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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.[1]	Case No. 26-25868 Chapter 11 DCN: SMR-14 Judge: Hon. Christopher D. Jaime Date: November 24, 2026 Time: 11:00 a.m. (Pacific Time) Place: Courtroom 32, Department B 501 I Street Sacramento, California 95814

DEBTOR'S (I) MOTION FOR ENTRY OF AN ORDER AUTHORIZING REJECTION OF CERTAIN EXECUTORY CONTRACTS PURSUANT TO 11 U.S.C. § 365 AND FED. R. BANKR. P. 6006; AND (II) MEMORANDUM OF POINTS AND AUTHORITIES IN SUPPORT

[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.

Highlands Community Charter and Technical Schools (the "Debtor"), a California Non-Profit Corporation organized under the laws of the State of California, and the above-captioned debtor and debtor-in-possession in this voluntary chapter 11 case (the "Chapter 11 Case") filed on October 4, 2026 (the "Petition Date") under chapter 11 of title 11 of the United States Code (the "Bankruptcy Code"), submits this motion, together with the memorandum of points and authorities in support, (the "Motion") for entry of an order, substantially in the form attached to the Exhibit List as Exhibit A pursuant to § 365 of the Bankruptcy Code: (a) authorizing the Debtor to reject the executory contracts identified and set forth on Exhibit B to the Exhibit List (including any amendments or modifications, each a "Service Contract" and together, the "Service Contracts"), effective as of November 1, 2026; and (b) granting such further related relief as justified and appropriate under the circumstances. In support of the Motion, the Debtor refers to the *Declaration of Jonathan Raymond in Support of Chapter 11 Petition and First Day Motions* (the "First Day Declaration") (Docket No. 4), the *Declaration of Jonathan Raymond in Support of Motion for Entry an Order Authorizing Rejection of Certain Executory Contracts* (the "Raymond Declaration"), the exhibits in support of this Motion (the "Exhibit List"), and such other evidence and testimony as may be presented at the hearing on this Motion (the "Hearing").[2]

I. JURISDICTION AND VENUE

The Court has 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. The Debtor confirms its consent, pursuant to Bankruptcy Rule 7008, to the entry of a final order by the Court in connection with this Motion to the extent that it is later determined that the Court, absent consent of the parties, cannot enter final orders or judgments consistent with Article III of the United States Constitution. This is a core proceeding pursuant to 28 U.S.C. § 157(b)(2). Venue is proper pursuant to 28 U.S.C. §§ 1408 and 1409. The bases for the relief

[2] A more detailed description of the Debtor and its business, and the facts and circumstances supporting this Motion and the Debtor's Chapter 11 Case, are set forth in greater detail in the First Day Declaration. Capitalized terms used but not otherwise defined in this Motion have the meanings ascribed to them in the First Day Declaration

requested herein is § 365 of the Bankruptcy Code and Rules 3002(c)(4) and 6006 of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules").

II. FACTUAL BACKGROUND

A. General Background

The Debtor filed the Chapter 11 Case on the October 4, 2026. The Debtor is operating its business and managing its properties as a debtor in possession pursuant to §§ 1107(a) and 1108 of the Bankruptcy Code. No request for the appointment of a trustee or examiner has been made in this Chapter 11 Case, and no committees have been appointed or designated. 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 Twin Rivers Unified School District ("Twin Rivers") issued the current charters (the "Charters") for both HCCS and CICA, and since opening in August 2014, HCCTS has served approximately 60,000 students. The Debtor is exempt from certain federal income taxation as an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986. A more detailed description of the Debtor, including its current and historical business operations and the events precipitating the Chapter 11 Case, are set forth in the First Day Declaration.

B. Facts Relevant to this Motion

Since assuming responsibility for the Debtor's affairs, the current management team has undertaken a thorough evaluation of the Debtor's contracts with an eye toward streamlining operations, and shrinking its financial obligations, including the full universe of leases and contracts that were entered into by prior management to identify areas where liabilities can be reduced. This ongoing comprehensive evaluation has been undertaken with the express purpose of identifying liabilities or obligations that are no longer in use, operational or productive, that impose undue financial or administrative burdens upon the Debtor's estate, or that are simply unnecessary to support the Debtor's contemplated go-forward business operations. The current management team has approached this review with a keen awareness of the Debtor's current

financial condition and its long-term reorganization objectives, recognizing that the necessity of eliminating unnecessary or burdensome obligations to a successful restructuring effort.

C. The Service Contracts

As a result of this comprehensive review, effective November 1, 2026, the Debtor has chosen to reject the three (3) Service Contracts identified and set forth on Exhibit B to the Exhibit List, without prejudice to the Debtor's future business decision(s) to reject any additional executory contracts at any point during this Chapter 11 Case. Following careful analysis, the Debtor has determined that each of the identified Service Contracts consisting of its memorialized agreements with Bollinger Government Affairs, LLC, TK Civic Ventures, and Deveau Burr Group, LLC, (collectively, the "Service Providers") are not necessary to the Debtor's current business plan, and that continued performance under these Service Contracts would not confer any meaningful benefit upon the Debtor's estate or its creditors, and would, in fact, burden the Debtor's estate with unnecessary additional financial liability for the Service Contracts.[3]

The Service Contracts provide for various government affairs, legislative advocacy, strategic communications, and educational policy consulting and support services (collectively, the "Services"), which the Debtor has determined, in the exercise of its reasonable business judgment, are no longer necessary to efficiently operate the Schools at this time and impose unnecessary expenses on the Debtor's bankruptcy estate. Accordingly, the Debtor has determined that rejection of the Service Contracts will preserve estate resources and benefit the estate and its creditors.

The Debtor estimates that rejection of the Service Contracts will result in a meaningful reduction of monthly liabilities. This reduction in recurring monthly obligations will provide the Debtor with meaningful financial relief, further enabling the Debtor to right-size its cost structure, rationalize its operations, and redirect resources toward those aspects of its business that are central to a successful reorganization for the benefit of the Debtor's creditors, employees, and

[3] The Debtor anticipates revisiting whether to enter into a new agreement with one or more of the Service Providers on a later date, on terms more aligned with the Debtor's reorganization efforts.

other parties in interest. Rejecting the Service Contracts here represents a necessary step in the Debtor's efforts to emerge from bankruptcy as a viable, sustainable enterprise.

III. LEGAL ARGUMENT FOR RELIEF REQUESTED

A. Rejection of the Service Contracts is Permitted Under the Bankruptcy Code

Section 365(a) permits a debtor to assume or reject an executory contract or unexpired lease upon the authority of the Court after notice and a hearing. The question of whether a contract or lease should be rejected, and, if not, on what terms it should be assumed, is one of business judgment. *See Group of Institutional Investors v. Chicago, Milwaukee, St. Paul and Pacific R. Co.,* 318 U.S. 523, 550 (1943), rehearing denied, *Group of Institutional Investors v. Abrams*, 318 U.S. 803 (1943). Under the Bankruptcy Code, most courts have applied the business judgment test to the decision to assume or reject a contract or lease. *See Orion Pictures Corp. v. Showtime Networks, Inc. (In re Orion Pictures Corp.)*, 4 F.3d 1095, 1099 (2d Cir. 1993); *Richmond Leasing Co. v. Capital Bank N.A.,* 762 F.2d 1303 (5th Cir. 1985); *see also Agarwal v. Pomona Valley Med. Group, Inc. (In re Pomona Valley Med. Group, Inc.)*, 476 F.3d 665, 670 (9th Cir. 2007); *Durkin v. Benedor Corp. (In re G.I. Indus., Inc.),* 204 F.3d 1276, 1281 (9th Cir. 2000).

The Ninth Circuit Bankruptcy Appellate Panel has stated the standard by which debtors should exercise their business judgment as follows: "What are the criteria which the court and the trustee [debtor in possession] should legitimately consider in exercising their 'business judgment?' The primary issue is whether [assumption or] rejection would benefit the general unsecured creditors." *Robertson v. Pierce (In re Chi-Feng Huang)*, 23 B.R. 798, 801 (9th Cir. B.A.P. 1982).

Rejection of an executory contract is appropriate where rejection of the contract would benefit the estate. *See Sharon Steel Corp. v. Nat'l Fuel Gas Distribution Corp. (In re Sharon Steel Corp.),* 872 F.2d 36, 40 (3d Cir. 1989). The standard for rejection is satisfied when a trustee or debtor determines that rejection will benefit the estate. *See Commercial Fin. Ltd. v. Hawaii Dimensions, Inc. (In re Hawaii Dimensions, Inc.),* 47 B.R. 425, 427 (D. Haw. 1985).

Here, rejecting the Service Contracts is within the business judgment rule and will benefit the estate because they are not a source of potential value for the Debtor's estate. The costs and other obligations associated with the Service Contracts outweigh any potential value of the Service

Contracts to the Debtor's estate. The Debtor has determined that the Service Contracts constitute unnecessary burdens on the Debtor's resources. Therefore rejection here reflects the Debtor's exercise of sound business judgment to free its estate from burdensome obligations not conducive to a successful reorganization. *National Labor Relations Board v. Bildisco & Bildisco*, 465 U.S. 513, 528 (1984); *see also In re Rega Properties, Ltd.,* 894 F.2d 1136, 1140 (9th Cir. 1990).

IV. REJECTION CLAIM BAR DATE

The Debtor also requests the Court, pursuant to Bankruptcy Rule 3002(c)(4), establish the later of (a) thirty (30) days after entry of an order granting this Motion, or (b) the deadline for filing prepetition claims, as the deadline for filing a claim from rejection of the Service Contracts.

V. RESERVATION OF RIGHTS

Nothing contained herein constitutes an admission, waiver, release, or limitation with respect to any claims held by the Debtor or its estate against any person or entity. All such claims are expressly preserved and shall not be considered, or otherwise deemed, waived by the filing of the Motion, the entry of an order granting the Motion, or rejection of the Service Contracts. The Debtor reserves the right to object to any claims related to the Service Contracts or the proposed rejection including, without limitation, any claims for rejection damages or administrative claims.

VI. CONCLUSION

The Debtors respectfully request that the Court enter an order: (i) approving the Debtor's rejection of the Service Contracts, effective as of November 1, 2026; (ii) establishing the later of (a) thirty (30) days after entry of an order granting this Motion, or (b) the deadline set by the Court for prepetition claims to be filed, as the deadline for filing a claim arising from rejection of the Service Contracts; and (ii) granting the Debtor such other and further relief as appropriate.

Dated: October 26, 2026 SHEPPARD, MULLIN, RICHTER & HAMPTON LLP

By */s/ Ori Katz*
Ori Katz
Proposed Counsel for Highlands Community Charter and Technical School