

**STATE OF ILLINOIS
SECRETARY OF STATE
SECURITIES DEPARTMENT**

IN THE MATTER OF: Mark Joseph Gillis)
_____))

FILE NO. 1200371

NOTICE OF HEARING

TO THE RESPONDENT:

Mark Joseph Gillis
(CRD# 2381496)
296 Panorama Drive
Saranac Lake, NY 12983

Hudson Valley Capital Management
2039 Albany Post Road Suite 200
Croton on Hudson, NY

You are hereby notified that pursuant to Section 11.F of the Illinois Securities Law of 1953 [815 ILCS 5] (the "Act") and 14 Ill. Adm. Code 130, Subpart K, a public hearing will be held at 69 West Washington Street, Suite 1220, Chicago, Illinois 60602, on the 24th day of January, 2013 at the hour of 10 00 a.m. or as soon as possible thereafter, before James Kopecky, or such other duly designated Hearing Officer of the Secretary of State.

Said hearing will be held to determine whether an order shall be entered revoking Mark Joseph Gillis (the "Respondent") registration as an Salesperson in the State of Illinois and/or granting such other relief as may be authorized under the Act including but not limited to the imposition of a monetary fine in the maximum amount pursuant to Section 11.E(4) of the Act, payable within ten (10) business days of the entry of the Order.

The grounds for such proposed action are as follows:

1. That at all relevant times, the Respondent was registered with the Secretary of State as salesperson in the State of Illinois pursuant to Section 8 of the Act.
2. That on November 8, 2012 FINRA entered Acceptance, Waiver and Consent ("AWC" or "Order") submitted by the Respondent regarding Disciplinary Proceeding No. 2012033522901 which sanctioned the Respondent as follows:

Barred (Permanently) from association with any FINRA member in any capacity.

3. That the Order found Mark Joseph Gillis willfully violated Section 10(B) of the Securities Exchange Act, Rule 10B-5 thereunder, caused a violation of Sections 15(C), 15(C)(1)(A) of the Exchange Act, Rule 15C3-1 thereunder, violated FINRA Rules 210, 2020, 4511, 8210, NASD Rule 2440, Interpretative Material 2440-1- Mark Gillis, As his member firms' Chief Executive Officer (CEO), Chief Compliance Officer (CCO), Financial and Operations Officer (FINOP) and 50% owner of the firm, circumvented the Capital and Equity requirements for proprietary transactions and day trading by using the Firm's average price account to improperly day trade millions of shares of stock and 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 short positions in the average price account by making covered purchases of stock from his wife's brokerage account at share prices higher than the market price. To cover losses, Gillis involved firm customers by entering unauthorized trades in customers' accounts and allocating shares to these customers at excessive and unreasonable markups. To cover the trading losses in a stock in the average prices account, he engaged in a fraudulent post-execution trade allocating scheme, in securities to customer accounts at excessive markups. The firms clearing firm liquidated over 470,000 shares of stock valued at \$92,000 from and account as a forced sale to cover a margin call in the account resulting from and unauthorized purchase of another stock. Customers were charged \$558,500 for unauthorized purchases of stock at excessive markups averaging over 218%. Gillis was able to conceal losses in the average price account from his firm's clearing firm through unauthorized trading and allocating shares to customers accounts at excessive markups, Gillis charged markups to customer that were not fair and reasonable. Gillis entered unauthorized trades in customer accounts and used these unauthorized trades to purchase stock at highly elevated fictitious prices, and charge the higher price to customers to pay for losses incurred by his day trading in the average price account. Gillis also used unauthorized trading to cover day trading losses. In addition to the unauthorized customer trades associated with his scheme to defraud, Gillis executed additional unauthorized trades in the form of short sales and covered purchases in pension fund resulting in and additional loss of approximately \$395,756 to the pension fund. Gillis did not have written discretionary authority to trade in customer accounts nor did the customers give him permission and authority to effect these transactions. Gillis provided false information during a FINRA on-th-record interview but later recanted his prior testimony during a second interview. A third party representative for a customer contacted Gillis to report unauthorized trading in the account and Gillis misrepresented that the trades were the result of errors and would be corrected

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rather than reversing the transaction and booking the transaction to the firm's error account, Gillis executed additional unauthorized transactions in the account to unwind the positions at a loss to the customer of approximately \$395, 756. A customer confronted Gillis about unauthorized trading in his account and Gillis misrepresented that the trades in questions were the result of errors made by the clearing firm. Gillis created electronic order tickets for a stock purchase at market-up share prices; the share price information recorded by Gillis was false, creating inaccurate books and records for the Firm. Gillis also created electronic false purchase and sale information which created inaccurate books and records for the Firm. Gillis caused his member firm to operate in a net capital deficiency due to his unauthorized trading. Gillis filed a written notification to FINRA acknowledging the deficiency. Without admitting or denying the findings, Gillis consent to the described sanction and to the entry of findings; Therefore, he is barred from association with any FINRA member in any capacity. This settlement includes a finding that Gillis willfully violated Section 10(B) of the Securities Exchange Act of 1934 and rule 10B-5 thereunder, and that under Article II, Section 4 of FINRA'S by-laws; this makes Gillis subject to a statutory disqualification with respect to association with a member.

- 4 That Section 8 E(1)(j) of the Act provides, inter alia, that the registration of a salesperson may be revoked if the Secretary of State finds that such Salesperson has been suspended by any self-regulatory organization Registered under the Federal 1934 Act or the Federal 1974 Act arising from any fraudulent or deceptive act or a practice in violation of any rule, regulation or standard duly promulgated by the self-regulatory Organization
5. That FINRA is a self-regulatory organization as specified in Section 8.E(1)(j) of the Act.
6. That by virtue of the foregoing, the Respondent's registration an Salesperson representative in the State of Illinois is subject to revocation pursuant to Section 8.E(1)(j) of the Act.

You are further notified that you are required pursuant to Section 130.1104 of the Rules and Regulations (14 ILL. Adm. Code 130) (the "Rules"), to file an answer to the allegations outlined above within thirty (30) days of the receipt of this Notice. A failure to file an answer within the prescribed time shall be construed as an admission of the allegations contained in the Notice of Hearing.

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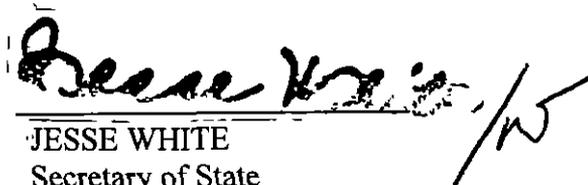
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Furthermore, you may be represented by legal counsel; may present evidence; may cross-examine witnesses and otherwise participate. A failure to so appear shall constitute default, unless any Respondent has upon due notice moved for and obtained a continuance.

A copy of the Rules, promulgated under the Act and pertaining to hearing held by the Office of the Secretary of State, Securities Department, can be found at www.cyberdriveillinois.com

Delivery of Notice to the designated representative of any Respondent constitutes service upon such Respondent.

Dated This 7th day of December 2012.



JESSE WHITE
Secretary of State
State of Illinois

Attorney for the Secretary of State:
Cheryl Goss Weiss
Office of the Secretary of State
Illinois Securities Department
69 West Washington Street, Suite 1220
Chicago, Illinois 60602
Telephone: (312) 793-3384

Hearing Officer:
James Kopecky