

**Item 1.       Cover Page**

**Brochure of  
Parallax Volatility Advisers, L.P.**

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This brochure provides information about the qualifications and business practices of Parallax Volatility Advisers, L.P. (“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](http://www.adviserinfo.sec.gov).

## **Item 2. Material Changes**

The following are the material changes to this brochure since its last annual update on March 31, 2014.

- Parallax's assets under management in Item 4 have been updated. The amount of its net assets under management as of December 31, 2014, was approximately \$918,894,000.
- On October 1, 2014, Parallax converted to a limited partnership structure; it previously was a limited liability company. Parallax's affiliate, Parallax Partners, LLC, became the general partner of Parallax Master Fund, L.P. and Parallax Fund, L.P. at the same time. Item 4 shows these changes.
- Parallax has added and expanded the risk factors in Item 8 relating to non-U.S. and off-exchange options and other derivative investments, as those activities became a more important part of Parallax's investment strategy over the past year.
- Parallax has retained Goldman Sachs International as an additional prime broker of Parallax Master Fund, L.P., as described in Item 12.

**Item 3. Table of Contents**

	<b>Page</b>
<b>Item 1. Cover Page.....</b>	<b>1</b>
<b>Item 2. Material Changes.....</b>	<b>2</b>
<b>Item 3. Table of Contents.....</b>	<b>3</b>
<b>Item 4. Advisory Business .....</b>	<b>4</b>
<b>Item 5. Fees and Compensation.....</b>	<b>5</b>
<b>Item 6. Performance-Based Fees and Side-By-Side Management .....</b>	<b>7</b>
<b>Item 7. Types of Clients .....</b>	<b>8</b>
<b>Item 8. Methods of Analysis, Investment Strategies and Risk of Loss .....</b>	<b>9</b>
<b>Item 9. Disciplinary Information.....</b>	<b>17</b>
<b>Item 10. Other Financial Industry Activities and Affiliations.....</b>	<b>18</b>
<b>Item 11. Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.....</b>	<b>19</b>
<b>Item 12. Brokerage Practices .....</b>	<b>20</b>
<b>Item 13. Review of Accounts .....</b>	<b>23</b>
<b>Item 14. Client Referrals and Other Compensation.....</b>	<b>24</b>
<b>Item 15. Custody .....</b>	<b>25</b>
<b>Item 16. Investment Discretion.....</b>	<b>26</b>
<b>Item 17. Voting Client Securities.....</b>	<b>27</b>
<b>Item 18. Financial Information.....</b>	<b>28</b>
<b>Privacy Policy .....</b>	<b>29</b>

#### **Item 4. Advisory Business**

Parallax is a California limited partnership that has been in business since 1996. Its executive committee and principal owners consist of Daniel Hutchison, William Bartlett and Jill Armstrong. Mr. Hutchison, as the principal portfolio manager, and Mr. Bartlett, as Chief Executive Officer, are primarily responsible for day-to-day trading activities, and Ms. Armstrong, as Chief Operating Officer and Chief Compliance Officer, is primarily responsible for compliance and operations. Mr. Hutchison has final authority on all matters.

On October 1, 2014, Parallax converted to a limited partnership structure; it previously was a California limited liability company. This conversion did not change the ownership or control of Parallax. Parallax's general partner is Parallax Volatility Advisers GP, LLC, and the managing members and owners of that general partner are Mr. Hutchison and Mr. Bartlett.

As of December 31, 2014, Parallax had total net discretionary assets under management of approximately \$918,894,000 and regulatory assets under management of approximately \$5,218,562,000. Parallax only manages assets on a discretionary basis.

Parallax serves as the investment adviser to Parallax Fund, L.P. (the "Domestic Fund"), a California limited partnership, and the sponsor of Parallax Offshore Investors Fund, Ltd. (the "Offshore Fund"), a Cayman Islands exempted company. Both the Domestic Fund and the Offshore Fund invest substantially all their assets in Parallax Master Fund, L.P. (the "Master Fund"), a Cayman Islands exempted limited partnership of which Parallax is also the investment adviser. Parallax's affiliate, Parallax Partners, LLC, a California limited liability company ("Parallax Partners"), is the general partner of the Master Fund and the Domestic Fund. In this brochure, the Domestic Fund, the Offshore Fund and the Master Fund are each individually referred to as a "Fund," and they are referred to 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 and non-US options contracts (including covered and uncovered puts and calls) and other securities instruments. Additional information about the Master Fund's investment strategy is in 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 Investment Adviser 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 and manages the Master Fund only in accordance with its stated strategy.

## **Item 5. Fees and Compensation**

Quarterly and Annual Fees. Fund investors pay Parallax a quarterly management fee through the Master Fund that 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. The Master Fund allocates the Domestic Fund's and the Offshore Fund's pro rata share of the management fee to the respective 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 to Parallax Partners from each Fund investor 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, on the last of each fiscal year (December 31), and also upon a Fund investor's 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 Fund investors, otherwise known as a highwater mark.

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

If Parallax deems it appropriate for the Master Fund to invest in certain investment companies or funds such as mutual funds, ETFs, or money market funds, the investment advisory fees to the managers of those investment companies or funds are borne by the Master Fund.

Parallax believes that its fees and performance allocations are competitive with fees charged by other investment advisers for comparable services. However, comparable services may be available from other sources for lower fees. Fees are generally non-negotiable, but the Funds may waive fees and performance allocations for certain Fund investors such as Parallax employees and limited partners, 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 ("ERISA") 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 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 may 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. Because of the Master Fund's unique strategy, its operating expenses typically are much higher, as a proportion of the Master Fund's assets, than other investment funds. The Master Fund bears many operational expenses, such as quotation equipment, computer and data systems, data storage relating to trades and other trade-related ongoing expenses, that other investment advisers may bear instead of passing such expenses through to their clients. Except as described above, Parallax and Parallax Partners each bears its own general, administrative and overhead costs and expenses. Securities brokerage firms and futures commission merchants ("FCMs") that execute securities and commodities trades for the Master Fund, 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 private Funds described in Item 4, which provide for performance-based allocations to Parallax Partners, as described in Item 5. It does not manage accounts that do not pay performance-based compensation, except that Parallax and Parallax Partners may waive some or all fees for certain Fund investors, such as Parallax employees and limited partners, and their family members and friends.

**Item 7.       Types of Clients**

Parallax currently provides investment advice only to the private Funds described in Item 4. 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, U.S. and non-U.S. options (including covered and uncovered puts and calls), stocks and other equity related securities, futures and options on futures, commodities and options on commodities, bonds, notes, warrants, bills, participating and convertible debt instruments, rights, 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 feeder 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, opportunities resulting from a disparity in the pricing of related securities and “risk arbitrage” opportunities. 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. 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.

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 frequently adjusts the Master Fund’s trading and investment techniques, and the revised or new techniques may present new risks not described below. Investors should expect that over time the Funds may use trading or investment techniques other than those 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 the Funds’ interest.

Risk Factors. Investing in securities and commodities involves risk of loss that investors 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 a Fund or any security or commodity held in the Master Fund, and could cause investors to lose substantial amounts of money. Potential Fund investors should review such Fund’s offering materials carefully and entirely, 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.
- Messrs. Hutchison and Bartlett and the Parallax trading team may devote a significant amount of time to activities other than trading. Parallax may change the members of its portfolio management team from time to time without notice. If a significant number of the trading 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 Master Fund's strategies and investment and trading activities. Disruptions or malfunctions in the operation of any such technology or equipment, or the communications, power or infrastructure necessary to operate these systems, may make it temporarily difficult or impossible to implement the Master Fund's investment strategy. Examples of such circumstances include: natural disasters; terrorism; public service disruptions or utility problems such as those caused by fires, floods or earthquakes; market conditions or activities caused by trading halts; systems failures; and other extraordinary events. Disruptions or malfunctions in the operation of any of that technology or equipment could materially adversely affect the Master Fund.
- The Master Fund's trades are frequently made on electronic markets or using electronic trade routing, and a small component of the Master Fund's portfolio trades utilize proprietary investment models and/or algorithmic execution strategies. Such reliance on technology and software presents risks related to system access, varying response times, security, and system or component failure. In the event of system or component failure, it is possible that for a certain time period, it might not be possible to enter new orders, execute existing orders or modify or cancel orders that were previously entered. Such an event may result in losses for the Master Fund.
- Parallax's strategies and techniques are continually evolving, and investment positions reflecting new strategies and trading techniques will be incorporated into the Master Fund's portfolio from time to time. Parallax is not restricted from using the Master Fund's capital to develop and incubate new strategies, even if Parallax has limited experience in the type of strategy or in the markets or instruments involved. New strategies may be unsuccessful or more speculative than the Master Fund's established strategies and the resources allocated to implementing new strategies may adversely affect the Master Fund's established strategies.
- Although Parallax does employ various security measures, it still may be vulnerable to computer viruses, malware or other contamination, computer hackers or other

malicious outside corruption. 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, commodities 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 may speculate on the prices of such derivatives of securities, commodities and securities exchange indices while investing only a small percentage of capital in relation to the value of the underlying securities, permitting a high degree of leverage, which is also known as margin trading or borrowing on margin.
- The Master Fund trades in non-U.S. options, swaps, forwards, futures, commodities and other derivatives, which present additional risks of loss. Trades in non-U.S. derivatives execute and clear on non-U.S. boards of trade, and are subject to local laws and regulations and foreign currency exposure. 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. In addition, any variance in the foreign exchange rate of the currency in which the derivative is denominated affects the price of such derivative.
- 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 timely liquidate unfavorable positions and losses could result.
- The Master Fund uses significant leverage by borrowing substantially on margin, selling securities short and trading options, futures and other derivatives, which increases volatility and risk. Trading on margin also results in interest charges, which can be substantial. By trading financial derivatives, the Master Fund may trade with the economic equivalent of a substantially leveraged position in the underlying securities portfolio, in comparison to its actual assets. While all of these instruments are exchange traded, they also can be difficult to value. An incorrect valuation could result in losses for the Funds. 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 trades in futures contracts and options on futures contracts. The trading market for futures positions may be illiquid, and trading may be suspended for regulatory reasons. Trading in commodity futures contracts and options are highly specialized activities that may entail greater than ordinary investment or trading risks. Furthermore, low margin or premiums normally required in such trading may provide a large amount of leverage, and a relatively small change in the price of a security or contract can produce a disproportionately larger profit or loss.
- 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. In addition, given the general upward trend of the Securities markets over time, this short exposure poses a significant risk to investors. The Master Fund may materially underperform the market and could lose money during periods of strong market performance. 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.
- Parallax may invest in registered investment companies, such as mutual funds or exchange traded funds (ETFs). Investments in such investment companies present additional risks other than the risks of directly investing in the underlying investments of such investment companies. For example, an ETF may own a significant portion of securities that deviate from the ETF's stated core purpose, or the bid and ask spread for its shares may become significant if the ETF becomes thinly traded and therefore less liquid. Investors in an ETF generally bear all expenses of the ETF, including fees of its investment adviser and custodian, brokerage commissions and legal and accounting fees. As a result, Fund investors bear two levels of advisory fees—the fees of Parallax and Parallax Partners, and advisory fees charged by investment advisers of the investment companies in the Master Fund's portfolio. The Master Fund also bears its own expenses related to the purchase, sale or transmittal of ETF assets. Such fees and expenses may be expected to result in a higher cost of investment than would be the case if Fund investors were to invest directly in the investment companies purchased by the Master Fund.

- 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.
- The Master Fund trades in futures and options on futures in the natural resource and energy sectors, among other sectors. Prices of natural resources and energy-related Securities are highly volatile and depend on numerous factors beyond Parallax's control, including: the adequacy of supply; the price and quantity of imports; political conditions and events in other countries that produce such resources, including embargoes and military campaigns; government regulation; explosions, fires, accidents, mechanical breakdowns and the disruption of information technology and systems; climate change, weather conditions, storms, earthquakes, floods, drought, wildfires, disease and similar natural disasters; the level of consumer and business demand, including changes resulting from unanticipated population growth or decline; transportation; worldwide energy conservation measures; technological advances affecting consumption; the price and availability of alternative fuels in the case of energy resources; and overall economic conditions.
- The Master Fund may trade in futures and options on futures relating to metals. In addition to the natural resource risk factors described above, investments in the metals sector present other risks, including forward selling by producers, purchases made by producers to unwind hedge positions, central bank purchases and sales, and production and cost levels in major producing countries, economic or specific changes in an industry that uses metals for industrial applications, and global or regional political, economic or financial events and situations.
- 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, FCMs, 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.
- The Master Fund trades 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.
- Parallax may need to modify the Master Fund's investment strategy in the future to compete in a changing business environment or to respond to regulatory measures (U.S. or foreign government) adopted to address changes in market conditions or respond to a financial crisis. These potential future government measures may have further negative consequences for the Master Fund and may unpredictably diminish future available opportunities for the Master Fund. Given the unpredictable nature of the market environment, Parallax may not timely anticipate or manage existing, new or additional risks, contingencies or developments, including regulatory developments and trends in new products and services in the current or future market environment.
- 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 such 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 this valuation is inaccurate, Parallax or Parallax Partners might receive more compensation than that to which they are entitled, or 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, resulting in a loss for that investor or the other investors in that Fund.
- Parallax places orders for the purchase and sale of securities with brokers and/or FCMs on behalf of the Master Fund. The trading process is complex and can vary for different types of instruments. Parallax may make trade errors. 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, unless, at any time when the underlying assets of the Master Fund are treated as "plan assets" under ERISA unless the conduct resulting in such loss results from Parallax's breach of its fiduciary duties under ERISA.
- Parallax and its affiliates and agents generally are not responsible to any client or investor for losses incurred by a Fund unless the conduct resulting in such loss results from Parallax's gross negligence or willful misconduct. However, if the underlying assets of the Master Fund are considered to be "plan assets" for purposes of ERISA, the enforceability of these provisions will be subject to the restrictions of ERISA.

- There is not currently an active market for Fund interests and there likely never will be. It may be impossible to transfer Fund 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 may limit withdrawals and redemptions to such 25%, subject to certain exceptions.
- A Fund may establish a reserve for contingencies if Parallax or Parallax Partners 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. In addition, the Master Fund is an electronic trading member of several option and commodities exchanges. Although the Master Fund receives trading benefits from these memberships, it faces additional compliance burdens relating to exchange requirements.

- Parallax currently is not registered as a broker-dealer with the SEC or FINRA. 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 founder, who served as its principal portfolio manager from its inception in 1996, stepped down on December 31, 2010, and passed control of Parallax to the executive team described in Item 4 above. Past performance is not an accurate indication of future results for many reasons, including, because of this change.
- 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 ERISA to engage in a prohibited transaction under that Act. Although the assets of the Master Fund currently are not treated as "plan assets" for purposes of ERISA, Parallax does not currently intend to restrict ownership of the Master Fund by ERISA investors, and Parallax expects that benefit plan investors may in the future own over 25% of the Master Fund, which will cause the Master Fund's assets to become "plan assets" under ERISA. If the Master Fund's assets become "plan assets", ERISA and related tax provisions may limit the Master Fund's investments and Parallax's activities.
- 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**

Neither Parallax nor its management persons have any legal or disciplinary events to disclose that are covered by this item or otherwise material to an investor's or prospective investor's evaluation of Parallax's advisory business or the integrity of its management.

**Item 10. Other Financial Industry Activities and Affiliations**

Parallax is registered as a commodity pool operator, and the three members of Parallax's executive committee, Daniel Hutchinson, William Bartlett and Jill Armstrong, are Parallax's listed principals under that registration.

**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 Advisers Act 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 requirements. 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 Compliance Department to review those reports. It also requires supervised persons to report any violations of the Code of Ethics promptly to Parallax's Compliance Department.

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](mailto:jarmstrong@parallaxfund.com) or (415) 445-6646.

Under Parallax's Code of Ethics, Parallax's officers and employees may personally invest in equities or other securities only with prior approval from Parallax's Executive Committee. In addition, such persons may execute only 5 pre-approved 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. The Compliance Department also conducts forensic testing to look for patterns of abuse. These persons also must submit to the Compliance Department quarterly reports regarding transactions and active accounts, as well as annual confirmations of holdings, active accounts and various compliance acknowledgements.

## **Item 12. Brokerage Practices**

Parallax has complete discretion in selecting the broker or FCM that it uses for client transactions and the commission rates that the Master Fund pays. Parallax strives to allocate portfolio transactions to brokers and FCMs based primarily 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 receive from a broker or FCM or allow a broker or FCM to pay for the following (each a "soft dollar" benefit):

- research reports, services, industry conferences and economic and market information;
- investment opportunity idea generation;
- 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 to Parallax by that broker or FCM.

Parallax may purchase (via a formal soft dollar 28(e) safe harbor account or other similar arrangement) 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, and, during the time that the assets of the Master Fund are considered to be “plan assets” under ERISA, the soft dollar goods and services are required to be with 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 periodically evaluating the trade execution services that it receives from the brokers and FCMs that it uses to execute trades for clients. 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., Goldman Sachs Execution & Clearing, L.P., Merrill Lynch Professional Clearing Corp. and Goldman Sachs International to serve as the Funds’ prime brokers. These firms also serve as the custodians of substantially all of the Master Fund’s assets. Parallax may replace any firm or appoint one or more additional prime brokers at any time. The services that these firms currently provide as prime brokers may include custody, margin financing, trade execution, clearing, settlement and stock borrowing in accordance with the terms of the prime brokerage agreements entered into between the Funds and these firms. 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 any prime broker or to continue to use that firm as a custodian, but it has an incentive to do so based on such services. The Master Fund's other custodians are listed in Item 25 of Section 7.B(1) of Schedule D of Parallax's Form ADV, Part 1A. Each prime broker's address is listed below:

J.P. Morgan	383 Madison Avenue, New York, NY 10179
Goldman Sachs	200 West Street, New York, NY 10282
Goldman Sachs International	133 Fleet Street, London EC4A 2BB, United Kingdom
Merrill Lynch	Bank of America Tower, One Bryant Park, 6th Floor, New York, NY 10036

None of Parallax's clients may direct brokerage selection.

**Item 13.      Review of Accounts**

Daniel Hutchison, Parallax's principal portfolio manager, reviews the Funds' portfolios 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 no arrangements to compensate any person directly or indirectly for investor or client referrals. If it does enter into any such arrangement, Parallax will disclose in writing to the client and comply with the other requirements of Rule 206(4)-3 under the Investment Advisers Act of 1940, to the extent required by applicable law.



**Item 15. Custody**

The explanation required by this item does not apply to Parallax's custody or account arrangements. Under the SEC's custody rule, Parallax is deemed to have custody of the Master Fund's assets because its affiliate, Parallax Partners, serves as the general partner of the Master Fund. In accordance with the SEC's custody rule, Parallax has arranged that:

- Each Fund's financial statements are audited on an annual basis in accordance with the U.S. generally accepted accounting principles by an independent public accountant that is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board,
- Such audited financial statements are distributed to each Fund's investors within 120 days of the end of that Fund's fiscal year, and
- All Fund assets, with the exception of certain private securities that are held in accordance with the August 2013 Custody Rule guidance from the SEC's Division of Investment Management, are held at prime brokers and custodial banks, all of whom are qualified custodians under the SEC's custody rule.

**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 Investment Adviser 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 Funds 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.

## Privacy Policy

Parallax Volatility Advisers, L.P. and Parallax Partners, LLC (together, “PVA” or “Investment Adviser”) and the private funds to which PVA serves as the investment adviser (the “Funds”) are committed to safeguarding the confidential information provided to them by their clients, limited partners and shareholders, former clients, and persons who have applied to be clients, limited partners and shareholders (together, “Clients”). This notice provides information to you about the Investment Adviser’s and the Funds’ privacy policies and practices.

The Investment Adviser and the Funds collect nonpublic personal information about Clients from the following sources: interviews and other conversations between the Client and representatives of the Investment Adviser or the Funds, including the Funds’ administrator; subscription agreements, offering questionnaires and other documents provided by the Client; and information about the Client’s transactions with a Fund, its affiliates and others. The Investment Adviser and the Funds collect the following types of nonpublic personal information from a Client: information concerning the Client’s financial circumstances to ascertain the Client’s ability to invest in a Fund (such as information about household income and net worth); certain identifying information (such as Social Security numbers); information necessary to conduct financial transactions associated with investments in the Funds (such as bank account details); and other personal information that may be used to communicate with that Client, some or all of which may not be publicly available (such as email addresses, residential addresses, and telephone numbers).

The Investment Adviser and the Funds do not disclose any nonpublic personal information about any of their Clients to anyone, except as permitted by law. Disclosures that are permitted by law include disclosures that are necessary to effect, administer or enforce a transaction that a Client requests or authorizes. Other examples of disclosures that are permitted by law are disclosures to the Investment Adviser’s or the Funds’ accountants, auditors, lawyers and other key service providers, disclosures to regulators that examine the Investment Adviser’s or the Funds’ business and disclosures that Clients specifically request.

The Investment Adviser and the Funds do not provide personal information about investors to mailing list vendors or solicitors for any purpose. The Investment Adviser and the Funds restrict access to nonpublic personal information about Clients to those employees of the Investment Adviser who have a business or professional reason to know such information. In addition, PVA and the Funds strive to maintain a secure office and computer environment to ensure that the confidentiality of Clients’ information is not placed at unreasonable risk.