

GAGNON SECURITIES LLC

DUAL REGISTRANT
Form CRS Relationship Summary
July 30, 2020

Item 1: Introduction

Which Type of Account is Right for You – Brokerage, Investment Advisory or Both?

There are different ways you can receive guidance with your investments. We recommend that you carefully consider which types of accounts and services are right for you. Depending on your needs and investment objectives, we can provide you with services in a brokerage account, investment advisory account or both at the same time. This document gives you a summary of the types of services we provide and their costs. During the onboarding process, we will cover topics to help you understand the types of services we provide, the fees and how they are charged. We encourage you to ask us for more information, as it is important that you have a good understanding regardless of who you invest with. Please refer to page 4 for some suggested questions.

Gagnon Securities LLC (“Gagnon”), is a broker-dealer and investment adviser registered with the Securities and Exchange Commission (“SEC”) and is a member of the Financial Industry Regulatory Authority (“FINRA”) and the Securities Investor Protection Corporation (“SIPC”).

Brokerage and investment advisory services and fees differ, and it is important for you to understand these differences. Free and simple tools are available to research firms and financial professionals at Investor.gov/CRS, which also provides educational materials about broker-dealers, investment advisers and investing.

Item 2: Types of Relationships and Services – Our accounts and services fall into two categories.

We offer both **brokerage** and **investment advisory services**. Gagnon’s core business is managing client accounts on a discretionary basis; this type of account is considered an **Advisory Account**.

Our **Brokerage Services** include buying and selling securities at your direction (non-discretionary account). We offer a limited selection of investments. Other firms could offer a wider range of choices, some of which may have lower costs. *If you open a brokerage account, you will pay us a transaction-based commission, generally referred to as a commission every time you buy or sell an investment.*

Our **Advisory Services** require an executed trading authorization, allowing registered investment adviser representatives the discretion to buy and sell in your account without ongoing sign-off from you. This authorization does not permit us the ability to remove funds from your account without your authorization and direction. Typically, our discretionary advisory account minimums are \$15,000, but it is the brokers’ discretion to accept a lower amount. *Retirement accounts and a select group of clients that maintain advisory accounts are charged a fee on the assets under management. Other advisory accounts are charged a transaction-based commission.* The managers of your account continuously monitor the positions in your account. Our investment advice will cover a limited selection of investments,

consisting mainly of equities. Options may be used in some strategies and where the opportunity presents itself bonds and or convertible securities.

Simultaneously, we are also a broker-dealer in which we place all trades on our trading desk and execute with various brokers on an agency basis.

Item 3: Standard of Conduct - Our Obligations to You.

We must abide by certain laws and regulations in our interactions with you. As a broker dealer, when we provide any service to you, we must treat you fairly and comply with a number of specific obligations. Unless we agree otherwise, we are not required to monitor your portfolio or investments on an ongoing basis. Our interest can conflict with your interests.

At the same time, we understand that, as an investment advisor, we are held to a fiduciary standard that covers our entire investment advisory relationship with you. For example, we are required to monitor your portfolio, investment strategy and investments on an ongoing basis. Our interests can conflict with your interests. We must eliminate these conflicts or tell you about them in a way you can understand, so that you can decide whether or not to agree to them.

Item 4: Summary of Fees and Costs

Fees and costs affect the value of your account overtime. Please ask your financial professional to give you personalized information on the fees and costs that you will pay.

What fees will I pay?

The fees you pay depend on whether you choose **brokerage services, advisory services, or both.**

Brokerage Account Fee and Costs charge *transaction-based fees. You will pay us a fee every time you buy or sell an investment. This fee, commonly referred to as a commission, is based on the specific transaction and not the value of your account.* Our fees are not negotiable. The more transactions in your account, the more fees we charge you. We, therefore, have an incentive to encourage you to engage in transactions. From a cost perspective, you may prefer a transaction-based fee if you do not trade often or if you plan to buy and hold investments for longer periods of time. *The cost for this type account is based on a tier schedule which is determined by the security price and is provided during the account opening process. For example: If you buy 100 shares of XYZ at \$5.00 per share the commission you would be charged would be \$4.00. Therefore, the net amount of the transaction would cost $100 * 5.00 = \$500 + \$4 = \$504$.*

Advisory Accounts are charged one of two scenarios:

Scenario #1: *It is important to note that this scenario is for our non-retirement accounts.*

This scenario is per transaction and is commission-based. The commission is two percent (2%) based on the gross dollar amount of the trade. *For example: The manager decides to buy 100 shares of XYZ at \$5 per share. The commission amount is $100 * \$5.00 = \$500 * 2\% = \$10.00$.*

There is then a transaction fee that is applied. Transaction fees are charged on a sliding scale that does not exceed five cents (\$0.05) on securities priced above \$8.00. Using the example above, the transaction

fee would be equal to \$4.00 (100 shares*\$0.04). *The total cost of the trade, including commission and transaction fee, would be \$514.00 ((100*\$5=\$500) + (500*2%= \$10.00) +(100*.04=4 \$4.00)).*

Scenario #2: *It is important to note that this scenario is for our retirement accounts and currently a select group of accounts that have previously experienced a fee-based structure.*

This scenario is an example of asset-based fees where you will pay an ongoing fee. The Management Fee shall be payable in arrears and will be charged to the account the following month in which such fee is calculated, which is based on a percentage of assets under management. Long only accounts (non-margin accounts) will be charged 2.25% per annum (the “Management Fee”). The Management Fee shall be calculated on a monthly basis (0.1875% per month) based on the average daily value of the assets held in the account. Hedged accounts (margin accounts) will be charged 3.0% per annum (the “Management Fee”). The Management Fee shall be calculated on a monthly basis (0.25% per month) based on the average daily value of the assets held in the account.

The amount paid to our firm and your financial professional generally does not vary based on the type of investment we select on your behalf. The asset-based fee reduces the value of your account and will be deducted directly from your account on a monthly basis, as described in more detail in the Managed Account Agreement. The Management Fee is located on your monthly statement, which is generated by our custodian. These fees are not negotiable. The more assets you have in an advisory account, including cash, the more you will pay us. We, therefore, have an incentive to increase the assets in your account in order to increase your fee. You pay your fee monthly even if you do not buy or sell.

An asset-based fee may cost more than a transaction-based fee, but you may prefer an asset -based fee if you want continuing advice or want someone to make investment decisions for you. Gagnon’s general course of business is to charge a transaction-based fee for non-retirement accounts and an asset-based fee for retirement accounts.

Item 5. Conflicts of Interest

We benefit from the services we provide to you.

When we provide you with a recommendation as your broker dealer or investment adviser, we have to act in your best interest and not put our interest ahead of yours. At the same time, the way we make money creates some conflicts with your interests. You should understand and ask us about these conflicts because they can affect the recommendations and investment advice, we provide you.

- **Alternative Investment Products:** When suitable to your investment goals, we may offer investing in one of our hedge funds and/or fund of funds. The benefit here is providing another means of service to you.
- **Margin Accounts:** For those who maintain a margin account, this is an account that leverages a loan with our custodian, so the investor has additional funds available to them. This allows Gagnon to invest more on behalf of the client. Margin accounts are the only accounts in which you can transact in short strategies. Due to the loaning of money and securities that take place in this type of account, they are subject to margin and short interest charges. The interest that is charged on a margin account is received by the custodian and a portion of that interest is credited

to Gagnon. In regard to short positions, there is a borrow rate that is charged. Here, Gagnon absorbs this cost. However, there are times when Gagnon receives a credit for the short positions that are maintained.

- Gagnon's financial professionals who manage money receive commissions, fees and/or salary and health benefits. As described above, based on the relationship that is established, charges to an account come in the form of either, commissions which are based on a transaction, or fees, which are based on the assets under management for an account. Potential conflicts of interest could occur in each format. However, to address this potential conflict, Gagnon has procedures in place that hold the financial professional accountable to trade in a responsible manner.

Item 6. Additional Information

We encourage you to seek out additional information.

For additional information about our services, please take a look at our website, www.gagnonsec.com. Here you can find links to locate our Form ADV Part I and Part II and a link to Brokercheck.finra.org. We have legal and disciplinary events, which are disclosed on our Form ADV and can also be found by visiting Investor.gov. As always, we here at Gagnon are able to answer any questions you may have. If you have any trouble locating this information or have further questions, please contact our Client Services team, 212-554-5038 and /or clientservices@gagnonsec.com.

To report a problem to the SEC, visit Investor.gov or call the SEC's toll -free investor assistance line at (800) 732-0330. To report a problem to FINRA, call 301-590-6500. If you have a problem with your investments, investment account or a financial professional, contact us in writing at compliance@gagnonsec.com.

Item 7. Key Questions to Ask

We encourage you to ask our financial professionals these key questions about our investment services and accounts.

1. Given my financial situation, why should I choose an investment advisory service? Why should I choose a brokerage account?
2. Do the math for me. How much would I pay per year for an advisory account? How much for a typical brokerage account? What would make those fees more or less? What services will I receive for those fees?
3. What additional costs should I expect in connection with my account?
4. How will you choose investments to recommend to me?
5. What is your relevant experience, including your licenses, education and other qualifications? What do these qualifications mean?
6. How might your conflicts of interest affect me, and how will you address them?
7. As a financial professional, do you have any disciplinary history? For what type of conduct?
8. Who is my primary contact person? Is he or she a representative of an investment adviser or a broker-dealer? Who can I talk to if I have concerns about how this person is treating me?