

R. Gregory Litster

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Professional Experience

SAFEChecks, Simi Valley, CA President and CEO, 1996 to present. SAFEChecks is in the check fraud prevention business, offering high-security checks, fraud-prevention software, educational seminars, and expert witness and consulting services. Since its founding in 1996, SAFEChecks has never had a check replicated or used in a scam (28 years).

Associate, Frank W. Abagnale and Associates, Washington DC, 1995 to present. As a senior level manager at Imperial Bank, I hired Mr. Abagnale (*Catch Me If You Can*) to educate our customers about check fraud, and to help the bank develop strategies to reduce the bank's check fraud losses. I am Co-Editor of Mr. Abagnale's Fraud Bulletin that covers check fraud, cyber crime, wire fraud, ACH fraud, mobile banking fraud, holder in due course (HIDC), Check 21 and Embezzlement.

Imperial Bank, Los Angeles, CA 1981 to 1997. Senior Vice President and Manager, Financial Services Division. I managed several divisions, including Treasury Management, Correspondent Banking, Title&Escrow, and SAFEChecks. Earlier, as a Regional Vice President, I managed a regional banking center comprised of commercial lenders, business development, operations. I acquired SAFEChecks from Imperial Bank in January 1997, prior to Imperial Bank being acquired by Comerica Bank.

Union Bank, Los Angeles, CA Completed the bank's commercial loan officer training program.

Education

Master of Business Administration, Finance, Brigham Young University, Provo, UT

Bachelor of Science, Economics, Brigham Young University, Provo, UT

Publications and Articles

Frank Abagnale Fraud Bulletin, Volumes 1- 17, Greg Litster, Co-Editor. Volume 17 is a 32-page document covering check fraud, cyber crime, Check 21, mobile banking fraud, etc. Frank W. Abagnale, Publisher, 1995 - 2022.

Cincinnati Insurance Company v. Wachovia Bank: The Legal Rationale to Implement Positive Pay.

Cyber Crime and Check Fraud, Title News, American Land Title Association, July/August 2009.

Remote Deposit Capture: The Dark Side, Remote Deposit Capture, A TAWPI Executive Report, November/December 2008, The Association for Work Process Improvement www.tawpi.org.

Holder in Due Course and Check Fraud, Corporate Treasury Management Manual, December 2006; originally published by Sheshunoff Information Services.

Check 21, Remote Deposit Capture and Check Fraud, Corporate Treasury Management Manual, December 2004, updated December 2023; originally published by Sheshunoff Information Services.

R. Gregory Litster

Page Two

Expert Witness

Cadence Bank v. (a Top 10 bank in the USA), and EIG Investment Group, LLC, Harris County Cause No. (redacted) CIVIL ACTION NO. (redacted). I worked for the Defense. This case was about one check in the amount of \$441,335.00 that paid against a business account at Cadence Bank (Plaintiff). Plaintiff contended the check had been chemically washed and the payee name altered. If the allegation was true, under the UCC the check could be charged back to Defendant (bank of first deposit - BOFD) for one year. I was retained by the Defendant to provide expert testimony on whether the check had been chemically washed and altered or if the check was a counterfeit. If the check was a counterfeit, the Fed's "midnight deadline" rule would apply, wherein the check must be charged back to BOFD within 24 hours or it could not be returned.

When I was provided the front and back images of the \$441,335.00 check and front and back images of other paid checks for Plaintiff's customer, I concluded that the \$441,335.00 check was a counterfeit check and was not chemically washed and altered as had been alleged. While the information and layout on the face of the alleged altered Check appears consistent with other "good" customer checks, it is obvious that the design of the actual check stock itself, both front and back, was entirely different from all the other customer's checks I reviewed.

While the face of the check in question appeared to me to be very similar to the customer's legitimate checks, the back of the \$441,335.00 check was entirely different than the back of other legitimate checks paid by Plaintiff for that business customer. This case is still ongoing.

Frost Bank v. (a Top 10 bank in the USA), Harris County Cause No. (redacted) CIVIL ACTION NO. (redacted) and CIVIL ACTION NO. (redacted). I worked for the Defense. This case was about one check in the amount of \$86,741.21 that paid against a business account at Frost Bank (Plaintiff). Plaintiff contended the check had been chemically washed and the payee name altered.

When I was provided the front and back images of the \$86,741.21 check and front and back images of other paid checks for Plaintiff's customer, I concluded that the \$86,741.21 check was a counterfeit check and was not chemically washed and altered as had been alleged. The case settled.

Megan A. Young v. Certegy Payment Solutions, LLC, and Complete Payment Recovery Services, Inc. US District Court for Massachusetts, Civil Action No.: 1:21-cv-11037-IT. I worked for the Defense. This case was about a check Plaintiff had written to a retailer, whose bank double-processed a file of check images for clearing, including her check. Plaintiff's bank paid the first digital presentment of the check and returned the second digital presentment of the same check. The returned check was routed to Defendants Certegy and CPRS for collection; the bank's double-processing error was not immediately known, nor was the bank named as a party to the litigation.

When Defendant contacted Plaintiff about said check, Plaintiff stated the check had paid. When Defendant requested specific supporting documentation the check paid, Plaintiff declined to provide such. Instead, Plaintiff sent Defendant a copy of an unsigned letter on bank letterhead stating the check "posted." Said letter contained indicia suggesting the letter was not authentic. The case settled.

R. Gregory Litster

Page Three

Expert Witness (Continued)

Harborview Realty, Inc. and McGregor Real Estate v. Fifth Third Bank, US District Court, Middle District of Florida, Ft. Myers Division. Case No.: 2:21-cv-942-JLB-KCD. I worked for the Defense. This case was about multiple unauthorized electronic transfers initiated by a hacker after obtaining an authorized user's login credentials and token code by projecting the bank's authentic website to a spoofed/mirrored website linked to a "sponsored" search engine ad. An authorized user (employee) entered her login information and token code (MFA) into the spoofed website. The hacker used that data to initiate \$1.3MM in ACH and wire transfers. The bank was able to recall a significant portion (not all) of the stolen funds. Plaintiff sued the bank for the unrecovered funds, alleging, among other things, that the bank's user login requirements were not commercially reasonable, and that the payment orders were not accepted in good faith. The Court disagreed. Plaintiff's MSJ was denied; Defendant's MSJ was granted. In his ruling, the judge cited my report five times.

Texas Bank and Trust v. (a Top 10 bank in the USA), US District Court for the Eastern District of Texas, Tyler Division Civil Action No. (redacted). I worked for the Defense. This case was about one check in the amount of \$232,000 that paid against a business account at Texas Bank & Trust (Plaintiff). Plaintiff contended the check had been chemically washed and the payee name altered. When I was provided the image of the \$232,000 check and images of other paid checks for Plaintiff's customer, I determined in 60 seconds that the \$232,000 check was a counterfeit check and was not chemically washed and altered as had been alleged. The background of the face of the \$232,000 check was entirely different than the other checks paid by Plaintiff for that business customer. The case settled.

Alvarez Rodriguez, et. al. v. BB&T, et. al.; US District Court, Southern District of Florida, Miami Division, Case No. 1:19-cv-25191. I worked for the Defense. This case was about an account takeover by an unknown person who used stolen digital credentials to wire \$861,000 from accounts held at BB&T Bank. I was retained by the Defense to provide expert testimony on bank security tokens being commercially reasonable and suitable as an online banking security measure to authenticate the identity of a customer in 2016. The judge sided with Defendant.

Brenda S. Wiggins individually and as executor of the Estate of Geoffrey Wiggins v. Wells Fargo Bank, et. al. North Carolina Arbitration Case No. 01-20-0005-0397. I worked for the Plaintiff. This case was about a Wells Fargo Bank customer who became terminally ill and died, and the duty and standard of care Wells Fargo Bank and the Wiggins' had to each other with respect to examining bank statements in a timely manner and reporting any anomalies to the Bank. I am not permitted to describe the outcome of this case. None of the parties were happy with the Arbitrator's Final Ruling.

Clinical Training Institute vs. Joseph Kevin Tharrington and JPMorganChase Bank, Superior Court of the State of California for the County of Santa Barbara, Cook Division, Case No. 17CV00830.

I was a consultant for the Plaintiff. This was a \$500,000 embezzlement case wherein a CTI employee altered the payee name or added his own name to checks made payable to his employer, and then deposited those altered checks at the teller line of a very large financial institution over a period of six years. Defendant sentenced to 56 months in jail; restitution of \$500,000 was ordered but never paid.

R. Gregory Litster

Page Four

Expert Witness (Continued)

P&P Precious Metals, Inc. v. Cyrus Chady; Superior Court, County of Los Angeles, Central District, Case No. BC614912. I was retained by the Defendant to provide expert testimony on the timeline of a deposited check based upon the markings on a Substitute Check or Image Replacement Document (IRD). The Jury found in favor of the Defendant.

Zheng Wang v. HSBC Bank USA, N.A.; United States District Court, Central District of California, Case No. LACV11-06536-DDP (MANx). I was retained by the Plaintiff to provide expert testimony regarding two unauthorized wire transfer requests called into the bank and confirmed using stolen identity, and to comment on the bank's internal controls. The Court found in favor of the Plaintiff.

Alexander Nikolaychuk, Larissa Ermolova, and Tatiana Angelovich v. Wescom Credit Union; Superior Court, County of Los Angeles, Central District, Case No. BC427843. I was retained by the Plaintiff to provide expert testimony regarding an alleged missing indorsement, ambiguous payees, and the legal meaning of a virgule (slash "/") between payee names. The case settled.

Jonathon Hahn and Paul Di Girolamo v. Fast Food Snack Shops, LLC, and Bank of America, et. al.; Superior Court, County of Los Angeles, Central District, Case No. BC398986. I was retained by BofA to evaluate a claim of embezzlement by one business partner against another, and the bank.

Howard Dell and Innovative Delivery Systems, Inc. v. Bank of America, et. al.; Superior Court, San Bernardino, Case No. CIVRS 804433. I was retained by BofA to evaluate the negligence of the Plaintiff following a \$360,000 embezzlement by a trusted employee. The jury found in favor of the Plaintiff.

Georges Marciano v. Joseph Fahs, et. al.; Superior Court of Los Angeles, CA, Central District. Case No. BC 375824. I was retained on behalf of the Plaintiff to help trace embezzled funds by trusted employees. Money, works of art and vintage wines were allegedly stolen. Mr. Marciano was hit with terminating sanctions by the judge and was not permitted to present his case to the jury. Defendants were awarded \$230 million for reputation damage, pain and suffering. On appeal, the Court rebuked the judge's behavior and sent part of the case back to a new judge. Mr. Marciano won part of the Appeal; the remainder of the case was settled in US Bankruptcy Court.

Woods Code 3, Inc. d/b/a American Site Development v. Woodforest National Bank, N.A. and (a Top 10 bank in the USA); In the 221st Judicial District Court of Montgomery County, Texas; Cause No. 06-06449-CV. I was retained on behalf of the Plaintiff to provide evidence of negligence by the banks following a \$2.6 million embezzlement that occurred over six years. Bank negligence was found, but the "repeater rule" and statute of limitations precluded the Plaintiff being reimbursed.

Helen A. Drouin v. Symetra Life Insurance Company; Federal Court, Boston, MA. Civil Action No. 06-CV-10764. I worked for Defendant. The case was about IRA money held in a Symetra account that belonged to the Plaintiff but was stolen by Plaintiff's daughter. I was retained to evaluate the Plaintiff's negligence.

Deluxe Corporation v. St. Paul Fire and Marine Insurance Company; International Arbitration, Mexico City, Mexico. I worked on behalf of St. Paul Fire and Marine Insurance Company. The case was about check stock that was stolen from a Deluxe-owned check printing plant in Mexico. I was retained to determine if the stolen check stock was, indeed, Deluxe check stock. During Arbitration, Deluxe withdrew their claim. All parties settled for their expenses incurred. ICDR Ref No.: 50 T 195 00001 03.

R. Gregory Litster

Page Five

Expert Witness (Continued)

First National Bank of Colorado v. Robert W. Baird & Co., Incorporated and Bank of America; and County of Los Angeles and City of Santa Monica v. Robert W. Baird & Co. Incorporated, Bank of America and First National Bank of Colorado. District Court, Boulder County, State of Colorado, 2003, Case 067892-C.V.-610, Division 20. I was retained by Robert W. Baird & Co. This case involved a \$1,075,000 check (federal transportation money) stolen by a Nigerian gang member and deposited into a brokerage account at Robert W. Baird & Co. The check wasn't altered, but the indorsement was forged, and it was alleged that Baird had responsibility for accepting the check. It was discovered that a temporary employee working in the accounting department of the check's intended recipient was a member of a Nigerian gang; his picture and biography were in the FBI's files. The case settled favorably for Robert W. Baird & Co.

Juan C. Rodriguez v. Travelers Insurance Company; Hills Pet Products, State of California, Division of Workers' Compensation, LA, 1999. I worked on behalf of Travelers Insurance. Case decided in favor of Travelers Insurance. Case No. LAO 748013.

Maria Figueroa v. Carl Karcher Enterprises, State of California. Division of Worker's Compensation, Los Angeles, 1999. Case number LAO 737807. I worked on behalf of Carl Karcher Enterprises. The Court decided in favor of Carl Karcher Enterprises.

Professional Experience - Imperial Bank

I was a banker for 18 years. For eight of those years I was the San Fernando Valley Regional Vice President (Los Angeles) for Imperial Bank. Imperial was acquired by Comerica Bank. As Regional Vice President I managed a regional banking center with commercial loan officers, business development officers and operational staff.

In the late 1980s, I saw advances in technology that made creating counterfeit checks easy. This alarmed me, and for the next four years at every Quarterly Senior Managers' meeting, I expressed my deep concerns to the president, the EVPs, the Chairman and Vice-Chairman of the Board. My warnings were largely ignored until late 1992, when the Bank got hit by two counterfeit checks totaling \$500,000. I was promoted to Senior Vice President and instructed to "fix it."

And I did. In so doing, I became intimately knowledgeable about internal bank operations, including check processing and "Sight Review" of inclearing checks, including high-dollar checks.

As Senior Vice President, I managed our Corporate Cash Management Division¹, Title/Escrow Operations, and Correspondent Banking.

¹ Corporate Cash Management provided business customers with bank products/tools such as "positive pay," which is an automated check matching service that allows the customer to tell the bank of all the checks they issued (account number, check number and dollar amount). At the time I came into the department, the Bank had 25,000 business accounts; only six (6) were using positive pay. We changed that by Frank Abagnale seminars promoting

R. Gregory Litster

Page Six

Professional Experience - Imperial Bank (continued)

These operations and staff were housed at the bank's Central Operations Center. Central Operations was where the checks our customers deposited were processed, and where checks presented for payment from other banks were processed. I became very familiar with those processes.

Central Operations was also where the high-dollar checks were physically outsourced and inspected every morning, a process known as "Sight Review." In the Sight Review process, the Bank was trying to identify counterfeit and altered checks, including chemically washed checks.

In the days before Check 21 (October 28, 2004), all inclearing large-dollar physical paper checks were inspected by hand. Today, because of Check 21, the physical paper checks are converted into digital images (X9 files) at the point of deposit. Banks still practice Sight Review, but the inspectors look at 200-dpi digital images (the X9 files) instead of the physical paper checks.

In October 1992, shortly after I became SVP, I attended a conference and heard Frank Abagnale (*Catch Me If You Can*) speak for two hours, without notes, about check fraud. Mr. Abagnale explained how the fraudsters alter checks and create counterfeit checks, and how to stop altered or counterfeit checks from paying.

The following Monday morning I met with the president of the bank. I described what I had learned from Mr. Abagnale, and what the bank needed to change immediately to avoid more losses. I also met with the Senior VP over Central Operations, and the Senior VP/Head Cashier of Imperial Bank. I explained to both of them what I'd learned and what we needed to change immediately. They agreed.

By the end of that week, Imperial Bank completely changed how inclearing checks were reviewed and processed, including high-dollar checks. Sight Review limits were lowered from \$100,000 to \$10,000, and the protocols and procedures inspectors followed when reviewing inclearing checks was changed. During the Sight Review process, every suspect check was compared to two or more other paid checks on the same account. The background and layout of the inclearing check was compared to the background and layout of other paid checks, as were the signatures.

By following these new protocols and procedures from 1993 through 1996, when I left banking, Imperial Bank prevented millions of dollars of altered and counterfeit checks from paying.

Over the years, I've seen with my own eyes and touched with my hands many, many counterfeit and altered checks, including chemically washed checks, totaling millions of dollars. I was on the front lines fighting check fraud when "new technology" aided and abetted the fraudsters, causing check fraud attempts and losses to explode.

high security checks and positive pay, our Cash Management Officers pushing positive pay, bank statement stuffers sent month after month, and lowering the pricing for the positive pay product.