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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-13 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 LAW OFFICES OF YOUNG, MINNEY & CORR LLP AS SPECIAL CHARTER SCHOOL COUNSEL

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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 Law Offices of Young, Minney & Corr LLP ("YM&C") as special charter school counsel to the Debtor (the "Application"), and in support of this Application, respectfully represents the following:[1]

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 Jerry Simmons in Support of Debtor's Application to Employ Law Offices of Young, Minney & Corr LLP* filed herewith ("Simmons 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

[1] "The Debtor additionally requests, pursuant to Rule 1001-1(f) of the LBR, a modification of LBR 9014-1(d)(4), which ordinarily requires that a motion and its memorandum of points and authorities be filed as separate documents unless the combined filing does not exceed six pages. LBR 1001-1(f) provides that "[t]he Court may *sua sponte* or on motion of a party in interest for cause, modify the provisions of these Rules in a manner not inconsistent with the Federal Rules of Bankruptcy Procedure to accommodate the needs of a particular case or proceeding." Here, permitting the motion and memorandum of points and authorities to be filed as a single document will promote efficiency and clarity by streamlining the presentation and minimizing any potential risk of creditor confusion. Based on the foregoing, cause exists to modify LBR 9014-1(d)(4), pursuant to LBR 1001-1(f)."

creditors, and address the disputed Audit Liability[2] as determined by the California Office of the State Auditor.

II. RETENTION OF YM&C

The Debtor has retained YM&C as its charter school counsel over a year prior to the commencement of this Bankruptcy Case, to advise the Debtor on matters of charter school administration, regulatory compliance, and related litigation and administrative proceedings arising from the Debtor's operation of its charter schools.

The Debtor paid YM&C a retainer (the "Retainer"), in the months before the Petition Date, for legal services that YM&C provided to the Debtor.[3]

Prior to the Petition Date, YM&C has not received any payments from the Debtor on account of an antecedent debt during its representation of the Debtor. All amounts that the Debtor paid to YM&C, including within the 90-day period before the Petition Date, were paid in advance for legal services that YM&C rendered to the Debtor.

III. YM&C'S QUALIFICATIONS

1. The Debtor seeks to retain YM&C as special charter school counsel in the Bankruptcy Case because of YM&C's extensive experience and knowledge representing charter schools and other public educational agencies throughout California in all aspects of their operations, including litigation and administrative proceedings before state and local regulatory authorities.

2. YM&C is a law firm focused exclusively on representing charter schools, nonprofit organizations, and other public agencies, and is recognized as a leader in school and education

[2] 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.

[3] The Debtor reserves the right to supplement the Application to provide additional information about its engagement with YM&C.

law. YM&C is a recognized leader in all areas of California school law and has been instrumental in protecting its school clients' interests through battles in the legislature, the courts, and before administrative agencies, including in matters involving schools that operate in low-income areas.

3. YM&C has dedicated its practice exclusively to education law since the firm's founders began working in this field in 1992, and the firm has litigated nearly every seminal appellate decision improving equal access to school choice. The firm has grown from an initial 60 school clients to more than 700 school, nonprofit, and public agency clients, with offices in Sacramento, Los Angeles, San Diego, and Walnut Creek, and approximately 40 attorneys dedicated to school law.

4. YM&C's attorneys have substantial experience assisting charter schools with the full range of operational matters, including drafting charter petitions, memoranda of understanding, facilities agreements, employment and labor law matters, board governance, zoning and building code compliance, and the defense of audit findings in both annual and extraordinary audits, as well as compliance with the Brown Act, the Political Reform Act, the Public Records Act, and the Family Educational Rights and Privacy Act.

5. YM&C has represented the Debtor prior to the Petition Date in connection with the administration of Highlands Community Charter School ("HCCS") and California Innovative Career Academy ("CICA"), including in responding to and appealing findings issued by the California State Auditor and the California Department of Education ("CDE") concerning the Debtor's apportionment funding. Specifically, YM&C submitted a request for summary review to the Education Audit Appeals Panel ("EAAP") on the Debtor's behalf on July 24, 2025 challenging State Audit Report 2024-106 and CDE's related determination of a reduced apportionment, and, following EAAP's determination on summary review, filed a formal notice of appeal with EAAP on October 9, 2025 on the Debtor's behalf.

6. In these proceedings, YM&C has represented the Debtor in contesting audit findings asserting a disallowance of past apportionment, raising both substantive grounds (including that the Debtor substantially complied in good faith with applicable law and that the audit findings and determination were based on errors of fact and law) and jurisdictional and procedural grounds challenging the authority of the Auditor, EAAP, and CDE to impose the assessed penalty. As a result of this pre-petition representation, YM&C has acquired in-depth knowledge of the Debtor's charter school operations, regulatory posture, and the disputed Audit Liability that is central to this Bankruptcy Case, and is well positioned to continue that representation, including with respect to the Debtor's ongoing appeal before EAAP, as special charter school counsel in the Bankruptcy Case.

IV. SCOPE OF EMPLOYMENT

As permitted by Bankruptcy Code section 327(e) and Bankruptcy Rule 2014(a), the Debtor desires to employ YM&C as its special charter school 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 YM&C 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 A attached hereto, authorizing the Debtor to employ and retain YM&C as its special charter school counsel to perform the legal services that will be necessary during the Bankruptcy Case under the terms set forth in this Application and the Simmons 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 YM&C shall be compensated for all work done after the Petition Date and before entry of an order approving this Application.

Specifically, the Debtor and YM&C anticipate that, if the Court approves the proposed employment, YM&C will provide the following services as the Debtor's special charter school counsel:

a. Advising and representing the Debtor with respect to matters of charter school administration, operations, and regulatory compliance, including matters arising under the California Education Code and related regulations;

b. Advising and representing the Debtor in connection with the pending appeal before the Education Audit Appeals Panel and any related administrative or judicial proceedings concerning State Audit Report 2024-106 and the related determination by the California Department of Education, including the disputed Audit Liability;

c. Advising and representing the Debtor in other litigation, administrative proceedings, and audit appeals involving state and local educational agencies, including the California Department of Education, the Education Audit Appeals Panel, the California State Auditor, and the Debtor's authorizing agency;

d. Advising the Debtor regarding charter renewal, charter amendment, and other matters affecting the Debtor's charter school authorization;

e. Coordinating with the Debtor's general bankruptcy counsel and other retained professionals regarding the treatment of the Audit Liability and related claims in the Bankruptcy Case;

f. Preparing pleadings, filings, and other papers in connection with the matters described above, to the extent such matters are not already being handled by the Debtor's general bankruptcy counsel; and

g. Taking such other action and performing such other services as the Debtor may require of YM&C in connection with the Bankruptcy Case and any related proceedings within the scope of YM&C's special charter school counsel engagement.

In addition to this Application, the Debtor has filed, or expects to file shortly, applications to employ: (1) Sheppard, Mullin, Richter & Hampton LLP as general bankruptcy counsel; (2) Arch & Beam Global, LLC as financial advisor; 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 Simmons Declaration, YM&C and the other professionals will monitor and coordinate with one another 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

Under section 327(e) of the Bankruptcy Code, with the Court's approval, a debtor-in-possession, "may employ, for a specified special purpose, other than to represent the trustee in conducting the case, an attorney that has represented the debtor, if in the best interest of the estate, and if such attorney does not represent or hold any interest adverse to the debtor or to the estate with respect to the matter on which such attorney is to be employed." 11 U.S.C. § 327(e). Section 327(e) authorizes the trustee to employ, for a specified purpose, other than to represent the trustee generally in fulfilling his duties in the case, an attorney who has represented the debtor. *In re Song*, No. CC–07–1137–DMOPA, 2008 WL 6058782, at *7 (9th Cir. BAP Feb. 12, 2008). Unlike § 327(a), § 327(e) does not require disinterestedness. *Id.* Rather, § 327(e) only requires that the employment of an attorney be in the best interest of the estate and that the attorney not represent or hold an interest adverse to the debtor or the estate with respect to the matter on which the attorney is to be employed. *Id.*

Prior to the commencement of this Chapter 11 Case, YM&C has provided legal counsel to the Debtors in connection with myriad charter school law, education regulatory matters, and related administrative and litigation proceedings, including matters related to the charters for the Schools. Pursuant to section 327(e) of the Bankruptcy Code, the Debtor requests that the Court approve the retention of YM&C as their special charter school counsel to continue to advise the Debtor and perform the services necessary to assist the Debtor with, among other things, ongoing education regulatory matters and pending administrative and litigation proceedings during the pendency of this Chapter 11 Case.

Through this representation, YM&C has procured specialized knowledge and expertise with respect to the Debtor's affairs and assets. Moreover, YM&C worked closely and intensely with the Debtor in the period leading up to the Petition Date with respect to the Debtor's plans for preserving and maximizing the value of its estate with respect to certain specialized matters during the pendency of this Chapter 11 Case. Accordingly, employment of YM&C as special charter school counsel is in the best interest of the estate.

Bankruptcy Rule 2014 requires that an application for employment disclose all connections with the Debtor, creditors, any other party in interest, the professionals, and the U.S. Trustee and its employees; and Section 2014-1 of the LBR requires a statement verifying such disinterestedness.

Except as set forth in the Simmons Declaration filed herewith pursuant to Rule 2014 of the Bankruptcy Rules, and to the best of Mr. Simmons's knowledge, information and belief, YM&C: (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. Accordingly, YM&C does not represent or hold an interest adverse to the Debtor or the estate with respect to the matter on which YM&C is to be employed as set forth herein. The Debtor has been informed that YM&C will conduct an ongoing review of its files to ensure that no disqualifying circumstances arise. If any new relevant facts or relationships are discovered, YM&C will supplement its disclosure to the Court.

VI. COMPENSATION

These rates are subject to periodic adjustment to reflect economic and market conditions and increased experience and skill. Further, these rates are consistent with the rates YM&C charges in similar matters. The following schedule sets forth the hourly rates of the YM&C attorneys most likely to render services in this Bankruptcy Case:

Name	Title	Hourly rate
Jerry Simmons	Partner	$425.00
Paul Thies	Senior Counsel	$380.00

As set forth in the Simmons Declaration, during the 90-day period prior to the Petition Date, YM&C received payments and advances for professional services performed and to be performed, and expenses incurred and to be incurred. In addition, YM&C holds a retainer (the "Retainer") in favor of the Debtor to be maintained throughout the Bankruptcy Case.

The Debtor and YM&C understand and have agreed that YM&C 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, YM&C 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 YM&C 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. Neither YM&C nor any attorneys at YM&C have otherwise altered their standard billing rates for this engagement, or made any adjustments based upon the geographic location of the case.

b. YM&C'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.

YM&C 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.

YM&C 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, YM&C requests that 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, YM&C 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 YM&C be employed to provide the services described above and that YM&C 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 authorizing:

1. The employment of YM&C as its special charter school counsel herein on the terms and conditions set forth above pursuant to section 327(e); and
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