

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

In the Matter of

CHAD KELLOGG

A Former Institution-Affiliated Party of

FARMERS and MERCHANTS SAVINGS BANK
Manchester, Iowa

Docket Nos. 23-027-B-I
23-027-CMP-I

Order to Cease and Desist and
Order of Assessment of Civil
Money Penalty Issued Upon
Consent Pursuant to Sections 8(b)
and 8(i) of the Federal Deposit
Insurance Act, as Amended

WHEREAS, pursuant to sections 8(b) and (i)(3) of the Federal Deposit Insurance Act, as amended (the “FDI Act”), 12 U.S.C. §§ 1818(b) and (i)(3), the Board of Governors of the Federal Reserve System (the “Board of Governors”), issues this Order to Cease and Desist and Assessment of Civil Money Penalty (this “Order”) upon the consent of Chad Kellogg (“Kellogg”), 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 Farmers and Merchants Savings Bank (“FMB”), a state-member bank;

WHEREAS, Kellogg was employed at FMB from 2006 to 2021 and served as Senior Vice President for Commercial Lending;

WHEREAS, in March 2021, Kellogg resigned from FMB and started working at another financial institution that is not supervised by the Board of Governors;

WHEREAS, as he transitioned from FMB to the other financial institution, Kellogg misappropriated FMB confidential information to facilitate the transferring of FMB customers to the other financial institution;

WHEREAS, Kellogg's misconduct constituted an unsafe or unsound practice and a breach of his fiduciary duties to FMB, and caused harm to FMB;

WHEREAS, by affixing his signature hereunder, Kellogg 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 CFR Part 263, or otherwise: (a) to contest the issuance of a cease-and-desist order on any matter implied or set forth in this Order; (b) to request 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, taking of any testimony, or adjudication of or finding on any issue of fact or law implied or set forth herein, and without Kellogg's admitting or denying any allegation made or implied by the Board of Governors in connection herewith, 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,

Cease and Desist

1. Pursuant to section 8(b) of the FDI Act, 12 U.S.C. § 1818(b), that prior to accepting any position that would cause Kellogg to become an institution-affiliated party, or

upon execution of this Order if Kellogg is currently 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), of any institution or agency described 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, Kellogg shall:

(a) provide the chief executive officer of the institution with notice and a copy of this Order;

(b) fully familiarize himself with the policies and procedures of the institution that pertain to his duties and responsibilities, including, but not limited to, the policies and procedures concerning the handling of the institution's confidential information; and

(c) within ten (10) days after his acceptance of any position, or execution of this Order, as described in this paragraph, provide written notice to the Board of Governors, along with a written certification of his compliance with each provision of this paragraph.

2. In connection with Kellogg's status 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), Kellogg shall:

(a) fully comply with all applicable laws, rules, regulations, policies, and procedures;

(b) not engage in any unsafe or unsound practice; and

(c) fully observe his fiduciary duties.

Assessment of Civil Money Penalty

3. The Board of Governors hereby imposes a civil money penalty on Kellogg in the amount of \$50,000 that shall be remitted at the time of the execution of this Order by transfer of immediately available funds to the Federal Reserve Bank of Richmond, ABA No. 051000033, beneficiary Board of Governors of the Federal Reserve System. The Federal Reserve Bank of Richmond, on behalf of the Board of Governors, shall distribute this sum to the U.S. Department of Treasury, pursuant to section 8(i) of the FDI Act, 12 U.S.C. § 1818(i). This penalty is a penalty paid to a government agency for a violation of law for purposes of 26 U.S.C. § 162(f) and 26 C.F.R. § 1.162-21.

Notices

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

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

(b) Chad Kellogg

with copies to:

Steven E. Ballard, Esq.
Leff Law Firm, L.L.P.
222 South Linn Street
Iowa City, Iowa 52240-1601

Miscellaneous

5. Any violation of this Order shall separately subject Kellogg to appropriate civil penalties under section 8(i) of the FDI Act, 12 U.S.C § 1818(i).

6. 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 Kellogg; provided, however, that the Board of Governors shall not take any further action against Kellogg 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.

7. 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 10th day of January, 2024.

BOARD OF GOVERNORS OF THE
FEDERAL RESERVE SYSTEM

/s/ Chad Kellogg
Chad Kellogg

/s/ Ann E. Misback
Ann E. Misback
Secretary of the Board