EXHIBIT 3

UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF VIRGINIA
(ALEXANDRIA DIVISION)

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BLUE FLAME MEDICAL LLC)Civil Action No.
Plaintiff)1:20-cv-00658(LMB/IDD)
)
vs.)
)
CHAIN BRIDGE BANK, N.A.,)
JOHN J. BROUGH and)
DAVID M. EVINGER)
Defendants)

____

CHAIN BRIDGE BANK, N.A.)
Third-Party Plaintiffs)
)
vs.)
)
JPMORGAN CHASE BANK, N.A.)
Third-Party Defendant)

____

- CONFIDENTIAL PURSUANT TO PROTECTIVE ORDER -
Remote Videotaped Deposition of John Brough
February 2, 2021
9:35 a.m.

Reported by: Bonnie L. Russo
Job No. 4398587

Remote Videotaped Deposition of John Brough held through:

Veritext Legal Solutions
1250 I Street, N.W.
Washington, D.C.

Pursuant to Notice, when were present on behalf of the respective parties:

APPEARANCES:

On behalf of the Plaintiff:

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On behalf of the Defendants/Third-Party Plaintiffs:

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Also Present:
Beth Sharon, Chain Bridge Bank
David Evinger
Ethan Bearman, Blue Flame Medical, LLC
Bill Gussman
Geoff Bassett, Videographer

MR. ORSECK: Object to form.

THE WITNESS: There certainly is no regulation that exempts the bank's obligations under the Bank Secrecy Act.

BY MR. WHITE:

Q. Is there anything that exempts their obligations under Regulation J?

MR. ORSECK: Object to form.

THE WITNESS: I'm not -- that's more of a legal question. I -- I -- I can't answer that question.

BY MR. WHITE:

Q. Can you answer -- well, were you aware of any such exemption in March of 2020?

MR. ORSECK: Object to form.

THE WITNESS: Bank Secrecy Act is very broad. It's very clear. It -- it -- it -- it doesn't have any carve-outs that say that -- that this applies to everything except this or except that. I mean it applies to every single transaction that runs through the bank.

BY MR. WHITE:

Q. And Regulation J applies to every wire transfer that runs through the bank, correct?

A. I would say, if you were going to layer the importance of the regulations, you would have Bank Secrecy Act as the paramount regulation that you are supposed to comply with.

Q. And where is your understanding that the Bank Secrecy Act is more important than Regulation J?

Where does that come from?

MR. ORSECK: Objection. Foundation.

THE WITNESS: I think that, if you were to read the Bank Secrecy Act cases against banks versus the -- any other type of -- of cases against banks, you would find that there are many more Bank Secrecy Act violations that are imposed on banks than any other type of -- of regulatory penalties.

BY MR. WHITE:

Q. So the Bank Secrecy Act, to your mind, creates a better risk -- a -- a larger risk of liability to the bank than Regulation J because of these number of cases; is that right?

MR. ORSECK: Objection. Foundation.

THE WITNESS: I think that it demonstrates that it is a very important banking regulation.

BY MR. WHITE:

Q. What about Regulation J; is that very important?

MR. ORSECK: Objection. Foundation.

THE WITNESS: I would say that Regulation J is more a plumbing mechanism.

BY MR. WHITE:

Q. Well, certainly the bank's ability to take money out of customer accounts is more than a plumbing regulation for the bank's -- beneficiaries of those accounts, correct?

MR. ORSECK: Object to form.

Pete, you've been arguing legal

propositions with this fact witness now for the last 40 minutes. So I'll lodge my continuing objection.

MR. WHITE: Understood.

You can answer.

THE WITNESS: Would you repeat the question, please.

MR. WHITE: Could the court reporter read that one back, if you're still with us.

THE COURT REPORTER: I'm here. I'm here. Hold on.

THE WITNESS: Thank you.

MR. WHITE: And we've been going for over an hour now, Mr. Brough. Any time you want a break is fine, but perhaps after this question if that works for you.

THE WITNESS: Okay.

MR. WHITE: If (audio skip) keep going, I'm happy to.

(The record was read as requested.)

THE WITNESS: I -- I guess I don't see the relevance of your question in regards

BY MR. WHITE:

Q. Mr. Brough, this is a very simple question: Did you consider the applicability of Regulation J?

MR. ORSECK: Object to form.

THE WITNESS: We considered the impact of the transaction in regards to the Bank Secrecy Act and our requirements under the Bank Secrecy Act along with all the other unanswered questions that we had.

BY MR. WHITE:

Q. Mr. Brough, if we have to call the court, we will. You're going to answer this question.

Did you consider the applicability of Regulation J?

MR. ORSECK: Object to form. Asked and answered. And the lecture is improper.

You should answer the question as you deem appropriate and accurate.

MR. WHITE: He should answer the question as he's required to by law.

BY MR. WHITE:

Q. Please answer the question.

MR. ORSECK: Object to form.

THE WITNESS: When we received the wire -- before we received the wire, we had many questions. When we received the wire, we had more questions.

It was a red flag to us that the account had been opened just the day before. It was a red flag to us that Blue Flame was founded three days before. It was a red flag to us that we were called by JPMorgan. The fact that the wire was for $456 million was a red flag.

So there was a preponderance of Bank Secrecy Act and customer due diligence questions that had not been answered. So when we received notice from the sender to return the wire, we honored that request.

BY MR. WHITE:

Q. You said previously that Reg J governs FedLine transactions, correct?

the State of California?
A. And JPMorgan.
Q. And JPMorgan.
And the State of California and JPMorgan confirmed for you that they did intend to send this wire to Blue Flame Medical, correct?
MR. ORSECK: Object to form. Asked and answered many times.
THE WITNESS: We were able to verify that the wire was originated by the State of California and that they knew that they originated it.
What was unanswered was whether or not the transaction was fully vetted, let's say.
BY MR. WHITE:
Q. What do you mean by that?
A. What I mean by that is one of our questions was does the State of California have the information that we have about the sellers of the product.

Q. So what was unanswered for you was whether the State of California had done an adequate job of vetting their counterparty prior to wiring the money?

Do I have that correct?

A. That's correct.

Q. Do you view it your job as Chain Bridge Bank to vet procurement contracts for the State of California?

A. We have an obligation, under the Bank Secrecy Act, to vet all transactions that flow through the bank.

Q. Are you aware that, at some point during the day on March 26th, that bank employees were informed not to have any communication with Mr. Gula?

A. Yes.

Q. And were you involved in the decision to tell people not to have contact with Mr. Gula?

A. Yes, I was.

Q. If there was a concern about

checking.

BY MR. WHITE:

Q. Business demand checking; that's your best recollection of what the report would be entitled?

A. That's my best understanding, yes, based on the account type that -- that -- that was open for Blue Flame.

Q. And would -- would all business demand checking accounts have their debits and credits in that same ledger?

A. There would not be separate entries. They'd be done in a aggregate. So you'd see one big entry for all the different transactions.

Q. Okay. Thank you.

In your conversation with Mr. Gula at the bank, did you tell him to find a bank that could handle the wire when you spoke with him?

A. When we spoke to him, we did inform him that we were going to be closing the account; and that, should he work things out with the State of California, that he should make sure that -- that he sends the funds to a new bank account at another bank.

Q. Did you tell Mr. Gula that he should find a bank that could handle the wire?

A. I don't know if I phrased it that way or not. I do know that I suggested that he approach JPMorgan. Because they were the county -- counterparty to the transaction. So they may be willing to open the account.

Q. Did Chain Bridge Bank close the Blue Flame Medical account at that point?

A. Yes, we did.

Q. Why?

A. We closed the account because of the unusual nature of the transaction and the -- the numerous red flags that -- that had popped up on this transaction.

Q. Did you mention to Mr. Gula when you met with him why the bank had refused to be in contact with him that day --

size of the wire.

Q. Why was the size of the wire itself a red flag?

A. A wire of $456 million is multiple times larger than any other wire that the bank had received, I -- I think by a multiple of about 22 times. So in other words, the previous largest wires that we got were around $20 million. And so that's -- that's -- that's the biggest red flag right there.

And the fact that it was -- it was sent into -- or I'm sorry -- it was sent to a company that had just opened their bank account the previous day and had -- had opened their business three days before. That's a -- that's a very standard red flag.

There was the red flag that Mike Gula and John Thomas were not in the medical supply business. They were in the political influence business. And that's quite a different profession than medical supplies.

The number of masks and the dollar

amount of the transactions didn't match up with press releases from the State of California.

So I think it was before we called Mike -- or that evening. I'm not sure when it was -- we looked up any press releases from the State of California. We did find one that had been issued a couple days before that mentioned that $30 million had been allocated for the purchase of a million masks and the hiring of nurses and the purchase of ventilators. And that was a press release issued by Governor Newsom.

But there was nothing about this transaction, which would have been 20 times larger.

Q. Mr. -- sorry.

Mr. Brough, by the -- by the time that JPMorgan recalled the wire, you knew the transaction was larger than that, right, than one you'd read about?

A. Oh, yes. Definitely. Oh, yeah. We -- we knew about that on the -- the 25th.

Q. So far as you're aware, did Mr. Gula, at the time he opened the account on the 25th, let anybody at the bank know that he was expecting a wire of more than $450 million?
A. No, he did not.
Q. Was that a red flag, in your mind?
A. Yes. That's --
Q. Why?
A. Well, he knew at the time that he was going to be receiving a wire of $456 million. And when asked about -- when -- in order to open the account, we asked that question, you know: What are your anticipated wire volumes?
And he gave us an answer. And it was nowhere near $450 million. As a matter of fact, I think the average wire size was going to be about 5 million.
Q. Were you aware of this as of the time that JPMorgan recalled the wire?
In other words, did you know what Mr. Gula had said to Mariano Castagnello at the

time of the account opening?

A. We -- we knew that Heather didn't find out about the dollar amount of the transaction until after the account was open.

Q. Why is that a red flag?

A. Because it's inconsistent with the activity that's -- that's -- that's being -- being expected by the client.

We always ask that question when we open an account. We put it into our platform. And if the volumes are greater than that, then that's always a red flag.

Q. Let me ask a more direct question.

If you are aware that a new customer is not forthcoming with what you consider to be important information that the bank is requesting, does that, all else equal, give you cause to question the customer's integrity?

MR. WHITE: Object to leading.

THE WITNESS: I would -- I would agree with that, yes. It has to go with whether or not we can -- we can rely on what