

## ITEM 1: COVER PAGE



### Firm Brochure (Part 2A of Form ADV)

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Gagnon Securities LLC is a registered investment adviser with the United States Securities and Exchange Commission ("SEC"). SEC registration neither implies nor asserts that the SEC nor any state securities authority has approved or endorsed Gagnon Securities LLC 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 SEC 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).

## **ITEM 2: SUMMARY OF MATERIAL CHANGES**

The last annual update of the firm's brochure was on June 30, 2020. As of the date of this brochure filing, no material changes have been made.

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## **ITEM 4: ADVISORY BUSINESS**

### **Principal Owners**

Founded in 1999, Gagnon Securities LLC ("Gagnon Securities"), a broker-dealer registered with FINRA and the SEC as a registered investment advisor, manages brokerage accounts for individuals and institutions 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 clients on a discretionary basis. Diverse in business experience and perspective, we take a research-intensive, generalist approach to evaluating investments. As we aim for capital appreciation, our client portfolios reflect the best opportunities we find across sectors and market capitalizations, assembled stock by stock and balanced to mitigate risk. 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 or institution's net worth that is invested at our firm must be aggressive growth. If an individual client or institution 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 has the following assets under management as of December 31, 2020:

Discretionary	\$ 689,355,224
Non-Discretionary	\$ 0
Total	\$ 689,355,224

## **ITEM 5: 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 registered 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 \$0.04 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, at which time we will promptly process a trade correction to reflect the correct amount.

Clients who maintain a retirement account, and former clients of Townsend Group Investments ("Townsend") who maintain retirement and non-retirement accounts, are charged a management fee equal to 2.25% (for long only accounts) or 3.00% (for hedged accounts) per 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.

Former Townsend clients who open non-retirement accounts will be charged an asset-based advisory fee, consistent with their prior fee structure, even though it is Gagnon Securities' practice to charge a transaction-based advisory fee for non-retirement advisory accounts. The asset-based fee structure is being offered to former Townsend clients because it is consistent with the type of advisory fees previously charged by Townsend and is consistent with the terms of the acquisition between Townsend and Gagnon Securities. Gagnon Securities has a conflict of interest in establishing the fee structure for non-retirement advisory accounts of former Townsend clients because the proposed acquisition is dependent on Gagnon Securities charging an asset-based advisory fee to such clients.

Variables that affect the amount of trading in an account, such as account type, market conditions and the portfolio manager's strategy, can increase or decrease the amount of trading in an account. Due to these variables, there will be times that the asset-based advisory fees applied to retirement or non-retirement accounts are more or less advantageous, depending on the number of transactions in the client's account. Generally, if there is a high amount of trading activity in the account, an asset-based advisory has the potential to be economically more favorable for the client. However, if the account does not trade actively, it has the potential to be economically more favorable for the client to pay a transaction-based advisory fee. Clients are advised of their fee structure prior to investing with Gagnon Securities.

### **Deduction of Fees**

For clients who are charged with commission and transaction fees, these charges are deducted from the account at the time of each trade and disclosed to the client on their trade confirmations.

For clients who are charged a management fee, these fees are deducted at the beginning of each month from the client's account. This amount is shown on the client's brokerage statement and, upon request, is available in invoice format.

### **Other Fees and Expenses**

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 these accounts 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 shorts that are maintained.

## **Prepaid Fees**

There are no pre-paid fees at Gagnon Securities

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

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

## **ITEM 6: PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

Gagnon Securities does not charge a performance-based fee.

## **ITEM 7: TYPES OF CLIENTS**

Gagnon Securities manages individual brokerage accounts on a discretionary basis for individuals, retirement accounts, trusts, custodial accounts, and other institutions and business entities. Each individual registered representative has his or her own minimum investment and these minimums do vary but are generally not less than a \$15,000 initial investment.

## **ITEM 8: 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 investments. As we aim for capital appreciation, our client portfolios reflect the best opportunities we find across sectors and market capitalizations, assembled stock by stock and balanced to mitigate risk. 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 monthly, 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 management teams 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 attend 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.

## **ITEM 9: 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 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 Schedule 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.

## **ITEM 10: OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

### **Broker-Dealer Registration**

Gagnon Securities is a registered broker-dealer with FINRA.

### **Other Material Relationships**

**Maureen Drew**, a Senior Partner/Registered Representative of Gagnon Securities, is a Principal of the Gagnon Securities Partners Fund LLC and Gagnon Advisors, LLC.

**Brian Gagnon**, a Senior Partner/Registered Representative of Gagnon Securities, is a Principal of the Gagnon Securities Partners Fund LLC and Gagnon Advisors, LLC. In addition, Brian is the president of Hilltop Aviation LLC.

**Neil Gagnon**, the Managing Partner/Registered Representative of Gagnon Securities, is a principal of the Gagnon Securities Partners Fund LLC and Gagnon Advisors, LLC. Gagnon Advisors, LLC is the investment manager to Gagnon Investment Associates LLC, a domestic long/short hedge fund, and Gagnon Investment Associates Offshore Ltd., a Cayman long/short hedge fund, and the manager of 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. In addition, Neil is a limited partner in Hilltop Aviation LLC and the owner of Penguin Ice Cream Shop, where he is not involved in day to day activities.

**Dwight Lee**, a Partner/Registered Representative of Gagnon Securities, is a principal in Lee Associates, LLC, which is the management company 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. Dwight E. Lee also participates in the following organizations:

The Graduate Center Foundation, Inc., CUNY  
The John Simon Guggenheim Memorial Foundation  
The Century Association  
Civitella Ranieri Foundation

**Michelle Simmons**, a Partner/Registered Representative of Gagnon Securities, is a principal of Simmons Ventures LLC, which is the investment manager to Runway Capital LP a domestic long/short equity hedge fund specializing in the consumer sector. In addition, Michelle is the managing member of Airborne Capital, a long/short equity hedge fund. She is also an advisor to Style Sage and a mentor at New York Fashion Tech Lab Program.

**Willis Taylor**, a Senior Partner/Registered Representative of Gagnon Securities, is a principal of WGT Asset Management LLC, which is the investment manager to Old Growth Partners LLC, 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. In addition, Willis is the Managing General Partner of Upland Asset Management, L.P. and a principal of the Gagnon Securities Partners Fund LLC and Gagnon Advisors, LLC.

**Evan Steen** is a non-registered fingerprinted employee of Gagnon Securities, who is a principal of EighthNote Capital Management LLC which is the Investment manager of EighthNote Capital.

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

Neither Gagnon Securities nor any affiliated persons receive any compensation from any other investment advisers.

### **ITEM 11: CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

#### **Code of Ethics**

Gagnon Securities 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, Gagnon Securities 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 you understand Gagnon Securities' obligations as a registered investment adviser and to assist in complying with these obligations.

Gagnon Securities 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 or [lisa@gagnonsec.com](mailto:lisa@gagnonsec.com) to obtain a copy.

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

It is against Gagnon Securities' 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**

As more fully described in the Gagnon Securities 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 an annual basis. In addition, any personal trading in outside accounts requires additional prior approval from the Chief Compliance Officer. Gagnon Securities requires its employees to submit brokerage statements and trade confirmations for accounts held outside Gagnon Securities.

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

## **The Funds, Discretionary Accounts and Employee Accounts**

Portfolio Managers at Gagnon Securities oftentimes 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, private funds and insiders, an order is placed to purchase or sell a security, then client accounts are executed **FIRST**. Once the trade order for clients is complete, the private funds will be executed and lastly the insider accounts.

## **ITEM 12: 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 a solicitation agreement in place with a registered representative of Smith Point Capital Limited.

### **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 Securities 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 Securities follows a Trade Allocation Procedure 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 Securities, as a matter of policy, does not aggregate trades so as to include client accounts, managed pooled accounts and Gagnon Securities affiliate accounts within the same block. Client accounts are only aggregated with other client accounts. Managed pooled accounts and Gagnon Securities affiliate accounts are aggregated separately and traded after the aggregated client account block has executed. If an exception to this rule occurs it will be documented and approved by the compliance officer.

### **IPO Trades**

Investing in IPOs is strictly prohibited for all Gagnon Securities employees. Each portfolio manager whose clients meet the requirements to participate in an IPO, will be allocated on a pro rata basis based on percentage of assets the portfolio manager represents. For example: Manager "A" has 10 accounts but only 5 can participate in an IPO. The market value of those 5 accounts total \$20,000. Manager "B" has 3 accounts and all 3 can participate. The market value of those accounts total \$5,000. The shares received from the IPO would be split 80% to Manager "A" and 20% to Manager "B". ( $20,000+5,000=25,000$ )

Manager "A" =  $20,000/25,000 = 80\%$

Manager "B" =  $5,000/25,000 = 20\%$

Allocation to those eligible accounts will be as follows:

- 1) Clients are allocated shares first. Once all clients are completed for that manager, then the pooled investment accounts for that manager can receive an allocation. It's important to note that any shares allocated to the pooled investment accounts will not have any realized or unrealized gain or losses applied to those limited partners who are insiders.
- 2) If the allocation does not complete the clients' accounts and a partial allocation occurs, the allocation of shares will be based on the worst performing accounts for the prior month for that portfolio manager. Any other method of allocation would require prior approval from the operations manager and/or CCO.

## **ITEM 13: REVIEW OF ACCOUNTS**

### **General Description**

Gagnon Securities reviews different aspects of its clients' accounts on a timely basis. Reviews are 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 a client's request.

Lisa Ferrante, Chief Compliance Officer and Partner of Gagnon Securities, or her designee will review all order tickets daily for proper record keeping, commission/fee charges and compliance with firm standards and applicable industry rules. Ms. Ferrante or her designee will review and approve all new accounts to check for completeness of a client application, suitability standards and compliance with anti-money laundering procedures. Routinely, both the operational staff and portfolio managers will review client accounts and positions, with monthly oversight from Ms.

Ferrante or her designee. Included in the portfolio manager's quarterly letters to clients, it is requested that clients notify Gagnon Securities of any changes in their investment objectives or financial information to ensure suitability.

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 of 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 Fidelity Clearing & Custody Solutions, National Financial Services LLC ("NFS"), 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 client's 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 NFS.

## **ITEM 14: CLIENT REFERRALS AND OTHER COMPENSATION**

Gagnon Securities will compensate third parties for client referrals. If, in Gagnon Securities' judgement, a particular payment constitutes a client solicitation arrangement, it will comply with the provisions of Rule 206(4)-3 under the Advisers Act. The payment of this compensation creates a financial incentive for the recipient to refer clients to Gagnon Securities.

## **ITEM 15: CUSTODY**

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

## **ITEM 16: 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.

## **ITEM 17: VOTING CLIENT SECURITIES**

**Proxy Voting Policies - No Authority**

Proxies are sent out from our clearing firm NFS 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 II 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.

## **ITEM 18 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.