parallax's activities could cause adverse tax consequences to clients and investors, including liability for interest and penalties.
- Parallax's activities may cause an account that is subject to the Employee Retirement Income Security Act of 1974 to engage in a prohibited transaction under that Act.
- If a Fund becomes insolvent, investors may be required to return with interest any distributions and forfeit any undistributed profits.
- Parallax and its affiliates may spend time on activities that compete with a Fund without accountability to investors, including investing for other clients and their own accounts. If Parallax receives better compensation and other benefits from managing other assets or client accounts compared to managing a Fund, it has incentive to allocate more time to those other activities. These factors could influence Parallax not to make investments on the Master Fund's behalf even if such investments would benefit the Funds.
- Parallax may provide certain investors or clients more frequent or detailed reports or notifications, special compensation arrangements and withdrawal or redemption rights that it does not provide to other investors or clients.

The above is only a brief summary of some of the important risks that a Fund investor may encounter. Before deciding to invest in a Fund, you should consider carefully all of the risk factors and other information in the respective Fund's offering circular or private offering memorandum.

Item 9. Disciplinary Information

Parallax has disclosed to all Fund investors all legal or disciplinary events that are material to investor's or prospective investor's evaluation of Parallax's business or the integrity of its management.

Item 10. Other Financial Industry Activities and Affiliations

Neither Parallax nor its management persons have the types of registrations, relationships or arrangements with others in the securities or investments industries for which this item requires disclosure, and none of them have any applications pending for registrations for which this item requires disclosure.

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

Parallax has adopted a Code of Ethics in compliance with Rule 204A-1 under the Investment Advisers Act of 1940 that establishes standards of conduct for its supervised persons. The Code of Ethics requires Parallax's supervised persons to comply with their fiduciary obligations to clients and applicable securities laws, and includes specific requirements relating to personal trading, insider trading, conflicts of interest, confidentiality of client information and other things. The Code of Ethics requires supervised persons to comply with the personal trading restrictions described below and to report their personal securities transactions and holdings periodically to Parallax's Chief Compliance Officer, and requires the Chief Compliance Officer to review those reports. It also requires supervised persons to report any violations of the Code of Ethics promptly to Parallax's Chief Compliance Officer.

Parallax provides a copy of the Code of Ethics and any amendments to it to its supervised persons, each of whom must acknowledge having received the materials. Periodically, each supervised person must certify that he or she complied with the Code of Ethics. Clients and prospective clients may obtain a copy of Parallax's Code of Ethics by contacting Jill C. Armstrong at jarmstrong@parallaxfund.com or (415) 445-6646.

Under Parallax's Code of Ethics, Parallax's officers and employees may personally invest in the securities, but they may invest in stocks and derivatives only with Parallax's prior approval. In addition, such persons may execute only 5 equity trades in a calendar month and employees must hold all positions for at least 14 calendar days, unless Parallax waives these restrictions. Parallax uses tracking software to compare all employees' trades against these restrictions and against the Master Fund's holdings to look for patterns of abuse. These persons also must submit to the Chief Compliance Officer quarterly reports regarding newly opened accounts, as well as annual confirmations and compliance certificates.

Item 12. Brokerage Practices

Parallax has complete discretion in selecting the broker or futures commission merchant (FCM) that it uses for client transactions and the commission rates that the Master Fund pays. Parallax generally allocates portfolio transactions to brokers and FCM's based on best execution, including net price and other factors. These other factors include, for example:

- clearance, settlement and reputation;
- financial strength and stability;
- efficiency of execution and error resolution;
- the availability of stocks to borrow for short trades;
- special execution capabilities;
- block trading and block positioning capabilities;
- willingness to execute related or unrelated difficult transactions in the future;
- order of call;
- custody, recordkeeping and similar services;
- offering to Parallax on-line access to computerized data regarding clients' accounts; and
- other matters involved in the receipt of brokerage services generally.

Parallax may also purchase from a broker or FCM or allow a broker or FCM to pay for the following (each a "soft dollar" relationship):

- research reports, services and conferences and economic and market information;
- portfolio strategy advice;
- performance measurement data;
- on-line pricing;
- industry and company comments; and
- technical data and recommendations.

Parallax may cause the Master Fund to pay a brokerage commission that exceeds that which another broker or FCM might charge for effecting the same transaction in recognition of the value of the brokerage and other services and relationships provided by that broker or FCM.

Parallax in the future may purchase from a broker or FCM or allow a broker or FCM to pay for research, information and other services described above and all or a portion of the costs and expenses of operation of Parallax or the Funds, such as computer hardware and software, newswire and data processing charges, quotation services, periodical subscription fees and the like, although Parallax does not engage in those practices at this time. If it did purchase or obtain these items through brokers or FCMs, the Funds may be deemed to be paying for these other services with "soft" or commission dollars as well as profits that brokers make on principal trades.

Federal law provides a "safe harbor" to investment advisers who use commission dollars of their advised accounts to obtain investment research and brokerage services that provide lawful and appropriate assistance to the adviser in performing investment decision-making responsibilities. Conduct outside of the safe harbor is subject to the traditional standards of fiduciary duty under state and federal law. If Parallax receives soft dollar goods and services with respect to the Master Fund's brokerage transactions in the future, they are expected to be within this safe harbor. In addition, Parallax may in the future receive soft dollar credits on principal, as well as agency, securities transactions with brokers and FCMs.

The relationships with brokers and FCMs that provide services to Parallax influence Parallax's judgment in allocating brokerage transactions and create a conflict of interest in using the services of those brokers and FCMs to execute the Master Fund's brokerage transactions. The

brokerage fees that the Master Fund pays benefit Parallax at the expense of the Master Fund, to the extent that the brokers provide service to Parallax that are not otherwise reimbursable by the Funds. Parallax believes that these relationships benefit it and the Funds, but Master Fund trades executed through these firms or any other broker or FCM may or may not be at the best price otherwise available.

Parallax addresses these conflicts of interest by evaluating the trade execution services that it receives from the brokers and FCMs that it uses to execute trades for clients annually. Such evaluation includes comparing those services to the services available from other brokers and FCMs. Parallax considers, among other things, alternative brokers, market makers and market centers, the quality of execution services, the value of continuing with various services and adding or removing brokers or FCMs, increasing or decreasing targets for each broker or FCM and the appropriate level of commission rates.

Parallax also may direct Master Fund brokerage transactions to brokers and FCMs that refer prospective investors to the Funds. During its last fiscal year, Parallax did not direct Master Fund transactions to a particular broker or FCM in return for client referrals.

Parallax has retained J.P. Morgan Clearing Corp. and Goldman Sachs Execution & Clearing, L.P. to serve as the Funds' prime brokers and custodians. Parallax may replace either firm or appoint one or more additional prime brokers and custodians at any time. The services that J.P. Morgan and Goldman Sachs currently provide as prime brokers may include custody, margin financing, clearing, settlement and stock borrowing in accordance with the terms of the prime brokerage agreements entered into between the Funds and these firms. J.P. Morgan's address is 383 Madison Avenue, New York, New York 10179. Goldman Sachs's address is 200 West Street, New York, New York 10004.

The services that these firms provide as prime broker may include providing execution, custody, margin financing, clearing, settlement and stock borrowing in accordance with the terms of the prime brokerage agreement entered into between the Master Fund and each firm. These firms may provide other services to Parallax, including news and stock market information systems and connections, capital introduction services and access to electronic communications networks. Parallax uses a substantial portion of these services for research and trading on behalf of the Master Fund, but if any is used for administrative purposes that use would not be within the federal safe harbor described above. Although many prime brokers provide similar services to investment advisers in exchange for brokerage, custody and clearance fees and other charges, if Parallax did not receive these services from a broker or FCM, Parallax would be required to pay for all or some portion of them. Parallax is not required to direct a particular number of trades to either prime broker or to continue to use that firm as a custodian, but it has an incentive to do so based on such services.

None of Parallax's clients may direct brokerage selection.

Item 13. Review of Accounts

S. Daniel Hutchison, Parallax's principal portfolio manager, reviews the Funds' accounts daily, or more frequently as appropriate. Those reviews take into account such matters as concentrations, risk exposure and capital usage.

Parallax provides a monthly summary report estimating performance results, and annual tax information and audited financial statements to Fund investors.

Item 14. Client Referrals and Other Compensation

Parallax has entered into a Limited Partner and Shareholder Servicing Agreement with a securities broker, pursuant to which the broker has previously referred certain investors to the Funds and provides continuous services to those investors. In consideration of those referrals and services, Parallax causes a percentage of the 25% performance allocation relating to those investors to be allocated to this broker. The percentage of the 25% performance allocations that the Funds pay to the broker instead of Parallax depends on the identity of the investor and when the investor invested in a Fund. In the case of this broker and any solicitor that it retains for compensation, Parallax discloses the practice in writing to the client and Parallax complies with the other requirements of Rule 206(4)-3 under the Investment Advisers Act of 1940, if applicable.

Item 15. Custody

Not applicable.

Item 16. Investment Discretion

Parallax has discretionary authority to manage the Funds' investment portfolios pursuant to a grant of authority in the Master Fund's limited partnership agreement.

Item 17. Voting Client Securities

The Master Fund generally trades derivative instruments (such as options) and periodically holds long and short positions in non-derivative equity securities to hedge investments in derivative instruments. Such equity investments are generally held for less than two months. Because equity positions are held for such a short time, when the Master Fund holds an equity security on the record date for an annual shareholder meeting, it usually has traded out of that security before the meeting occurs. Parallax believes that voting equity securities in which the Master Fund no longer holds a position is not in the interest of the Master Fund.

Parallax generally monitors the markets and information available about these equity securities. This monitoring often includes corporate events such as proposed mergers, acquisitions and other significant matters for which the issuer will request shareholder approval, or ballot measures contested at shareholder meetings. If an issuer gives notice for a shareholder meeting (other than an annual shareholders meeting at which compensation, non-contested elections of directors and other ballot items that are not expected to affect the price or volatility of the equity security or related derivatives) Parallax considers whether holding that equity security (and the related derivatives, as appropriate) continues to be appropriate within the Master Fund's

investment strategy, and it will trade that security as it determines is in the interest of the Master Fund. Even in these situations, Parallax does not vote proxies distributed in connection with these events because it does not expect to hold the equity securities long enough for the event to affect the Master Fund's investment.

A client can obtain a copy of Parallax's proxy voting policy and a record of votes cast by Parallax on behalf of that client by contacting Jill C. Armstrong of Parallax at the contact information shown in Item 11 above.

Item 18. Financial Information

Parallax does not require prepayment of advisory fees and is therefore not required to include a balance sheet for its most recent fiscal year. Parallax is not the subject of any financial condition that is reasonably likely to impair its ability to meet its contractual obligations to the Fund or the subject of any bankruptcy petition, nor has it been the subject of any bankruptcy petition at any time during the past 10 years.

Item 19. Requirements for State-Registered Advisers

Not Applicable.

Privacy Policy

It is the policy of Parallax and the Funds to protect, through administrative, technical and physical safeguards, the security and confidentiality of financial records and other nonpublic personal information concerning its clients, investors in the Funds and persons who have applied to be clients or investors ("Clients"). Employees may not disclose the identity, affairs, investments or other personal information of any Client to anyone outside of Parallax, except such information as may be disclosed with the permission of the Client or required to be disclosed in connection with servicing the Client's account (such as to a brokerage firm at which a Client's account is held) or for the business of Parallax or the Funds (such as to Parallax's and the Funds' auditors and lawyers). Employees should direct any questions about whether information is confidential or any disclosure is permitted to Jill Armstrong.

To protect the confidentiality of Parallax's and the Funds' confidential and proprietary information and the confidentiality of Clients' records, employees should take the following additional security precautions:

(1) Documents containing confidential information may not be taken from Parallax's offices without the prior consent of Ms. Armstrong, and any copies removed from the Parallax's offices must be promptly returned. Photocopies of confidential information may only be made as required, and all copies and originals of such documents must be disposed of in a way that keeps the information confidential. When not in use, all paper copies of confidential information must be kept off desk tops, conference tables or any other place where such copies would be visible to persons who are not authorized to have access to such information.

(2) All computer drives containing confidential information may only be accessible by the use of passwords issued by Parallax, and all authorized users of such computer drives shall log off when leaving a terminal through which they are authorized to access any such computer drive.

(3) Physical access to any non-electronic confidential information must be limited by locking or monitoring access to the offices or storage areas where such information is located.

At times, Parallax or the Funds may enter into one or more agreements with third parties, pursuant to which such third parties may be provided with access to confidential information. If this occurs, Parallax and the Funds will protect the privacy of confidential information and include in the relevant agreements provisions protecting confidential information to the extent required by law.

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