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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-11 Judge: Hon. Christopher D. Jaime Date: November 10, 2026 Time: 11:00am Place: Courtroom 32 501 I Street Sacramento, California 95814

DEBTOR'S APPLICATION TO EMPLOY SHEPPARD, MULLIN, RICHTER & HAMPTON LLP AS BANKRUPTCY COUNSEL

Highlands Community Charter and Technical Schools ("HCCTS" or the "Debtor") a California Non-Profit Corporation, and the debtor and debtor in possession in the above-captioned chapter 11 case (the "Bankruptcy Case"), hereby requests authority to employ Sheppard, Mullin, Richter & Hampton LLP ("Sheppard" or the "Firm") as bankruptcy counsel to the Debtor (the "Application"), and in support of this Application, respectfully represents the following:

This Application is made pursuant to sections 327 and 330 of title 11 of the United States Code (the "Bankruptcy Code"); Rules 2014, 2016 and 5002 of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules"); and the Guidelines of the Office of the United States Trustee ("UST Guidelines"). This Application is supported by the *Declaration of Ori Katz in Support of Application to Employ Sheppard, Mullin, Richter & Hampton LLP* filed herewith ("Katz Declaration").

I. BACKGROUND

On October 4, 2026, HCCTS filed a voluntary Chapter 11 petition under Title 11 of the United States Code (the "Petition Date"). The Debtor remains in possession of its estate and no trustee has been appointed. The Debtor continues to operate and manage its business as a debtor in possession pursuant to sections 1107 and 1108 of the Bankruptcy Code.

The Debtor filed this Bankruptcy Case to reorganize its financial affairs pursuant to a plan of reorganization that will, among other things, fairly and equitably compensate its various creditors, and address the disputed Audit Liability[1] as determined by the California Office of the State Auditor.

II. RETENTION OF SHEPPARD

The Debtor retained Sheppard in May of 2026 to explore strategic alternatives, including a potential chapter 11 filing. On or about May 29, 2026, the Debtor executed an engagement agreement to retain and employ Sheppard as counsel in connection with a potential workout with

[1] All capitalized terms used but not defined herein have the meanings ascribed to such terms in the *Declaration of Jonathan Raymond in support of Chapter 11 Petition and First Day Motions* [Docket No. 4] (the "First Day Declaration"). Further, additional information regarding the circumstances leading to the commencement of the Bankruptcy Case and information regarding the Debtor in Possession's operations and structure is also set forth in the First Day Declaration.

its creditors and, as appropriate, to effectuate a going-concern sale, reorganization, or any other related matters. A copy of the Engagement Agreement confirming Sheppard's retention by Debtor is attached as **Exhibit A** to the Katz Declaration.

The Debtor initially paid Sheppard $200,000 as a retainer, and subsequently increased that amount to $1 million in the aggregate (the "Retainer") prior to the Petition Date.

Beginning in May 2026, Sheppard has not received any payments from the Debtor on account of an antecedent debt during its representation of the Debtor. Amounts that the Debtor paid to Sheppard Mullin, including within the 90-day period before the Petition Date, were paid in advance for legal services that Sheppard rendered to the Debtor.

III. SHEPPARD'S QUALIFICATIONS

1. The Debtor seeks to retain Sheppard as bankruptcy counsel in the Bankruptcy Case because of Sheppard's extensive experience and knowledge in the field of debtors' and creditors' rights, particularly under chapter 11 of the Bankruptcy Code.

2. Sheppard's bankruptcy and restructuring practice has been a key element of the firm since its founding. Sheppard has represented its clients in all types of regional, national, and international insolvency matters, ranging from out-of-court loan workouts and financial restructurings to bankruptcy proceedings, committee representations, creditors' rights, and distressed asset acquisitions.

3. Sheppard's attorneys frequently counsel and represent debtors in financial restructuring matters, as well as in chapter 11 cases and related court proceedings. Sheppard's bankruptcy attorneys have helped companies in a variety of industries, including real estate, medical and life sciences (including biotech), retail, entertainment, manufacturing, telecommunications, technology, healthcare, and finance. As a large, broad-based commercial law firm, Sheppard is able to draw on all manner of resources necessary to solve the multidisciplinary problems presented by complex chapter 11 cases. Sheppard's clients span a wide spectrum,

including secured lenders, debtors, lender groups, creditors' committees, indenture trustees, equity holders, bankruptcy trustees, and buyers of distressed assets.

IV. SCOPE OF EMPLOYMENT

As permitted by Bankruptcy Code section 327(a) and Bankruptcy Rule 2014(a), the Debtor desires to employ Sheppard as its general bankruptcy counsel in connection with the Bankruptcy Case, effective as of the Petition Date, or, in the alternative, effective as of the date of entry of an order approving this Application, provided that Sheppard shall be compensated for all work done after the Petition Date and before entry of an order approving this Application. Accordingly, the Debtor respectfully requests the entry of an order, substantially in the form of **Exhibit 1** attached hereto, authorizing the Debtor to employ and retain Sheppard as its general bankruptcy counsel to perform the legal services that will be necessary during the Bankruptcy Case under the terms set forth in this Application and the Katz Declaration, effective as of the Petition Date, or, in the alternative, effective as of the date of entry of an order approving this Application, provided that Sheppard shall be compensated for all work done after the Petition Date and before entry of an order approving this Application.

Specifically, the Debtor and Sheppard anticipate that, if the Court approves the proposed employment, Sheppard will provide the following services as the Debtor's general bankruptcy counsel:

a) Advising and assisting the Debtor with respect to its duties and obligations as a debtor in possession, including compliance with the requirements of the Office of the United States Trustee (the "OUST") and continuing to operate in chapter 11;

b) Advising the Debtor regarding matters of bankruptcy law, including with respect to its powers and duties as a debtor in possession, its rights and remedies with regard to its assets and the claims of its creditors in the Bankruptcy Case;

c) Attending meetings and negotiating with the representatives of creditors and other parties in interest;

d) Taking all necessary actions to protect and preserve the Debtor's estate, including prosecuting actions on the Debtor's behalf, defending any action commenced against

the Debtor, and representing the Debtor's interests in negotiations concerning litigation in which the Debtor is involved;

e) Preparing pleadings in connection with the Bankruptcy Case, including motions, applications, answers, orders, reports, and papers necessary or otherwise beneficial to the administration of the Debtor's estate;

f) Representing the Debtor in any proceedings or hearings before this Court;

g) Conducting examinations of witnesses, claimants, or adverse parties and to preparing and assisting in the preparation of reports, accounts, and pleadings related to the Bankruptcy Case;

h) Assisting the Debtor, if necessary, in the formulation, negotiation, confirmation, and implementation of a Chapter 11 plan and any auction, sale or other disposition of its assets; and

i) Taking such other action and performing such other services as the Debtor may require of Sheppard Mullin in connection with the Bankruptcy Cases and any related proceedings.

In addition to this Application, the Debtor has filed, or expects to file shortly, applications to employ: (1) Arch & Beam Global, LLC as financial advisor; (2) the Law Offices of Young, Minney & Corr LLP as special charter school counsel, and (3) Kurtzman Carson Consultants, LLC d/b/a Verita as claims and noticing agent. The Debtor also may file applications to employ additional professionals.

As described in the Katz Declaration, Sheppard and the other professionals will monitor and coordinate with the other professionals in this Bankruptcy Case to ensure a clear delineation of each firm's respective roles in connection with representation of the Debtor in this case to prevent unnecessary duplication of services and ensure the case is administered in the most efficient fashion possible. Rather than resulting in any extra or unnecessary expense to the Debtor's estate, it is anticipated that the efficient coordination of efforts of the Debtor's attorneys and other professionals will greatly add to the progress and effective administration of the Bankruptcy Case.

V. DISINTERESTEDNESS

Except as set forth in the Katz Declaration filed herewith pursuant to Rule 2014 of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules"), and to the best of Mr. Katz's knowledge, information and belief, Sheppard: (i) is a "disinterested person" as that term is defined in section 101(14) of the Bankruptcy Code as modified by section 1107(b), (ii) does not have any disqualifying connections with the Debtor, its creditors, or with any parties in interest, or with their attorneys and accountants, or with the office of the United States Trustee, or with any person employed in the office of the United States Trustee which would preclude employment, and (iii) does not now hold or represent any interest materially adverse to the interests of the estate or of any class of creditors or equity security holders. The Debtor has been informed that Sheppard will conduct an ongoing review of its files to ensure that no disqualifying circumstances arise. If any new relevant facts or relationships are discovered, Sheppard will supplement its disclosure to the Court.

VI. COMPENSATION

Sheppard has agreed to discount its standard hourly rates by 20% for all attorneys working on the Bankruptcy Case. The discount reflects Sheppard's practice when working on large chapter 11 cases on behalf of non-profit entities, and these discounted rates are consistent with the rates Sheppard charges in bankruptcy cases of similar size and complexity, including current cases of non-profit entities before the Bankruptcy Courts for the Eastern and Northern District of California. *See In re The Roman Catholic Bishop of Sacramento*, Case No. 24-21326 (CMK), Docket No. 2338 (Bankr. E.D. Cal. Jul. 28, 2026); *see also In re The Roman Catholic Archbishop of San Francisco*, Case No. 23-30564 (DJM), Docket No. 1579 (Bankr. N.D. Cal. Feb. 10, 2026). The following schedule sets forth the hourly rates of the Sheppard attorneys most likely to render services in this Bankruptcy Case, which rates have been discounted by 20% from Sheppard's normal and customary hourly rates:

Name	Title	Hourly rate
Ori Katz	Partner	$1,540.00

Amanda Cottrell	Partner	$1,196.00
Susan Haines	Associate	$996.00
Benjamin Gilbert	Associate	$996.00
Matthew Benz	Associate	$868.00
Kirk Rider	Associate	$688.00

As set forth in the Katz Declaration, beginning in May 2026 and through the Petition Date, Sheppard received payments in the aggregate amount of $931,947.89 for professional services performed and expenses incurred. In addition, Sheppard currently holds $918,024.85 as the balance of its retainer, to be maintained throughout the Bankruptcy Case pending further order of the Court.

The Debtor and Sheppard understand and have agreed that Sheppard hereafter will apply to the Court for allowance of compensation and reimbursement of expenses in accordance with the applicable provisions of the Bankruptcy Code, the Bankruptcy Rules, the Bankruptcy Local Rules for the United States Bankruptcy Court for the Eastern District of California (the "Bankruptcy Local Rules"), the *United States Bankruptcy Court Eastern District of California Guidelines for Compensation and Expense Reimbursement of Professionals and Trustees, effective February 19, 2014* (the "Local Guidelines"), the *U.S. Trustee Guidelines for Reviewing Applications for Compensation and Reimbursement of Expenses Filed under 11 U.S.C. § 330* (the "U.S. Trustee Guidelines," and together with the Local Guidelines, the "Fee Guidelines"), and any further Orders of the Court (the "Orders") for all professional services performed and expenses incurred after the Petition Date. Notwithstanding anything to the contrary contained in this Application and its supporting papers, Sheppard acknowledges that the relevant provisions of the Bankruptcy Code, Bankruptcy Rules, Bankruptcy Local Rules, Local Guidelines and the Fee Guidelines will apply and prevail.

These rates are subject to periodic increase, usually at the beginning of each calendar year. Such changes will be noted on the billing statements for the first time period in which the revised rates become effective.

The following constitutes the statement of Sheppard Mullin required by section 1103 of the Bankruptcy Code and Bankruptcy Rule 2014(a) and the U.S. Trustee's Guidelines for Employment Applications in larger Chapter 11 cases ("UST Large Case Fee Guidelines") and to answer the specific questions posed in section D.1 of the UST Large Case Fee Guidelines:

a. Consistent with its practice in similar non-profit chapter 11 cases, Sheppard has agreed to discount its standard hourly attorney rates by 20%. Neither Sheppard nor any attorneys at Sheppard have otherwise altered their standard billing rates for this engagement, or made any adjustments based upon the geographic location of the case.

b. Sheppard's representation of the Debtor prior to the Petition Date was on the same terms and rates as set forth in this Application.

c. Any increase in applicable rates that may occur during the pendency of the case will be disclosed in accordance with the UST Large Case Fee Guidelines.

Sheppard Mullin has prepared and discussed with the Debtor a proposed estimated budget and a staffing plan. The Debtor has approved the staffing plan and budgets for the first 13-weeks of the Bankruptcy Case, understanding that the budgets are estimates based upon the current agreed upon case strategy and information known to date.

Sheppard respectfully requests that the effective date of employment be the Petition Date as provided in Local Rule 2014-1 ("An application for an order approving employment pursuant to Federal Rule 2014(a) shall be presumed to relate back to the later of 30 days before the filing of the application or the order for relief. The order approving the employment shall state the effective date on or after which the employment is authorized and effective for services rendered."). This application was filed prior to 30 days after the Petition Date, so pursuant to Local Rule 2014-1 the effective date should be the Petition Date.

In the alternative, if the effective date of employment is not the Petition Date, the Debtor requests that Sheppard's compensation for pre-employment services be allowed based on the exceptional circumstances of this case. *See In re Miller*, 620 B.R. 637 (Bankr. E.D. Cal. 2020). Specifically, Sheppard has performed a significant amount of work after the Petition Date and before entry of this Order as reflected by the extensive bankruptcy docket during the first month of

the Bankruptcy Case (i.e., ten "first-day" motions seeking extensive and critically necessary relief), and as a result the retained professionals satisfy the exceptional circumstances exception for the compensation for pre-employment services. Any application or motion for compensation going forward will distinguish between any services provided before the effective date of employment and services provided after the effective date of employment, with the effective date of employment being the date upon which an order is entered approving such employment.

VII. CONCLUSION

The Debtor believes it is essential that Sheppard be employed to provide the services described above and that Sheppard be permitted to bill on an hourly basis, subject to the requirements of the Bankruptcy Code for Court approval of professional fees.

Based upon the foregoing, the Debtor in Possession requests that the Court enter an order substantially in the form attached to the Exhibit List as Exhibit C authorizing:

1. The employment of Sheppard as its general bankruptcy counsel herein on the terms and conditions set forth above pursuant to section 327(a);
2. For such other and further relief as the Court may deem proper in the circumstances.

Dated: October 13, 2026

SHEPPARD, MULLIN, RICHTER & HAMPTON LLP

By */s/ Ori Katz*
Ori Katz

Proposed Counsel for Highlands Community Charter and Technical School