



Firm Brochure  
(Part 2A of Form ADV)

Gagnon Securities LLC  
1370 Avenue of the Americas, 24<sup>th</sup> Floor  
New York, NY 10019  
Contact: Lisa Ferrante  
lisa@gagnonsec.com  
P: 212-554-5060  
F: 212-265-6417  
[www.gagnonsec.com](http://www.gagnonsec.com)

Gagnon Securities, LLC is a registered investment adviser with the SEC. SEC registration neither implies nor asserts that the SEC nor any state securities authority has approved or endorsed Gagnon or the contents of this disclosure.

This brochure provides information about the qualifications and business practices of Gagnon Securities LLC. If you have any questions about the contents of this brochure, please contact us at 212-554-5060. 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 Gagnon Securities LLC also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

(As of December 31, 2017)

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## **SUMMARY OF MATERIAL CHANGES**

The last annual update of the Firm's brochure was on March 27, 2017. This brochure has been amended to update the change in Chief Compliance Officer from Susan DuMont to Lisa Ferrante.

### **ADVISORY BUSINESS**

#### **Principal Owners**

Founded in 1999, Gagnon Securities LLC, a broker-dealer registered with FINRA and the SEC as a registered investment advisor, manages brokerage accounts for individuals and entities on a discretionary basis. Gagnon Securities is principally owned by Neil J. Gagnon.

#### **Types of Advisory Services**

Gagnon Securities is a team of brokers and Investment Advisors who manage money for our clients on a discretionary basis. Diverse in business experience and perspective, we take a research-intensive, generalist approach to evaluating companies. Our client portfolios reflect the best opportunities we find assembled stock by stock and balanced to control risk. Because we aim for capital appreciation, we do not restrict ourselves to sectors or market caps, preferring instead to focus on industries and businesses experiencing significant unrecognized change. As a group, we share a core belief that thoughtful and persistent research coupled with disciplined risk-taking will yield outsized returns over time.

#### **Investment Restrictions**

The investment objectives for our brokerage accounts and the portion of an individual's net worth that is invested at our firm must be aggressive growth. If an individual client is restricted from purchasing a specific security due to an affiliation with the company, then an account can be blocked from transacting in that security. In addition, if clients have a moral or otherwise objection to purchasing securities of a company that offers specific services or products, such as for example tobacco or gambling, their account can be blocked from transacting in those securities.

#### **Assets Under Management**

Gagnon Securities LLC has the following assets under management as of December 31, 2016;

Discretionary	\$186,256,901
Non-Discretionary	\$ 0
Total	\$186,256,901

## **FEES AND COMPENSATION**

### **Fee Schedules**

Clients who maintain a non-retirement account are charged commissions on buy and sell transactions equal to a maximum of 2% of the net trade amount. Commissions may from time to time be discounted at the sole discretion of the representative managing the account. However, the standard commission schedule is non-negotiable for clients or employee related accounts. In addition, these accounts will be charged a transaction fee not to exceed .04 cents per share. It is the policy of Gagnon Securities that commission and transaction fees are not refundable unless an error in the amount charged has occurred and then we will promptly process a trade correction to reflect the correct amount.

Clients who maintain a retirement account are charged a management fee equal to 2.25% annum paid monthly at the beginning of each month in arrears for the previous month, calculated on the average capital for the previous month. These accounts are not charged commissions or transaction fees on the trades executed on their behalf. Management fees are non-negotiable and non-refundable.

### **Deduction of Fees**

For clients who maintain a non-retirement account, commissions and transaction fees are transactional types of charges that are deducted from the account at the time of each trade and disclosed to the client on their trade confirms.

Clients who maintain retirement accounts pay management fees at the beginning of each month and this amount is automatically deducted from the clients account. This amount is shown on the client's brokerage statement and upon request available in invoice format.

### **Other Fees and Expenses**

There are no other fees associated with a client's account at Gagnon Securities.

### **Prepaid Fees**

There are no pre-paid fees at Gagnon Securities

### **Compensation for the Sale of Securities**

Neither Gagnon Securities LLC nor any of its representatives are compensated from the sale of products or securities outside of the compensation received from our clients

## **PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

Gagnon Securities LLC does not charge a performance based fee.

## **TYPES OF CLIENTS**

Gagnon Securities LLC manages individual brokerage accounts on a discretionary basis for individuals, retirement accounts, trusts, UTMA accounts, and business entities. Each individual representative has their own minimum investment and these minimums do vary but are generally not less than \$10,000 initial investment.

## **METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

Gagnon Securities is a team of Brokers and Investment Advisors who manage money for our clients on a discretionary basis. Diverse in business experience and perspective, we take a research-intensive, generalist approach to evaluating companies. Our client portfolios reflect the best opportunities we find assembled stock by stock and balanced to control risk. Because we aim for capital appreciation, we don't restrict ourselves to sectors or market caps, preferring instead to focus on industries and businesses experiencing significant unrecognized change. As a group, we share a core belief that thoughtful and persistent research coupled with disciplined risk-taking will yield outsized returns over time.

Our clients understand and believe in our investment approach. We share one objective, namely, to grow their capital significantly. Working toward that goal involves risk and requires patience. We invest with a long-term perspective, recognizing that periods of volatility, sometimes extreme, are inevitable in this process. Our method is not for everyone. We make mistakes; at times, so do the companies we invest in. Therefore, our accounts experience large quarterly or even yearly fluctuations. We go to great lengths to ensure that clients understand exactly what we do, and more importantly, that our investment approach fits their needs. Establishing this clarity of purpose from the outset enables us to concentrate more fully on what we do best. We spend our time studying companies. We meet with managements to better evaluate their businesses, plans for growth and incentives. Companies visit our offices, and we frequently travel to their headquarters and other facilities to further assess their prospects. We augment these visits by talking to employees, suppliers, partners and competitors. We go to trade shows and conferences, read industry-specific publications and speak to numerous analysts to build an information mosaic around the companies we follow. Our craft is to understand the microeconomics of a business, then synthesize information about competitive, economic and internal factors to determine which issues represent opportunities or potential dangers. Capitalizing on these opportunities and responding quickly to downturns requires intensive focus. Timing can prove crucial. Our clients hire us for this ability and give us the freedom to act on their behalf (without authorizing each decision) by signing a limited power of attorney.

## **DISCIPLINARY INFORMATION**

On September 10, 2014, Neil Gagnon consented to the entry of an Order Instituting Administrative and Cease-And-Desist Proceedings ("Order") by the U.S. Securities and Exchange Commission (the "SEC"). In the Order, the SEC found that Mr. Gagnon failed to timely file beneficial ownership reports required under Section 13(d) and Section 16(a) of the Securities Exchange Act of 1934 ("Exchange Act"). Specifically, the SEC alleged that Mr. Gagnon failed to file timely amendments to its Schedules 13Gs and continued to file as a passive investor on a Schedule 13G, despite owning in excess of 20% of the outstanding voting securities of a particular issuer, thereby requiring a Schedule 13D filing and subsequent amendments. Further, Mr. Gagnon failed to make timely

reports on Forms 4 and 5 to in accordance with Section 16(a) of the Exchange Act. Without admitting or denying the SEC's findings, Mr. Gagnon agreed to cease and desist from future violations of Sections 13(d) and 16(a) of the Exchange Act and Rules 13d-1, 13d-2 and 16a-3 thereunder, and to pay a civil monetary penalty of \$75,000.

## **OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

### **Broker-Dealer Registration**

Gagnon Securities is a registered broker-dealer with FINRA.

### **Other Material Relationships**

**Neil Gagnon**, a senior partner of Gagnon Securities, is a principal in Gagnon Advisors LLC which is the investment manager to Gagnon Investment Associates, a domestic long/short hedge fund, Gagnon Investment Associates Offshore Fund, a Cayman long/short hedge fund and GIS Fund of Funds LLC, a domestic fund of funds. Neil is also a principal and co-manager in GagnonLee Management LLC which is the investment manager to The Darwin Partnership L.P., a domestic long/short equity hedge fund.

**Dwight Lee**, a partner of Gagnon Securities, is a principal in Lee Associates which is the investment manager to Upland Associates L.P., a domestic long/short equity hedge fund. Dwight is also a principal and co-manager of in GagnonLee Management LLC which is the investment manager to The Darwin Partnership L.P., a domestic long/short equity hedge fund.

**Willis Taylor**, a partner of Gagnon Securities, is a principal of WGT Asset Management LLC, which is the investment manager to Old Growth Partners, a domestic long/short equity fund. Willis is also a principal and co-manager of in GagnonLee Management LLC which is the investment manager to The Darwin Partnership L.P., a domestic long/short equity hedge fund.

**Michelle Simmons**, an employee of Gagnon Securities, is a principal of Simmons Ventures LLC which is the investment manager to Runway Capital LP a long/short domestic fund specializing in the retail sector.

**Bernard Selz**, an employee of Gagnon Securities, is a principal of Selz Capital LLC which is the investment manager to Karnak Partners a long/short domestic fund.

### **Receipt of Compensation from Investment Advisers**

Gagnon Securities LLC or any affiliated persons does not receive any compensation from any other investment advisers.

## **CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

### **Code of Ethics**

Gagnon Securities LLC is registered as an investment adviser under the Investment Advisers Act of 1940, as amended (the "Advisers Act"). In accordance with Rule 204A-1 of the Advisers Act, the Company has adopted this code of ethics (the "Code of Ethics" or the "Policy") to prevent violations of federal securities laws. Moreover, this Policy is intended to help the Company personnel ("you") understand the Company's obligations as a registered investment adviser and to assist you in complying with these obligations.

The Company expects all employees to act with honesty, integrity and professionalism and to adhere to federal securities laws.

A copy of our Business Code of Ethics in its entirety will be sent to you upon request. Please contact Lisa Ferrante at 212-554-5060 [lisa@gagnonsec.com](mailto:lisa@gagnonsec.com).

### **Participation or Interest in Client Transactions**

It is against Gagnon Securities LLC's Business Code of Ethics to for it or any of our affiliated persons to have participation or interest in client accounts or transactions.

### **Participation or Interest in Personal Trading - Client Recommendations**

As more fully described in the Gagnon Securities Business Code of Ethics, all employees are required to submit reports detailing their personal securities holdings to the Chief Compliance Officer on an initial basis, a quarterly basis, and a quarterly basis.

As an alternative to submitting quarterly transaction reports, Gagnon Securities requires its employees to submit brokerage statements or trade confirmations as long as such documents contain the information required under Rule 204A-1(b)(2)(i)(A)-(E) under the Advisers Act.

#### **a. Initial Public Offerings and Limited Public Offerings**

Investing in IPOs is strictly prohibited for all Gagnon Securities employees.

#### **b. Review of Personal Securities Reports**

The Chief Compliance Officer (or its designee) is responsible for reviewing the employees' Quarterly Transaction Reports as well as the Initial Holdings Report and the Annual Holdings Report as part of Gagnon Securities duty to maintain and enforce its Business Code of Ethics.

In instances when the Chief Compliance Officer has engaged in personal securities transaction, Neil Gagnon, Senior Partner, shall review the Chief Compliance Officer's brokerage statements and trade confirmations.

Portfolio Managers at Gagnon Securities often times manage accounts for themselves as well as their family members referred to as "insider accounts." To the extent that a portfolio manager manages accounts for both clients and insiders and an order is placed to purchase or sell a security then client accounts are executed **FIRST**. Once the trade order for clients is complete, only then

will an order for insider accounts be executed. This process is reviewed on a monthly basis by the Chief Compliance officer or her designee.

## **BROKERAGE PRACTICES**

### **Broker-Dealer Selection**

Neither Gagnon Securities nor its affiliated persons recommend other broker-dealers for client transactions.

### **Research and Other Soft Dollar Benefits**

Gagnon Securities has no Soft Dollar agreements and receives no soft dollar benefits.

### **Brokerage for Client Referrals**

Gagnon Securities has no client referral agreements with other broker-dealers.

### **Directed Brokerage**

Gagnon Securities does not require or request clients to direct their securities transactions to another broker-dealer.

### **Aggregation of Trades**

It may be determined that the purchase or sale of a particular security is appropriate for more than one client account, in which case client orders will be aggregated or “bunched”. In such cases, Gagnon owes fiduciary duties to each client and, therefore, has an obligation to treat each client fairly. When aggregating orders, and in the process of allocating block purchases and block sales to individual client accounts, Gagnon follows a Trade Aggregation/Allocation Policy designed to treat all clients fairly and to achieve an equitable distribution of bunched orders. If orders are combined, we will give each client the average price and transaction costs we negotiate for the combined order and will allocate securities to client accounts pro rata, i.e. in proportion to the size of the orders placed. Additionally, Gagnon, as a matter of policy, does not aggregate trades so as to include client accounts, managed pooled accounts, and Gagnon Affiliate accounts within the same block. Client accounts are only aggregated with other client accounts. Managed pooled accounts and Gagnon Affiliate accounts are aggregated separately and traded after the aggregated client account block has executed.

## **REVIEW OF ACCOUNTS**

### **General Description**

Gagnon reviews Client accounts quarterly. Reviews are also conducted in the event of a new deposit, a withdrawal, the rebalancing of a portfolio, a material change in the investment environment, a change in the Client’s goals, time horizons or financial needs, or at the Client’s request.



Lisa Ferrante, Chief Compliance Officer and Partner of Gagnon Securities, and or her designee reviews all order tickets daily for proper record keeping and compliance with Gagnon Securities standards and applicable industry rules. The Chief Compliance Officer and /or her designee will approve and review all new accounts to check for completeness of client application, suitability standards and compliance with anti-money laundering procedures. All client positions are reviewed on a quarterly basis first by the broker managing the account to conduct a brief review of positions held by their clients and then by Lisa Ferrante to review for trade suitability, investment objectives and commission charges. Date and the initials of the reviewer evidence all of the above aforementioned reviews. Lisa Ferrante has twenty years of industry experience as a FINRA registered representative with broad administrative responsibilities in the areas of general operations, compliance, and trading, as well as ten years supervisory experience as a licensed general securities principal.

### **Client Reports**

Clients that have activity in their accounts for the month will receive monthly brokerage statements from National Financial Services, LLC as well as timely trade confirmations. Clients at a minimum will receive brokerage statements quarterly along with a quarterly letter written by their portfolio manager describing in greater detail their investments and activity in the clients account for the previous quarter. In addition, upon request clients can receive a portfolio summary and cost basis report through our in house software system provided by Advent Software or our clearing firm National Financial Services, LLC.

## **CLIENT REFERRALS AND OTHER COMPENSATION**

### **Other Compensation**

Gagnon Securities has no referral agreements.

## **CUSTODY**

Gagnon Securities does not maintain custody of customer accounts. All accounts are introduced to National Financial Services, LLC, a qualified custodian, on a fully disclosed basis.

## **INVESTMENT DISCRETION**

Client accounts of Gagnon Securities are managed on a discretionary basis. Each client and/or "insider" account if applicable will sign a "limited trading authorization" form authorizing the purchase and sale of securities at the portfolio manager's discretion. Clients can indicate at the time of opening an account or any time thereafter in writing that they cannot or do not want to purchase or sell a specific security or types or stocks, for example "sin" stocks. The trading authorization is limited to only the purchase and sale of stocks rather than any transfer of funds. Accounts are reviewed frequently by the Chief Compliance Officer or her designee for appropriateness of securities transactions, frequency of trading, and suitability.

## **VOTING CLIENT SECURITIES**

### **Proxy Voting Policies - No Authority**

Proxies are sent out from our clearing firm National Financial Services, LLC directly to our clients, (the account holder of record). Gagnon Securities currently does not vote proxies on behalf its clients. Clients of Gagnon Securities may vote their own proxies in their sole discretion. Clients are informed of our proxy voting policy first by receiving this policy as part of our Form ADV Part 2 and secondly shortly after they open an account as part of our standard welcome letter. Clients are also advised of alternative means of receiving their proxies directly other than hard copy in the mail.

## **FINANCIAL INFORMATION**

### **Financial Conditions**

Gagnon Securities is required in this document to provide you with certain financial information or disclosures about its financial condition. Gagnon Securities has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.