

Disclosure Brochure

Gargoyle Investment Advisor L.L.C.

a Registered Investment Adviser

This brochure provides information about the qualifications and business practices of Gargoyle Investment Advisor L.L.C. (hereinafter “Gargoyle” or the “Firm”). If you have any questions about the contents of this brochure, please contact the Firm at the telephone number listed below. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (SEC) or by any state securities authority. Additional information about the Firm is available on the SEC’s website at www.adviserinfo.sec.gov. Gargoyle is an SEC registered investment adviser. Registration does not imply any level of skill or training.

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Item 2. Material Changes

In this Item, Gargoyle is required to discuss any material changes that have been made to the brochure since the last annual amendment filed March 31, 2015. Gargoyle has the following material changes to disclose. Pursuant to Item 4, the fund that the firm acts as a sub-adviser of has changed from RiverPark Advisors to TCW Investment Management Company.

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Item 4. Advisory Business

Gargoyle offers a variety of investment management services as an adviser to institutional clients through its Option Overlay Service (defined below), as an investment manager to private funds and as a sub-adviser to a mutual fund. Prior to the rendering of any of the foregoing advisory services, clients are required to enter into one or more written agreements with Gargoyle setting forth the relevant terms and conditions of the advisory relationship (the "Agreement").

Gargoyle is a New York limited liability company formed in 1999. The Firm is wholly owned by Gargoyle Group Holdings L.L.C., the principals of which are, Alan S. MacKenzie, Jr., Phillip S. Martin, Joshua B. Parker and Alan L. Salzbank.

As of December 31, 2014, Gargoyle had \$410,877,116 in assets under management, all of which were managed on a discretionary basis. Additionally, the Firm's Option Overlay Service (defined below) provides non-discretionary investment advice to one (1) client Stock Portfolio with an aggregate value of \$75,000,000 in assets under advisement.

While this brochure generally describes the business of Gargoyle, certain sections also discuss the activities of its Supervised Persons, which refer to the Firm's officers, partners, directors (or other persons occupying a similar status or performing similar functions) and employees.

Separately Managed Accounts ("SMAs")

Gargoyle provides investment management services to institutional clients through the use of a constant hedge option overlay strategy for equity portfolios ("Option Overlay Service") or constant hedge overlay strategy to an S&P 500 only portfolio (the "D500 Service"). Gargoyle strives to produce results that enhance reward and limit risk for the profile of each client's equity portfolio through the application of a constant-hedge option overlay program. The Firm seeks to become a long-term collaborative partner with each client, providing custom services that utilize the power of index options which endeavor to simultaneously reduce risk and enhance performance.

Gargoyle tailors its Option Overlay Service to meet the needs of its individual clients and continuously seeks to ensure that client portfolios are managed in a manner consistent with their specific investment profiles. Gargoyle collaborates with each client to determine its specific objectives. In so doing, the Firm works with the client to (i) understand its investment objectives, (ii) determine appropriate hedging strategies for achieving the client's goals and (iii) in the case of the Option Overlay Service, analyze the client's Stock Portfolio to determine the optimal mix of equity indexes to achieve proper correlation. Clients are advised to promptly notify Gargoyle if there are changes in their financial situation or if they wish to place any limitations on the management of their portfolios. Clients may impose reasonable restrictions or mandates on the management of their accounts if Gargoyle determines, in its sole

discretion, that the conditions would not materially impact the performance of a management strategy or prove overly burdensome to the Firm's management efforts.

Management of Collective Investment Vehicles

Gargoyle serves as the investment manager of Gargoyle Enhanced Alpha Fund L.P. ("GEA"), Gargoyle Hedged Value (Master) Fund L.L.C. (the "Master Fund"), Gargoyle Hedged Value (CI) Fund Ltd. ("CI Fund") and Gargoyle Hedged Value (QP) Fund L.P. ("GHVQP" and collectively with GEA, CI Fund and the Master Fund the "Hedge Funds"). Gargoyle is also the Managing Member of the Master Fund and the sole owner of voting shares of the CI Fund. Substantially all of the assets of GHVQP and the CI Fund (collectively the "Feeder Funds") are invested in the Master Fund. The Hedge Funds are currently exempt from registration under the Investment Company Act of 1940 and the interests in the Hedge Funds are privately offered pursuant to exemptions available under the Securities Act of 1933 as well as other regulations in the foreign jurisdictions in which the Hedge Funds are located. The Firm provides investment management services and has discretionary investment authority over the assets of the Master Fund and GEA. Advisory services include the selection of investments.

Participation in the Hedge Funds is restricted to investors that are "qualified purchasers" as defined in Section 2(a)(51)(a) of the Investment Company Act of 1940, as amended as well as "accredited investors" as defined under Rule 501(a) of the Securities Act of 1933, as amended. All relevant information, terms and conditions relative to the Hedge Funds, including the compensation received by Gargoyle or an affiliate, withdrawal rights, minimum investments, qualification requirements, suitability, risk factors, potential conflicts of interest, are set forth in the relevant confidential private offering memorandum, limited partnership agreement, subscription agreement and any other offering materials (collectively the "Offering Documents"), which each investor is required to receive and execute prior to being accepted as an investor in a Hedge Fund.

Sub-Advisory Services to a Mutual Fund

Gargoyle acts as a sub-adviser to a mutual fund known as the "TCW/Gargoyle Hedged Value Fund" (the "Mutual Fund"). Gargoyle has entered into a Sub-Advisory Agreement with TCW Investment Management Company ("TCW") to manage the investments of the Mutual Fund in accordance with the Mutual Fund's investment objective, policies and limitations and any investment guidelines established by TCW.

Item 5. Fees and Compensation

Gargoyle offers its services on a fee basis, which may include fees based upon assets under management or advisement and/or the performance of the client's portfolio. Additionally, certain of

Gargoyle Investment Advisor L.L.C. Disclosure Brochure

Gargoyle's Supervised Persons, in their individual capacities, may offer securities brokerage services under a separate commission arrangement.

Separately Managed Account Fees

Gargoyle provides investment management services for an annual fee based on the amount of assets under the Firm's management or advisement. The annual fee is assessed at 60 basis points (0.60%) of the net asset value of the client's account, defined pursuant to the Agreement.

The annual fee is prorated and charged monthly in arrears based upon the market value of the assets being managed by Gargoyle on the last day of the billing period. The fee is to be paid within five (5) days of receiving the Firm's invoice.

If assets are deposited into or withdrawn from (or allocated to or from) an SMA after the inception of a billing period, the fee payable with respect to such assets is adjusted to reflect the change in portfolio value. For the initial period of an engagement, the fee is calculated on a pro rata basis. In the event the Agreement is terminated, the fee for the final billing period is prorated through the effective date of the termination and the outstanding balance is charged to the client as appropriate.

Hedge Fund Fees

Gargoyle offers investment management services to qualified clients for a performance-based fee in accordance with applicable laws, rules and regulations. . Investors in the Feeder Funds and GEA pay two fees: (1) an annual base management fee equal to one percent (1.00%) of assets under management and (2) a performance allocation (in the case of GHVQP and GEA) or performance fee (in the case of the CI Fund), in either case equal to twenty percent (20%) of an investor's net performance. The base management fee is prorated and charged monthly, in arrears. The performance fee is charged annually, in arrears or upon redemption. The base management fee as well as the CI Fund's performance fee is paid to Gargoyle. GHVQP's and GEA's performance allocations are made to Gargoyle Asset Management L.L.C., an affiliate of Gargoyle and the general partner of those Hedge Funds.

Mutual Fund Fees

In relation to the Firm's role as a sub-adviser to the Mutual Fund, Gargoyle provides investment management services for an annual fee based on the amount of assets under the Firm's management. Such fee is paid by TCW to Gargoyle. The Mutual Fund is not responsible for paying this fee to the Firm. The annual fee is prorated and charged daily in arrears, based upon the market value of the assets being managed by Gargoyle.

Fee Discretion

While the fees are generally not negotiable, Gargoyle, in its sole discretion, may charge a lesser fee based upon certain criteria, such as anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing client relationship, account retention and pro bono activities. For example, direct and indirect owners of the Firm pay no fees on Hedge Fund investments and, for the foreseeable future, new GEA investors are charged a reduced performance based fee of 15%.

Additional Fees and Expenses

In addition to the fees paid to Gargoyle or its affiliates, clients may also incur certain charges imposed by other third parties, such as broker-dealers, custodians, trust companies, banks and other financial institutions (collectively "Financial Institutions"). These additional charges may include securities brokerage commissions, transaction fees, custodial fees, charges imposed directly by the Mutual Fund as disclosed in the Mutual Fund's prospectus (e.g., fund management fees and other fund expenses), deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees and other fees and taxes on brokerage accounts and securities transactions. The Firm's brokerage practices are described at length in Item 12, below.

Fee Debit

SMA clients may provide Gargoyle with the authority to directly debit their accounts for payment of the Firm's investment advisory fees. Alternatively, clients may elect to have Gargoyle send them an invoice for direct payment.

Account Additions and Withdrawals

Clients may make additions to and withdrawals from their account at any time, subject to Gargoyle's right to terminate an account. Additions to an SMA may be in cash or securities provided that the Firm reserves the right to liquidate any transferred securities or decline to accept particular securities into a client's account. SMA clients may withdraw account assets on notice to Gargoyle, subject to the usual and customary securities settlement procedures. Gargoyle may consult with its clients about the options and implications of transferring securities. Clients are advised that when transferred securities are liquidated, they may be subject to transaction fees, fees assessed at the mutual fund level (i.e., contingent deferred sales charge) and/or tax ramifications.

Investors in the Hedge Funds may redeem all or part of their investment monthly upon 10 calendar days' notice.

Gargoyle designs its portfolios as long-term investments. The withdrawal of assets may impair the achievement of a client's investment objectives.

Commissions or Sales Charges for Recommendations of Securities

Clients can engage certain persons associated with Gargoyle (but not Gargoyle) to render securities brokerage services under a separate commission-based arrangement. Clients are under no obligation to engage such persons and may choose brokers or agents not affiliated with Gargoyle.

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

As discussed in Item 5, qualified Hedge Fund investors pay a performance-based fee or performance allocation. Although Gargoyle believes this fee arrangement appropriately aligns the interests of the Firm and its affiliate with its clients, it may potentially raise certain conflicts of interest. The performance fee could be perceived as creating an incentive for the Firm or its affiliate to make investments that are riskier or more speculative than would be the case absent a performance fee arrangement. In addition, where Gargoyle or its affiliate charges performance-based fees and also provides similar services to accounts not being charged performance-based fees, it could be perceived as creating an incentive to favor accounts paying a performance-based fee. Gargoyle has procedures in place whereby it seeks to ensure that all recommendations are made in the best interest of clients regardless of whether the client is paying a performance-based fee or not.

Item 7. Types of Clients

Gargoyle provides its services to investment companies, investment limited partnerships or other collective vehicles, pension and profit sharing plans and charitable organizations.

Minimum Portfolio Size

As a condition for starting and maintaining an investment management relationship through an SMA, Gargoyle generally imposes a minimum portfolio size of \$100,000,000. The minimum investment amount required for the Hedge Funds is \$1,000,000.

The Firm, in its sole discretion, may accept clients with smaller portfolios based upon certain criteria, such as anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing client relationships, account retention and pro bono activities. Gargoyle only accepts clients with less than the minimum portfolio size if, in the sole opinion of the Firm, the smaller portfolio size will not result in a substantial increase of investment risk beyond the client's identified risk tolerance. Gargoyle may aggregate the Hedge Fund accounts of family members to meet the minimum size.

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

Method of Analysis and Investment Strategies

Gargoyle strives to provide equity investors with a favorable alternative to passive index investing.

Value Stock Selection

For the Mutual Fund, GEA and the Master Fund, the Firm selects and maintains a portfolio of “relative value” stocks (the “Stock Portfolio”) using a quantitatively-driven value model. The goal for the Stock Portfolio is to achieve tax-advantaged long-term capital gains.

Options Overlay

For all accounts, Gargoyle sells index call options (the “Options Portfolio”) against the applicable 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 particular, for the Mutual Fund, the Master Fund and the Option Overlay SMAs, Gargoyle also partially hedges (as opposed to GEA which is to totally hedge) the applicable Stock Portfolio with the sale of a mix of index call options (the “Options Portfolio”), which indexes, as a whole, historically have been highly correlated to that Stock Portfolio. For all accounts, the options portfolio is continually monitored, and adjusted as needed, so as to maintain the combination of stocks and options within a targeted range of market exposure.

Risks of Loss

General Risk of Loss

Investing in securities involves the risk of loss. Clients should be prepared to bear potential losses.

Market Risks

The profitability of a significant portion of Gargoyle’s recommendations depends to a great extent upon the future appreciation in the price of stocks.

The Stock Portfolio is subject to market risk. There can be no guarantee that relative-value investing in general or the Stock Portfolio in particular will outperform the market during any particular period in the future or at all. In addition, even if the Stock Portfolio were to outperform the market in the future, there can be no guarantee that the Stock Portfolio will generate profits because, if the market were negative, the Stock Portfolio could both outperform the market and incur losses.

The Options Portfolio also is subject to market risk. While the price of options are theoretically derivable based upon a number of factors—the price of the underlying index, the strike price, interest rates, time to expiration, dividends and volatility—the market's perception, particularly as to the future volatility of the

index, may cause the price of options to move differently from how theory would predict. While most index options ultimately settle for cash on Expiration Friday, in an amount equal to their intrinsic value (the amount by which the index exceeds the strike price (if at all)), during the course of a month options will trade for more than their intrinsic value. (This excess is called "time premium.") Although in theory the time premium (after adjusting for the other factors) should decline somewhat regularly as Expiration Friday approaches, in practice this is not always the case. Since time premium is a function of, among other things, the market's perception as to the future volatility of the index, as that perception changes, the time premium may, in effect, decay faster or slower than theory would predict. As a practical matter, Gargoyle believes this means that, in a down market, the Options Portfolio will not appreciate in value by as much as theory would predict. This is true intra-month, on Expiration Friday, however, the options settle at their intrinsic value (or expire worthless).

In addition, although the Options Portfolio is intended to hedge the applicable Stock Portfolio in part, there is no guarantee must make certain determinations, including the market's perception as to the future volatility of the indexes. If the market's perception were to be incorrect or if Gargoyle were unable to forecast accurately any one or more of the components used to determine how best to hedge the applicable Stock Portfolio or the amount of the hedge that the Options Portfolio will provide, a Fund or client could, in practice, find itself to be longer (or less long) than the Firm's model would predict.

Moreover, the Options Portfolio will, in general, consist of short index call options. As such, the total dollar hedge provided by the Options Portfolio cannot exceed the proceeds from the sale of those options. While the Firm's investment strategy includes intra-month adjustments to the Options Portfolio to keep the Hedge Funds and SMAs within certain parameters, in the event that the market were to open significantly lower than the previous day's closing price, the hedge provided by the Options Portfolio would be limited to the aggregate value of those short index call options as at the prior day's close.

Finally, since options expire on Expiration Friday while performance is determined as at the end of every month, the change in the rate of decay of the options in the Options Portfolio may have the unintended effect of shifting profits or losses in the Options Portfolio between months.

Early Exercise Risk

In general, the Options Portfolio consists of short index call options. As such, the Hedge Funds and SMAs are subject to the risk that the purchasers of those options may elect to exercise some or all of those options before the applicable Expiration Friday. Since most index options settle for cash, if some or all of those options were to be exercised, the Options Portfolio would not be as short as if those options had not been assigned and, accordingly, the net long market exposure would be longer than would have been the case had those options not been assigned. While Gargoyle will adjust each Options Portfolio, if necessary, to bring each Fund and SMA back within its risk parameters as soon as practicable, there can be no guarantee that the market will not have declined prior to the opening of trading or prior to Gargoyle's ability to adjust the Options Portfolio accordingly.

Investments in Equity Securities

Common stock and similar equity securities generally represent the most junior position in an issuer's capital structure and, as such, generally entitle holders to an interest in the assets of the issuer, if any, remaining after all more senior claims to such assets have been satisfied. Holders of common stock generally are entitled to dividends only if and to the extent declared by the governing body of the issuer out of income or other assets available after making interest, dividend and any other required payments on more senior securities of the issuer.

No Formal Diversification Policies

While the Mutual Fund, GEA and the Master Fund have adopted guidelines for diversifying its Stock Portfolio among companies, sub-industries, industries, industry groups and market sectors, they are guidelines only and Gargoyle is not restricted as to the percentage of assets that may be invested in any particular company, industry or market sector. In addition, the diversification guidelines relate only to the initiation of positions. Neither the Mutual fund, GEA nor the Master Fund is required to sell or reduce its position in any stock, sub-industry, industry, and industry group or market sector that has become over-weighted solely due to market appreciation in one or more holdings. Notwithstanding the preceding sentence, the Mutual Fund, GEA and the Master Fund currently re-balance their respective Stock Portfolios annually to reduce the long-term effect that any one stock, sub-industry, industry, industry group or market sector could have on the applicable Stock Portfolio.

Dispersion

As part of its investment strategy, the Firm sells index call options to hedge the underlying Stock Portfolio. As such, there is the risk that a Stock Portfolio will under-perform the blended performance of the indexes on which those options were sold. If a Stock Portfolio were to under-perform such indexes sufficiently, a Fund or SMA could incur losses, even during times that the Stock Portfolio generates profits.

Options

Options allow investors to buy or sell a security at a contracted strike price (not necessarily the current market price) at or within a specific period of time. Investors may pay or collect a premium for buying or selling an option. Specifically, Gargoyle sells index call options to hedge, in whole or in part, the applicable stock portfolios and as such, there are the risks that (i) an index appreciated above the strike price of the options sold by more than the amount of the sales proceeds and/or (ii) a stock portfolio under-performs the indexes on which the options were sold. If such portfolio were to under-perform indexes sufficiently, an investor could incur losses.

The total dollar hedge provided by the short index call options portfolio cannot exceed the proceeds of the sale of those options. While Gargoyle's core investment strategy includes intra-month adjustments of the options portfolio, if 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 investment in a Fund or an SMA 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 the Firm's 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 index could result in immediate and substantial losses. 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 option was sold.

Risk of Loss Due to Trading Errors and the Failure of Trading Systems

The Hedge Funds and the SMAs are subject to the risk of failures or inaccuracies in trading systems, as trades may be placed or executed in error due to: (a) technical errors such as coding or programming errors in software, hardware problems and inaccurate pricing information provided by third parties, and (b) execution errors such as keystroke, typographic or inadvertent communication errors. Many exchanges have adopted "obvious error" rules that prevent the entry and execution of trades more than a specified amount away from the current best bid and offer on the exchange. However, such rules may not be in place on the exchanges on which the Master Fund trades and may not be enforced even if in effect. Moreover, such rules likely would not prevent the entry and execution of a trade-entered close to the market price but at an erroneous size. Moreover, there is risk of the unavailability or failure of the trading systems or the computer systems of the exchanges on which the Master Fund trades. Any such errors or failures could subject the Hedge Funds and SMAs to substantial losses.

Suspensions of Trading

Securities exchanges typically have the right to suspend or limit trading in any instrument traded on the exchange. A suspension would render the Firm temporarily or permanently unable to liquidate Hedge Fund or SMA positions

Item 9. Disciplinary Information

Gargoyle has not been involved in any legal or disciplinary events that are material to a client's evaluation of its advisory business or the integrity of its management.

Item 10. Other Financial Industry Activities and Affiliations

Investment Adviser to a Mutual Fund

Gargoyle currently serves as the sub-investment manager to the TCW/Gargoyle Hedged Value Fund (the "Mutual Fund"), an unaffiliated investment company sponsored by TCW. Neither the sponsor nor the Mutual Fund is a related person of Gargoyle.

Related Attorney

Mr. Andrew Hurni is a licensed attorney and provides legal services separately and distinctly from Gargoyle's investment advisory activities. No portion of the services rendered by Gargoyle to clients should be interpreted as legal advice. Rather, clients should defer to the advice of their own attorney.

Item 11. Code of Ethics

Gargoyle has adopted a code of ethics in compliance with applicable securities laws ("Code of Ethics") that sets forth the standards of conduct expected of its Supervised Persons. Gargoyle's Code of Ethics contains written policies reasonably designed to prevent certain unlawful practices such as the use of material non-public information by the Firm or any of its Supervised Persons and the trading by the same of securities ahead of clients in order to take advantage of pending orders.

The Code of Ethics also requires certain of Gargoyle's personnel (called "Access Persons") to report their personal securities holdings and transactions and obtain pre-approval of certain investments (e.g., initial public offerings, limited offerings). However, Gargoyle Supervised Persons are permitted to buy or sell securities that Gargoyle buys or sells on behalf of the Funds if done in a manner consistent with the Firm's policies and procedures. This Code of Ethics has been established recognizing that some securities trade in sufficiently broad markets to permit transactions by Access Persons to be completed without any appreciable impact on the markets of such securities. Therefore, under certain limited circumstances, exceptions may be made to the policies stated below.

When the Firm is engaging in or considering a transaction in any security on behalf of a Hedge Fund or the Mutual Fund, no Access Person may knowingly effect for themselves or for their immediate family (i.e., spouse, minor children and adults living in the same household as the Access Person) a transaction in that security on that day.

These requirements are not applicable to: (i) direct obligations of the Government of the United States; (ii) money market instruments, bankers' acceptances, bank certificates of deposit, commercial paper, repurchase agreements and other high quality short-term debt instruments, including repurchase agreements; (iii) shares issued by mutual funds in which Gargoyle is not a sub-advisor or money market funds; and (iv) shares issued by unit investment trusts that are invested exclusively in one or more mutual funds.

Clients and prospective clients may contact Gargoyle to request a copy of its Code of Ethics.

Item 12. Brokerage Practices

For the Hedge Funds, Gargoyle utilizes the brokerage and clearing services of Wells Fargo Securities, LLC ("Wells Fargo"). Wells Fargo also acts as the custodian for the Hedge Funds.

Factors that Gargoyle considered when selecting Wells Fargo or any other broker-dealer include their respective financial strength, reputation, execution, pricing, research and service. The commissions and/or transaction fees charged by Wells Fargo may be higher or lower than those charged by other Financial Institutions.

The commissions paid by a Fund comply with the Firm's duty to obtain "best execution." Clients may pay commissions that are higher than another qualified Financial Institution might charge to effect the same transaction where Gargoyle determines that the commissions are reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a Financial Institution's services, including among others, the value of research provided, execution capability, commission rates and responsiveness. Gargoyle seeks competitive rates but may not necessarily obtain the lowest possible commission rates for client transactions.

Gargoyle periodically and systematically reviews its policies and procedures regarding its recommendation of Financial Institutions in light of its duty to obtain best execution.

The client may direct Gargoyle to use a particular Financial Institution to execute some or all transactions for the client. In that case, the client will negotiate terms and arrangements for the account with that Financial Institution and the Firm will not seek better execution services or prices from other Financial Institutions or be able to "batch" client transactions for execution through other Financial Institutions with

orders for other accounts managed by Gargoyle (as described below). As a result, the client may pay higher commissions or other transaction costs, greater spreads or may receive less favorable net prices, on transactions for the account than would otherwise be the case. Subject to its duty of best execution, Gargoyle may decline a client's request to direct brokerage if, in the Firm's sole discretion, such directed brokerage arrangements would result in additional operational difficulties.

Transactions for each client generally will be effected independently. Equity orders using VWAP algorithms for multiple accounts are entered pre-opening. Option trading is done using a random time slicing algorithm. The Firm avoids conflicts of interest with a pre-opening randomly-generated time slicing algorithm that equitably assigns a minimum of four designated time-periods for each account in which adjustments are made for that account to the exclusion of trading in any other account. This was designed to ensure that each account is treated equitably.

Item 13. Review of Accounts

Account Reviews

Gargoyle monitors portfolios continually as part of an ongoing process while regular account reviews are conducted on at least a quarterly basis. Such reviews are conducted by Gargoyle's Managing Partner-Risk Management. Account review may also be triggered by unexpected performance, shifting market conditions or changing client preferences or circumstances.

All investment advisory clients are encouraged to discuss their needs, goals and objectives with Gargoyle and to keep Gargoyle informed of any changes thereto. The Firm provides monthly statements to all clients, with the exception of the Mutual Fund, and meets with SMA clients at least annually to review its previous services and/or recommendations and to discuss the impact resulting from any changes in the client's financial situation and/or investment objectives.

The Mutual Fund's shares are priced daily in financial publications and Mutual Fund investors receive quarterly statements from the Mutual Fund's transfer agent.

Account Statements and Reports

SMA clients are provided with transaction confirmation notices and regular summary account statements directly from the Financial Institutions where their assets are custodied. On a monthly basis, with the exception of the Mutual Fund, clients of the Hedge Funds and Overlay Accounts may also receive written or electronic reports from Gargoyle and/or an outside service provider, which contain certain account and/or market-related information, such as an inventory of account holdings or account performance. Clients should compare the account statements they receive from their custodian with those they receive from Gargoyle or an outside service provider.

Item 14. Client Referrals and Other Compensation

Client Referrals

If a client is introduced to Gargoyle by a solicitor, Gargoyle may pay that solicitor a referral fee in accordance with the requirements of Rule 206(4)-3 of the Advisers Act and any corresponding state securities law requirements. Any such referral fee is paid solely by Gargoyle and does not result in any additional charge to the client. If the client is introduced to Gargoyle by an unaffiliated solicitor, the solicitor provides the client with a copy of Gargoyle's written disclosure brochure which meets the requirements of Rule 204-3 of the Advisers Act and a copy of the solicitor's disclosure statement containing the terms and conditions of the solicitation arrangement including compensation. Any affiliated solicitor of Gargoyle discloses the nature of his/her relationship to prospective clients at the time of the solicitation and will provide all prospective clients with a copy of Gargoyle's written disclosure brochure at the time of the solicitation.

Item 15. Custody

Gargoyle's Agreement and/or the separate agreement with any Financial Institution may authorize Gargoyle through such Financial Institution to debit the SMA client's account for the amount of Gargoyle's fee and to directly remit that management fee to Gargoyle in accordance with applicable custody rules. Currently, the Firm does not do so, rather, it invoices the SMA client directly for fees. Hedge Fund client accounts are debited directly for all associated fees.

In addition, as discussed in Item 13, Gargoyle also sends periodic supplemental reports to clients. Clients should carefully review the statements sent directly by the Financial Institutions and compare them to those received from Gargoyle.

Item 16. Investment Discretion

Gargoyle is given the authority to exercise discretion on behalf of the Hedge Funds and, to a lesser extent, on behalf of the Mutual Fund and SMA accounts. Gargoyle is considered to exercise investment discretion if it can effect transactions for the client without first having to seek the client's consent. Gargoyle is given this authority through a power-of-attorney included in the limited partnership and operating agreements of the Hedge Funds and the Investment Management Agreement with the Mutual Fund and SMA clients. SMA clients may request a limitation on this authority (such as certain securities not to be bought or sold). Gargoyle takes discretion over the following activities:

- The securities to be purchased or sold;
- The amount of securities to be purchased or sold; and

- When transactions are made.

Item 17. Voting Client Securities

Gargoyle may vote client securities (proxies) on behalf of the Hedge Funds and Mutual Fund. When Gargoyle accepts such responsibility, it will cast proxy votes only in a manner consistent with the best interest of those funds. Absent special circumstances, which are fully described in Gargoyle's Proxy Voting Policies and Procedures, all proxies will be voted consistent with guidelines established and described in Gargoyle's Proxy Voting Policies and Procedures, as they may be amended from time-to-time. Fund clients may contact Gargoyle to request information about how Gargoyle voted proxies for that client's securities or to get a copy of Gargoyle's Proxy Voting Policies and Procedures. A brief summary of Gargoyle's Proxy Voting Policies and Procedures is as follows:

- Gargoyle has a Proxy Supervisor that will be responsible for monitoring corporate actions, making voting decisions in the best interest of clients, and ensuring that proxies are submitted in a timely manner.
- The Proxy Supervisor will generally vote proxies according to Gargoyle's then current Proxy Voting Guidelines. The Proxy Voting Guidelines include many specific examples of voting decisions for the types of proposals that are most frequently presented, including: composition of the board of directors; approval of independent auditors; management and director compensation; anti-takeover mechanisms and related issues; changes to capital structure; corporate and social policy issues; and issues involving mutual funds.
- Although the Proxy Voting Guidelines are followed as a general policy, certain issues are considered on a case-by-case basis based on the relevant facts and circumstances. Since corporate governance issues are diverse and continually evolving, Gargoyle devotes an appropriate amount of time and resources to monitor these changes.
- SMA clients cannot direct Gargoyle's vote on a particular solicitation but can revoke Gargoyle's authority to vote proxies.

In situations where there may be a conflict of interest in the voting of proxies due to business or personal relationships that Gargoyle maintains with persons having an interest in the outcome of certain votes, Gargoyle takes appropriate steps to ensure that its proxy voting decisions are made in the best interest of its clients and are not the product of such conflict.

Item 18. Financial Information

Gargoyle is not required to disclose any financial information pursuant to this Item due to the following:

Gargoyle Investment Advisor L.L.C. Disclosure Brochure

- The Firm does not require or solicit the prepayment of more than \$1,200 in fees six months or more in advance of services rendered;
- The Firm does not have a financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients; and
- The Firm has not been the subject of a bankruptcy petition at any time during the past ten years.

Gargoyle Investment Advisor L.L.C.

Prepared by:



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