

**UNITED STATES OF AMERICA**  
**Before the**  
**SECURITIES AND EXCHANGE COMMISSION**

**SECURITIES EXCHANGE ACT OF 1934**  
**Release No. 75625 / August 6, 2015**

**INVESTMENT ADVISERS ACT OF 1940**  
**Release No. 4159 / August 6, 2015**

**INVESTMENT COMPANY ACT OF 1940**  
**Release No. 31741 / August 6, 2015**

**ADMINISTRATIVE PROCEEDING**  
**File No. 3-15626**

**In the Matter of**

**PARALLAX INVESTMENTS, LLC,  
JOHN P. BOTT, II, AND F. ROBERT  
FALKENBERG,**

**Respondents.**

**ORDER MAKING FINDINGS  
AND IMPOSING REMEDIAL  
SANCTIONS AND A CEASE-  
AND-DESIST ORDER  
PURSUANT TO SECTION  
15(b)(6) OF THE SECURITIES  
EXCHANGE ACT OF 1934,  
SECTIONS 203(e), 203(f) AND  
203(k) OF THE INVESTMENT  
ADVISERS ACT OF 1940, AND  
SECTION 9(b) OF THE  
INVESTMENT COMPANY ACT  
OF 1940 AGAINST PARALLAX  
INVESTMENTS, LLC, JOHN P.  
BOTT II, AND ROBERT  
FALKENBERG**

**I.**

The Securities and Exchange Commission (“Commission”) deems it appropriate and in the public interest to enter this Order Making Findings and Imposing Remedial Sanctions and a Cease-and-Desist Order Pursuant to Section 15(b)(6) of the Securities Exchange Act of 1934 (“Exchange Act”), Sections 203(e), 203(f) and 203(k) of the Investment Advisers Act of 1940 (“Advisers Act”), and Section 9(b) of the Investment Company Act of 1940 (“Investment Company Act”) against Parallax Investments, LLC (“Parallax”), John P. Bott, II (“Bott”), and F. Robert Falkenberg (“Falkenberg”) (together, “Respondents”).<sup>1</sup>

**II.**

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<sup>1</sup> On November 26, 2013, the Commission instituted against all Respondents public administrative and cease-and-desist proceedings pursuant to Section 15(b)(6) of the Exchange Act, Sections 203(e), 203(f) and 203(k) of the Advisers Act, and Section 9(b) of the Investment Company Act.

Respondents have submitted Offers of Settlement (“Offers”) which the Commission has determined to accept. Solely for the purpose of these proceedings, and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, and without admitting or denying the findings herein, except as to the Commission’s jurisdiction over them and the subject matter of these proceedings, which are admitted, Respondents consent to the entry of this Order Making Findings and Imposing Remedial Sanctions and a Cease-and-Desist Order Pursuant to Section 15(b)(6) of the Securities Exchange Act of 1934, Sections 203(e), 203(f) and 203(k) of the Investment Advisers Act of 1940, and Section 9(b) of the Investment Company Act of 1940 Against All Respondents (“Order”), as set forth below.

### III.

On the basis of this Order and Respondents’ Offers, the Commission finds that:

#### A. SUMMARY

1. Parallax, an investment adviser registered with the Commission from March 2010 to November 2012, willfully violated the principal transaction prohibitions and the custody and compliance rules under the Advisers Act. From at least 2009 through 2011 (“relevant period”), Parallax: engaged in at least 2,000 securities transactions with advisory clients on a principal basis through a commonly-controlled affiliated broker-dealer, without providing prior written disclosure to, or obtaining consent from, the clients on a transaction by transaction basis; failed timely to provide pooled investment vehicle investors with audited financial statements as required by the Advisers Act custody rule; failed to adopt, implement, and annually review written policies and procedures reasonably designed to prevent violations of the Advisers Act and the rules thereunder; and failed to establish, maintain, and enforce a written code of ethics that met applicable regulatory requirements.

2. Bott and Falkenberg willfully aided and abetted and caused Parallax’s violations. During the relevant period, Bott was Parallax’s sole owner and manager, and Falkenberg was Parallax’s chief compliance officer (“CCO”).

#### B. RESPONDENTS

3. **Parallax** is a Texas limited liability company based in Houston, Texas. Parallax was created in 1998 and became a Commission-registered investment adviser on March 9, 2010. Effective November 26, 2012, it terminated its Commission registration because the level of assets under management required for an adviser to maintain its registration had increased pursuant to the Dodd-Frank Act. Contemporaneous with its termination, Parallax became registered under the Texas Securities Act. As of December 2012, it managed 370 accounts on a discretionary basis and had approximately \$81 million in assets under management.

4. **Bott**, age 62, resides in Pearland, Texas. Bott is the sole owner and manager of Parallax, an investment adviser that was registered with the Commission from March 9, 2010 to

November 26, 2012. He is also an officer and 40% owner of Mutual Money Investments, Inc. d/b/a Tri-Star Financial (“TSF”), an affiliated broker-dealer registered with the Commission.

5. **Falkenberg**, age 52, resides in Allen, Texas. He was a broker-dealer and investment adviser examiner for the State of California Department of Corporations for 13 years before joining FINRA in 2003. Upon his departure from FINRA in 2008, Falkenberg formed a compliance consulting firm, Falkenberg Ventures Corporation d/b/a Solid Rock Consulting (“SRC”); he is SRC’s sole owner and employee. He later became CCO of Parallax (January 2010 to September 2011) and TSF (October 2010 to April 2013).

**C. OTHER RELEVANT ENTITY**

6. **TSF** is a Texas corporation based in Houston, Texas that is under common control with Parallax. TSF has been a Commission-registered broker-dealer since 1993 and is jointly owned by Bott and two other individuals.

**D. BACKGROUND**

7. Parallax provides discretionary investment advisory services to individuals and entities, including a private fund, Parallax Capital Partners, LP (“PCP”). Parallax’s investment strategy focused almost exclusively on fixed income securities, such as mortgage-backed bonds. To execute this strategy, Parallax relied on TSF, its affiliated broker-dealer, for fixed income analysis and trade execution.

8. Bott makes investment recommendations to Parallax clients and, upon the clients’ consent, TSF executes the transactions. During the relevant period, TSF used its inventory account to purchase mortgage-backed bonds for Parallax advisory clients and then transferred the bonds to the applicable client account. TSF charged the advisory clients a sales credit for the trades, which was essentially a percentage mark-up (or mark-down). Bott, a registered representative of TSF for the trades, received 55% of the sales credit generated by each trade.

9. In January 2010, Bott hired Falkenberg, to become Parallax’s CCO. Falkenberg had little if any practical experience with the regulatory requirements applicable to Commission-registered investment advisers when he joined Parallax.

10. Bott has overall responsibility for ensuring that Parallax complies with its regulatory requirements, including Advisers Act requirements. Bott assigned to Falkenberg, as CCO, the responsibility for establishing and administering Parallax’s compliance program under Bott’s direction. Falkenberg, however, devoted approximately nine hours per month to Parallax’s compliance program. He did not maintain a permanent office at Parallax and delegated daily compliance tasks to other compliance employees in his absence. Falkenberg served as Parallax’s CCO during the relevant period.

**E. PARALLAX ENGAGED IN AT LEAST 2,000 PRINCIPAL TRANSACTIONS WITHOUT MAKING REQUIRED DISCLOSURES AND OBTAINING CLIENT CONSENT ON A TRANSACTION BY TRANSACTION BASIS.**

11. From at least January 2009 through November 2011, Parallax, through TSF, engaged in at least 2,000 principal transactions with its advisory clients (“Parallax Principal Transactions”) without providing prior written disclosure to clients that it would effect the trades on a principal basis, or obtaining consent from clients on a transaction by transaction basis.

12. TSF collected approximately \$1.9 million in gross sales credits from the Parallax Principal Transactions. TSF paid approximately \$1 million to Bott for the Parallax Principal Transactions while retaining the rest. None of the gross sales credits was paid to Parallax.

13. Bott initiated and executed the Parallax Principal Transactions. He knew that Parallax did not provide written disclosures to, or obtain consent from, Parallax clients before completing the Parallax Principal Transactions. A compliance manual purchased by Parallax in 2009 contained a chapter on principal transactions that described the policies and procedures for such transactions under Section 206(3) of the Advisers Act. However, Bott failed to read the manual before an SEC examination in April 2011.

**F. PARALLAX FAILED TO COMPLY WITH THE CUSTODY RULE**

14. Parallax serves as the adviser to PCP, a private fund with approximately \$8.7 million in total assets as of December 31, 2012.<sup>2</sup> PCP’s portfolio substantially consists of fixed income products that are generally thinly traded and hard to value, such as inverse floating securities.

15. As a registered investment adviser, Parallax was required to comply with the custody rule as set forth in Rule 206(4)-2 under the Advisers Act. During the relevant period, the custody rule required that an adviser to a private fund with custody of the fund’s assets must either obtain an annual surprise exam or distribute annual audited financial statements to its investors. In lieu of a surprise annual examination, Parallax elected to distribute GAAP-compliant financial statements audited by a PCAOB-registered auditor to each of PCP’s limited partners within 120 days of the fund’s fiscal year end. Because PCP’s fiscal year end is December 31, Parallax was required to distribute audited 2010 financial statements to PCP’s limited partners no later than April 30, 2011.

16. Parallax failed to distribute the 2010 PCP audited financial statements by the April 30, 2011 deadline. Instead, Parallax distributed the 2010 financial statements in early June 2011, more than a month after they were due. PCP’s auditor did not begin the 2010 Parallax audit until April 27, 2011. Even though Falkenberg knew about the 120-day deadline by at least February or March 2011, he failed to take any steps to ensure that Parallax met the deadline.

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<sup>2</sup> Parallax Capital, LP is the general partner of PCP. Parallax, in turn, serves as the general partner of Parallax Capital, LP.

17. Parallax's 2010 financial statement audit was not performed by a PCAOB-registered auditor. Falkenberg knew about the private fund auditor requirements as early as the third quarter of 2010, but he took no steps to ensure that PCP's auditor was PCAOB-registered. By mid-April 2011, Falkenberg discovered that PCP's current auditor was not PCAOB-registered. Falkenberg alerted Bott to the problem, but they decided to go ahead and use the current auditor for the 2010 audit even though they knew the auditor was not PCAOB-registered.

18. In August 2011, following an SEC examination, Parallax hired a PCAOB-registered auditor to re-issue PCP's 2010 audited financial statements. The auditor issued its audit report for the 2010 PCP financial statements on October 25, 2011, and it was subsequently distributed to PCP investors.

**G. PARALLAX FAILED TO ADOPT AND IMPLEMENT WRITTEN COMPLIANCE POLICIES AND PROCEDURES AND A WRITTEN CODE OF ETHICS**

19. For nearly two years after registering with the Commission, Parallax failed to adopt and implement written policies and procedures reasonably designed to prevent violations of the Advisers Act. Parallax also failed to perform an annual review of the adequacy of such policies and procedures and the effectiveness of their implementation. Finally, Parallax failed to establish, maintain and enforce a written code of ethics that meets the minimum standards set out in Advisers Act Rule 204A-1. Parallax did not adopt and implement policies and procedures and a code of ethics until December 2011.

20. Following a 2009 Texas State Securities Board ("TSSB") examination of Parallax, the TSSB issued a deficiency letter to Bott citing, among other things, Parallax's failure to establish and maintain written supervisory procedures. In response, Bott approved the purchase of an "off the shelf" compliance manual that was not tailored to Parallax's business (the "2009 Manual"). Bott knew that the 2009 Manual was not tailored to Parallax's business when he hired Falkenberg in January 2010. After Falkenberg became Parallax's CCO, he reviewed the 2009 Manual and concluded that it needed updating.

21. Falkenberg prepared periodic compliance memos addressed to Bott to highlight the "progress and status of compliance efforts" at Parallax. Falkenberg prepared a total of three memos that covered the first and second quarters of 2010 and the full year of 2010.

22. Falkenberg's compliance memos to Bott were brief, consisting of two to three pages. Falkenberg stated in each of them that the 2009 Manual needed to be revised and tailored to the business. Falkenberg's first compliance memo dated April 2010 and emailed to Bott noted explicitly that the 2009 Manual needed "to be updated and made effective." Bott occasionally asked Falkenberg about the status of the compliance manual update and Falkenberg consistently told him that he was working on it. Falkenberg, however, never tailored the 2009 Manual to Parallax's business.

23. Parallax failed to conduct an annual review of its compliance policies and procedures. In late March 2011, Falkenberg received a document request from Commission examination staff in advance of their planned April 2011 examination of Parallax. One of the items requested was documentation for any annual or interim reviews of Parallax's compliance policies and procedures. In response, Falkenberg told exam staff that he performed the 2010 annual review in February 2011 and documented that review in an annual compliance memo. Falkenberg's undated 2010 annual compliance memo states in relevant part:

Rule 206(4)-7 requires that any Advisor registered with the Commission perform at least an annual review of our compliance procedures. We are also required to record and report any violations of our firm's Code of Ethics under Rule 204A-1 ("Material Compliance Matters"). **This memo documents that I have performed that review and reported significant compliance events and Material Compliance Matters.** [emphasis added]

24. The meta data for Falkenberg's 2010 annual compliance memo indicates that Falkenberg created and completed the memo in approximately four hours on Friday, April 8, 2011, not February 2011. Falkenberg drafted the memo after exam staff had notified Parallax of its impending exam and just three days before exam staff was scheduled to begin field work. In addition, the memo is undated and contains no reference to when the annual review was supposedly performed. Falkenberg never emailed the 2010 annual compliance memo to Bott.

25. Parallax failed to establish, maintain, and enforce a written code of ethics. While Parallax's 2009 Manual contained a section titled "Code of Ethics," the ethics policy was never established, maintained or enforced. In addition, Parallax failed to (a) identify and designate all access persons, (b) obtain written acknowledgments from all access persons, and (c) require all access persons to report their securities transactions and holdings as required by Advisers Act Rule 204A-1.

## **H. VIOLATIONS**

26. As a result of the conduct described above, Parallax willfully<sup>3</sup> violated Section 206(3) of the Advisers Act, which prohibits an investment adviser from executing securities transactions with a client on a principal basis without disclosing to such client in writing, before the completion of such transaction, the capacity in which it is acting and obtaining the consent of the client to such transaction on a transaction by transaction basis.

27. As a result of the conduct described above, Bott willfully aided and abetted and caused Parallax's violations of Section 206(3) of the Advisers Act.

28. As a result of the conduct described above, Parallax willfully violated Section 206(4) of the Advisers Act and Rule 206(4)-2 thereunder, which requires an investment adviser

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<sup>3</sup> A willful violation of the securities laws means merely "that the person charged with the duty knows what he is doing." *Wonsover v. SEC*, 205 F.3d 408, 414 (D.C. Cir. 2000) (quoting *Hughes v. SEC*, 174 F.2d 969, 977 (D.C. Cir. 1949)).

with custody of client funds or securities to adequately safeguard those assets by implementing specific procedures.

29. As a result of the conduct described above, Bott and Falkenberg willfully aided and abetted and caused Parallax's violations of Section 206(4) of the Advisers Act and Rule 206(4)-2 thereunder.

30. As a result of the conduct described above, Parallax willfully violated Section 206(4) of the Advisers Act and Rule 206(4)-7 thereunder, which require that an investment adviser adopt and implement written policies and procedures reasonably designed to prevent violation of the Advisers Act and the rules thereunder.

31. As a result of the conduct described above, Bott willfully aided and abetted and caused Parallax's violations of Section 206(4) of the Advisers Act and Rule 206(4)-7 thereunder.

32. As a result of the conduct described above, Falkenberg willfully aided and abetted and caused Parallax's violations of Section 206(4) of the Advisers Act and Rule 206(4)-7 thereunder.

33. As a result of the conduct described above, Parallax willfully violated Section 204A of the Advisers Act and Rule 204A-1 thereunder, which require that an investment adviser establish, maintain and enforce a written code of ethics.

34. As a result of the conduct described above, Bott willfully aided and abetted and caused Parallax's violations of Section 204A of the Advisers Act and Rule 204A-1 thereunder.

35. As a result of the conduct described above, Falkenberg willfully aided and abetted and caused Parallax's violations of Section 204A of the Advisers Act and Rule 204A-1 thereunder.

#### **IV.**

##### **Undertakings**

Respondents have undertaken to do as follows:

##### **Compliance Training**

36. Within one year of the date of this Order, Falkenberg shall complete thirty (30) hours of compliance training relating to the Advisers Act.

##### **Payment to the Advisory Clients**

37. Respondents Parallax and Bott undertake, jointly and severally, to distribute, within 60 days of the date of entry of this Order, a total payment in the amount of \$450,000 to compensate certain advisory clients between January 2009 and November 2011 (the "Distribution"). This amount represents an approximation of a portion of certain sales credits

Respondent Bott received in connection with the principal transactions discussed herein. No portion of the Distribution shall be paid to any account in which any Respondent has a financial interest.

38. If Respondents do not distribute or return any portion of the Distribution for any reason, including an inability to locate an advisory client or any factors beyond Respondent's control, Respondents shall transfer any such undistributed funds to the Commission for transmittal to the United States Treasury after the final accounting provided for in paragraphs 41-42 is approved by the Commission. Any such payment shall be made in accordance with Section VI.F. below.

39. Respondents shall be responsible for administering the payment of the Distribution to certain current and former advisory clients. Respondents shall:

a. deposit the full amount of the Distribution (\$450,000) into an escrow account acceptable to the Commission staff (the "Distribution Account") within 10 days of the date of entry of this Order and provide Commission staff with evidence of such deposit in a form not unacceptable to the Commission staff;

b. submit to the Commission staff, within 30 days of the date of entry of this Order, a distribution plan ("Distribution Plan") for the Commission staff's review and approval that identifies: (i) each current and former advisory client that will receive a portion of the Distribution ("Eligible Advisory Client"); (ii) the exact amount of that payment as to each Eligible Advisory Client; and (iii) the methodology used to determine the exact amount of that payment as to each Eligible Advisory Client. Respondents shall provide to the Commission staff such additional information and supporting documentation relating to the Distribution Plan as the Commission staff may request for the purpose of its review. No portion of the Distribution shall be paid to any client account directly or indirectly in the name of or for the benefit of Respondent Parallax or Respondent Bott. In the event of one or more objections by the Commission staff to Respondents' proposed Distribution Plan and/or any of its information or supporting documentation, Respondents shall submit a revised Distribution Plan for the review and approval of the Commission staff and/or additional information or supporting documentation within ten (10) days of the date that Respondent is notified of the objection, which revised Plan shall be subject to all of the provisions contained within Paragraphs 37-42 of this Order; and

c. within 60 days of the date of entry of this Order, complete payment of the Distribution to all Eligible Advisory Client pursuant to the Distribution Plan that has been submitted to, reviewed, and approved by the Commission staff. If the total amount otherwise payable to a client is less than \$20.00, Parallax and Bott shall instead pay such amount to the Commission for transmittal to the United States Treasury as provided in this Order.

40. Respondents shall be responsible for any and all tax compliance responsibilities associated with the Distribution and shall retain any professional services necessary. The costs and expenses of any such professional services shall be borne by Respondents and the payment of taxes applicable to the Distribution Account, if any, shall not be paid out of the Distribution

funds. Respondents shall not be responsible for payment of any income taxes investors owe on the portion of the Distribution they receive.

41. Within 90 days after the date of entry of this Order, Respondents shall submit to the Commission staff for its approval a final accounting and certification of the disposition of the Distribution not unacceptable to the Commission staff. The final accounting and certification shall include, but not be limited to: (i) the amount paid to each payee; (ii) the date of each payment; (iii) the check number or other identifier of money transferred or proof of payment made; (iv) the date and amount of any returned payment; (v) a description of any effort to locate a prospective payee whose payment was returned; (vi) an affirmation that the amount paid to the current and former Eligible Advisory Client represents a fair calculation of the Distribution; and (vii) any amounts to be forwarded to the Commission for transfer to the United States Treasury. Respondents shall submit proof and supporting documentation of such payments to the Commission staff upon request. Respondents shall cooperate with reasonable requests for information in connection with the accounting and certification.

42. After Respondents have submitted the final accounting to the Commission staff, the staff shall submit the final accounting to the Commission for approval.

### **Independent Compliance Consultant**

43. Respondent Parallax currently retains a compliance consultant (the “Consultant”) to render compliance services. Parallax shall continue to retain either the Consultant or an independent compliance consultant (“ICC”) not unacceptable to the staff of the Commission, to render compliance services for a period of at least one (1) year from the entry of this Order. The expenses of the consultant or of the ICC shall be borne exclusively by Parallax.

44. Respondent Parallax shall require the Consultant or ICC to conduct comprehensive annual compliance reviews designed to prevent and detect prohibited principal transactions and custody rule violations and to ensure the adoption and implementation of written policies and procedures reasonably designed to prevent violations of the Advisers Act and the rules thereunder, including but not limited to, violations of Sections 204A, 206(3) and 206(4) of the Advisers Act and Rules 204A-1, 206(4)-2 and 206(4)-7 under the Act.

45. Respondent Parallax shall provide to the Commission staff, within 30 days of this Order or within 30 days of retaining an ICC, a copy of an engagement letter detailing the Consultant or ICC’s responsibilities, which shall include the reviews described above in paragraph 44.

46. At the end of the review, which in no event shall be more than 180 days after the date of the entry of this Order, Respondent Parallax shall submit a report approved by the Consultant or the ICC (the “Report”) to the staff of the Commission. The Report shall address the issues described above in paragraph 44, and shall include a description of the review performed, the conclusions reached, the Consultant or ICC’s recommendations for changes in or improvements to Parallax’s policies and procedures, a procedure for implementing the

recommendations or changes in or improvements to those policies and procedures, and the Consultant or ICC's approval of the foregoing.

47. Respondent Parallax shall adopt all recommendations contained in the Report. Within 210 days after the date of the entry of this Order, Parallax shall, in writing, advise the Consultant or ICC and the staff of the Commission of any recommendations for changes or improvements to Parallax's policies on which Parallax and the Consultant or ICC did not agree and the resolution of such disagreement. In the event that Parallax and the Consultant or ICC are unable to agree on a resolution, Parallax will abide by the recommendations of the Consultant or ICC. To the extent the Consultant has already made recommendations for changes in or improvements to Parallax's policies and procedures and/or disclosures to clients, Parallax shall adopt and implement all such recommendations.

48. Respondent Parallax shall cooperate fully with the Consultant or ICC and shall provide the Consultant or ICC with access to files, books, records, and personnel as reasonably requested for the review.

49. If Parallax retains an ICC, Parallax undertakes to require the ICC to enter into an agreement that provides that for the period of engagement and for a period of two years from completion of the engagement, the ICC shall not enter into any employment, consultant, attorney-client, auditing or other professional relationship with Parallax, or any of its present or former affiliates, directors, officers, employees, or agents acting in their capacity. The agreement will also provide that the ICC will require that any firm with which he/she is affiliated or of which he/she is a member, and any person engaged to assist the ICC in performance of his/her duties under this Order shall not, without prior written consent of the Fort Worth Regional Office of the SEC, enter into any employment, consultant, attorney-client, auditing or other professional relationship with Parallax, or any of its present or former affiliates, directors, officers, employees, or agents acting in their capacity as such for the period of the engagement and for a period of two years after the engagement.

50. Parallax and Falkenberg shall certify, in writing, compliance with the undertakings set forth above. The certification shall identify the undertaking, provide written evidence of compliance in the form of a narrative, and be supported by exhibits sufficient to demonstrate compliance. The Commission staff may make reasonable requests for further evidence of compliance, and Respondents agree to provide such evidence. The certification and supporting material shall be submitted to David Peavler, Assistant Regional Director, 801 Cherry Street, Suite 1900, Fort Worth, Texas 76102, with a copy to the Office of Chief Counsel of the Enforcement Division, no later than sixty (60) days from the date of the completion of the undertakings.

#### **Notice to Advisory Clients**

51. Within ten (10) days of the entry of this Order, Parallax shall post prominently on its principal website a summary of this Order in a form and location acceptable to the Commission staff, with a hyperlink to the entire Order. Parallax shall maintain the posting and hyperlink on its website for a period of twelve (12) months from the entry of this Order. Within thirty (30) days of

the entry of this Order, Parallax shall provide a copy of the Order to each of Parallax's existing advisory clients as of the entry of this Order via mail, email, or such other method as may be acceptable to the Commission staff, together with a cover letter in a form not unacceptable to the Commission staff.

### **Deadlines**

52. For good cause shown, the Commission staff may extend any of the procedural deadlines relating to the undertakings.

### **V.**

### **Parallax's Remedial Efforts**

53. In determining to accept the offer, the Commission considered the remedial acts promptly undertaken by Respondent Parallax.

### **VI.**

In view of the foregoing, the Commission deems it appropriate, in the public interest and for the protection of investors to impose the sanctions agreed to in Respondents' Offers.

Accordingly, pursuant to Section 15(b)(6) of the Exchange Act, Sections 203(e), 203(f) and 203(k) of the Advisers Act, and Section 9(b) of the Investment Company Act, it is hereby ORDERED that:

A. Parallax shall cease and desist from committing or causing any violations and any future violations of Sections 204A, 206(3), and 206(4) of the Advisers Act and Rules 204A-1, 206(4)-2, and 206(4)-7 thereunder.

B. Falkenberg shall cease and desist from committing or causing any violations and any future violations of Sections 204A and 206(4) of the Advisers Act and Rules 204A-1, 206(4)-2, and 206(4)-7 thereunder.

C. Bott shall cease and desist from committing or causing any violations and any future violations of Sections 204A, 206(3), and 206(4) of the Advisers Act and Rules 204A-1, 206(4)-2, and 206(4)-7 thereunder.

D. Parallax, Bott, and Falkenberg are censured.

E. Parallax and Falkenberg shall comply with the undertakings enumerated in Section IV, above.

F. Respondent shall make payment as follows:

- (1) Parallax shall pay a civil money penalty in the amount of \$200,000;
- (2) Bott shall pay disgorgement of \$450,000, plus prejudgment interest of \$5,604.48, and a civil money penalty in the amount of \$70,000, for a total payment of \$525,604.48; and
- (3) Falkenberg shall pay a civil money penalty in the amount of \$40,000.

The disgorgement amount of \$450,000 described in sub-paragraph (2) above, shall be deemed satisfied by the payment described above in paragraphs 37-42. All other amounts shall be paid within 90 days of the entry of this order to the United States Treasury. If timely payment is not made, additional interest shall accrue pursuant to 31 U.S.C. § 3717. Payment must be made in one of the following ways:

- (1) Respondent may make direct payment from a bank account via Pay.gov through the SEC website at <http://www.sec.gov/about/offices/ofm.htm>; or
- (2) Respondent may pay by certified check, bank cashier's check, or United States postal money order, made payable to the Securities and Exchange Commission and hand-delivered or mailed to:

Enterprise Services Center  
Accounts Receivable Branch  
HQ Bldg., Room 181, AMZ-341  
6500 South MacArthur Boulevard  
Oklahoma City, OK 73169

Payments by check or money order must be accompanied by a cover letter identifying Respondent as a Respondent in these proceedings, and the file number of these proceedings; a copy of the cover letter and check or money order must be sent to: David Peavler, Associate Regional Director, Securities and Exchange Commission, 801 Cherry Street, Fort Worth, TX 76102.

G. Amounts ordered to be paid as civil money penalties pursuant to this Order shall be treated as penalties paid to the government for all purposes, including all tax purposes. To preserve the deterrent effect of the civil penalty, each Respondent agrees that in any Related Investor Action, Respondent shall not argue that Respondent is entitled to, nor shall he/it benefit by, offset or reduction of any award of compensatory damages by the amount of any part of Respondent's payment of a civil penalty in this action ("Penalty Offset"). If the court in any Related Investor Action grants such a Penalty Offset, each Respondent agrees that he/it shall, within 30 days after entry of a final order granting the Penalty Offset, notify the Commission's counsel in this action and pay the amount of the Penalty Offset to the United States Treasury or to a Fair Fund, as the Commission directs. Such a payment shall not be deemed an additional civil penalty and shall not be deemed to change the amount of the civil penalty imposed in this proceeding. For purposes of this paragraph, a "Related Investor Action" means a private damages action brought against Respondent by or on behalf of one or more investors based on

substantially the same facts as alleged in the Order instituted by the Commission in this proceeding.

By the Commission.

Brent J. Fields  
Secretary