

# GAGNON SECURITIES LLC

## Form CRS Relationship Summary

October 1, 2021

### Item 1. Introduction

**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](https://investor.gov/CRS), which also provides educational materials about broker-dealers, investment advisers and investing.

### Item 2. Relationships and Services

#### What Investment Services and Advice Can You Provide Me?

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 is not our core business. We do not make recommendations to buy and sell securities in these accounts. Transactions in this type of account is solely at your direction (non-discretionary account/ Not Advisory Account). Monitoring of these accounts are not continuous like our Advisory Accounts. There are no minimum brokerage account size or investment requirements. We are able to transact in equities, options, and limited bonds. 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.

Gagnon utilizes its broker-dealer to place all trades on our trading desk and execute with various brokers on an agency basis. Clients do not direct orders.

**Additional Information: Please reference Form ADV Part I (section 5D) and Form ADV Part 2A (Item Numbers 4 and 7 ) for additional information regarding our advisory business and type of clients.**

#### *Conversation Starters*

- Given my financial situation, should I choose an investment advisory service? Should I choose a brokerage service? Should I choose both types of services? Why or why not?
- How will you choose investments to recommend to me?
- What is your relevant experience, including your licenses, education and other qualifications? What do these qualifications mean?

### Item 3. Fees, Costs, Conflicts and Standard of Conduct

#### What Fees Will I Pay?

The fees you pay depend on whether you choose brokerage services or advisory services. The amount paid to our firm and your financial professional generally does not vary based on the type of investment we/you select. 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.

**Transactional Based Commissions:** The more transactions in your account, the more fees we charge you. We, therefore, have an incentive to encourage you to engage in transactions.

**Asset Based Fees:** 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. 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.

Brokerage Accounts are charged 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 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  $100 \times 5.00 = \$500 + \$4 = \$504$ . Advisory Accounts are charged one of two scenarios:

**Scenario #1 Transaction Based:** 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  $100 \times \$5.00 = \$500 \times 2\% = \$10.00$ .

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 ( $(100 \times \$5 = \$500) + (500 \times 2\% = \$10.00) + (100 \times .04 = \$4.00)$ ).

**Scenario #2 Asset Based:** 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.

**Additional Information:** You will pay fees and costs whether you make or lose money on your investments. Fees and costs will reduce any amount of money you make on your investments over time. Please make sure you understand what fees and costs you are paying. Please reference Form

**ADV Part I and Form ADV Part 2A. Specifically, Item 5 E of the Form ADV Part I and Item 5 of Form ADV Part 2A discuss the fees associated with an advisory account.**

*Conversation Starter*

- Help me understand how these fees and costs might affect my investments. If I give you \$10,000 to invest, how much will go to fees and costs, and how much will be invested for me?

**What Are Your Legal Obligations To Me When Providing Recommendations As My Broker-Dealer Or When Acting As My Investment Adviser? / How Else Does Your Firm Make Money And What Conflicts Of Interest Do You Have?**

We do not provide recommendations as your broker-dealer. When we act as your investment adviser, we have to act in your best interest and not put our interests 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 services and investment advice, we provide you. Here are some examples to help you understand what this means.

- **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.

*Conversation Starter*

- How might your conflicts of interest affect me, and how will you address them?

**For additional information please refer to our Gagnon Securities LLC Form ADV and Form ADV Part 2A brochure which covers our conflicts of interest and affiliations.**

**How Do Your Financial Professionals Make Money?**

Your financial professional will make money based on the transactions and or fees based on the assets in your account. In addition, if your financial professional is a partner of Gagnon Securities, he/she is entitled to their percentage of revenue the firm earns from Gagnon Securities LLC.

## Item 4. Disciplinary History

### **Do You Or Your Financial Professionals Have Legal Or Disciplinary History?**

Yes. Visit <https://www.investor.gov/> for a free and simple search tool to research us and or our financial professionals.

#### *Conversation Starter*

- As a financial professional, do you have any disciplinary history? For what type of conduct?

## Item 5. **Additional Information**

For additional information on our services, please visit, [www.gagnonsec.com](http://www.gagnonsec.com). Here you can find links to our Form ADV Part I, Part II and a copy of this disclosure. If you have any questions or need additional up-to-date information, please contact our Client Services team at 212-554-5038 or email us at [clientservices@gagnonsec.com](mailto:clientservices@gagnonsec.com).

#### *Conversation Starter*

- 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?