

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2012034412101**

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

RE: Paul Elvidge, Jr., Respondent
General Securities Principal
CRD No. 1852650

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Paul Elvidge, Jr. ("Elvidge"), 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 me alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. I 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

On June 6, 1988, Elvidge became associated with a FINRA member firm, and became registered as a general securities representative in October 1988, as an Options Principal in April 1989, and as a general securities principal in June 2009. In August 2011, Elvidge became associated with FINRA member firm Cape Securities, Inc. On October 26, 2012, Cape Securities filed a Uniform Termination Notice for Securities Industry Registration ("Form U5") for Elvidge, terminating his association with the firm. Elvidge is not currently associated with a FINRA member firm.

RELEVANT DISCIPLINARY HISTORY

Elvidge has no prior relevant disciplinary history.

FACTS AND VIOLATIVE CONDUCT

Between February 2012 and September 2012, Elvidge misappropriated funds from seven customer accounts at Cape Securities by submitting 21 separate wire transfer requests on which he had forged the customers' signatures, in violation of FINRA Rules 2150(a) and 2010.

FINRA Rule 2010 requires that associated persons of a FINRA member firm "in the conduct of [their] business, shall observe high standards of commercial honor and just and equitable principles of trade." FINRA Rule 2150(a) mandates that "no member or person associated with a member shall make improper use of a customer's securities or funds."

During the period from February 2012 to September 2012, Elvidge wrongfully and without authorization converted funds for his own use and benefit from the Cape Securities brokerage accounts of seven customers. Elvidge submitted 21 separate wire transfer requests totaling \$690,152.90 to Cape Securities, ostensibly on behalf of the customers; however, the funds were wired into the operating account for

Elvidge's office. Elvidge admits that he forged the customers' signatures on the wire transfer requests; none of the seven customers were aware of or authorized the transfers. Once the funds were in Elvidge's operating account, the majority were transferred to a futures trading account owned and controlled by Elvidge, where the funds were lost due to trading activity. One customer, M. T., was repaid by Elvidge.

As a result of the foregoing, Elvidge violated FINRA Rules 2010 and 2150(a).

- B. I also consent to the imposition of the following sanctions: A bar from association with any FINRA member firm in all capacities; and

An order to pay restitution to the customers listed in Attachment A hereto in the total amount of \$620,177.90 plus interest plus interest at the rate set forth in Section 6621(a)(2) of the Internal Revenue Code, 26 U.S.C. 6621(a)(2), from the date listed for each customer in Attachment A hereto until the date this AWC is accepted by the NAC.

Respondent Elvidge shall submit satisfactory proof of payment of restitution or of reasonable and documented efforts undertaken to effect restitution. Such proof shall be submitted to Rebecca L. Segrest, Senior Regional Counsel, FINRA, 3490 Piedmont Road NE, Suite 500, Atlanta, Georgia 30305, either by letter that identifies the Respondent and the case number and includes a copy of the check, money order or other method of payment or by e-mail, with pdf copies of the payment documentation, to EnforcementNotice@FINRA.org. This proof shall be provided to the FINRA staff member listed above no later than 120 days after acceptance of the AWC.

If for any reason Respondent cannot locate any customer identified in Attachment A after reasonable and documented efforts within 120 days from the date the AWC is accepted, or such additional period agreed to by a FINRA staff member in writing, Respondent shall forward any undistributed restitution and interest to the appropriate escheat, unclaimed property or abandoned property fund for the state in which the customer is last known to have resided. Respondent shall provide satisfactory proof of such action to the FINRA staff member identified above and in the manner described above, within 14 days of forwarding the undistributed restitution and interest to the appropriate state authority.

Respondent has specifically and voluntarily waived any right to claim an inability to pay at any time hereafter the monetary sanction(s) imposed in this matter.

The imposition of a restitution order or any other monetary sanction herein, and the timing of such ordered payments, does not preclude customers from pursuing their own actions to obtain restitution or other remedies.

I understand that if I am barred or suspended from associating with any FINRA member, I become 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, I 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).

Pursuant to FINRA Rule 8313(e), a bar or expulsion shall become effective upon approval or acceptance of this AWC.

II.

WAIVER OF PROCEDURAL RIGHTS

I specifically and voluntarily waive the following rights granted under FINRA's Code of Procedure:

- A. To have a Complaint issued specifying the allegations against me;
- 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, I specifically and voluntarily waive 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.

I 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.

I 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 me; and
- C. If accepted:
 - 1. This AWC will become part of my permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against me;
 - 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. I 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. I 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 my right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party.

I certify that I have read and understand all of the provisions of this AWC and have been given a full opportunity to ask questions about it; that I 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 me to submit it.

12-13-2012
Date

Paul Elvidge, Jr.
Paul Elvidge, Jr., Respondent

Accepted by FINRA:

Jan. 23, 2013
Date

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

Rebecca L. Segrest

Rebecca L. Segrest, Senior Regional Counsel
FINRA Department of Enforcement
One Securities Centre, Suite 500
3490 Piedmont Road, N.E.
Atlanta, Georgia 30305
Telephone: (404) 239-6125; Facsimile: (404) 264-1586
E-Mail: rebecca.segrest@finra.org

**ATTACHMENT A—LETTER OF ACCEPTANCE, WAIVER AND CONSENT
PAUL ELVIDGE, JR., NO. 20120344121**

<u>CUSTOMER</u>	<u>AMOUNT</u>	<u>DATE</u>
LRRT	\$80,000	2/17/12
CE	\$45,100	2/24/12
AR	\$271,337	2/28/12
SR	\$142,000	4/12/12
HR	\$6,583.90	4/12/12
CGT	\$75,157	7/23/12