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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
Tel: (415) 434-9100; Fax: (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.	Case No. 26-25868 Chapter 11 DCN SMR-11 Judge: Hon. Christopher D. Jaime Date: November 10, 2026 Time: 11:00am Place: Courtroom 32 501 I Street Sacramento, California 95814

SUPPLEMENTAL DECLARATION OF JONATHAN RAYMOND IN SUPPORT OF APPLICATION TO EMPLOY SHEPPARD, MULLIN, RICHTER & HAMPTON LLP AS BANKRUPTCY COUNSEL

I, Jonathan Raymond, hereby state and declare as follows:

1. I am the Executive President of Highlands Community Charter and Technical Schools ("HCCTS" or, the "Debtor"), a California Non-Profit Corporation organized under the laws of the State of California. I make this supplemental declaration (the "Declaration") pursuant to Sections 327 and 1103 of the Bankruptcy Code and in further support of the *Debtor's Application to Employ Sheppard, Mullin, Richter & Hampton LLP as Bankruptcy Counsel* (the "Application") filed on October 13, 2026 at Docket No. 78. The Application seeks an order authorizing the Debtor to employ Sheppard, Mullin, Richter & Hampton, LLP ("Sheppard") as bankruptcy counsel.

2. Except as otherwise indicated, all facts in this Declaration are based upon my personal knowledge, my discussions with others in the Debtor's management team and the Debtor's advisors, my review of relevant documents and information concerning the Debtor's operations, financial affairs, and restructuring initiatives, or my opinions based upon my experience and knowledge. The documents referenced herein, or otherwise relied upon for purposes of this Declaration, are business records of the Debtor, prepared and kept in the ordinary course of the regularly conducted business activities of the Debtor and used by me for those purposes. I am over the age of eighteen and authorized to submit this Declaration on behalf of the Debtor. If called upon as a witness, I could and would testify competently to the facts set forth in this Declaration.

3. The Debtor filed this bankruptcy case (the "Chapter 11 Case") on October 4, 2026 (the "Petition Date") under chapter 11 of title 11 of the United States Code (the "Bankruptcy Code"). 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.

4. 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 *Declaration of Jonathan Raymond in Support of Chapter 11 Petition and First Day Motions* (the "First Day Declaration"), which is incorporated herein by reference.

THE DEBTOR'S SELECTION OF SHEPPARD AS COUNSEL

5. The Debtor recognizes that a comprehensive review process is necessary when selecting and managing chapter 11 counsel to ensure that bankruptcy professionals are subject to the same client-driven market forces, scrutiny, and accountability as professionals in non-bankruptcy engagements.

6. To that end, the substantial review process utilized by the Debtor here interviewed two (2) potential bankruptcy counsels based on their expertise in the relevant legal issues and in similar proceedings and their level of knowledge with respect to the Debtor's business operations. Ultimately, the Debtor selected Sheppard as bankruptcy counsel for the reasons stated below.

7. In the lead up to the petition date, Sheppard's representation of the Debtor consisted primarily of assessing the strategic alternatives available to the Debtor in connection with the California Office of the State Auditor's Report 2024-106, which found that the Debtor received more than approximately $186,450,574 in funds for which it was not eligible (the "Audit Liability"), and Twin Rivers Unified School District's attempts to revoke the Debtor's charters, including in a bankruptcy advisory role. In the months leading up to the bankruptcy filing, Sheppard developed a strong familiarity with the Debtor through its representation and advising on strategic alternatives available to the Debtor. During that period, Sheppard gained an in depth understanding of the Debtor's operations, financial circumstances, and key challenges, positioning the firm to provide informed and effective counsel throughout the bankruptcy process.

8. Ultimately, the Debtor retained Sheppard because of its extensive experience in corporate reorganizations and reorganizations of charitable entities, both out-of-court and under chapter 11 of the Bankruptcy Code. More specifically, Sheppard is intimately familiar with the Debtor's business operations, and many of the potential specialized legal issues that may arise in the context of this Chapter 11 Case. I believe that Sheppard is both well qualified and uniquely able to represent the Debtor in this Chapter 11 Case in an efficient and timely manner.

RATE STRUCTURE

9. Sheppard has informed the Debtor that its rates for bankruptcy representations are comparable to the rates Sheppard charges for non-bankruptcy representations and that its rates in this bankruptcy representation are comparable to the rates charged by comparably skilled professionals. As discussed below, I am responsible for reviewing the statements regularly submitted by Sheppard and can confirm that the rates Sheppard charged the Debtor in the prepetition period are the same as the rates Sheppard will charge the Debtor in the postpetition period.

COST SUPERVISION

10. Sheppard and the Debtor are in the process of developing a prospective budget and staffing plan. The Debtor recognizes that in a chapter 11 case, it is possible that there may be unforeseen fees and expenses that will need to be addressed by the Debtor and Sheppard. The Debtor also recognizes that it is its responsibility to closely monitor and supervise the billing practices of Sheppard and other professionals to ensure that fees and expenses paid by its estate remain consistent with the Debtor's expectations taking into account the exigencies of this Chapter 11 Case. To that end, the Debtor will continue to review and monitor the regular invoices submitted by Sheppard, and, together with Sheppard, periodically amend the budget and staffing plans to reflect developments in the case as applicable.

11. The Debtor will monitor and supervise the fees and expense reimbursement process during the Chapter 11 Case and ensure the Debtor is an active participant in that process, substantially utilizing its regularly employed procedures to supervise budgeting and fees of outside

counsel in non-bankruptcy cases. Recognizing that every chapter 11 case is unique, the Debtor, together with Sheppard, will utilize the budgeting process to provide guidance on the period of time involved and the level of attorneys and professionals that will work on various matters, as well as the projection of average hourly rates for the attorneys and professionals for such matters.

12. I declare under penalty of perjury that the foregoing is true and correct to the best of my information and belief.

Executed on this 6th day of November, 2026, at Sacramento, California.

Signed by:
Jonathan Raymond
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JONATHAN RAYMOND