

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 79195 / October 31, 2016

INVESTMENT COMPANY ACT OF 1940
Release No. 32344 / October 31, 2016

ADMINISTRATIVE PROCEEDING
File No. 3-17652

In the Matter of	:	ORDER INSTITUTING ADMINISTRATIVE
Nicholas H. Shermeta and	:	AND CEASE-AND-DESIST PROCEEDINGS
Napa Properties, LLC,	:	PURSUANT TO SECTIONS 15(b) AND 21C
Respondents.	:	OF THE SECURITIES EXCHANGE ACT
	:	OF 1934 AND SECTION 9(b) OF THE
	:	INVESTMENT COMPANY ACT OF 1940,
	:	MAKING FINDINGS, AND IMPOSING
	:	REMEDIAL SANCTIONS AND A CEASE-
	:	AND-DESIST ORDER

I.

The Securities and Exchange Commission (“Commission”) deems it appropriate and in the public interest that public administrative and cease-and-desist proceedings be, and hereby are, instituted pursuant to Sections 15(b) and 21C of the Securities Exchange Act of 1934 (“Exchange Act”) and Section 9(b) of the Investment Company Act of 1940 (“Investment Company Act”) against Nicholas H. Shermeta and Napa Properties, LLC (collectively, “Respondents”).

II.

In anticipation of the institution of these proceedings, Respondents have submitted an Offer of Settlement (the “Offer”) which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, and without admitting or denying the findings herein, except as to the Commission’s jurisdiction over them and the subject matter of these proceedings, which are admitted, and except as provided herein in Section V, Respondents consent to the entry of this Order Instituting Administrative and Cease-and-Desist Proceedings Pursuant to Sections 15(b) and 21C of the Securities Exchange Act of 1934 and Section 9(b) of the Investment Company Act of 1940, Making Findings, and Imposing Remedial Sanctions and a Cease-and-Desist Order (“Order”), as set forth below.

III.

On the basis of this Order and Respondent's Offer, the Commission finds¹ that:

Summary

These proceedings arise out of the sale by Nicholas H. Shermeta of shares of stock in a private placement by a predecessor of Dakota Plains Holdings, Inc. (OTC: DAKP) ("Dakota Plains"). Although Shermeta was a registered representative of a registered broker-dealer at all relevant times, he did not sell the shares through his registered firm. Rather, Shermeta and Dakota Plains agreed that Dakota Plains would pay substantial commissions for Shermeta's sales of its securities to Napa Properties, LLC ("Napa Properties"), an unregistered entity of which Shermeta was the sole member.

Respondents

1. Nicholas H. Shermeta, age 48, is a resident of Minnetonka, Minnesota. He has been employed in the securities industry since 1993. Shermeta holds Series 7, 24, and 63 licenses from FINRA; he previously held a Series 65 license. Shermeta has been a registered representative of Northland Securities, Inc. since November 2011. Shermeta was a registered representative of Feltl & Company from June 2002 through November 2011. In June 2014, Shermeta consented to a 40-day suspension and a \$25,000 fine from FINRA for violation of the securities laws concerning Shermeta's purchases of shares of Northern Oil & Gas stock.

2. Napa Properties, LLC is a Minnesota limited liability company that has never been registered with the Commission in any capacity. Shermeta is its sole member.

Background

3. In November 2011 and December 2011, Shermeta acted as an unregistered broker-dealer by selling equity securities in a private placement by a predecessor of Dakota Plains without seeking or obtaining the approval of his employer. He actively solicited investors for Dakota Plains, some of whom were customers of Shermeta and his registered broker-dealer firms, but he did not sell the securities through either of his registered firms.

4. Instead, Shermeta's unregistered limited liability company, Napa Properties, entered into a consulting agreement with Dakota Plains. Neither Napa Properties nor Shermeta provided any consulting services to Dakota Plains, but in December 2011 Dakota Plains paid Napa Properties \$75,000 as a commission for Shermeta's sales of stock in the private placement. Shermeta did not advise his registered firms of his sales of Dakota Plains stock in the private placement, Napa Properties' agreement with Dakota Plains, or the sales commissions Dakota Plains paid to him through Napa Properties.

¹ The findings herein are made pursuant to Respondents' Offer of Settlement and are not binding on any other person or entity in this or any other proceeding.

5. As a result of the conduct described above, Shermeta and Napa Properties willfully violated Section 15(a)(1) of the Exchange Act, which makes it unlawful for any broker or dealer to use the mails or any means or instrumentality of interstate commerce to effect any transactions in, or to induce or attempt to induce the purchase or sale of, any security unless such broker or dealer is registered with the Commission in accordance with Section 15(b) of the Exchange Act, or in the case of a natural person, is associated with a registered broker-dealer.

IV.

In view of the foregoing, the Commission deems it appropriate and in the public interest to impose the sanctions agreed to in Respondents' Offer.

Accordingly, pursuant to Sections 15(b) and 21C of the Exchange Act and Section 9(b) of the Investment Company Act, it is hereby ORDERED that:

A. Respondents shall cease and desist from committing or causing any violations and any future violations of Section 15(a) of the Securities Exchange Act.

B. Respondent Shermeta be, and hereby is:

barred from association with any broker, dealer, investment adviser, municipal securities dealer, municipal advisor, transfer agent, or nationally recognized statistical rating organization;

prohibited from serving or acting as an employee, officer, director, member of an advisory board, investment adviser or depositor of, or principal underwriter for, a registered investment company or affiliated person of such investment adviser, depositor, or principal underwriter; and

barred from participating in any offering of a penny stock, including: acting as a promoter, finder, consultant, agent or other person who engages in activities with a broker, dealer or issuer for purposes of the issuance or trading in any penny stock, or inducing or attempting to induce the purchase or sale of any penny stock,

with the right to apply for reentry after three (3) years to the appropriate self-regulatory organization or, if there is none, to the Commission.

C. Any reapplication for association by Respondent Shermeta will be subject to the applicable laws and regulations governing the reentry process, and reentry may be conditioned upon a number of factors, including, but not limited to, the satisfaction of any or all of the following: (a) any disgorgement ordered against the Respondent, whether or not the Commission has fully or partially waived payment of such disgorgement; (b) any arbitration award related to the conduct that served as the basis for the Commission order; (c) any self-regulatory organization arbitration award to a customer, whether or not related to the conduct that served as the basis for the Commission order; and (d) any restitution order by a self-

regulatory organization, whether or not related to the conduct that served as the basis for the Commission order.

D. Respondents shall pay, jointly and severally, disgorgement of \$75,000 and prejudgment interest of \$11,075.49, and a civil money penalty in the amount of \$50,000 to the Securities and Exchange Commission for transfer to the general fund of the United States Treasury, subject to Exchange Act Section 21F(g)(3). Payment shall be made in the following installments: First Installment: disgorgement of \$25,000, prejudgment interest of \$3,691.83, and a civil money penalty of \$16,666.67 is due within 14 days of the entry of this Order; Second Installment: disgorgement of \$25,000, prejudgment interest of \$3,691.83, and a civil money penalty of \$16,666.67 is due within 6 months of the entry of this Order; Final Installment: disgorgement of \$25,000, prejudgment interest of \$3,691.83, and a civil money penalty of \$16,666.66 is due within 12 months of the entry of this Order. If any payment is not made by the date the payment is required by this Order, the entire outstanding balance of disgorgement, prejudgment interest, and civil penalties, plus any additional interest accrued pursuant to SEC Rule of Practice 600 and pursuant to 31 U.S.C. § 3717 shall be due and payable immediately, without further application.

Payment must be made in one of the following ways:

- (1) Respondents may transmit payment electronically to the Commission, which will provide detailed ACH transfer/Fedwire instructions upon request;
- (2) Respondents may make direct payment from a bank account via Pay.gov through the SEC website at <http://www.sec.gov/about/offices/ofm.htm>; or
- (3) Respondents may pay by certified check, bank cashier's check, or United States postal money order, made payable to the Securities and Exchange Commission and hand-delivered or mailed to:

Enterprise Services Center
Accounts Receivable Branch
HQ Bldg., Room 181, AMZ-341
6500 South MacArthur Boulevard
Oklahoma City, OK 73169

Payments by check or money order must be accompanied by a cover letter identifying Nicholas H. Shermeta and Napa Properties, LLC as Respondents in these proceedings, and the file number of these proceedings; a copy of the cover letter and check or money order must be sent to Robert J. Burson, Associate Regional Director, Division of Enforcement, Securities and Exchange Commission, 175 West Jackson Boulevard, Suite 900, Chicago, IL 60604.

E. Amounts ordered to be paid as civil money penalties pursuant to this Order shall be treated as penalties paid to the government for all purposes, including all tax purposes. To preserve the deterrent effect of the civil penalty, Respondents agree that in any Related Investor

Action, they shall not argue that they are entitled to, nor shall they benefit by, offset or reduction of any award of compensatory damages by the amount of any part of Respondents' payment of a civil penalty in this action ("Penalty Offset"). If the court in any Related Investor Action grants such a Penalty Offset, Respondents agree that they shall, within 30 days after entry of a final order granting the Penalty Offset, notify the Commission's counsel in this action and pay the amount of the Penalty Offset to the Securities and Exchange Commission. Such a payment shall not be deemed an additional civil penalty and shall not be deemed to change the amount of the civil penalty imposed in this proceeding. For purposes of this paragraph, a "Related Investor Action" means a private damages action brought against Respondents by or on behalf of one or more investors based on substantially the same facts as alleged in the Order instituted by the Commission in this proceeding.

V.

It is further Ordered that, solely for purposes of exceptions to discharge set forth in Section 523 of the Bankruptcy Code, 11 U.S.C. §523, the findings in this Order are true and admitted by Respondent Shermeta, and further, any debt for disgorgement, prejudgment interest, civil penalty or other amounts due by Respondent Shermeta under this Order or any other judgment, order, consent order, decree or settlement agreement entered in connection with this proceeding, is a debt for the violation by Respondent Shermeta of the federal securities laws or any regulation or order issued under such laws, as set forth in Section 523(a)(19) of the Bankruptcy Code, 11 U.S.C. §523(a)(19).

By the Commission.

Brent J. Fields
Secretary