

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 (26 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, Volume 17, Greg Litster, Co-Editor. This 32-page document covers check fraud, cyber crime, Check 21, mobile banking fraud, etc. Frank W. Abagnale, Publisher, 1995 - 2022. Download at <http://www.safechecks.com/pdf/abagnale-fraud-bulletin-17.pdf>.

Cincinnati Insurance Company v. Wachovia Bank: The Legal Rationale to Implement Positive Pay. Download article at: www.safechecks.com/services/fraudprevention.html.

Cyber Crime and Check Fraud, Title News, American Land Title Association, July/August 2009. Download article at www.FraudTips.net. Click on Cyber Crime and Check Fraud.

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, published by Sheshunoff Information Services. Download article at www.FraudTips.net. Click on Holder in Due Course.

Check 21, Remote Deposit Capture and Check Fraud, Corporate Treasury Management Manual, December 2004, updated December 2006; published by Sheshunoff Information Services. Download article at www.FraudTips.net. Click on Check 21.

Check Fraud and System Security, American Payroll Association, Paytech Magazine, November 2002

Guarding Against Check Fraud—Will the Battle Ever End?, Association for Financial Professionals, AFP Exchange, Spring 2000

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Expert Witness

Texas Bank and Trust v. JPMorgan Chase Bank, N.A., US District Court for the Eastern District of Texas, Tyler Division Civil Action No. 6:22-CV-00076

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. If the allegation was true, under the UCC the check could be charged back to Defendant (bank of first deposit - BOFD) for up to one year. I was retained by the Defendant to provide expert testimony on whether the check had been 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 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 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 was quickly settled on terms very favorable for the Defendant.

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 at JPMorganChase Bank over a period of six years. Defendant sentenced to 56 months in jail; restitution of \$500,000 was ordered but not paid.

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 sided with 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 case settled favorably for the Plaintiff.

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Expert Witness (Continued)

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 said the bank was liable.

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 JPMorganChase Bank, N.A.; 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 Symentra 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. I was retained to determine if the stolen check stock was, indeed, Deluxe's. During Arbitration, Deluxe withdrew their claim. All parties settled for their expenses incurred. ICDR Ref No.: 50 T 195 00001 03.

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; and that his picture and biography were in the FBI's files. The case was settled very favorably for Robert W. Baird & Co. Read more on Page Five.

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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 for \$500,000 in counterfeit checks. 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. 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. Central Operations was also where the High-Dollar checks were physically outsourced and inspected every morning, a process known as "Sight Review." The Bank was trying to identify counterfeit and altered checks, including chemically washed checks, in the sight review process.

In the days before Check 21 (October 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 November 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 the checks from paying.

The following Monday morning I met with the president of the bank. I described to him 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, including High-Dollar checks. Sight Review limits were dropped from \$100,000 to \$10,000, and the protocols and procedures inspectors followed when reviewing inclearing checks was changed.

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

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Professional Experience - Imperial Bank (continued)

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 Suspect 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 against our customers' accounts.

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.