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UNITED STATES BANKRUPTCY COURT

EASTERN DISTRICT OF CALIFORNIA, SACRAMENTO DIVISION

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

**DECLARATION OF JONATHAN RAYMOND IN SUPPORT OF CHAPTER 11 PETITION AND FIRST DAY MOTIONS**

I, Jonathan Raymond, hereby declare as follows:

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

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

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

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

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

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

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

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

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

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

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

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

## PART I

### A. General Background of the Debtor and Charter Schools Generally.

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

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

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

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

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

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

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

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

18. Twin Rivers collected a total of approximately $14,000,000 to $17,000,000 for its oversight of HCCS and CICA. Notwithstanding such collections, as described below in further detail, an audit conducted by the California State Auditor (the "State Auditor") found that Twin

Rivers had numerous failures in their oversight obligations and could not justify the receipt of the significant oversight fees it collected.

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

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

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

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

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

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

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

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

25. The Schools enjoy a tremendous amount of public and community support due to their unique mission. Letters of support from just some of the community organizations and associations supporting the Schools are attached as **Exhibit A** to the concurrently filed Exhibit List. The organizations range from religious organizations representing multiple faiths to chambers of commerce, organizations focused on anti-recidivism, and organizations that share our mission of serving immigrants and refugees.

## PART II

## CAPITAL STRUCTURE AND CASH FLOW

26. The Debtor's only secured debt is in the form of three equipment leases with De Lage Landen Financial Services, Inc., and Canon Financial Services, Inc., with combined balances totaling approximately $31,265.00.

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.

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

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

31. As more fully set forth in the *Debtor's Emergency Motion for Entry of Interim and Final Orders (I) Authorizing the Debtor to Use Cash in the Ordinary Course of Business in Accordance with Approved Budget; (II) Authorizing the 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* (the "Cash Use Motion") filed contemporaneously with this Declaration, as of the Petition Date, the CDE has asserted that it is owed $30,820,947.00 from HCCS and $22,404,357.00 from CICA.

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

33. The CDE has elected to withhold and recoup future funding disbursements against the amounts it asserts are owed. As of the Petition Date, the State has withheld, on account of overpayments, approximately $1,813,024 of 2026-27 funding disbursements owed to HCCS and $1,729,611 of 2026-27 funding disbursements owed to CICA, in each case that had accrued prior to the Petition Date. As further described in the Cash Use Motion, the Debtor is seeking this Court's

approval for the State to recoup these amounts against future apportionments and for the Debtor to continue its educational operations utilizing cash currently on hand.

## PART III

## EVENTS LEADING TO THE FILING

### A. $186M State Audit Finding.

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

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

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

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

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

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

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

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

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

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

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

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

44. The Audit Report did not just cite issues with the Debtor's operations; it also found that Twin Rivers did not provide adequate oversight of the Schools. Specifically, and among other findings, the Audit Report found that Twin Rivers did not fully review key charter oversight items; that Twin Rivers' annual oversight reviews for years 2020–21 through 2022–23 failed to cover key

compliance areas; and concluded that more comprehensive oversight would likely have surfaced issues such as questionable spending and improper attendance practices at an earlier stage.

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

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

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

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

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

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

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

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

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

52. In June 2025, at the same time the Audit Report was released, the Twin Rivers District Board (the "District Board") issued a "Notice of Violation" for both HCCS and CICA, alleging various violations of their conditions, standards, and procedures under the Charters. HCCTS, equipped with its new management team, either refuted or cured all of the violations asserted, showing documentary evidence of the same. The District Board members and staff initially set a remedy deadline of September 26, 2025. However, Twin Rivers staff and District

Board members extended those deadlines. Debtor fully cured all alleged issues or violations before the extension date.

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

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

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

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

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

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

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

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

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

## PART IV

## IMPACT ON THE COMMUNITY

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

62. The Debtor plays a meaningful role in the community by serving students whose lives, work, family responsibilities, and educational journeys require flexible, supportive pathways to graduation and career readiness. The Debtor is unique as an adult-focused school that combines high school diploma programs, English language development, career technical education and wraparound services at no cost to its students. The Debtor is grounded in strong community partnerships, and is a stalwart advocate for educating the underserved. The Debtor's mission is to sow the seeds of generational success for every student that walks through its doors.

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

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.

## PART V

## PRE-PETITION RESTRUCTURING EFFORTS AND THE CHAPTER 11 CASE

65. When it became clear that the ongoing Audit Appeal, the Revocation Dispute, and the related potential outcomes could render the Schools unable to operate outside of a chapter 11 process, the Debtor hired restructuring advisors, including Sheppard Mullin Richter & Hampton LLP ("Sheppard") as legal counsel and Arch + Beam Global, LLC ("Arch + Beam") as financial advisor (together with Sheppard, the "Advisors") to advise HCCTS on a potential reorganization or sale process.

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

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

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

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

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

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

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

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

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

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

## PART VI

## FIRST DAY MOTIONS

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

- *Debtor's Ex Parte Application for Entry of an Order: (I) Modifying LBR 9014-1(d) to Allow the Filing and Service of an Omnibus Notice of First Day Motions; (II) Shortening Notice with Respect to 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;*

- *Debtor's Emergency Motion for an Order Extending Time to File Schedules of Assets and Liabilities and Statements of Financial Affairs;*

- *Debtor's Emergency Motion for Entry of Interim and Final Orders (I) Authorizing Debtor to (a) Pay Prepetition Wages, Salaries, and Other Compensation, (b) Continue Employee Benefits, (c) Honor Certain Prepetition Obligations Related Thereto; and (II) Granting Related Relief;*

- *Debtor's Emergency Motion for Entry of Interim and Final Orders (i) Authorizing the Debtor to (a) Maintain Existing Bank Accounts; (b) Continue Use of Cash Management System; (c) Continue Use of 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;*

- *Debtor's Emergency Motion for Entry of Interim and Final Orders (I) Authorizing the Debtor to Use Cash in the Ordinary Course of Business in Accordance with Approved Budget; (II) Authorizing the 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;*

- *Debtor's Emergency Motion for Interim and Final Orders: (I) Approving Debtor's Adequate Assurance of Payment for Utility Services; (II) Prohibiting Utility Providers From Altering, Refusing,*

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

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

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

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

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

Signed by:
Jonathan Raymond
CD25C9FE304D4D7...

JONATHAN RAYMOND