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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-5** 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

FINAL ORDER (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

[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.

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") 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 previously granted the Motion on an interim basis, and having set a final hearing on the Motion (the "Final Hearing"); and this Court having found that the Debtor's notice of the Motion, the Interim Hearing, and the Final 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 Final Hearing; and this Court having determined that the legal and factual bases set forth in the Motion and at the Final Hearing establish just cause for the relief granted herein; and after due deliberation and sufficient cause appearing therefor,

IT IS HEREBY ORDERED THAT:

1. The Motion is GRANTED on a final basis as set forth in this Final Order.

2. The Debtor is authorized to continue 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 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 Final 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 State of California (the "State") is authorized to recover from the Debtor the Overpayments from the Debtor's 2026-27 Apportionments in accordance with the following terms (the "Recovery Terms"):

(a) upon entry of this Final Order, the State may apply the Withheld Apportionments to the Overpayments;

(b) following entry of this Final Order, the State may withhold up to 100% of each 2026-27 Apportionment otherwise payable to HCCS or CICA, as applicable, and apply the amount withheld to the Overpayments attributable to that School, until the Overpayments attributable to that School, as agreed by the parties or determined by further order of the Court, are recovered in full;

(c) amounts withheld from HCCS's 2026-27 Apportionments will be applied only to the Overpayments attributable to HCCS, and amounts withheld from CICA's 2026-27 Apportionments will be applied only to the Overpayments attributable to CICA, and the State may not apply amounts otherwise payable to one School against the Overpayments attributable to the other School;

(d) the State's right to withhold and apply 2026-27 Apportionments under the Recovery Terms will terminate automatically, with respect to each School, upon the earliest of (i) recovery in full of the Overpayments attributable to that School, (ii) the end of the 2026-27 school year, after which the State may seek such further relief as may be appropriate, or (iii) revocation of the Charter for that School, in which case termination will apply only with respect to the School whose Charter is revoked; and

(e) within twenty-one (21) days after the end of each calendar month, the State will provide the Debtor with a statement showing, for each School, the amount of 2026-27 Apportionments withheld during that month, the amount applied to the Overpayments, and the remaining unrecovered balance of the Overpayments.

8. The Recovery Terms apply solely to the Debtor's 2026-27 Apportionments and do not grant the State any lien on, security interest in, or other right to apply the Debtor's Cash or any other property of the estate.

9. The Recovery Terms described in the Motion are approved pursuant to this Final Order, 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.

10. Nothing in the Recovery Terms, the Motion, this Final Order, or the Interim Order shall constitute an admission by the Debtor as to the validity or amount of the Overpayments, or a waiver of the Debtor's right to contest the Overpayments attributable to either School, in whole or in part, by any available means. If the amount of the Overpayments attributable to either School is subsequently reduced by agreement of the parties or further order of the Court, the State will promptly remit to the Debtor any amounts withheld in excess of the corrected amount. Nothing in the Recovery Terms constitutes an admission by the State as to the characterization of its recovery as recoupment, setoff, or otherwise. Solely to the extent necessary, the automatic stay under § 362 of the Bankruptcy Code is modified to permit the State to apply the Withheld Apportionments and subsequent 2026-27 Apportionments to the Overpayments in accordance with the Recovery Terms.

11. 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. 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.

12. 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 Final Order.

13. Nothing in this Final 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.

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

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

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

Dated: November 17, 2026

Christopher D. Jaime, Chief Judge
United States Bankruptcy Court