

STATE OF NEW JERSEY
DEPARTMENT OF BANKING AND INSURANCE

IN THE MATTER OF:

Proceedings by the Commissioner of Banking)
and Insurance, State of New Jersey, to fine,)
suspend or revoke the insurance licenses of)
Robert Lapinski, Reference No. 1172501,)
Robert John Carter, Reference No. 1218749,)
Jeffery Bernard Nesmith, Reference No.)
1050239, Steven Krauss, Reference No.)
1598712, Cutting Edge Bail Bonds, LLC,)
Reference No. 1070399, and Dollar Bail)
Bonds, Inc. d/b/a/ A Dollar Bail Bonds,)
Reference No. 1183637.)

ORDER TO SHOW CAUSE

TO: Robert Lapinski
220 Route 46, Suite 301
Little Ferry, New Jersey 07643

Robert John Carter
132 South Street
Freehold, New Jersey 07728

Jeffery Bernard Nesmith
120 Gravel Street #25
P.O. Box 2026
Meriden, Connecticut 05450

Steven Krauss
317 Daleville Highway
Covington Township, Pennsylvania 18444

Cutting Edge Bail Bonds, LLC
220 Route 46, Suite 105
Little Ferry, New Jersey 07643

Dollar Bail Bonds, Inc. d/b/a
A Dollar Bail Bonds
110 Route 46, Suite 301
Little Ferry, New Jersey 07643

THIS MATTER, having been opened by the Commissioner of Banking and Insurance (“Commissioner”), State of New Jersey, upon information that Robert Lapinski (“Lapinski”), Robert John Carter (“Carter”), Steven Krauss (“Krauss”), Jeffrey Bernard Nesmith (“Nesmith”), Cutting Edge Bail Bonds, LLC (“Cutting Edge”), and Dollar Bail Bonds, Inc. d/b/a/ A Dollar Bail Bonds (“Dollar Bail Bonds”) (collectively, “Respondents”), may have violated various provisions of the insurance laws of the State of New Jersey; and

WHEREAS, Lapinski was licensed as a resident insurance producer in the State of New Jersey pursuant to N.J.S.A. 17:22A-32(a) from April 4, 2008 until his license expired on October 31, 2017; and

WHEREAS, Carter was licensed as a resident insurance producer in the State of New Jersey pursuant to N.J.S.A. 17:22A-32(a) from May 14, 2009 until his license expired on October 31, 2017; and

WHEREAS, Nesmith was licensed as a non-resident insurance producer in the State of New Jersey pursuant to N.J.S.A. 17:22A-34 from September 21, 2005 until his license expired on October 31, 2015; and

WHEREAS, Krauss is currently licensed as a non-resident producer in the State of New Jersey pursuant to N.J.S.A. 17:22A-34 and has been since November 19, 2015; and

WHEREAS, Cutting Edge was licensed as a resident business entity insurance producer in the State of New Jersey pursuant to N.J.S.A. 17:22A-32(b) from May 30, 2006 until its license expired on May 31, 2018; and

WHEREAS, Dollar Bail Bonds was licensed as a resident business entity insurance producer in the State of New Jersey pursuant to N.J.S.A. 17:22A-32(b) from June 27, 2008 until its license expired on May 31, 2018; and

WHEREAS, Respondents are subject to the provisions of the New Jersey Insurance Producer Licensing Act of 2001, N.J.S.A. 17:22A-26 to -48 (“Producer Act”) and the regulations governing Insurance Producer Standards of Conduct, N.J.A.C. 11:17A-1.1 to 11:17D-2.8; and

WHEREAS, pursuant to N.J.S.A. 17:22A-40(d), the Commissioner shall retain the authority to enforce the provisions of and impose any penalty or remedy authorized by the Producer Act and Title 17 of the Revised Statutes or Title 17B of the New Jersey Statutes against any person who is under investigation for or charged with a violation of the Producer Act or Title 17 of the Revised Statutes or Title 17B of the New Jersey Statutes even if the person’s license or registration has been surrendered or has lapsed by operation of law; and

WHEREAS, pursuant to N.J.S.A. 17:22A-32(b)(2), Cutting Edge and Dollar Bail Bonds are required at all times to maintain a designated a licensed insurance producer or producers (“DRLP”) responsible for the business entity’s compliance with the insurance laws, rules and regulations of this State; and

WHEREAS, pursuant to N.J.A.C. 11:17A-1.6(c), licensed partners, officers and directors, and all owners with an ownership interest of 10 percent or more in a business entity insurance producer shall be held responsible for all insurance related conduct of the organization licensee, any of its branch offices, its other licensed officers or partners, and its employees; and

WHEREAS, pursuant to N.J.S.A. 17:22A-29, a person shall not sell, solicit or negotiate insurance in this State unless the person is licensed for that line of authority in accordance with the Producer Act; and

WHEREAS, pursuant to N.J.S.A. 17:22A-40(a), the Commissioner may place on probation, suspend, revoke or refuse to issue or renew an insurance producer’s license, and may levy a civil penalty, for a violation of the Producer Act; and

WHEREAS, pursuant to N.J.S.A. 17:22A-40(a)(2), an insurance producer shall not violate any insurance law, regulation, subpoena or order of the Commissioner or of another state's insurance regulator; and

WHEREAS, pursuant to N.J.S.A. 17:22A-40(a)(4), an insurance producer shall not improperly withhold, misappropriate or convert any monies or properties received in the course of doing insurance business; and

WHEREAS, pursuant to N.J.S.A. 17:22A-40(a)(5), an insurance producer shall not intentionally misrepresent the terms of an actual or proposed insurance contract, policy or application for insurance; and

WHEREAS, pursuant to N.J.S.A. 17:22A-40(a)(8), an insurance producer shall not use fraudulent, coercive or dishonest practices, or demonstrate incompetence, untrustworthiness or financial irresponsibility in the conduct of insurance business in this State or elsewhere; and

WHEREAS, pursuant to N.J.S.A. 17:22A-40(a)(10), an insurance producer shall not forge another's name to an application for insurance or to any document related to an insurance transaction; and

WHEREAS, pursuant to N.J.S.A. 17:22A-40(a)(16), an insurance producer shall not commit any fraudulent act; and

WHEREAS, pursuant to N.J.A.C. 11:17-2.10(b)(4), an employer shall be responsible for the insurance-related conduct of an employee, and in any disciplinary proceeding, the existence of the employment contract shall be *prima facie* evidence that the employer knew of the activities of the employee; and

WHEREAS, pursuant to N.J.A.C. 11:17A-4.10, an insurance producer acts in a fiduciary capacity in the conduct of his or her insurance business; and

WHEREAS, pursuant to N.J.S.A. 17:22A-45(c), any person violating the Producer Act is subject to a penalty not exceeding \$5,000.00 for the first offense and not exceeding \$10,000.00 for each subsequent offense; moreover, the Commissioner may order restitution of moneys owed any person and reimbursement of costs of investigation and prosecution; and

ALLEGATIONS COMMON TO ALL COUNTS

IT APPEARING, that upon formation of Cutting Edge on May 30, 2006, Nesmith was appointed as its DRLP; and

IT FURTHER APPEARING, that at all relevant times, Krauss was the President of, and maintained an ownership interest in, Cutting Edge; and

IT FURTHER APPEARING, that on May 20, 2014, Krauss appointed Lapinski as the DRLP for Cutting Edge;

IT FURTHER APPEARING, that at all relevant times since its formation on June 27, 2008, Lapinski was the appointed DRLP for Dollar Bail Bonds; and

IT FURTHER APPEARING, that at all relevant times Nesmith, Krauss, and Lapinski had greater than a 10 percent ownership interest in Cutting Edge; and

IT FURTHER APPEARING, that at all relevant times Lapinski had greater than a 10 percent ownership interest in Dollar Bail Bonds; and

IT FURTHER APPEARING, that at all relevant times Carter was employed by, or was an agent of, either Cutting Edge or Dollar Bail Bonds; and

IT FURTHER APPEARING, that in February, 2009, JG, a New Jersey resident, was arrested and charged with criminal conduct in Secaucus, New Jersey; and

IT FURTHER APPEARING, that the Secaucus Municipal Court set bail for JG at \$150,000; and

IT FURTHER APPEARING, that on February 6, 2009, JG, RM and BG executed a Surety Bail Bond Application and Agreement with Cutting Edge (“Cutting Edge Bond Application”) for the issuance of a bail bond for JG; and

IT FURTHER APPEARING, that on February 6, 2009, RM and BG executed a Bail Bond Agreement with Dollar Bail Bonds (“Dollar Bail Bond Agreement”) in connection with the Cutting Edge Bond Application; and

IT FURTHER APPEARING, that on February 6, 2009, Lapinski, RM, BG, and KC executed a Premium Finance Agreement with Dollar Premium Finance Company, an affiliate of Dollar Bail Bonds (“Premium Finance Agreement”), in order to finance a bail bond to be issued by Dollar Bail Bonds in the amount of \$150,000 to JG for a total premium of \$15,030, with \$5,000 down and \$10,030 to be paid in 12 monthly installments, beginning on March 1, 2009; and

IT FURTHER APPEARING, that on February 7, 2009, Dollar Bail Bonds posted a bail bond for \$150,000 (“Bail Bond”) and JG was released from custody; and

IT FURTHER APPEARING, that the monthly installment payment required to be paid on March 1, 2009 under the Premium Finance Agreement was not made by RM, BG or KC; and

IT FURTHER APPEARING, that in April, 2009, Carter was an unlicensed representative and agent employed by Cutting Edge, Dollar Bail Bonds and/or Lapinski, and traveled from New Jersey to California for the purpose of having DG, the estranged grandmother of JG, post additional security for the Bail Bond that had been previously posted by Dollar Bail Bonds for JG on February 7, 2009; and

IT FURTHER APPEARING, that Carter fraudulently informed DG that JG would be imprisoned unless she executed additional paperwork, and that such paperwork would not jeopardize her finances; and

IT FURTHER APPEARING, that on or about April 28, 2009 Carter requested that DG execute an Original Promissory Note Secured by Deed of Trust (“Promissory Note”) granting Cutting Edge a lien against her personal residence for \$150,000, or the full amount of the Bail Bond; and

IT FURTHER APPEARING, the Carter fraudulently informed DG that Cutting Edge would not collect on the Promissory Note unless Cutting Edge was required to pay the full amount of the Bail Bond; and

IT FURTHER APPEARING, that DG did not travel to New Jersey at any time and did not have any contact with the Respondents on or about February 6, 2009; and

IT FURTHER APPEARING, that Respondents forged DG’s signature on a Surety Bail Bond Agreement with Cutting Edge and back-dated her signature to February 6, 2009 (“Cutting Edge Surety Agreement”); and

IT FURTHER APPEARING, that Respondents forged DG’s signature on an additional copy of the Premium Finance Agreement and back-dated her signature to February 6, 2009; and

IT FURTHER APPEARING, that on or about May 14, 2009, Carter became a licensed resident insurance producer in the State of New Jersey; and

IT FURTHER APPEARING, that JG did not appear for his scheduled trial date of November 25, 2009, and a warrant was issued by the Secaucus Municipal Court for his arrest; and

IT FURTHER APPEARING, that JG was apprehended by representatives of Carter and Lapinski in California and was returned to custody in New Jersey; and

IT FURTHER APPEARING, that on December 1, 2009, Lapinski, on behalf of Dollar Bail Bonds, requested that the Secaucus Municipal Court discharge the Bail Bond; and

IT FURTHER APPEARING, that a Certificate of Bond Discharge for the Bail Bond was issued by the Secaucus Municipal Court on December 21, 2009; and

IT FURTHER APPEARING, that on November 12, 2013, at the direction of Nesmith, Krauss, and Lapinski, Cutting Edge filed suit in the Superior Court of California against RM, BG, and DG, under Case No. MSC13-0287 (“California Lawsuit”), to recover, *inter alia*, the premiums due under the Premium Finance Agreement and the cost of apprehending JG and returning him to custody in New Jersey; and

IT FURTHER APPEARING, that Cutting Edge alleged in the California Lawsuit that the rights to the Premium Finance Agreement were assigned from Dollar Bail Bonds to Cutting Edge with the written assent of RM, BG, KC and DG, but produced only an unsigned document entitled Assignment of Contract dated 2008 (“Assignment”) in support of that claim; and

IT FURTHER APPEARING, that Nesmith, Krauss, and Lapinski stood to gain financially from the relief requested by Cutting Edge in the California Lawsuit; and

IT FURTHER APPEARING, that on May 20, 2014, Lapinski was appointed as the DRLP for Cutting Edge Bail Bonds; and

IT FURTHER APPEARING, that on January 14, 2015, the Superior Court of California made findings of fact and conclusions of law that DG did not execute the Cutting Edge Surety Agreement, the Premium Finance Agreement, or the Assignment; and

IT FURTHER APPEARING, that the Superior Court of California entered the defaults of defendants RM and BG in the California Lawsuit; and

IT FURTHER APPEARING, that the Superior Court of California made findings of fact and conclusions of law that Dollar Bail Bonds, not Cutting Edge, issued the Bail Bond and, further,

that Cutting Edge had no cause of action against DG arising out of the issuance of the Bail Bond by Dollar Bail Bonds; and

IT FURTHER APPEARING, that the Superior Court of California entered a judgment dated November 5, 2015 in the California Lawsuit in favor of DG and against Cutting Edge, and made findings of fact and conclusions of law that the contract pursuant to which Cutting Edge alleged liability against DG was “invalid, inapplicable, unenforceable, or nonexistent” and awarded DG the sum of \$28,355.03 in frivolous litigation costs and fees pursuant to California Civil Code, § 1717; and

IT FURTHER APPEARING, that Cutting Edge has failed to satisfy the judgment entered against it by the Superior Court of California in the California Lawsuit and in favor of DG in the amount of \$28,355.03; and

COUNT ONE

IT FURTHER APPEARING, that Carter, Nesmith, Krauss, Lapinski, Cutting Edge and Dollar Bail Bonds misrepresented or are responsible for the misrepresentation of the terms of an insurance agreement to DG by having DG post additional collateral for the Bail Bond after it was written, in violation of N.J.S.A. 17:22A-40(a)(2), (5), (8), (16), N.J.A.C. 11:17A-1.6(c) and N.J.A.C. 11:17A-4.10; and

COUNT TWO

IT FURTHER APPEARING, that Carter, Nesmith, Krauss, Lapinski and Cutting Edge forged or are responsible for forging the signature of DG on the Cutting Edge Surety Agreement and back-dating her signature for February 6, 2009, in violation of N.J.S.A. 17:22A-40(a)(2), (8), (10) and (16), N.J.A.C. 11:17A-1.6(c) and N.J.A.C. 11:17A-4.10; and

COUNT THREE

IT FURTHER APPEARING, that Carter, Lapinski, and Dollar Bail Bonds forged or are responsible for forging the signature of DG on the Dollar Bail Bond Premium Finance Agreement and back-dating her signature to February 6, 2009, in violation of N.J.S.A. 17:22A-40(a)(2), (8), (10) and (16), N.J.A.C. 11:17A-1.6(c), and N.J.A.C. 11:17A-4.10; and

COUNT FOUR

IT FURTHER APPEARING, that Carter was not licensed as an insurance producer at the time when he represented himself to DG as an agent of Cutting Edge, explained the Cutting Edge Surety Agreement and Dollar Bail Bond Premium Finance Agreement, and induced her to sign the Promissory Note as collateral for an insurance contract, in violation of N.J.S.A. 17:22A-40(a)(2), (8), and N.J.S.A. 17:22A-29; and

COUNT FIVE

IT FURTHER APPEARING, that Nesmith, Krauss, Lapinski and Cutting Edge have failed to satisfy the judgment entered by the Superior Court of California in favor of DG and against Cutting Edge in the California Lawsuit in the amount of \$28,355.03, in violation of N.J.S.A. 17:22A-40(a)(2), and (8), N.J.A.C. 11:17A-1.6(c) and N.J.A.C. 11:17A-4.10; and

NOW, THEREFORE, IT IS on this 23rd day of December, 2019,

ORDERED, that Respondents appear and show cause why their New Jersey insurance producer licenses should not be suspended or revoked pursuant to N.J.S.A. 17:22A-40(a); and

IT IS FURTHER ORDERED, that Respondents appear and show cause why the judgment entered in the California Lawsuit by the Superior Court of California in favor of DG and against Cutting Edge should not be satisfied in full, including pre-judgment interest; and

IT IS FURTHER ORDERED, that Respondents appear and show cause why the Commissioner should not assess a civil penalty of up to \$5,000.00 for the first violation and \$10,000.00 for each subsequent violation of the Producer Act and order Respondents to pay restitution of moneys owed to any person, pursuant to the provisions of N.J.S.A. 17:22A-45(c); and

IT IS FURTHER ORDERED, that Respondents appear and show cause why they should not be required to reimburse the Department for the costs of investigation and prosecution, as authorized pursuant to N.J.S.A. 17:22A-45(c); and

IT IS PROVIDED, that Respondents have the right to request an administrative hearing, to be represented by counsel or other qualified representative, at their own expense, to take testimony, to call or cross-examine witnesses, to have subpoenas issued, and to present evidence or argument if a hearing is requested; and

IT IS FURTHER PROVIDED, that unless a request for a hearing is received within twenty (20) days of the service of this Order to Show Cause, the right to a hearing in this matter shall be deemed to have been waived by Respondents, and the Commissioner shall dispose of this matter in accordance with law. A hearing may be requested by mailing the request to Virgil Dowtin, Chief of Investigations, Department of Banking and Insurance, P.O. Box 329, Trenton, New Jersey 08625, or by faxing the hearing request to the Department at (609) 292-5337, with a copy to Richard E. Wegryn, Jr., DAG, 25 Market Street, P.O. Box 117, Trenton, New Jersey 08625. The request shall contain the following:

- (a) Respondent's full name, address and daytime telephone number;
- (b) A statement referring to each charge alleged in this Order to Show Cause and identifying any defense intended to be asserted in response to each charge. Where the defense relies on facts not contained in the Order to Show Cause, those specific facts must be stated;

- (c) A specific admission or denial of each fact alleged in this Order to Show Cause. Where the Respondent has no specific knowledge regarding a fact alleged in the Order to Show Cause, a statement to that effect must be contained in the hearing request. Allegations of this Order to Show Cause not answered in the manner set forth above shall be deemed to have been admitted; and
- (d) A statement requesting the hearing.



Marlene Caride
Commissioner