

Firm Brochure
(Part 2A of Form ADV)

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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 212-554-5050 and/or susan@gagnonsec.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority. Investment adviser registration does not imply a certain level of skill or training.

Additional information about Gagnon Securities LLC also is available on the SEC’s website at www.adviserinfo.sec.gov.

March 30, 2012

MATERIAL CHANGES

This Item 2 provides you with a summary of material changes since the last annual update of the Brochure on March 29, 2011. This version of the Brochure, dated March 30, 2012, has been amended as follows:

- **Item 5 (Fees and Compensation)** – This item has been updated to clarify that certain portfolio managers are compensated by Gagnon Securities LLC (“Gagnon Securities” or the “Firm”) on the basis of a percentage of the net commissions generated by client transactions, and to discuss the potential conflicts of interest.
- **Item 6 (Performance-Based Fees and Side-By-Side Management)** – This item has been updated to clarify that while Gagnon Securities does not charge performance-based fees, our portfolio managers may manage discretionary client accounts and private hedge funds side-by-side, as well as how Gagnon Securities addresses the related potential conflicts of interest.
- **Item 10 (Other Financial Industry Activities and Affiliations)** – This item has been updated to clarify that the private hedge funds managed by portfolio managers and principals of Gagnon Securities manage have an institutional brokerage relationship with Gagnon Securities.
- **Item 11 (Code of Ethics, Participation or Interest in Client Transactions)** – This section has been revised to clarify that Gagnon Securities only engages in principal transactions under limited circumstances and to explain Gagnon Securities’s investment allocation procedures in more detail.
- **Item 12 (Brokerage Practices)** – This section has been updated to clarify that clients direct Gagnon Securities to act as broker in executing all transactions for their discretionary accounts and to effect trades with such other broker-dealers, banks or other counterparties as Gagnon Securities may deem appropriate. This item has also been updated to describe the Firm’s trade aggregation and allocation practices (including for initial public offerings) in more detail.

The foregoing is only a summary of the material changes to the Brochure. It does not purport to identify every change to the Brochure since the last annual update. This summary of material changes is qualified in its entirety by reference to the full discussion in this Brochure. Clients are encouraged to read the Brochure in detail and contact their account representative with any questions.

TABLE OF CONTENTS

	Page
ADVISORY BUSINESS	1
FEES AND COMPENSATION	1
PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT.....	3
TYPES OF CLIENTS	3
METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS	3
DISCIPLINARY INFORMATION.....	4
OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS	4
CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING	5
BROKERAGE PRACTICES	6
REVIEW OF ACCOUNTS	7
CLIENT REFERRALS AND OTHER COMPENSATION.....	8
CUSTODY	8
INVESTMENT DISCRETION	8
VOTING CLIENT SECURITIES	8
FINANCIAL INFORMATION.....	8

ADVISORY BUSINESS

Principal Owners

Founded in 1999, Gagnon Securities, a broker-dealer and investment adviser registered with the SEC and a member of FINRA, 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 advisers 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 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, the account can be blocked from transacting in that security. In addition, clients who 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 may request that their account be blocked from transacting in such securities.

Assets Under Management

Gagnon Securities LLC had \$140,322,759 in discretionary assets under management as of January 31, 2012.

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 .05 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, in which case 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% per annum paid monthly in arrears, calculated based on the average daily value of the

assets held in the account 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 charges that are deducted from the account at the time of each trade and disclosed to the clients 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 clients' brokerage statement and is available in invoice format upon request.

Other Fees and Expenses

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

Prepaid Fees

Gagnon Securities does not charge fees in advance.

Compensation for the Sale of Securities

Certain portfolio managers are compensated by Gagnon Securities on the basis of a percentage of the net commissions generated by client transactions. The receipt of compensation based on client commissions may give the portfolio managers an incentive to recommend securities and other investments based on the compensation received, rather than on the client's needs. Gagnon Securities addresses these conflicts through disclosure in this Brochure. In addition, certain portfolio managers receive compensation as a result of the management of the private hedge funds from the investment managers and/or general partners to those funds, which are owned in whole or in part by the portfolio managers. These private hedge funds are not offered as part of Gagnon Securities's advisory services; only clients who express an interest are introduced to the private hedge funds.

Use of Unaffiliated Brokers

Clients may purchase the securities and other investments that Gagnon Securities recommends through other broker-dealers or financial institutions that are not affiliated with the Firm. However, such clients will not receive the benefit of the investment advice and client service that Gagnon Securities provides to our clients.

Commissions

Commissions represent Gagnon Securities's primary source of compensation for its advisory clients.

PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

Gagnon Securities does not charge performance fees. As mentioned above, certain portfolio managers of Gagnon Securities manage the assets of private hedge funds that charge performance-based fees. These private hedge funds are not advised by Gagnon Securities. To the extent the portfolio managers manage accounts that charge performance-based fees side-by-side with accounts that are not charged a performance-based fee, there may be a conflict of interest because the portfolio managers may have a financial incentive to allocate investment opportunities to the private hedge funds rather than the discretionary accounts managed on behalf of Gagnon Securities. Gagnon Securities has implemented trade execution practices that are reasonably designed to address this conflict by prioritizing the orders for clients of Gagnon Securities before those of the funds. Additionally, Gagnon Securities and our portfolio managers periodically review allocations of investment opportunities, and compare the performance of the discretionary accounts managed by Gagnon Securities against those of the private hedge funds. Any exceptions or issues arising from the reviews are brought to the attention of Gagnon Securities's Chief Compliance Officer ("CCO").

TYPES OF CLIENTS

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

METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

Gagnon Securities is a team of brokers and investment advisers 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.

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. Investing in securities involves risk of loss that clients should be prepared to bear. 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 and managed account agreements.

DISCIPLINARY INFORMATION

Neither Gagnon Securities nor any management person has any reportable disciplinary history.

OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

Broker-Dealer Registration

Gagnon Securities is registered as a broker-dealer with the SEC and is a member of FINRA.

Other Material Relationships

Certain portfolio managers and principals of Gagnon Securities manage private hedge funds that maintain an institutional brokerage relationship with Gagnon Securities. Although clients of Gagnon Securities may from time to time elect to invest in the private hedge funds directly, the funds are not offered as part of the advisory services Gagnon Securities provides to our clients. The management of these funds is considered outside business activities of the portfolio managers.

Neil Gagnon, a senior partner of Gagnon Securities, is a managing member of Gagnon Advisors LLC, which serves as the investment manager to Gagnon Investment Associates Master Fund and its two feeder funds: Gagnon Investment Associates, a domestic long/short equity hedge fund, Gagnon Investment Associates Offshore Fund, a Cayman long/short equity hedge fund and the GIS Fund Of Funds LLC, a domestic fund of funds. Mark Rogers, a partner of Gagnon Securities, is a manager of GIS Fund of Funds LLC. Neil Gagnon is also an indirect owner of Gagnon Advisors LLC, which is owned by Gagnon Administrative Services LLC, of which Neil Gagnon is a principal owner.

Dwight Lee, a partner of Gagnon Securities, is a managing member of Upland Office Services, which serves as the investment manager to Upland Associates LP, a domestic long/short equity hedge fund.

Willis Taylor, a partner of Gagnon Securities, is a managing member of WGT Asset Management LLC, which serves as the investment manager to Old Growth Partners, a domestic long/short equity hedge fund.

Gagnon Administrative Services LLC, owned by Neil Gagnon as a majority, and Lee Associates LLC, owned by Dwight Lee, together own GagnonLee Management LLC, which is the investment manager to Darwin Partnership LP, a domestic long/short equity hedge fund. Willis Taylor is also a manager of GagnonLee Management LLC.

Kelly Pan, a partner of Gagnon Securities, is a managing member of Pantheon Capital Management, which serves as the investment manager to Pantheon Partners and Pantheon Partners II, long/short technology hedge funds.

Bernard Selz, an employee of Gagnon Securities, is a managing member of Selz Capital LLC, which serves as the investment manager to Karnak Partners, a long/short domestic fund, Ermitage Selz Fund Ltd., a long/short Bermuda fund, and GAM Selection Hedge Investments, a long/short equity fund domiciled in British Virgin Islands.

As described above, portfolio managers and principals of Gagnon Securities will directly or indirectly manage the assets of funds that in some respects compete with clients at Gagnon Securities for certain investments. Gagnon Securities has implemented trade execution practices that are reasonably designed to address this conflict by prioritizing the orders for clients of Gagnon Securities before those of the funds.

Receipt of Compensation from Investment Advisers

Gagnon Securities does not receive any direct or indirect compensation from any other investment advisers.

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 a code of ethics (the “Code of Ethics”) to prevent violations of federal securities laws. The Code of Ethics is intended to help our supervised persons understand the Firm’s obligations as a registered investment adviser and to assist them in complying with these obligations. The Code of Ethics includes provisions relating to the confidentiality of client information, prohibition on insider trading, restrictions on the acceptance of gifts and entertainment items, and personal securities trading procedures, among other things. All supervised persons at Gagnon Securities are asked to acknowledge the terms of the Code of Ethics annually. The Firm expects all employees to act with honesty, integrity and professionalism and to adhere to federal securities laws. A copy of Gagnon Securities’s Code of Ethics is available upon request. Please contact Susan DuMont at 212-554-5050 and/or susan@gagnonsec.com.

Participation or Interest in Client Transactions

As described above, certain partners of Gagnon Securities manage private hedge funds. Although clients of Gagnon Securities may from time-to-time elect to invest in the private hedge funds, they are not offered as part of the advisory services Gagnon Securities provides to our clients. Gagnon Securities’s employees are required to follow Gagnon Securities’s Code of Ethics and trading allocation policies.

Participation or Interest in Personal Trading

Gagnon Securities may engage in principal transactions in certain circumstances, including to transfer securities to a client account where necessary to cover short trades in order to facilitate the termination of a client account. Gagnon Securities does not earn any compensation in connection with these transactions. Gagnon Securities does not engage in cross trades or agency cross trades.

As more fully described in the Gagnon Securities's Code of Ethics, all employees of Gagnon Securities are required to submit reports detailing their personal securities holdings to the CCO on an initial and annual basis. Employees are also required to submit quarterly transaction reports or statements documenting any personal securities transactions. The CCO (or her designee) is responsible for reviewing the employees' quarterly transaction reports as well as their initial and annual holdings report as part of Gagnon Securities's duty to maintain and enforce our Code of Ethics. In instances when the CCO has engaged in personal securities transaction, Neil Gagnon, the senior partner, will review the CCO's brokerage statements and trade confirmations.

Portfolio managers at Gagnon Securities who manage accounts for clients of Gagnon Securities on a discretionary basis may invest their own personal accounts, accounts for their families and accounts for any entity in which they have a beneficiary ownership of more than 10% in the same way as they do for their clients by following the trade execution order as follows: discretionary clients of Gagnon Securities are always executed first (Tier 1), to the extent that a portfolio manager manages a hedge fund in which Access Persons of Gagnon Securities may have an interest the fund will be executed second (Tier 2) behind discretionary clients, and last to be executed will be any employee or family accounts (Tier 3). Any exceptions require pre-approval by the CCO and a record of such will be maintained by the CCO.

BROKERAGE PRACTICES

All clients authorize and direct Gagnon Securities to act as broker in executing all transactions for the accounts and to effect trades with such other broker-dealers, banks or other counterparties as Gagnon Securities may deem appropriate subject (in the case of non-retirement accounts) to the commission and transaction fees set forth in the managed account agreement. In selecting broker-dealers to execute client transactions, best price, giving effect to commissions and other transaction costs is normally an important factor, but the selection also takes into account the quality of brokerage services, including execution capability, willingness to commit capital, creditworthiness and financial suitability, clearance and settlement capability and the provision of research and other services. Accordingly, transactions will not always be executed at the lowest available price or transaction cost. Notwithstanding the foregoing, Gagnon Securities has an obligation as a broker-dealer to seek to achieve best execution when effecting client trades. Gagnon Securities periodically conducts execution quality reviews and monitors and reviews execution performance by broker-dealers, banks or other counterparties.

Clients should understand that not all advisers require their clients to direct brokerage. Gagnon Securities may not always be able to achieve the most favorable execution for client transactions and clients may pay higher transaction costs or receive less favorable prices as a result of their decision to trade through Gagnon Securities. The prices, commissions, other execution costs and transaction charges for trades directed through Gagnon Securities and executed through other broker-dealers, banks or other counterparties, may not be as favorable as those that might be obtained if trades were placed through another broker-dealer.

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.

Aggregation of Trades

Gagnon Securities may decide to purchase or sell the same securities for several client accounts at approximately the same time. Where Gagnon Securities believes aggregation is appropriate or in the best interest of clients, orders for multiple client accounts may be combined or “bunched” when possible to facilitate obtaining best execution and/or to allocate equitably among such clients the effects of any market fluctuations that might have otherwise occurred had such orders been placed independently. Gagnon Securities’s aggregation policy is to only aggregate trades within our trading tiers. Under this aggregation procedure, the transactions may be averaged as to price. Gagnon Securities does not aggregate trades across the trading tiers. Securities acquired in initial public offerings (“IPOs”) are also allocated to eligible accounts sequentially based on the trading tiers described above and within each tier based on the total size of the investment portfolio. Gagnon Securities’s employees are prohibited from investing in IPOs.

REVIEW OF ACCOUNTS

General Description

The CCO or her designee reviews all order tickets daily for proper record keeping and compliance with Gagnon Securities standards and applicable industry rules. The CCO also approves and reviews all new accounts to check for completeness of client application, suitability standards and compliance with anti-money laundering procedures. All client statements are reviewed on a quarterly basis, first by the portfolio manager managing the account to conduct a brief review of positions held by their clients and then by Susan DuMont to review for trade suitability, investment objectives and commission charges. Date and the initials of the reviewer evidence all of the above aforementioned reviews.

Client Reports

Clients that have activity in their accounts for the month will receive monthly brokerage statements from J. P. Morgan Clearing as well as timely trade confirmations. Clients at a minimum will receive quarterly brokerage statements along with a 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 from our in-house software system provided by Advent Software.

CLIENT REFERRALS AND OTHER COMPENSATION

Gagnon Securities does not receive any economic benefit from third parties for providing investment advice or other advisory services to our clients. Neither Gagnon Securities nor our affiliates compensate any person who is not a supervised person for client referrals.

CUSTODY

Gagnon Securities does not maintain custody of client accounts. As an introducing broker, Gagnon Securities relies on J. P. Morgan Clearing Services to custody client funds

and securities held in brokerage accounts maintained on behalf of our discretionary clients.

INVESTMENT DISCRETION

Accounts of Gagnon Securities are managed on a discretionary basis. Each client and/or employee 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 CCO or her designee for appropriateness of securities transactions, frequency of trading, and suitability.

VOTING CLIENT SECURITIES

Proxies are sent out from our clearing firm, J. P. Morgan Clearing, directly to our clients (the account holder of record). Gagnon Securities currently does not vote proxies on behalf our clients or otherwise render advice with respect to a particular proxy solicitation. 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

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