United States Bankruptcy Court
Eastern District of California

Highlands Community Charter and Technica,
Plaintiff

Twin Rivers Unified School District Boar,
Defendant

Docket #0037 Date Filed: 11/12/2026
Adv. Proc. No. 26-02134-B

CERTIFICATE OF NOTICE

District/off: 0972-2 User: auto Page 1 of 1
Date Rcvd: Nov 10, 2026 Form ID: pdf021 Total Noticed: 3

The following symbols are used throughout this certificate:

Symbol	Definition
+	Addresses marked '+' were corrected by inserting the ZIP, adding the last four digits to complete the zip +4, or replacing an incorrect ZIP. USPS regulations require that automation-compatible mail display the correct ZIP.

Notice by first class mail was sent to the following persons/entities by the Bankruptcy Noticing Center on Nov 12, 2026:

Recip ID	Recipient Name and Address
	+ Colin Schoell, California Office of the Attorney, General, 600 West Broadway Ste 1800, San Diego CA 92101-3375
	+ Ori Katz, Sheppard Mullin Richter & Hampton LLP, 4 Embarcadero Center Ste 17th Fl, San Francisco CA 94111-4158

TOTAL: 2

Notice by electronic transmission was sent to the following persons/entities by the Bankruptcy Noticing Center.
Electronic transmission includes sending notices via email (Email/text and Email/PDF), and electronic data interchange (EDI). Electronic transmission is in Eastern Standard Time.

Recip ID	Notice Type: Email Address	Date/Time	Recipient Name and Address
aty	+ Email/Text: gherrera@kmtg.com	Nov 10 2026 23:57:00	Gabriel P Herrera, 1331 Garden Hwy, 2nd Floor, Sacramento, CA 95833-9755

TOTAL: 1

BYPASSED RECIPIENTS

The following addresses were not sent this bankruptcy notice due to an undeliverable address, *duplicate of an address listed above, *P duplicate of a preferred address, or ## out of date forwarding orders with USPS.

NONE

NOTICE CERTIFICATION

I, Gustava Winters, declare under the penalty of perjury that I have sent the attached document to the above listed entities in the manner shown, and prepared the Certificate of Notice and that it is true and correct to the best of my information and belief.

Meeting of Creditor Notices only (Official Form 309): Pursuant to Fed .R. Bank. P.2002(a)(1), a notice containing the complete Social Security Number (SSN) of the debtor(s) was furnished to all parties listed. This official court copy contains the redacted SSN as required by the bankruptcy rules and the Judiciary's privacy policies.

Date: Nov 12, 2026 Signature: /s/Gustava Winters

2625868261113000000000015

mpes
FILED
NOV 10 2026
UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF CALIFORNIA

UNITED STATES BANKRUPTCY COURT

EASTERN DISTRICT OF CALIFORNIA

In re:	Case No. 26-25868-B-11
HIGHLANDS COMMUNITY CHARTER AND TECHNICAL SCHOOLS,	Adversary No. 26-2134
Debtor(s).	DC No. SMR-1
HIGHLANDS COMMUNITY CHARTER AND TECHNICAL SCHOOLS,	
Plaintiff(s),	
v.	
TWIN RIVERS UNIFIED SCHOOL DISTRICT BOARD OF TRUSTEES and CALIFORNIA STATE BOARD OF EDUCATION,	
Defendant(s).	

ORDER GRANTING MOTION FOR INJUNCTION UNDER 11 U.S.C. § 105(a)

I.

Introduction

Before the court is a *Motion for Order Extending Stay to the Revocation Appeal Under Bankruptcy Code Sections 105(a) and 362* filed by Chapter 11 debtor and debtor in possession Highland Community Charter and Technical Schools ("Debtor"). 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") (collectively, the "Schools"). HCCS provides Classroom-based instruction, while CICA provides nonclassroom-based instruction.

The Debtor moves for a declaration that Twin Rivers Unified School District's ("Twin Rivers") appeal of a decision by the Sacramento County Board of Education ("SCBOE") reversing Twin Rivers' decision to revoke the Schools' charter school charters ("Revocation Appeal") currently pending before the State Board of Education ("SBE") is stayed by the automatic stay of 11 U.S.C. §§ 362(a)(1), (a)(3), and/or (a)(6) or, alternatively, for an injunction under 11 U.S.C. § 105(a) staying the Revocation Appeal through June 30, 2027. The Revocation Appeal is set for hearing before SBE on November 13, 2026. Twin Rivers and SBE each filed an opposition to the motion.[1] The Debtor filed a reply.

The focus of this court's analysis is limited. This court does not consider or otherwise delve into the underlying merits of the Revocation Appeal.[2] This court considers only whether the

---

[1]Twin Rivers concedes that "while the District initiated the administrative appeal to SBE, the District is no longer in control of the revocation proceedings." Docket 14 at 2:16-18. Twin Rivers effectively lit the proverbial "dumpster fire" and walked away. Its opposition is therefore given little weight.

SBE's opposition is woefully deficient from an evidentiary standpoint. "Evidence" submitted with SBE's opposition is limited to a request for judicial notice. This is not much, if any, evidence at all. The court can take judicial notice of documents that are matters of public record; however, the court does not take judicial notice of the contents of such judicially noticed documents. Khoja v. Orexigen Therapeutics, Inc., 899 F.3d 988, 999 (9th Cir. 2018) ("Just because the document itself is susceptible to judicial notice does not mean that every assertion of fact within that document is judicially noticeable for its truth."). SBE's "rookie mistake" means the Debtor's evidence, particularly the declaration testimony submitted in support of the motion and reply, is not rebutted and therefore is undisputed. The Debtor's evidence is also credible, reliable, and probative. More on this later.

[2]In other words, the court does not address accusations regarding fiscal mismanagement, reckless spending, lack of accountability, or improper or inadequate compliance oversight. These determinations may, at some point, be made by another

Revocation Appeal is stayed by the automatic stay, whether the Revocation Appeal is excepted from the automatic stay, and, if the latter, whether the Revocation Appeal may or should be enjoined. The court's analysis is limited to 11 U.S.C. §§ 362(a), 362(b), and 105(a).

After thoroughly reviewing and considering the motion, oppositions, reply, and all related documents, and after hearing and considering the statements and arguments of counsel made during the hearing held before this court on November 10, 2026, the court is persuaded the Revocation Appeal may, and should, be enjoined even if it is excepted from the automatic stay. The motion will therefore be granted and an injunction will issue.

This order constitutes the court's findings of fact and conclusions of law under Fed. R. Civ. P. 52(a) made applicable by Fed. R. Bankr. P. 7052. If there are any conflicts between this order and the court's statements on the record during the hearing held on November 10, 2026, this order controls. Playmakers LLC v. ESPN, Inc., 376 F.3d 894, 896 (9th Cir. 2004).

II.

Background

A. Charters and Charter Schools Generally

"Charter schools are part of California's single, statewide public school system[.]" Wilson v. State Bd. of Educ., 75 Cal.App. 4th 1125, 1137 (1999). Charter schools are statutorily created, subject to public oversight, and obligated to meet the

---

entity in another forum on another date, or, they may ultimately become moot.

requirements set out in the Education Code, state regulations, their own charter, and any memorandum of understanding or other contract with their chartering authority. Am. Indian Model Schs v. Oakland Unified Sch. Dist., 227 Cal.App. 4th 258, 265-66 (2014).

Charter schools are established through a written charter, which is a detailed contract between the charter school's founders and an authorizing entity. The charter sets out the school's educational program, governance structure, academic goals, financial plan, and accountability measures. It also includes ongoing auditing, reporting, monitoring, and oversight obligations by the respective parties throughout its term.[3]

The process of establishing a charter school typically begins by submitting a charter petition for approval to a local school district. Cal. Educ. Code § 47605(a)(1).

The chartering authority also has the authority to revoke the charter when the charter school is in violation of the law, its own charter, or not providing the outcomes it promised. Cal. Educ. Code, § 47607(f); Today's Fresh Start, Inc. v. Los Angeles County Off. of Educ., 57 Cal.4th 197, 207 (2013). Charter school revocations include an administrative appeals process, through which the final administrative appeal is heard and decided by SBE, under a substantial evidence standard of review. Cal. Educ.

---

[3]These ongoing obligations are identified in the Debtor's declaration filed in the parent Chapter 11 case on October 13, 2026. BK Dkt. 6 at 4:12-24. SBE also acknowledges that "[a] chartering authority, in this case, Twin Rivers, has the obligation to monitor the fiscal condition and academic performance of the charter schools it authorizes[.]" Docket 18 at 3:22-23.

Code § 47607(i). It is this administrative appeal, *i.e.*, the Revocation Appeal, that is at issue here.

B. The Debtor's Charters, Charters Schools, the Chartering Authority, and the Charter Revocation

Twin Rivers is the authorizing entity that issued the Schools' current charter school charters. Twin Rivers approved HCCS for a five-year term beginning in August 2014, and approved CICA for a five-year term beginning in August 2019, at which time it also renewed HCCS for a five-year term (the "Charters"). After a statutory extension of all charter schools in California, the Schools' Charters expire on June 30, 2027.

The Schools are operated as adult-learning schools. They are currently providing services to approximately 2,000 students during the current academic year, which ends on June 30, 2027. Throughout its existence, the Schools have served approximately 60,000 students. The Schools provide students aged 22 and older with the opportunity to attend high school; to earn a high school diploma (a credential distinct from a General Educational Development (GED) certificate); to receive in-person English language instruction; and to participate in career and technology certification programs which are designed to provide students with the necessary skills to gain meaningful employment after graduation.

Many students who attend the Schools are legal refugees from Afghanistan who relocated to the Sacramento area with special permission from the United States government because their lives were determined to be at risk if they remained in Afghanistan. Some are learning to read, to write, and to do basic math skills

for the first time, in addition to learning English. Many of the students are required to be enrolled in an educational program as a condition of receiving public assistance for housing or other vital services. An immediate closure of the Schools threatens and undermines critical safety nets that the state and federal governments have created to ensure food and housing security for students are met.[4]

The Schools also have an *exclusive* partnership agreement with the Sacramento Employment and Training Agency ("SETA"), a joint powers agency of the City of Sacramento and County of Sacramento that administers federal Workforce Investment Opportunity Act funding in Sacramento County. All students enrolled at the Schools also must be enrolled in SETA's workforce development programs. SETA provides additional services for students enrolled at the Schools, leading to substantial benefits for these students. SETA reports that 63% of students enrolled in its Workforce Investment Opportunity Act program were employed in the second quarter following exit from the program.

Twin Rivers initiated the current process of revoking the Charters by issuing violation notices on June 12, 2025. Several months later, on November 4, 2025, it issued notices of intent to revoke the Charters. Recommendations of Twin Rivers staff and counsel against revoking the Charters were considered at a

---

[4]SBE asserts there are 11 similar schools that operate within 15 miles of the Highlands Sacramento City Center which offer adult education programs. However, there is no evidence that any of these other schools have the federal partnership discussed below. There also is no evidence that any of these other schools offer the same programs, curriculum, or services the Schools provide or that they could accommodate or absorb the Schools' students if the Schools were to shutter.

meeting on January 27, 2026. Staff and counsel recommended the Charters not be revoked based on findings the Schools had fully cured or refuted all issues in the violation notices, and there was no basis to revoke the Charters. Nevertheless, on January 30, 2026, Twin Rivers voted to revoke the Schools' Charters.

On February 27, 2026, the Debtor, on behalf of the Schools, appealed the revocation of the Charters to SCBOE where the Debtor ultimately prevailed. On May 19, 2026, SCBOE held a lengthy public hearing, and, following a thorough review of the extensive administrative record, SCBOE voted to reverse Twin Rivers' revocation of the Charters.

On June 18, 2026, Twin Rivers appealed SCBOE's decision to SBE, hence, the Revocation Appeal. The Debtor filed an opposition to the Revocation Appeal on July 17, 2026.

In connection with the Revocation Appeal, on September 30, 2026, the California Department of Education released a staff report making a recommendation to SBE and its Advisory Commission on Charter Schools (the "ACCS") that the revocations of the Charters be upheld. A hearing was held on October 6, 2026, before the ACCS to address whether to (i) recommend SBE hear the appeal initiated by Twin Rivers and (ii) recommend that Twin Rivers' revocation of the Charters was supported by substantial evidence and therefore should be upheld.

The next step in the Revocation Appeal is that on November 13, 2026, SBE is scheduled to consider ACCS' recommendations from the meeting held on October 6, 2026.

Meanwhile, the Debtor has engaged in discussions with Sutter County to obtain a new charter and to transfer the Schools, their

students, and their employees to a new, independently chartered school. These discussions remain ongoing and the process is well underway. Sutter County is scheduled to meet in December 2026 to decide if it will issue the Debtor new charters for the Schools. If Sutter County confers new charters, the Schools will continue operations under an agreement with a different chartering entity for the 2027-2028 academic year.

The Debtor describes its working relationship with Sutter County as positive and promising. Based upon the Debtor's meetings with Sutter County staff, the Debtor believes that Sutter County is supportive of both the Debtor's mission and its reorganization efforts. The Debtor is optimistic that its relationship with Sutter County will pave a new path forward.

III.

Analysis and Discussion

A. The Revocation Appeal is an Action That Falls Under 11 U.S.C. §§ 362(a)(1) and (a)(3).

The Debtor asserts the Revocation Appeal falls under §§ 362(a)(1), (a)(3), and/or (a)(6). Section 362(a)(1) stays- "the commencement or continuation, including the issuance or employment of process, of a judicial, administrative, or other action or proceeding against the debtor that was or could have been commenced before the commencement of the case[.]" 11 U.S.C. § 362(a)(1). Section 362(a)(3) stays- "any act to obtain possession of property of the estate or of property from the estate or to exercise control over property of the estate[.]" 11 U.S.C. § 362(a)(3). Section 362(a)(6) stays- "any act to

collect, assess, or recover a claim against the debtor that arose before the commencement of the case under [title 11.]" 11 U.S.C. 362(a)(6).

1. Section 362(a)(1)

By its very nature as an administrative proceeding, the Revocation Appeal is a prepetition action against the Debtor. In re Paschal, 337 B.R. 274, 280 (Bankr. E.D.N.C. 2006) ("As used in § 362(a)(1) the term 'action' contemplates a formal judicial, administrative or similar undertaking."). The Revocation Appeal therefore falls within the scope of § 362(a)(1).

2. Section 362(a)(3)

The nature of the Charters also brings the Revocation Appeal within the scope of § 362(a)(3) as an act to exercise control over property of the estate.

The Charters are contracts. Knapp v. Palisades Charter High School, 146 Cal.App.4th 708, 714 (2007), cert. denied, 552 U.S. 888 (2007) ("The charter establishing a charter school is a contract detailing the school's educational programs, goals, students served, measurable pupil outcomes and measurement methods, and the school's governance structure."); see also Today's Fresh Start, 57 Cal.4th at 207 (citing Knapp for the proposition that "charter schools are contractually bound by their charters"); Arnold v. Bauer, 2026 WL 1861759, *12 (Cal. App. June 29, 2026) (quoting Knapp's statement that "The charter establishing a charter school is a contract[.]"). The numerous reporting, auditing, compliance, and oversight obligations under the Charters that remained unperformed on the petition date of this Chapter 11 case make the Charters - as contracts - executory

under § 365.[5] Unsecured Creditors' Committee v. Southmark Corporation (In re Robert L. Helms Construction & Development Co., Inc.), 139 F.3d 702, 705-06 (9th Cir. 1998); see also In re Svenhard's Swedish Bakery, 647 B.R. 554, 561-63 (Bankr. E.D. Cal. 2022) (discussing executory contracts), aff'd, 643 B.R. 471 (9th Cir. BAP 2023), aff'd on other grounds, 154 F.4th 1100 (2025), cert. denied, 146 S. Ct. 2672 (2026). Executory contracts are property of the estate under § 541(a) without regard to whether they are assumable or not. Andrew v. Official Committee of Unsecured Creditors (In re LeFever Mattson), 681 B.R. 781, 790 (9th Cir. BAP 2026) (citing and discussing Computer Comms., Inc. v. Codex Corp. (In re Computer Comms., Inc.), 824 F.2d 725, 729-31 (9th Cir. 1987)).

SBE's assertion that § 541(b)(3) excepts the Charters from property of the estate is without merit. Section 541(b)(3) exempts from property of the estate "State *licensure* of the debtor as an educational institution[.]" 11 U.S.C. 541(b)(3) (emphasis added). The critical term here is "licensure" which contemplates a license or the issuance of a license. See Black's Law Dictionary, Tenth Ed. (2014) (defining "licensing" as follows: "A governmental body's process of issuing a license - Also termed *licensure*.") (Emphasis in original).

The difference between licenses and contracts is subtle. U.S. v. Southern California Edison Co., 300 F.Supp.2d 964, 987 (E.D. Cal. 2004) ("Licenses are not much different than common

---

[5]SCBOE's reversal of Twin Rivers' revocation means the Charters were valid, intact, and operative on the petition date of this Chapter 11 case.

law contracts."). But the distinction is significant. "A license is not a contract. A license has none of the elements of a contract and does not confer an absolute right but a personal privilege. There is a clear distinction between a license and a contract." San Gabriel Tribune v. Superior Court, 143 Cal.App.3d 762, 779 (1983) (cleaned up).

The distinction between licenses and contracts is significant here because exceptions from property of the estate are construed narrowly. In re Powell, 187 B.R. 642, 644 (Bankr. D. Minn. 1995); In re Steffan, 97 B.R. 741, 745 (Bankr. N.D.N.Y. (1989). And since contracts - such as the Charters - are distinct from a licenses, contracts do not fall within the § 541(b)(3) exception. The Charters are therefore property of the estate under § 541(a).[6]

B. The Court Assumes That at Least One Exception Under § 362(b) Applies to the Revocation Appeal.

1. The § 362(b)(15) Exception

Section 362(b)(15) states that "[t]he filing of a petition ... does not operate as a stay- under subsection (a) of this section, of any action by a State licensing body regarding the *licensure* of the debtor as an educational institution[.]" 11 U.S.C. § 362(b)(15) (emphasis added). The court construes this exception narrowly. Hillis Motors, Inc. v. Hawaii Auto. Dealers' Ass'n, 997 F.2d 581, 590 (9th Cir. 1993).

The Revocation Appeal is the relevant "action" for purposes of the § 362(b)(15) exception. However, as discussed above, the

[6]This court's jurisdiction over the Charters as property of the estate is exclusive. See 28 U.S.C. § 1334(e)(1).

Revocation Appeal involves contracts which are not - and which are distinct from - licenses. The relevant "action" here is therefore not one regarding licensure or the licensing of the Debtor. Section § 362(b)(15) is inapplicable.

2. The § 362(b)(4) Exception

SBE's argument that the Revocation Appeal is excepted from the automatic stay of § 362(a) by § 362(b)(4) is not implausible. Section 362(b)(4) states "the filing of a petition ... does not operate as a stay - under paragraph (1), (2), (3), or (6) of subsection (a) of this section, of the commencement or continuation of an action or proceeding by a governmental unit ... to enforce such governmental unit's ... police and regulatory power." 11 U.S.C. § 362(b)(4).

The primary purpose of the Revocation Appeal is not pecuniary and based on the Debtor's current fully-compliant status following the SCBOE hearing there is nothing to police or regulate. At the same time, in a much broader sense, the Revocation Appeal serves a public, policing, and regulatory function. It concerns the use of and accountability for public school funds, it concerns the administration and oversight of public charter schools, and it fulfills a statutory policing, regulatory, oversight, and review function over charter schools and charter school charter revocations. The court will therefore assume for purposes of its analysis the Revocation Appeal is, or it could be, excepted from § 362(a) by § 362(b)(4). See Universal Life Church, Inc. v. U.S. (In re Universal Life Church, Inc.), 128 F.3d 1294 (9th Cir. 1997), cert. denied, 524 U.S. 952 (1998).

C. The Court Will Extend the Automatic Stay and Enjoin the Revocation Appeal Through its Authority Under § 105(a).

Section 105(a) states that "[t]he court may issue any order, process, or judgment that is necessary or appropriate to carry out the provisions of [the Bankruptcy Code]." "Section 105(a) gives the bankruptcy courts the power to stay actions that are not subject to the 11 U.S.C. § 362(a) automatic stay but threaten the integrity of a bankrupt's estate." Solidus Networks, Inc. v. Excel Innovations, Inc. (In re Excel Innovations, Inc.), 502 F.3d 1086, 1093 (9th Cir. 2007), cert. denied, 553 U.S. 1017 (2008).[7]

This includes the power to stay regulatory proceedings. N.L.R.B. v. Jonas (In re Bel Air Chateau Hosp., Inc.), 611 F.2d 1248, 1251 (9th Cir. 1979) ("[S]tays of regulatory proceedings should not be automatic but are appropriate when it is likely that the court proceedings will threaten the estate's assets.").

This also includes the power to enjoin actions not covered by or excepted from the automatic stay of § 362(a). Roussos v. Ehrenberg (In re Roussos), 2016 WL 3548527, *5 (C.D. Cal. June 27, 2016) ("Section 105(a) enables a bankruptcy court in appropriate circumstances to enjoin actions not covered by the automatic stay and actions that are excepted from the automatic stay."); In re MP PPH LLC, 660 B.R. 410, 427 (Bankr. D.D.C. 2024)

---

[7]The court rejects SBE's and Twin Rivers' argument that Law v. Siegel, 571 U.S. 415 (2014), prohibits the use of § 105(a) to enjoin actions excepted from the automatic stay. Neither SBE nor Twin Rivers cite any post-Law v. Siegel decision - published or unpublished - in which a court has so held. This court has also located none. In fact, the opposite is true. As noted below, even after Law v. Siegel, bankruptcy courts continue to exercise their authority under § 105(a) to enjoin actions excepted from the automatic stay, generally, and, specifically, actions excepted by § 362(b)(4). Moreover, Excel Innovations remains the law in the Ninth Circuit.

("[Authority under § 105(a)] includes, in exceptional circumstances, issuing an injunction effectively extending the stay under § 362 to enjoin actions that are otherwise excepted from the automatic stay."); In re Auto Money North LLC, 649 B.R. 675, 687 (Bankr. D.S.C. 2023) ("Section 105(a) of the Bankruptcy Code provides ample power to enjoin actions excepted from the automatic stay which might interfere in the rehabilitative process of a bankruptcy case." (Cleaned up)); see also In re Casner, 302 B.R. 695, 700 (Bankr. E.D. Cal. 2003) ("Section 105(a) enables a bankruptcy court in appropriate circumstances to enjoin actions not covered by the automatic stay and actions that are excepted from the automatic stay.")

And it specifically includes the power to enjoin actions excepted from the automatic stay of § 362(a) by § 362(b)(4). In re MV Realty PBC, LLC, 658 B.R. 194, 203 (Bankr. S.D. Fla. 2024) ("Although a governmental unit's action to enforce its police and regulatory power is excepted from the automatic stay, this Court may nonetheless enjoin such an action under 11 U.S.C. § 105."); In re LTL Management, LLC, 645 B.R. 59, 81 (Bankr. D.N.J. 2022) ("In the case at hand, the Court finds that the exercise of the States' police power seriously conflicts with the policies underlying the Bankruptcy Code. Therefore, § 362(b)(4)'s prevention of an 'automatic' stay upon the filing of the bankruptcy does not bar this Court from imposing or extending the stay under § 362(a), or otherwise restrict this Court's ability to issue injunctive relief under § 105(a)."); see also H.R.Rep. No. 95-595, at 342 (1977), reprinted in 1978 U.S.C.C.A.N. 5963, 6298 ("The effect of the [police powers] exception is not to make

the action immune from injunction. The court has ample other powers to stay actions not covered by the automatic stay. Section 105 ... grants the power to issue [such an injunction].").

When determining whether to issue an injunction under § 105(a), the usual preliminary injunction standard applies. Excel Innovations, 502 F.3d at 1096; Silver State Broadcasting, LLC v. Carmel (In re Silver State Broadcasting, LLC), 2024 WL 583088, *4 (9th Cir. BAP Feb. 13, 2024). The ususal preliminary injunction standard considers four factors: (1) whether the applicant has demonstrated a likelihood of success on the merits; (2) whether the applicant will suffer irreparable injury absent a stay; (3) whether issuance of the stay will injure other parties interested in the proceeding; and (4) the public interest. Excel Innovations, 502 F.3d at 1096; In re Guerrero, 2026 WL 1999365, *5 (Bankr. C.D. Cal. July 10, 2026); see also Nken v. Holder, 556 U.S. 418, 434 (2009). All factors support injunctive relief.

1. Likelihood of Success on the Merits

In the bankruptcy context, the "likelihood of success" factor focuses on the prospect of a successful reorganization and whether the debtor is substantially more likely to reorganize with an injunction in place. Excel Innovations, 502 F.3d at 1095-96; In re Purdue Pharma L.P., 666 B.R. 461, 469 (Bankr. S.D.N.Y. 2024). Courts "do not demand certainty of the successful reorganization; they expect only reasonable prospects of such." In Re Soundview Elite Ltd., 543 B.R. 78, 119 (Bankr. S.D.N.Y 2016) (cited in Purdue Pharma, 666 B.R. at 469).

SBE asserts there is no prospect of a successful

reorganization under the Charters because the only outcome is that the Debtor will emerge from this Chapter 11 case operating under a different charter issued by a different school district. In other words, SBE asserts that one way or another, *i.e.*, if not through the Revocation Appeal then on their own terms, the Charters will end requiring the Debtor to obtain a new charter with a different school district which means the Debtor cannot effectively reorganize under the existing Charters. SBE's argument construes a Chapter 11 reorganization too narrowly.

Reorganization includes rehabilitation. Laughlin Development Corp. v. Mark Twain Industries, Inc. (In re Laughlin Development Corp.), 899 F.2d 18, 1990 WL 39072, *2 (9th Cir. April 15, 1990) ("The purpose of Chapter 11 is the rehabilitation or reorganization of entities entitled by statute to its relief." (Cleaned up)); In re Kadlubek Family Revocable Living Trust, 545 BR 660, 666 (Bankr. D.N.M. 2016) ("[R]ehabilitation plans may be an effective reorganization[.]"). The Debtor here seeks to rehabilitate itself and has sufficiently demonstrated that its rehabilitation is reasonably likely.

Neither SBE nor Twin Rivers have submitted any evidence to refute the testimony of Jonathan Raymond, Executive President of the Debtor, that the Debtor has established a positive and productive relationship with Sutter County and that Sutter County is considering chartering the Schools. The Debtor's efforts to establish this new relationship with Sutter County in order to continue its educational mission, and its *undisputed* evidence that new charters issued by Sutter County are reasonably possible, fall within the scope of a reasonably likely

rehabilitation. See Excel Innovations, 502 F.3d at 1097.[8]

This factor favors injunctive relief.

2. Irreparable Harm

The right to reject executory contracts belongs exclusively to a debtor in possession. In re G Force Investments, Inc., 442 B.R. 646, 649 (Bankr. N.D. Ohio 2010) ("[W]hether the estate should seek to assume or reject an executory contract or lease lies within the sole discretion of the...debtor-in-possession"). A debtor in possession retains this exclusive right up to the time of plan confirmation. 11 U.S.C. § 362(d)(2). Allowing the Revocation Appeal to proceed will result in SBE displacing the Debtor.

The Revocation Appeal deprives the Debtor of its exclusive statutory right under the Bankruptcy Code to reject the Charters and to do so at the time of its choosing. In other words, the Revocation Appeal impermissibly allows SBE to decide whether the Charters - as executory contracts - should be rejected and when the rejection should occur. See Id. at 649 ("No creditor or other party in interest can force the estate to assume or reject an executory contract or lease under § 365."). This undermines § 365(d)(2), it is a use of the § 362(b)(4) police and regulatory exception that directly conflicts with the Bankruptcy Code, and

---

[8]Indeed, these circumstances are not much different from those in which a debtor enters a Chapter 11 case with one secured lender and emerges from the Chapter 11 process the same debtor performing the same operation but with a different secured lender. SBE and Twin Rivers also fail to appreciate that Bankruptcy Code §§ 1123(a)(5)(B) and 1129(a)(16) expressly contemplate transferring estate property to another entity, including one organized after confirmation. Sections 1123(a)(5)(C)-(D) also contemplate mergers, consolidations, and asset sales as means of implementing a plan.

it interferes significantly with the reorganization process. More important, this is irreparable harm the Debtor will suffer without an injunction. In re Metrobility Optical Sys., Inc., 268 B.R. 326, 329 (Bankr. D.N.H. 2001) ("The Debtor will suffer irreparable injury if the Court does not grant its preliminary injunction. The Debtor has not yet determined whether it will reject or assume the unexpired Lease pursuant § 365(a).").

Also troubling is that SBE appears to have pre-determined the outcome of the Revocation Appeal. In its opposition, SBE states that "[e]ven assuming arguendo that Debtor is currently in full compliance with all applicable statutory and regulatory requirements, *revocation of the HCCS and CICA charter may be warranted to avoid the possibility of future violations and misappropriations.*" Docket 18 at 13:12-14 (Emphasis added). The court is hard-pressed to comprehend how a fully-compliant charter school may have its charter revoked on the basis of violations that have not occurred, that may never occur, and under a presumption that violations may occur at some point in the future. SBE's statement strongly suggests - or perhaps it foreshadows - a pre-determined outcome of the Revocation Appeal. This raises the specter of bias which violates due process. D'Angelo v. Winter, 403 Fed.Appx. 181, 182 (9th Cir. 2010) ("A hearing with a predetermined outcome does not satisfy due process."). And "[i]t is well established that the deprivation of constitutional rights unquestionably constitutes irreparable injury." Melendres v. Arpaio, 695 F.3d 990, 1002 (9th Cir. 2012) (cleaned up).

Equally troubling is the statement by Twin Rivers that it is

no longer in control of the Revocation Appeal. See fn. 1. The inference is that SBE is now in control of the Revocation Appeal. When considered in the context of the statement by SBE's attorneys that SBE's revocation of the Charters is justified on the basis of speculative violations that may never occur, the individuals who are tasked with sitting as neutral decision-makers in the charter revocation process have effectively become the appellants prosecuting the Revocation Appeal.

Although Today's Fresh Start in some respects sanctions overlapping investigative, fact-finding, and adjudicative roles in the administrative process, this court seriously doubts the California Supreme Court's blessing would extend to overlapping roles where *individuals* of an agency, *i.e.*, the SBE board members, serve as both advocates for revocation of a school's charter, at least according to SBE's attorneys, and decision-makers in the charter revocation process. Indeed, as the California Court of Appeal explained in California DUI Lawyers Assn. v. Department of Motor Vehicles, 77 Cal.App.5th 517 (2022):

> Although procedural fairness does not prohibit the combination of the advocacy and adjudicatory functions within a single administrative agency, tasking the same *individual* with both roles violates the minimum constitutional standards of due process. The irreconcilable conflict between advocating for the agency on one hand, and being an impartial decisionmaker on the other, presents a particular combination of circumstances creating an unacceptable risk of bias.

Id. at 532 (cleaned up; emphasis added).

To put it politely, present circumstances just don't pass the "smell test."

This factor heavily favors injunctive relief.

3. Injury to Other Parties

SBE asserts it will harmed by an injunction primarily because it will be unable to protect the Schools' students and prevent violations of the law. In other words, SBE asserts an injunction will harm it by depriving it of a statutory oversight duty. SBE's assertion is faulty, not at all persuasive, not credible, and it borders on the frivolous.

SCBOE's reversal of Twin Rivers revocation of the Charters means that students are not presently threatened with any harm by the Debtor and it also means the Debtor is fully compliant with applicable law. Stated more bluntly, there currently is nothing for SBE to protect students from and no statutory or administrative violations for SBE to correct.[9]

This factor also favors injunctive relief.

4. Public Interest

The public interest favors injunctive relief for a singular reason; namely, the Schools' exclusive relationship with SETA. Even if there are similar schools close to the Debtor, there is no evidence that any of these schools have the *exclusive* federal partnership the Schools currently have with SETA. The public interest favors maintaining this exclusive relationship, at least for now, and the federal funding and student opportunities the current relationship provides.

The Debtor also raises two very concerning public interest

---

[9]Even assuming the inability to perform whatever policing or regulatory function SBE believes may currently be necessary is some harm resulting from an injunction, the harm the Debtor will suffer without an injunction, *i.e.*, a deprivation of exclusive statutory and constitutional rights which adversely affect reorganization, far outweighs any harm SBE perceives.

issues. The first is whether a public school district that received millions of dollars for charter school oversight it is alleged to have not adequately provided should be allowed to "scrub" the record of its alleged misconduct by eliminating the entity it was charged with overseeing.[10] The second is whether the State is using the Revocation Appeal to eliminate the only entity that could contest the $180 million dollars at issue in the related "Audit Appeal." See e.g., Id. at 29:24-26 ("CDE asserts a claim of more than $180 million against the estate, and it has agreed to hold its own determination in abeyance through the Department of Finance while SBE presses forward on a proceeding that would leave no one to contest that claim."). The court need not answer these questions at this juncture. It is enough that evidence in the record permits their inference

---

[10]The Debtor frames the issue as follows:

> To the extent the State's $180 million determination is sustained at all, there is a substantial question whether Twin Rivers, through its failed oversight and through its appointee's participation in governance, bears responsibility to the estate and its creditors for some share of it.
>
> If the Charters are revoked, the Schools will immediately close, and with them go the staff, the records, and the counsel best positioned to explain Twin Rivers' role to the creditor body and to any committee. The estate would be left with no revenue and no realistic means of litigating either the Audit Appeal or claims against Twin Rivers. Creditors would be left with what remained after a liquidation. Twin Rivers, meanwhile, would be relieved of the most likely source of scrutiny of its own conduct. Twin Rivers' insistence on proceeding now, before any committee is formed and while the Audit Appeal is stayed, is consistent with nothing so much as an interest in ensuring that those questions are never asked.

Docket 28 at 29:11-22.

because the public interest favors transparency in the use of public funds. National Head Start Ass'n v. Department of Health and Human Services, 297 F.Supp.2d 242, 251 (D.D.C. 2024), and in the administration of public schools, New Jersey Ass'n of Adminstrators v. Davy, 2008 WL 5074794, *8 (D. N.J. Nov. 25, 2008). An injunction serves these public interests because it preserves these troubling questions for another day.

Finally, the public interest is served by not displacing approximately 2,000 students, a substantial number of whom are legal immigrants and a number of whom rely on the Schools for education, food, and housing security. Even assuming there are other schools in the area, there is no evidence these other schools match the programs, curriculum, and services the Schools provide. Nor is there any evidence these other schools have the capacity to accommodate and absorb the Schools' current students.

This factor favors injunctive relief.

IV.

Conclusion

For all the foregoing reasons,

The motion is **GRANTED**.

The Revocation Appeal, specifically, and, generally, all further and other actions to revoke, terminate, cancel, annul, modify, or otherwise affect the Schools' Charters are **ENJOINED** through and including June 30, 2027, or further order of this court. To put it bluntly, the Revocation Appeal set before SBE, or any other similar or related proceeding concerning the Schools' Charters, **SHALL NOT PROCEED** in any capacity, or in any

forum, without further order of this court.

This order, and the injunction ordered herein, are effective immediately upon the filing of this order.

This order binds the parties and those persons identified in, and under the conditions prescribed by, Fed. R. Civ. P. 65(d)(2) made applicable by Fed. R. Bankr. P. 7065.

No security is required by the Debtor for the injunction ordered herein. See Fed. R. Civ. P. 65(c); Fed. R. Bankr. P. 7065.

IT IS SO ORDERED.

Dated: November 10, 2026.

CHRISTOPHER D. JAIME, CHIEF JUDGE
UNITED STATES BANKRUPTCY COURT

INSTRUCTIONS TO CLERK OF COURT
SERVICE LIST

The Clerk of Court is instructed to send the attached document, via the BNC, to the following parties:

Ori Katz
Sheppard Mullin Richter & Hampton LLP
4 Embarcadero Center
Ste 17th Floor
San Francisco CA 94111

Colin Schoell
California Office of the Attorney General
600 West Broadway
Ste. 1800
San Diego CA 92101

Gabriel P Herrera
1331 Garden Hwy, 2nd Floor
Sacramento CA 95833