EXHIBIT 104

IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF VIRGINIA

Alexandria Division

BLUE FLAME MEDICAL LLC *Plaintiff,* v. CHAIN BRIDGE BANK, N.A., JOHN J. BROUGH, and DAVID M. EVINGER, *Defendants.*	)	Civil Action No. 1:20-cv-00658
CHAIN BRIDGE BANK, N.A. *Third-Party Plaintiff,* v. JPMORGAN CHASE BANK, N.A. *Third-Party Defendant.*	)	

EXPERT REPORT OF SEAN O'MALLEY
ON BEHALF OF PLAINTIFF BLUE FLAME MEDICAL LLC

FEBRUARY 12, 2021

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I. Scope of Assignment

I have been engaged by Schulte Roth & Zabel LLP ("Counsel") on behalf of its client, Blue Flame Medical LLC ("Blue Flame Medical"). Counsel requested that I review Blue Flame Medical's Complaint (the "Complaint"), as well as other relevant documents, and provide my expert opinions, based on my knowledge and experience developed over the course of my career in the banking industry, regarding Blue Flame Medical's allegations. Specifically, I have been asked to analyze whether the actions of Defendant Chain Bridge Bank, N.A. ("Chain Bridge Bank") were inconsistent with the guidance of Federal Reserve Regulation J and typical banking industry practice in connection with the wire transfer sent via the Fedwire Funds Service by the State of California for the benefit of Blue Flame Medical on March 26, 2020. I also have been asked to review the reports and deposition testimony of any experts designated by other parties in the litigation related to my areas of expertise and provide rebuttal opinions, if necessary.

II. Qualifications

The issues I have been asked to provide opinions on concern topics that I have regularly encountered over my career in working for and advising multinational banking institutions. I have worked in the banking and financial services industry for over 30 years, specializing in Anti-Money Laundering ("AML"), operational risk management and compliance. I have had extensive involvement in the development and enhancement of anti-money laundering programs at two different global banks – Citigroup and State Street. In that capacity, I have led teams dealing with risk analytics, model risk management, risk assessment, data governance and data acquisition. I have been responsible for Comprehensive Capital Analysis Review ("CCAR") / Dodd-Frank Act Stress Tests ("DFAST") capital models. In anti-money laundering I have developed enterprise-wide risk methodologies for country risk (globally), product risk and customer risk for global banks.

I am a Managing Director at Integrated Risk, LLC, an enterprise risk management consultancy with a focus on Anti-Money Laundering and Compliance, where I am currently engaged in a consulting role to a foreign bank organization as the head of their financial investigation unit, and have also worked on engagements to optimize transaction monitoring scenarios for Citigroup. Prior to founding Integrated Risk, LLC in 2019, I served as the Global Head of Anti-Money Laundering Risk Management at State Street Bank from June 2015 through May of 2019, where I was responsible for its anti-money laundering customer risk rating methodology, enterprise-wide anti-money laundering risk assessments, and enterprise-wide sanctions risk assessments. I also served as a member of its financial intelligence unit oversight committee. Prior to that, I served as the U.S. Head of Operational Risk Modeling & Analytics at Santander Bank, N.A. from March 2014 through June 2015, with responsibility for the Comprehensive Capital Analysis and Review (CCAR) / Dodd-Frank Act Stress Tests (DFAST) analysis and loss estimates for operational risk. From September 2010 through March 2014, I was the Director of Compliance Analytics at Citigroup, and was responsible for developing its first globally-consistent anti-money laundering customer risk rating methodology and enterprise-wide anti-money laundering risk assessments, as well as serving as its global data governance officer for Compliance. I joined Citigroup from Morgan Stanley, where I served as an Executive Director of Operational Risk from November 2009 through September 2010. I worked at RVI Group where I was responsible for rating agency capital modeling and managing the credit default swap portfolio. At Financial Security Assurance I was responsible for rating agency capital modeling, derivatives valuation and counterparty exposure reporting. I worked at Deloitte & Touche in the Capital Markets consulting team and managed the Security Markets Pricing Service for the Americas. I began my post-MBA career in the financial industry at Ford Motor Credit Company LLC, where I served as the Balance Sheet Manager in its Corporate Treasury Department from June 1996 to July 1997. Prior to earning my MBA I worked at Federated

Investors, Business & Estate Advisors, American Express Financial Services and Teacher's Federal Credit Union.

I have provided expert consulting and analysis in matters related to the banking and financial services industry. Specifically, I served as an expert witness in the municipal bond defeasance (also known as 'yield burning') litigation for the law firm representing Merrill Lynch.

I earned a Master of Business Administration degree with concentrations in Finance, International Business and Strategy from the Tepper School of Business at Carnegie Mellon University (where I also served as President of the Finance Club) and a Bachelor of Sciences in Economics from the University of Minnesota. I hold the Certified Anti-Money Laundering Specialist (CAMS) designation from the Association of Certified Anti-Money Laundering Specialists (ACAMS), the largest international anti-money laundering and financial crime prevention community worldwide. A true and current copy of my curriculum vitae is attached hereto as Appendix A.

III. Compensation

I have been retained by Counsel through an expert search firm, which is compensated for my time spent in this matter at a rate of $700 per hour. The fees paid are not contingent on the outcome of this matter. All opinions set forth in this report are my own.

IV. Facts and Data Considered

In forming my opinions, I considered documents and information produced in this litigation, information obtained from my research, and my own knowledge and experience. Appendix B contains a listing of the documents and other information I have considered in forming the opinions set forth in this report. Should additional information become available between now and trial, I will consider that information and update my opinions as necessary.

V. Factual Background

From my review and analysis of the testimony and documents produced in the litigation identified in Appendix B, I understand the following background facts that are relevant to my opinions:

- Blue Flame Medical submitted documentation and a request for an account opening from Chain Bridge Bank on or before March 25, 2020, and the account was opened on March 25, 2020.
- At or around the time of the account opening, Blue Flame Medical communicated details regarding its ownership and the nature of its business to Chain Bridge Bank as part of the customer due diligence process.
- Mike Gula, one of the two co-owners of Blue Flame Medical, had been a long-standing customer of Chain Bridge Bank, both as a personal and business banking customer, for at least 10 years.
- Blue Flame Medical communicated to Chain Bridge Bank on March 25, 2020 that it was expecting a wire transfer in excess of $450 million from the State of California, as well as additional details concerning the purpose of the wire transfer, Blue Flame Medical's agreement with the State of California to supply 100 million N95 masks, Blue Flame Medical's intention to promptly wire funds to US bank accounts affiliated with the suppliers of masks to fulfill California's purchase, the identity of Blue Flame Medical's primary supplier for the masks for the State of California, its intention to keep its profits from the transaction on deposit with Chain Bridge Bank, and its intention to use proceeds from the transaction with the State of California to fill other orders for personal protective equipment.
- Blue Flame Medical provided Chain Bridge Bank with wire instructions for an account affiliated with its primary mask supplier the evening of March 25, 2020, and confirmed that Blue Flame Medical would not be wiring funds to China, in response to an inquiry from Chain Bridge Bank.
- Senior members of Chain Bridge Bank, including its CEO, John Brough, and President, David Evinger, were skeptical that the transaction described by Blue Flame Medical would occur.
- Chain Bridge Bank did not communicate its concerns or skepticism concerning the transaction between Blue Flame Medical and the State of California to Blue Flame Medical on March 25, 2020, or any point thereafter.
- Senior members of Chain Bridge Bank, including its CEO, internally discussed on March 25 and March 26 the need to ensure that a wire transfer in excess of $450 million not be held on the bank's balance sheet.
- Blue Flame Medical's account at Chain Bridge Bank was capable of conducting financial transactions on March 26, 2020.

- The State of California wired $456,880,600 via the Fedwire Funds Service to Chain Bridge Bank for deposit to Blue Flame Medical's account around noon EST (9am PDT) on March 26, 2020, for the purchase of 100 million N95 masks (the "Wire Transfer").

- Chain Bridge Bank accepted the Wire Transfer on behalf of its beneficiary, Blue Flame Medical, and confirmed the funds had been credited to Blue Flame Medical's account in internal communications.

- Chain Bridge Bank discussed the processing of outgoing wire transfers with representatives of Blue Flame Medical after confirming its acceptance of the Wire Transfer on March 26, 2020, and received wire instructions from Blue Flame Medical to wire funds to one of its N95 mask suppliers.

- Chain Bridge Bank's CEO testified that the bank was still conducting Customer Due Diligence, per the Bank Secrecy Act, on March 26, 2020 – after the account was open and capable of initiating and receiving financial transactions, and after the wire transfer described by Mr. Gula on March 25, 2020 had arrived.

- Some time after accepting the wire transfer, Chain Bridge Bank put a 'hold' on the funds received for Blue Flame Medical, and initiated contact with representatives of the State of California, who confirmed to Chain Bridge Bank that the Wire Transfer was intended to be sent to the account of Blue Flame Medical.

- Chain Bridge Bank engaged in a second conversation with State of California representatives and provided information about the bank's client, Blue Flame Medical, without consultation or permission from Blue Flame Medical.

- Chain Bridge Bank communicated multiple times with both the State of California and JPMorgan Chase regarding the transaction.

- Chain Bridge Bank management did not contact Blue Flame Medical directly after receiving the wire transfer from the State of California. Rather, at some point in the afternoon of March 26, 2020, Chain Bridge Bank's President provided instructions to the staff of Chain Bridge Bank that they should not discuss the Wire Transfer or otherwise communicate with or answer any calls from representatives of Blue Flame Medical, including its principals.

- Representatives of JPMorgan Chase contacted Chain Bridge Bank the afternoon of March 26, 2020 to confirm that Chain Bridge Bank had placed a hold on the funds to permit time for an investigation. During his deposition, JPMorgan Chase employee Rakesh Korpal stated that JPMorgan Chase communicated to Chain Bridge Bank that JPMorgan Chase was not requesting a recall of the wire transfer. According to Mr. Korpal, Chain Bridge Bank CEO John Brough requested that JPMorgan Chase recall the wire transfer. Mr. Korpal's statement is consistent with contemporaneous audio recordings made by Mr. Brough on March 26, 2020.

- According to testimony by Mr. Korpal and Tim Coffey of JPMorgan Chase, Chain Bridge Bank represented during discussions with JPMorgan Chase on March 26, 2020 that it had not credited Blue Flame Medical's account with the funds it accepted through the Wire Transfer, contrary to contemporaneous internal Chain Bridge Bank communications.

- JPMorgan Chase had reviewed, validated and approved the State of California's payment order for the Wire Transfer (including a call with a representative of the State of California's Treasurers Office to authenticate the wire transfer) prior to the Wire Transfer being sent.

- Mr. Korpal stated in his deposition that the reason provided by John Brough for requesting the recall of the wire transfer was due to the size of the transaction, which Mr. Brough told Mr. Korpal was equivalent in size to approximately 50% of Chain Bridge Bank's asset base.

- Mr. Korpal testified that he made the decision to request a recall of the Wire Transfer in response to Chain Bridge Bank's request that JPMorgan Chase do so, and that he would not have requested that the funds be recalled but for Chain Bridge Bank's request.

- Based on its published Financial Statements, the size of Chain Bridge Bank's Balance Sheet was about $829 million as of year-end 2019.

- Based on its published Financial Statements, the total amount of Chain Bridge Bank's deposits was about $762 million as of year-end 2019.

- Joanna Williamson, the Chief Financial Officer of Chain Bridge Bank, is quoted on a recorded line at the bank on March 26, 2020 asking if it might be possible to "put it [the Wire Transfer] in an ICS account by taking it off the Balance Sheet. It's going to have a pretty big impact on our capital ratios."

- Mr. Brough, the Chief Executive Officer of Chain Bridge Bank, stated in a recorded conversation that "we can't hold that money on our Balance Sheet", and also "our Balance Sheet is 'flush' with money."

- In his deposition, Mr. Brough stated that the maximum limit for the ICS product—which Chain Bridge Bank discussed using to keep the funds sent to Blue Flame Medical's account off its balance sheet—was $150 million.

- In his deposition, Mr. Brough discussed risk-based capital ratios at some length (Tier I, Tier II, Total Capital and Leverage Ratio). These are the ratios used in the Comprehensive Capital Analysis and Review - CCAR (for banks with the Federal Reserve Bank as their primary regulator), and Dodd-Frank Act Stress Tests – DFAST (for banks with the Office of the Comptroller of the Currency – OCC as their primary regulator). These ratios have less of a direct impact on financing costs and perceived financial health of a company than other ratios, such as the Debt-to-Equity ratio (which impacts a company's credit rating).

- One of the most impactful capital ratios with respect to any company's financial credit rating—which directly impacts the price and ability of a company to raise capital (debt financing costs)—is the Debt-to-Equity ratio.

- Based on its year-end 2019 Balance Sheet, Chain Bridge Bank had $56.87 million in total equity and $772.32 million in total debt, giving it a Debt-to-Equity ratio of 13.58.

- Based on its year-end 2019 Balance Sheet, if Chain Bridge Bank had to take the full amount of the Wire Transfer from the State of California to Blue Flame Medical onto its Balance Sheet, the bank's Debt-to-Equity ratio would increase from 13.58 to 21.61. If Chain Bridge Bank put the maximum amount in the ICS product identified by Mr. Brough, reducing the Balance Sheet impact by $150 million ($306.88 million), the bank's Debt-to-Equity ratio would increase from 13.58 to 18.98.

- Increases in Chain Bridge Bank's Debt-to-Equity ratio from 13.58 to either 18.98 or 21.61 would have an impact on the costs of any debt financing (e.g., issuing bonds or commercial paper), making it more expensive for the bank to obtain debt financing due to a decrease in the bank's credit rating, and potentially reducing overall profitability due to the increased cost of debt financing. The reduction in credit rating quality could also decrease confidence in Chain Bridge Bank's long-term financial viability.

- Based on its year-end 2019 Balance Sheet, Chain Bridge Bank is a Category 2 Institution for Regulatory Deposit Reporting (done through the FR 2900 form) because the sum of its 'total transaction accounts' (as defined in the Federal Reserve Bank's Reserve Maintenance Manual, November 2019) is less than $1.058 billion (due to total deposits being $0.762 billion at year-end 2019), requiring Quarterly Regulatory Deposit Reporting on form FR 2900.

- Had Chain Bridge Bank not sent the funds it had accepted through the Wire Transfer back to JPMorgan Chase on March 26, 2020, those funds would have increased Chain Bridge Bank's 'total transaction accounts' from $0.762 billion to either $1.219 billion (without using the ICS product) or $1.069 billion (using the maximum limit of $150 million for the ICS product), both of which are above the $1.058 billion limit for a Category 2 Institution. That would make Chain Bridge Bank a Category 1 Institution for Regulatory Deposit Reporting, requiring Weekly Regulatory Deposit Reporting on form FR 2900.

VI. Summary of Opinions

I have over 30 years of experience in the banking and financial services industry, including in leadership and oversight capacities concerning AML and risk management functions and operations. I have personally worked on the review, documentation and reporting of hundreds of Suspicious Activity Reports (SARs), as well as the review, approval and dispositioning of hundreds of transaction monitoring investigations. I have seen multiple cases involving wire fraud and have had to review and make the decision regarding the disposition (whether or not to process) of many wire transfers with had a 'hold' placed on them. As a result, I am qualified to opine on the conduct of Chain Bridge Bank and its employees and whether that conduct was consistent with applicable banking regulations and standard industry practice.

A. Chain Bridge Bank's Request to Return the Wire Transfer Was Inconsistent with the Guidance of Regulation J and Typical Banking Industry Practice.

Based on my training and experience, Chain Bridge Bank's actions in refusing to pay the proceeds of the wire transfer to Blue Flame Medical were inconsistent with the requirements of Section 404(a) of UCC Article 4A as incorporated by Federal Reserve Board Regulation J. That regulation states "if a beneficiary's bank accepts a payment order, the bank is obliged to pay the amount of the order to the beneficiary of the order." Specific to this situation, that means Chain Bridge Bank was obliged to pay the $456.88 million from the Wire Transfer to Blue Flame Medical.

Mr. Brough stated during his deposition, in response to questions concerning the requirements of Regulation J, that he believed the interplay between the Bank Secrecy Act, anti-money laundering and suspicious activity reporting regulations allowed for wires to be recalled or cancelled. As someone who has had the responsibility as the Head of a Financial Investigation Unit to make decisions regarding whether or not to accept a transaction, I am very familiar with the process for considering Bank Secrecy Act, anti-money laundering, and suspicious activity reporting concerns with respect to the Wire Transfer at the center of this case. As a receiving bank, Chain Bridge Bank had little reason to be concerned with the Wire Transfer given the facts and circumstances known to it at the time it requested that JPMorgan recall the Wire Transfer. In this case the originator, the State of California, is a well-known government entity, so there would be no significant money laundering concern because the likelihood that the funds from the State of California were obtained through illicit activity is extremely low. The bank for the State of California is JPMorgan Chase, a well-known and respected financial institution that is subject to the same anti-money laundering regulatory regime as all other US banks, so there would be no significant money laundering concern with respect to JPMorgan Chase as the originating bank.

While the customer of Chain Bridge Bank, Blue Flame Medical, was a new company, it had been recently established by a long-term personal and corporate banking customer of Chain Bridge Bank—Mike Gula—who had been a customer of the bank for more than 10 years. During that period, Mr. Gula necessarily would have undergone the customer due diligence process at Chain Bridge Bank, and very likely several periodic reviews over that length of time.[1] Given the length of the relationship with Mr. Gula and the fact that Chain Bridge Bank left his long-standing personal and business accounts open after this transaction, it is apparent that Chain Bridge Bank had no significant money laundering concern regarding him. Based on the testimony regarding the March 25, 2020 call between Mr. Gula, Mr. Brough, and Mr. Evinger, among other materials, it does not appear that Blue Flame Medical was attempting to conceal the identities of its beneficial owners, the nature of its business, the source of its funds, or any significant aspects of the transaction on March 26, 2020. Indeed, Chain Bridge Bank opened several new accounts involving Mr. Gula in March 2020, including Blue Flame Medical's, in part because he was a long-standing personal and commercial client of the bank. Given these facts and the circumstances of the wire transfer from the State of California to Blue Flame Medical, based on my experience, I would have processed a wire transfer that had been confirmed with the originating US bank as valid because there was no valid anti-money laundering reason not to do so.

Mr. Brough testified that the bank was still in the process of conducting customer due diligence for Blue Flame Medical on March 26, 2020. That statement is inconsistent with common practice in the banking industry concerning customer due diligence conducted by US banks for anti-money laundering

[1] A periodic review is a scheduled review of the customer's information and risk profile to determine if there have been any significant changes that should be considered in the customer's risk profile and associated customer risk rating.

and Bank Secrecy Act concerns. The common practice in anti-money laundering customer risk management is to delay opening an account for any customer until the customer due diligence process has been completed, thus protecting the bank from any transactional risk posed by a customer who has not completed customer due diligence (and in the case of higher risk customers, enhanced due diligence). If either Mike Gula or Blue Flame Medical presented significant money laundering concerns to the bank, Chain Bridge Bank should not have opened an account for Blue Flame Medical. Here, Blue Flame Medical had an account that was open for transactional purposes on March 26, 2020, and Chain Bridge Bank accepted the Wire Transfer on behalf of Blue Flame Medical in connection with that account after having been advised the Wire Transfer was incoming the previous day. Thus, either Chain Bridge Bank had policies that permitted an account to be opened for a customer for whom the bank had not completed due diligence, or Mr. Brough's statement that Chain Bridge Bank was still 'in the process of customer due diligence' with regard to Blue Flame's account is not an accurate representation.

Regulation J states "[I]f the bank refuses to pay after demand by the beneficiary and receipt of notice of particular circumstances that will give rise to consequential damages as a result of nonpayment, the beneficiary may recover damages resulting from the refusal to pay to the extent the bank had notice of the damages, unless the bank proves that it did not pay because of the reasonable doubt concerning the right of the beneficiary to payment." Based on my review of the documents and deposition transcripts, it appears Chain Bridge Bank is claiming it did not pay Blue Flame Medical because it had anti-money laundering-related concerns regarding the transaction. Based on my review of those materials and my experience, I have not seen any reason why Chain Bridge Bank would have had "reasonable doubt" concerning the right of Blue Flame Medical to payment. Specifically, California officials directly confirmed to Chain Bridge Bank prior to its request to JPMorgan to issue a recall for the funds that the State of California deliberately and intentionally sent the Wire Transfer to Blue Flame

Medical. Based on my experience, that information alone removes any doubt by a beneficiary bank as to whether there is a reason to doubt its customer's right to the payment.

In my experience, banks routinely follow the official commentary to 4A-404(a), which states: "[T]he last clause of subsection (a) does not apply to cases in which a funds transfer is being used to pay an obligation and a dispute arises between the originator and the beneficiary concerning whether the obligation is in fact owed. For example, the originator may try to prevent payment to the beneficiary by the beneficiary's bank by alleging that the beneficiary is not entitles to the payment because of fraud against the originator or a breach of contract relating to the obligation. The fraud or breach of contract claim of the originator may be grounds for recovery by the originator from the beneficiary after the beneficiary is paid, but it does not affect the obligation of the beneficiary's bank to pay the beneficiary." Under Regulation J, then, Chain Bridge Bank (the "beneficiary bank" here) had an obligation to pay the beneficiary, Blue Flame Medical, even if the originator, the State of California, had concerns regarding fraud or even disputed that the obligation was in fact owed. As the official commentary states, fraud or breach of contract do not affect the obligation of the beneficiary's bank to pay the beneficiary. In short, Chain Bridge Bank had an obligation to pay Blue Flame Medical even if the State of California had alleged breach of contract or fraud after the wire transfer was sent. Based on my review of testimony and documents produced in this litigation, I have not seen any allegation that the State of California or its bank, JPMorgan Chase, made any claim of breach of contract or fraud against Blue Flame Medical.

Based on my experience, the purpose of this portion of Regulation J is to remove a bank receiving funds on behalf of its customer from the position of having to determine whether or not to process certain transactions and not others. Where there is no concern regarding the intentionality of the payment or that it was properly processed in accordance with the originating bank's instructions, any disputes resulting from the acceptance of a payment order by the beneficiary bank and required to be paid by that bank under Regulation J should be left to the parties to the transaction to resolve (i.e., the State of California and Blue Flame Medical) rather than the beneficiary bank (i.e., Chain Bridge Bank).

B. Even if Chain Bridge Bank Had Suspicions Regarding the Wire Transfer, Its Actions Were Inconsistent with Industry Practice.

Certain actions that Chain Bridge Bank undertook were consistent with a bank concerned about suspicious activity. In my experience, taken as a whole, Chain Bridge Bank's actions were highly unusual and suggest that it sought to avoid any involvement with a deposit of this size for other reasons.

Placing a "hold" on a wire transfer that a bank feels may constitute suspicious activity is broadly in line with standard anti-money laundering practices by US banks. It is quite common for a bank that has questions or concerns regarding a transaction to place a "hold" on the funds until the questions and concerns are addressed, which often requires obtaining additional information to determine if the bank is comfortable with the transaction or whether the hold should continue if the bank's concerns cannot be resolved. However, Chain Bridge Bank's actions on March 26, 2020 do not suggest that it was trying to obtain any information regarding the transaction, at least after it obtained confirmation from the State of California that it had intentionally sent the wire for the benefit of Blue Flame Medical for the same reasons that Mr. Gula had represented to Chain Bridge Bank the previous evening. Indeed, despite the testimony from Mr. Evinger that Chain Bridge Bank wished to see certain documentation concerning the transaction, Chain Bridge Bank evidently did not request that documentation from anyone after the Wire Transfer was received and Chain Bridge Bank instructed all of its employees to refrain from any contact with anyone associated with Blue Flame Medical. While the desire not to address the customer's questions regarding the status of the funds from the wire transfer might be understandable, a total moratorium on communication with a customer when the bank has questions or concerns is highly unusual, particularly if it has identified information it is seeking from that customer. When working to clear a 'hold' on a wire transfer, it is sometimes possible to clear it for processing by checking information available to the bank to confirm certain facts (e.g., whether the company address on the wire is associated with a 'shell' company or is the company's legitimate address per the bank's KYC records). In other cases it is necessary to contact the originating bank or the customer to obtain information that the bank does not already have. If, as stated in depositions, Chain Bridge Bank was looking to obtain copies of the contract between Blue Flame Medical and the State of California, the logical contact for that type of information, in my opinion, would be the customer, Blue Flame Medical. Indeed, even though Chain Bridge Bank had initiated discussions with the State of California—who confirmed the legitimacy of the Wire Transfer and, like Blue Flame Medical, possessed the contract—Chain Bridge Bank evidently did not ask California officials for a copy of the contract, either.

Chain Bridge Bank communicating with JPMorgan Chase, as the originating bank for the transaction, is not in itself unusual, as receiving banks sometimes seek to confirm the facts of the transaction with the sending or originating bank. However, it is very unusual that Chain Bridge Bank did not contact JPMorgan Chase, and instead directly and repeatedly contacted the originator of the wire transfer, the State of California (not a Chain Bridge Bank customer), shortly after receiving the Wire Transfer. Even after the State of California confirmed it had deliberately sent the wire transfer, Chain Bridge Bank requested to speak with additional California officials, and when it did so, it shared information and concerns about its client, Blue Flame Medical, rather than requesting contractual or other information from those officials relevant to the transaction. Based on my experience, it is highly unusual for a receiving bank to reach out to a non-customer to obtain additional information about a transaction under these circumstances.[2] .

[2] In addition, the sharing of information about Blue Flame Medical to the State of California was done without consulting, and without the consent of, Blue Flame Medical, and may constitute a violation of privacy laws and regulations, including Regulation P (which governs banking customer privacy rights).

C. Chain Bridge Bank's Actions May Have Been Motivated by Business Considerations Based on Internal Bank Communications.

In reviewing the internal discussions among Chain Bridge Bank personnel concerning the Wire Transfer, it appears likely that Chain Bridge Bank was motivated to avoid holding the funds it accepted on behalf of Blue Flame Medical for reasons unrelated to any anti-money laundering, Bank Secrecy Act, or suspicious activity concerns. Based on my experience, there are several reasons why Chain Bridge Bank personnel repeatedly discussed the need to avoid holding the funds on the bank's Balance Sheet. In the words of one Chain Bridge Bank employee when describing the return of the wire transfer to the State of California, the bank appeared to believe "this is what we have to do" due to the impact that failing to return the funds would have on the bank's Balance Sheet.

There are several facts that inform my opinion. First, there was a significant focus on the size of the transaction in contemporaneous internal emails and discussions inside Chain Bridge Bank. Normally, if an institution's major concern is money laundering, the size of the transaction is not the primary focal point. However, for Chain Bridge Bank, it seems clear that the size of the transaction was of great concern. It makes sense that a bank with a total Balance Sheet of just over $800 million would balk at the prospect of receiving, processing and financing a nearly $457 million transaction. Several employees, including the CEO and CFO, were appropriately concerned about what a transaction of that size would do with respect to the bank's Balance Sheet, associated financial ratios and potential financing impacts. The partial solution of the ICS product, discussed by Mr. Brough in his deposition and internally among Chain Bridge Bank personnel, would have been just a partial solution to that problem. The notion that Chain Bridge Bank would have been able to get more than the $150 million maximum limit into the ICS product does not appear to be based on any experience with completing a transaction over the maximum limit with ICS . In fact, Mr. Brough stated multiple times in his deposition that he and Chain Bridge Bank had never processed a transaction as large as this wire transfer from the State of California to Blue Flame Medical. In particular, I find the comments from a recorded phone conversation made by Joanna Williamson, the CFO of Chain Bridge Bank, to be very credible – she recognized that the bank cannot accept a transaction of this size on its Balance Sheet due to the impact it would have on the institution's capital ratios. Those are exactly the issues with which a CFO would normally be concerned.

From my review of the record, Chain Bridge Bank opened an account for the new company, Blue Flame Medical, for one of its long-standing customers, Mike Gula on or about March 25, 2020. The decision to open that account under the circumstances is consistent with my experience with customer due diligence and account opening in banking. It is surprising, however, that the bank didn't give much credence to what they were told by Mr. Gula with respect to a very large transaction coming in from the State of California to Blue Flame Medical's account for the purchase of N95 masks. When the very large Wire Transfer actually arrived the following day, March 26, 2020, there was a great deal of concern amongst the management of Chain Bridge Bank about the legitimacy of the transaction, the size of the transaction, and the impact on the bank's financials. The State of California and JPMorgan Chase confirmed the legitimacy of the transaction, but that information did not address Chain Bridge Bank's concerns regarding the transaction size and financial impact. The reversal of the transaction, however, would address the impact of the transaction on the bank's finances.

The transaction was confirmed with the State of California in a voicemail received by Chain Bridge Bank on March 26, 2020, and with Blue Flame Medical in communications on March 25, 2020. JPMorgan Chase, the bank for the State of California, had completed its typical due diligence prior to sending the wire transfer to Chain Bridge Bank, including a call to the State of California's Treasurer's Office to authenticate the transaction. There was no request from either the State of California or JPMorgan Chase at that time to reverse the transaction. Mr. Brough, CEO of Chain Bridge Bank, stated in his deposition that it was ultimately the State of California and JPMorgan Chase that requested the recall of the wire. Rakesh Korpal of JPMorgan Chase stated the opposite in his deposition. Mr. Korpal testified that Chain Bridge Bank requested the recall of the wire transfer, and the primary reason stated by John Brough to Mr. Korpal in their discussion was the large value of the transaction - about 50% of Chain Bridge Bank's asset base.

This report summarizes my opinions to date. If additional information is produced between now and trial, I reserve the right to supplement my report.

Signed:

Sean O'Malley

Sean O'Malley

Dated: February 12, 2021

APPENDIX A

SEAN O'MALLEY

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Holliston, MA 01746

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somalley765@gmail.com

FINANCIAL SERVICES PROFESSIONAL

Sean is a Risk Manager and thought leader with significant financial services experience. He has a track record of innovation and leadership in Anti-Money Laundering, OFAC/Sanctions, Compliance, Enterprise Risk Management, Operational Risk, Data Analytics and Risk Assessments at top tier financial institutions. Achievements include: anti-money laundering (AML) and OFAC/Sanctions risk assessments, developing and implementing customer risk rating methodologies for Know Your Customer (KYC), new business and product risk assessments (NBPRA), development of an enterprise-wide Compliance Risk Index, scenario analysis for all business units and risk types, enterprise risk management, operational risk quantification and measurement. Development of data-driven methodologies used in risk measurement and risk ratings.

Experience includes:

BSA/AML and OFAC/Sanctions Risk Assessments	New Business and Product Risk Assessments
Know Your Customer (KYC) Risk Ratings	Risk Control Self Assessments / Scenario Analysis
AML Compliance Geographic Risk Ratings	Compliance Risk Assessments

INTEGRATED RISK, LLC. *New York, NY* 2019 – Current

Managing Director, Anti-Money Laundering Risk Management

- Consulted to Citigroup regarding transaction monitoring scenario implementation
- Consulting to Intesa Sanpaolo regarding AML & Sanctions program management

STATE STREET CORPORATION *Boston, MA* 2015 – 2019

Global Head of Anti-Money Laundering Risk Management

- Responsible for BSA/AML and OFAC/Sanctions Risk Assessments, including Business Unit discussions, producing final reports and presentations for Regulators (Federal Reserve Bank (FRB) and Massachusetts Division of Banks), that identified program enhancements and tracked those enhancements through the GRC process, making status reports to executive management and the board of directors
- Tracked and updated AML & Sanctions Program Issues through RSA Archer
- Refined Customer Risk Rating Methodology for Know Your Customer (KYC) process to more appropriately risk rate customers and simultaneously reduce operational customer due diligence expenses by over 12% ($4+ million annually)
- Developed, documented and implemented Product Risk Rating Methodology and Procedures, streamlining the product catalog by over 40% and developing a globally consistent product risk rating approach
- Voting Member of the Enterprise Risk Management (ERM) Country Risk Committee as the subject matter expert regarding the company's potential geographic expansion plans from an AML Compliance perspective

SANTANDER, USA *Boston, MA* 2014 – 2015
Director, Operational Risk Methodology, Modeling and Analytics
- Head of US Operational Risk Management responsible for loss event data and analytics to produce loss forecasts for CCAR and DFAST base capital models and economic scenarios
- Guided communication and regulatory interaction regarding the Operational Risk Program with Federal Reserve Bank (FRB) and Office of the Comptroller of the Currency (OCC) regulators
- Worked closely with Fraud department to analyze internal and external fraud trends, patterns and impact of fraud losses to improve response times and reduce fraud losses by 6%

CITIGROUP, INC. *New York, NY* 2010 – 2014
Director, Compliance Analytics
- Responsible for Risk Assessment Ratings for AML, OFAC/Sanctions and Compliance enterprise-wide Risk Assessments, used to drive enhancements in the AML, Sanctions and Compliance programs
- Developed quantitative measures for analyzing and prioritizing potentially suspicious activity for money laundering enabling risk measurement and comparison between business locations
- Responsible for New Product and Business Risk Assessment rating program development
- Developed and implemented globally consistent risk rating methodology for AML jurisdictional risk ratings (AML Geographic Risk Index) used in both the customer risk rating and transaction monitoring processes

Employed at Financial Services Institutions and Consultancies, including Morgan Stanley, AIG, Deloitte & Touche, Ford Motor Credit and NetRisk. Working in Enterprise Risk Management, Market Risk Management, Credit Risk Management, Operational Risk Management and Corporate Treasury from 1996 to 2009.

EDUCATION

MBA, Finance, Carnegie Mellon University (Tepper)
BS, Economics, University of Minnesota

CERTIFICATIONS

Certified Anti-Money Laundering Specialist (CAMS), ACAMS
Chartered Financial Analyst (CFA) Level 1 Exam Completed

CONFERENCE PUBLICATIONS, PRESENTATIONS and DISCUSSIONS

Predictive Analytics Conference, September 20, 2011, Compliance Risk Index
OpRisk USA 2012, May 23, 2012, Compliance Risk Index
Webcast, January 16, 2019, Panel Discussion on Blockchain, presented "Deconstructing Blockchain"
Fraud & Financial Crime USA Conference, March 27-28, 2019, Risk Assessment Discussion
Risk Americas Conference, May 14-15, 2019 AML and Fraud Information Sharing Presentation
Risk Americas Conference, May 14-15, 2019 Managing the Fraud Threat Landscape and Increased Intensity of Threats Discussion

APPENDIX B

Materials considered:

Pleadings and Court Papers

Complaint, *Blue Flame Medical LLC v. Chain Bridge Bank, N.A., et al.*, Case No. 20 Civ. 658 (June 12, 2020)

Third Party Complaint, *Blue Flame Medical LLC v. Chain Bridge Bank, N.A., et al.*, Case No. 20 Civ. 658 (Oct. 13, 2020), and exhibits thereto

Answer and Defenses of JPMorgan Chase Bank, N.A. to Chain Bridge Bank, N.A.'s Third-Party Complaint, *Blue Flame Medical LLC v. Chain Bridge Bank, N.A., et al.*, Case No. 20 Civ. 658 (Nov. 16, 2020)

Deposition Transcripts

Deposition of Mike Gula, January 12, 2021

Deposition of David Evinger, January 29, 2021

Deposition of John Brough, February 2, 2021

Deposition of Rakesh Korpal, February 9, 2021 ("Realtime")

Deposition of Tim Coffey, February 12, 2021 ("Realtime")

Audio Recordings Produced in Litigation

CBB00000707

CBB00002541

CBB00002543

CBB00002544

CBB00002545

CBB00002789

CBB00002794

CBB00002795

CBB00002797

CBB00002798

Documents Produced in Litigation (Beginning Bates Number)

BFM000013445

BFM000074101

CBB00000527

CBB00000594

CBB00000640

CBB00000643

CBB00000655

CBB00000661

CBB00000718

CBB00000741

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CBB00000853

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CBB00000971

CBB00001008

CBB00001097

CBB00001202

CBB00001385

CBB00001514

CBB00001725

CBB00001770

CBB00001781

CBB00001938

CBB00001939

CBB00002529

CBB00002563

CBB00002655

CBB00002649

CBB00002650

CBBB0002653

CBB00002661

CBB00002673

CBB00002699

CBB00002725

CBB00002779

CBB00002780

CBB00002781

CBB00003573

CBB00004294

CBB00004307

CBB00004323

CBB00004442

CBB00004445

CBB00004446

Regulations, Statutes, Manuals, and Advisories

Federal Financial Institutions Examination Council (FFIEC) Bank Secrecy Act (BSA) / Anti-Money Laundering (AML) Examination Manual

Financial Crimes Enforcement Network (FinCEN) Advisories related to COVID-19

Customer Due Diligence guidelines from the Federal Financial Institutions Examination Council (FFIEC)

Federal Reserve Bank Regulation P

Uniform Commercial Code 4A-404(a) and 4A-211(c)

Federal Reserve Bank Maintenance Manual, November 2019