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IN THE MATTER OF THE INVESTMENT
ADVISER REPRESENTATIVE
REGISTRATION OF SHAILESH NEGANDHI

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Order No. REG-24-SUS-07

TO: Shailesh Negandhi (CRD No. 4897340)
Fourstar Wealth Advisors, LLC
4730 Prestbury Drive
Suwanee, GA 30024

DISCIPLINARY ORDER

Be it remembered that Shailesh Negandhi ("Respondent") appeared before the Securities Commissioner of the State of Texas ("Securities Commissioner") and consented to the entry of this order ("Order") and the Findings of Fact and Conclusions of Law contained herein for the sole purpose of resolving an investigation by the Texas State Securities Board.

FINDINGS OF FACT

1. Respondent has waived (a) Respondent's right to notice and hearing in this matter; (b) Respondent's right to appear and present evidence in this matter; (c) Respondent's right to appeal this Order; and (d) all other procedural rights granted to the Respondent by The Securities Act, Tex. Gov't Code §§ 4001.001-4008.105 ("Texas Securities Act"), and the Administrative Procedure Act, Tex. Gov't Code Ann. §§ 2001.001-2001.903.
2. From May 13, 2013, through April 20, 2022, Respondent was registered with the Securities Commissioner as an investment adviser representative and agent of UBS Financial Services Inc ("UBS").
3. On October 10, 2023, Respondent applied for registration with the Securities Commissioner as an investment adviser representative of Cape Investment Advisory, Inc. ("Cape Investment").
4. On March 12, 2024, Respondent withdrew his application for registration with the Securities Commissioner as an investment adviser representative of Cape Investment.

5. On May 15, 2024, Respondent applied for registration with the Securities Commissioner as an investment adviser representative of Fourstar Wealth Advisors, LLC ("Fourstar Wealth").

Unsuitable Recommendations

6. From July 30, 2019, to August 12, 2021 (the "Relevant Period"), Respondent provided services to at least thirty (30) client accounts (the "Client Accounts"). Part of Respondent's services consisted of recommending the purchase of Closed End Funds ("CEFs").
7. A CEF is a type of mutual fund that issues a fixed number of shares through an initial public offering ("IPO"). The IPO is done to raise capital for the fund's investments.
8. After the IPO, the CEF proceeds to trade on a stock exchange and no new shares are created.
9. IPOs of CEFs occur approximately every two months.
10. Each time Respondent purchased a CEF for one of the Client Accounts, he received a sales credit.
11. This sales credit is subject to a penalty bid period that generally lasts between forty-five (45) and sixty (60) days but can be more or less depending on each CEF.
12. If Respondent sold the CEF before the penalty bid period had expired, then the fund company would take back the sales credit paid to Respondent.
13. After the IPO, the CEF is traded on a stock exchange, and Respondent would no longer be paid a sales credit. Typically, the price of CEF shares would immediately decrease after the IPO and would sell at a discount.
14. UBS's written policies and procedures ("WSPs") prohibited recommending or effecting transactions in products intended for long term investment and selling it shortly thereafter.
15. UBS listed CEFs as a product intended for long term investment within its WSPs.
16. During the Relevant Period, Respondent engaged in a pattern of purchasing CEFs for more than twenty ("20") of his clients, holding the CEFs for only a couple of months, selling the positions, and then switching his clients to a new CEF when it became available and thereby generating a sales credit with each switch.
17. Respondent would begin to sell his clients' positions either right after the penalty bid period ended, right as UBS announced the next CEF's start date, or both.

18. After a new CEF was made available by UBS, Respondent would email UBS and ask if the penalty bid period had expired for the prior CEF.
19. If it was confirmed that the penalty bid period had expired, Respondent would begin selling his clients' prior CEF shares leading up to the new CEF becoming available.
20. If Respondent was told that the penalty bid period had not yet expired, then Respondent would hold onto the prior CEF shares until the penalty bid period expired.
21. For example, on December 28, 2020, Respondent received an announcement of the launch of a new CEF offering, with the trade date of January 27, 2021. Within thirty (30) minutes of receiving the announcement, Respondent sent an email to UBS inquiring as to whether the penalty bid period had expired for a prior CEF his clients were already holding. UBS responded and told Respondent that it had expired and so he began selling the prior CEF shares for his clients that same day. He subsequently purchased the new CEF when it became available.
22. During the Relevant Period, a majority of Respondent's clients lost money as a result of his short-term trading strategy in CEFs.
23. And during the Relevant Period, Respondent doubled his own earnings through the sales credits.

Mitigating Factors

24. Respondent has not been registered with the Securities Commissioner in any capacity for a period of two (2) years.

CONCLUSIONS OF LAW

1. Respondent's repeated pattern of short-term trading in CEFs, in the manner described above and for the periods reflected, without a reasonable basis to do so, constitutes an inequitable practice in rendering services as an agent and investment adviser representative.
2. Respondent's short-term trading strategy violated multiple UBS' policies and procedures and therefore also constitutes an inequitable practice in the sale of securities.
3. Pursuant to Section 4007.105(a)(3)(A) of the Texas Securities Act, the aforementioned violation inequitable practices in the sale of a securities constitute a basis for the issuance of an Order reprimanding and suspending the Respondent.

ORDER

1. It is therefore ORDERED that the registration of Shailesh Negandhi as an investment adviser representative of Fourstar Wealth with the Securities Commissioner is hereby Granted.
2. It is further ORDERED that Shailesh Negandhi is hereby REPRIMANDED.
3. It is further ORDERED that Shailesh Negandhi is hereby SUSPENDED for a period of three (3) months from the date this Order is entered by the Securities Commissioner.

SIGNED AND ENTERED BY THE SECURITIES COMMISSIONER this 16th day of August, 2024.



TRAVIS J. ILES
Securities Commissioner

Respondent:

Negandhi S.W
Shailesh Negandhi

Approved as to Form:

Cristi P. Ochoa
Cristi Ochoa,
Deputy Securities Commissioner

Elliott Wolf
Elliott Wolf,
Attorney