

UNITED STATES OF AMERICA
BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
WASHINGTON, D.C.

In the Matter of

NICHOLAS LEROY KLUG,

A Former Institution-Affiliated Party of

DACOTAH BANK,
Aberdeen, South Dakota

Docket No. 25-015-E-I

Order of Prohibition Issued Upon
Consent Pursuant to Section 8(e) of
the Federal Deposit Insurance Act, as
Amended

WHEREAS, the Board of Governors of the Federal Reserve System (the “Board of Governors”), pursuant to section 8(e) of the Federal Deposit Insurance Act, as amended (the “FDI Act”), 12 U.S.C. § 1818(e), issues this Order of Prohibition (this “Order”) upon the consent of Respondent Nicholas Leroy Klug (“Klug”), a former employee and institution-affiliated party, as defined in sections 3(u) and 8(b)(3) of the FDI Act, 12 U.S.C. §§ 1813(u) and 1818(b)(3), of Dacotah Bank (the “Bank”), a state-member bank;

WHEREAS, on April 22, 2025, following Klug’s guilty plea, a North Dakota court convicted Klug of theft of property in violation of North Dakota law for misappropriating \$26,428.57 from the Bank between December 2023 and November 2024 while Klug was employed as the market retail lead of a Bank branch (*see North Dakota v. Klug*, 45-2024-CR-01175);

WHEREAS, the court sentenced Klug to 360 days’ incarceration, suspended, and required him to make full restitution to the Bank;

WHEREAS, Klug's conduct constituted violations of law or regulation, unsafe or unsound banking practices, breaches of fiduciary duty, and involved his personal dishonesty and his willful and continuing disregard for the safety and soundness of the Bank;

WHEREAS, pursuant to the terms of his plea agreement and the final disposition of his criminal proceedings, Klug must enter into a Consent Order of Prohibition with the Board of Governors pursuant to section 8(e) of the FDI Act, 12 U.S.C. § 1818(e); and

WHEREAS, by affixing his signature hereunder, Klug has consented to the issuance of this Order by the Board of Governors and has agreed to comply with each and every provision of this Order, and has waived any and all rights he might have pursuant to 12 U.S.C. § 1818, 12 C.F.R. Part 263, or otherwise: (a) to the issuance of a notice of intent to prohibit on any other matter implied or set forth in this Order; (b) to a hearing for the purpose of taking evidence with respect to any matter implied or set forth in this Order; (c) to obtain judicial review of this Order or any provision hereof; and (d) to challenge or contest in any manner the basis, issuance, terms, validity, effectiveness, or enforceability of this Order or any provision hereof.

NOW THEREFORE, before the filing of any notices, or the taking of any testimony or adjudication of or finding on any issue of fact or law implied or set forth herein, and solely for the purpose of settling this matter without a formal proceeding being filed and without the necessity for protracted or extended litigation,

IT IS HEREBY ORDERED that:

1. Klug, without the prior written approval of the Board of Governors and, where necessary pursuant to section 8(e)(7)(B) of the FDI Act, 12 U.S.C. § 1818(e)(7)(B), another Federal financial institutions regulatory agency, is hereby and henceforth prohibited from:
 - a. participating in any manner in the conduct of the affairs of any institution

or agency specified in section 8(e)(7)(A) of the FDI Act, 12 U.S.C. § 1818(e)(7)(A), including, but not limited to, any insured depository institution or any holding company of an insured depository institution, or any subsidiary of such holding company, or any foreign bank or company to which subsection (a) of 12 U.S.C. § 3106 applies and any subsidiary of such foreign bank or company;

- b. soliciting, procuring, transferring, attempting to transfer, voting or attempting to vote any proxy, consent, or authorization with respect to any voting rights in any institution described in section 8(e)(7)(A) of the FDI Act, 12 U.S.C. § 1818(e)(7)(A);
- c. violating any voting agreement previously approved by any Federal banking agency; and
- d. voting for a director, or serving or acting as an institution-affiliated party, as defined in sections 3(u) and 8(b)(3) of the FDI Act, 12 U.S.C. §§ 1813(u) and 1818(b)(3), such as an officer, director or employee, in any institution described in section 8(e)(7)(A) of the FDI Act, 12 U.S.C. § 1818(e)(7)(A).

2. All communications regarding this Order shall be addressed to:

- a. Richard M. Ashton, Esq.
Deputy General Counsel
David Williams, Esq.
Senior Associate General Counsel
Board of Governors of the Federal Reserve System
20th & C Streets, NW
Washington, DC 20551

b. Mark Conrad Sherer, Esq.
141 Third St. W.
P.O. Box 465
Dickinson, ND 58602-0465

3. Any violation of this Order shall separately subject Klug to appropriate civil or criminal penalties, or both, under sections 8(i) and (j) of the FDI Act, 12 U.S.C §§ 1818(i) and (j).

4. The provisions of this Order shall not bar, estop, or otherwise prevent the Board of Governors, or any other Federal or state agency or department, from taking any other action affecting Klug; provided, however, that the Board of Governors shall not take any further action against Klug on any matters concerning or arising from the matters addressed by this Order based upon facts presently known by the Board of Governors. This release and discharge shall not preclude or affect (i) any right of the Board of Governors to determine and ensure compliance with this Order, or (ii) any proceedings brought by the Board of Governors to enforce the terms of this Order.

5. Each provision of this Order shall remain fully effective and enforceable until expressly stayed, modified, terminated, or suspended in writing by the Board of Governors.

By order of the Board of Governors of the Federal Reserve System, effective this 23rd
day of September, 2025.

BOARD OF GOVERNORS OF THE
FEDERAL RESERVE SYSTEM

/s/ Nicholas Leroy Klug
Nicholas Leroy Klug

By: /s/ Michele Taylor Fennell
Michele Taylor Fennell
Associate Secretary of the Board