

Gargoyle Investment Advisor L.L.C

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This brochure provides information about the qualification and business practices of Gargoyle Investment Advisor L.L.C. If you have any questions about the contents of this brochure, please contact Gargoyle Investment Advisor L.L.C. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Gargoyle Investment Advisor L.L.C is also available on the Internet at www.advisorinfo.sec.gov.

This brochure serves as a replacement to Part II of Form ADV Uniform Application for Investment Adviser Registration, which gives information about an investment adviser and its business for the use of clients and prospective clients. This information has not been approved or verified by any governmental authority. Registration of an investment adviser does not imply that the adviser possesses a certain level of skill or training.

Item 2 - Material Changes

On July 28, 2010, the U.S. Securities and Exchange Commission published “Amendments to Form ADV” which amends the disclosure document that we provide to clients as required by the SEC. This brochure is a new document prepared according to the SEC's latest requirements and rules and it includes certain new information that our previous SEC Form ADV Part II did not require.

In the past we have offered or delivered information about our qualifications and business practices to clients on at least an annual basis. Per the new SEC rules, we will ensure that you receive a summary of any material changes to this and future brochures within 120 days of the close of our business’ fiscal year at no charge.

Gargoyle Investment Advisor L.L.C. currently provides investment management services to Gargoyle Hedged Value (Master) Fund L.L.C. and Gargoyle Market-Neutral Value Fund L.P. (“GMNV”) and an option overlay service to institutional clients.

You may request a copy of this brochure by contacting us at 201-227-2205.

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Item 4 - Advisory Business

Gargoyle Investment Advisor L.L.C. (the "Advisor") is a New York limited liability company formed in 1999. The principals of the Advisor are H. Jay Easterling and Gargoyle Group Holdings L.L.C., the principals of which are Charles Goodgal, Alan S. MacKenzie, Jr., Phillip S. Martin, Joshua B. Parker, Bruce T. Rogoff and Alan L. Salzbank (collectively, with Mr. Easterling, the "Principals").

The Advisor acts as the Investment Manager of Gargoyle Hedged Value (Master) Fund L.L.C. ("Master Fund"), GMNV and Gargoyle Hedged Value (CI) Fund Ltd. ("CI Fund"). The Advisor is also the Managing Member of the Master Fund and the sole owner of voting shares of the CI Fund. Additionally, the Advisor provides administrative services to Gargoyle Hedged Value Fund L.P. and Gargoyle Hedged Value (QP) Fund L.P. (collectively, the "U.S. Feeder Funds"). Substantially all of the assets of the U.S. Feeder Funds and the CI Fund (collectively the "Feeder Funds") are invested in the Master Fund. Advisor provides investment management services and has discretionary investment authority over the assets of the Master Fund and GMNV. Advisory services include the selection of investments.

The assets of the Master Fund and GMNV are managed by combining two time-proven investment strategies. First, the Advisor maintains a portfolio of medium- to large- capitalization "relative-value" stocks (the "Stock Portfolio") in an effort to achieve tax-advantaged long-term capital gains. Second, the Advisor sells index call options against the Stock Portfolio in an effort to increase the Fund's income, reduce the volatility of its returns and, in general, improve the reward/risk of the Stock Portfolio.

In addition to providing services to the Funds, the Advisor provides investment management services to institutional clients through the use of an option overlay strategy for equity portfolios. The Advisor strives to produce results that enhance the risk / reward or income profile of each client's equity portfolio through the application of a constant-hedge option overlay program. The Advisor becomes a long-term collaborative "partner" with each client, providing custom services that utilize the power of index options to endeavor to simultaneously reduce risk and enhance performance.

In regards to the Advisor's option overlay services, the Advisor collaborates with each client to determine its specific objectives. In doing so, the Advisor works with the client to (i) understand its investment objectives, (ii) determine appropriate hedging strategies for achieving the client's goals and (iii) analyze the client's Stock Portfolio to determine optimal mix of equity indexes to achieve proper correlation.

The Advisor does not participate in wrap fee programs.

As of March 1, 2012, the Advisor manages \$194,963,479 for 2 clients. All assets are managed on a discretionary basis. Additionally, the Advisor's Option Overlay Service hedges two (2) client Stock Portfolios with an aggregate net asset value of \$160,000,000.

Item 5 - Fees and Compensation

As the Investment Manager of the CI Fund, the Advisor is entitled to receive an incentive fee (the "Incentive Fee"). Each interest in the CI Fund ("Interest") will have charged against it an Incentive Fee equal to 20% of the Net New Trading Profits earned on such Interest for the relevant period, which is paid to the Investment Manager. The Incentive Fee is made as of each December or upon redemption, in whole or in part, of Interests. In relation to the Advisor's role in providing administrative services to the Funds, the Advisor receives a management fee equal to 1% of assets under management. All management fees are deducted monthly directly from each Feeder Fund and GMNV. The Advisor's incentive fee derived from the CI Fund is deducted annually from the CI Fund. All fees are deducted on an investor-by-investor basis.

When providing option overlay services to clients, the Advisor is paid a management fee as of the last day of each calendar month equal to 5bps per month of the net asset value (as defined pursuant to each client's investment management agreement) of the client account. The management fee is to be paid within 5 days after receipt by the client of the Advisor's invoice. The management fee is payable whether or not the account is profitable in a given month. If the client withdraws all or a portion of the account other than at a calendar month-end, the management fee for such partial month will be prorated.

The Advisor's fees are generally not negotiable, although the Advisor reserves the right to negotiate fees for unusually large option overlay accounts. Furthermore, the formative documents of the U.S. Feeder Funds and GMNV allow the general partner or, in the case of the CI Fund, the Advisor, to waive or reduce fees in its sole and absolute discretion.

The Advisor does not charge Client fees in advance.

The Advisor does not accept compensation for the sale of securities or other investment products.

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

As the Investment Manager of the CI Fund, the Advisor is entitled to receive an Incentive fee, as discussed above. Each Interest in the CI Fund will have charged against it an Incentive Fee equal to 20% of the Net New Trading Profits earned on such Interest for the relevant period, which is paid to the Investment Manager. New Net Trading Profits is determined pursuant to the terms of the CI Fund formative documents. The Incentive Fee is made as of each December or upon redemption, in whole or in part, of Interests.

Furthermore, the Advisor receives asset-based fees for its option overlay services and management services provided to the Funds. The Advisor acknowledges that this may cause a conflict of interest, since the Advisor and its supervised persons may have an incentive to favor accounts for which they receive a performance fee. To address this potential conflict of interest, the Advisor agrees, to the extent within its control, not to favor itself to any client's financial detriment. The Advisor agrees to keep complete records of all securities transactions, as required by SEC and/or state regulation.

Item 7 - Types of Clients

The Advisor provides investment management and advisory services primarily to high net worth individuals, pensions, trusts, charitable organizations, and corporations. The minimum investment for the Feeder Funds and GMNV is \$1,000,000 and Stock Portfolios with \$100,000,000 net asset value for option overlay accounts services. Such minimums may be waived or reduced in the discretion of the Advisor.

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

When managing the assets of the Master Fund and the option overlay accounts, the Advisor strives to provide equity investors with a favorable alternative to passive index investing. For the Master Fund and GMNV stocks are selected using a quantitatively-driven value model. For the Master Fund, GMNV and the option overlay accounts, the goal is to partially hedge (for GMNV to totally hedge) the applicable Stock Portfolio with the sale of a blended mix of index call options, which, as a whole, are highly correlated to that Stock Portfolio. Finally, the options position is continually monitored, and adjusted as needed, so as to maintain the combination of stock and options within a targeted range of market exposure.

All investment programs have certain risks that are borne by the investor:

Market Risk

- ☐ Investors are subject to market risk. There can be no guarantee that value investing in general or the Master Fund's or GMNV's portfolio in particular will outperform the market, or generate profits, during any particular period in the future or at all. The investment may lose value and there is no guarantee that an investor will receive all or part of his or her investment. Past performance does not guarantee or predict future performance.
- ☐ The Advisor sells index call options to hedge, in whole or in part, the applicable Stock Portfolio. As such, there is the risk that a Stock Portfolio will under-perform the indexes on which those options were sold. If a Stock Portfolio were to under-perform such indexes sufficiently, an investor could incur losses, even during times that its Stock Portfolio generated profits.
- ☐ The total dollar hedge provided by the short index call options portfolio cannot exceed the proceeds of the sale of those options. While the Advisor's core investment strategy includes intra-month adjustments of the options portfolio to keep the investor within certain parameters, in the event that the market were to open significantly lower than the previous day's closing price, the options hedge would be limited to the aggregate value of those short index call options.
- ☐ An investor's interest may not be insured by the Federal Deposit Insurance Corporation (FDIC) or any other U.S. governmental agency.
- ☐ Feeder Fund and GMNV interests have monthly but not daily liquidity.

Risks of Options Trading

An investment in the Feeder Funds, GMNV or an option overlay account will expose investors to the risks inherent in trading options. These risks include, but are not limited to, volatile

movements in the price of the underlying instrument and misjudgments as to the future prices of the options and/or the underlying instrument. Increased option volatility can increase both the profit potential and the risk of trading. While volatility can be monitored and reacted to, there is no cost-effective means of hedging against market volatility. Selling options creates additional risks. The seller of a "naked" call option (or the seller of a put option who has a short position in the underlying instrument) is subject to the risk of a rise in the price in the underlying instrument above the strike price, which risk is reduced only by the premium received for selling the option. In exchange for the proceeds received from selling the call option (in lieu of an outright short position), the option seller gives up (or will not participate in) all of the potential gain resulting from a decrease in the price of the underlying instrument below the strike price prior to expiration of the option.

The seller of a "naked" put option (or the seller of a call option who has a long position in the underlying instrument) is subject to the risk of a decline in price of the underlying instrument below the strike price, which risk is reduced only by the proceeds received from selling the option. In exchange for the premium received for selling the put option (in lieu of an outright long position), the option seller gives up (or will not participate in) all of the potential gain resulting from an increase in the price of the underlying instrument above the strike price prior to the expiration of the option.

Due to the inherent leveraged nature of options, a relatively small adverse move in the price of the underlying instrument may result in immediate and substantial losses to the Funds. For example, if an in-the-money call option is sold for its intrinsic value plus a premium representing the time value of that option, a 10% rise in the value of the underlying stock index does not create a loss equal to just 10% of the value of the option; rather it creates a loss approximately equal to 10% of the value of the underlying instrument, less the time value, which loss may be many times greater than the price for which the Funds sold the option.

Regulatory Risk for Hedge Funds

☐ Hedge funds, including the funds managed by the Advisor, lack transparency to varying degrees, are not subject to the same regulatory requirements as mutual funds, and charge higher fees than mutual funds.

☐ There are certain risks inherent in investing in hedge funds which include, but are not limited to, speculative investment practices that may increase the risk of loss.

Income Tax Liability Is Anticipated To Exceed Distributions for Feeder Fund and GMNV Investors

☐ Fund Investors will be taxed on their allocable share of the applicable Fund's income, whether or not any amounts have been or will be distributed to them by the Funds. There is no present intention to make distributions. Accordingly, it is anticipated that investors will incur tax liabilities as a result of being allocated taxable income from the Funds even though the Funds will not make current cash distributions with which to pay such taxes. There is no guarantee that the Funds will produce a Schedule K-1 on time. Therefore, investors may be required to file for an income tax return extension with the IRS and appropriate state tax agencies.

Special Risk for Tax-Exempt Investors in a U.S. Feeder Fund or GMNV

□ Income (if any) derived from “debt-financed property” will be treated as “unrelated business taxable income” taxable to a tax-exempt organization. While the Master Fund and GMNV does not acquire “debt-financed property” as part of its strategy, it is possible, particularly in a month in which the options portfolio experiences losses, the Stock Portfolio appreciated and the market value of the Stock Portfolio exceeded the net asset value of the Fund, that a Fund may be deemed to have “debt-financed property.” Therefore, tax-exempt investors should proceed cautiously and engage legal counsel prior to considering an investment.

Special Risk for Foreign Investors in a U.S. Feeder Fund or GMNV

□ The Advisor's U.S. Feeder Funds and GMNV will be subject to certain reporting and withholding obligations with respect to foreign investors. Foreign individuals who own interests in a U.S. Feeder Fund or GMNV at the time of their death will be subject to U.S. estate tax. Foreign investors should consult with their own advisors regarding the federal, state, and foreign income and estate tax consequences of an investment.

Item 9 - Disciplinary Information

The Advisor, its management persons and its employees have not been involved in legal or disciplinary events related to past or present investment clients. The Advisor has a related Advisory Affiliate that was involved in Self Regulatory Organization proceedings, as noted on the Advisor's Form ADV I and the Advisory Affiliate's Form BD.

Item 10 - Other Financial Industry Activities and Affiliations

The Advisor does not have an application pending to register as a broker dealer. In addition, Gargoyle Group Holdings L.L.C. and its Principals, operate a proprietary trading firm, Gargoyle Strategic Investments L.L.C. Gargoyle Strategic Investments L.L.C. is a registered broker dealer and member firm of the NYSE AMEX and NYSE ARCA. All Principals, with the exception of H. Jay Easterling, are registered with Gargoyle Strategic Investments L.L.C.

Neither the Advisor nor its management persons are registered, or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of the foregoing entities.

The Advisor has entered into selling arrangements with several firms to market the Funds to prospective investors. These firms are as follows: Deutsche Bank, Credit Suisse, Gar Wood Securities, Partner Capital Group, UBS, Jefferies and Co., Oberon Securities, First Republic Bank and Marks, Theriot, Walston & Co.

Additionally, the Advisor's Chief Compliance Officer, Andrew Hurni, is a practicing attorney.

The Advisor does not recommend or select other investment advisors for its clients and does not receive compensation directly or indirectly from those advisors.

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

The Principals and employees of the Advisor have committed to a Code of Ethics that is available for review by clients and prospective clients upon request. The firm will provide a copy of the Code of Ethics to any client or prospective client upon request.

The Advisor, its affiliates and related persons may trade in the same securities traded for clients. This may cause a conflict of interest, since both client and the related persons of Advisor may be selling (or buying) the same financial product at the same time. To address this potential conflict of interest, Advisor agrees, to the extent within its control, not to favor itself to the client's financial detriment. The Advisor keeps complete records of all such securities transactions, as required by SEC and/or state regulation.

The Advisor monitors the personal securities transactions of all access persons. In addition, the Advisor has adopted a written Code of Ethics in compliance with SEC Rule 204A-1. This Code is based on the principle that the officers, directors, and employees (or persons having similar status or function) of Advisor have a fiduciary duty to place the interests of the clients ahead of their own interests. The Code applies to all access persons and focuses principally on monitoring and reporting of personal transactions in securities. Access persons must avoid activities, interests and relationships that might interfere with making decisions in the best interests of clients. Advisor holds to the following principles:

- All personal securities transactions will be conducted in such a manner as to be consistent with the Code of Ethics and to avoid any actual or potential conflict of interest or any abuse of an access person's position of trust and responsibility.
- Access persons may not, for example, use their knowledge of portfolio transactions to profit by the market effect of such transactions.
- Independence in the investment decision-making process is paramount.

The Chief Compliance Officer and President of the Advisor carry out all compliance-related mandates as set forth by the Code of Ethics. A copy of the firm's Code of Ethics is available upon request by all clients and prospective clients.

Item 12 - Brokerage Practices

The Advisor utilizes Merrill Lynch Professional Clearing Corp. as its custodian for the assets of the Funds and option overlay clients. Merrill Lynch Professional Clearing Corp., Lek Securities and Instinet provide all execution services for the Advisor. The Advisor has chosen this custodian on the basis of its reasonable, straightforward commission structure, integrity, and financial stability. The Advisor has not entered into "soft dollar" arrangements with its broker.

The Advisor does not select brokers based upon whether the Advisor will receive client referrals from a broker dealer or third party. The Advisor selects brokers based upon the value of the services it provides and best execution.

The Advisor does not engage in directed brokerage.

Client orders executed by Merrill Lynch Professional Clearing may be aggregated to achieve best execution. Advisor does not specifically request that trades be aggregated.

Item 13 - Review of Accounts

Accounts are reviewed daily by the Advisor's Managing Partner-Risk Management. All accounts are monitored on a portfolio management system that provides current and comprehensive information concerning account performance, asset allocation, and the progress of individual positions in the portfolio. Account review is a routine firm function, but it can be triggered or intensified by unexpected performance, shifting market conditions, or changing client preferences or circumstances.

Clients of the Funds and overlay accounts receive monthly statements for their accounts. Upon request, clients may receive reports more frequently.

As soon as practicable after the close of each calendar year, each investor in a Feeder Fund or GMNV will be provided a report prepared by Arthur F. Bell, Jr. & Associates, L.L.C., setting forth as of the end of the year an audited balance sheet of the applicable Fund, and an audited income statement of that Fund for such year. Each investor will also be furnished as soon as practicable with any other information necessary to enable such Limited Partner to prepare his individual income tax returns. In addition to an annual audit each investor in the Fund receives a monthly unaudited capital account update and performance report.

Item 14 - Client Referrals and Other Compensation

The Advisor has entered into selling arrangements with several broker dealers to solicit potential investors for the Funds. Such selling agents will receive commission based compensation for selling interests in the Funds.

Item 15 - Custody

Under government regulations, the Advisor and its Advisory Affiliates are deemed to have custody of each Fund's assets. Nevertheless, all assets of the Funds and overlay clients are held at a qualified custodian and each investor of the Funds receives an annual audit of their respective Fund within 120 days of the Fund's fiscal year end. This audit is prepared by Arthur F. Bell Jr. & Associates, L.L.C.

Item 16 - Investment Discretion

The formative documents of the Master Fund, GMNV and the CI Fund and the investment management agreement of the Advisor grant the Advisor discretionary investment authority over the securities accounts of its clients. This authority gives the firm the power to decide which securities to buy and sell and in what quantities.