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UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF CALIFORNIA

In re:	Case No. 26-25868-B-11
	DC No.: SMR-4
Highlands Community Charter and Technical Schools,	Date: October 8, 2026 Time: 11:00 a.m. Dept.: B
Debtor.	Courtroom: 32
_____/	

OBJECTION OF THE UNITED STATES TRUSTEE TO DEBTOR'S MOTION TO MAINTAIN EXISTING BANK ACCOUNTS AND CONTINUE TO USE CASH MANAGEMENT SYSTEM

Peter C. Anderson, the United States Trustee for Region 17 (the "UST"), by and through his undersigned counsel, hereby files this preliminary objection to the *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; and (II) Waiving Requirements of LBR 2015-2; (III) Granting Limited Waiver of Section 345(b) Deposit*

Requirements; and (IV) Granting Related Relief (ECF No. 17) (the "Motion"). In support of his Objection, the UST respectfully represents as follows:

I. INTRODUCTION

1. The Debtor's three (3) bank accounts appear to have a combined balance of more than $93 million. Because the Debtor has not met its burden of demonstrating cause to waive the collateralization requirements of 11 U.S.C. § 345(b), the Motion should be denied.

2. To the extent the Court is inclined to approve the Motion on an interim basis, the Order should:

a. require the Debtor have its accounts at East West Bank designated as "Debtor-in-Possession" accounts by East West Bank within 15 days of entry of the Interim Order (so that the bank properly designates each DIP account as one that is subject to the terms and conditions of the bank's authorized depository agreement with the UST); and

b. prohibit the Debtor from opening new accounts unless such accounts are debtor in possession accounts at authorized depositories in the Eastern District of California.

3. The UST reserves all his rights, including to object to final approval of the Motion.

II. FACTUAL BACKGROUND

A. General Case Background

4. On October 4, 2026 (the "Petition Date"), the Debtor commenced this case under Chapter 11 of the United States Bankruptcy Code. See ECF No. 1. The Debtor is currently a debtor-in-possession under sections 1107 and 1108 of the Bankruptcy Code.

5. The Debtor has not yet filed the required Schedules and Statements, including Schedule A/B, Schedule D, Schedule E/F, and the Statement of Financial Affairs. See ECF No.

2. The Debtor has requested that its deadline for filing these documents be extended to November 17, 2026. See ECF Nos. 9, 11.

6. According to the Debtor's Petition, the estimated amount of Debtor's assets is between $100,000,001 and $500 million, and the estimated amount of its liabilities is between $100,000,001 and $500 million. See ECF No. 1.

7. The UST is soliciting creditors to form an official committee of unsecured creditors.

8. The initial debtor interview and the meeting of creditors under 11 U.S.C. § 341 will be held on November 5, 2026, and November 12, 2026, respectively.

9. According to the first day declaration of Jonathan Raymond (ECF No. 4) (the "First Day Declaration"), 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")]." See First Day Declaration, at ¶ 11.

10. As of the Petition Date, HCCS serves 1,260 students and CICA serves 655 students across six (6) campuses. The Debtor has 167 employees. See First Day Declaration, at ¶ 14.

11. The Debtor commenced this case to address "two major challenges." The first challenge is a "is an attempt by the Debtor's current authorizing entity [Twin Rivers Unified School District] to revoke the Debtor's charters …." The second challenge "relates to a disputed claim of approximately $186,450,574 arising from a negative audit finding by the State of California." See First Day Declaration, at ¶¶ 7-9.

12. The Debtor is seeking new charter(s) from the Sutter County Board of Education. 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." See First Day Declaration, at ¶¶ 67-70.

B. The Motion

13. As part of the Motion, the Debtor seeks: (i) authorization to (A) maintain its existing bank accounts, (B) continue to use its cash management system, (C) continue to use its business forms, and (D) honor certain prepetition obligations related thereto; (ii) a waiver of the requirements of Local Bankruptcy Rule 2015-2; and (iii) a "limited waiver" of 11 U.S.C. § 345(b). See Motion, at p. 10 of 16.

14. As set forth in the Motion, the Debtor's cash management system currently consists of three (3) bank accounts at East West Bank. The Debtor intends to open a fourth account at East West Bank to hold adequate assurance deposits for the Debtor's pending utilities motion. See Motion, at p. 7 of 16.

15. As of the Petition Date, it appears that the combined balance in the Debtor's bank accounts was more than $93 million. See ECF No. 21, at p. 11 of 17.

16. East West Bank is an authorized depository in the Eastern District of California. See https://www.justice.gov/ust/media/1401646/dl?inline. However, the Motion and proposed order are silent as to the conversion of the accounts to "debtor in possession" accounts. See ECF No. 23 (exhibits to Motion).

III. OBJECTION

17. Bankruptcy Code Section 345(b) protects creditors against the loss of estate funds deposited or invested by debtors. See In re CWNevada LLC, 602 B.R. 717, 744 (Bankr. D. Nev.

2019) ("Those requirements are designed to ensure the safety of the funds held by a trustee or debtor in possession as a fiduciary of a bankruptcy estate.").

18. Specifically, Section 345(b) provides that money of the estate shall be insured or guaranteed by the United States or by a department, agency or instrumentality of the United States or backed by the full faith and credit of the United States. Money of the estate may also be deposited in an entity that has posted a bond in favor of the United States or has deposited securities with the Federal Reserve Bank. A court may waive the requirements of Section 345 upon a showing of "cause." See 11 U.S.C. § 345(b).

19. In order to ensure compliance with Section 345(b), the UST has implemented guidelines for debtors in possession regarding bank accounts (the "UST Guidelines"). Among other things, the UST Guidelines require debtors in possession to close their pre-petition bank accounts and open new bank accounts at an authorized depository. See United States Trustee Chapter 11 Operating and Reporting Guidelines for Debtors in Possession (Region 17), available at https://www.justice.gov/ust-regions-r17/file/guidelines.pdf/download.[1]

20. Authorized depositories have agreed to maintain collateral, unless an order of the bankruptcy court provides otherwise, in an amount of no less than 115 percent of the aggregate bankruptcy funds on deposit in each bankruptcy estate that exceeds the FDIC insurance limit. See United States Trustee Program Policy and Practices Manual, Volume 7, "Banking and

[1] The UST is mindful that some courts have concluded that guidelines established by the UST do not have the force and effect of law. See, e.g., In re Young, 205 B.R. 894, 897 (Bankr. W.D. Tenn. 1997); In re Lani Bird, Inc., 113 B.R. 672, 673 (Bankr. D. Hawaii 1990); In re Gold Standard Baking, Inc., 179 B.R. 98, 105-06 (Bankr. N.D. Ill. 1995); In re Johnson, 106 B.R. 623, 624-25 (Bankr. D. Neb. 1989). As a result, "if the court is to require debtors to comply with particular provisions of the U.S.T.'s Guidelines, it must be for a reason independent of the Guidelines themselves." Johnson, 106 B.R. at 624.

Bonding," (the "UST Manual"), §§ 7-1.1 and 7-1.2.1, pp. 1-2.[2] Authorized depositories have also agreed to make periodic reports so that the UST can monitor compliance. See UST Manual, § 7-1.3.2, p. 5.

21. Similarly, Local Bankruptcy Rule 2015-2 provides, in relevant part, that:

> For all moneys of the bankruptcy estate, immediately upon filing a chapter 11 petition, the debtor-in-possession shall close all bank, deposit, and investment accounts. The debtor-in-possession shall open and maintain a new general bank account in a federally insured depository…. The signature cards for the new accounts shall clearly indicate that the debtor is the "debtor-in-possession."

See Local Bankruptcy Rule 2015-2(a) (emphasis added).

22. The UST objects to the Motion, because the Debtor has failed to meet its burden of showing that a waiver of Section 345(b) is appropriate or necessary. Given the substantial funds in the accounts as of the Petition Date (more than $93 million), the relief requested in the Motion may pose a risk to creditors in contravention of Section 345(b). In contrast, by virtue of the collateralization and reporting requirements imposed on authorized depositories, compliance with the UST Guidelines will ensure compliance with the requirements of 11 U.S.C. § 345(b).

23. To the extent the Court is inclined to approve the Motion on an interim basis, the Order should:

a. require the Debtor to have its accounts at East West Bank designated as "Debtor-in-Possession" accounts by East West Bank within 15 days of entry of the Interim Order (so that the bank properly designates each DIP account as one that is subject to the terms and conditions of the bank's authorized depository agreement); and

[2] The UST Manual is available for download at https://www.justice.gov/ust/united-states-trustee-program-policy-and-practices-manual.

b. prohibit the Debtor from opening new accounts unless such accounts are debtor in possession accounts at authorized depositories in the Eastern District of California.[3]

IV. CONCLUSION

24. The UST respectfully requests that this Court sustain the Objection and deny the Motion, unless the Motion is modified to address the UST's concerns. The UST reserves all his rights, including to object to final approval of the Motion.

Dated: October 7, 2026.

Respectfully submitted,

PETER C. ANDERSON
UNITED STATES TRUSTEE

By:/s/ Jason Blumberg
JASON BLUMBERG
Trial Attorney for the United States Trustee

[3] Paragraphs 10 and 11 of the proposed interim Order would appear to permit the Debtor to open accounts at any bank, not just at East West Bank or another authorized depository. See ECF No. 19, at p. 7 of 16.