



OFFICE OF THE ATTORNEY GENERAL
CONNECTICUT

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June 1, 2023

By Email

Perry Rowthorn, Esq.
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P.O. Box 370496
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Re: *Stone Academy*

Dear Attorney Rowthorn:

I am responding to your letter of May 12, 2023, (the “May 12th letter”) to my Office in which your client Career Training Specialists, LLC dba Stone Academy (“Stone”) purports to offer a teach-out program that is allegedly viable and in the best interests of Stone’s former students. It is neither. The May 12th letter, which appears to be another calculated maneuver in an aggressive public relations campaign by Stone and its leadership to gaslight and blame others for their misconduct, attempts to re-write history by making assertions that are factually and demonstrably false and misleading.

To put it plainly, Stone’s efforts to mislead and obfuscate are not helping. Stone is making this already difficult situation worse. More than a *thousand* students and graduates are now facing significant challenges to complete their education, pass the National Council Licensure Examination (NCLEX), obtain a license to practice nursing, and attain a good-paying job. These students have each paid Stone tens of thousands of dollars and made significant personal sacrifices for an education they did not receive. Stone and its owners appear to have taken in millions of dollars from these students and students like them.

Stone is the bad actor here, and it is Stone and its ownership and management who engaged in what is clearly a long-running course of misconduct. Stone unilaterally shut down and stranded its students and graduates. There are no alternative facts here. This is a fact beyond dispute. No amount of misdirection is going to change that, and Stone’s attempts to blame its misconduct and decision to shut down on its state and federal regulators is as absurd as a driver who is prosecuted for driving 100 miles an hour blaming his arrest on the state trooper who pulled him over.

Stone alone made the decision to close. It cannot now muddy the record and re-write history to blame state and federal agencies for the mess that its leadership created. But Stone has injected so much misinformation into the public domain that it is now important to correct the record on what actually happened.

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STONE FAILS ITS STUDENTS

For quite some time, certainly all of 2022, Stone had done an extremely poor job educating its licensed practical nursing students. In fact, the NCLEX pass rates reported in May 2022 reflect that all three campuses were far below the required 80 percent. Of the six programs (day and evening programs at each campus), the highest pass rate was an unacceptable 65 percent. At the West Haven location, not even 50 percent of Stone's students passed the NCLEX exam (44% for day students and 47% for evening students). The West Haven day program was removed from the list of approved programs by the Board of Examiners for Nursing, as was the East Hartford day program. Additionally, the pass rate for East Hartford's evening program was a mere 48 percent. Stone simply was not preparing students to be nurses, even as it demanded tuition in excess of \$30,000.

STATE AND FEDERAL REGULATORS TAKE ACTION TO PROTECT STUDENTS

The Office of Higher Education ("OHE") is the state regulator charged with responsibility of authorizing for-profit schools like Stone to operate, and holding them accountable for compliance with state law. As a result of Stone's failures, on August 15, 2022, OHE sent Gary Evans, Stone's President and CEO, a letter documenting the various violations found during OHE's July 29, 2022, site visit to the school's East Hartford campus. The violations included, among others:

- (1) failing to provide OHE with timely notice of staff changes at various campuses, including the school director and the campus directors;
- (2) failing to adequately inform students of a change in the passing grade for the exit exam—a program change;
- (3) failing to take attendance for classes and clinics; and
- (4) utilizing unqualified faculty.

In addition to these violations, OHE raised concerns about the school's significant staff turnover, substantial mid-program changes, over-reliance on the ATI (Assessment Technologies Institute, LLC's online NCLEX preparation tool) as a measure of student preparedness for the NCLEX despite continued unsatisfactory pass rates, and the school's hiring of an LPN program administrator who had charges of *negligence in carrying out nursing duties* pending before the Board of Examiners for Nursing related to his APRN and RN licenses. The school was instructed to provide

a corrective action plan and was informed that schools that have repeated violations may be subject to a revocation of authorization.

Due to Stone leadership's continued mismanagement of the institution and resulting statutory and regulatory violations, on December 20, 2022, Timothy Larson, Executive Director of OHE, gave Stone notice that OHE was considering revoking the school's certificate of authorization due to its violation of the applicable statutes and regulations as cited therein. If not renewed, the certificate of authorization would have expired on January 27, 2023. In the notice, Mr. Larson informed Stone that he would hold a compliance conference on January 9, 2023, which he did, in fact, hold.

At the compliance conference, Stone admitted to the allegations contained in the notice of consideration of revocation. Stone admitted to utilizing unqualified faculty to educate nursing students. Stone also admitted to providing "campus clinicals" to students long after the Executive Order and resulting Commissioner's order permitting same expired. Those students had made significant payments to Stone, only to receive poor instruction by unqualified faculty and invalid clinical experiences. Moreover, Stone also received federal Title IV student loan money issued by the United States Department of Education ("U.S. DOE") for these students.

Pursuant to his statutory authority, on January 19, 2023, the Executive Director extended the school's certificate of authorization for 60 days. If not renewed for another year, or revoked, the certificate of authorization would expire on March 27, 2023. Neither materialized because Stone closed its operations.

On February 2, 2023, the U.S. DOE placed Stone on Heightened Cash Monitoring ("HCM2").

State and federal regulators were compelled to take these actions and demand that Stone take corrective action because of Stone's misconduct and non-compliance with law.

STONE UNILATERALLY SHUTS DOWN

Stone then made the unilateral decision to shut down and close, instead of taking the corrective action demanded by regulators. At a February 3, 2023, meeting, Joseph Bierbaum informed state regulators that as the result of the U.S. DOE putting Stone on Heightened Cash Monitoring, the school would have to close. Mr. Bierbaum said that Stone had already engaged in conversations with Bridgeport University, Goodwin University, and Griffin Hospital about being potential teach-out partners.

Any suggestion that Bridgeport University and Goodwin University would be appropriate teach-out partners was, and is, completely untenable on its face. First, *neither school even has a practical nursing education program*. Second, Bridgeport and Goodwin are both run by Mark Scheinberg, whose conflicts of interest and prior record at Stone completely disqualify him, and any institution run by him, as a suitable teach-out partner. Mr. Scheinberg is Joseph Bierbaum's stepfather and a former owner of Stone who profits from Stone's operations. As an owner of Stone, Mr. Scheinberg paid \$1 million in 2021 to the U.S. Department of Justice to resolve allegations that he violated the federal False Claims Act. As part of that resolution, Mr. Scheinberg also was required to cease involvement and participation in Stone's operations, divest his direct ownership of Stone, and retire from Bridgeport University and Goodwin University within five years. It is obvious that any teach-out from Stone to an entity controlled by Mark Scheinberg would *not* be conducted at arm's-length. It would be an insider deal fraught with conflicts of interest and self-dealing that would again prioritize the financial interests of Joseph Bierbaum and Mark Scheinberg over the interests of the people that really matter here — the students and graduates of Stone.

At the conclusion of the meeting, Stone agreed to provide OHE with a "letter of intent to close" by close of business that day. The letter was not provided that day.

Then on February 6, 2023, Stone attorney Aaron Bayer sent a letter to my Office and OHE providing formal notification of the school's intention to "orderly wind down its educational operations following the successful teach-out of current students" to be conducted in cooperation with various state and federal agencies and the school's accreditor.

As the state's Attorney General and Chief Legal Officer, I cannot say this any more clearly: at no time either prior or subsequent to the February 3rd meeting, or February 6th letter, did any representative of the State of Connecticut or the OHE ask, or suggest to Stone, that it should close. Stone's leaders and/or owners made the decision to close because there was no clear path out of the mess they created. Any representation by Stone to the contrary is completely false.

STONE REFUSES TO ACCEPT RESPONSIBILITY

Two days later, Attorney Bayer informed my Office that U.S. DOE's HCM2 monitoring posed a challenge and was delaying teach-out arrangements. Attorney Bayer sought confirmation that if Stone was able to finalize arrangements with a teach-out partner to complete the training of all enrolled students, OHE would "continue Stone's license until that process is complete." Apparently, Attorney Bayer believed that if OHE provided such assurance to U.S. DOE, the U.S. DOE would consider lifting the HCM2 status.

This is misguided because when it comes to private career schools in Connecticut, there is no such thing as continuing a license. A school either has a certificate of authorization, or it does

not. At that time, Stone's certificate of authorization was set to expire on March 27, 2023. The school had initiated the renewal process, and OHE was simultaneously considering revocation. Moreover, even if OHE could and would "continue" the "license", it is entirely unclear why Stone believed that the "continuance" would convince U.S. DOE to lift HCM2 monitoring.

Although Stone began blaming OHE for the closure as early as February 10, 2023, in an email to my Office, in reality it has no one else to blame but itself. According to Attorney Bayer, 80 percent of the school's revenue was from federal funds—under HCM2 status, however, release of federal funds is a slower process that, according to Attorney Bayer, "would impose a prohibitive financial impediment to continuing to operate."

Stone has tried to blame OHE for not allowing the school "to continue operating to conduct a teach-out" after Stone admitted that it was not in compliance with state law and regulations. As a regulator, OHE has a statutory responsibility to compel compliance with the law, not to look the other way so Stone can break the law. Stone did not then, and has not since, taken responsibility for the predicament it created for students. It was Stone's use of unqualified faculty, utilization of improper on campus clinical experiences, poor instruction, poor record keeping and abysmal NCLEX pass rates that lead to its demise, not OHE's potential non-renewal or revocation of the certificate of authorization or the HCM2 monitoring (imposed by the federal government, not OHE). Those were simply the natural consequences of Stone's numerous and extensive failures.

It is an outrageous notion for Stone to have expected OHE to renew the certificate of authorization of a school riddled with numerous regulatory and statutory violations so that the school could continue to make even more money on the backs of more students when it had taken advantage of and abandoned so many. Rather than owning its misconduct and actually providing meaningful resources to aid its former students in moving forward, Stone, to this day, continues to blame state agencies for its own failures.

STONE'S TEACH-OUT PROPOSAL IS NOT MEANINGFUL

The so called "teach-out plan" described in the May 12th letter lacks any meaningful details and, critically, no real financial commitment to make this right for Stone's students and graduates. Instead, the May 12th letter feels like another public relations ploy to deflect and avoid blame prior to completion of the formal student record review being conducted by CliftonLarsonAllen.

Stone indicated that it would facilitate students transferring to another school, but Stone has not stated that it will pay tuition for those students to continue their studies. These students do not need Stone for a transfer — they can transfer now.

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If Stone is now proposing a teach-out plan, the only acceptable plan would be one that Stone funds. The May 12th letter provides no real answers. The letter does not identify the “teach-out partner” because it alleges that OHE and the Connecticut Board of Examiners for Nursing will “target” the institution. This is absurd; the state and OHE are not going to take Stone’s word for it. It is silent on who will pay for this teach-out. Is the partner institution capable of completing the teach-out? Can it handle all of these students? How will students qualify for the teach-out? Can the partner provide the clinical hours that Stone so utterly failed to provide? And so on.

Critically, Stone does not tell us what it will do to compensate students who did not get what they paid for. Will Stone give money back to students who paid for an education that was never provided? Will Stone refund money to students who are unable to complete their education because circumstances have changed and it is not feasible for them to continue?

You have requested that the state engage with Stone in settlement discussions. As a general matter, I am willing to meet and discuss proposals for resolution of the state’s investigation and claims, and I understand that Stone offered the proposal outlined in the May 12th letter in an effort to do so. I must reiterate again that I will not consider any resolution until Stone and its members and affiliates answer all of the requests for information set forth in the pending Civil Investigative Demands, and fully disclose all financial information that I have separately requested. I can only interpret Stone’s failure to provide this information to mean that it is not serious about resolution of the state’s investigation and claims.

Please communicate to your client that the state, and the Office of the Attorney General, will continue to aggressively pursue Stone, its members and affiliates, to hold them accountable and to help and vindicate the students Stone has abandoned. There are no easy political and public relations solutions that will help Stone now. This is a law enforcement matter. The only way forward for Stone and its principals is to put all of their money on the table and do everything they can to make this horrible situation right.

Very truly yours,



WILLIAM TONG