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[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-3 Judge: Hon. Christopher D. Jaime Date: November 10, 2026 Time: **11:00 a.m. (Pacific Time)** Place: Courtroom 32 501 I Street Sacramento, California 95814

STIPULATION BY AND BETWEEN THE DEBTOR AND AFP INVESTMENT PARTNERS, LLC AUTHORIZING REJECTION OF CERTAIN UNEXPIRED LEASE

[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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Highlands Community Charter and Technical Schools ("HCCTS" or, the "Debtor"), 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"), on the one hand, and AFP Investment Partners, LLC, ("AFP" or "Landlord," and together with the Debtor, the "Parties"), on the other hand, by and through their respective counsel, enter into this stipulation (the "Stipulation") to establish the terms and conditions of the consensual rejection of the unexpired nonresidential real property lease between the Parties for the premises commonly known as 8180 Industrial Parkway, Sacramento, California 95824 (the "Property"). In support of this Stipulation, the Parties represent as follows:

RECITALS

A. On the Petition Date, the Debtor, a California non-profit corporation, commenced this Chapter 11 Case. 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.

B. Prior to the Petition Date, the Debtor and the Landlord entered into that certain *Standard Industrial/Commercial Multi-Tenant Lease – Net*, dated May 17, 2018 (together with the 1st Amendment to Lease, dated October 11, 2022, and all addendums and attachments thereto, the "Lease") for classroom spaces located at the Property.

C. Prior to the Petition Date, the Debtor made payments to the Landlord in the ordinary course of business on account of rent due under the Lease through October 31, 2026.

D. On the Petition Date, the Debtor filed the *Emergency Motion For Entry of An Order Authorizing Rejection of Certain Unexpired Leases* [ECF No. 13] (the "Lease Rejection Motion") seeking authority to reject certain unexpired leases under section 365 of the Bankruptcy Code effective as of the Petition Date.

E. On or about October 15, 2026, the Debtor determined in its business judgment to exercise its rights under section 365 of the Bankruptcy Code to reject the Lease, effective as of the Petition Date, and filed the Supplement to *Debtor's Emergency Motion For Entry of an Order Authorizing Rejection of Certain Unexpired Leases* [ECF No. 98] (the "Lease Rejection

Supplement") seeking authority to reject additional unexpired leases, including the Lease, effective as of the Petition Date.

F. The Debtor anticipates vacating and surrendering the Property to the Landlord by no later than October 31, 2026.

G. In an effort to limit the administrative expenses incurred during this Chapter 11 Case, the Debtor has determined in its business judgment that rejection of the Lease effective as of the Petition Date will benefit the estate.

H. Based on the Debtor's anticipated actual surrender of the Property by no later than October 31, 2026, in the interest of judicial economy and efficiency, and to avoid unnecessary legal expenses, the Landlord consents to rejection of the Lease effective as of the Petition Date subject to the terms and conditions set forth herein.

AGREEMENT

WHEREFORE, the Parties stipulate and agree as follows:

1. The Landlord consents to the Debtor's rejection of the Lease effective as of the Petition Date.

2. The Debtor has paid to the Landlord all amounts due under the Lease through October 31, 2026. Accordingly, there are no amounts due and payable to the Landlord on account of post-petition rent due under the Lease as an administrative expense.

3. The Debtor will vacate and surrender the Property and deliver all keys and access devices to the Landlord no later than October 31, 2026 (the "Surrender Date"); provided, that, if the Debtor is unable to fully vacate and surrender the Property by October 31, 2026 and the Debtor notifies the Landlord in writing of such inability by 5:00 p.m. (Pacific Time) on October 30, 2026, then the Landlord shall permit the Debtor to take all necessary actions to promptly vacate and surrender the Property by no later than November 7, 2026 (the "Outside Surrender Date"). For each day after the Outside Surrender Date that the Debtor remains in possession of the Property, the Debtor shall pay or cause to pay the Landlord, as an allowed administrative expense under section 503(b)(1) of the Bankruptcy Code, solely on account of such delay in surrender, a per diem amount equal to the monthly Base Rent and operating expenses then payable under the Lease divided by

thirty (30). The Landlord shall not assert any other claims or causes of action against the Debtor or its estate arising solely from a delay in surrender through the Outside Surrender Date. Nothing in this paragraph limits the Landlord's rights or remedies if the Debtor fails to surrender the Property by the Outside Surrender Date.

4. Upon the Debtor's surrender of the Property, the automatic stay provisions of the Bankruptcy Code shall be modified solely for the limited purpose of allowing the Landlord to immediately retake possession of the Property, enter the premises, make repairs, and market and re-let the space, notwithstanding any applicability of Bankruptcy Rule 4001(a)(3). Pending entry of the Order, the Debtor consents to the Landlord taking each of the foregoing actions upon the Debtor's surrender of the Property, and the Debtor shall not assert that any such actions violate the automatic stay or otherwise, on their own, give rise to any claim against the Landlord. The Debtor shall submit this Stipulation to the Court for approval without a hearing within two (2) business days after its execution by the Parties.

5. The Landlord's acceptance of the keys from the Debtor, re-entry of the premises and re-letting the space as set forth herein are solely to mitigate any potential damages. They do not constitute a termination or surrender of the Lease by agreement, or a waiver or release of any of the Landlord's claims, including its rejection damages claim and its rights in the security deposit, except as set forth herein. The Parties each reserve their rights with respect to any potential termination or surrender of the Lease.

6. The Landlord may dispose of any personal property remaining at the Property after the Debtor's surrender without liability to the Debtor or its estate, whether or not such personal property has been formally abandoned under section 554 of the Bankruptcy Code.

7. To the extent the Landlord wishes to file one or more proofs of claim, if at all, with respect to the rejection of the Lease, then the Landlord must do so by the later of (a) thirty (30) days after entry of an order granting the Lease Rejection Motion, as supplemented by the Lease Rejection Supplement, or (b) the deadline set by the Court for prepetition claims to be filed; provided that, the Debtor reserves all rights and defenses with respect to such proofs of claim.

8. Except as explicitly set forth herein, the relief requested in the Lease Rejection Motion as supplemented by the Lease Rejection Supplement shall remain in full force and effect and is not modified, amended or limited. Any order approving the Stipulation (the "Order") shall be in addition to, not instead of, any order approving the Lease Rejection Motion as supplemented by the Lease Rejection Supplement.

9. Notwithstanding the relief requested in the Stipulation, the Order, and any actions taken pursuant to such relief, nothing in this Stipulation or the Order shall be deemed: (a) an admission as to the amount of, basis for, or validity of any claim against the Debtor under the Bankruptcy Code or applicable non-bankruptcy law; (b) a waiver of the Debtor's or any other party in interest's right to dispute any claim on any grounds; (c) a promise or requirement to pay any claim; or (d) an admission as to the validity, priority, enforceability, or perfection of any lien on, security interest in, or other encumbrance on property of the Debtor's estate.

10. Nothing contained in this Stipulation is intended to be or shall be construed as (i) a waiver by the Debtor of any claims or causes of action that may exist against any creditor or interest holder, (ii) an approval or assumption of any agreement, contract, program, policy, or lease under section 365 of the Bankruptcy Code, or (iii) a waiver by the Debtor of its right to object to any and all proofs of claim relating to any action that have been or may be filed by the Landlord in this Chapter 11 Case. The limited relief set forth in this Stipulation shall not be construed as an admission of liability by the Debtor regarding any claim or cause of action.

11. This Stipulation shall constitute the entire agreement and understanding of the Parties relating to the subject matter hereof and supersedes all prior agreements and understandings relating to the subject matter hereof, provided, however, that nothing in this Stipulation shall supersede, modify, or waive the Lease, or the Parties' respective claims and rights arising under the Lease, including for purposes of the Landlord calculating and asserting its rejection damages claim and its rights with respect to the security deposit, except as expressly provided in paragraph 2 of this Stipulation.

12. This Stipulation may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

13. This Stipulation shall not be modified, altered, amended, or vacated without the written consent of both Parties hereto or by order of the Bankruptcy Court.

14. The Bankruptcy Court shall retain jurisdiction to resolve any disputes or controversies arising from this Stipulation.

Dated: October 30, 2026

SHEPPARD, MULLIN, RICHTER & HAMPTON LLP

By */s/ Ori Katz*
ORI KATZ

Proposed Counsel for Highlands Community Charter and Technical Schools

Dated: October 30, 2026

BUCHALTER LLP

By */s/ Caroline Djang*
CAROLINE DJANG

Counsel for AFP Investment Partners, LLC