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15 Proposed Counsel for Debtor and Debtor in
 16 Possession

17 UNITED STATES BANKRUPTCY COURT
 18 EASTERN DISTRICT OF CALIFORNIA, SACRAMENTO DIVISION

19 In re	Case No. 26-25868
20 Highlands Community Charter and Technical	Chapter 11
21 Schools,	
22 Debtor and	Adv No. 26-_____
23 Debtor in Possession.	
24	COMPLAINT SEEKING DECLARATORY
25	AND INJUNCTIVE RELIEF UNDER
26	BANKRUPTCY CODE SECTIONS 105(a)
27	AND 362 THAT THE AUTOMATIC STAY
28	APPLIES TO THE CHARTER
	REVOCATION APPEAL

29 Highlands Community Charter and Technical	Judge: Hon. Christopher D. Jaime
30 Schools,	
31 Plaintiff,	
32 v.	
33 Twin Rivers Unified School District Board	
34 of Trustees and California State Board of	
35 Education,	
36 Defendants.	

1 Highlands Community Charter and Technical Schools, the above-captioned debtor and
2 debtor-in-possession (“HCCTS” or, the “Debtor”), in the above-captioned chapter 11 case (the
3 “Case” or the “Main Case”), files this Complaint seeking the entry of one or more orders for
4 declaratory and injunctive relief pursuant to Bankruptcy Code Sections 105(a) and 362 and states
5 as follows:

6 PRELIMINARY STATEMENT

7 The Debtor seeks declaratory judgment and injunctive relief to enjoin the prosecution and
8 litigation of the pending Revocation Appeal (as defined below) in which the Debtor is a party
9 and/or the Debtor’s primary asset is at issue. The relief sought is necessary to maintain the status
10 quo, preserve and maximize the value of the Debtor’s estate, promote its reorganization efforts,
11 and further the fundamental policy goals of the Bankruptcy Code.

12 The Debtor filed this adversary proceeding only because Defendants seek to prosecute the
13 Revocation Appeal against the Debtor despite the filing of the Case and the imposition of the
14 automatic stay. By contrast, in the Audit Appeal (as defined below), which seeks more than \$180
15 million from the Debtor, the California Department of Finance has stated that it does not object to
16 a stay. Permitting the Revocation Appeal to proceed would not only violate the automatic stay, but
17 would amplify deleterious and adverse impacts on the Case and the Debtor’s ability to diligently
18 pursue a consensual chapter 11 plan of reorganization and would potentially diminish if not
19 eliminate the Debtor’s estate and ability to successfully reorganize. At stake are over one-hundred
20 jobs, the education of over 2,000 current students (currently mid-semester), and far-ranging
21 impacts on the greater Sacramento community.

22 The Debtor’s requested relief is grounded in well-established precedent under Bankruptcy
23 Code Sections 362 and 105(a).

24 JURISDICTION AND VENUE

25 1. This Court has jurisdiction over this matter pursuant to 28 U.S.C. §§ 157 and 1334.
26 Venue is proper pursuant to 28 U.S.C. §§ 1408 and 1409. This is a core proceeding pursuant to 28
27 U.S.C. § 157(b)(2)(A), (B), and (O). The statutory predicates for the relief requested herein are
28 Sections 105(a) and 362 of the Bankruptcy Code.

THE PARTIES

2. The Debtor is a 501(c)(3) non-profit corporation that owns, manages and operates two charter schools serving adult students in Sacramento County known as Highlands Community Charter School (“HCCS”) and California Innovative Career Academy (“CICA” and, together with HCCS, the “Schools”). The Debtor filed a voluntary petition for relief under Chapter 11 of the Bankruptcy Code on October 4, 2026 (the “Petition Date”). The Debtor continues to operate the Schools and manage its financial affairs as a debtor-in-possession pursuant to Sections 1107(a) and 1108 of the Bankruptcy Code.

3. Defendant the Twin Rivers Unified School District Board of Trustees is the elected governing body, responsible for the legal and administrative leadership of the Twin Rivers Unified School District. Twin Rivers may be served with process through its Board President, Christine Jefferson at 5115 Dudley Blvd., McClellan Park, CA 95652.

4. Defendant the California State Board of Education is the 11-member governing and policy-making body for California’s public K-12 education system, that sets academic standards, curriculum, instructional materials, assessments, and accountability policies. A copy of this lawsuit may be served upon the Office of the Attorney General at 1300 I Street, Sacramento, CA 95814.

FACTUAL BACKGROUND**The Schools’ Mission and Community Presence**

5. The Debtor is a non-profit corporation that owns, manages and operates the Schools. The Schools are charter schools which are established through a written charter. The charter is a detailed contract between the school’s founders and the authorizing school district that sets out the school’s educational program, governance structure, academic goals, financial plan, and accountability measures. The Twin Rivers Unified School District is the authorizing entity that issued the Schools’ current charters (the “Charters”), first in August 2014 and continuing to the present time. If no action is taken, the Charters’ current terms expire on June 30, 2027.

6. While charter schools generally sit outside of traditional models, the Debtor’s mission is particularly targeted and unique. The Debtor operates the Schools, which are adult-

1 learning schools, serving approximately 2,000 students. The Schools provide students aged 22 and
2 older with the opportunity to attend high school and earn a high school diploma (a credential
3 distinct from a General Educational Development (GED) certificate), receive in-person English
4 language instruction, and operate with career and technology certification programs designed to
5 equip students with skills necessary to gain meaningful skills and employment post-graduation.

6 7. At their core, the Schools exist to serve the most educationally vulnerable
7 populations in the local community, including individuals who could not complete secondary
8 education due to economic hardship, family obligations, or involvement with the criminal justice
9 system, as well as immigrants and refugees resettled in California. The impact of this work
10 reaches well beyond the individual student. Whether affording an adult learner a high school
11 diploma and expanding their career prospects, providing English language instruction to
12 immigrants and refugees, or providing education to individuals whose foreign credentials lack
13 recognition in California, the Schools serve as a vital road to economic self-sufficiency and civic
14 participation. Across all pathways, the benefit is both immediate and long-term as students emerge
15 better positioned to secure employment, contribute to their communities, and navigate the
16 American education and professional landscape. The cumulative effect of these outcomes can
17 generate substantial social and fiscal returns for students, their families, the surrounding
18 community, and government at the local, state and federal levels.

19 8. Moreover, in many circumstances, the Schools represent the only viable education
20 option for their student population. Whether due to adult obligations that cannot be reconciled
21 with traditional school hours, or a need for robust, tuition-free English language instruction with
22 counseling and other wrap-around support that conventional programs do not provide, the Schools
23 fill a critical gap that other public and charter schools do not fully address. The Schools do not just
24 provide education to the students – they have a food pantry for food insecure students, clothes for
25 students in need, counseling to students facing mental health or other crises, and have helped
26 students find doctors, dentists, optometrists and hairdressers who speak their language and
27 understand their cultural traditions.

28

1 9. Many of the students attending the Schools are refugees from Afghanistan who
2 received special permission from the United States government to relocate to the Sacramento area
3 because their lives were determined to be at risk if they remained in Afghanistan. They are not just
4 learning English for the first time; they are learning to read and write as well as learning basic
5 math skills for the first time.

6 10. Further, the programs provided by the Schools allow students to be more active
7 participants in their own children's education, making it more likely that their children will also do
8 well in school. Many refugees and other students attending the Schools are required to be enrolled
9 in an educational program as a condition of receiving public assistance for housing or other vital
10 services. Thus, closure of the Schools also threatens to undermine critical safety nets that the state
11 and federal government have created to ensure food and housing security for students are met.

12 **The Schools Are Subject to Multiple Levels of Oversight and Annual Independent Audits**

13 11. Charter schools are part of the California public education system, which has
14 multiple levels of oversight for all schools, including agencies at the state, county, and local levels.
15 The first direct level of that oversight for the Schools is its authorizing entity; here, the Twin
16 Rivers Unified School District ("Twin Rivers"). The Schools must (and do) compensate Twin
17 Rivers for that compliance oversight. The Sacramento County Office of Education engages in
18 oversight and also provides assistance to both Twin Rivers and the Schools. At the state level, the
19 California Department of Education is responsible for enforcing education laws and for allocating
20 funding for local educational agencies, the State Board of Education is the policy making body,
21 and the California Commission on Teacher Credentialing provides and enforces licensing and
22 credentialing for educators.

23 12. The Schools also have an exclusive partnership agreement with the Sacramento
24 Employment and Training Agency ("SETA"), a joint powers agency of the City of Sacramento
25 and County of Sacramento that administers federal Workforce Investment Opportunity Act
26 funding in Sacramento County. All students enrolled at the Schools also must be enrolled in
27 SETA's workforce development programs. SETA provides additional services for students
28 enrolled at the Schools, leading to substantial benefits for these students. Indeed, SETA reports

1 that 63% of students enrolled in its Workforce Investment Opportunity Act program were
2 employed in the second quarter following exit from the program.

3 13. Apart from and in addition to this compliance and oversight structure, the Schools
4 are required by law, pursuant to California Education Code § 41020, to undergo annual financial
5 and compliance audits, in accordance with government auditing principles. The audit must be
6 performed by an independent, Certified Public Accountant. The independent auditor must follow
7 the procedures, standards, and requirements established by the Education Audit Appeals Panel
8 (“EAAP”), in its “Guide for Annual Audits of K-12 Local Education Agencies and State
9 Compliance Reporting.” EAAP’s guide also determines the components of the audit report and the
10 information that must be provided in the report. The EAAP guide is formally adopted through its
11 rulemaking process and is based on and derived from the proposed audit guide submitted by the
12 State Controller’s Office, in consultation with the Department of Finance, California Department
13 of Education, and other organizations.

14 14. At all relevant times, the Schools retained an independent auditor and submitted
15 annual reports. The independent auditor’s reports for the Schools for the fiscal years 2019-2020
16 through 2023-2024 were submitted to and certified by the State Controller’s office. The
17 independent auditor’s reports for those fiscal years found that the Schools had complied with the
18 requirements for charter schools relating to Attendance, Mode of Instruction, Funding
19 Determinations, Classroom-Based Instructional Minutes, and Charter School Facility Grant
20 Program. The only finding otherwise by the independent auditor related to inaccurate reporting of
21 free and reduced lunch eligibility in the 2022-2023 fiscal year, which the independent auditor
22 acknowledged was due to students turning in documentation late. In sum, the Schools reasonably
23 trusted that their operations were fully compliant with the state’s convoluted charter laws.

24 **The June 2025 State Audit Report**

25 15. For years, the Schools operated with operational transparency, receiving clean
26 audits from auditors on the California State Controller’s approved list of local education agency
27 auditors, and paying Twin Rivers in excess of \$14 million in oversight fees.

28

1 16. Rather than extend support to guide these critical institutions through ambiguous
2 adult education funding frameworks, the California Office of the State Auditor issued Report
3 2024-106 (the “Audit Report”) in June 2025 seeking to impose a retroactive, ruinous \$180 million
4 penalty based on hyper-technical interpretation of K-12 attendance rules that were never meant for
5 adult learners.

6 17. The Audit Report is publicly available at the following link:
7 <https://www.auditor.ca.gov/reports/2024-106/>.

8 18. Furthermore, by concealing its internal audit methodology and working papers
9 under the guise of misdemeanor laws, the auditor has insulated its own flawed process from public
10 scrutiny and due process. To dismantle a school that has successfully educated thousands of
11 marginalized adults, and has already implemented structural reforms under new leadership, is a
12 deeply political move that prioritizes bureaucratic technicalities over the actual educational
13 empowerment of a community.

14 19. Notably, the Audit Report did not just attack the Debtor. It explicitly targeted Twin
15 Rivers, the Sacramento County Office of Education, and the California Department of Education
16 (the “CDE”) for failing to monitor the Schools.

17 20. In a thinly veiled defensive maneuver, a mere five days after the Audit Report was
18 issued, on June 30, 2025, CDE sent audit determination letters to the Schools operated by the
19 Debtor asserting, based only on the Audit Report, that it was entitled to repayment of nearly \$180
20 million. Specifically, the audit determination letter for HCCS sought \$178,965,128, and the audit
21 determination letter for CICA sought \$7,485,445, together amounting to \$186,450,573.

22 21. The CDE’s audit determination letters required the Schools to either pay those
23 amounts—in excess of \$180 million—through a payment plan, or to appeal the determination to
24 the Education Audit Appeals Panel.

25 22. The Schools timely filed appeals of CDE’s determination letters with EAAP,
26 pursuant to Case Nos. EAAP 25-42 and EAAP 25-36 (the “Audit Appeal”).

27 23. Per the governing California Education Code provisions, both the California State
28 Controller (the “Controller”) and the California Department of Finance (the “DOF”) are parties to

1 and named as respondents to the Audit Appeal. However, neither the State Auditor (who issued
2 the Audit Report) nor the CDE (who sent the audit determination letters) are parties to the Audit
3 Appeal. A merits hearing before an Administrative Law Judge was scheduled to begin on October
4 19, 2026.

5 24. At issue in the Audit Appeal is a determination of whether or not the Schools must
6 repay the staggering amount – more than \$180 million.

7 25. On October 6, 2026, the DOF filed a response with the Office of Administrative
8 Hearings stating that it “does not object to a stay of the audit appeal hearing in this matter pending
9 the resolution of Highlands’s Petition by the Bankruptcy Court.” The DOF reserved its right to
10 seek relief from the stay from this Court. The Debtor therefore does not seek relief in this
11 Complaint as to the Audit Appeal. The Debtor reserves all rights as to the Audit Appeal, including
12 the right to oppose any motion for relief from the automatic stay to continue the Audit Appeal on
13 the ground that no cause exists under Section 362(d).

14 **Twin Rivers’ School District Board Attempts to Revoke the Schools’ Charter**

15 26. At or around the same time the Audit Report was issued, in June 2025, the Twin
16 Rivers Unified School District Board (the “District Board”) issued a Notice of Violation for the
17 Schools, alleging violations of the Schools’ Charters. Because the Schools had immediately
18 responded to the Audit Report by undertaking significant remedial steps to address concerns
19 presented in the Audit Report, the Schools were able to refute, address, and/or cure all the
20 violations asserted by the District Board.

21 27. On January 27 and January 30, 2026, the District Board met to consider a
22 recommendation from Twin Rivers staff and counsel, who presented findings and recommended
23 the Charters **not** be revoked based on findings that the Schools had fully cured or refuted all issues
24 in the Notice of Violation and that there was accordingly no basis to revoke the Charters.
25 Nevertheless, in a stunning and inexplicable move, the District Board ignored the recommendation
26 of its own staff and legal counsel and voted to revoke the Schools’ Charters. In doing so, the
27 District Board relied only on their prior findings of fact from the June 2025 Notice of Violation.

28

1 28. On February 27, 2026, the Debtor, on behalf of the Schools, appealed the
2 revocation of the Charters to the Sacramento County Board of Education (“SCBOE”). On May 19,
3 2026, the SCBOE held a lengthy public hearing and following a thorough review of the extensive
4 administrative record, SCBOE voted to overturn Twin Rivers’ revocation of the Charters by
5 adopting Resolution No. 26 17B.

6 29. On June 18, 2026, the District Board appealed SCBOE’s decision to the State
7 Board of Education (the “Revocation Appeal”). On July 17, 2026, the Debtor filed an opposition
8 to the Revocation Appeal. Even though the appeal process is pending, the working relationship
9 between the Debtor and Twin Rivers has become untenable. Notably, Twin Rivers, as the issuing
10 authority of the Charters, retains the ability to seek revocation of the Charters on various grounds,
11 regardless of the outcome of the Revocation Appeal.

12 30. On September 30, 2026, the California Department of Education released a state
13 staff report making a recommendation to the State Board of Education and its Advisory
14 Commission on Charter Schools (the “ACCS”) that the revocations of the Charters be upheld. A
15 hearing was scheduled on October 6, 2026 before the ACCS to address whether to (i) recommend
16 the State Board of Education to hear the appeal from the District Board, and (ii) recommend that
17 the State Board of Education find that the revocation by the District Board was supported by
18 substantial evidence and should thus be upheld. The ACCS recommended that the California State
19 Board of Education uphold the revocation of the Charters.

20 31. The State Board of Education is scheduled to consider any ACCS
21 recommendations from the October 6 meeting, in a meeting scheduled for November 12, 2026 to
22 evaluate whether the District Board had substantial evidence that the Debtor was not in
23 compliance with the law or its Charters. If the November 12 meeting proceeds, and the State
24 Board of Education agrees with a negative ACCS recommendation, the Debtor could immediately
25 lose Charters and its funding, and the Schools would face immediate closure on or shortly after
26 November 12, 2026.

27 32. The DOF does not object to a stay of the Audit Appeal. The Revocation Appeal,
28 however, continues toward a November 12, 2026 hearing before the State Board of Education. If

1 allowed to proceed, the Revocation Appeal is likely to destroy the Debtor's ability to successfully
2 reorganize.

3 **The Schools Provide Unique Educational Services to the Community**

4 33. If the Revocation Appeal proceeds, imperiling the Schools' very existence, not only
5 the Debtor but the greater community will be deleteriously impacted. The Schools are currently
6 providing educational opportunities to approximately 2,000 adult students, age 22 and older, for
7 the 2026 to 2027 school year. The Schools serve vulnerable populations in the community and
8 provide tuition-free opportunities that are not readily available elsewhere. Traditional schools do
9 not provide all the services available to adult students at the Schools. In addition, most students –
10 given their age – have responsibilities that are not compatible with traditional K-12 school hours.

11 34. The Debtor's students come from many different countries, and from a myriad of
12 circumstances. In particular, the Debtor serves many students from the large Afghan community
13 living in the Sacramento area. Sacramento is home to one of the largest and most vibrant Afghan
14 communities in the United States, making it a primary hub for Afghan Americans and refugees
15 nationwide. The Debtor serves its many Afghan and refugee students who are seeking to learn
16 English, work, raise their children, and rebuild their lives after experiencing extraordinary
17 hardship.

18 35. If the Schools were shut down in the middle of the school year, there would be no
19 immediate replacement available to the majority of the students.

20 36. Not only are the Schools critical for supplying the students' needs, the importance
21 of the Schools to the public and community cannot be understated. The unique mission of the
22 Schools enjoys a tremendous amount of public and community support. The Schools have
23 received letters and support from many organizations, including religious organizations
24 representing multiple faiths to chambers of commerce, organizations focused on anti-recidivism,
25 and organizations that share our mission of serving immigrants and refugees.

26 37. In addition, at public hearings held by the District Board and the Sacramento
27 County Board of Education, as well as the Schools' Board meetings, many students, employees,
28 other agencies, and public officials have expressed their belief that Debtor's programs are vital to

1 the community and are worth saving under the stewardship of the Schools' new administrative
2 team.

3 38. The Debtor is currently seeking a new charter for the Schools from the Sutter
4 County Board of Education ("Sutter County"), which if granted, would begin in the 2027 to 2028
5 academic school year. Sutter County is scheduled to meet in December 2026, to decide if it will
6 issue the Debtor a new charter for the Schools. If the Revocation Appeal is stayed and Sutter
7 County is willing to issue the Debtor a new charter, the Debtor is confident that it will be able to
8 successfully reorganize around such new charter.

9 39. Through the Schools, the Debtor seeks to continue on its mission to eradicate
10 educational inequality, promote success in the workforce, and provide students with the necessary
11 opportunities to be self-sufficient members of the community.

12 CAUSES OF ACTION

13 Count I: Declaratory Relief Confirming the Automatic Stay

14 Applies to the Revocation Appeal Under Section 362(a)

15 40. The Debtor incorporates by reference the allegations contained in paragraphs 1
16 through 39 above as if fully set forth herein.

17 41. This Court has the discretionary power, pursuant to Bankruptcy Code Section
18 105(a), to issue declaratory judgments interpreting the scope and application of the automatic stay
19 provisions under Section 362(a).

20 42. Upon the filing of the Petition, Bankruptcy Code Section 362(a) imposes an
21 immediate, automatic stay of litigation and other proceedings against the Debtor and its property.
22 Specifically, Section 362(a)(1) stays the "commencement or continuation... of a judicial...
23 proceeding against the debtor... or to recover a claim against the debtor," Section 362(a)(3) stays
24 "any act to obtain possession of property of the estate or of property from the estate or to exercise
25 control over such property," and Section 362(a)(6) stays "any act to collect, assess, or recover a
26 claim against the debtor that arose before the commencement of the case under this title."

27 43. The Revocation Appeal in which the Debtor is named as a party is subject to the
28 automatic stay under Section 362(a)(1). The Revocation Appeal seeks to revoke the Schools'

1 Charters, which would end the ability of the Debtor to operate the Schools and provide
2 educational services.

3 44. The continued prosecution of the Revocation Appeal will also require the Debtor,
4 which has limited administrative and financial resources, to engage in extensive, time consuming
5 and costly preparation for, and participation in, hearings in the Revocation Appeal, to the
6 detriment of not only the Debtor but also the Debtor's estate and any potential claimants. The
7 Defendants are actively seeking to proceed with the Revocation Appeal, including the November
8 12, 2026 hearing before the State Board of Education, and the Debtor will be forced to appear and
9 defend to protect its own interests.

10 45. Furthermore, the Debtor has cured or refuted every violation asserted in the Notice
11 of Violation, as Twin Rivers' own staff and counsel found and SCBOE confirmed. The
12 Revocation Appeal therefore does not serve a pressing public policy or regulatory purpose to
13 prevent ongoing harm.

14 46. There exists a genuine controversy between the Debtor and Defendants of
15 sufficient immediacy and reality to warrant the issuance of a declaratory judgment. A prompt
16 judicial determination of the respective rights and duties of the parties is necessary and
17 appropriate. Accordingly, the Debtor seeks declaratory judgment that:

18 a. The automatic stay under Section 362(a) applies to the Revocation Appeal because
19 the Debtor is named as a party;

20 b. The automatic stay under Section 362(a) applies to the Revocation Appeal because
21 it implicates property of the estate, including but not limited to the Schools' Charters;

22 c. Any acts to continue prosecution, hearings, and appeals in the Revocation Appeal
23 violate the automatic stay and are void; and,

24 d. The automatic stay applies to any future proceedings that Defendants may seek to
25 actively prosecute or litigate against the Debtor during the pendency of this Case.

26 47. The Debtor expressly reserves all rights, claims, defenses, and remedies available
27 to it under applicable law, including but not limited to the right to seek additional relief under
28 Section 105(a) or other provisions of the Bankruptcy Code as circumstances may warrant.

Count II: Injunctive Relief Under Section 105(a) to Stay the Revocation Appeal

48. The Debtor incorporates by reference the allegations contained in paragraphs 1 through 47 above as if fully set forth herein.

49. Bankruptcy Code Section 105(a) grants this Court with broad equitable power to “issue any order, process, or judgment that is necessary or appropriate to carry out the provisions of this title,” which includes the power to enjoin third-party actions that might impede the reorganization process. *Purdue Pharma*, 666 B.R. at 468; *see also Marshall v. Picard (In re Bernard L. Madoff Investment Securities LLC)*, 740 F.3d 81, 87-93 (2d Cir. 2014).

50. An injunction under Section 105(a) is urgently required because Debtor satisfies all elements required for injunctive relief under Section 105(a) and Bankruptcy Rule 7065.

51. The Debtor possesses a reasonable likelihood of successfully reorganizing under chapter 11, provided that the efforts to revoke its Charters are stayed, such that its operational funding and its authority to operate is preserved during the restructuring process and it is afforded the breathing room necessary to negotiate and implement a comprehensive resolution of claims. Courts assessing a preliminary injunction in the bankruptcy context evaluate “the prospect of a successful reorganization” and “whether the debtors are substantially more likely to reorganize with the injunction in place.” *Purdue Pharma*, 666 B.R. at 469. Courts “do not demand certainty of the successful reorganization; they expect only reasonable prospects of such.” *In Re Soundview Elite Ltd.*, 543 B.R. 78, 119 (Bankr. S.D.N.Y 2016), cited in *Purdue Pharma*, 666 B.R. at 469.

52. The likelihood of a successful reorganization is threatened by the Revocation Appeal which directly implicates and would substantially diminish the bankruptcy estate, undermining the Debtor’s ability to reorganize.

53. If the Revocation Appeal proceeds and the State Board of Education upholds the revocation, the Debtor could lose its funding immediately and the Schools would close on or shortly after November 12, 2026. The Debtor and its estate will suffer irreparable harm absent an injunction staying the Revocation Appeal, including, but not limited to, the depletion or elimination of the assets which constitute a significant portion of the resources available to fund a plan of reorganization; the diversion of key personnel essential to the reorganization process to

1 manage and participate in the Revocation Appeal; and the potential elimination of the Schools'
2 Charters, which is a critical asset necessary for the Debtor to successfully reorganize. In contrast,
3 if the Debtor obtains a new charter from Sutter County, the Debtor's ability confirm a chapter 11
4 plan and successfully reorganize is all but assured.

5 54. The balance of hardships weighs decidedly in favor of granting the injunction, as
6 any delay in the Revocation Appeal will be temporary, while denial of the injunction would
7 severely and irreparably impair the Debtor's ability to reorganize.

8 55. The public interest strongly favors the requested injunctive relief. First, it serves the
9 fundamental bankruptcy policy of equitable distribution among similarly situated creditors.
10 Second, it promotes the efficient resolution of ongoing complex litigation involving multiple
11 parties and claims. Third, it preserves the key asset of the Debtor, the Schools' Charters, to allow
12 the Debtor to reorganize. Fourth, it facilitates the continuation of the unique adult-based
13 educational opportunities that benefit the broader community, extending not just to the Schools'
14 students but to the local economy and workforce in the broader community. The public interest is
15 heavily served by keeping the Schools operational to provide adult literacy, vocational training,
16 and high school diplomas to marginalized populations while this Court oversees a transparent
17 financial restructuring and claims resolution.

18 56. Based on these elements, the Debtor is entitled to a preliminary injunction order
19 under Section 105(a) enjoining the Defendants, their agents, and employees from continuing,
20 enforcing, or adjudicating the Revocation Appeal against the Debtor during the pendency of the
21 Case, or until further order of this Court.

22 57. The Debtor reserves all rights to seek additional or modified relief as circumstances
23 may warrant.

24 **PRAYER FOR RELIEF**

25 WHEREFORE, the Debtor respectfully prays for judgment as follows:

26 1. For a declaration that the Revocation Appeal is stayed pursuant to Section
27 362(a)(1) of the Bankruptcy Code for the duration of the stay period;

2. For a declaration that the Revocation Appeal is stayed pursuant to Section 362(a)(3) of the Bankruptcy Code as an action seeking to obtain possession of or exercise control over property of the estate;

3. For a declaration that any acts taken to continue prosecution, discovery, hearing preparation, merits hearing, determination, and/or appeal in the Revocation Appeal violate the automatic stay and are void;

4. For a declaration that the automatic stay applies to any future proceedings that Defendants here may seek to actively prosecute or litigate against the Debtor during the pendency of this Case;

5. In addition, and in the alternative, for an injunction pursuant to Bankruptcy Code Section 105(a) barring the litigation and prosecution and enforcement of the Revocation Appeal during the pendency of this Case, or until further order of this Court;

6. For costs of suit incurred herein; and,

7. For such other and further legal and equitable relief as this Court deems just and proper.

Dated: October 13, 2026

SHEPPARD, MULLIN, RICHTER & HAMPTON LLP

By

/s/ Ori Katz

ORI KATZ

AMANDA L. COTTRELL

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