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SHEPPARD, MULLIN, RICHTER & HAMPTON LLP
A Limited Liability Partnership
Including Professional Corporations
ORI KATZ, State Bar No. 209561
Four Embarcadero Center, 17th Floor
San Francisco, California 94111-4109
Telephone: (415) 434-9100
Facsimile: (415) 434-3947
Email: okatz@sheppard.com

AMANDA L. COTTRELL, Cal. Bar No. 360215
2200 Ross Avenue, Floor 20
Dallas, TX 75201
Telephone: 469.391.7400; Fax: 469.391.7401
Email: acottrell@sheppard.com

Proposed Counsel for Debtor and Debtor in Possession

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 Adv No. 26-02134 DCN: SMR-1
Highlands Community Charter and Technical Schools, Plaintiff, v. Twin Rivers Unified School District Board of Trustees and California State Board of Education, Defendants.	Date: November 10, 2026 Time: 11:00 a.m. Place: Courtroom 32, Department B Judge: Hon. Christopher D. Jaime

MOTION FOR ORDER EXTENDING STAY TO THE REVOCATION APPEAL UNDER BANKRUPTCY CODE SECTIONS 105(a) AND 362

Highlands Community Charter and Technical Schools, the above-captioned debtor and debtor-in-possession ("HCCTS" or, the "Debtor"), in the above-captioned chapter 11 case (the "Case" or the "Main Case"), moves the Court (this "Motion"), pursuant to Bankruptcy Code Sections 105(a) and 362 for entry of one or more orders for declaratory and injunctive relief as follows:

1. A declaration that the automatic stay under Section 362(a) applies to all efforts by Defendants and their agents to enforce, collect, or give effect to the Revocation Appeal, as defined below, against the Debtor or property of the estate;

2. A declaration that the automatic stay under Section 362(a) applies to such administrative enforcement efforts because they constitute acts to obtain possession of, or exercise control over, property of the estate, including the Schools' Charters and the Debtor's funding;

3. A declaration that any acts to enforce, collect, or give effect to any revocation of the Charters violates the automatic stay under Section 362(a) and are void;

4. A declaration that the automatic stay applies to any future enforcement action by Defendants seeking to revoke the Charters, during the pendency of this Case; and

5. In addition, and in the alternative, an injunction pursuant to Bankruptcy Code Section105(a) extending the automatic stay under Section 362(a) to bar Defendants from any revocation of the Charters, during the pendency of this Case, or until further order of this Court.

This Motion is based on the Memorandum of Points and Authorities in support of the Motion filed contemporaneously herewith (the "Memorandum"),[1] the *Declaration of Jonathan Raymond in Support of Chapter 11 Petition and First Day Motions* (the "Raymond Decl.") [Main Case No. 4], the exhibits thereto [Main Case No. 5], the concurrently filed *Declaration of Ori Katz in Support of Motion for Order Extending Stay to the Revocation Appeal Under Bankruptcy Code*

[1] Capitalized terms used but not otherwise defined herein have the meanings ascribed to them in the Memorandum.

Sections 105(a) and 362 ("Katz Decl.") and the concurrently filed *Exhibits in Support of Declaration of Ori Katz in Support of Motion for Order Extending Stay to the Revocation Appeal Under Bankruptcy Code Sections 105(a) and 362* ("Katz Exhibits"), all pleadings, papers, and records on file with the Court, and such other evidence, both oral and documentary, as may be presented to the Court at or before the time of the hearing.

In support of this Motion, the Debtor states as follows:

I. JURISDICTION AND STATUTORY BASIS

This Court has jurisdiction over this matter pursuant to 28 U.S.C. §§ 157 and 1334. Venue is proper pursuant to 28 U.S.C. §§ 1408 and 1409. This is a core proceeding pursuant to 28 U.S.C. § 157(b)(2)(A), (B), and (O). The statutory predicates for the relief requested herein are Sections 105(a) and 362 of the Bankruptcy Code. This Court has jurisdiction to enjoin a non-bankruptcy action if enforcement or continuation of such non-bankruptcy action could conceivably have any effect on the administration of the bankruptcy estate. *See, e.g., Am. Hardwoods, Inc., v. Deutsche Credit Corp. (Am. Hardwoods, Inc.),* 885 F.2d 621, 623 (9th Cir. 1989). Moreover, this Court's jurisdiction also extends to a non-bankruptcy action when there is a strong interconnection between that action and the bankruptcy, particularly where, like here, the outcome of litigation by Defendants could materially alter the Debtor's rights, liabilities, options, and freedom of action, either positively or negatively, impacting the handling and administration of the bankruptcy estate. *See, e.g.*, *Celotex Corp. v. Edwards*, 514 U.S. 300, 310–11 (1995).

II. SUMMARY

The Debtor is a 501(c)(3) non-profit 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 Debtor's ability to operate the Schools has been threatened by adverse determinations of two simultaneously pending appeals. First, defendant Twin Rivers Unified School District Board of Trustees ("Twin Rivers") has a pending appeal before defendant the California State Board of Education to revoke the Schools' charters, which if Twin Rivers prevails and in fact

revokes the charters, the Schools will immediately close. Second, the California Department of Education demanded immediate repayment of over $180 million, which the Debtor could only resist and dispute by filing an administrative appeal.

If there is an adverse determination in the Twin Rivers revocation appeal, and the charters are revoked, it will destroy all economic value for the Debtor's estate and leave creditors with nothing, to say nothing of the negative impact on the more than 2,000 students who depend on the Schools' continued operation. An adverse result and enforcement of the Twin Rivers appeal would be catastrophic to the Debtor's continued existence and provision of educational services as well as the Debtor's ability to duly reorganize in this Case.

Accordingly, the Debtor seeks injunctive relief under Section 105(a) to temporarily enjoin the November 12 Hearing. The Debtor does not ask the Court to decide whether the revocation is warranted, and it does not ask the Court to strip any Defendant of its authority over the Charters. The relief sought is necessary to preserve the status quo, which will maximize the value of the Debtor's estate, allow the Debtor to undertake reorganization efforts with respect to the Schools' charters and continued operation and thus further the fundamental policy goals of the Bankruptcy Code. The Debtor's requested relief is firmly grounded in two independent bases, each of which is sufficient.

First, the automatic stay under Section 362(a) applies because Twin Rivers' revocation of the Schools' charters constitutes an act to obtain possession of or exercise control over property of the estate under Section 362(a)(3). Second, the Court is authorized to fashion and grant injunctive relief under Section 105(a) to protect the reorganization process, regardless of whether the automatic stay separately applies. As recognized in *Purdue Pharma L.P. v. Massachusetts (In re Purdue Pharma L.P.)*, 666 B.R. 461 (Bankr. S.D.N.Y. 2024) ("*Purdue Pharma*"), bankruptcy courts retain authority to temporarily enjoin litigation and governmental enforcement actions where such actions would impede a debtor's reorganization efforts, including actions that might otherwise fall within the police and regulatory power exception to the automatic stay.

The circumstances present here – a necessary breathing space for the Debtor to maintain the status quo and the Schools' charters to allow reorganization to proceed for the benefit of the estate and all parties in interest – warrant the requested injunctive and declaratory relief.

III. RELIEF REQUESTED

By this Motion, the Debtor seeks entry of one or more orders for declaratory and injunctive relief as follows: (a) a declaration that the automatic stay under Section 362(a) applies to all efforts by Defendants and their agents to enforce, collect, or give effect to the Revocation Appeal, as defined below, against the Debtor or property of the estate; (b) a declaration that the automatic stay under Section 362(a) applies to such administrative enforcement efforts because they constitute acts to obtain possession of, or exercise control over, property of the estate, including the Schools' Charters and the Debtor's funding; (c) a declaration that any acts to enforce, collect, or give effect to any revocation of the Charters violates the automatic stay under Section 362(a) and are void; (d) a declaration that the automatic stay applies to any future enforcement action by Defendants seeking to revoke the Charters, during the pendency of this Case; and (e) in addition, and in the alternative, an injunction pursuant to Bankruptcy Code Section 105(a) extending the automatic stay under Section 362(a) to bar Defendants from any revocation of the Charters, during the pendency of this Case, or until further order of this Court.

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IV. CONCLUSION & PRAYER

WHEREFORE, for the reasons set forth above, the Debtor respectfully requests that this Court enter one or more orders: (1) declaring that the automatic stay applies to the Revocation Appeal and any enforcement of a Charter revocation by Twin Rivers; (2) declaring that any such enforcement acts, including any revocation of the Charters, violate the automatic stay and are void; and (3) independently, issuing an injunction under Section 105(a) extending the automatic stay under 362(a) to the Revocation Appeal and any revocation of the Charters during the pendency of this Case, and granting such other relief as the Court deems just and proper.

Dated: October 13, 2026

SHEPPARD, MULLIN, RICHTER & HAMPTON LLP

By *_/s/ Ori Katz_*
ORI KATZ
AMANDA L. COTTRELL

Proposed Counsel for Highlands Community Charter and Technical School