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2 SHEPPARD, MULLIN, RICHTER & HAMPTON LLP

3 A Limited Liability Partnership

4 Including Professional Corporations

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13
14 Proposed Counsel for Highlands Community
15 Charter and Technical Schools

16 UNITED STATES BANKRUPTCY COURT

17 EASTERN DISTRICT OF CALIFORNIA, SACRAMENTO DIVISION

18 In re

Case No. 26-25868

19 Highlands Community Charter and
20 Technical Schools,

Chapter 11

21 Debtor and
22 Debtor in Possession.¹**DCN: SMR-5**23 Judge: Hon. Christopher D. Jaime
24 Date: October 8, 2026
25 Time: 11:00 a.m. (Pacific Time)
26 Place: Courtroom 32
27 501 I Street
28 Sacramento, California 9581429
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**INTERIM ORDER (I) AUTHORIZING
THE DEBTOR TO USE CASH IN THE ORDINARY COURSE
OF BUSINESS IN ACCORDANCE WITH APPROVED BUDGET; (II) FINDING
THAT HOLDERS OF EQUIPMENT LIENS ARE ADEQUATELY PROTECTED;
(III) SCHEDULING A FINAL HEARING; AND (IV) GRANTING RELATED RELIEF**101
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1 This Court, having considered the *Debtor's Emergency Motion for Entry of Interim and*
2 *Final Orders (I) Authorizing the Debtor to Use Cash in the Ordinary Course of Business in*
3 *Accordance with Approved Budget; (II) Authorizing the State of California to Recover Prepetition*
4 *Overpayments from Future Apportionments; (III) Finding that Holders of Equipment Liens Are*
5 *Adequately Protected; and (IV) Granting Related Relief* (the "Motion")² of Highlands Community
6 Charter and Technical Schools, the above-captioned debtor and debtor in possession
7 (the "Debtor"), filed on the Petition Date; and upon the First Day Declaration; and upon the
8 Raymond Declaration; and upon the *Memorandum of Points and Authorities* in support of the
9 Motion; and upon the Exhibits in support of the Motion; and this Court having jurisdiction over
10 this matter pursuant to 28 U.S.C. §§ 157 and 1334 and General Orders 182 and 223 of the United
11 States District Court for the Eastern District of California; and this Court having found that this is
12 a core proceeding pursuant to 28 U.S.C. § 157(b)(2); and this Court having found that it may enter
13 a final order consistent with Article III of the United States Constitution; and this Court having
14 found that venue of this proceeding and the Motion in this district is proper pursuant to 28 U.S.C.
15 §§ 1408 and 1409; and this Court having found that the relief requested in the Motion is in the best
16 interests of the Debtor's estate, its creditors, and other parties in interest; and this Court having
17 found that the Debtor's notice of the Motion and the hearing on the Motion (the "Interim
18 Hearing") were appropriate under the circumstances and that no other notice need be provided;
19 and this Court having reviewed the Motion and having heard the statements in support of the relief
20 requested therein at the Interim Hearing; and this Court having determined that the legal and
21 factual bases set forth in the Motion and at the Interim Hearing establish just cause for the relief
22 granted herein and that such relief is necessary to avoid immediate and irreparable harm pursuant
23 to Bankruptcy Rule 6003; and after due deliberation and sufficient cause appearing therefor,

24 **IT IS HEREBY ORDERED THAT:**

- 25 1. The Motion is GRANTED on an interim basis as set forth in this Interim Order.
- 26
- 27

28 ² Capitalized terms used but not defined herein have the meanings assigned to them in the Motion.

1 2. The Debtor is authorized, on an interim basis, to use its Cash, including cash on
2 hand as of the Petition Date and cash received after the Petition Date, to fund its operations and
3 the administration of the Chapter 11 Case in accordance with the Approved Budget attached to the
4 Exhibit List as **Exhibit C**, as may be modified from time to time in accordance with this Interim
5 Order and the Final Order.

6 3. Categorical and grant funds included in the Cash shall continue to be used only for
7 the purposes designated by the applicable grantor and accounted for separately from unrestricted
8 cash, in accordance with the terms of the applicable grant programs. Nothing in this Interim Order
9 shall be construed as granting any lien, security interest, superpriority claim, or other protection
10 with respect to the Cash.

11 4. Any material amendment, modification, or supplement to the Approved Budget
12 shall require further order of the Court, on notice to: (a) the Office of the U.S. Trustee; (b) the
13 State; and (c) any official committee appointed in the Chapter 11 Case. Notwithstanding the
14 foregoing, the Debtor may vary from a line item in the Approved Budget by not more than ten
15 percent (10%) on a cumulative basis, measured monthly, without further order of the Court,
16 provided that the Debtor gives not less than two (2) business days' prior written notice of any such
17 variance to the parties identified in the preceding sentence.

18 5. The Debtor will attach to its monthly operating reports its actual results against the
19 Approved Budget as described in monthly reports comparing the Debtor's actual receipts and
20 disbursements to the Approved Budget.

21 6. Notwithstanding the inclusion of such payments in the Approved Budget, the Court
22 is not approving any payments that must be approved under 11 U.S.C. §§ 330, 331, and/or 503(c),
23 including professional fees. The rights of all parties with respect to any such payments are
24 reserved.

25 7. The Recovery Terms described in the Motion are not being approved as part of this
26 Interim Order. The Recovery Terms will be considered in connection with final approval of the
27 Motion; provided, however, that (i) any reporting provided by the State to the Debtor in
28 accordance with the Recovery Terms shall only constitute an estimate with respect to the

1 remaining unrecovered balance of the Overpayments that is subject to change or adjustment based
2 on, *inter alia*, the amount of apportionment actually earned during the applicable time period, and
3 shall not bind the State to the unrecovered balance reported in connection with the Recovery
4 Terms, and (ii) to the extent any Overpayments remain outstanding by the end of the 2026-27
5 school year, the State reserves its right to assert any claims, rights or interests with respect to such
6 outstanding Overpayments against the Debtor, without prejudice to the Debtor's right to contest or
7 dispute such claims, rights or interests.

8 8. The Debtor is authorized, but not directed, to pay its obligations arising on and
9 after the Petition Date under the Equipment Leases as they come due, pending the Debtor's
10 decision to assume or reject the applicable Equipment Lease, and the Equipment Lessor is
11 adequately protected under §§ 361 and 363(e) of the Bankruptcy Code on an interim basis. This
12 finding is without prejudice to (a) the Debtor's right to assume or reject any Equipment Lease, or
13 to contend that any Equipment Lease is a financing rather than a true lease; (b) any party's rights
14 with respect to cure amounts or prepetition claims; and (c) the Equipment Lessor's right to seek
15 additional adequate protection upon a showing of changed circumstances.

16 9. All applicable financial institutions are authorized, upon the Debtor's request, to
17 receive, process, honor, and pay any and all checks or wire transfer requests in respect of the relief
18 granted in this Interim Order.

19 10. The final hearing (the "Final Hearing") on the Motion shall be held on November
20 10, 2026, at 11:00 a.m., prevailing Pacific Time. Any objections or responses to the Motion shall
21 be filed on or before October 22, 2026, and served on: (a) proposed counsel for the Debtor,
22 Sheppard, Mullin, Richter & Hampton LLP, Four Embarcadero Center, 17th Floor, San Francisco,
23 California 94111-4109, Attn: Ori Katz (okatz@sheppard.com); (b) the Office of the U.S. Trustee;
24 (c) the holders of the twenty (20) largest unsecured claims against the Debtor filed in accordance
25 with Bankruptcy Rule 1007(d); (d) the State of California through the Attorney General for the
26 State of California; (e) the United States of America through the United States Attorney for the
27 Eastern District of California; (f) Twin Rivers Unified School District; (g) the Equipment Lessor;
28 (h) East West Bank; (i) the Internal Revenue Service; (j) the United States Department of

1 Education; and (k) parties that file with the Court and serve upon the Debtor requests for notice of
2 all matters in accordance with Bankruptcy Rule 2002(i). In the event no objections to entry of a
3 final order on the Motion are timely received, this Court may enter such final order without need
4 for the Final Hearing.

5 11. Nothing in this Interim Order shall constitute a waiver of any claims, rights,
6 objections, or remedies available to the Debtor against any party, and the Debtor expressly
7 reserves the right to seek modification of any relief granted hereunder to the extent necessary to
8 facilitate the Chapter 11 Case and the Debtor's ongoing operations.

9 12. Notwithstanding Bankruptcy Rule 6004(h), the terms and conditions of this Interim
10 Order are immediately effective and enforceable upon its entry.

11 13. The Debtor is authorized to take all actions necessary to effectuate the relief
12 granted in this Interim Order.

13 14. This Court retains exclusive jurisdiction with respect to all matters arising from or
14 related to the implementation, interpretation, and enforcement of this Interim Order.

15 **Dated:** October 15, 2026

16
17 
18 Christopher D. Jaime, Chief Judge
19 United States Bankruptcy Court

20 APPROVED AS TO FORM

21
22 Dated October 9, 2026

23 /s/ Jason Blumberg
24 Jason Blumberg, Trial Attorney for the
25 United States Trustee
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