
Garnet Equity Capital Holdings, Inc.

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This brochure provides information about the qualifications and business practices of Garnet Equity Capital Holdings, Inc. If you have any questions about the contents of this brochure, please contact us at (212) 755-7577. 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. Registration as an investment adviser does not imply any level of skill or training.

Additional information about Garnet Equity Capital Holdings, Inc. also is available on the SEC’s website at www.adviserinfo.sec.gov.

March 18, 2020

ITEM 2 - MATERIAL CHANGES

This brochure (“Brochure”) is dated March 17, 2020 and is the annual updating amendment to the prior brochure, dated March 29, 2019. There have been no material changes from the prior brochure.

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ITEM 4 - ADVISORY BUSINESS

Garnet Equity Capital Holdings, Inc. (“Garnet”) is a Delaware corporation that has been providing investment advisory services since 1994. Joseph A. Cohen and David A. Cohen are the principal owners of Garnet.

Types of Advisory Services

Garnet provides advisory services to a pooled investment vehicle, Trefoil/Garnet Capital Partners, L.P. (the “Fund”), which is Garnet’s only client. The Fund generally employs a long/short strategy that focuses on equities and options. More information about the Fund is available in the Fund’s offering documents.

Investment Restrictions

The investment program of the Fund has specific objectives and restrictions which are described in the Fund’s offering documents. Garnet does not tailor the Fund’s investment program for any particular Fund investor.

Assets Under Management

As of December 31, 2019, Garnet had total assets under management of approximately \$142,903,673, all of which was managed on a discretionary basis.

ITEM 5 - FEES AND COMPENSATION

Fee Schedules; Calculation and Deduction of Fees

Garnet receives management fee that is calculated monthly and payable by the Fund quarterly in arrears in an amount equal to 2% per annum of the net asset value of the Fund. Garnet also receives annual performance-based compensation of 20% of the net capital appreciation of the Fund, subject to a prior high watermark. The performance-based compensation is calculated and allocated after the end of each fiscal year. Garnet deducts fees directly from the Fund.

Other Fees and Expenses

Additional expenses incurred by the Fund may include commissions; clearing fees; research fees; fees, interest and other costs on margin accounts or other financings or re-financings; accounting, tax, audit, administrator, corporate and legal fees and disbursements; borrowing charges on securities sold short; custodial fees; bank service fees; expenses incurred in connection with the admission of investors or the acceptance of additional subscriptions; expenses in connection with transactions directed to broker-dealers in part in recognition of investment research and information furnished or expenses for services rendered by broker-dealers in the execution of such orders and the use of such research and other services provided by such broker-dealers; performance-based compensation, fees and expenses charged by an underlying fund in which the Fund may invest; and any other reasonable expenses related to the purchase, sale, holding or transmittal of the Fund’s assets or liabilities. Please see Item 12 herein for more information with respect to brokerage arrangements.

ITEM 6 - PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

Garnet is entitled to an annual performance-based compensation of 20% of the Fund's net capital appreciation, subject to a prior high watermark.

ITEM 7 - TYPES OF CLIENTS

The Fund, a Delaware limited partnership, is Garnet's only client. Fund investors are generally required to make a minimum initial investment of \$1 million, subject to waiver at Garnet's discretion. In addition, Fund investors must meet certain net worth, net assets and other sophisticated investor criteria as set forth in applicable securities laws and regulations.

ITEM 8 - METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

General Description

The Fund seeks to achieve maximum capital appreciation commensurate with reasonable risk. Garnet has broad discretion in making investments for the Fund, which investments include, but are not limited to, equities and options, both long and short, primarily in liquid securities, although Garnet has the discretion to invest in illiquid securities. The Fund seeks to capitalize on the difference between the market valuation of a company's securities and the value of its underlying businesses, based on the intrinsic value of its underlying assets, its dividend and earnings potential, comparisons with other companies in the same or similar industries or otherwise. The Fund invests primarily in opportunities for medium- and long-term capital appreciation, but also invests in opportunities for short-term capital appreciation.

The Fund regularly, and as part of the Fund's investment strategy, purchases and writes (sells) covered and uncovered put and call options, including, without limitation, options on equities and stock indexes. The Fund may enter into such transactions irrespective of whether the options are intended to close out or offset long positions in such options.

Material Risks

The following is a summary of material risks for the Fund's investment strategy and methods of analysis. The information contained in this Brochure cannot disclose every potential risk associated with the Fund's investment strategy, or all of the risks applicable to a particular investor. Rather, it is a general description of the nature and risks of the Fund's investment strategy. Investors should understand that all investment strategies and the investments made pursuant to the strategies involve risk of loss, including the potential loss of their entire investment. The investment performance and the success of any strategy or particular investment can never be predicted or guaranteed, and the value of an investor's investments will fluctuate due to market conditions and other factors that are inherently difficult to predict, such as domestic or international economic and political developments. There can be no assurance that Garnet will correctly evaluate the nature and magnitude of the various factors that could affect the value of, and return on, investments. No guarantee or representation is made that the Fund's investment objective will be achieved. Investing in securities involves risk of loss that

investors should be prepared to bear. Fund investors should carefully review the offering materials of the Fund for additional information on the risks associated with the Fund's investment program.

Options. Transactions in options carry a high degree of risk and certain options strategies may expose the Fund to special risks. For example, there are special risks associated with uncovered option writing, which expose the Fund to potentially significant loss. The potential loss of uncovered call writing is unlimited. The writer of an uncovered call may incur large losses if the value of the underlying instrument increases above the exercise price. As with writing uncovered calls, the risk of writing uncovered put options is substantial. The writer of an uncovered put option bears a risk of loss if the value of the underlying instrument declines below the exercise price. Such loss could be substantial if there is a significant decline in the value of the underlying instrument. For combination options writing, where the investor writes both a put and a call on the same underlying instrument, the potential risk is unlimited.

The Fund regularly engages in the use of options contracts which involve, without limitation, risks associated with leverage, interest rates and volatility, credit deterioration or default risks, systems risks and other risks in options contracts generally. In addition, an investment in an options contract may be materially affected by conditions in the financial markets and overall economic conditions, including without limitation, by fluctuations in the level or volatility of or correlation or relationship between market prices, rates or indices or other market factors.

If a trading market in particular options were to become unavailable, investors in those options could no longer engage in closing transactions. Moreover, even if the market were to remain available, there may be times when options prices will not maintain their customary or anticipated relationships to the prices of the underlying securities and related interests. Disruptions in the markets for underlying securities could result in losses for options investors.

The hours for trading of options may not conform to the hours during which the underlying securities are traded. To the extent that the options markets close before the markets for the underlying securities or related interests, significant price and rate movements can take place in the underlying markets that may not be reflected in the options markets.

Trading in options may be used to reduce the risks attendant to short selling, to reduce overall market exposure, or to establish or increase long or short positions. Options trading is speculative and involves a high degree of risk. The inherent leverage offered by trading in options could cause the value of an investment to be subject to more frequent and wider fluctuations than would be the case in the absence of options trading and may result in the market value exposure of the Fund being substantially in excess of the net asset value of the Fund. If the Fund purchases a put or a call option, it may lose the entire premium paid.

A stock index option is a contract which gives the buyer the right to buy, in the case of a call, or sell, in the case of a put, a specified amount of the stock index at the option exercise price. An investment in a stock index option is subject to risks in addition to the risks relating to options on individual securities. Whether a gain or a loss from trading in stock index options is realized depends upon movements in the level of stock prices generally or in an industry or market segment, rather than movements in the price of a particular stock. Successful use of options on

stock indices will be subject to Garnet's ability to predict correctly relevant movements in the direction of the stock index.

Equity and Equity-Related Securities and Instruments. Among its other investments, the Fund may take long and short positions in securities of U.S. and non-U.S. issuers traded on national securities exchanges and over-the-counter markets. The value of equity securities varies in response to many factors. These factors include, without limitation, factors specific to an issuer and factors specific to the industry in which the issuer participates. In addition, equity securities are subject to stock risk, which is the risk that stock prices historically rise and fall in periodic cycles. U.S. and non-U.S. stock markets have experienced periods of substantial price volatility in the past and may do so again in the future.

Small- and Mid-Capitalization Stocks. Investments in small- and mid-capitalization stocks involve greater risk than is customarily associated with larger, more established companies. These securities may have limited marketability and may be subject to more abrupt or erratic movements in price than securities of larger companies or the market averages in general.

Fixed-Income Investments. The value of the fixed-income securities in which the Fund may invest will change as the general levels of interest rates fluctuate. When interest rates decline, the value of the Fund's fixed-income portfolio can be expected to rise. Conversely, when interest rates rise, the value of the portfolio can be expected to decline.

Cash Management Risk. For various reasons, including for temporary or defensive positions or to meet liquidity needs, the Fund may at certain times, maintain or invest some of its assets in cash or money market funds or other similar types of instruments. As an integral part of its investment strategy, the Fund may maintain cash, money-market fund investments and cash-equivalents (and similar liquid positions/balances) which, at times, may be very large (relative to its capital). During any period in which its assets are not substantially invested in accordance with its principal investment strategies, the Fund may be prevented from achieving its investment objective, which may adversely affect the Fund's performance.

Concentration of Investments. The Fund may have highly concentrated investment positions (relative to its capital), with the result that a loss in any such position could have a material adverse impact on the Fund's capital.

Counterparty Risk. The Fund may be exposed to the credit risk of counterparties with which, or the brokers, dealers, custodians and exchanges through which, it deals in connection with the holding, custody, maintenance, trading and investment of its assets. Many of the protections afforded to participants on some organized exchanges, such as the performance guarantee of an exchange clearing house, might not be available in connection with over-the-counter ("OTC") transactions. Therefore, in those instances in which the Fund enters into OTC transactions, the Fund will be subject to the risk that its direct counterparty will not perform its obligations under the transactions and that the Fund will sustain losses. In addition, the Fund may suffer a substantial or complete loss in the event of default or bankruptcy by certain third parties, including the highly concentrated number of brokerage firms and banks with which the Fund does business, or to which securities and/or cash have been entrusted for custodial purposes. For

example, as of December 31, 2018, the Fund had substantially all of its assets entrusted to two prime brokers.

Illiquidity of Securities and Other Investments. Securities and other instruments which may be purchased by the Fund may lack a liquid trading market, which may result in the inability of the Fund to sell any such security or other investment or to close out a transaction involving a futures contract or the sale of an option, thereby forcing the Fund to incur potentially unlimited losses and may also involve higher transaction costs. In addition, the Fund may invest in an underlying fund that imposes minimum holding periods, limited dates on which interests may be redeemed, gates, significant redemption notice periods and redemption fees and that implement holdbacks until after the completion of year-end or final audits.

Initial Public Offerings. Securities sold pursuant to initial public offerings have no public market prior to their initial offering and there is no assurance that (i) an active public market in such securities will develop or continue after their initial offering or (ii) that the initial public offering price of such securities will be indicative of the market price for such securities after their initial offering.

Leverage; Short Sales. Short sales are transactions in which the Fund sells a security or other asset which it does not own, in anticipation of a decline in the market value of the security or other asset. Although the Fund's gain is limited by the price at which it sold the security short, losses from short sales may be unlimited. The use of borrowing or "leverage" may increase the Fund's opportunity for capital appreciation but also increases the risk of loss. The use of leverage, including leverage that takes the form of instruments and transactions that are inherently leveraged, may result in the market value exposure of the Fund being substantially in excess of the net asset value of the Fund. In addition, the level of interest rates applicable to the Fund's borrowings will affect the operating results of the Fund.

Epidemic or Serious Public Health Event Risk. Garnet's business may be affected by outbreaks of an infectious disease, pandemic or any other serious public health concern, including diseases such as severe acute respiratory syndrome, avian influenza, H1N1/09, and, most recently, the coronavirus COVID-19, or other similarly infectious diseases. Such events have the potential to significantly adversely affect or cause uncertainty in financial markets and businesses, including Garnet's business, and may adversely affect the performance of the global economy, including causing market volatility, market and business uncertainty and closures, supply chain and travel interruptions, the need for employees and vendors to work at external locations, and extensive medical absences. Any of the foregoing may therefore materially adversely affect the performance of Garnet, its affiliates, personnel, the Fund, and their respective investment activities. Garnet has policies and procedures to address known situations, but because such an event may create significant market and business uncertainties and disruptions, Garnet cannot predict the likelihood of such epidemics or serious public health events occurring in the future nor how such events may affect the Fund.

ITEM 9 - DISCIPLINARY INFORMATION

Not applicable.

ITEM 10 - OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

Not applicable.

ITEM 11 - CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

Code of Ethics

Garnet has adopted a Code of Ethics (the “Code”) in accordance with Rule 204A-1 of the Investment Advisers Act of 1940 (the “Advisers Act”) designed to provide that Garnet personnel, as well as certain other persons who occupy a similar status, perform similar functions or provide investment advice on behalf of Garnet, comply with applicable federal securities laws and place the interests of the Fund first in conducting personal securities transactions. The Code imposes certain restrictions on securities transactions in the personal accounts of covered persons to avoid conflicts of interest. The Code covers all Garnet personnel, which includes any director, officer or employee (including any part-time employee) of Garnet (other than administrative or clerical workers), as well as any other person who occupies a similar status, performs similar functions or provides investment advice on behalf of Garnet and is subject to the supervision and control of Garnet. The Chief Compliance Officer may designate additional persons as being covered by the Code, such as temporary workers, consultants, or independent contractors. Fund investors or prospective investors may obtain a copy of the Code by sending a written request to Garnet Equity Capital Holdings, Inc., 655 Madison Avenue, 21st Floor, New York, NY 10065, Attention: Chief Compliance Officer, (212) 755-7577.

Participation in Other Activities

Joseph A. Cohen, a principal owner of Garnet, has primary responsibility for the Fund’s investments and also has trading authority over, and direct and indirect beneficial interests in, various accounts, partnerships, corporations, and trusts established for the benefit of him and his family as well as trading authority over various brokerage accounts of his friends and family (such other entities and accounts collectively, “Other Accounts”). Certain potential conflicts of interest may arise in connection with Joseph A. Cohen’s involvement with Other Accounts, on the one hand, and the Fund, on the other hand. For example, Joseph A. Cohen’s involvement with Other Accounts may require substantial time and effort, which time and effort he might otherwise expend on managing the Fund. In addition, situations may arise in which Other Accounts will have purchased securities that would have been suitable for investment by the Fund but that the Fund, for various reasons, did not purchase. Situations may also arise in which Other Accounts will have purchased or sold securities that are purchased or sold by the Fund at a different time, which may affect the availability or price of investments to the Fund. Situations may also arise where an Other Account may have a material financial interest in one or more securities that Garnet recommends to the Fund for investment.

Garnet has adopted policies and procedures in connection with such activities in order to address and monitor these potential conflicts of interest. Assuming particular securities are suitable for the respective investment portfolios of the Fund and Other Accounts, investment opportunities will be allocated among them as equitably as possible, in the discretion of Garnet and Joseph A.

Cohen, taking into consideration such factors as their various investment objectives and relative capital available for investment.

ITEM 12 - BROKERAGE PRACTICES

Broker-Dealer Selection

Garnet is authorized to determine the broker or dealer to be used for each securities transaction for the Fund. In selecting brokers or dealers to execute transactions, Garnet need not solicit competitive bids and does not have an obligation to seek the lowest available commission cost. It is not Garnet's practice to negotiate "execution only" commission rates, and thus the Fund may be deemed to be paying for research, brokerage or other services provided by the broker which are included in the commission rate. In selecting brokers and negotiating commission rates, Garnet will take into account the financial stability and reputation of brokerage firms, and the research, brokerage or other services provided by such brokers.

Research and Other Soft Dollar Benefits

Garnet may select broker-dealers that furnish Garnet, the Fund, their affiliates and personnel involved in decision-making for the Fund with proprietary or third-party brokerage and research services (collectively, "brokerage and research services") that provide, in Garnet's view, appropriate assistance to Garnet in the investment decision-making process. As a result, the Fund may pay for such brokerage and research services with "soft" or commission dollars. The types of brokerage and research services that the Fund acquired with soft or commission dollars in its last fiscal year include: exchange fees; research reports on companies, industries, and securities; price quotations on securities; and certain market and financial data. To the extent Garnet uses soft dollars to pay for a product or service that includes a function that is not an eligible research or brokerage service under Section 28(e) of the Securities Exchange Act of 1934, as amended, or that Garnet uses for purposes other than investment decision making, Garnet will make an appropriate allocation of such product or service as a "mixed-use" item.

When Garnet uses client commissions to obtain brokerage and research services, Garnet, the Fund, their affiliates and personnel involved in decision-making for the Fund receive a benefit because they do not have to produce or pay for the brokerage and research services themselves. As a result, Garnet may have an incentive to select or recommend a broker-dealer based on Garnet's interest in receiving the brokerage and research services from that broker-dealer, rather than solely on the Fund's interest in receiving the lowest cost or most favorable execution. However, when selecting broker-dealers that provide brokerage and research services, Garnet is obligated to determine in good faith that the "commissions" (as broadly defined by the SEC to include a mark-up, mark-down, commission equivalent or other fee in certain circumstances) to be paid to broker-dealers are reasonable in relation to the value of the brokerage and research services they provide to Garnet. The reasonableness of these commissions will be viewed in terms of the particular transactions or Garnet's overall responsibilities to the Fund, even though that broker-dealer itself, or another broker-dealer, might be willing to execute the transactions at a lower commission. Accordingly, transactions will not always be executed at the lowest available price or commission and Garnet may cause the Fund to pay commissions higher than those charged by other broker-dealers in return for soft dollar benefits.

Garnet's evaluation of the brokerage and research services provided by a broker-dealer may be a significant factor in selecting a broker-dealer to execute transactions.

ITEM 13 - REVIEW OF ACCOUNTS

All investment decisions require the approval of Joseph A. Cohen, who monitors the Fund's portfolio on an ongoing basis.

Garnet currently provides to each Fund investor quarterly written reports containing information on the Fund's performance and the investor's account information. The annual audited financial statements of the Fund as well as Schedule K-1s containing information relevant for Federal income tax purposes are sent to investors within 120 days after the end of each fiscal year.

ITEM 14 - CLIENT REFERRALS AND OTHER COMPENSATION

Currently, no person other than the Fund provides an economic benefit to Garnet for providing investment advice or other advisory services to the Fund. Currently, Garnet does not directly or indirectly compensate any third-party for client referrals.

ITEM 15 - CUSTODY

Garnet is deemed to have custody over the assets of the Fund. Garnet maintains the Fund's assets with qualified custodians to the extent required by applicable law. The Fund's audited financial statements are prepared in accordance with generally accepted accounting principles and distributed to each Fund investor within 120 days of the Fund's fiscal year end.

ITEM 16 - INVESTMENT DISCRETION

Garnet has investment discretion over the Fund's portfolio, subject to the investment restrictions and limitations described in the offering documents and other constituent documents of the Fund.

ITEM 17 - VOTING CLIENT SECURITIES

Garnet exercises proxy voting authority on behalf of the Fund. As required by Rule 206(4)-6 under the Advisers Act, Garnet has adopted written policies and procedures to guide Garnet in the event it is presented with proxy voting opportunities. The general policy of Garnet is to vote proxy proposals in a manner that serves the best interests of the Fund and promotes the long-term economic value of the Fund's investments, taking into consideration the costs and benefits associated with voting proxies. If the costs outweigh the benefits, or Garnet does not believe that an issue being voted on is material for Garnet or the Fund, Garnet is not obligated to vote on such matter.

In voting proxies, Garnet may take into account the following factors, among others: (i) whether the proposal was recommended by management and Garnet's opinion of management; (ii) whether the proposal acts to entrench existing management; and (iii) whether the proposal fairly compensates management for past and future performance. In the event of a material conflict of interest between Garnet and the Fund, Garnet will determine whether voting in

accordance with the guidelines set forth in the proxy voting policies and procedures is in the best interests of the Fund or take some other appropriate action.

Generally, Fund investors may not direct Garnet's vote in any particular solicitation. Investors may request information on Garnet's proxy voting policies and how proxies were voted by sending a written request to: Garnet Equity Capital Holdings, Inc., 655 Madison Avenue, 21st Floor, New York, NY 10065, Attention: Chief Compliance Officer, (212) 755-7577.

ITEM 18 - FINANCIAL INFORMATION

Not applicable.