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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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ANNUAL AUDITED REPORT
FORM X-17A-5
PART III

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SECTION

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FACING PAGE

Information Required of Brokers and Dealers Pursuant to Section 17 of the
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

REPORT FOR THE PERIOD BEGINNING 1/01/02 AND ENDING 12/31/02
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER:

Gagnon Securities, LLC

OFFICIAL USE ONLY
FIRM ID. NO.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

1370 Avenue of Americas, Suite 2002

(No. and Street)

New York,

New York

10019

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

Susan DuMont

(212) 554-5052

(Area Code - Telephone No.)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Grant Thornton LLP

(Name - if individual, state last, first, middle name)

60 Broad Street

New York

N.Y.

10004

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

- Certified Public Accountant
- Public Accountant
- Accountant not resident in United States or any of its possessions.

PROCESSED

MAR 18 2003

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THOMSON
FINANCIAL

*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See section 240.17a-5(e)(2).

OATH OR AFFIRMATION

I, Neil J. Gagnon swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Gagnon Securities, LLC as of December 31, 2002 are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

Neil J. Gagnon

Signature

President
Title

SUE ANN MURRAY
Notary Public - State of New York
No. 01MU4750502
My Commission Expires Jan. 31, 2006

Sue Ann Murray

Notary Public

This report** contains (check all applicable boxes):

- (a) Facing page.
- (b) Statement of Financial Condition.
- (c) Statement of Income (Loss).
- (d) Statement of ~~Changes in Financial Condition~~ Cash Flows
- (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietor's Capital.
- (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- (g) Computation of Net Capital
- (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- (i) Information Relating to the Possession or control Requirements Under Rule 15c3-3.
- (j) A Reconciliation, including appropriate explanation, of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- (l) An Oath or Affirmation.
- (m) A copy of the SIPC Supplemental Report.
- (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

**For conditions of confidential treatment of certain portions of this filing, see section 240.17e-3(e)(3).

CONSOLIDATED STATEMENT OF FINANCIAL
CONDITION AND REPORT OF INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS

GAGNON SECURITIES, LLC AND SUBSIDIARY

December 31, 2002



REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Members of
Gagnon Securities, LLC and Subsidiary

We have audited the accompanying consolidated statement of financial condition of Gagnon Securities, LLC and Subsidiary (the "Company") as of December 31, 2002. This consolidated statement of financial condition is the responsibility of the Company's management. Our responsibility is to express an opinion on this consolidated statement of financial condition based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statement of financial condition is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement of financial condition. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall statement of financial condition presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated statement of financial condition referred to above present fairly, in all material respects, the consolidated financial position of Gagnon Securities, LLC and Subsidiary as of December 31, 2002 in conformity with accounting principles generally accepted in the United States of America.

Grant Thornton LLP

New York, New York
January 24, 2003

Gagnon Securities, LLC and Subsidiary

CONSOLIDATED STATEMENT OF FINANCIAL CONDITION

December 31, 2002

ASSETS

Cash and cash equivalents	\$1,508,394
Government securities owned - at market value	999,510
Corporate bond owned - at fair value	1,000,000
Restricted securities owned - at market value	125,075
Investment - at fair value	250,000
Receivable from clearing broker	339,388
Furniture, fixtures and leasehold improvements, less accumulated depreciation and amortization of \$527,457	1,164,299
Other assets	<u>156,501</u>
Total assets	<u>\$5,543,167</u>

LIABILITIES AND MEMBERS' EQUITY

Employee compensation payable	\$ 155,847
Accounts payable and accrued expenses	475,601
Deferred rent	<u>84,189</u>
	<u>715,637</u>
Commitments	
Member's equity	4,924,218
Capital notes receivable from members	<u>(96,688)</u>
	<u>4,827,530</u>
Total liabilities and members' equity	<u>\$5,543,167</u>

The accompanying notes are an integral part of this statement.

Gagnon Securities, LLC and Subsidiary

NOTES TO CONSOLIDATED STATEMENT OF FINANCIAL CONDITION

December 31, 2002

NOTE A - ORGANIZATION

Gagnon Securities, LLC and Subsidiary (the "Company"), formed in November 1999 as a continuation of a portion of the brokerage business of Gilder, Gagnon, Howe & Co., LLC, is a registered broker-dealer with the Securities and Exchange Commission ("SEC") and became a member of the National Association of Securities Dealers, Inc. on June 1, 2000. The Company provides brokerage and investment services to its clients. The Company clears all customer securities transactions through its clearing broker pursuant to a fully disclosed clearance agreement and is therefore exempt from the requirement of SEC rule 15c3-3 under paragraph k(2)(ii).

NOTE B - SIGNIFICANT ACCOUNTING POLICIES

The consolidated statement of financial condition includes the assets, liabilities and results of operations of Gagnon Investments, Inc. ("GII"), a wholly-owned subsidiary which acts as the Investment Manager of Gagnon Investment Associates LLC ("GIA"), an investment company which the Managing Member of the Company, Neil J. Gagnon, is a member of. All intercompany balances and transactions have been eliminated.

Securities transactions are recorded on a trade-date basis.

Securities owned are stated at quoted market values. Investments that are not readily marketable are recorded at fair value as determined by management.

Commission revenue and related expenses are recorded on a trade-date basis.

Furniture, fixtures and leasehold improvements are carried at cost less accumulated depreciation and amortization. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are amortized over the lesser of the economic useful life of the improvement or the lease.

Capital notes receivable from members related to the purchase of membership interests in the Company are classified as a debit in members' equity until paid.

Cash and cash equivalents include cash, money market funds and highly liquid debt instruments purchased with an original maturity of three months or less.

No provision has been made for Federal or state income taxes since the taxable income or loss of the Company is to be included in the tax return of the members.

NOTES TO CONSOLIDATED STATEMENT OF FINANCIAL CONDITION (continued)

December 31, 2002

NOTE B (continued)

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions in determining the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE C - TRANSACTIONS WITH CLEARING BROKER AND CUSTOMERS

Pursuant to a clearing agreement, the Company's clearing broker, Bear Stearns Clearing Corp., provides securities clearance, settlement and custodial services for the customers of the Company.

The clearing broker is exposed to risk of loss on customer transactions in the event the customer fails to satisfy its obligations. The clearing broker may be required to purchase or sell securities at prevailing market prices in order to fulfill the customer's obligations. The Company has agreed to indemnify its clearing broker for losses the clearing broker may sustain from customer accounts introduced by the Company. The clearing broker seeks to control the risks associated with these customer activities by requiring customers to maintain collateral in compliance with various regulatory and internal guidelines. The Company and its clearing broker monitor required margin levels and, pursuant to such guidelines, require each customer to deposit additional collateral, or reduce positions, when necessary.

NOTE D - RELATED PARTY TRANSACTIONS

GII is the Investment Manager of GIA. Pursuant to the management agreement, GII is entitled to receive as compensation a percentage of the net profits earned in each GIA member's account.

The Company provides research and other operational and administrative support services to, and executes securities transactions on behalf of, GIA.

Gagnon Securities, LLC and Subsidiary

NOTES TO CONSOLIDATED STATEMENT OF FINANCIAL CONDITION (continued)

December 31, 2002

NOTE E - COMMITMENTS

The Company is obligated under a noncancellable operating lease through 2009. In addition to base rent, the lease provides for the Company to pay certain expenses. Future aggregate minimum annual rent payments under these leases are approximately as follows:

<u>Fiscal year</u>	<u>Minimum rental commitment</u>
2003	\$ 382,000
2004	385,000
2005	403,000
2006	411,000
2007	420,000
Thereafter	<u>1,459,000</u>
	<u>\$3,460,000</u>

Deferred rent payable is recorded for the difference between rent payments and rent expense, which is recognized on a straight-line basis over the life of the lease.

NOTE F - EMPLOYEE BENEFIT PLAN

The Company maintains a profit-sharing plan (the "Plan") qualified under Section 401(a) of the Internal Revenue Code covering substantially all full-time, salaried employees. The Plan is funded entirely by the Company.

NOTE G - NET CAPITAL REQUIREMENT

As a registered broker-dealer, the Company is subject to the Uniform Net Capital Rule 15c3-1 of the Securities and Exchange Commission, which requires that the Company maintain minimum net capital, as defined, of \$5,000 or 6-2/3% of aggregate indebtedness, as defined, whichever is greater. Net capital and aggregate indebtedness change from day to day, but as of December 31, 2002, the Company had net capital of \$2,114,607, which exceeded its requirement of \$47,709 by \$2,066,898.

Grant Thornton

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60 Broad Street
New York, New York 10004
Tel: 212 422-1000
Fax: 212 422-0144
www.grantthornton.com