

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20120335229**

TO: Department of Enforcement
Financial Industry Regulatory Authority ("FINRA")

RE: Hudson Valley Capital Management, Respondent
CRD No. 24162

Mark Joseph Gillis, Respondent
General Securities Principal, Financial and Operations Principal,
and General Securities Representative
CRD No. 2381496

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Hudson Valley Capital Management ("Hudson Valley" or the "Firm") and Mark Joseph Gillis ("Gillis") submits this Letter of Acceptance, Waiver and Consent ("AWC") for the purpose of proposing a settlement of the alleged rule violations described below. This AWC is submitted on the condition that, if accepted, FINRA will not bring any future actions against Hudson Valley and Gillis alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. Hudson Valley and Gillis hereby accept and consent, without admitting or denying the findings, and solely for the purposes of this proceeding and any other proceeding brought by or on behalf of FINRA, or to which FINRA is a party, prior to a hearing and without an adjudication of any issue of law or fact, to the entry of the following findings by FINRA:

BACKGROUND

Hudson Valley, formerly known as Securities Trading, has been a FINRA registered broker-dealer since June 21, 1989. Hudson Valley is an introducing broker-dealer that transacts a general securities business. The Firm is headquartered in Croton-on-Hudson, New York, and also maintains a branch office located in Saranac Lake, New York. The Firm is owned by Hudson Valley Capital Management LLC ("HVCMLLC"). Gillis and Charles William Doller III ("Doller"), President of Hudson Valley, each own 50 percent of HVCMLLC. Gillis and Doller are the only two individuals associated with Hudson Valley.

Gillis entered the securities industry in 1993 and has been associated with eight present and former FINRA-registered broker-dealers. Gillis holds the following securities licenses: Series 7, Series 63, Series 24, and Series 28, and obtained them between August 1993 and March 2010.

Gillis is currently the Chief Executive Officer ("CEO"), Chief Compliance Officer ("CCO"), Chief Financial Officer ("CFO"), and Financial and Operations Principal ("FINOP") of Hudson Valley. He is also a registered representative and the broker of record for over 80 customer accounts at the Firm. Gillis is also currently associated with FINRA-registered broker-dealer WCG as a registered representative.

RELEVANT DISCIPLINARY HISTORY

Neither Hudson Valley nor Gillis have any prior disciplinary history in the securities industry relevant to this matter.

OVERVIEW

During 2012, in order to circumvent established net capital and minimum account equity requirements, Hudson Valley, acting through Gillis, used the Firm's Average Price Account¹ to improperly day trade² millions of dollars of stock. Gillis ensured that he would personally benefit from his day-trading by making his personal brokerage account the counterparty to certain purchases and sales in the Average Price Account. When allocating shares from the Average Price Account to his personal brokerage account in connection with these transactions, Gillis marked-up or marked-down corresponding share prices, giving his personal brokerage account more favorable prices in order to transfer money from the Average Price Account to his personal brokerage account. Gillis thereafter withdrew the proceeds of his improper day trading from his personal brokerage account.

However, when Gillis' improper day-trading activities caused significant monetary losses in the Average Price Account, Gillis engaged in a scheme to defraud Hudson Valley's clearing firm and customers by using their funds and securities to cover the losses. Gillis engaged in unauthorized trading in a customer account, selling off the customer's stock and improperly using those shares to partially cover a short position in the Average Price Account that was too costly to cover from the open market. Additionally, Gillis also engaged in a fraudulent post-execution trade allocation scheme whereby Gillis, without receiving any customer orders, bought

¹ An Average Price Account is a proprietary account typically used by broker-dealers to buy or sell large numbers of shares of a given security for their customers, but in smaller increments throughout the trading day. After the trades are completed, the broker-dealer transfers the accumulated long or short positions to one or more customer accounts for an average price or volume-weighted average price.

² A day trade is the purchase and sale (or short sale and purchase to cover) of a security within a single trading day.

thousands of shares of securities on the open market in the Average Price Account and allocated those shares to several customer accounts at markups ranging between approximately 177% and 280%. Gillis also converted the funds of a customer to pay for an unauthorized stock purchase.

In connection with the scheme to defraud, during 2012 Gillis also engaged in unauthorized trading in several customer accounts, causing at least one customer to sustain a loss of approximately \$400,000. Gillis' unauthorized trading in customer accounts, as well as excessive markups, caused the Firm to create and maintain inaccurate books and records.

Gillis' improper trading in customer accounts caused a net capital deficiency for Hudson Valley in excess of \$350,000. Gillis' ability to engage in fraudulent and unauthorized trading occurred because Hudson Valley failed to adequately supervise Gillis' trading activities at the Firm.

During FINRA's investigation of this matter, Gillis made misstatements during sworn testimony and in writing in connection with his improper trading activities. Gillis also made additional misstatements to at least two customers in order to conceal his scheme to defraud and his unauthorized trading in customers' accounts.

FACTS AND VIOLATIVE CONDUCT

Scheme to Defraud & Conversion

Section 10(b) of the Exchange Act makes it "unlawful for any person . . . to use or employ, in connection with the purchase or sale of any security . . . any manipulative or deceptive device or contrivance in contravention of such rules and regulations as the [United State Securities and Exchange Commission or 'SEC'] may prescribe." Rule 10b-5, which implements this provision, forbids the use, "in connection with the purchase or sale of any security," of "any device, scheme or artifice to defraud" or any other "act, practice, or course of business" that "operates . . . as a fraud or deceit."

Section 15(c)(1)(A) of the Exchange Act provides that, "No broker or dealer shall . . . effect any transaction in, or . . . induce or attempt to induce the purchase or sale of, any security . . . by means of any manipulative, deceptive, or other fraudulent device or contrivance." An individual that causes a violation of Section 10(b), Rule 10b-5 and Section 15(c)(1)(A) of the Exchange Act also violates FINRA Rule 2010.

FINRA Rule 2020 provides that "[n]o member shall effect any transaction in, or induce the purchase or sale of, any security by means of any manipulative, deceptive or other fraudulent device or contrivance."

Conversion is the intentional and unauthorized taking of and/or exercise of ownership over property by one who neither owns the property nor is entitled to possess it. Conversion of

property constitutes a violation of FINRA Rule 2010.

Given that Gillis is the CEO, CCO, FINOP and 50% owner of Hudson Valley, the Firm is the corporate embodiment of Gillis and is liable for his misconduct.

During 2012, Hudson Valley's minimum net capital was \$5,000. Therefore, the Firm could not engage in more than 10 transactions in any one calendar year for its own investment account unless it maintained a net capital of at least \$100,000.¹ Gillis maintained a personal brokerage account at Hudson Valley, however, he could not conduct day trading in his personal account given that he lacked the minimum equity levels required by FINRA Rules.²

In order to circumvent the capital and equity requirements for proprietary transactions and day trading, Gillis used the Firm's Average Price Account to improperly day trade millions of shares of stock. Gillis then transferred money to himself by trading between his own personal brokerage account and the Average Price Account at prices beneficial to his personal account to the detriment of the Average Price Account.

For example, on July 10, 2012, Gillis entered in the Average Price Account a short-sale of 56,794 shares of ABC³ at \$46.76 per share for a total price of \$2,655,842. At the same time Gillis purchased 750 shares of ABC for his personal brokerage account from the Average Price account, marking-down the purchase price to \$45.30 per share for a total cost of \$33,975. Gillis partially covered of the ABC short-position in the Average Price Account by purchasing 750 shares of ABC from his personal brokerage account, but marked-up the ABC purchase price at \$50.04 per share for a total cost of \$37,530. Gillis' brokerage account received a \$3,555 gain from the day-trading of ABC stock to the detriment of the Average Price Account.

On July 10, 2012, Gillis withdrew a portion of the proceeds obtained from his improper day trading of ABC stock by withdrawing \$2,100 from his personal brokerage account. By engaging in similar day trading and improper price allocations between the Firm's Average Price Account and his personal brokerage account during July 2012, Gillis reflected a \$20,000 gain in his personal brokerage account and withdrew over \$19,000 through the issuance of checks and a wire transfer.

In furtherance of his scheme to defraud, in July 2012 Gillis covered two short positions in the Average Price Account by making covered purchases of stock from his wife's brokerage account

¹ See Rule 15c3-1(a)(2)(iii)(B).

² FINRA Rule 4210 requires the maintenance of a \$25,000 minimum equity level for pattern day trading accounts. Between April and July 2012, Gillis maintained an average monthly closing account balance of over \$12,000.

³ None of the stock symbols cited in this AWC are the actual symbols for the securities traded in this matter.

at Hudson Valley at share prices higher than the market price. For example, on July 10, 2012, Gillis entered in the Average Price Account a short sale of 125 shares of DEF stock for \$19.61 per share for a transaction price of \$2,451. DEF's highest share price during the trading day was \$20.52. Gillis covered the short sale by purchasing into the Average Price Account 125 shares of DEF from his wife's brokerage account at \$32.31 per share, representing a markup of over 57%. While Gillis' wife's account received approximately \$1,600 from the mark-up in purchase price, the Average Price Account sustained a corresponding loss in the same amount.

In an effort to cover losses caused by both his personal day trading in the Firm's Average Price Account and the withdrawal of the proceeds from this improper trading from his personal brokerage account, Gillis involved Firm customers in the scheme to defraud by entering unauthorized trades in at least three customer accounts and allocating shares to these customers at excessive and unreasonable markups.

On or about July 27, 2012, Gillis entered a short-sale of 23,000 shares of HIJ stock in the Average Price Account at \$233.77 per share for total price of approximately \$5.4 million. Gillis subsequently entered a covered buy-order in the Average Price Account for 31,000 shares of HIJ at \$237.33 per share for a total cost of approximately \$7.4 million. The Average Price Account sustained a loss of \$81,951 from the short-sale and was carried a long position in HIJ of nearly \$1.9 million.

In order to cover the trading losses in HIJ in the Average Price Account, Gillis, engaged in a fraudulent post-execution trade allocation scheme, in which Gillis purchased a large position of stock and improperly allocated these securities to customer accounts at excessive markups. On July 27, 2012, Gillis, entered unauthorized purchases of LMN in the TS Trust and SK Trust customer accounts. LMN was priced at \$1.96 at the opening of the trading day, traded as high as \$2.02 per share and closed at \$1.00 per share. As detailed in the chart below, Gillis, bought 50,000 shares of LMN at \$2.00 a share and allocated these shares from the Average Price Account to the TS Trust and SK Trust accounts at markups at about or exceeding 200 percent:

Trade Date	Account	Buy/Sell	No. of Shares	Price Per Share/Markup %	Transaction Amount	Trade Description
7/27/2012	Avg. Price	Buy	50,000	\$2.00	\$99,998	Buy from Street
7/27/2012	Avg. Price	Sell	50,000	\$6.79	\$339,500	Sale to Customer
7/27/2012	TS Trust	Buy	25,000	\$7.59/ 279.5%	\$189,825	Unauthorized customer purchase
7/27/2012	SK Trust	Buy	25,000	\$5.99/ 199.5%	\$149,750	Unauthorized customer purchase

Hudson Valley's clearing firm liquidated over 470,000 shares of stock valued at \$92,000 from the TS Trust account as a forced sale in order to cover a margin call in the account resulting from

Gillis' unauthorized purchase of LMN. The TS Trust account incurred a loss of at least \$140,000 as a result of the unauthorized purchase and excessive markup allocation of LMN stock.

On July 30, 2012, Gillis entered another unauthorized purchase of 35,000 shares of LMN in the UR Pension Fund account. LMN was priced at \$2.05 per share at the opening of the trading day, went as high as \$2.27 per share, and closed at \$2.24 per share. Gillis bought 35,000 shares of LMN at \$2.26 per share for a total cost of \$79,000 and allocated these shares from the Average Price Account to customer UR Pension Fund at \$6.26 per share -- a markup of approximately 176.99%, charging the UR Pension fund \$219,000. As a result, the UR Pension Fund incurred a loss of at least \$139,900 as a result of the unauthorized purchase and excessive markup of LMN stock.

Customers TS, SK and UR were charged \$558,500 for the unauthorized purchases of LMN at excessive markups averaging over 218%.

Gillis also converted TS' funds in connection with his unauthorized purchase of LMN stock. At the time Gillis bought LMN stock for the TS Trust account, Gillis knew that Hudson Valley's clearing firm would hold TS responsible for the purchase. In fact, in order to pay for the unauthorized purchase of LMN, Hudson Valley's clearing firm entered a margin sell-out of 470,000 shares of various stock held in the TS Trust account. Gillis used the proceeds from the unauthorized sale of LMN stock to cover day-trading losses sustained in the Average Price account. Even after TS complained to Gillis about the unauthorized purchase of LMN, Gillis did not reverse or cancel the LMN transaction.

By engaging in unauthorized trading and allocating shares to customer accounts at excessive markups, Gillis was able to conceal losses he sustained in the Average Price Account from Hudson Valley's clearing firm. As a result of the foregoing conduct, Hudson Valley willfully violated both Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, and Section 15(c)(1)(A) of the Exchange Act and Rule 15c1-2 thereunder and violated FINRA Rules 2020 and 2010.

Additionally, Gillis willfully violated Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, caused a violation of Section 15(c)(1)(A) of the Exchange Act, and violated FINRA Rules 2020 and 2010. Gillis also converted customer TS's funds in violation of FINRA Rule 2010.

Excessive Markups

NASD Rule 2440 prohibits member firms from charging customers prices that are not reasonably related to the current market price of a security. IM-2440-1 states NASD adopted a policy setting a guideline of five percent for determining whether a mark-up is unfair or

unreasonable. Additionally, IM-2440-1 provides that "[i]t shall be deemed a violation of Rule ...[2010] and Rule 2440 for a member to enter into any transaction with a customer in any security at any price not reasonably related to the current market price of the security..."

As described above, during July 2012, Gillis entered three unauthorized purchase orders in the accounts of three customers -- TS Trust, SK Trust and UR Pension Fund -- causing these customers to buy 85,000 shares of LMN at mark-ups ranging between approximately 177% and 280% of the market price for this security.

Hudson Valley and Gillis charged mark-ups to customers that were not fair and reasonable and this activity violated NASD Rule 2440, IM-2440-1 and FINRA Rule 2010.

Unauthorized Trading

An associated person is responsible for obtaining his or her customer's consent prior to purchasing a security for the customer's account. Unauthorized trading in a customer's account violates FINRA Rule 2010.

As described above, Gillis entered unauthorized trades in the accounts of SK Trust, TS Trust and UR Pension Fund. Gillis' scheme was to use these unauthorized trades to purchase LMN stock at highly elevated fictitious prices, and charge the higher price to customers in order to pay for losses incurred by Gillis's day trading in the Average Price Account.

Gillis also used other instances of unauthorized trading to cover day-trading losses in the Average Price Account. On July 5, 2012, Gillis entered a short sale of 69,160 shares of RST at \$80.66 per share in Average Price Account. Gillis later covered part of the short sale by purchasing 39,160 shares of RST from the market at a higher price of \$81.98 per share. However, to compensate for the higher RST price, Gillis placed an unauthorized sale order of 30,000 shares of RST held in the UR Pension customer account and purchased it for the Average Price Account at \$79.23 per share.

On or about August 6, 2012, Gillis entered another unauthorized purchase in the TS Trust account of 25,000 shares of LMN at a cost of over \$61,000. Gillis purchased the LMN shares at or about the market price from the Average Price Account.

In addition to the unauthorized customer trades associated with the scheme to defraud, between February 21st and July 30th, 2012, Gillis executed at least 18 additional unauthorized trades in the form of short-sales and covered purchases of over 668,000 shares in the UR Pension Fund. Gillis' unauthorized trades resulted in an additional loss of approximately \$395,756 to the UR Pension Fund.

Gillis did not have written discretionary authority to trade in the three customer accounts in question, nor did these customers give Gillis their permission and authority to effect the transactions described above.

As a result of the foregoing, Gillis violated FINRA Rule 2010.

Misstatements to FINRA

FINRA Rule 8210 requires persons subject to FINRA's jurisdiction to provide information and testimony requested in connection with any investigation or examination. Providing false information to FINRA violates Rules 8210 and 2010.

On August 2, 2012, Gillis, in his capacity as the Firm's CFO and FINOP, filed with FINRA written notice, reporting that on August 1, 2012, the Firm had a net capital deficiency of \$356,000. Gillis falsely reported in that filing that Hudson Valley's net capital deficiency was caused by "a few trade errors/corrections that were not noticed," when in fact the net capital deficiency was created by Gillis' improper trading scheme.

On September 7, 2012, during an on-the-record interview ("OTR") with FINRA staff, Gillis denied intentionally marking-up the share prices. Respondent also testified that he did not manipulate the prices at which trades were allocated to his personal account in order to transfer money from the Average Price Account to his personal account.

In a second OTR on September 19, 2012, Gillis recanted his prior testimony and admitted that he intentionally marked-up the price of LMN shares to cover losses sustained from his improper day trading in the Average Price Account. Gillis also admitted that he marked-up stock prices in customer accounts in an effort to conceal losses in the Average Price Account from Hudson Valley's clearing firm. Gillis also admitted that he intentionally manipulated stock prices in order to transfer money to his personal brokerage account to the detriment of the Average Price Account.

As a result of the foregoing, Gillis violated FINRA Rules 8210 and 2010.

Misrepresentations to Customers

Making misrepresentations to customers constitutes unethical conduct in violation of FINRA Rule 2010.

In or about February 2012, a third party representative for customer UR contacted Gillis on at least three occasions to report unauthorized trading in the customer's account. In response, Gillis misrepresented that the trades were the result of errors and would be corrected. Rather than reversing the transaction and booking the unauthorized transactions to the Firm's error account, Gillis executed additional unauthorized transactions in UR's account to unwind the positions at a loss to the customer of approximately \$395,756.

In or about July 2012, customer TS confronted Gillis about unauthorized trading occurring in his account. In response to TS' inquiries, Gillis misrepresented that the trades in question were the result of an errors made by Hudson Valley's clearing firm.

Gillis's misrepresentations to customers UR and TS were made in an effort to conceal his fraudulent trading scheme and unauthorized trading activities.

Gillis statements to these customers about trades made in their accounts were not true and by making them Gillis violated FINRA Rule 2010.

Supervisory Procedures

NASD Rule 3010(b) provides that "[e]ach member shall establish, maintain, and enforce written procedures to supervise the types of businesses in which it engages and to supervise the activities of...registered principals...that are reasonably designed to achieve compliance with applicable securities laws and regulations, and with applicable Rules of ...[FINRA]."

In 2010, Hudson Valley received a Cautionary Action letter from FINRA's Member Regulation department concerning violations of Securities and Exchange Commission Rules, as well as FINRA Rules that were noted during a cycle examination of the Firm. Among other violations, Member Regulation informed Hudson Valley that it failed to assign a supervisor to review Gillis' activities in customer accounts and that Gillis should have been subject to heightened supervision given that he was a producing manager.

In response to the examination findings, Hudson Valley, acting through Doller, sent a letter to Member Regulation representing that, among other things, Gillis' customer account activity would be supervised by Doller, that Gillis was subject to heightened supervision and that the process for supervising Gillis would be incorporated into Hudson Valley's written supervisory procedures.

However, Hudson Valley's written supervisory procedures were never amended to include any procedures detailing how Gillis' trading activities would be subject to supervisory review.

In fact, between June 2011 and July 2012, the Firm failed to supervise Gillis' trading activities in customer accounts, the Average Price Account, Gillis' personal account and in any accounts in which Gillis held an interest. Had the Firm reviewed Gillis' trading activities, it would have discovered Gillis' improper day-trading and his scheme to defraud customers.

As a result of the foregoing, Hudson Valley violated NASD Rule 3010(b) and FINRA Rule 2010.

Inaccurate Books and Records

FINRA Rule 4511 (a) requires member firms to "make and preserve books and records as required under FINRA rules, the Exchange Act and the applicable Exchange Act rules."

In turn, Exchange Act Rule 17a-3 requires member firms to make and keep, among other things, "[a] memorandum of each brokerage order, and of any other instructions, given or received for the purchase or sale of securities." Entering inaccurate information in a member firm's books or records, or causing it to be entered, therefore violates both FINRA Rules 4511(a) and 2010.

Gillis, created electronic order tickets for the purchases of LMN stock in the UR Pension Fund, TS Trust and SK Trust customer accounts and RST stock from his wife's brokerage account for the Average Price Account at marked-up share prices. Given that the share price information recorded by Gillis on the electronic order tickets for these trades was false, Gillis created inaccurate books and records for the Firm.

Gillis also created electronic order tickets for at least 22 unauthorized transactions in three customer accounts. Given that the purchase and sale information recorded by Gillis on the electronic order tickets for these trades was false, Gillis created inaccurate books and records for the Firm.

As a result of the foregoing, Hudson Valley willfully violated Section 17(a) of the Exchange Act and Rule 17a-3 thereunder, and both Hudson Valley and Gillis violated FINRA Rules 4511 and 2010.

Net Capital Deficiency

Section 15(c) the Exchange Act and Rule 15c3-1 thereunder requires broker-dealers to have sufficient liquid capital to protect the assets of customers and to meet their responsibilities to other broker-dealers. The rule is designed to assure that the broker-dealers who fall below minimum net capital requirements can be liquidated in an orderly fashion without the need for formal proceedings. The failure to maintain required net capital constitutes a violation of Rule 15c3-1, as well as a violation of FINRA Rule 2010.

A broker-dealer's FINOP is responsible for ensuring compliance with the net capital rule. Once a person agrees to serve as a firm's FINOP, and for so long as he retains that position, he is responsible for carrying out its attendant duties and obligations. Gillis was the designated CFO and FINOP for the Firm and was responsible for ensuring that Hudson Valley remained in compliance with its net capital requirements.

During 2012, the Firm's minimum net capital requirement was \$5,000. Hudson Valley's excess net capital as of July 31, 2012 was approximately \$47,620. On or about August 1, 2012, the Firm experienced a net capital deficiency of approximately \$350,000. The net capital deficiency was

caused by Gillis' unauthorized trading in a customer account that resulted in a loss of approximately \$395,755. While in net capital deficiency, the Firm continued to engage in a securities business.

After being contacted by Hudson Valley's clearing firm about the customer loss in question, FINRA informed Gillis that Hudson Valley would be responsible for the \$395,755 customer loss, which put Hudson Valley out of net capital compliance.

On August 2, 2012, Gillis filed with FINRA a written notification admitting that Hudson Valley was in net capital deficiency of \$356,000.

As a result of the foregoing, Hudson Valley violated Section 15(c) of the Exchange Act and Rule 15c3-1 thereunder and FINRA Rule 2010. Gillis violated FINRA Rule 2010 by causing Hudson Valley to violate Section 15(c) of the Exchange Act and Rule 15c3-1 thereunder.

- B. Hudson Valley and Gillis (collectively, the "Respondents") also consent to the imposition of the following sanctions:

Hudson Valley: Expulsion from membership with FINRA.

Gillis: A bar from association with any FINRA-registered firm in any capacity.

Hudson Valley understands that if it is expelled from FINRA membership, it becomes subject to a statutory disqualification as that term is defined in Article III, Section 4 of FINRA's By-Laws, incorporating Section 3(a)(39) of the Exchange Act of 1934.

Hudson Valley understands that this settlement includes a finding that it willfully violated Section 10(b) and Rule 10b-5 thereunder, Section 15(c)(1)(a) and Rule 15c1-2 thereunder and Section 17(a) and Rule 17a-3 thereunder of the Securities Exchange Act of 1934 and that under Article III, Section 4 of FINRA's By-Laws, this makes the Firm subject to a statutory disqualification with respect to membership.

Hudson Valley also understands that this settlement includes a finding that it failed to supervise an individual who violated Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 thereunder, and that under Article III, Section 4 of FINRA's By-Laws, this makes the Firm subject to a statutory disqualification with respect to membership.

Gillis understands that if he is barred from associating with any FINRA member, Gillis becomes subject to a statutory disqualification as that term is defined in Article III, Section 4 of FINRA's By-Laws, incorporating Section 3(a)(39) of the Securities

Exchange Act of 1934. Accordingly, Gillis may not be associated with any FINRA member in any capacity, including clerical or ministerial functions, during the period of the bar or suspension (see FINRA Rules 8310 and 8311).

Gillis understands that this settlement includes a finding that he willfully violated Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 thereunder, and that under Article III, Section 4 of FINRA's By-Laws, this makes Gillis subject to a statutory disqualification with respect to association with a member.

The sanctions imposed herein shall be effective on a date set by FINRA staff. Pursuant to FINRA Rule 8313(e), expulsion and a bar shall become effective upon approval or acceptance of this AWC.

II.

WAIVER OF PROCEDURAL RIGHTS

Hudson Valley and Gillis specifically and voluntarily waives the following rights granted under FINRA's Code of Procedure:

- A. To have a Complaint issued specifying the allegations against Hudson Valley and Gillis;
- B. To be notified of the Complaint and have the opportunity to answer the allegations in writing;
- C. To defend against the allegations in a disciplinary hearing before a hearing panel, to have a written record of the hearing made and to have a written decision issued; and
- D. To appeal any such decision to the National Adjudicatory Council ("NAC") and then to the U.S. Securities and Exchange Commission and a U.S. Court of Appeals.

Further, Hudson Valley and Gillis specifically and voluntarily waives any right to claim bias or prejudgment of the General Counsel, the NAC, or any member of the NAC, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including acceptance or rejection of this AWC.

Hudson Valley and Gillis further specifically and voluntarily waive any right to claim that a person violated the ex parte prohibitions of FINRA Rule 9143 or the separation of functions prohibitions of FINRA Rule 9144, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC,

including its acceptance or rejection.

III.

OTHER MATTERS

Hudson Valley and Gillis understand that:

- A. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by the NAC, a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs ("ODA"), pursuant to FINRA Rule 9216;
- B. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against Hudson Valley and Gillis; and
- C. If accepted:
 - 1. this AWC will become part of Hudson Valley's and Gillis' permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against Hudson Valley and Gillis;
 - 2. this AWC will be made available through FINRA's public disclosure program in response to public inquiries about my disciplinary record;
 - 3. FINRA may make a public announcement concerning this agreement and the subject matter thereof in accordance with FINRA Rule 8313; and
 - 4. Hudson Valley and Gillis may not take any action or make or permit to be made any public statement, including in regulatory filings or otherwise, denying, directly or indirectly, any finding in this AWC or create the impression that the AWC is without factual basis. Hudson Valley and Gillis may not take any position in any proceeding brought by or on behalf of FINRA, or to which FINRA is a party, that is inconsistent with any part of this AWC. Nothing in this provision affects Hudson Valley's and Gillis' right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party.

Gillis certifies both individually and on behalf of Hudson Valley as a person dually authorized

to act on its behalf, that he has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it; that Respondents have agreed to its provisions voluntarily, and that no offer, threat, inducement, or promise of any kind, other than the terms set forth herein and the prospect of avoiding the issuance of a Complaint, has been made to induce Respondents to submit it.

10/19/12

Date (mm/dd/yyyy)

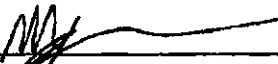


Mark Joseph Gillis

For Hudson Valley Capital Management:

10/19/12

Date (mm/dd/yyyy)



By: Mark Joseph Gillis

Hudson Valley Capital Management
Chief Executive Officer, Chief Compliance
Officer and FINOP

Accepted by FINRA:

11/8/12

Date

Signed on behalf of the
Director of ODA, by delegated authority



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