

# 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 an original check purchased by a fraudster and 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. 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](http://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.

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#### Expert Witness

**Small Bank (\$200M) v. (Top 10 bank in the USA)** I worked for the Defense. This case was about a Cashier's Check in the amount of \$118,456.39 that was purchased by a customer. Plaintiff contended that its Cashier's Check had been intercepted and the payee name altered.

When I was provided images of the front and back of the \$118,456.39 Subject check and images of other Cashier's Checks paid by the bank, I concluded that the \$118,456.39 check was a counterfeit check and was not the original Cashier's Check that had been altered. Plaintiff failed to identify its own Cashier's Check as physically different from the Counterfeit Check. Plaintiff withdrew its claim.

**Consumer v. Check Warranty Company** I am working for the Defense. This case is about a check the Plaintiff had written to a retailer that the retailer declined to accept based upon the retailer's check warranty company's recommendation to decline the check.

I was retained by the Defendant to provide expert testimony on whether or not a check returned by a financial institution with a return reason code of "unable to locate" the account could mean the check was fraudulent or associated with fraud; also, if Retailers would be justified in expecting that their check warranty company would recommend declining a customer's check when that customer's I.D. is linked to an unresolved "unable to locate" returned check claim. This case is ongoing.

**Regional Bank (\$50B) v. (Top 10 bank in the USA)** 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 the 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 exemplar 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 face of the alleged altered check appeared to me to be very similar to Plaintiff's customer's legitimate checks, it was obvious that the design of the actual check stock itself, both front and back, was entirely different from all of the other exemplar checks I reviewed. Plaintiff withdrew its claim.

**Regional Bank (\$55B) v. (Top 10 bank in the USA)** 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 the 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.

**Manufacturing Company v. Very Large Bank (\$500B)** I worked for the Defense. This case was about embezzlement by a long-time employee/stockholder of the Company who embezzled many millions of dollars from Company by diverting checks sent to the Company by its customers. The case settled.

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#### **Expert Witness** (Continued)

**Real Estate/Realty Company v. Large Regional Bank (\$200B)** 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. An authorized user (employee) entered her login information and token code (MFA) into a 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. Plaintiffs 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.

**Real Estate Company v. Very Large Bank (\$500B)** I worked for the Defense. In this case, unknown fraudsters contacted Plaintiffs, representing that they were from Company's bank. The fraudsters obtained the Plaintiffs' User Name, Password, and Single-use Code to log into Plaintiffs' accounts. Once logged in, they transferred money between accounts, and originated eight (8) wire transfers totaling \$111,500. The completion of these wire transfers required the use of Plaintiffs' User Name, Password, and Single-use Codes. Plaintiffs did not give its bank notice that the transactions were disputed until after all eight wire transfers were completed. After notice was received, the bank locked the accounts, recalled the wire transfers from the receiving banks, and commenced a fraud investigation. Very little money was recovered. The case settled.

**Consumer v. Check Warranty and Payment Recovery Company** 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 from the same check. The returned check was routed to Defendants 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 declared the check had paid. When Defendant requested supporting documentation the check paid, Plaintiff refused to provide such. Instead, Plaintiff sent Defendant a copy of an unsigned letter on bank letterhead stating the check "posted." That letter contained indicia suggesting the letter was not authentic. The case settled.

**Small Regional Bank (\$4B) v. (Top 10 bank in the USA)**, I worked for the Defense. This case was about one check in the amount of \$232,000 that paid against a business account at the bank (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 that the \$232,000 check was a counterfeit check and was not chemically washed and altered as alleged. The background of the face of the \$232,000 check was entirely different than the other exemplar checks for that customer. The case settled.

**Family Business v. Large Regional Bank (\$225B)** I worked for the Defense. This case was about an account takeover by unknown persons who used stolen digital credentials to wire \$861,000 from accounts held at the 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.

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#### **Expert Witness** (Continued)

**An Individual and Executor of the Family Estate v. (Top 10 bank in the USA)** I worked for the Plaintiff. This case was about a long-time bank customer who became terminally ill and died, and the duty and standard of care the bank and the Individuals 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.

**Education/Training Company vs. Dishonest Employee and (Top 10 bank in the USA)** I was a consultant for the Plaintiff. This was a \$500,000 embezzlement case wherein a trusted employee altered the payee name and/or added his own name to checks made payable to his employer, and 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.

**Precious Metals Company v. An Individual** I was retained by the Defense 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.

**An Individual v. Multinational Foreign Bank (\$3T)** I was retained by the Plaintiff to provide expert testimony regarding two unauthorized wire transfer requests called into the bank by fraudsters. They were confirmed by the bank using stolen identity. I was also asked to comment on the bank's internal controls. The Court found in favor of the Plaintiff.

**Individuals v. Large Credit Union (\$6B)** I was retained by the Plaintiff to provide expert testimony regarding an alleged missing indorsement on a deposited check, ambiguous payees, and the legal meaning of a virgule (slash "/") between payee names. The case settled.

**Two Individuals v. Fast Food Company and (Top 10 bank in the USA)** I was retained by Bank to evaluate an embezzlement claim by one business partner against another, and the bank.

**Multi-state Business v. (Top 10 bank in the USA)** I was retained by Bank to evaluate the negligence of the Plaintiff following a \$360,000 embezzlement by a trusted employee. The jury found in favor of the Plaintiff.

**Famous Individual v. Multiple Employees** I was retained by the Plaintiff to trace funds embezzled by trusted employees. Money, works of art, and vintage wines were allegedly stolen. Famous Individual was hit with terminating sanctions by the judge and was not permitted to present his case to the jury. Defendants were awarded many millions of dollars for reputation damage, pain and suffering. On appeal, the Appellate Court rebuked the judge's behavior and sent part of the case back to a new judge. Famous Individual won part of the Appeal; the remainder was settled in US Bankruptcy Court.

**Cell Phone Tower Builder v. Small Regional Bank (\$9B) & (Top 10 bank in the USA)** 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 by the banks.

**An Individual v. Life Insurance Company** I worked for Defendant. This case was about IRA money held in an account at the Insurance Company that belonged to the Plaintiff but was stolen by Plaintiff's daughter. I was retained to evaluate the Plaintiff's negligence that contributed to the theft.

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#### **Expert Witness** (Continued)

**Multinational Check Manufacturer v. Insurance Company** International Arbitration, Mexico City, Mexico. I worked on behalf of the Insurance Company. This case was about check stock that was allegedly stolen from a check manufacturer's printing plant in Mexico. I was retained by Insurance Company to determine if the stolen check stock was, indeed, original check stock. During Arbitration, Check Printer withdrew its claim. All parties settled for their expenses incurred.

**Small Bank (\$80M) v. Investment Company and (Top 10 bank in the USA); and County X and City Y v. Investment Company and (Top 10 bank in the USA) and the Small Bank** I was retained by Investment Company. This case involved a \$1,075,000 check (federal transportation money) stolen by a Nigerian gang and deposited into a brokerage account at Investment Company. The check was not altered, but the indorsement was forged. Plaintiff alleged the Investment Company had responsibility for accepting the check with its forged indorsement. In the investigation it was discovered that a temporary employee working in the accounting department of the intended recipient (City Y) was a member of a Nigerian gang. His picture and biography were in the FBI's files. The case settled.

**Individual v. Insurance Company** State of California, Division of Workers' Compensation. I worked on behalf of Insurance Company. Case decided in favor of Insurance Company.

**Individual v. National Fast Food Company** State of California, Division of Worker's Compensation. I worked on behalf of Fast Food Company. Court decided in favor of Fast Food Company.

#### **Professional Experience - Imperial Bank**

I was a banker for 18 years. For eight of those years I was a Regional Vice President for Imperial Bank (Los Angeles). 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 would make creating counterfeit checks easy. This alarmed me, and for four years at every Quarterly Senior Managers' meeting, I expressed my deep concerns to the President, EVPs, Chairman and Vice-Chairman of the Board. My warnings were 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 Division<sup>1</sup>, 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. I became very familiar with those internal bank processes.

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<sup>1</sup> 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 sent month after month, and lowering the pricing for the positive pay product.

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#### **Expert Witness** (Continued)

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) and not 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 Imperial 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 (our typical counterfeit check at that time was \$26,000). The protocols inspectors followed when Sight Reviewing (visually inspecting) inclearing checks was changed. During the Sight Review process, every high-dollar inclearing check was compared to two or more other paid checks on the account. The background and layout of the inclearing check was compared to the background and layout of other good, paid checks, as were the signatures. Imperial Bank hired Mr. Abagnale in 1993 to give 30 fraud prevention seminars to the bank staff and our customers, and to design our new check, the SAFECheck.

By following these new protocols and recommendations by Mr. Abagnale from 1993 through 1996 when I acquired SAFEChecks and left banking, Imperial Bank stopped 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 hundreds of counterfeit and altered 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 losses to explode.