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SHEPPARD, MULLIN, RICHTER & HAMPTON LLP
A Limited Liability Partnership
Including Professional Corporations
ORI KATZ, State Bar No. 209561
KIRK RIDER, State Bar No. 364539
Four Embarcadero Center, 17th Floor
San Francisco, California 94111-4109
Telephone: (415) 434-9100
Facsimile: (415) 434-3947
Email: okatz@sheppard.com
krider@sheppard.com

Proposed Counsel for Highlands Community Charter and Technical Schools

UNITED STATES BANKRUPTCY COURT

EASTERN DISTRICT OF CALIFORNIA, SACRAMENTO DIVISION

In re Highlands Community Charter and Technical Schools, Debtor and Debtor in Possession.[1]	Case No. 26-25868 Chapter 11 **DCN: SMR-5** Judge: Hon. Christopher D. Jaime Date: October 8, 2026 Time: 11:00 a.m. (Pacific Time) Place: Courtroom 32 501 I Street Sacramento, California 95814

INTERIM ORDER (I) AUTHORIZING THE DEBTOR TO USE CASH IN THE ORDINARY COURSE OF BUSINESS IN ACCORDANCE WITH APPROVED BUDGET; (II) FINDING THAT HOLDERS OF EQUIPMENT LIENS ARE ADEQUATELY PROTECTED; (III) SCHEDULING A FINAL HEARING; AND (IV) GRANTING RELATED RELIEF

[1] The last four digits of the Debtor's federal tax identification number is 0967. The mailing address for the Debtor is 1111 Howe Ave., Suite 505, Sacramento, CA 95825.

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This Court, having considered the *Debtor's Emergency Motion for Entry of Interim and Final Orders (I) Authorizing the Debtor to Use Cash in the Ordinary Course of Business in Accordance with Approved Budget; (II) Authorizing the State of California to Recover Prepetition Overpayments from Future Apportionments; (III) Finding that Holders of Equipment Liens Are Adequately Protected; and (IV) Granting Related Relief* (the "Motion")[2] of Highlands Community Charter and Technical Schools, the above-captioned debtor and debtor in possession (the "Debtor"), filed on the Petition Date; and upon the First Day Declaration; and upon the Raymond Declaration; and upon the *Memorandum of Points and Authorities* in support of the Motion; and upon the Exhibits in support of the Motion; and this Court having 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; and this Court having found that this is a core proceeding pursuant to 28 U.S.C. § 157(b)(2); and this Court having found that it may enter a final order consistent with Article III of the United States Constitution; and this Court having found that venue of this proceeding and the Motion in this district is proper pursuant to 28 U.S.C. §§ 1408 and 1409; and this Court having found that the relief requested in the Motion is in the best interests of the Debtor's estate, its creditors, and other parties in interest; and this Court having found that the Debtor's notice of the Motion and the hearing on the Motion (the "Interim Hearing") were appropriate under the circumstances and that no other notice need be provided; and this Court having reviewed the Motion and having heard the statements in support of the relief requested therein at the Interim Hearing; and this Court having determined that the legal and factual bases set forth in the Motion and at the Interim Hearing establish just cause for the relief granted herein and that such relief is necessary to avoid immediate and irreparable harm pursuant to Bankruptcy Rule 6003; and after due deliberation and sufficient cause appearing therefor,

IT IS HEREBY ORDERED THAT:

1. The Motion is GRANTED on an interim basis as set forth in this Interim Order.

[2] Capitalized terms used but not defined herein have the meanings assigned to them in the Motion.

2. The Debtor is authorized, on an interim basis, to use its Cash, including cash on hand as of the Petition Date and cash received after the Petition Date, to fund its operations and the administration of the Chapter 11 Case in accordance with the Approved Budget attached to the Exhibit List as **Exhibit C**, as may be modified from time to time in accordance with this Interim Order and the Final Order.

3. Categorical and grant funds included in the Cash shall continue to be used only for the purposes designated by the applicable grantor and accounted for separately from unrestricted cash, in accordance with the terms of the applicable grant programs. Nothing in this Interim Order shall be construed as granting any lien, security interest, superpriority claim, or other protection with respect to the Cash.

4. Any material amendment, modification, or supplement to the Approved Budget shall require further order of the Court, on notice to: (a) the Office of the U.S. Trustee; (b) the State; and (c) any official committee appointed in the Chapter 11 Case. Notwithstanding the foregoing, the Debtor may vary from a line item in the Approved Budget by not more than ten percent (10%) on a cumulative basis, measured monthly, without further order of the Court, provided that the Debtor gives not less than two (2) business days' prior written notice of any such variance to the parties identified in the preceding sentence.

5. The Debtor will attach to its monthly operating reports its actual results against the Approved Budget as described in monthly reports comparing the Debtor's actual receipts and disbursements to the Approved Budget.

6. Notwithstanding the inclusion of such payments in the Approved Budget, the Court is not approving any payments that must be approved under 11 U.S.C. §§ 330, 331, and/or 503(c), including professional fees. The rights of all parties with respect to any such payments are reserved.

7. The Recovery Terms described in the Motion are not being approved as part of this Interim Order. The Recovery Terms will be considered in connection with final approval of the Motion; provided, however, that (i) any reporting provided by the State to the Debtor in accordance with the Recovery Terms shall only constitute an estimate with respect to the

remaining unrecovered balance of the Overpayments that is subject to change or adjustment based on, *inter alia*, the amount of apportionment actually earned during the applicable time period, and shall not bind the State to the unrecovered balance reported in connection with the Recovery Terms, and (ii) to the extent any Overpayments remain outstanding by the end of the 2026-27 school year, the State reserves its right to assert any claims, rights or interests with respect to such outstanding Overpayments against the Debtor, without prejudice to the Debtor's right to contest or dispute such claims, rights or interests.

8. The Debtor is authorized, but not directed, to pay its obligations arising on and after the Petition Date under the Equipment Leases as they come due, pending the Debtor's decision to assume or reject the applicable Equipment Lease, and the Equipment Lessor is adequately protected under §§ 361 and 363(e) of the Bankruptcy Code on an interim basis. This finding is without prejudice to (a) the Debtor's right to assume or reject any Equipment Lease, or to contend that any Equipment Lease is a financing rather than a true lease; (b) any party's rights with respect to cure amounts or prepetition claims; and (c) the Equipment Lessor's right to seek additional adequate protection upon a showing of changed circumstances.

9. All applicable financial institutions are authorized, upon the Debtor's request, to receive, process, honor, and pay any and all checks or wire transfer requests in respect of the relief granted in this Interim Order.

10. The final hearing (the "Final Hearing") on the Motion shall be held on November 10, 2026, at 11:00 a.m., prevailing Pacific Time. Any objections or responses to the Motion shall be filed on or before October 22, 2026, and served on: (a) proposed counsel for the Debtor, Sheppard, Mullin, Richter & Hampton LLP, Four Embarcadero Center, 17th Floor, San Francisco, California 94111-4109, Attn: Ori Katz (okatz@sheppard.com); (b) the Office of the U.S. Trustee; (c) the holders of the twenty (20) largest unsecured claims against the Debtor filed in accordance with Bankruptcy Rule 1007(d); (d) the State of California through the Attorney General for the State of California; (e) the United States of America through the United States Attorney for the Eastern District of California; (f) Twin Rivers Unified School District; (g) the Equipment Lessor; (h) East West Bank; (i) the Internal Revenue Service; (j) the United States Department of

Education; and (k) parties that file with the Court and serve upon the Debtor requests for notice of all matters in accordance with Bankruptcy Rule 2002(i). In the event no objections to entry of a final order on the Motion are timely received, this Court may enter such final order without need for the Final Hearing.

11. Nothing in this Interim Order shall constitute a waiver of any claims, rights, objections, or remedies available to the Debtor against any party, and the Debtor expressly reserves the right to seek modification of any relief granted hereunder to the extent necessary to facilitate the Chapter 11 Case and the Debtor's ongoing operations.

12. Notwithstanding Bankruptcy Rule 6004(h), the terms and conditions of this Interim Order are immediately effective and enforceable upon its entry.

13. The Debtor is authorized to take all actions necessary to effectuate the relief granted in this Interim Order.

14. This Court retains exclusive jurisdiction with respect to all matters arising from or related to the implementation, interpretation, and enforcement of this Interim Order.

Dated: October 15, 2026

Christopher D. Jaime, Chief Judge
United States Bankruptcy Court

APPROVED AS TO FORM

Dated October 9, 2026

/s/ Jason Blumberg
Jason Blumberg, Trial Attorney for the
United States Trustee