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10 UNITED STATES BANKRUPTCY COURT
11 EASTERN DISTRICT OF CALIFORNIA, SACRAMENTO DIVISION
12

13 In re	Case No. 26-25868
14 Highlands Community Charter and	Chapter 11
15 Technical Schools,	
16 Debtor and	Judge: Hon. [●]
Debtor in Possession.	Date: [●], 2026
	Time: [●] a.m./ p.m.
	Place:

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20 **DECLARATION OF JONATHAN RAYMOND IN SUPPORT OF CHAPTER 11**
PETITION AND FIRST DAY MOTIONS
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1 I, Jonathan Raymond, hereby declare as follows:

2 1. I am the Executive Director of Highlands Community Charter and Technical
3 Schools (“HCCTS” or the “Debtor”), a California Non-Profit Corporation organized under the
4 laws of the State of California, and the above-captioned debtor and debtor-in-possession in this
5 voluntary chapter 11 case (the “Chapter 11 Case”) filed on October 4, 2026 (the “Petition Date”)
6 under title 11 of the United States Code (the “Bankruptcy Code”).

7 2. I took on the role of Executive Director of HCCTS on July 7, 2025. As the
8 Executive Director, I oversee day-to-day operations, execute the vision of the board of directors,
9 and act to further HCCTS’ core mission through strategic leadership.

10 3. I am a nationally recognized education leader whose career has spanned roles as a
11 superintendent, nonprofit executive, philanthropist, and labor law attorney, including service as
12 Superintendent of the Sacramento City Unified School District and the City School District of New
13 Rochelle, Executive Director of the Massachusetts COVID-19 Relief Fund, Chief Accountability
14 Officer of Charlotte-Mecklenburg Schools, and President of the Stuart Foundation, California's
15 largest K-12 education philanthropy. Throughout these roles, I have built a distinguished record of
16 guiding institutions through fiscal crises, structural reform, and recovery, with a consistent focus on
17 accountability and student-centered outcomes. I hold a JD from George Mason University School
18 of Law, an MA from The Fletcher School of Law and Diplomacy at Tufts University, a BA from
19 Tufts University, and am a graduate of both the Broad Superintendents Academy and the Executive
20 Management Program at Harvard Business School.

21 4. Except as otherwise indicated, all facts set forth in this declaration (the
22 “Declaration”) are based upon my personal knowledge of the Debtor’s operations and finances,
23 information learned from my review of relevant documents, information supplied to me by other
24 members of the Debtor’s management team, or my opinion based on my experience and knowledge.

25 5. I am authorized to submit this Declaration on behalf of the Debtor. If called upon as
26 a witness, I could and would testify competently to the facts and matters expressed in this
27 Declaration.

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1 6. To aid the Court and parties in interest in understanding the background of the Debtor
2 and the likely trajectory of the Chapter 11 Case, this Declaration is divided into the following five
3 parts:

- 4 • **Part I** provides general background information regarding the Debtor's
5 history, mission and organizational structure, including an explanation of
6 what it means to be a charter school;
- 7 • **Part II** summarizes the Debtor's capital structure;
- 8 • **Part III** describes the circumstances that led to the filing of this Chapter 11
9 Case;
- 10 • **Part IV** discusses the Debtor's objectives in this Chapter 11 Case; and
- 11 • **Part V** provides a brief overview of the Debtor's various motions for relief
12 filed on the Petition Date (collectively, the "First Day Motions").

13 7. To provide context for the lengthy discussion that follows, I also include the
14 following overview. This Chapter 11 Case was primarily filed to address two major challenges
15 facing the Debtor.

16 8. The first major challenge is an attempt by the Debtor's current authorizing entity to
17 revoke the Debtor's charters which, if successful, would result in the immediate shut down of the
18 Debtor at a time when roughly 2,000 students are only partially through the semester. As I discuss
19 in great detail below, the Debtor agrees that it is time for it to move on to a new authorizing entity,
20 and discussions with a replacement authorizing entity have been underway for months and are
21 expected to culminate in a decision no later than December 2026. The Chapter 11 Case is meant to
22 provide the Debtor the breathing spell it needs to reach that decision-point two months from now
23 and, if in fact a new authorizing entity approves issuing the Debtor a new charter, a chapter 11 plan
24 will be filed promptly to implement the transfer of the schools and students under such new charter
25 effective as of the start of the new school year (July 1, 2027), at which point the existing charters
26 can be terminated and the relationship with the current authorizing entity can be severed. In order
27 to obtain the time it needs to effectuate this outcome, in the days ahead the Debtor will be filing an
28 adversary proceeding seeking declaratory relief regarding the applicability of the automatic stay to

1 the pending charter revocation proceedings, or, in the alternative, the issuance of an affirmative stay
2 in the form of an injunction under section 105 of the Bankruptcy Code. Given a reasonable runway,
3 the Debtor is confident that its reorganization will succeed.

4 9. The second major challenge relates to a disputed claim of approximately
5 \$186,450,574 arising from a negative audit finding by the State of California. This Chapter 11 Case
6 is going to provide for treatment of such claim via a chapter 11 plan that is materially better than
7 the treatment such claim would receive if this case was converted to chapter 7.

8 10. Fundamentally, the facts and details I discuss in the pages ahead relate to the above
9 two major challenges, and the Debtor's plan to address them in a manner consistent with the
10 Bankruptcy Code.

11 **PART I**

12 **A. General Background of the Debtor and Charter Schools Generally.**

13 11. The Debtor is a 501(c)(3) non-profit corporation that operates two adult-serving
14 charter schools in Sacramento County: Highlands Community Charter School ("HCCS") and
15 California Innovative Career Academy ("CICA" and, together with HCCS, the "Schools").

16 12. Charter schools are tuition-free public schools of choice that provide communities
17 with access to alternative, high-quality education opportunities unrestricted by school district
18 boundaries. These institutions serve as a mechanism for expanding access to education, particularly
19 in underserved populations that might otherwise lack meaningful options within the conventional
20 public school framework.

21 13. Charter schools are established through a written charter, which is a detailed contract
22 between the school's founders and an authorizing entity that sets out the school's educational
23 program, governance structure, academic goals, financial plan, and accountability measures. The
24 Twin Rivers Unified School District ("Twin Rivers") is the authorizing entity and issued the current
25 charters (the "Charters") for both HCCS and CICA.

26 14. Because they are public schools, charter schools receive state and federal public
27 funding primarily through the Local Control Funding Formula (the "LCFF") and must be free and
28 open to students. As of the Petition Date, HCCS serves 1260 students with in-person instruction

1 and CICA serves 655 students through independent study coursework across six (6) campuses.
2 HCCS operates at five (5) of the campuses, including one (1) campus that also serves home office
3 staff. CICA operates at four (4) of the campuses. HCCTS has 167 employees across both Schools.
4 The Debtor also maintains two (2) administrative locations and one (1) storage facility. Since
5 opening in August 2014, HCCTS has served approximately 60,000 students.

6 15. Charter schools are also distinct from traditional district-run public schools in the
7 degree of operational autonomy they receive. Charter schools are generally exempt from many
8 provisions of the Education Code, giving them flexibility in areas such as curriculum, staffing,
9 scheduling, and school design. While they function outside direct district control, they remain
10 subject to federal and state law on matters such as special education, civil rights, and health and
11 safety, and are subject to ongoing oversight by their authorizing entity (*i.e.*, Twin Rivers).

12 16. When a California school district such as Twin Rivers issues a charter, it takes on a
13 broad, affirmative, and ongoing oversight obligation for the full term of the charter under the
14 Education Code—not merely a gatekeeping role at the front end. A central component of this duty
15 is fiscal oversight: the school district must review the charter school’s annual independent audit,
16 ensure compliance with generally accepted accounting principles, identify any conditions of fiscal
17 distress, and take corrective action where mismanagement is found. Alongside fiscal monitoring,
18 the school district must also ensure the school is meeting all state and federal legal and regulatory
19 requirements. The school district is required to issue notices to a charter school that is not in
20 compliance with its charter or law or that is engaged in financial mismanagement. Cal. Educ. Code
21 § 47607.

22 17. Twin Rivers, as the authorizing entity for HCCS and CICA, was and is obligated to
23 continuously provide oversight, including fiscal and legal oversight, during the full term of HCCS
24 and CICA’s charter.

25 18. Twin Rivers collected a total of approximately \$14,000,000 to \$17,000,000 for its
26 oversight of HCCS and CICA. Notwithstanding such collections, as described below in further
27 detail, an audit conducted by the California State Auditor (the “State Auditor”) found that Twin
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1 Rivers had numerous failures in their oversight obligations and could not justify the receipt of the
2 significant oversight fees it collected.

3 **B. The Debtor's Schools and Mission.**

4 19. While charter schools generally sit outside of traditional models, the Debtor's
5 mission is particularly targeted and unique. Specifically, the Debtor, via the Schools, operates adult-
6 learning schools serving approximately 2,000 students, which provide students aged 22 and older
7 with the opportunity to attend high school and earn a high school diploma (a credential distinct from
8 a General Educational Development (GED) certificate), receive in-person English language
9 instruction, and participate in career and technology certification programs designed to equip
10 students with skills necessary to gain meaningful employment post-graduation.

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

24 21. Moreover, in many circumstances, the Schools represent the only viable education
25 option for their student population. Whether due to adult obligations that cannot be reconciled with
26 traditional school hours, or a need for robust, tuition-free English language with counseling and
27 other wrap-around support that conventional programs do not provide, the Schools fill a critical gap
28 that other public and charter schools do not fully address. Moreover, due to ongoing budget

1 reductions, other providers of ESL services and adult education such as non-profit organizations
2 and traditional school districts and community colleges have reduced or eliminated their programs.
3 HCCTS schools are the only viable open for adult students. The Schools do not just provide
4 education to the students – they provide access to a pantry for hungry students, clothes for students
5 in need, provide counseling to students facing mental health or other crises, and have helped students
6 find doctors, dentists, optometrists and hair dressers who speak their language and understand their
7 cultural traditions.

8 22. The Schools have an exclusive partnership agreement with the Sacramento
9 Employment and Training Agency (“SETA”), a joint powers agency of the City of Sacramento and
10 County of Sacramento that administers federal Workforce Investment Opportunity Act funding in
11 Sacramento County. All students enrolled at the Schools also must be enrolled in SETA’s workforce
12 development programs. SETA provides additional services for students enrolled at the Schools,
13 leading to substantial benefits for these students. Indeed, SETA reports that 63% of students
14 enrolled in its Workforce Investment Opportunity Act program were employed in the 2nd quarter
15 following exit from the program.

16 23. Many of the students attending the Schools are refugees from Afghanistan who
17 received special permission from the United States government to relocate to the Sacramento area
18 because their lives were determined to be at risk if they remained in Afghanistan. They are not just
19 learning English for the first time; they are learning how to read and write as well as basic math
20 skills for the first time. Further, the programs provided by the Schools allows students to be more
21 active participants in their own children’s education, making it more likely that their children will
22 also do well in school.

23 24. Many refugees and other students attending the Schools are required to be enrolled
24 in an educational program as a condition of receiving public assistance for housing or other vital
25 services. Thus, an immediate closure of the Schools also threatens to undermine critical safety nets
26 that the state and federal government have created to ensure food and housing security for students
27 are met.

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PART II

CAPITAL STRUCTURE AND CASH FLOW

27. The Debtor's largest unsecured liabilities fall into two categories: (a) the disputed \$186,450,574 Audit Liability (defined below) discussed in greater detail in Part III of this Declaration, and (b) approximately \$796,893.90 on account of trade debt and amounts owing to vendors and service providers, and prepetition amounts owed under certain real property leases, and (c) approximately \$385,391 in litigation/workers' compensation claims.

28. The Debtor estimates that gross annual revenue for the fiscal year 2025-2026 was approximately \$24,555,200.¹ The Debtor's gross annual revenue was \$152,691,243 for fiscal year 2024-2025, and \$164,963,986 for fiscal year 2023-2024.

29. The Debtor’s primary source of funding is the California Department of Education (the “CDE”), which provides LCFF funding that is mandatory, not discretionary. LCFF applies to school districts and charter schools on equivalent terms. Under applicable law, the state superintendent “shall calculate” each charter school’s LCFF entitlement and “shall apportion

¹ The Debtor's total estimated Gross Revenue for fiscal year 2025-2026 includes approximately \$23,907,157 earned by HCCS, and \$621,829 earned by CICA. If CICA had received its full funding for fiscal year 2025-2026, it would have earned approximately \$10,829,888, bringing the Debtor's total estimated Gross Revenue to approximately \$34,737,045.

1 funding . . . equal to the amount computed” in mandatory, non-discretionary terms. Apportionment
2 is not discretionary once average daily attendance (“ADA”) is reported and certified.

3 30. The amount of funding allocated to each School is determined on an annual basis
4 using specific metrics: for HCCS, funding levels are calculated based on ADA rates; while for
5 CICA, which operates as an independent study school, funding is determined through a funding
6 determination by the California State Board of Education (the “State Board”) based on student work
7 product that is multiplied by the ADA rate. Because these rates and metrics are subject to fluctuation
8 from one school year to the next and enrollment fluctuates both within and between school years,
9 reconciliations are regularly required. As a result of such reconciliations, the CDE may owe the
10 Schools additional funding during or at the conclusion of a school year, or, conversely, the Schools
11 may be obligated to return amounts to the CDE when overpayments have been made.

12 31. As more fully set forth in the *Debtor’s Emergency Motion for Entry of Interim and*
13 *Final Orders (I) Authorizing the Debtor to Use Cash in the Ordinary Course of Business in*
14 *Accordance with Approved Budget; (II) Authorizing the State of California to Recover Prepetition*
15 *Overpayments from Future Apportionments; (III) Finding that Holders of Equipment Liens Are*
16 *Adequately Protected; and (IV) Granting Related Relief* (the “Cash Use Motion”) filed
17 contemporaneously with this Declaration, as of the Petition Date, the CDE has asserted that it is
18 owed \$30,820,947.00 from HCCS and \$22,404,357.00 from CICA.

19 32. With respect to the overpayment amount claimed from CICA, the Debtor believes
20 that following the completion of the funding determination process for the 2025-26 and 2026-27
21 fiscal years, the actual amount owed to the CDE will be substantially reduced to approximately
22 \$13,000,000.00.

23 33. The CDE has elected to withhold and recoup future funding disbursements against
24 the amounts it asserts are owed. As of the Petition Date, the State has withheld, on account of
25 overpayments, approximately \$1,813,024 of 2026-27 funding disbursements owed to HCCS and
26 \$1,729,611 of 2026-27 funding disbursements owed to CICA, in each case that had accrued prior to
27 the Petition Date. As further described in the Cash Use Motion, the Debtor is seeking this Court’s
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1 approval for the State to recoup these amounts against future apportionments and for the Debtor to
2 continue its educational operations utilizing cash currently on hand.

3 **PART III**

4 **EVENTS LEADING TO THE FILING**

5 **A. \$186M State Audit Finding.**

6 34. In June 2025, notwithstanding previous clean audits from independent auditors on
7 the State Controller's approved list of local education agency auditors, the California Office of the
8 State Auditor issued Report 2024-106, which found that HCCTS received more than approximately
9 \$186,450,574 in funds for which it was not eligible (the "Audit Liability"), engaged in wasteful and
10 unlawful spending, assigned teachers with inappropriate credentials, and operated with insufficient
11 oversight from Twin Rivers and other supervising entities including the Sacramento County Office
12 of Education and the CDE (the "Audit Report"). The audit report is attached to the Exhibit List as
13 **Exhibit B** and is publicly available at the following link: [https://www.auditor.ca.gov/reports/2024-](https://www.auditor.ca.gov/reports/2024-106/)
14 [106/](https://www.auditor.ca.gov/reports/2024-106/). Critically, the Audit Report does not allege fraud—rather, it alleges unwise use of funds and
15 various other compliance issues.

16 35. The Audit Report's central finding was that HCCS was ineligible for approximately
17 \$177 million in K-12 funding for years 2022-23 and 2023-24 because it failed to meet certain
18 attendance requirements and also lacked the required state funding determination for certain non-
19 classroom-based funding. Additionally, the Audit Report found that HCCTS received an estimated
20 \$5.5 million in overpayments due to certain noncompliance issues and unsupported documentation.
21 Beyond funding eligibility, the Audit Report identified wasteful spending and conflict-of-interest
22 concerns by the prior administration, as well as a failure to abide by HCCTS's internal policies.
23 Critically, these conflict of interest concerns relate, in part, to a now-former Twin Rivers board
24 member who was responsible in her capacity as a Twin Rivers Board member for providing
25 oversight to HCCS and CICA.

26 36. HCCTS's response to the Audit Report was immediate and multi-layered: (i) by July
27 2025, HCCTS overhauled its leadership team, replacing both management and its board of directors
28 with an entirely new board (the "Board") made up of individuals able to directly address the

1 concerns presented in the Audit Report; (ii) by October 2025, HCCTS initiated an appeal of the
2 Audit Report, challenging the findings on several grounds (the “Audit Appeal”); (iii) in preparation
3 for the Audit Appeal, HCCTS discovered new evidence that HCCTS believes was not reviewed by
4 the State Auditor that HCCTS believes substantially undermines the State’s case on the
5 \$186,450,574 both legally and factually, and (iv) the Schools laid off more than 600 employees and
6 replaced teachers with individuals who possess the credentials that the State Auditor felt were more
7 appropriate. Since there were not enough teachers in the marketplace to replace all of the adult
8 education credentialed teachers with single subject credentialed teachers, approximately 10,000
9 students were displaced from their educational program.

10 37. Through the Audit Appeal, HCCTS primarily argues that: (i) it substantially
11 complied with applicable law in good faith, (ii) any noncompliance was inadvertent, (iii) it
12 implemented all 18 of the State’s recommendations and repaid a significant portion of funds, such
13 that further penalties are unnecessary, (iv) that the State Audit is wrong as a matter of law about
14 both the requirements for claiming attendance and the use of adult education credentials, and (v)
15 that other parties identified in the Audit Report are partially responsible and should share in the
16 liability to the extent liability is still found. The Audit Appeal remains pending.

17 38. The Debtor’s new management team and Board has worked diligently over the last
18 year to remedy any accurately identified issues and comply with the Audit Report’s
19 recommendations, as well as make fiscally reasonable decisions to promote the financial health and
20 future operations of the Schools. Indeed, *the State Auditor has found that HCCTS, HCCS and CICA*
21 *have fully implemented all 18 of its recommendations, including those that pertained to*
22 *credentialing and attendance accounting.*

23 39. In addition to the State Auditor’s finding that HCCTS has fully implemented all of
24 its recommendations, the Western Association of Schools and Colleges has made a determination
25 to maintain the accreditation of HCCS based on an extensive review it conducted of reform efforts
26 led by the new Board and management, including the adoption of more than 100 new policies and
27 procedures, and the hiring of a qualified and competent senior management team.

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1 40. A new independent auditor hired by the Board from the State Controller's approved
2 list of local education agency auditors has been reviewing the financials for the year following the
3 State Audit period, and in their draft report provided to HCCTS has not identified any findings
4 relating to either attendance accounting or credentialing, which were the issues forming the basis of
5 the State's claim. Critically, this period was prior to new management arriving and implementing
6 new attendance accounting and credentialing practices.

7 41. Since my arrival, HCCTS has continued to review HCCTS' attendance records,
8 including by retaining a certified fraud examiner whose independent investigation found no
9 evidence of attendance fraud during the school years at issue in the State Auditor's report.
10 Furthermore, the examiner questioned the State Auditor's reporting methodology, indicating that in
11 their view the Schools owed substantially less than the Audit Report's findings. The examiner's
12 report is based on assumptions that funds are owed, and did not take into account any legal
13 arguments by Debtor. A copy of the examiner's report is attached to the Exhibit List as **Exhibit C**.

14 42. HCCTS has also hired two private firms, Charter School Management Corporation
15 ("CSMC") and Charter Impact, LLC that specialize in back office services for charter schools. These
16 firms have conducted further reviews of the Schools' attendance accounting processes.

17 43. Subsequent to the Audit Report, the California Department of Education sent a letter
18 to each school operated by the Debtor and claimed that it was entitled to repayment of funds
19 identified in the Audit Report. The letters provided a right of appeal to the Education Audit Appeals
20 Panel. The Schools timely filed appeals of CDE's determination letters. The Audit Appeal is
21 currently scheduled for a hearing in front of the Education Audit Appeals Panel on October 19, 2026
22 for an evaluation of the State Auditor's findings.

23 **B. The Audit Report's Findings with Respect to Twin Rivers.**

24 44. The Audit Report did not just cite issues with the Debtor's operations; it also found
25 that Twin Rivers did not provide adequate oversight of the Schools. Specifically, and among other
26 findings, the Audit Report found that Twin Rivers did not fully review key charter oversight items;
27 that Twin Rivers' annual oversight reviews for years 2020–21 through 2022–23 failed to cover key
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1 compliance areas; and concluded that more comprehensive oversight would likely have surfaced
2 issues such as questionable spending and improper attendance practices at an earlier stage.

3 45. The Audit Report also found that Twin Rivers' heavy reliance on annual independent
4 audits was problematic because those audits did not report all required compliance procedures and
5 contained inaccurate statements. Moreover, the Audit Report found that Twin Rivers charged \$12.9
6 million in oversight and facility fees from year 2019–20 through year 2023–24, calculated as a
7 percentage of HCCTS's total statewide K-12 funding, while providing some facilities for a formula-
8 based use-fee. HCCTS previously operated at 50 locations but now it operates at 6 campuses.
9 Because Twin Rivers did not track its actual staff time or overhead costs for oversight services, the
10 Audit Report concluded that Twin Rivers could not justify the fees it charged. The amount
11 calculated in the Audit Report is not all that HCCTS paid – it also paid substantial fees in the years
12 prior to the period that the Audit Report reviewed.

13 46. Based on the Audit Report, the Debtor believes that Twin Rivers had a duty to
14 provide oversight and neglected that duty, and that adequate oversight could have prevented or
15 reduced some of the damage identified in the Audit Report, and provides a basis for the forfeiture
16 of all or some of the \$12.9 million in fees Twin Rivers improperly collected.

17 47. One of the most significant Audit Report findings that led to the alleged inappropriate
18 claims of attendance by HCCTS is the inappropriate use of adult education credentials rather than
19 traditional K-12 credentials. Although HCCTS still believes that its use of adult education
20 credentials was compliant with state law, should the court disagree, it is inescapable that Twin
21 Rivers is responsible for the noncompliance because Twin Rivers approved the use of adult
22 education credentials in the charters, provided advice to the Schools on compliance relating to the
23 use of adult education credentials, and the charter authorizer is expressly charged with oversight of
24 teacher credential misassignments.

25 48. In addition to failing to perform appropriate oversight of the Schools, Twin Rivers
26 actively participated in the management of both of the Debtor's Schools by appointing a voting
27 member to the board of directors. Initially this member was simultaneously a member of the Twin
28 Rivers District Board of Trustees and the Debtor's board of directors. Only after the Audit Report

1 was released criticizing their lack of oversight did Twin Rivers remove its representative from the
2 Debtor's board of directors.

3 49. Active management by the board member appointed by Twin Rivers included the
4 approval of policies relating to attendance and all other aspects of school operations, the supervision
5 of Debtor's staff who enforced attendance policies and were responsible for attendance claims, and
6 the supervision of Debtor's staff responsible for hiring appropriately credentialed employees, and
7 approving all budgets. Debtor believes this active management by Twin Rivers has led to significant
8 affirmative claims against Twin Rivers.

9 50. Although not mentioned in the Audit Report, the Twin Rivers Board approved the
10 use of adult education credentials by Highlands in the charter that it approved following a review
11 by its legal counsel and staff. Highlands also consulted Twin Rivers staff about the use of adult
12 education credentials and was provided guidance on this matter.

13 51. Authorizing school districts are generally immune from liability from debts or
14 obligations of the charter school or for claims arising from the performance of acts, errors, or
15 omissions by the charter school, this liability protection applies only where "the chartering authority
16 has complied with all oversight responsibilities required by law, including, but not limited to, those
17 required by Section 47604.32 and subdivision (m) of Section 47605". (California Education Code
18 47604). The Debtor believes it has significant affirmative claims against Twin Rivers for its lack
19 of oversight and the proceeds of those claims can and should be used to benefit creditors in this
20 Chapter 11 Case.

21 **C. Twin River's Attempted Revocation of the Charters.**

22 52. In June 2025, at the same time the Audit Report was released, the Twin Rivers
23 District Board (the "District Board") issued a "Notice of Violation" for both HCCS and CICA,
24 alleging various violations of their conditions, standards, and procedures under the Charters.
25 HCCTS, equipped with its new management team, either refuted or cured all of the violations
26 asserted, showing documentary evidence of the same. The District Board members and staff
27 initially set a remedy deadline of September 26, 2025. However, Twin Rivers staff and District
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1 Board members extended those deadlines. Debtor fully cured all alleged issues or violations before
2 the extension date.

3 53. On January 27, 2026, the District Board met to consider a recommendation from
4 Twin Rivers staff and counsel, who presented findings and recommended the Charters **not** be
5 revoked based on findings that the Schools had fully cured or refuted all issues in the Notice of
6 Violation and that there was accordingly no basis to revoke the charters. Nevertheless, in a stunning
7 and inexplicable move, the District Board ignored the recommendation of its own staff and legal
8 counsel and voted to revoke the Charters of HCCS and CICA (the dispute created by this revocation,
9 including the pending appeals, are referred to collectively as, the “Revocation Dispute”). Since
10 there was no factual basis of noncompliance on the revocation date in the record to support
11 revocation, the same Twin Rivers counsel who said the issues were fully cured argued just two days
12 later that the issues identified in the initial notice supported revocation notwithstanding the statute
13 to provide charter schools a reasonable opportunity to remedy concerns prior to revocation.

14 54. On March 9, 2026, HCCTS, on behalf of HCCS and CICA, appealed the revocation
15 to the Sacramento County Board of Education (“SCBOE”). On May 19, 2026, after a lengthy public
16 hearing and following a thorough review of the extensive administrative record, SCBOE voted to
17 overturn Twin Rivers’ revocation of the Charters (the “County Appeal”).

18 55. On June 18, 2026, Twin Rivers appealed the County Appeal decision to the State
19 Board (the “State Appeal”). Thereafter, HCCTS filed an opposition to the State Appeal. Although
20 the appeal process remains pending, the working relationship between the Debtor and Twin Rivers
21 has become untenable. Notably, Twin Rivers, as the issuing authority of the Charters, retains the
22 ability to seek revocation of the Charters on various grounds, regardless of the outcome of the State
23 Appeal.

24 56. In light of these circumstances, the Debtor’s management team and Board have
25 concluded that advancing the Schools’ mission through a new charter and new school represents the
26 most viable and sustainable path forward. As discussed in greater detail below, HCCTS has filed a
27 new charter for a new school in Sutter County. If approved, all academic programs, employees and
28 students would transfer to that new school.

1 57. The California Department of Education released a state staff report making a
2 recommendation to the State Board and its Advisory Commission on Charter Schools (the “ACCS”)
3 that the revocations be upheld. A hearing was scheduled on October 6, 2026 before the State Board
4 of Education’s Advisory Commission on Charter Schools (the “ACCS Hearing”).

5 58. The ACCS Hearing was set to address whether to (i) recommend the State Board to
6 hear the appeal from Twin Rivers, and (ii) recommend that the State Board find that the revocation
7 by Twin Rivers was supported by substantial evidence and should thus be upheld.

8 59. The State Board is scheduled to consider any ACCS recommendations in a meeting
9 scheduled for November 12, 2026 (the “State Board Meeting”) and to evaluate whether Twin Rivers
10 had substantial evidence that HCCTS was not in compliance with the law or its Charters. Absent
11 intervention by a court, if the ACCS Hearing and State Board Meeting go forward, and the State
12 Board agrees with a negative staff and/or ACCS recommendation, HCCTS would lose its funding
13 immediately and the Schools would face immediate closure on or shortly after November 12, 2026
14 once the State Board acts.

15 **D. Legal Expenses Associated with the Audit Report and Revocation Dispute.**

16 60. The Debtor’s operations have been further strained by the mounting legal costs
17 associated with the Audit Report and the Revocation Dispute. Both matters have remained
18 unresolved for well over a year, and the ongoing nature of each has necessitated sustained legal
19 engagement, generating substantial professional fees that continue to accumulate. Rather than being
20 able to focus its resources on stabilizing and growing the Schools, the Debtor has been forced to
21 allocate a significant portion of its available funds toward litigation-related costs.

22 **PART IV**

23 **IMPACT ON THE COMMUNITY**

24 61. Debtor is not the only interested party wishing to save this school. At public hearings
25 held by Twin Rivers and the Sacramento County Board of Education, as well as Board meetings,
26 many students, employees, other agencies, and public officials have expressed their belief that
27 Debtor’s programs are vital to the community and are worth saving under the stewardship of the
28 new Board and administrative team.

64. By seeking a pathway to reorganization, the Debtor hopes to continue on its mission to eradicate educational inequality, promote success in the workforce, and provide students with the necessary opportunities to be self-sufficient members of the community.

PRE-PETITION RESTRUCTURING EFFORTS AND THE CHAPTER 11 CASE

66. Having extensively explored various strategic alternatives, including unsuccessful attempts to negotiate a settlement with the CDE, the Debtor commenced this Chapter 11 Case with a dual-track approach, seeking first to (i) reorganize in a manner that maintains the status quo of the Schools under the existing charter with Twin Rivers just long enough to transfer the schools and

1 their students to a new school operated under a new charter with Sutter County Office of Education,
2 while also addressing the liabilities associated with the Audit Findings, or, alternatively to (ii)
3 operate the schools long enough to sell them as a going concern in a value maximizing manner that
4 is least disruptive to students. Details regarding both options are discussed below.

5 **A. The Debtor's Exit Strategy – A New Charter**

6 **(1) New Charter with Sutter County Board of Education.**

7 67. The Debtor believes its working relationship with Twin Rivers is unsustainable. This
8 led the Debtor to apply for a new charter with the Yuba City Unified School District, combined with
9 an appeal to the Sutter County Board of Education ("Sutter County") to continue the Schools'
10 mission through one integrated independent study charter school offering several in-person courses,
11 including English, but combined with remote education to better serve its target population.

12 68. Sutter County and HCCTS have established a positive and promising working
13 relationship. Based upon my meetings with Sutter County staff, I believe Sutter County is supportive
14 of both HCCTS's mission and reorganization efforts. At present, Sutter County is scheduled to meet
15 on December 5, 2026 to decide if it will issue HCCTS a new charter. HCCTS is optimistic that its
16 relationship with Sutter County will pave a new path forward.

17 69. If the Sutter County meeting confers a new charter during their meeting two months
18 from now, HCCTS will begin its new chapter on July 1, 2027, when school operations start up again
19 for the 2027-2028 academic year.

20 70. The Debtor anticipates filing its chapter 11 plan within 30 days of the Sutter County
21 decision (*i.e.*, 30 days from December 5, 2026) and confirming its plan within 90 days of filing.
22 This timeline would allow the plan to go effective on or around the time HCCTS is ready to emerge
23 from the Chapter 11 Case as a reorganized debtor.

24 71. The Debtor anticipates consenting to the termination of its current charter with Twin
25 Rivers concurrent with its emergence from this Chapter 11 Case. It is my hope that this bankruptcy
26 filing will cause Twin Rivers to (a) cease all revocation efforts and (b) support the Debtor's
27 reorganization. I am cautiously optimistic in this regard, because it is clear that an early revocation
28

1 would be devastating to the Debtor, its hundreds of employees, its thousands of students, and the
2 community at large.

3 **PART VI**

4 **FIRST DAY MOTIONS**

5 72. In an effort to minimize disruption to the Debtor's business and promote an orderly
6 and efficient process throughout this Chapter 11 Case, the Debtor has requested various relief in the
7 First Day Motions, which it deems critical to ensure that the value of the Debtor's assets, and
8 resulting distributions to creditors, are maximized. The First Day Motions, filed contemporaneously
9 with this Declaration, include:

- 10 • *Debtor's Ex Parte Application for Entry of an Order: (I) Modifying*
11 *LBR 9014-1(d) to Allow the Filing and Service of an Omnibus*
12 *Notice of First Day Motions; (II) Shortening Notice with Respect to*
13 *the First Day Motions; (III) Modifying LBR 9014 1(d)(5) to Allow*
Requests for Relief to be Joined in a Single Motion; and (IV)
Modifying LBR 9014-1(d)(4) Solely for Procedural First Day
Motions;
- 14 • *Debtor's Emergency Motion for an Order Extending Time to File*
15 *Schedules of Assets and Liabilities and Statements of Financial*
Affairs;
- 16 • *Debtor's Emergency Motion for Entry of Interim and Final Orders*
17 *(I) Authorizing Debtor to (a) Pay Prepetition Wages, Salaries, and*
18 *Other Compensation, (b) Continue Employee Benefits, (c) Honor*
Certain Prepetition Obligations Related Thereto; and (II) Granting
Related Relief;
- 19 • *Debtor's Emergency Motion for Entry of Interim and Final Orders*
20 *(i) Authorizing the Debtor to (a) Maintain Existing Bank Accounts;*
21 *(b) Continue Use of Cash Management System; (c) Continue Use of*
22 *Business Forms; and (d) Honor Certain Prepetition Obligations*
Related thereto; (ii) Waiving Requirements of LBR 2015-2;
(iii) Granting Limited Waiver of Section 345(b) Deposit
Requirements; and (iv) Granting Related Relief;
- 23 • *Debtor's Emergency Motion for Entry of Interim and Final Orders*
24 *(I) Authorizing the Debtor to Use Cash in the Ordinary Course of*
25 *Business in Accordance with Approved Budget; (II) Authorizing the*
26 *State of California to Recover Prepetition Overpayments from*
Future Apportionments; (III) Finding that Holders of Equipment
Liens Are Adequately Protected; and (IV) Granting Related Relief;
- 27 • *Debtor's Emergency Motion for Interim and Final Orders: (I)*
28 *Approving Debtor's Adequate Assurance of Payment for Utility*
Services; (II) Prohibiting Utility Providers From Altering, Refusing,

1 *Or Discontinuing Service; (III) Approving Debtor's Proposed*
2 *Procedures; and (IV) Granting Related Relief;*

- 3 • *Debtor's Emergency Motion for Interim and Final Orders: (I)*
4 *Authorizing the Debtor to Maintain, Renew, or Supplement Its*
5 *Insurance Policies and Satisfy All Obligations Related Thereto; and*
6 *(II) Granting Related Relief;*
- 7 • *Debtor's Emergency Motion For Entry of An Order Authorizing*
8 *Rejection of Certain Unexpired Leases;*
- 9 • *Debtor's Emergency Application For Order Authorizing and*
10 *Approving the Appointment of Kurtzman Carson Consultants, LLC*
11 *dba Verita Global as Notice, Claims, and Solicitation Agent;*
- 12 • *Debtor's Emergency Motion for Order Limiting Scope of Notice*
- 13 • *Debtor's Emergency Motion for an Order Extending Time to File*
14 *Schedules of Assets and Liabilities and Statements of Financial*
15 *Affairs;*

16 73. The First Day Motions seek authority to, among other things, maintain the Debtor's
17 existing bank accounts and business operations; pay employees; pay the Debtor's taxes; operate
18 School Programs; reject burdensome leases; and access the funds necessary for operations. I believe
19 that such relief is essential for HCCTS to maximize the value of its assets, operate expeditiously in
20 this Chapter 11 Case, and avoid immediate and irreparable harm. I have reviewed each of the First
21 Day Motions, and the facts they contain are true and correct to the best of my information and belief.
22 I believe the relief sought is necessary to enable HCCTS to operate in chapter 11 and constitutes
23 critical elements to successfully consummate a reorganization or sale process.

24 74. I have provided a separate declaration in support of each First Day Motion, and those
25 separate declarations contain additional facts and information that is specific to the relief sought.

26 I declare under penalty of perjury that the foregoing is true and correct and that this
27 declaration was executed this 4th day of October, 2026, at Sacramento, California.

Signed by:

Jonathan Raymond

CD25C9FE304D4D7...
JONATHAN RAYMOND