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UNITED STATES BANKRUPTCY COURT

EASTERN DISTRICT OF CALIFORNIA, SACRAMENTO DIVISION

In re Highlands Community Charter and Technical Schools, Debtor and Debtor in Possession.	Case No. 26-25868 Chapter 11 DCN SMR-6 Judge: Hon. [●] Date: [●], 2026 Time: Place:

DEBTOR'S EMERGENCY MOTION FOR INTERIM AND FINAL ORDERS: (1) APPROVING DEBTOR'S ADEQUATE ASSURANCE OF PAYMENT FOR UTILITY SERVICES: (2) PROHIBITING UTILITY PROVIDERS FROM ALTERING. REFUSING, OR DISCONTINUING SERVICE; (3) APPROVING DEBTOR'S PROPOSED PROCEDURES; AND (4) GRANTING RELATED RELIEF

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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 the date hereof (the "Petition Date") under chapter 11 of title 11 of the United States Code (the "Bankruptcy Code"), hereby submits this motion (the "Motion") for entry of orders, substantially in the form attached to the Exhibit List as Exhibit A and Exhibit B (the "Interim Order" and the "Final Order" respectively) filed concurrently herewith, pursuant to §§ 105(a), 362(d), 366 of the Bankruptcy Code, Rules 6003 and 6004 of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules"), and Rules 9014-1(f)(3) and (4) of the Local Rules of Practice (the "LBR"): (a) approving the Debtor's proposed adequate assurance of payment for future utility services, (b) prohibiting utility companies form altering, refusing, or discontinuing services, (c) approving the Debtor's proposed procedures for resolving additional assurance requests, and (d) granting related relief. In addition, the Debtor requests that the United States Bankruptcy Court for the Eastern District of California (the "Court") schedule a final hearing within twenty-one (21) days of the commencement of this Chapter 11 Case to consider approval of this Motion on a final basis. In support of this Motion, the Debtor refers to the *Declaration of Jonathan Raymond in Support of First Day Motions* (the "First Day Declaration") and the *Declaration of Jonathan Raymond in Support of Debtor's Emergency Motion for Entry of Interim and Final Orders: (1) Approving Debtor's Adequate Assurance of Payment for Utility Services: (2) Prohibiting Utility Providers from Altering. Refusing, or Discontinuing Service; (3) Approving Debtor's Proposed Procedures; and (4) Granting Related Relief* (the "Raymond Declaration"), the *Memorandum of Points and Authorities in support of (1) Approving Debtor's Adequate Assurance of Payment for Utility Services: (2) Prohibiting Utility Providers from Altering. Refusing, or Discontinuing Service; (3) Approving Debtor's Proposed Procedures; and (4) Granting Related Relief* (the "Memorandum"), and the exhibits in support of this Motion (the "Exhibit List"), filed contemporaneously herewith, and such other evidence and testimony as may be presented at the hearing on this Motion (the "Hearing").

I. JURISDICTION AND VENUE

The Court has jurisdiction over this matter pursuant to 28 U.S.C. §§ 157 and 1334 and General Orders 182 and 223 of the United States District Court for the Eastern District of California. The Debtor confirms its consent, pursuant to Bankruptcy Rule 7008, to the entry of a final order by the Court in connection with this Motion to the extent that it is later determined that the Court, absent consent of the parties, cannot enter final orders or judgments in connection herewith consistent with Article III of the United States Constitution.

This is a core proceeding pursuant to 28 U.S.C. § 157(b)(2). Venue is proper pursuant to 28 U.S.C. §§ 1408 and 1409.

The bases for the relief requested herein are §§ 105(a), 362(d), 366 of the Bankruptcy Code, Rules 6003 and 6004 of the Bankruptcy Procedure, and Rules 9014-1(f)(3) and (4) of the Local Rules of Practice.

II. FACTUAL BACKGROUND

A. General Background

The Debtor filed the Chapter 11 Case on the Petition Date. The Debtor is operating its business and managing its properties as a debtor in possession pursuant to §§ 1107(a) and 1108 of the Bankruptcy Code. No request for the appointment of a trustee or examiner has been made in this Chapter 11 Case, and no committees have been appointed or designated.

The Debtor is a California non-profit public benefit corporation that owns, manages, and 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"). The Twin Rivers Unified School District ("Twin Rivers") issued the current charters (the "Charters") that authorize HCCTS to operate both HCCS and CICA. Since opening in August 2014, HCCTS has served approximately 60,000 students. The Debtor is exempt from federal income taxation as an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986. A more detailed description of the Debtor, including its current and historical business operations and the events precipitating the Chapter 11 Case, is set forth in the First Day Declaration. The First Day Declaration is expressly incorporated herein.

B. Facts Relevant to this Motion

The Debtor obtains electricity, natural gas, water and sewage, telephone, internet, garbage, cable, data services, and other similar services (collectively, the "Utility Services") from various utility providers and brokers, including without limitation those listed on Exhibit C (the "Utility Providers List") to the Exhibit List (collectively, the "Utility Providers") to operate its business and manage the Schools in the ordinary course of business. Exhibit C identifies the account information for each Utility Provider. In the aggregate, the Debtor pays approximately $301,667.82 per month for the Utility Services.

Preserving Utility Services on an uninterrupted basis is essential to the Debtor's ongoing operations, and, therefore, to the success of the Debtor's restructuring. Indeed, any interruption of the Utility Services, even for a brief period of time, would disrupt the Debtor's ability to operate and maintain its school operations. Such disruption would thereby negatively impact the Debtor's reorganization efforts, and, ultimately, could jeopardize the Debtor's value and creditors' recoveries. It is therefore critical that Utility Services continue uninterrupted during this chapter 11 case.

Based on the books and records, the Debtor believes there are no material defects or arrearages for undisputed invoices accrued in connection with postpetition Utility Services other than payment interruptions that may have occurred as a result of the Chapter 11 filing.

C. Proposed Adequate Assurance of Payment

The Debtor intends to satisfy postpetition obligations owed to the Utility Providers in the ordinary course of business and in a timely manner. Cash on hand will provide the Debtor with sufficient liquidity to pay the Utility Providers for Utility Services in accordance with past practice. As additional assurance of payment, the Debtor proposes to deposit $301,667.82 (the "Adequate Assurance Deposit") into a segregated bank account (the "Adequate Assurance Account").

The Adequate Assurance Deposit is equal to the Debtor's approximate one (1) month average cost of Utility Services, calculated based on the historical average of payments made to the Utility Providers over the twelve month period prior to the Petition Date, excluding certain

amounts and subject to certain adjustments. The Adequate Assurance Deposit will be held in a segregated, debtor-in-possession bank account in the Debtor's name, the Adequate Assurance Account, for the benefit of the Utility Providers for the duration of the Debtor's chapter 11 case and may be applied to any postpetition defaults in payment to the Utility Providers in accordance with the Adequate Assurance Procedures set forth herein (the "Adequate Assurance Procedures"). The Adequate Assurance Deposit, in conjunction with the Debtor's cash on hand (collectively, the "Proposed Adequate Assurance"), demonstrates the Debtor's ability to pay for future Utility Services in accordance with past practice and constitutes sufficient adequate assurance to the Utility Providers in full satisfaction of section 366 of the Bankruptcy Code.

III. RELIEF REQUESTED

By this Motion, the Debtor requests entry of an Interim Order, substantially in the form attached hereto as Exhibit A (the "Proposed Interim Order"), requesting that this Court:

1. Authorize, but not require, the Debtor to cause the Adequate Assurance Deposit, in the aggregate amount of $301,667.82 to be deposited into the Adequate Assurance Account within five (5) business days after entry of the Proposed Interim Order;
2. Authorize the Adequate Assurance Deposit to be held in the Adequate Assurance Account during the pendency of this Chapter 11 Case;
3. Recognize the Adequate Assurance Deposit, together with the Debtor's ability to pay for future Utility Services in the ordinary course of business subject to the Adequate Assurance Procedures, as adequate assurance of future payment in satisfaction of section 366 of the Bankruptcy Code;
4. Authorize the following **Adequate Assurance Procedures** for any Utility Provider that is either (a) not satisfied with the Proposed Adequate Assurance or (b) seeking payment of their applicable portion of the Adequate Assurance Deposit during the pendency of this chapter 11 case:
    a. Subject to paragraphs (b)-(i) herein, the Debtor will deposit the Adequate Assurance Deposit, in the aggregate amount of $301,667.82, in the Adequate Assurance Account within five (5) business days after entry of the order granting this Motion.

b. A Utility Provider may make an adequate assurance request if the Debtor has not satisfied their postpetition payment obligation with respect to the applicable Utility Services in accordance with the terms and conditions of such service, and such payment obligation remains unpaid past any applicable grace period for the Utility Service. No disbursement will be made for an adequate assurance request unless the requesting Utility Provider provides notice to the following parties (the "Utility Notice Parties"): (i) the Debtor, (ii) proposed counsel to the Debtor, (iii) the Office of the United States Trustee; (iv) the 20 largest unsecured creditors or counsel for the official committee of unsecured creditors (if any) appointed in this Chapter 11 Case; (v) and any applicable governmental entities. The Debtor shall honor such request within five (5) business days after the date they receive such adequate assurance request, subject to the Debtor's and the requesting Utility Provider reaching an alternative resolution. A court order is not required to honor the adequate assurance request in accordance with the Adequate Assurance Procedures or to settle a postpetition payment dispute related to Utility Services.

c. If the Debtor makes a disbursement to a Utility Provider from the Adequate Assurance Account, the Debtor shall replenish the Adequate Assurance Account in the amount so disbursed.

d. The portion of the Adequate Assurance Deposit attributable to each Utility Provider shall be returned to the Debtor or the Reorganized Debtor, as applicable, on the earlier of (i) the Debtor's reconciling and paying the Utility Provider's final invoice in accordance with applicable nonbankruptcy law following the Debtor's termination of Utility Services from such Utility Provider and (ii) the effective date of any chapter 11 plan confirmed in this chapter 11 case.

e. A Utility Provider desiring additional assurances of payment in the form of deposits, prepayments, increases in the proposed allocable Adequate Assurance amount, or otherwise must serve a request for additional assurance (an "Additional Assurance Request") on the Utility Notice Parties within thirty (30) days of the Petition Date.

f. All Additional Assurance Requests and Adequate Assurance Requests must set forth in writing the following: (i) the location(s) for which Utility Services are provided and the account number(s) for such location(s); (ii) the outstanding balance for each such account and a summary of the Debtor's payment history relevant to the affected account(s); (iii) an explanation as to why the Utility Provider believes the Adequate Assurance Deposit is not adequate assurance of payment under section 366 of the Bankruptcy Code or the basis for seeking the Adequate Assurance Deposit, each as applicable; and (iv) list all Prepetition Deposits or surety bonds that the Utility Provider holds for the Utility Services related to the Additional Assurance Request.

g. The Debtor may, without further order from the Court, resolve an Additional Assurance Request by mutual agreement with a Utility Provider, and the Debtor may, in connection with any such agreement, provide a Utility Provider with additional adequate assurance of payment, including cash deposits, prepayments, or other forms of security if the Debtor believes that such adequate assurance is reasonable. The Debtor shall maintain a summary record of such agreements and their respective terms, and such summary record and the agreements themselves shall be available to any official committee appointed in these cases, and the U.S. Trustee upon request.

h. The Debtor may reduce or remove a Utility Provider's portion of the Adequate Assurance Deposit with the consent of such Utility Provider at any time during the chapter 11 cases.

i. If the Debtor and the Utility Provider are not able to reach a resolution within fourteen (14) days of receipt of the Additional Assurance Request, the Debtor may request a hearing before the Court to determine the adequacy of assurances of payment with respect to a particular Utility Provider (the "Determination Hearing") pursuant to section 366(c)(3) of the Bankruptcy Code. Pending final resolution of the Determination Hearing, the Utility Provider filing such Additional Assurance Request shall be prohibited from altering, refusing, or discontinuing Utility Services to the Debtor on account of unpaid charges for prepetition services or on account of any objections to the Proposed Adequate Assurance.

5. Prohibit Utility Providers from requiring additional adequate assurance of payment other than pursuant to the Adequate Assurance Procedures;

6. Unless and until a Utility Provider files and serves an Additional Assurance Request in accordance with the Adequate Assurance Procedures and the Court rules otherwise at a Determination Hearing, the Utility Provider shall be (a) deemed to have received "satisfactory" adequate assurance of payment in compliance with § 366 and (b) forbidden from (i) discontinuing, altering, or refusing Utility Services to or discriminating against the Debtor on account of any unpaid prepetition charges, the commencement of this Chapter 11 Case, or any perceived inadequacy of the Proposed Adequate Assurance, or (ii) requiring additional assurance of payment other than the Proposed Adequate Assurance;

7. Authorize the Debtor to (a) add any Utility Provider to the Utility Providers List (each a, "Subsequently Identified Utility Provider"), (b) remove any Utility

Provider from the Utility Providers List, and (c) add to or subtract from the Adequate Assurance Account the portion of such deposit allocated to any Utility Provider(s); or Subsequently Identified Utility Provider(s); provided that the Debtor may only add Subsequently Identified Utility Provider(s) to the Utility Providers List and deposit funds in the Adequate Assurance Account in the sum of the "Proposed Adequate Assurance" allocated to such Subsequently Identified Utility Provider(s) within thirty (30) days from the Petition date, provided further that the Debtor shall provide fourteen (14) days' notice to any Utility Provider that it is being removed from the Utility Providers List and that its respective Adequate Assurance Deposit will be deducted from the Adequate Assurance Account. If an objection is received from such Utility Provider(s), the Debtor may request a hearing before this Court regarding such objection. The Debtor shall not deduct the Adequate Assurance Deposit allocated to any such Utility Provider that the Debtor seek to terminate or delete from the Utility Providers List unless and until the fourteen (14) day notice period has expired without objection from the respective Utility Provider(s).

The Debtor also respectfully requests that the Court set a final hearing to enter in the Final Order, substantially in the form attached as **Exhibit B** to the Exhibit List, filed contemporaneously herewith (the "Proposed Final Order"), and is the same relief requested above.

IV. BASIS FOR RELIEF REQUESTED

Section 366(a) protects a debtor from a termination in utility services, and works as an injunction, by providing, in part, that a "utility may not alter, refuse, or discontinue service to, or discriminate against, the trustee or the debtor solely on the basis of the commencement of a case under this title or that a debt owed by the debtor to such utility for service rendered before the order for relief was not paid when due." 11 U.S.C. § 366(b).

However, in ensuring adequate assurance of payment to a utility, §366(b) provides that the utility may alter, refuse, or discontinue service if the debtor, within twenty (20) days after the

petition date, does not furnish "adequate assurance of payment, in the form of a deposit or other security, for service after such date." 11 U.S.C. § 366(b).

Here, the Debtor proposes to provide each Utility Company that requests adequate protection a cash deposit equal to the one (1) month average historical invoice amount, calculated over the past twelve months. Bankruptcy courts in California have entered orders granting substantially the same relief requested by this Motion. *See, e.g., In re Roman Catholic Bishop of Sacramento*, No. 24-21326 (Bankr. E.D. Cal. 2024) [ECF 267]; *In re Roman Catholic Bishop of Stockton*, No. 14-20371 (Bankr. E.D. Cal. 2014) [ECF 65 and 168]; *In re Watsonville Hospital Corporation,* Case No. 21-51477 (Bankr. N.D. CA 2021) [ECF 51]; *In re Beverly Community Hospital Association* (Bankr. C.D. Cal. 2023) [ECF 73]. The relief requested by this Motion is further supported by the authorities as set forth in the Memorandum of Points and Authorities filed herewith pursuant to Rule 9014-1(d)(3) of the Local Rules of Practice ("LBR") and incorporated herein by this reference.

V. CONCLUSION

WHEREFORE, The Debtor respectfully requests that the court enter the Proposed Interim Order, pursuant to §§ 105(a) and 366 and Bankruptcy Rules 6003 and 6004, as follows:

1. Prohibiting Utility Providers from altering, refusing or discontinuing service absent further order of the Court;
2. Authorizing, but not directing, the Debtor to cause the Adequate Assurance Deposit to be held in the Adequate Assurance Account during the pendency of these Chapter 11 Cases;
3. Approving the Adequate Assurance Procedures;
4. Determining that the Adequate Assurance Deposit, together with the Debtor's to pay for future Utility Services in the ordinary course of business subject to the Adequate Assurance Procedures shall constitute adequate assurance of future payment in satisfaction of §366;
5. Prohibiting Utility Providers from requiring additional adequate assurance of payment other than pursuant to the Adequate Assurance Procedures;

6. Scheduling a final hearing on this Motion, and entering the Final Order substantially in the form attached as **Exhibit B** to the Exhibit List, filed contemporaneously herewith; and

7. Granting such further relief as the Court deems necessary.

Dated: October 4, 2026

SHEPPARD, MULLIN, RICHTER & HAMPTON LLP

By *_/s/ Ori Katz_*
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Proposed Counsel for Highlands Community Charter and Technical School