

AGENDA

Committee of the Whole March 9, 2026 at 5:00 PM



Lansing City Hall, Tony Benavides Lansing City Council Chambers
124 W. Michigan Avenue, 10th Floor

To provide input or ask questions on any item that is listed on the agenda,
members of the public may contact the City Council at city.council@lansingmi.gov or (517) 483-4177 prior to the meeting.
To view the meeting live and participate in virtual public comment: <https://www.lansingmi.gov/1212/Council-Committee-Meetings>

Council Member Peter Spadafore, Chairperson
Council Member Trini Pehlivanoglu, Vice Chairperson

1. **Call to Order**
2. **Roll Call**
3. **Minutes**
 - A. February 23, 2026
4. **Presentations:**
 - B. Elected Officers Compensation Commission Process - Commission Chairperson Derek Melot
 - C. Appointment Interview- Elected Officers Compensation Commission Vacancy - Caitlin O'Rourke
 - D. Board of Water & Light Annual Audit for Fiscal Year Ending Jun 30, 2025
 - E. New Hope Community Center -The Nest; 332 S Townsend - Z-2-2026 & SLU-2-2026 - Shelbi Frayer
5. **Public Comment on Agenda Items (Up to 3 Minutes)** Those wishing to address the Committee on agenda items will have until we reach the public comment portion of the agenda to sign up for public comment.
6. **Discussion/Action:**
 - F. RESOLUTION - Appointment; Caitlin O'Rourke; At-Large Member of the Elected Officers Compensation Commission; Term to Expire October 1, 2027
 - G. RESOLUTION - Designation of Baker Tilly as Lansing Board of Water and Light External Auditor
 - H. RESOLUTION - Operating Agreement; Lansing Entertainment and Public Facilities Authority
 - I. PLACE ON FILE - Boards and Commissions Term Expirations Report
 - J. RESOLUTION - Budget Amendment; Fiscal Year 2025-2026 Second Quarter
 - K. RESOLUTION -Set Public Hearing; Act-7-2025; Sale of City Property, Lot 49, 200 block S. Cedar St.

L. RESOLUTION - Introduce and Set Public Hearing, Conditional Rezoning;
220 S. Larch St. and 3 adjoining parcels on E. Kalamazoo St. and S. Cedar
St., Conditional Rezoning from "DT-3" Urban Core to "IND-1" Industrial

7. Other

8. Adjourn

Persons with disabilities who need an accommodation to fully participate in these meetings should contact the City Council Office at 517-483-4177 (TTY 711) 24 hour notice may be needed for certain accommodations. An attempt will be made to grant all reasonable accommodation requests.

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MINUTES
Committee of the Whole
Monday, February 23, 2026 @ 5:30 p.m.
Tony Benavides Lansing City Council Chambers

CALL TO ORDER

Council Member Spadafore called the meeting to order at 5:30 p.m.

PRESENT

Councilmember Tamera Carter
Councilmember Jeremy Garza
Councilmember Adam Hussain
Councilmember Ryan Kost
Councilmember Clara Martinez
Councilmember Deyanira Nevarez Martinez
Councilmember Trini Pehlivanoglu
Councilmember Peter Spadafore

OTHERS PRESENT

Sherrie Boak, Council Staff
Greg Venker, City Attorney
Lisa Hagen-Lawrence, City Attorney
Jake Brower, Chief Strategy Officer
Elizabeth O'Leary, HR Director
Kyla Moore, HR Deputy Director
Dennis Parker, Labor Negotiator
Chris Swope, City Clerk
Marc Jones, Public Service

Minutes

MOTION BY COUNCIL MEMBER PEHLIVANOGLU TO APPROVE THE MINUTES FROM FEBRUARY 9, 2026 AS PRESENTED. MOTION CARRIED 8-0.

Public Comment

No public comment at this time.

Presentation

General Fund Status Report; 2nd Quarter and Vacancy Factor Reporting 2nd Quarter

Mr. Brower began with the General Fund status, first making note that tonight at Council there is a referral for budget amendments. He then went into the status of property taxes, income taxes both on track. With licenses and permits, those are under expectation, but just watching those currently. With changes at the State level, they continue to watch based on the changes at the State. Mr. Brower spoke on revenue changes and expected return on equity changes. Mr. Brower then spoke to anticipating changes in the upcoming proposed budget for police

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and fire personnel. Mr. Brower concluded by assuring them it was a strong report before Committee.

Council President Spadafore asked about status of the funding for neighborhood safety office. Mr. Brower stated it will be seen in the proposed budget amendment getting referred tonight. A person has already been hired for that role, and they expect a grant from the federal government to hire more law enforcement and building the budget in the future.

Ms. O'Leary went through the process in the human resources office, hiring, postings, CBA connection to the requirements, candidate screenings, interview panels, evaluations, and onboarding. With stats, there are 32 positions, there were 100 hires in 2025, 89 separations with 42 aged in-service retirements. As an update, Ms. O'Leary highlighted which ones have changed since the end of quarter 12/31/2025. Ms. O'Leary expanded on specific hiring and recruiting in LPD and LFD. The department noted they have scheduled a seasonal job fair they hope to fill 11 positions at.

Council Member Kost asked about location of job fair, and was told operations and maintenance, and Council Member Carter asked for the date and was told 3/7 8:30 a.m.

MOTION BY COUNCIL MEMBER PEHLIVANOGLU MADE A MOTION TO PLACE ON FILE. THE MOTION CARRIED 8-0.

Discussion/Action

RESOLUTION –Polling Places; temporary relocation of multiple precincts for the May 5, 2026 Special Election

Mr. Swope explained that ISD called for a special election, and with short notice the schools cannot relocate students, and regular polling places are not available, and concerns with security. The relocations are the nearest workable in the same area.

Council Member Pehlivanoglu asked Mr. Swope what are the chances of this being permanent in the future. Mr. Swope stated they are looking to reduce the footprint in the district, and always working to change for viable alternatives. At this time, he could not speak to if these specific moves would be a permanent move, they continue to look at other options for future elections if they need to.

MOTION BY COUNCIL MEMBER PEHLIVANOGLU TO APPROVE THE RESOLUTION APPROVING THE TEMPORARY RELOCAITON OF MULTIPLE PRECINCTS FOR MAY 2026 SPECIAL ELECTION. MOTION CARRIED 8-0.

RESOLUTION – Noise Special Permit; Hoffman Bros. Inc. request to allow for Combined Sewer Overflow (CSO) 019 Project within the project area and on major streets; W. Oakland Ave., N. Walnut Street, N Seymour Ave. N Capitol Ave and N Washington Avenue

Mr. Jones stated he did review the public hearing meeting video and saw no comments. This project will begin March 2nd, with first Saturday request for March 7th and this project includes complicated sewer work, and they are asking for Saturdays to shorten the duration of all the construction and significant traffic challenges.

MOTION BY COUNCIL MEMBER PEHLIVANOGLU TO APPROVE THE RESOLUTION TO APPROVE THE NOISE SPEICAL PERMIT FOR CSO 019 PROJECT. MOTION CARRIED 8-0.

RESOLUTION – Noise Special Permit; Hoffman Bros. Inc. request to allow for Combined Sewer Overflow (CSO) 016/017 Project within the project area and on major streets; E. North Street and Turner Rd.

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Mr. Jones stated this project is similar, north Old Town area, and this project has been delayed mostly with negotiations with CSX, so Saturday work would allow them to act on it and wrap up the project as soon as possible.

MOTION BY COUNCIL MEMBER PEHLIVANOGLU TO APPROVE THE RESOLUTION TO APPROVE THE NOISE SPECIAL PERMIT FOR CSO 016/017 PROJECT. MOTION CARRIED 8-0.

PLACE ON FILE– Lansing Entertainment and Public Facilities Authority (LEPFA) Report on Financial Statements, Fiscal Year 2024-2025

MOTION BY COUNCIL MEMBER PEHLIVANOGLU TO PLACE ON FILE. MOTION CARRIED 8-0.

RESOLUTION – Request to Add Outside Counsel to Represent the City’s Retirement Systems; Robbins Geller Rudman and Dowd LLP

Mr. Venker referred to the memo in the packet, and summarized that the pension systems have invested in a security F5 stock, and there is allegations that they misrepresented, and so there is share holder derivative action. The total estimated losses is \$300,000 combined, and the City has been selected as lead plaintiff. This firm is on contract to look for these cases, and in this case the City wants this firm to represent. They boards have authorized this, but this firm is not on the outside counsel list, and he is recommended adding them to the list.

Council Member Garza had nothing to add as a member of the retirement boards.

MOTION BY COUNCIL MEMBER PEHLIVANOGLU TO APPROVE THE RESOLUTION TO APPROVE THE OUTSIDE COUNSEL OF ROBBINS GELLER RUDMAN AND DOWN LLP FOR THE CITY RETIREMENT SYSTEMS. MOTION CARRIED 8-0.

OTHER

CLOSED SESSION

MOTION BY COUNCIL MEMBER PEHLIVANOGLU THAT Pursuant to MCL 15.268(c), City Council will move into closed session at 6:01 p.m. for strategy and negotiation sessions connected with the negotiation of a collective bargaining agreement between the City of Lansing and Teamsters Local 243 Supervisory and CTP Units, as requested by the City. The following employees will be included; Elizabeth O’Leary and Dennis Parker.

ROLL CALL VOTE, MOTION CARRIED 8-0.

RECONVENE

Council President Spadafore reconvened the meeting at 6:20 p.m.

RESOLUTION – Ratification of the Collective Bargaining Agreement (CBA) between the City of Lansing and Teamsters Local 243 Clerical, Technical, and Profession Units as requested by the City

MOTION BY COUNCIL MEMBER PEHLIVANOGLU TO APPROVE THE RESOLUTION FOR THE RATIFICATION OF THE CBA FOR LOCAL 243 CLERICAL TECHNICAL AND PROFESSIONAL UNITS.

Council Member Pehlivanoglu summarized the changes including boot allowance, salary increases of 3%, edits to training and required certifications, and clerical changes.

MOTION CARRIED 8-0.

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RESOLUTION – Ratification of the Collective Bargaining Agreement (CBA) between the City of Lansing and Teamsters Local 243 Supervisory Units as requested by the City
MOTION BY COUNCIL MEMBER PEHLIVANOGLU TO APPROVE THE RESOLUTION FOR THE RATIFICATION OF THE CBA FOR LOCAL 243 SUPERVISORY UNITS.

Council Member Pehlivanoglu summarized the changes similar to the previous CBA.

MOTION CARRIED 8-0.

Adjourn

The meeting adjourned at: 6:22 pm

Respectfully Submitted by,

Sherrie Boak, Recording Secretary, Lansing City Council

Approved by the Committee

Agenda Item 4. Presentations
B. Elected Officers Compensation Commission Process

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Application for Appointment to Board or Commission

Thank you for your interest in serving on a Lansing Board, Commission, or Committee.

Certain boards, commissions, or committees require appointees to be a registered elector in the City of Lansing (Charter Section 2-102) and be a resident of Lansing for one year prior to taking office (Charter Section 2-102).

Appointees to every board, commission, or committee must not be in default to the City at the time of taking office (Charter Section 2-103.2).

Lansing City Charter, Section 5-104, Ineligibility For Boards, restricts certain City employee activities on some boards: "No person holding another City office or activity employed by the City shall be eligible to be a voting member on any board."

Date	01/30/2025
First Name	Caitlin
Last Name	O'Rourke
Date of Birth	[REDACTED]
Home Address	425 Everett Drive
City	Lansing
State	MI
Zip Code	48915
Email	orourkecc@gmail.com
Gender	[REDACTED]
If you don't know which ward you live in, visit the Lansing Neighborhoods Ward Map and type in your address to find out!	
Ward	Ward 4
Precinct	37
Best Phone Number to Contact You	[REDACTED] 4
In what year did you move to Lansing?	1986
Additional Information Regarding Experience and Credentials	I've lived in Lansing for the majority of my life and I've dealt with City Government up close and I've experienced various departments. I feel that I understand city operations more than the average citizen and I think that gives me a unique perspective.

Occupational Background	Vice President of Capitol Fundraising Associates, Operations and Compliance Director for Committee to Protect Health Care, Senior Advisor at Great Lakes Political Academy, and independent contractor.
Educational Background	J.W. Sexton High School Grand Valley State University
Are you a current City of Lansing or Lansing Board of Water and Light employee?	Yes
Current Appointments	Potter Park Zoo Board
First Choice for Board to Serve on	Elected Officers Compensation Commission
Please comment briefly on why you wish to serve on a particular board or commission. Please be specific as to your goals and ideas about how you wish to contribute to the work of the board or commission.	I've lived in Lansing for the majority of my life and I've dealt with City Government up close and I've experienced various departments. I feel that I understand city operations more than the average citizen and I think that gives me a unique perspective.
Qualifications and Eligibility – At this time, if you do not meet one or more of the qualifications or eligibility requirements listed at the top, please state here the requirement to be met and explain how you will be qualified or eligible before you would be sworn in to an appointed office.	I currently meet all requirements for eligibility.
<p>This certification is not required but may impact potential consideration of the appointment being sought. I authorize the use of the information provided above to conduct a background search, including but not limited to criminal history, residency, and indebtedness to the City of Lansing. If selected to serve, I further authorize additional background checks during the term of my service to ensure the required criteria continue to be met. I also acknowledge that I have the affirmative duty to inform the City if I become aware of any change or condition in my status that fails to meet the required criteria.</p>	
Agreement to Background Check Authorization	<ul style="list-style-type: none"> I agree
Please type your name in this box to signify that you can serve on a board or commission and the information in this application is accurate to the best of your knowledge.	Caitlin O'Rourke
Date & Time	01/31/2026 12:48 PM (EST)
Receive an email copy of this form.	Yes



Lansing Board of Water and Light
P.O. Box 13007
1201 S. Washington Ave.
Lansing, MI 48912

Electronic Delivery

November 21, 2025

Chris Swope, City Clerk
City of Lansing
124 W. Michigan Avenue, 9th Floor
Lansing, MI 48933

RE: Annual Audit for Fiscal Year Ending June 30, 2025

Dear Mr. Swope:

Attached please find the Board of Water and Light's electronic consolidated Audited Financial Statements for the fiscal year ending June 30, 2025.

Respectfully submitted,

LaVella J. Todd
Corporate Secretary

PDF Attachment

Electronic Copy:

Andy Schor, Mayor City of Lansing
Dick Peffley, General Manager
Heather Shawa, Assistant General Manager
LBWL Commissioners
Lansing City Council President, Ryan Kost, and Councilmembers
Charles Randall, City of Lansing Internal Auditor



Lansing Board of Water & Light - City of Lansing, Michigan

**Financial Report
With Additional Information
June 30, 2025 and 2024**

Lansing Board of Water & Light - City of Lansing, Michigan

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June 30, 2025 and 2024

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Independent Auditors' Report

To the Honorable Mayor, Members of the City Council and Commissioners of
Lansing Board of Water and Light

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the business-type activities and fiduciary activities of the Lansing Board of Water and Light (BWL), as of and for the years ended June 30, 2025 and 2024, and the related notes to the financial statements, which collectively comprise the BWL's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and fiduciary activities of the BWL as of June 30, 2025 and 2024, and the changes in financial position and, where applicable, cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the BWL and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions. The financial statements of the fiduciary activities were not audited in accordance with *Government Auditing Standards*.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the BWL's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the BWL's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the BWL's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audits were conducted for the purpose of forming opinions on the basic financial statements as a whole. The supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 3, 2025 on our consideration of the BWL's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the BWL's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the BWL's internal control over financial reporting and compliance.

Baker Tilly US, LLP

Madison, Wisconsin
October 3, 2025

This section explains the general financial condition and results of operations for the Lansing Board of Water & Light (BWL). The BWL includes the consolidated operations of the electric, water, steam and chilled water utilities. The notes to financial statements following this section are essential reading for a complete understanding of the financial and operational results for the years ended June 30, 2024 and 2025.

Overview of Business

The BWL owns and operates an electric system which generates, purchases and distributes electric energy to approximately 99,600 retail customers in the greater Lansing area, and wholesale customers through participation in the Midcontinent Independent System Operator, Inc. (MISO), which is BWL's regional electric grid. The BWL generated 60% of its retail and wholesale sales from existing generation assets. Additional electric generation was supplied through BWL's membership in the Michigan Public Power Agency, which includes BWL's partial ownership of Detroit Edison's Belle River Plant, through MISO, and renewable energy purchase power agreements. The BWL maintains a diversified generation portfolio which includes wind and solar. The combination of current and planned renewable energy generation puts BWL on a path to meet state legislative requirements of 50% renewable energy by 2030 as well as move towards its own internal goal of carbon neutrality by 2040.

The BWL owns and operates water wells, a raw water transmission system, water conditioning facilities and an extensive water distribution system serving potable water to approximately 58,100 residential, commercial and industrial customers in the greater Lansing area.

The BWL owns and operates steam generation boilers, a steam transmission and distribution system serving 139 customers. The BWL's chilled water facility and distribution system serves 19 customers in the City of Lansing.

Capital Expenditures

Capital expenditures are driven by the need to replace, expand, or maintain the generation, transmission, and distribution systems of the BWL to meet customer utility needs and to maintain a high level of service reliability. The BWL invests essentially all revenues not paid out for operations and maintenance expense, nonoperating expenses, or debt service back into capital improvements for its water, electric, steam and chilled water systems. Gross capital expenditures were \$202.8 million in fiscal year 2025, \$191.3 million in fiscal year 2024 and \$112.2 million in fiscal year 2023.

The BWL generally pays the cost of its capital improvements from internally generated funds; however, revenue bonds are issued from time to time to support large projects or special needs, such as construction of generation facilities.

Detailed financial information for the separate utilities of water, electric, steam and chilled water can be found in the Supplemental Information section of this financial report.

Lansing Board of Water & Light - City of Lansing, Michigan

Management's Discussion and Analysis

June 30, 2025 and 2024

Condensed Financial Information (Dollars in Millions)

	As of June 30			% Change 2024 to 2025	% Change 2023 to 2024
	2025	2024	2023		
Assets					
Utility plant	\$ 1,398.3	\$ 1,273.9	\$ 1,183.3	% 9.8	% 7.7
Current assets	373.5	340.3	306.2	9.8	11.1
Other assets	311.5	426.7	167.0	(27.0)	155.5
Total assets	2,083.3	2,040.9	1,656.5	2.1	23.2
Deferred outflow of resources	19.7	11.8	26.8	66.9	(56.0)
Liabilities					
Long-term liabilities	1,187.2	1,167.3	824.4	1.7	41.6
Other liabilities	148.5	141.5	113.9	4.9	24.2
Total liabilities	1,335.7	1308.9	938.3	2.0	39.5
Deferred inflow of resources	16.9	21.0	32.1	(19.5)	(34.6)
Net position					
Net investment in capital assets	408.9	389.6	381.4	5.0	2.1
Restricted for debt service	70.1	80.0	48.1	(12.4)	66.3
Restricted for pension	8.7	6.5	5.0	32.3	30.0
Restricted for OPEB	80.3	85.0	74.6	(5.5)	13.9
Unrestricted	182.5	161.7	203.7	12.9	(20.6)
Net position	\$ 750.5	\$ 722.8	\$ 712.9	% 3.8	% 1.4

Capital expenditures in FY2025 exceeded depreciation, impairments and retirements thereby increasing Utility plant assets by \$124.4 million. Current Assets increased by \$33.2 million primarily due to an increase in cash and investments, Other Assets decreased by \$115.2 million primarily due to drawdown of 2024A revenue bonds fund. Deferred Outflows increased by \$7.9 million primarily due to higher projected healthcare costs for the OPEB retirement plan. Total liabilities increased by \$26.8 million primarily driven by a higher environmental remediation liability. Deferred Inflows decreased by \$4.1 million primarily due to changes of assumptions within the OPEB retirement plan.

Capital expenditures in FY2024 exceeded depreciation, impairments and retirements thereby increasing Utility plant assets by \$90.6 million. Current Assets increased by \$34.1 million primarily due to funding of 2024A bonds capitalized interest and cash recovery associated with fuel and environmental remediation costs. Other Assets increased by \$259.7 million primarily due to issuance of 2024A bonds. Deferred Outflows decreased by \$15.0 million primarily due to higher investment returns on OPEB retirement plan. Total liabilities increased by \$370 million driven by the 2024A series bond issuance. Deferred Inflows decreased by \$11.1 million primarily due to amortization of prior changes within the OPEB retirement plan.

	For the Year Ended June 30			% Change 2024 to 2025	% Change 2023 to 2024
	2025	2024	2023		
Result of operations					
Operating revenue	\$ 468.4	\$ 417.4	\$ 448.9	% 12.2	% (7.0)
Operating expense	415.4	387.9	406.2	7.1	(4.5)
Nonoperating expense - net	(25.4)	(19.6)	(26.6)	29.6	(26.3)
Changes in net position	\$ 27.6	\$ 9.9	\$ 16.1	% 178.8	% (38.5)

Lansing Board of Water & Light - City of Lansing, Michigan

Management's Discussion and Analysis

June 30, 2025 and 2024

The \$51.0 million increase in FY2025 operating revenue is primarily driven by increases in electric wholesale as a result of higher market prices and sales volume. The \$27.5 million increase in FY2025 operating expense is attributable primarily to increased fuel costs of \$23.3 million, increased administrative and general costs of \$4.9 million, and increased Return on Equity of \$2.0 million, offset by decreased operational and maintenance costs of \$2.7 million.

The \$31.5 million decrease in FY2024 operating revenue is primarily driven by decreases in electric wholesale as a result of decreased market prices and sales volume. The \$18.3 million decrease in FY2024 operating expense is attributable primarily to the net result of decreased fuel costs of \$33.9 million, increased administrative and general costs of \$9.7 million and increased transmission and distribution costs of \$5.9 million.

Budget

The BWL Commissioners approved a \$338.5 million operating expense budget (excluding depreciation and Return on Equity) for FY2025. Actual expenses (excluding depreciation and Return on Equity) were \$318.9 million. The capital expenditure budget, net of customer contributions in aid of construction, was \$187.6 million for FY2025, and actual net capital expenditures were \$195.7 million.

Financing Activities

During 2023, the BWL was authorized to issue \$32,220,000 of Drinking Water State Revolving Fund (DWSRF) revenue bonds, of which the first \$20,000,000 is eligible for principal forgiveness. As of June 30, 2025, \$28,590,875 has been drawn down. The total amount the BWL expects to be financed by project completion or upon disbursement of the total authorized amount is \$12,220,000. The total amount to be repaid as of June 30, 2025 is \$8,590,875.

In January of 2024, \$364,625,000 of Utility System Revenue and Revenue Refunding Bonds, Series 2024A, were issued for the purposes of paying costs for system improvements, capitalized interest, tendering a portion of 2019B bonds, and refunding a portion of 2013A bonds.

Contacting Management

The financial report is intended to provide a general overview of the BWL's finances and to demonstrate accountability for the funds it administers. Questions about this report should be submitted to Lansing Board of Water and Light, P.O. Box 13007, Lansing, Michigan 48901-3007.

Lansing Board of Water & Light - City of Lansing, Michigan

Statements of Net Position
June 30, 2025 and 2024

	2025	2024
Assets		
Current Assets		
Restricted cash and investments (Notes 2 and 3)	\$ 92,638,741	\$ 101,353,712
Cash and investments (Notes 1 and 2)	90,782,942	50,954,526
Designated cash and investments (Notes 1 and 2)	94,430,067	89,256,997
Accounts receivable, net (Note 1)	49,175,782	50,807,763
Estimated unbilled accounts receivable (Note 1)	22,768,968	23,567,761
Inventories (Note 1)	20,102,028	18,423,558
Prepayments (Note 1)	3,654,910	5,963,382
	<u>373,553,438</u>	<u>340,327,699</u>
Total current assets		
Other Assets		
Restricted assets:		
Net pension asset (Note 8)	8,646,252	6,479,599
Net OPEB asset (Note 8)	80,308,338	84,992,538
Restricted cash and investments (Notes 2 and 3)	144,247,959	259,946,436
Recoverable environmental remediation (Note 6)	52,492,879	20,853,276
Recoverable energy asset (Note 6)	5,858,054	26,154,048
Special deposit (Note 1)	17,644,728	25,230,262
Other (Note 1)	2,274,002	3,080,515
	<u>311,472,212</u>	<u>426,736,674</u>
Total other assets		
Utility Plant (Notes 1 and 4)		
Water	396,343,074	380,759,488
Electric	1,334,862,264	1,278,077,851
Steam	101,724,692	100,366,159
Chilled water	34,105,305	34,105,305
Common facilities	139,081,975	131,931,308
	<u>2,006,117,310</u>	<u>1,925,240,111</u>
Total plant in service		
Less accumulated depreciation	852,321,134	793,981,863
	<u>1,153,796,176</u>	<u>1,131,258,248</u>
Net plant in service		
Construction in progress	244,531,511	142,601,832
	<u>1,398,327,687</u>	<u>1,273,860,080</u>
Total utility plant		
Total assets		
	<u>2,083,353,337</u>	<u>2,040,924,453</u>
Deferred Outflows of Resources		
Bond refunding loss being amortized (Note 1)	1,456,198	1,703,891
Pension deferred outflows (Note 8)	-	204,912
OPEB deferred outflows (Note 8)	18,300,807	9,881,923
	<u>19,757,005</u>	<u>11,790,726</u>
Total deferred outflows of resources		

See notes to financial statements

Lansing Board of Water & Light - City of Lansing, MichiganStatements of Net Position
June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Liabilities and Net Position		
Current Liabilities		
Accounts payable	\$ 96,242,700	\$ 88,906,185
Accrued payroll and related taxes	5,171,456	6,514,032
Customer deposits	3,354,208	3,521,026
Accrued compensated absences (Note 1)	6,920,515	6,581,232
Accrued interest	58,984	57,774
Current portion of long-term debt (Note 5)	766,153	777,438
Current liabilities payable from restricted assets:		
Current portion of long-term debt (Note 5)	13,495,000	13,890,000
Accrued interest	22,529,392	21,298,139
	<u>148,538,408</u>	<u>141,545,826</u>
Compensated Absences, Net of Current Portion (Note 1)	<u>7,018,163</u>	<u>7,730,937</u>
Other Long-Term Liabilities		
Workers' compensation (Note 12)	1,700,000	2,200,000
Environmental remediation liability (Note 9)	46,056,766	16,098,612
Arbitrage rebate requirement (Notes 4 and 12)	4,403,955	-
Other	6,417,042	9,320,770
	<u>58,577,763</u>	<u>27,619,382</u>
Long-Term Debt, Net, Less Current Portion (Note 5)	1,121,605,301	1,131,994,669
	<u>1,335,739,635</u>	<u>1,308,890,814</u>
Deferred Inflows of Resources		
Revenue intended to cover future costs (Note 6)	4,398,098	6,343,647
Pension deferred inflows (Note 8)	744,696	-
OPEB deferred inflows (Note 8)	11,770,821	14,634,723
	<u>16,913,615</u>	<u>20,978,370</u>
Net Position (Note 1)		
Net investment in capital assets	408,931,543	389,625,738
Restricted for debt service	70,109,349	80,055,573
Restricted for pension	8,646,252	6,479,599
Restricted for OPEB	80,308,338	84,992,538
Unrestricted	182,461,610	161,692,547
	<u>750,457,092</u>	<u>722,845,995</u>
Total net position	<u>\$ 750,457,092</u>	<u>\$ 722,845,995</u>

See notes to financial statements

Lansing Board of Water & Light - City of Lansing, Michigan

Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2025 and 2024

	2025	2024
Operating Revenues (Note 1)		
Water	\$ 61,455,925	\$ 55,757,309
Electric	385,524,610	341,976,263
Steam	14,691,575	12,785,927
Chilled water	6,775,779	6,915,341
	<hr/>	<hr/>
Total operating revenues	468,447,889	417,434,840
Operating Expenses		
Production:		
Fuel, purchased power and other operating expenses	162,042,369	138,777,452
Maintenance	21,288,260	22,732,499
Transmission and distribution:		
Operating expenses	13,841,237	14,757,338
Maintenance	23,522,155	23,933,835
Administrative and general	98,253,370	93,398,015
Return on equity (Note 7)	28,057,140	26,028,591
Depreciation (Note 1)	68,414,785	68,302,725
	<hr/>	<hr/>
Total operating expenses	415,419,316	387,930,455
	<hr/>	<hr/>
Operating income	53,028,573	29,504,385
Nonoperating Income (Expenses)		
Investment income	18,181,899	14,264,806
Other expense	(2,323,228)	(1,480,080)
Bonded debt interest expense	(40,773,265)	(32,361,141)
Other interest expense	(502,882)	(35,748)
	<hr/>	<hr/>
Total nonoperating income (expenses), net	(25,417,476)	(19,612,163)
	<hr/>	<hr/>
Net income (changes in net position)	27,611,097	9,892,222
	<hr/>	<hr/>
Net Position, Beginning	722,845,995	712,953,773
	<hr/>	<hr/>
Net Position, Ending	\$ 750,457,092	\$ 722,845,995
	<hr/> <hr/>	<hr/> <hr/>

See notes to financial statements

Lansing Board of Water & Light - City of Lansing, Michigan

Statements of Cash Flows

Years Ended June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Cash Flows From Operating Activities		
Cash received from customers	\$ 486,405,880	\$ 413,044,418
Cash paid to suppliers	(223,267,028)	(206,579,720)
Cash paid to employees	(92,865,169)	(77,075,359)
Return on equity (Note 7)	(28,057,140)	(26,028,591)
Cash from customer deposits	(166,818)	(2,102,068)
Other interest expense	(475,376)	(35,748)
Net cash flows from operating activities	<u>141,574,349</u>	<u>101,222,932</u>
Cash Flows From Capital and Related Financing Activities		
Planned, bonded, and annual construction	(190,030,684)	(142,913,213)
Principal payments on debt	(14,667,438)	(14,004,724)
Proceeds from new borrowings net of premium received	8,590,875	360,835,763
Principal payments on subscription-based IT arrangements	(3,425,213)	(3,538,950)
Interest on debt	(44,012,199)	(29,463,795)
Net cash flows from capital and related financing activities	<u>(243,544,659)</u>	<u>170,915,081</u>
Cash Flows From Investing Activities		
Proceeds from the sale and maturity of investments	171,911,917	99,919,225
Interest received	16,679,975	10,315,739
Purchase of investments	(38,566,382)	(270,547,587)
Net cash flows from investing activities	<u>150,025,510</u>	<u>(160,312,623)</u>
Net change in cash and cash equivalents	48,055,200	111,825,390
Cash and Cash Equivalents, Beginning	<u>204,968,623</u>	<u>93,143,233</u>
Cash and Cash Equivalents, Ending	<u>\$ 253,023,823</u>	<u>\$ 204,968,623</u>

See notes to financial statements

Lansing Board of Water & Light - City of Lansing, Michigan

Statements of Cash Flows

Years Ended June 30, 2025 and 2024

	2025	2024
Reconciliation of Cash and Cash Equivalents to		
Statement of Net Position		
Restricted cash and investments	\$ 92,638,741	\$ 101,353,712
Cash and investments	90,782,942	50,954,526
Designated cash and investments	94,430,067	89,256,997
Noncurrent restricted cash and investments	144,247,959	259,946,436
	<hr/>	<hr/>
Total cash and investments	422,099,709	501,511,671
Less noncash investments	(169,075,886)	(296,543,048)
	<hr/>	<hr/>
Cash and cash equivalents, ending	<u>\$ 253,023,823</u>	<u>\$ 204,968,623</u>
Reconciliation of Operating Income to Net Cash		
From Operating Activities		
Operating income	\$ 53,028,573	\$ 29,504,385
Adjustments to reconcile operating income to net cash from operating activities:		
Other nonoperating	(3,636,927)	(2,813,134)
Depreciation	68,414,785	68,302,725
Sewerage collection fees	1,313,699	1,333,054
Other interest expenses	(475,376)	(35,748)
Decrease (increase) in assets:		
Accounts receivable (Note 1)	1,631,981	(7,696,106)
Unbilled accounts receivable (Note 1)	798,793	(1,199,620)
Inventories	(1,678,470)	1,301,532
Other postemployment benefits asset and deferrals	(6,598,586)	(11,793,398)
Special deposit	7,585,534	6,103,761
Net pension asset	(2,166,653)	(1,470,501)
Prepayments	2,301,378	(852,225)
Regulatory asset	(31,639,603)	(913,318)
(Decrease) increase in liabilities and deferred outflows/inflows of resources:		
Accounts payable and other accrued expenses	34,905,621	13,570,246
Customer deposits	(166,818)	(2,102,068)
Net pension asset deferrals	949,608	1,431,149
Deferred inflows, energy cost adjustments	18,350,445	5,985,384
Other	(1,343,635)	2,566,814
	<hr/>	<hr/>
Total adjustments	88,545,776	71,718,547
	<hr/>	<hr/>
Net cash provided by operating activities	<u>\$ 141,574,349</u>	<u>\$ 101,222,932</u>
Noncash Capital and Financing Activities		
Increase (decrease) in noncash investment valuations	<u>\$ 5,878,373</u>	<u>\$ 3,949,067</u>
Subscription-based IT arrangements	<u>\$ 751,683</u>	<u>\$ -</u>
Amortization of bond premium	<u>\$ 4,471,397</u>	<u>\$ 3,757,493</u>
Bond proceeds placed directly to escrow in refunding	<u>\$ -</u>	<u>\$ 45,634,991</u>

See notes to financial statements

Lansing Board of Water & Light - City of Lansing, Michigan

Statements of Fiduciary Net Position -

Pension and OPEB Trust Funds

June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Assets		
Receivable, investment interest receivable	\$ 815,712	\$ 14,641
Participant notes receivable	3,422,732	3,532,182
Cash and cash equivalents	25,768,448	28,368,369
Investments at fair value:		
Mutual funds, bonds	100,482,077	96,482,199
Mutual funds, equity	364,809,221	333,580,797
Real estate trust investment	40,244,890	42,233,893
Self-directed brokerage account:		
Equity securities/stocks	18,377,421	12,507,716
Certificates of deposit (negotiable)	-	100,039
Mutual funds, equity	827,483	598,099
	<u>554,747,984</u>	<u>517,417,935</u>
Total assets		
Liabilities		
Trade payable, due to broker/other	812,171	317,309
Reimbursement for benefits paid by employer	5,011,279	2,448,357
	<u>5,823,450</u>	<u>2,765,666</u>
Net position, held in trust for pension and other employee benefits	<u>\$ 548,924,534</u>	<u>\$ 514,652,269</u>

See notes to financial statements

Lansing Board of Water & Light - City of Lansing, Michigan

Statements of Changes in Fiduciary Net Position -

Pension and OPEB Trust Funds

Years Ended June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Increases		
Investment income:		
Net appreciation in fair value of investments	\$ 45,644,769	\$ 44,546,231
Interest and dividend income	10,024,968	9,769,087
	<hr/>	<hr/>
Net investment income	55,669,737	54,315,318
Employer contributions	9,032,259	9,500,292
Interest from participant notes receivable	226,953	189,210
Other	480,908	269,948
	<hr/>	<hr/>
Total increases	65,409,857	64,274,768
Decreases		
Retiree benefits paid	30,021,653	27,701,902
Loan defaults	412,246	331,152
Participants' note and administrative fees	703,693	539,761
	<hr/>	<hr/>
Total decreases	31,137,592	28,572,815
Change in net position held in trust	34,272,265	35,701,953
Net Position Held in Trust for Pension and Other Employee Benefits		
Beginning	<hr/> 514,652,269	<hr/> 478,950,316
Ending	<hr/> <hr/> \$ 548,924,534	<hr/> <hr/> \$ 514,652,269

See notes to financial statements

1. Significant Accounting Policies

The following is a summary of the significant accounting policies used by the Lansing Board of Water & Light (BWL):

Reporting Entity

The BWL, a related organization of the City of Lansing, Michigan (City), is an administrative board established by the City Charter. The City Charter grants the BWL full and exclusive management of the electric, water, steam and chilled water services of the City. The commissioners of the governing board are appointed by the mayor with approval of the City Council. The BWL provides water, steam, chilled water and electric services to the City and surrounding townships. The governing board (Board of Commissioners) has the exclusive authority to set rates for the services provided. The financial statements include the financial activities of the electric, water, steam and chilled water operations of the BWL. The financial statements also include the financial activities of the BWL Pension and OPEB Trust Funds. The BWL is exempt from taxes on income because it is a municipal entity.

Fund Accounting

The BWL accounts for its activities in two different fund types. In order to demonstrate accountability for how it has spent certain resources, separate funds allow the BWL to show the particular expenditures that specific revenues were used for. The funds are aggregated into two fund types:

Enterprise funds provide goods or services to users in exchange for charges or fees.

Fiduciary funds:

1. The Lansing Board of Water and Light Defined Contribution Plan and Trust 1 and Lansing Board of Water and Light Defined Benefit Plan and Trust for Employees' Pensions, which accumulate resources for benefit payments to participants.
2. The Postretirement Benefit Plan and Trust for Eligible Employees of Lansing Board of Water and Light, a Voluntary Employees' Beneficiary Association (VEBA), which accumulates funds for future payment of retiree benefits.

Basis of Accounting

Enterprise funds and fiduciary funds use the economic resources measurement focus and the full accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. In addition, the utilities meet the criteria and, accordingly, on July 1, 2012, the BWL adopted the accounting and reporting requirements of GASB 62, paragraphs 476-500.

The BWL continues to follow the accounting and reporting requirements of GASB 62, paragraphs 476-500, which require that the effects of the ratemaking process be recorded in the financial statements. Such effects primarily concern the time at which various items enter into the determination of net income in order to follow the principle of matching costs and revenues. Accordingly, the BWL records various regulatory assets and deferred inflows and outflows of resources to reflect the regulator's actions (see Note 6). Management believes that the BWL meets the criteria for continued application of GASB 62 paragraphs 476-500 but will continue to evaluate its applicability based on changes in the regulatory and competitive environment.

System of Accounts

The BWL's accounts are maintained substantially in accordance with the Uniform Systems of Accounts of the Federal Energy Regulatory Commission for its electric and steam systems and in accordance with the Uniform Systems of Accounts of the National Association of Regulatory Utility Commissioners for the water and chilled water systems. The chart of accounts dictates how the BWL classifies revenue and expense items in the statement of revenues, expenses and changes in net position as operating and nonoperating.

Rate Matters

Rates charged to customers are established solely by the governing board. The BWL has agreed to set rates sufficient to meet certain requirements of the bond resolutions for the outstanding revenue bonds.

Operating Classification

Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the principal ongoing operations. The principal operating revenues are charges to customers for sales and services. Operating expenses include the cost of sales and services, administrative expenses, return on equity and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Report Presentation

This report includes the fund-based statements of the BWL. In accordance with government accounting principles, a government-wide presentation with program and general revenues is not applicable to special purpose governments engaged only in business-type activities.

In June 2022, the GASB issued Statement No. 101, *Compensated Absences*. This Statement requires that liabilities for compensated absences be recognized in financial statements prepared using the economic resources measurement focus for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. This standard was implemented July 1, 2024. The prior year impact of the standard was not considered material to the financial statements, therefore the prior year balances were not adjusted for the change.

Specific Balances and Transactions

Cash and Cash Equivalents

The BWL considers demand deposits and current restricted funds, which consist of cash and highly liquid investments with an original maturity of 90 days or less, as cash and cash equivalents for financial statement purposes.

Investments are stated at fair value, which is the amount at which an investment could be exchanged in a current transaction between two willing parties. Fair values are based on methods and inputs as discussed in Note 2. Adjustments necessary to record investments at fair value are recorded in the operating statement as increases or decreases in investment income. Fair values may have changed significantly after year end.

Lansing Board of Water & Light - City of Lansing, Michigan

Notes to Financial Statements
June 30, 2025 and 2024

Designated Cash and Investments

The BWL has established special purpose funds designated to meet anticipated operating requirements. In addition, BWL management has established a future construction fund designated to meet future construction requirements. These funds consist principally of securities issued or backed by the government of the United States or its agencies, including but not limited to treasury notes and bonds, and are segregated as follows:

	Carrying Value	
	2025	2024
Designated purpose:		
Litigation, environmental and uninsured losses	\$ 22,091,779	\$ 20,876,509
Future water facilities	4,459,209	4,211,679
Subtotal	26,550,988	25,088,188
Special purpose, future construction	67,879,079	64,168,809
Total	<u>\$ 94,430,067</u>	<u>\$ 89,256,997</u>

Accounts Receivable

Accounts receivable are stated at net invoice amounts. A general valuation allowance is established based on an analysis of the aged receivables and historical loss experience. All amounts deemed to be uncollectible are charged to expense in the period that determination is made. Accounts receivables are not deemed uncollectible until they are approximately 425 days past due and have remained completely unpaid throughout the BWL's collection policy. The components of accounts receivable for 2025 and 2024 are as follows:

	2025	2024
Customer receivables	\$ 32,060,580	\$ 29,571,916
Sewerage collections	2,805,555	2,728,219
Wholesale sales receivables	4,174,924	4,613,189
Grant receivables	4,999,576	6,197,388
Refundable deposit	-	6,103,762
Miscellaneous	7,635,147	4,593,289
Less allowance for doubtful accounts	<u>(2,500,000)</u>	<u>(3,000,000)</u>
Net	<u>\$ 49,175,782</u>	<u>\$ 50,807,763</u>

Unbilled Accounts Receivable and Revenue

Unbilled accounts receivable at June 30, 2025 and 2024 represent the estimated amount of accounts receivable for services that have not been billed as of the statement of net position date. The amounts are a result of a timing difference between the end of the financial statement cycle (month end) and the billing cycle (various dates within the month for each billing period). Accordingly, the current year revenue from customers whose billing period ends after June 30 for services rendered prior to July 1 will be recognized in the current period.

Lansing Board of Water & Light - City of Lansing, Michigan

Notes to Financial Statements
June 30, 2025 and 2024

Special Deposit

In 2018, the BWL contracted with Consumer's Energy to install a new gas pipeline. Under the terms of the contract, the BWL was expected to make installment payments totaling up to \$52,000,000 throughout the construction period. Based on usage of the new pipeline, the BWL is eligible to recover all but \$10,000 of the installment payments. The BWL has made installment payments totaling \$46,280,000. During 2025 and 2024, the BWL recovered \$7,585,534 and \$6,103,762, respectively, back due to pipeline usage. The BWL estimates it will recover the remaining installment payments based on expected usage. The long-term other asset for the Consumer's Energy deposit recorded was \$17,603,563 in 2025 and \$25,189,097 in 2024. The BWL has \$41,165 of miscellaneous other deposits as of June 30, 2025 and 2024.

Inventories

Inventories are stated at weighted average cost and consist of the following at June 30:

	<u>2025</u>	<u>2024</u>
Gas	\$ 2,168,849	\$ 1,225,790
Materials and supplies	17,933,179	17,197,768
Total	<u>\$ 20,102,028</u>	<u>\$ 18,423,558</u>

Prepayments

Prepayments relate to advanced payments on goods or services that will be consumed in future periods.

Utility Plant

The utility plant is stated on the basis of cost, which includes expenditures for new facilities and those which extend the useful lives of existing facilities and equipment. Expenditures for normal repairs and maintenance are charged to maintenance expense as incurred. Capital assets are generally defined as assets with an initial, individual cost of more than \$5,000 and an estimated life in excess of one year.

Depreciation

Depreciation of the utility plant is computed using the straight-line method based on estimated useful lives. The resulting provisions for depreciation in 2025 and 2024, expressed as a percentage of the average depreciable cost of the related assets, are as follows:

	<u>Life (Years)</u>	<u>Average Rate (Percent)</u>	
		<u>2025</u>	<u>2024</u>
Classification of utility plant:			
Water	4-100	2.0	2.0
Electric	4-50	3.5	3.6
Steam	5-50	2.9	2.8
Chilled water	5-50	2.2	3.4
Common facilities	2-50	5.3	6.9

When units of property are retired, their costs are removed from the utility plant and charged to accumulated depreciation.

Accrued Compensated Absences

The BWL records liabilities that are attributable to services already rendered and that are not contingent on a specific event that is outside the control of the BWL and its employees, such as FMLA, Bereavement, or Jury Duty. This liability is accrued as employees earn the rights to such benefits. A portion of the current liability is included in accrued payroll for earned and used but unpaid vacation and sick time. The BWL estimates the total current and noncurrent portions of the accrued compensated absence liability to be \$13,938,678 and \$14,312,169 as of June 30, 2025 and 2024, respectively.

Capital Contributions

Capital contributions represent nonrefundable amounts received for the purpose of construction for the utility plant. These contributions are from third parties, including amounts from customers, grant programs and insurance proceeds from damage. Electric, water, steam and chilled water contributions are credited against the related assets or recorded as a separate regulatory deferred inflow of resources and will offset the depreciation of the related assets over the estimated useful lives. This treatment is consistent with the BWL's ratemaking policy and is thus permitted under GASB 62 paragraphs 476-500.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The BWL has three items that qualify for reporting in this category. The deferred outflows of resources relate to deferred losses on refunding, pension related deferrals under GASB 68, OPEB related deferrals under GASB 75.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The BWL has the following items that qualify for reporting in this category: the deferred inflows of resources related to costs that have been recovered from customers and will be applied to customers in the future related to the renewable energy plan and energy optimization, chiller plant and Wise Road items described in Note 6, pension related deferrals under GASB 68 and OPEB related deferrals under GASB 75.

Net Position

Equity is classified as net position and displayed in four components:

- **Net Investment in Capital Assets** - Consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds that are attributable to the acquisition, construction or improvement of those assets.
- **Restricted for Debt Service** - Consists of net position with constraints placed on their use by revenue bond resolution.
- **Restricted for Pension and OPEB** - Consists of net position with constraints placed on their use as this balance must be used to fund employee benefits.

- **Unrestricted** - All other net position that does not meet the definition of "restricted" or "net investment in capital assets."

Net Position Flow Assumption

Sometimes the BWL will fund outlays for a particular purpose from both restricted (e.g., restricted bond) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the enterprise fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the BWL's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Net Pension Asset

A net pension asset is recorded in accordance with GASB Statement No. 68. The asset is the difference between the actuarial total pension liability and the Plan's fiduciary net position as of the measurement date. See Note 8 for additional information.

Other Assets

Other assets consists of the Net Pension Asset, Net OPEB Asset, Restricted Cash and Investments and a deposit held with the Michigan Public Power Agency (MPPA) related to the Belle River project.

Long-Term Obligations

Long-term debt and other obligations are reported as liabilities. Bond premiums and discounts are amortized over the life of the bonds using the straight-line method. Gains or losses on prior refundings are amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter. The balance at year end for premiums and discounts is shown as an increase or decrease in the liability section of the statement of net position. The balance at year end for the loss on refunding is shown as a deferred outflow on the statements of net position.

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB asset, deferred outflows of resources and deferred inflows of resources related to OPEB and OPEB expense, information about the fiduciary net position of the Postretirement Benefit Plan and Trust for Eligible Employees of Lansing Board of Water and Light (Plan), a fiduciary fund of the BWL, and additions to/deductions from the Plan fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

Inter-Utility Transactions

The water, electric, steam and chilled water operations of the BWL bill each other for services provided and these services are reported as revenue to the generating operation and expense to the consuming operation. Such internal billings aggregated \$7,083,455 and \$6,281,268 in 2025 and 2024, respectively, and are not eliminated in the statement of revenues, expenses and changes in net position.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications

Certain amounts presented in the prior year data may have been reclassified in order to be consistent with the current year's presentation.

2. Cash, Investments and Fair Value Disclosure

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions and savings and loan associations that have offices in Michigan. A local unit is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; certificates of deposit, savings accounts, deposit accounts or depository receipts of an eligible financial institution; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The operating cash investment policy adopted by the BWL in accordance with Public Act 20, as amended, and the Lansing City Charter has authorized investment in bonds and securities of the United States government, certificates of deposit, time deposits and bankers' acceptances of qualified financial institutions, commercial paper rated A1 by Standard & Poor's and P1 by Moody's, repurchase agreements using bonds, securities and other obligations of the United States or an agency or instrumentality of the United States and liquid asset accounts managed by a qualified financial institution using any of these securities. The BWL's deposits and investment policies are in accordance with statutory authority.

Michigan Cooperative Liquid Assets Securities System (MI CLASS) reports the fair value of its underlying assets annually. Participants in the MI CLASS have the right to withdraw their funds in total on one day's notice. At June 30, 2025 and 2024, the fair value of the MI CLASS' assets were substantially equal to the BWL's share. MI CLASS is rated AAAM by Standard and Poor's. The BWL also has cash and investments with Governments of Michigan Investing Cooperatively (GovMIC). The GovMIC cash and investments are recorded at amortized cost which approximates fair value.

The BWL's cash and investments are subject to several types of risk, which are examined in more detail below:

The BWL's Cash and Investments (Exclusive of Fiduciary Funds)

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the BWL's deposits may not be returned to it. The BWL requires that financial institutions must meet minimum criteria to offer adequate safety to the BWL. At June 30, 2025 and 2024, the BWL had \$19,286,941 and \$20,225,479, respectively, of bank deposits that were uninsured and uncollateralized. The BWL evaluates each financial institution with which it deposits funds and only those institutions meeting minimum established criteria are used as depositories.

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Custodial Credit Risk of Investments

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the BWL will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All the investments and securities under custodial care are owned by the BWL and only held by independent, third-party custodians for safekeeping. The BWL's investment policy has addressed custodial credit risk by owning all investments and registering each in the name of the government.

At June 30, 2025, the following investment securities were uninsured but registered in BWL's name, with securities held by the counterparty or by its trust department or agent:

Type of Investment	Fair Value	How Held
U.S. agency bond or notes	\$ 39,189,690	Counterparty
U.S. treasury bonds	168,161,274	Counterparty

At June 30, 2024, the following investment securities were uninsured but registered in BWL's name, with securities held by the counterparty or by its trust department or agent:

Type of Investment	Fair Value	How Held
U.S. agency bond or notes	\$ 45,719,291	Counterparty
U.S. treasury bonds	277,330,789	Counterparty
State and local bonds	553,117	Counterparty

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of investments. The BWL's investment policy restricts investments to a maximum weighted average life of five years unless matched to a specific cash flow.

At June 30, 2025, the average maturities of investments are as follows:

Investment	Fair Value	Less Than 1 Year	1-5 Years	6+ Years
Pooled investment funds	\$ 62,014,516	\$ 62,014,516	\$ -	\$ -
U.S. treasury bonds	168,161,274	100,021,806	68,139,468	-
U.S. agency bonds/notes	39,189,690	1,297,303	31,512,732	6,379,655
Total	\$ 269,365,480	\$ 163,333,625	\$ 99,652,200	\$ 6,379,655

At June 30, 2024, the average maturities of investments are as follows:

Investment	Fair Value	Less Than 1 Year	1-5 Years	6+ Years
Pooled investment funds	\$ 108,854,651	\$ 108,854,651	\$ -	\$ -
U.S. treasury bonds	277,330,789	129,439,631	147,891,158	-
State and local bonds	553,117	553,117	-	-
U.S. agency bonds/notes	45,719,291	6,030,413	31,421,906	8,266,972
Supra national agency bonds	247,122	247,122	-	-
Mutual funds, bonds	51,134,416	-	51,134,416	-
Total	\$ 483,839,386	\$ 245,124,934	\$ 230,447,480	\$ 8,266,972

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Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations.

As of June 30, 2025, the credit quality ratings of debt securities are as follows:

Investment	Fair Value	Rating	Rating Organization
Pooled investment funds	\$ 62,014,516	AAAm	S&P
U.S. treasury bonds	168,161,274	AA+ (Aa1)	S&P (Moody's)
U.S. agency bonds/notes	39,189,690	AA+ (Aa1)	S&P (Moody's)

As of June 30, 2024, the credit quality ratings of debt securities are as follows:

Investment	Fair Value	Rating	Rating Organization
Pooled investment funds	\$ 108,854,651	AAAm	S&P
U.S. treasury bonds	277,330,789	AA+ (Aaa)	S&P (Moody's)
U.S. agency bonds/notes	45,719,291	AA+ (Aaa)	S&P (Moody's)
Supra national agency bonds	247,122	AAA+ (Aaa)	S&P (Moody's)
State and local bonds	553,117	AA/AA1	S&P (Moody's)
Mutual funds, bonds	51,134,416	AAAm	S&P

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributable to the magnitude of a government's investment in a single issuer. The Board's policy limits the amount of investments with an individual issuer, with the exception of the U.S. government. As of June 30, 2025 and 2024, the BWL's investment portfolio was concentrated as follows:

Investment	2025	2024
Freddie Mac	12 %	7 %

Fair Value

The BWL categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

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The following investments are recorded at fair value using the Matrix Pricing Technique.

	June 30, 2025			
	Level 1	Level 2	Level 3	Total
U.S. treasury bonds	\$ -	\$ 168,161,274	\$ -	\$ 168,161,274
Federal agency mortgage-backed security	-	28,633,584	-	28,633,584
Federal agency collateralized mortgage obligation	-	2,106,033	-	2,106,033
Federal agency bond/note	-	8,450,073	-	8,450,073
Total investments at fair value level	\$ -	\$ 207,350,964	\$ -	\$ 207,350,964

	June 30, 2024			
	Level 1	Level 2	Level 3	Total
U.S. treasury bonds	\$ -	\$ 277,330,789	\$ -	\$ 277,330,789
Supra national agency bonds	-	247,122	-	247,122
Federal agency mortgage-backed security	-	30,142,641	-	30,142,641
Federal agency collateralized mortgage obligation	-	2,302,719	-	2,302,719
State and local bonds	-	553,117	-	553,117
Federal agency bond/note	-	13,273,931	-	13,273,931
Mutual funds, bonds	-	51,134,416	-	51,134,416
Total investments at fair value level	\$ -	\$ 374,984,735	\$ -	\$ 374,984,735

Fiduciary Fund Investments

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Plans' deposits may not be returned to them. The Plans require that financial institutions must meet minimum criteria to offer adequate safety to the Plans. At June 30, 2025 and 2024, the BWL had \$1,043,398 and \$2,245,772, respectively, of bank deposits that were uninsured and uncollateralized. The Plans evaluate each financial institution with which they deposit funds and only those institutions meeting minimum established criteria are used as depositories.

Custodial Credit Risk of Investments

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Plans will not be able to recover the value of their investments or collateral securities that are in the possession of an outside party. The Plans' investment policies addresses this risk by requiring the Plans to hold all investments subject to custodial credit risk in their name.

Interest Rate Risk - Pension and OPEB Trust Funds

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The Plans investment policy does not restrict investment maturities.

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At June 30, 2025, the average maturities of investments subject to interest rate risk are as follows:

Investment	Fair Value	Weighted Average Maturity (in Years)
Mutual fund, bonds	\$ 100,482,077	8.9

At June 30, 2024, the average maturities of investments subject to interest rate risk are as follows:

Investment	Fair Value	Weighted Average Maturity (in Years)
Mutual fund, bonds	\$ 96,482,199	8.8
Certificates of deposit (negotiable)	100,039	0.6

Credit Risk - Pension and OPEB Trust Funds

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Plans have no investment policy that would further limit its investment choices. As of June 30, 2025, the credit quality ratings of debt securities (other than the U.S. government) subject to credit risk are as follows:

Investment	Fair Value	Rating	Rating Organization
Mutual funds, bonds	\$ 100,482,077	Not rated	Not rated

As of June 30, 2024, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

Investment	Fair Value	Rating	Rating Organization
Mutual funds, bonds	\$ 96,482,199	Not rated	Not rated
Certificates of deposit (negotiable)	100,039	Not rated	Not rated

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Plans have no investments subject to concentration of credit risk as of June 30, 2025 and June 30, 2024.

Fair Value - Pension Trust Funds

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy under authoritative guidance are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted market prices for identical assets in active markets that the Plan has the ability to access.

Level 2 - Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability; and
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observables and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2025 and 2024:

Common Stock, Corporate Bonds and Notes, U.S. Government Obligations and Fixed Income Securities - Valued at the most recent closing price reported on the market on which individual securities are traded.

Mutual Funds - Valued at the daily closing price as reported by the fund. Mutual funds held by the Plan are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily NAV and to transact at that price. The mutual funds held by the Plan are deemed to be actively traded.

Stable Value Fund - Seeks safety of principal, adequate liquidity and returns superior to shorter maturity alternatives by actively managing a diversified portfolio of assets issued by highly rated financial institutions and corporations as well as obligations of the U.S. government or its agencies.

Self-Directed Brokerage Account - Participants meeting minimum balance and transaction requirements may transfer funds to a self-directed brokerage account providing access to additional investment options including a large selection of mutual funds.

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The preceding methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Plan's assets at fair value as of June 30, 2025 and 2024:

Investment Type	June 30, 2025			
	Level 1	Level 2	Level 3	Total
Mutual funds, bonds	\$ 77,927,338	\$ 22,554,739	\$ -	\$ 100,482,077
Mutual funds, equities	302,281,953	62,527,268	-	364,809,221
Self-directed brokerage account, equities	18,377,421	-	-	18,377,421
Self-directed brokerage account, mutual funds, equity	827,483	-	-	827,483
Total investments by fair value level	\$ 399,414,195	\$ 85,082,007	\$ -	\$ 484,496,202
Investments measured at the net asset value (NAV):				
Real estate fund investments				40,244,890
Total investments measured at fair value				\$ 524,741,092

Investment Type	June 30, 2024			
	Level 1	Level 2	Level 3	Total
Mutual funds, bonds	\$ 17,497,649	\$ 78,984,550	\$ -	\$ 96,482,199
Mutual funds, equities	279,521,028	54,059,769	-	333,580,797
Self-directed brokerage account, equities	12,507,716	-	-	12,507,716
Self-directed brokerage account, mutual funds, equity	598,099	-	-	598,099
Certificates of deposit	-	100,039	-	100,039
Total investments by fair value level	\$ 310,124,492	\$ 133,144,358	\$ -	\$ 443,268,850
Investments measured at the net asset value (NAV):				
Real estate fund investments				42,233,893
Total investments measured at fair value				\$ 485,502,743

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3. Restricted Assets

Restricted assets are required under the 2013A, 2017A, 2019A, 2019B, 2021A, 2021B and 2024A Revenue Bond resolutions and the related Nonarbitrage and Tax Compliance Certificates. These assets are segregated into the following funds:

	Carrying Value	
	2025	2024
Operations and maintenance fund	\$ 39,230,603	\$ 39,896,170
Bond and interest redemption fund	53,408,138	61,457,542
Construction Fund	144,247,959	259,946,436
Total	<u>\$ 236,886,700</u>	<u>\$ 361,300,148</u>

The carrying value in excess of the required value for the current portion is reported as cash and cash equivalents or investments for the years ended 2025 and 2024.

The restrictions of the various funds required per the bond resolutions are as follows:

Operations and Maintenance Fund - By the end of each month, this fund shall include sufficient funds to provide for payment of the succeeding month's expenses.

Bond and Interest Redemption Fund - Restricted for payment of the current portion of bond principal and interest on the 2013A, 2017A, 2019A, 2019B, 2021A, 2021B and 2024A Revenue Bonds.

Construction Fund - Restricted for utility system upgrades as required by the 2024A Revenue Bonds.

In addition, restricted assets have been reported in connection with the net pension and OPEB asset balances since this balance must be used to fund employee benefits.

4. Utility Plant

The tables below reflect the capital asset activity of the utility plant categories for the years ended June 30, 2025 and 2024:

Capital Asset Activity for Year Ended June 30, 2025

	Capital Assets FY Start	Transfers	Acquisition	Retirement	Capital Assets FY End
Water	\$ 380,759,488	\$ 16,322,362	\$ 813,607	\$ (738,776)	\$ 397,156,681
Electric	1,278,077,851	63,211,913	-	(6,427,500)	1,334,862,264
Steam	100,366,159	4,288,802	-	(2,930,269)	101,724,692
Chilled	34,105,305	-	-	-	34,105,305
Common	131,931,308	11,056,016	751,681	(5,470,637)	138,268,368
AUC	142,601,832	(94,879,093)	197,628,220	(819,448)	244,531,511
Total	<u>\$ 2,067,841,943</u>	<u>\$ -</u>	<u>\$ 199,193,508</u>	<u>\$ (16,386,630)</u>	<u>\$ 2,250,648,821</u>

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Accumulated Depreciation for Year Ended June 30, 2025

	Accumulated Depreciation FY Start	Depreciation Transfers	Depreciation / Amortization and Impairment for Year	Depreciation Retirement	Accumulated Depreciation FY End
Water	\$ (143,459,691)	\$ (889)	\$ (8,785,741)	\$ 369,291	\$ (151,877,030)
Electric	(514,235,813)	136,333	(45,998,483)	2,105,014	(557,992,949)
Steam	(34,104,264)	-	(2,889,472)	1,651,967	(35,341,769)
Chilled	(19,616,585)	-	(747,255)	-	(20,363,840)
Common	(82,565,510)	(135,444)	(9,511,433)	5,466,841	(86,745,546)
Total	<u>\$ (793,981,863)</u>	<u>\$ -</u>	<u>\$ (67,932,384)</u>	<u>\$ 9,593,113</u>	<u>\$ (852,321,134)</u>

Nondepreciable Assets - Included in the table above are nondepreciable assets of \$2,204,045 for water, \$18,678,915 for electric, \$124,099 for steam, \$412,339 for common facilities and \$244,531,511 for AUC.

Capital Asset Activity for Year Ended June 30, 2024

	Capital Assets FY Start	Transfers	Acquisition	Retirement	Capital Assets FY End
Water	\$ 367,082,687	\$ 15,216,703	\$ -	\$ (1,539,902)	\$ 380,759,488
Electric	1,246,833,576	34,269,839	-	(3,025,564)	1,278,077,851
Steam	96,662,683	3,708,614	-	(5,138)	100,366,159
Chilled	34,105,305	-	-	-	34,105,305
Common	123,933,055	2,206,851	8,055,371	(2,263,969)	131,931,308
AUC	45,813,286	(55,402,008)	154,272,797	(2,082,243)	142,601,832
Total	<u>\$ 1,914,430,592</u>	<u>\$ -</u>	<u>\$ 162,328,168</u>	<u>\$ (8,916,816)</u>	<u>\$ 2,067,841,943</u>

Accumulated Depreciation for Year Ended June 30, 2024

	Accumulated Depreciation FY Start	Depreciation Transfers	Depreciation / Amortization and Impairment for Year	Depreciation Retirement	Accumulated Depreciation FY End
Water	\$ (135,995,162)	\$ (9,230)	\$ (8,301,141)	\$ 845,842	\$ (143,459,691)
Electric	(471,205,697)	-	(44,860,132)	1,830,016	(514,235,813)
Steam	(31,341,987)	-	(2,767,415)	5,138	(34,104,264)
Chilled	(18,451,534)	-	(1,165,051)	-	(19,616,585)
Common	(74,127,245)	9,230	(10,710,340)	2,262,845	(82,565,510)
Total	<u>\$ (731,121,625)</u>	<u>\$ -</u>	<u>\$ (67,804,079)</u>	<u>\$ 4,943,841</u>	<u>\$ (793,981,863)</u>

Nondepreciable Assets - Included in the table above are nondepreciable assets of \$2,204,045 for water, \$17,449,965 for electric, \$124,099 for steam, \$412,339 for common facilities and \$142,601,832 for AUC

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5. Long-Term Debt

Long-term debt as of June 30 consists of the following:

	<u>2025</u>	<u>2024</u>
Water Supply, Steam, Chilled Water and Electric Utility System Revenue and revenue refunding Bonds, Series 2024A, due in annual principal installments beginning July 1, 2025, and continuing through July 1, 2054, plus interest at rates ranging from 5.00% to 5.25%. Original amount of issue \$364,625,000.	\$ 364,625,000	\$ 364,625,000
Utility System Junior Lien Revenue Bonds, Series 2023, due in annual principal installments beginning October 1, 2026, and continuing through October 1, 2066, plus interest at a rate of 1.875%. Original amount of issue \$8,590,875 as of June 30, 2025.	8,590,875* (1)	-
Water Supply, Steam, Chilled Water and Electric Utility System Revenue Taxable Bonds, Series 2021B, due in annual principal installments beginning July 1, 2026 and continuing through July 1, 2051, initial term rate is 2%, with an assumed interest rate of 3.5% following the mandatory tender in 2026. Original amount of issue \$70,875,000	70,875,000	70,875,000
Water Supply, Steam, Chilled Water and Electric Utility System Revenue Taxable Bonds, Series 2021A, due in annual principal installments beginning July 1, 2025 and continuing through July 1, 2051, plus interest at a rate of 5.00%. Original amount of issue \$56,020,000.	56,020,000	56,020,000
Water Supply, Steam, Chilled Water and Electric Utility System Revenue Refunding Taxable Bonds, Series 2019B, due in annual principal installments beginning July 1, 2022 and continuing through July 1, 2041, plus interest at rates ranging from 1.95% to 3.53%. Original amount of issue \$251,995,000. During fiscal year 2024 \$45,625,000 of the 2019B original issuance was tendered as part of the 2024A issuance.	187,010,000	193,605,000
Water Supply, Steam, Chilled Water and Electric Utility System Revenue Refunding Bonds, Series 2019A, due in annual principal installments beginning July 1, 2022 and continuing through July 1, 2048, plus interest at rates ranging from 4.00% to 5.00%. Original amount of issue \$319,875,000.	310,425,000	313,730,000
Water Supply, Steam, Chilled Water and Electric Utility System Revenue Refunding Bonds, Series 2017A, due in annual principal installments beginning July 1, 2019 and continuing through July 1, 2032, plus interest at a rate of 5.00%. Original amount of issue \$30,365,000.	19,635,000	21,625,000

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	<u>2025</u>	<u>2024</u>
Water Supply, Steam, Chilled Water and Electric Utility System Revenue Refunding Bonds, Series 2013A, due in annual principal installments beginning July 1, 2014 through July 1, 2026, plus interest at rates ranging from 2.00% to 5.00%. Original amount of issue \$21,085,000. During fiscal year 2024, \$4,330,000 of the 2013A original issuance was refunded as part of the 2024A issuance.	\$ -	\$ 2,000,000
Promissory note, due to the City of Lansing in semi-annual installments through October 1, 2031, plus interest at a rate of 2.50%. Original amount of issue \$13,225,385.	2,717,630*	3,368,762*
Charter Township of Lansing Special Assessment pertaining to the Groesbeck II Park Drain. Due in annual installments ranging from \$132,000 to \$291,000 with final payment in 2044.	<u>2,526,107*</u>	<u>2,652,412*</u>
Total	1,022,424,612	1,028,501,175
Less current portion	(14,261,153)	(14,667,438)
Plus unamortized premium	<u>113,441,842</u>	<u>118,160,932</u>
Total	<u>\$ 1,121,605,301</u>	<u>\$ 1,131,994,669</u>

The unamortized premium and deferral on refunded bonds is being amortized over the life of the bonds, using the straight-line method.

* The debt noted is directly placed with a third party.

(1) - During 2023, the BWL was authorized to issue \$32,220,000 of Drinking Water State Revolving Fund (DWSRF) revenue bonds, of which the first \$20,000,000 is eligible for principal forgiveness. As of June 30, 2025, \$28,590,875 has been drawn down. The repayment schedule will be determined upon project completion or upon disbursement of the total authorized amount. The repayment schedules will reflect DWSRF repayments in the first fiscal year that the schedule is finalized. Therefore, the future debt service is not included in the current repayment schedule.

Aggregate principal and interest payments applicable to revenue debt are as follows:

<u>Years Ending June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 13,495,000	\$ 44,790,523	\$ 58,285,523
2027	14,025,000	44,772,718	58,797,718
2028	18,665,000	44,636,718	63,301,718
2029	19,435,000	43,877,996	63,312,996
2030	20,180,000	43,112,406	63,292,406
2031-2035	113,910,000	202,195,630	316,105,630
2036-2040	140,035,000	175,363,616	315,398,616
2041-2045	172,985,000	141,411,528	314,396,528
2046-2050	219,740,000	93,368,750	313,108,750
2051-2055	<u>276,120,000</u>	<u>35,678,788</u>	<u>311,798,788</u>
Total	<u>\$ 1,008,590,000</u>	<u>\$ 869,208,673</u>	<u>\$ 1,877,798,673</u>

Lansing Board of Water & Light - City of Lansing, Michigan

Notes to Financial Statements
June 30, 2025 and 2024

Aggregate principal and interest payments applicable to direct placement debt are as follows:

<u>Years Ending June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 766,153	\$ 165,789	\$ 931,942
2027	712,205	147,609	859,814
2028	658,250	130,396	788,646
2029	575,934	114,230	690,164
2030	423,896	99,906	523,802
2031-2035	844,244	374,508	1,218,752
2036-2040	631,527	227,170	858,697
2041-2045	631,528	85,189	716,717
Total	<u>\$ 5,243,737</u>	<u>\$ 1,344,797</u>	<u>\$ 6,588,534</u>

All Water Supply and Electric Utility System Revenue Bonds were issued by the authority of the BWL. All bonds were issued on a parity basis and are payable solely from the net revenue of the combined water, electric, chilled water and steam operations of the BWL.

The Series 2024A Bonds maturing in the years 2025 through 2034, inclusive, shall not be subject to optional redemption prior to maturity. The Series 2024A Bonds, or portions of the Series 2024A Bonds in multiples of \$5,000 maturing or subject to mandatory redemption in the years 2035 and thereafter shall be subject to redemption at the option of the Board in such order of maturity as the Board shall determine, and within a single maturity by lot, on any date on or after July 1, 2034 at par plus accrued interest to the date fixed for redemption. The Term Bonds maturing on July 1, 2049, the 5.00% Term Bonds maturing on July 1, 2054, and the 5.25% Term Bonds July 1, 2054 are subject to mandatory redemption prior to maturity in part by lot on July 1 in the years and in the principal amounts set forth below at a redemption price equal to the principal amount to be redeemed plus accrued interest, if any, without premium.

The 2021B Bonds are payable in annual installments in the years 2026 through 2051, inclusive, and are subject to optional and mandatory redemption prior to maturity. The put bonds maturing on or after January 1, 2026 shall be subject to redemption at the option of the BWL in such order of maturity as the BWL shall determine, and within a single maturity by lot, on any date on or after January 1, 2026 at par plus accrued interest to the fixed date for redemption. The mandatory tender for purchase date of the Bonds is July 1, 2026—the first business day following the last day of the Initial Term Interest Rate Period. In the event not all the Bonds are purchased on or before the Purchase Date, a Delayed Remarketing Period shall commence during which the Bonds will bear interest at a Stepped Interest Rate. Additional information is available in the Official Statement for the Series 2021B Bonds.

The 2021A Bonds are payable in annual installments in the years 2025 through 2051, inclusive, and shall not be subject to optional redemption prior to maturity. The bonds maturing on or after July 1, 2031 shall be subject to redemption at the option of the BWL in such order of maturity as the BWL shall determine, and within a single maturity by lot, on any date on or after July 1, 2031 at par plus accrued interest to the fixed date for redemption.

The 2019B Bonds are payable in annual installments in the years 2022 through 2041, inclusive, and shall not be subject to optional redemption prior to maturity. The bonds maturing on or after July 1, 2030 shall be subject to redemption at the option of the BWL in such order of maturity as the BWL shall determine, and within a single maturity by lot, on any date on or after July 1, 2029 at par plus accrued interest to the fixed date for redemption. During fiscal year 2024 \$45,625,000 of the 2019B original issuance was tendered as part of the 2024A issuance.

Lansing Board of Water & Light - City of Lansing, Michigan

Notes to Financial Statements
June 30, 2025 and 2024

The 2019A Bonds are payable in annual installments in the years 2022 through 2048, inclusive, and shall not be subject to optional redemption prior to maturity. The bonds maturing on or after July 1, 2028 shall be subject to redemption at the option of the BWL in such order of maturity as the BWL shall determine, and within a single maturity by lot, on any date on or after July 1, 2028 at par plus accrued interest to the fixed date for redemption.

The 2017A Bonds are payable in annual installments in the years 2019 through 2027, inclusive, and shall not be subject to optional redemption prior to maturity. The bonds, or portions of the bonds in multiples of \$5,000 maturing or subject to mandatory redemption in the years 2028 and thereafter, shall be subject to redemption at the option of the BWL in such order of maturity as the BWL shall determine, and within a single maturity by lot, on any date on or after July 1, 2027 at par plus accrued interest to the fixed date for redemption.

The 2013A Bonds are payable in annual installments in the years 2014 to 2025, inclusive, and shall not be subject to optional redemption prior to maturity. The bonds maturing on or after July 1, 2025 shall be subject to redemption at the option of the BWL on or after July 1, 2024 as a whole or in part at any time and by lot within a maturity at par plus accrued interest to the redemption date. During fiscal year 2024, \$4,330,000 of the 2013A original issuance was refunded as part of the 2024A issuance.

Current Refunding

On January 31, 2024, BWL issued \$364,625,000 in bonds (new bonds), which included a premium of \$41,845,754, at a rate of 5.00% to refund \$4,364,100 (Principal & Interest) in outstanding 2013A Bonds and \$41,597,960 (Principal & Interest) in outstanding 2019B Bonds with an average rate of 4.3% and 3.25%, respectively. Of the principal amount issued, \$39,625,000 went to refund the aforementioned bonds and \$325,000,000 was new money.

The cash flow requirements on the old bonds prior to the current refunding were \$45,962,060 through July 1, 2037. The cash flow requirements for the new bonds are \$58,314,774 through July 1, 2054. The current refunding resulted in an economic gain of \$4,987,279.

The net proceeds were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 2013A Bonds and a portion of the 2019B Bonds. As a result, the 2013A Bonds and a portion of the 2019B Bonds are considered defeased and the liability for these bonds has been removed from the Statement of Net Position.

Lansing Board of Water & Light - City of Lansing, Michigan

Notes to Financial Statements
June 30, 2025 and 2024

The long-term debt activity for the year ended June 30, 2025 is as follows:

	Revenue Bonds (Net of Unamortized Premiums)	Other Notes	Total
Beginning balance	\$ 1,140,640,932	\$ 6,021,175	\$ 1,146,662,107
Additions	8,590,875	-	8,590,875
Reductions	<u>(18,609,090)</u>	<u>(777,438)</u>	<u>(19,386,528)</u>
Ending balance	<u>\$ 1,130,622,717</u>	<u>\$ 5,243,737</u>	<u>\$ 1,135,866,454</u>
Due with-in one year	\$ 13,495,000	\$ 766,153	\$ 14,261,153

The BWL has pledged substantially all revenue, net of operating expenses, to repay the revenue bonds. Proceeds from the bonds provided financing for the construction of the utility plant. The bonds are payable solely from the net revenues of the BWL. In fiscal year 2025, the remaining principal and interest to be paid on the bonds total \$1,877,798,673. During fiscal year 2025, net revenues of the BWL were \$137,302,035 compared to the annual debt requirements of \$41,915,898. In fiscal year 2024, the remaining principal and interest to be paid on the bonds total \$1,935,516,206. During fiscal year 2024, net revenues of the BWL were \$106,854,384 compared to the annual debt requirements of \$41,859,344.

The long-term debt activity for the year ended June 30, 2024 is as follows:

	Revenue Bonds (Net of Unamortized Premiums)	Other Notes	Total
Beginning balance	\$ 802,300,266	\$ 6,840,810	\$ 809,141,076
Additions	406,470,754	-	406,470,754
Reductions	<u>(68,130,088)</u>	<u>(819,635)</u>	<u>(68,949,723)</u>
Ending balance	<u>\$ 1,140,640,932</u>	<u>\$ 6,021,175</u>	<u>\$ 1,146,662,107</u>
Due with-in one year	\$ 13,890,000	\$ 777,438	\$ 14,667,438

6. Costs/Credits Recoverable in Future Years

Environmental Remediation

During the fiscal year ended June 30, 2004, the GASB 49 environmental remediation liability related to a landfill site operated by the BWL was approved for regulatory accounting under GASB 62. The balance of the regulatory asset related to this first landfill site at June 30, 2025 and 2024 was \$470,113 and \$0, respectively. During the fiscal year ended June 30, 2006, the GASB 49 environmental remediation liability related to a second landfill was approved for regulated entity accounting under GASB 62. The balance of the regulatory asset at June 30, 2025 and 2024 was \$98,899 and \$0, respectively. The BWL reviews the adequacy of its rates to recover its cost of service on an annual basis. During the year ended June 30, 2009, regulatory accounting as per GASB 62 was authorized by the Board of Commissioners to collect rates for all environmental remediation sites. The balance as of June 30, 2025 and 2024 for additional sites was \$51,923,867 and \$20,853,276 respectively. The increase in environmental liabilities is primarily driven by a groundwater remediation project. During fiscal 2025, the BWL received information regarding potential remedies that may be used at the site.

Recoverable Cost Adjustments

During the year ended June 30, 2005, the Board of Commissioners approved the use of regulatory accounting as per GASB 62 in accounting for the BWL's power supply cost recovery (PSCR) adjustment, power chemical adjustment (PCA), fuel cost adjustment (FCA) and chilled water fuel cost adjustment (CWFCFA). These affect the amount to be billed to retail electric, water, steam and chilled water customers to reflect the difference between the BWL's actual material costs and the amounts incorporated into rates. This resulted in recoverable assets of \$5,858,054 and \$26,154,048 at June 30, 2025 and 2024, respectively. This amount represents costs to be billed (credited) to customers in future years because actual costs of providing utilities were higher (lower) than the costs incorporated into the BWL's rates.

Renewable Energy Plan (REP) and Energy Optimization (EO)

During the year ended June 30, 2010, the Board of Commissioners approved the implementation of regulatory accounting as per GASB 62 to account for Public Act 295 of 2008 (PA. 295). PA. 295 set forth requirements for all Michigan utilities to meet the new renewable energy standards and undertake energy optimization programs. As a municipally owned electric utility, the BWL was required to file a proposed energy plan with the Michigan Public Service Commission (MPSC) and this plan was approved on July 1, 2009. These changes will affect the amount to be billed to electric customers. This resulted in deferred inflow of resources of \$549,482 and \$1,292,134 as of June 30, 2025 and 2024, respectively.

Chiller Plant

During the year ended June 30, 2010, the BWL chose to use regulatory accounting as per GASB 62 to recognize the contribution in aid of construction (CIAC) for the development of a new chilled water plant. The remaining recoverable inflow of resources of \$0 and \$220,271 as of June 30, 2025 and 2024, respectively. The BWL will recognize this as revenue monthly over the life of the new chilled water plant to offset depreciation expense.

Wise Road

During the year ended June 30, 2012, the BWL chose to use regulatory accounting as per GASB 62 to recognize the insurance proceeds for the damaged equipment at the Wise Road Water Conditioning Plant (see Note 13). The remaining recoverable inflow of resources as of June 30, 2025 and 2024 was \$3,848,616 and \$4,831,242, respectively.

7. Transactions With the City of Lansing, Michigan

Operations

The BWL recognized revenue of \$10,301,584 and \$10,547,324 in 2025 and 2024, respectively, for water, electric and steam services provided to the City. The BWL incurred expenses for sewerage services purchased from the City of \$2,250,103 and \$2,213,195 in 2025 and 2024, respectively.

Additionally, the BWL bills and collects sewerage fees for the City. In connection with these services, the BWL received sewerage collection fees of \$1,313,699 and \$1,333,054 in 2025 and 2024, respectively, included in other income.

Return on Equity

Effective July 1, 1992, the BWL entered into an agreement with the City to provide payment of a return on equity in accordance with a formula based on net billed retail sales from its water, steam heat and electric utilities for the preceding 12-month period ending May 31 of each year. Effective March 1, 2002, the formula to calculate the amount owed to the City was modified to include wholesale revenue generated from the BWL's electric, water, steam and chilled water utilities for the preceding 12-month period ending May 31 of each year. Subject to the provisions of Act 94 Public Acts of 1933, as amended, and the BWL's various bond covenants, this amount is payable to the City in semi-annual installments. Effective July 1, 2020, the BWL and the City agreed to pay a flat amount for fiscal years 2021 through 2022. In fiscal year 2023, a flat percentage of 6% was applied to reported operating revenues, excluding inter-utility sales from providing retail water, electric, steam and chilled water services. In fiscal year 2024 and 2025, a flat percentage of 6% was applied to budgeted operating revenues, excluding inter-utility sales from providing retail water, electric, steam and chilled water services. Under terms of these agreements, the BWL paid to the City \$28,057,140 and \$26,028,591 for 2025 and 2024, respectively, of operational cash flow in excess of debt service requirements.

8. Retirement Plans

The BWL has three retirement plans. The BWL administers a tax-qualified, single-employer, noncontributory, defined benefit public employee retirement pension plan (Defined Benefit Plan) and the BWL has a tax-qualified, single-employer, noncontributory, defined contribution public employee retirement plan (Defined Contribution Plan). The BWL also has a tax-qualified, single-employer, retiree benefit plan to administer and fund retiree benefits (Retiree Benefit Plan).

Defined Benefit Plan

Plan Description - The BWL administers the Lansing Board of Water and Light Defined Benefit Plan and Trust for Employees' Pensions (Defined Benefit Plan), a noncontributory single-employer defined benefit pension plan for employees of the BWL. The benefit terms were established by the BWL and may be amended by future BWL actions.

The Defined Benefit Plan issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the Lansing Board of Water and Light Defined Benefit Plan and Trust for Employees' Pensions, Attn: Retirement Plan Committee, P.O. Box 13007, Lansing, Michigan 48901-3007.

Effective July 1, 1999, the Defined Benefit Plan was amended to include a medical benefit component, in addition to the normal retirement benefits, to fund a portion of the postretirement obligations for certain retirees and their beneficiaries. The funding of the medical benefit component is limited to the amount of excess pension plan assets available for transfer, as determined by the actuary. No medical benefits were paid by the Defined Benefit Plan during the years ended June 30, 2025 and 2024.

Lansing Board of Water & Light - City of Lansing, Michigan

Notes to Financial Statements

June 30, 2025 and 2024

Employees Covered by Benefit Terms - At February 28, 2025 and February 29, 2024 (the most recent actuarial valuation for funding purposes), Defined Benefit Plan membership consisted of the following:

	<u>2025</u>	<u>2024</u>
Inactive plan members or beneficiaries currently receiving benefits	236	255
Inactive plan members entitled to but not yet receiving benefits	1	1
Active plan members	<u>3</u>	<u>3</u>
Total	<u>240</u>	<u>259</u>

The Defined Benefit Plan, by resolution of the Board of Commissioners, was closed to employees hired subsequent to December 31, 1996, and a defined contribution retirement savings plan was established for employees hired after December 31, 1996. Effective December 1, 1997, all active participants in this plan were required to make an irrevocable choice to either remain in this plan (defined benefit) or move to the newly established defined contribution plan. Those participants who elected to move to the defined contribution plan received lump-sum distributions from this plan that were rolled into their accounts in the newly established defined contribution plan. Of the 760 employees who were required to make this election, 602 elected to convert their retirement benefits to the newly established defined contribution plan. As a result of this action, effective December 1, 1997, the Board of Commissioners transferred \$75,116,470 to the newly established defined contribution plan, reflecting the plan participants' accumulated benefits as of said date.

Benefits Provided - The Defined Benefit Plan provides retirement, early retirement, disability, termination and death benefits. The Plan provides for an annual benefit upon normal retirement age equal to the product of the total number of years of credited service multiplied by a percentage equal to 1.80% of the highest annual pay during the last 10 years of service, paid in equal monthly installments.

Payments will either be nonincreasing or increase only as follows: (a) By an annual percentage increase that does not exceed the annual percentage increase in a cost-of-living index that is based on prices of all items and issued by the Bureau of Labor Statistics; (b) To the extent of the reduction in the amount of the employee's payments to provide for a survivor benefit upon death, but only if the beneficiary whose life was being used to determine the distribution period described in Subsection 8 dies or is no longer the employee's beneficiary pursuant to a qualified domestic relations order within the meaning of Internal Revenue Code Section 414(p); (c) To provide cash refunds of employee contributions upon the employee's death; or (d) To pay increased benefits that result from a plan amendment.

Contributions - Article 9, Section 24 of the State of Michigan constitution requires that financial benefits arising on account of employee service rendered in each year be funded during that year. Accordingly, the BWL retains an independent, external actuary to determine the annual contribution. The actuarially determined contribution is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. There was no contribution required for the years ended June 30, 2024 and 2025. Plan documents do not require participant contributions.

Lansing Board of Water & Light - City of Lansing, Michigan

Notes to Financial Statements

June 30, 2025 and 2024

Net Pension Asset - The components of the net pension asset of the BWL at June 30, 2025 and June 30, 2024 were as follows (in thousands):

	<u>2025</u>	<u>2024</u>
Total pension liability	\$ 39,344	\$ 42,054
Plan fiduciary net pension	<u>47,990</u>	<u>48,534</u>
Total	<u>\$ (8,646)</u>	<u>\$ (6,480)</u>
Plan fiduciary net position, as a percentage of the total pension liability	121.98 %	115.41 %

The BWL has chosen to use June 30, 2025 as its measurement date for fiscal year 2025. The June 30, 2025 reported net pension asset was determined using a measure of the total pension liability and the pension net position as of June 30, 2025. The June 30, 2025 total pension liability was determined by an actuarial valuation as of February 28, 2025, which used update procedures to roll forward the estimated liability to June 30, 2025.

The BWL has chosen to use June 30, 2024 as its measurement date for fiscal year 2024. The June 30, 2024 reported net pension asset was determined using a measure of the total pension liability and the pension net position as of June 30, 2024. The June 30, 2024 total pension liability was determined by an actuarial valuation as of February 29, 2024, which used update procedures to roll forward the estimated liability to June 30, 2024.

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Notes to Financial Statements
June 30, 2025 and 2024

Changes in the net pension asset during the measurement years were as follows:

	In Thousands		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balance, June 30, 2023	\$ 44,514	\$ 49,523	\$ (5,009)
Changes for the year:			
Service cost	31	-	31
Interest	2,523	-	2,523
Differences between expected and actual experience	(18)	-	(18)
Changes in assumptions	-	-	-
Net investment income	-	4,134	(4,134)
Benefit payments, including refunds	(4,996)	(4,996)	-
Administrative expenses	-	(127)	127
Miscellaneous other charges	-	-	-
Net changes	(2,460)	(989)	(1,471)
Balances, June 30, 2024	42,054	48,534	(6,480)
Changes for the year:			
Service cost	32	-	32
Interest	2,382	-	2,382
Differences between expected and actual experience	(352)	-	(352)
Changes in assumptions	-	-	-
Net investment income	-	4,393	(4,393)
Benefit payments, including refunds	(4,772)	(4,772)	-
Administrative expenses	-	(165)	165
Miscellaneous other charges	-	-	-
Net changes	(2,710)	(544)	(2,166)
Balance, June 30, 2025	\$ 39,344	\$ 47,990	\$ (8,646)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources

Related to Pensions - For the year ended June 30, 2025, the BWL recognized pension expense of (\$1,217,045). At 2025, the BWL reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 744,696

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Notes to Financial Statements
June 30, 2025 and 2024

For the year ended June 30, 2024, the BWL recognized pension expense of (\$39,352). At June 30, 2024, the BWL reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on pension plan investments	\$ 204,912	\$ -

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ending June 30:

2026	\$ 1,007,204
2027	(838,231)
2028	(588,209)
2029	<u>(325,460)</u>
Total	<u>\$ (744,696)</u>

Actuarial Assumptions - The total pension liability in the June 30, 2025 and June 30, 2024 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	<u>2025</u>	<u>2024</u>
Inflation	2.25 %	2.25 %
Salary increases	3.50	3.50
Investment rate of return	6.00	6.00

Mortality rates were based on the PUB-2010 General Mortality Table with MP-2021 Improvement Scale for the June 30, 2025 and 2024 valuations.

The most recent experience review was completed in 2014. Since the Defined Benefit Plan covered 3 active participants in fiscal year 2025 and fiscal year 2024, assumptions like termination, retirement and disability have an immaterial impact on the results and have not been changed.

Discount Rate - The discount rate used to measure the total pension liability was 6.0% in 2025 and 2024. The projection of cash flows used to determine the discount rate assumed that BWL contributions will be made at rates equal to the actuarially determined contribution rates.

Projected Cash Flows

Based on those assumptions, the Defined Benefit Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on the Defined Benefit Plan investments was applied to all periods of projected benefit payments to determine the total pension asset.

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Notes to Financial Statements
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The long-term expected rate of return on Defined Benefit Plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return as of June 30, 2025 and 2024 for each major asset class included in the Defined Benefit Plan's target asset allocation, as disclosed in the Defined Benefit Plan's financial statements, are summarized in the following table:

Asset Class	2025 Long-Term Expected Real Rate of Return	2024 Long-Term Expected Real Rate of Return
Core bonds	2.52 %	2.56 %
Multi-sector	3.44	3.50
Liquid absolute return	3.25	3.25
U.S. large cap equity	7.20	7.15
U.S. small cap equity	8.59	8.58
Non-U.S. equity	8.20	8.26
Core real estate	6.45	6.49

Sensitivity of the Net Pension Asset to Changes in the Discount Rate - The following presents the net pension asset of the BWL at June 30, 2025, calculated using the discount rate of 6.00%, as well as what the BWL's net pension asset would be if it were calculated using a discount rate that is 1-percentage point lower (5.00%) or 1-percentage-point higher (7.00%) than the current rate:

	1% Decrease (5.00%)	Current Discount Rate (6.00%)	1% Increase (7.00%)
Net pension liability (asset) of the BWL	\$ (4,981,548)	\$ (8,646,252)	\$ (10,354,287)

The following presents the net pension asset of the BWL at June 30, 2024, calculated using the discount rate of 6.00%, as well as what the BWL's net pension asset would be if it were calculated using a discount rate that is 1-percentage-point lower (5.00%) or 1-percentage-point higher (7.00%) than the current rate:

	1% Decrease (5.00%)	Current Discount Rate (6.00%)	1% Increase (7.00%)
Net pension liability (asset) of the BWL	\$ (2,557,349)	\$ (6,479,599)	\$ (8,368,884)

Defined Benefit Plan Fiduciary Net Position - Detailed information about the Defined Benefit Plan's fiduciary net position is available in the separately issued financial report. For the purpose of measuring the net pension asset, deferred outflows of resources and deferred inflows or resources related to pension and pension expense, information about the Defined Benefit Plan's fiduciary net position and addition to/deduction from fiduciary net position have been determined on the same basis as they are reported by the Defined Benefit Plan. The Defined Benefit Plan uses the economic resources measurement focus and the full accrual basis of accounting. Investments are stated at fair value. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. Benefit payments and refunds of employee contributions are recognized as expense when due and payable in accordance with the benefit terms.

Defined Contribution Plan

The Lansing Board of Water and Light Defined Contribution Plan and Trust 1 (Defined Contribution Plan) was established by the BWL in 1997 under Section 5-203.10 of the City Charter. The Defined Contribution Plan covers substantially all full-time employees hired after December 31, 1996. In addition, 602 employees hired before January 1, 1997 elected to convert their retirement benefits from the Defined Benefit Plan effective December 1, 1997.

The Defined Contribution Plan issues a publicly available financial report. That report may be obtained by writing to the Lansing Board of Water and Light Defined Contribution Plan and Trust 1, Attn: Retirement Plan Committee, P.O. Box 13007, Lansing, Michigan 48901-3007.

The Defined Contribution Plan operates as a money purchase pension plan and meets the requirements of Sections 401(a) and 501(a) of the IRC of 1986, as amended from time to time.

For employees hired before January 1, 1997, the BWL is required to contribute 15.0% of the employees' compensation. For employees hired after January 1, 1997, the BWL is required to contribute 9.5% of the employees' compensation. In addition, the BWL is required to contribute 3.0% of the employees' compensation for all employees who are not eligible to receive overtime pay and 0.5% of the employees' compensation for all nonbargaining employees. No participant contributions are required.

During the years ended June 30, 2025 and 2024, the BWL contributed \$8,970,407 and \$9,435,006, respectively. The BWL's contributions are recognized in the period that the contributions are due.

Basis of Accounting - The Defined Contribution Plan's financial statements are prepared using the accrual method of accounting in accordance with Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans*.

Valuation of Investments and Income Recognition - The Defined Contribution Plan investments are stated at fair market value based on closing sales prices reported on recognized securities exchanges on the last business day of the year, or, for listed securities having no sales reported and for unlisted securities, upon the last reported bid prices on that date. The mutual funds are valued at quoted market prices, which represent the net asset values of shares held by the Defined Contribution Plan at year end.

Purchases and sales of investments are recorded on a trade-date basis. Interest income is accrued when earned. Dividend income is recorded on the ex-dividend date.

Regulatory Status - The Defined Contribution Plan is not subject to the reporting requirements of the Employee Retirement Income Security Act of 1974 (ERISA) as it has been established for the benefit of a governmental unit.

Retiree Benefit Plan (OPEB)

Plan Description - The Postretirement Benefit Plan and Trust for Eligible Employees of Lansing Board of Water and Light (Retiree Benefit Plan) is a single-employer retiree benefit plan. The Plan provides medical, dental and life insurance benefits in accordance with Section 5-203 of the City Charter. Substantially all of the BWL's employees may become eligible for healthcare benefits and life insurance benefits if they reach normal retirement age while actively employed full-time by working for the BWL. There were 748 participants eligible to receive benefits at June 30, 2025 and 755 participants eligible at June 30, 2024.

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In October 1999, the BWL formed a Voluntary Employee Benefit Administration (VEBA) trust for the purpose of accumulating assets sufficient to fund retiree healthcare insurance costs in future years. During the years ended June 30, 2025 and 2024, the cost to BWL of maintaining the Retiree Benefit Plan and Trust was \$61,852 and \$65,286, of which respectively, was incurred as direct costs of benefits.

The Retiree Benefit Plan issues a publicly available financial report. That report may be obtained by writing to the Postretirement Benefit Plan and Trust for Eligible Employees of Lansing Board of Water and Light, Attn: Retirement Plan Committee, P.O. Box 13007, Lansing, Michigan 48901-3007.

Benefits Provided - The Plan provides medical, dental and life insurance benefits in accordance with Section 5-203 of the City Charter. Benefits are provided through third-party insurers carriers. The plan coverage includes payment of deductibles and co-pays for health services to all employees hired before January 1, 2009. All employees hired after that date must pay a percentage of their health premium.

Employees covered by benefit terms. At June 30, 2025, the following employees were covered by the benefit terms:

Active plan members (not eligible to receive benefits)	791
Disabled participants	65
Retired participants	534
Surviving spouses	149
	<hr/>
Total	1,539
	<hr/> <hr/>

At June 30, 2024, the following employees were covered by the benefit terms:

Active plan members (not eligible to receive benefits)	778
Disabled participants	67
Retired participants	532
Surviving spouses	156
	<hr/>
Total	1,533
	<hr/> <hr/>

Contributions - Section 5-203 of the City Charter grants the authority to establish and amend the contribution requirement to the BWL. The BWL establishes its minimum contribution based on an actuarially determined rate. For the years ended June 30, 2025 and 2024, the actual contribution rates of the BWL were 0.08% of covered-employee payroll.

Net OPEB Liability (Asset) - The BWL has chosen to use June 30, 2025 as its measurement date for fiscal year 2025. The June 30, 2025 reported net OPEB liability (asset) was determined using a measure of the total OPEB liability and the OPEB net position as of June 30, 2025. The June 30, 2025 total OPEB liability was determined by an actuarial valuation as of February 28, 2025, which used update procedures to roll forward the estimated liability to June 30, 2025.

The BWL has chosen to use June 30, 2024 as its measurement date for fiscal year 2024. The June 30, 2024 reported net OPEB liability (asset) was determined using a measure of the total OPEB liability and the OPEB net position as of June 30, 2024. The June 30, 2024 total OPEB liability was determined by an actuarial valuation as of February 29, 2024, which used update procedures to roll forward the estimated liability to June 30, 2024.

Lansing Board of Water & Light - City of Lansing, Michigan

Notes to Financial Statements
June 30, 2025 and 2024

Actuarial Assumptions - The total OPEB liability in the June 30, 2025 actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurements, unless otherwise specified:

Inflation: 2.25%

Payroll Growth: 9.0% growth at age 25 and decreases to 5.3% for ages 60+. This percentage includes general wage inflation and merit/productivity increases.

Investment rate of return: 6.5%, net of OPEB plan investment expense, including inflation

Healthcare cost trend rates:

FYE	Medical / RX			
	Pre-65	Post-65	Part B	Dental
2025	7.50%	5.75%	4.00%	4.00%
2026	7.25	5.50	4.25	4.00
2027	7.00	5.25	4.50	4.00
2028	6.75	5.00	4.75	4.00
2029	6.50	4.75	5.00	4.00
2030	6.25	4.50	5.00	4.00
2031	6.00	4.50	5.00	4.00
2032	5.75	4.50	5.00	4.00
2033	5.50	4.50	5.00	4.00
2034	5.25	4.50	5.00	4.00
2035	5.00	4.50	5.00	4.00
2036	4.75	4.50	5.00	4.00
2037+	4.50	4.50	5.00	4.00

The total OPEB liability in the June 30, 2024 actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurements, unless otherwise specified:

Inflation: 2.25%

Payroll Growth: 9.0% growth at age 25 and decreases to 5.3% for ages 60+. This percentage includes general wage inflation and merit/productivity increases.

Investment rate of return: 6.5%, net of OPEB plan investment expense, including inflation

Healthcare cost trend rates:

FYE	Medical / RX			
	Pre-65	Post-65	Part B	Dental
2024	7.25%	5.50%	3.75%	4.25%
2025	7.00	5.25	4.00	4.00
2026	6.75	5.00	4.25	4.00
2027	6.50	4.75	4.50	4.00
2028	6.25	4.50	4.75	4.00
2029	6.00	4.50	5.00	4.00
2030	5.75	4.50	5.00	4.00
2031	5.50	4.50	5.00	4.00
2032	5.25	4.50	5.00	4.00
2033	5.00	4.50	5.00	4.00
2034	4.75	4.50	5.00	4.00
2035+	4.50	4.50	5.00	4.00

Lansing Board of Water & Light - City of Lansing, Michigan

Notes to Financial Statements

June 30, 2025 and 2024

2025 and 2024 Mortality rates were based on the PUBH-2010 General Employee Mortality Table fully generational using Scale MP-2021.

Best actuarial practices call for a periodic assumption review and BWL completed an experience study in 2022.

BWL's policy in regard to the allocation of invested assets is established and may be amended by the BWL by a majority vote of the Board of Commissioners. It is the policy of the BWL to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The following was the adopted asset allocation policy as of June 30, 2025 and 2024:

Asset Class	2025 Target Allocation	2024 Target Allocation
Core bonds	15.00 %	15.00 %
Multi-sector	5.00	5.00
Liquid absolute return	5.00	5.00
U.S. large cap equity	25.00	25.00
U.S. small cap equity	15.00	15.00
Non-U.S. equity	20.00	20.00
Core real estate	8.00	8.00
Value add real estate	7.00	7.00

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The best estimates of arithmetic real rates of return for each major asset class as of June 30, 2025 and 2024 are summarized in the following table:

Asset Class	2025 Long-Term Expected Real Rate of Return	2024 Long-Term Expected Real Rate of Return
Core bonds	2.52 %	2.56 %
Multi-sector	3.44	3.50
Liquid absolute return	3.25	3.25
U.S. large cap equity	7.20	7.15
U.S. small cap equity	8.59	8.58
Non-U.S. equity	8.20	8.26
Core real estate	6.45	6.49
Value add real estate	7.95	7.99

Lansing Board of Water & Light - City of Lansing, Michigan

Notes to Financial Statements
June 30, 2025 and 2024

For the June 30, 2025 valuation, the long-term expected rate of return was 6.50%. The discount rate used when the OPEB plan investments are insufficient to pay for future benefit payments was selected from the range of indices as shown in the table below, where the range is given as the spread between the lowest and highest rate shown. The final equivalent single discount rate used for the June 30, 2025 valuation was 6.50% with the expectation that BWL will continue contributing the actuarially determined contribution and/or paying for the pay-go cost.

Asset Class	Long-Term Expected Real Rate of Return Current Year	Long-Term Expected Real Rate of Return Prior Year
Fidelity 20-year GO Municipal Bond Index	4.71 %	3.97 %
Actual Discount Rate Used	6.50	6.50

Discount Rate - The discount rate used to measure the total OPEB liability was 6.50% for June 30, 2025 and 2024. The projection of cash flows used to determine the discount rate assumed that BWL contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

	In Thousands		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (Asset) (a)-(b)
Balance, June 30, 2024	\$ 168,403	\$ 253,396	\$ (84,993)
Changes for the year:			
Service cost	4,479	-	4,479
Interest	10,640	-	10,640
Change in benefit terms	-	-	-
Differences between expected and actual experience	11,189	-	11,189
Changes in assumptions	2,901	-	2,901
Contributions, employer	-	62	(62)
Contributions, employee	-	-	-
Net investment income	-	24,832	(24,832)
Benefit payments	(9,563)	(9,563)	-
Administrative expenses	-	(370)	370
Net changes	19,645	14,961	4,684
Balance, June 30, 2025	\$ 188,049	\$ 268,357	\$ (80,308)

Lansing Board of Water & Light - City of Lansing, Michigan

Notes to Financial Statements
June 30, 2025 and 2024

	In Thousands		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (Asset) (a)-(b)
Balance, June 30, 2023	\$ 163,829	\$ 238,471	\$ (74,642)
Changes for the year:			
Service cost	4,201	-	4,201
Interest	10,355	-	10,355
Change in benefit terms	-	-	-
Differences between expected and actual experience	(801)	-	(801)
Changes in assumptions	-	-	-
Contributions, employer	-	65	(65)
Contributions, employee	-	-	-
Net investment income	-	24,300	(24,300)
Benefit payments	(9,181)	(9,181)	-
Administrative expenses	-	(259)	259
Net changes	4,575	14,925	(10,350)
Balance, June 30, 2024	\$ 168,403	\$ 253,396	\$ (84,993)

Sensitivity of the Net OPEB Liability (Asset) to Changes in the Discount Rate - The following presents the net OPEB liability (asset) of BWL, as well as what BWL's net OPEB liability (asset) would be if it were calculated using a discount rate that is 1 percentage point lower (5.5%) or 1-percentage-point higher (7.5%) than the current discount rate (6.5%) as of June 30, 2025:

	June 30, 2025		
	1% Decrease	Current Discount Rate	1% Increase
NET OPEB liability (asset)	\$ (56,789,611)	\$ (80,308,338)	\$ (99,892,293)

Sensitivity of the Net OPEB Liability (Asset) to Changes in the Discount Rate - The following presents the net OPEB liability (asset) of BWL, as well as what BWL's net OPEB liability (asset) would be if it were calculated using a discount rate that is 1 percentage point lower (5.5%) or 1-percentage-point higher (7.5%) than the current discount rate (6.5%) as of June 30, 2024:

	June 30, 2024		
	1% Decrease	Current Discount Rate	1% Increase
NET OPEB liability (asset)	\$ (65,718,636)	\$ (84,992,538)	\$ (101,207,086)

Lansing Board of Water & Light - City of Lansing, Michigan

Notes to Financial Statements

June 30, 2025 and 2024

Sensitivity of the Net OPEB Liability (Asset) to Changes in the Healthcare Cost Trend Rates -

The following presents the net OPEB liability (asset) of BWL, as well as what BWL's net OPEB liability (asset) would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates as of June 30, 2025:

	June 30, 2025		
	1% Decrease	Healthcare Cost Trend Rates	1% Increase
Net OPEB liability (asset)	\$ (101,368,187)	\$ (80,308,338)	\$ (54,595,655)

Sensitivity of the Net OPEB Liability (Asset) to Changes in the Healthcare Cost Trend Rates -

The following presents the net OPEB liability (asset) of BWL, as well as what BWL's net OPEB liability (asset) would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates as of June 30, 2024:

	June 30, 2024		
	1% Decrease	Healthcare Cost Trend Rates	1% Increase
Net OPEB liability (asset)	\$ (102,871,148)	\$ (84,992,538)	\$ (63,323,723)

OPEB Plan Fiduciary Net Position - Detailed information about the OPEB plan's fiduciary net position is available in the separately issued Postretirement Benefit Plan and Trust for Eligible Employees of Lansing Board of Water and Light June 30, 2025 GASB 74/75 Report, issued July 29, 2025.

For the year ended June 30, 2025, the Plan recognized OPEB expense of (\$6,536,734). At June 30, 2025, the Plan reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 12,031,440	\$ 3,146,457
Changes of assumptions	6,269,367	840,143
Net difference between projected and actual earnings on OPEB plan investments	-	7,784,221
Total	<u>\$ 18,300,807</u>	<u>\$ 11,770,821</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Years Ending June 30:

2026	\$ 4,721,458
2027	(1,555,111)
2028	(677,517)
2029	460,656
2030	2,011,348
Thereafter	1,569,152
Total	<u>\$ 6,529,986</u>

Lansing Board of Water & Light - City of Lansing, Michigan

Notes to Financial Statements

June 30, 2025 and 2024

For the year ended June 30, 2024, the Plan recognized OPEB expense of \$(11,728,112). At June 30, 2024, the Plan reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 3,256,591	\$ 6,079,101
Changes of assumptions	6,625,332	4,762,702
Net difference between projected and actual earnings on OPEB plan investments	-	3,792,920
Total	<u>\$ 9,881,923</u>	<u>\$ 14,634,723</u>

Other Postretirement Benefits

The BWL offers its employees a deferred compensation plan, created in accordance with IRC 457. The BWL makes contributions of \$1,000 annually for the employees as of January 1 of each year, during the month of January. The BWL also will match employee contributions at one dollar for every one dollar up to \$1,500 in a calendar year.

9. Commitments and Contingencies

At June 30, 2025 and 2024, the BWL has two letters of credit in the amounts of \$817,000 issued to the Michigan Department of Natural Resources. The letters of credit were issued to satisfy requirements of the Michigan Department of Natural Resources to provide financial assurance to the State of Michigan for the cost of closure and post closure monitoring and maintenance of a landfill site operated by the BWL.

Through monitoring tests performed on the landfill sites operated by the BWL, it has been discovered that the sites are contaminating the groundwater. The contamination does not pose a significant health risk but does lower the quality of the groundwater. The BWL received landfill closure approval as well as interim remediation approval. The BWL has estimated the total cost for remediation, including closure and post closure cost of the landfills, and has recorded a liability of \$5,451,766 and \$5,389,412 for the years ended June 30, 2025 and 2024, respectively. Certain remediation activities have commenced and are in progress. The landfill sites are no longer receiving waste products. Landfill closure and post closure requirements are associated with the Michigan Department of Environmental Quality. Annual post closure costs of these landfill sites are not expected to exceed \$380,000 annually and are included in the liability above. Estimates will be revised as approvals are received from the State. In accordance with the regulatory basis of accounting as per GASB 62 (see Note 1), the BWL recorded a corresponding regulatory asset (see Note 6).

The BWL is subject to various laws and regulations with respect to environmental matters such as air and water quality, soil contamination, solid waste disposal, handling of hazardous materials and other similar matters. Compliance with these various laws and regulations could result in substantial expenditures. The BWL has established a Designated Purpose Fund (see Note 1), of which one of the purposes of the fund is to meet extraordinary expenditures resulting from responsibilities under environmental laws and regulations. Management believes that all known or expected responsibilities to these various laws and regulations by the BWL will be sufficiently covered by the Designated Purpose Fund and the environmental remediation liability.

The BWL is involved in various other legal actions which have arisen in the normal course of business. Such actions are usually brought for claims in excess of possible settlement or awards, if any, that may result. After taking into consideration legal counsel's evaluation of pending actions, management has recorded litigation reserve of \$1,350,000 as of June 30, 2025, and \$1,300,000 as of June 30, 2024 in regard to specific pending legal cases.

Lansing Board of Water & Light - City of Lansing, Michigan

Notes to Financial Statements

June 30, 2025 and 2024

Construction in progress consists of projects for expansion or additions to the utility plant. The estimated additional cost to complete various projects is approximately \$311,018,326 and \$382,841,704 at June 30, 2025 and 2024, respectively. These projects will be funded through operational cash flow, revenue bonds and grant funding, including the project funds reported as other assets.

10. Power Supply Purchase

In 1983, the BWL entered into power supply and project support contracts with MPPA, of which the BWL is a member. Under the agreement, the BWL has the ability to purchase power from MPPA, will sell power to MPPA at an agreed-upon rate, and will purchase 64.29% of the energy generated by MPPA's 37.22% ownership in Detroit Edison's Belle River Plant (Belle River), which became operational in August 1984.

Under the terms of its contract, the BWL must make minimum annual payments equal to its share of capital and its share of the fixed operating costs of Belle River. The estimated required payments presented below assume no early calls or refinancing of existing revenue bonds and a 3.0% annual inflation of fixed operating costs, which include expected major maintenance projects.

Years	Capital	Estimated Fixed Operating Costs	Total Required
2026	\$ 7,209,374	\$ 19,089,625	\$ 26,298,999
2027	7,206,328	17,752,801	24,959,129
2028	7,015,895	15,121,539	22,137,434
2029	4,314,902	16,093,497	20,408,399
2030	4,314,699	16,969,952	21,284,651

In addition to the above required payments, the BWL must pay for fuel, other operating costs and transmission costs related to any kilowatt hours (KWHs) purchased under these contracts.

The BWL recognized expenses for 2025 and 2024 of \$45,472,716 and \$41,402,193, respectively, to purchase power under the terms of this contract. The price of this power was calculated on a basis, as specified in the contracts, to enable MPPA to recover its production, transmission and capital costs.

11. Estimated Liability for Excess Earnings on Water Supply and Electric Utility System Revenue Bonds

In accordance with Section 148(f)(2) of the IRC of 1986, as amended, the BWL is required on each anniversary date (July 1) of the Water Supply, Electric Utility and Steam Utility System Revenue Bonds, Series 2013A, 2017A, 2019A, 2021A, 2021B and 2024A to compute amounts representing the cumulative excess earnings on such bonds. That amount essentially represents a defined portion of any excess of interest earned on funds borrowed over the interest cost of the tax-exempt borrowings. Expense is charged (credited) annually in an amount equal to the estimated increase (decrease) in the cumulative excess earnings for the year. On every fifth anniversary date and upon final maturity of the bonds, the BWL is required to remit to the Internal Revenue Service the amount of any cumulative excess earnings computed on the date of such maturity plus an amount equal to estimated interest earned on previous years' segregated funds. The estimated liability for excess earnings was \$4,403,955 and \$0 at 2025 and 2024, respectively. In accordance with the requirements of the bond indenture, the BWL is required to set aside any current year additions to this estimated liability in a rebate fund within 60 days of the anniversary date of the bonds.

Lansing Board of Water & Light - City of Lansing, Michigan

Notes to Financial Statements
June 30, 2025 and 2024

12. Risk Management and Insurance

The BWL is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation), as well as medical benefits provided to employees. The BWL has purchased commercial insurance for certain general liability, business auto, excess liability, property and boiler and machinery, public officials and employee liability claims, specific excess health insurance claims and specific excess workers' compensation claims, subject to policy terms, limits, limitations and deductibles. The BWL is self-insured for most workers' compensation and health insurance claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The BWL estimates the liability for self-insured workers' compensation and health insurance claims that have been incurred through the end of the fiscal year, including claims that have been reported as well as those that have not yet been reported. Changes in the estimated liability for the past three fiscal years were as follows:

	Workers' Compensation			Health Insurance		
	2025	2024	2023	2025	2024	2023
Unpaid claims, beginning	\$ 2,200,000	\$ 2,200,000	\$ 2,200,000	\$ 1,893,351	\$ 1,686,723	\$ 1,773,595
Included claims, including claims incurred but not reported	52,674	49,474	24,127	26,150,581	23,176,317	20,178,663
Claim payments	(52,674)	(49,474)	(24,127)	(25,952,169)	(22,969,689)	(20,265,535)
Liability reduction	(500,000)	-	-	-	-	-
Unpaid claims ending	<u>\$ 1,700,000</u>	<u>\$ 2,200,000</u>	<u>\$ 2,200,000</u>	<u>\$ 2,091,763</u>	<u>\$ 1,893,351</u>	<u>\$ 1,686,723</u>

The liability for health insurance is included with accounts payable on the statement of net position.

13. Upcoming Pronouncements

GASB has approved, Statement No. 103, *Financial Reporting Model Improvements* and Statement No. 104, *Disclosure of Certain Capital Assets*. When they become effective, application of these standards may restate portions of these financial statements.

14. Subsequent Events

The Board evaluated subsequent events through October 3, 2025, the date that the financial statements were available to be issued, for events requiring recording or disclosure in the financial statements. There are no subsequent events warranting disclosures.

REQUIRED SUPPLEMENTARY INFORMATION

**Lansing Board of Water and Light
Defined Benefit Plan and Trust for Employees' Pensions**

Required Supplementary Information (Unaudited)
Schedule of Changes in the BWL's
Net Pension Asset and Related Ratios
Last Ten Fiscal Years
(In Thousands)

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Total Pension Liability										
Service cost	\$ 32	\$ 31	\$ 29	\$ 26	\$ 26	\$ 42	\$ 60	\$ 50	\$ 113	\$ 223
Interest	2,382	2,523	2,721	2,974	3,212	3,566	3,691	4,031	4,317	4,625
Differences between expected and actual experience	(352)	(18)	(981)	179	(968)	(919)	(743)	(230)	(383)	299
Changes in assumptions	-	-	-	1,730	(366)	1,555	1,210	1,419	(857)	(1,468)
Benefit payments, including refunds	(4,772)	(4,996)	(5,142)	(5,466)	(5,658)	(5,872)	(6,143)	(6,414)	(7,473)	(7,896)
Net Change in Total Pension Liability	(2,710)	(2,460)	(3,373)	(557)	(3,754)	(1,628)	(1,925)	(1,144)	(4,283)	(4,217)
Total Pension Liability, Beginning	42,054	44,514	47,887	48,444	52,198	53,826	55,751	56,895	61,178	65,395
Total Pension Liability, Ending	39,344	42,054	44,514	47,887	48,444	52,198	53,826	55,751	56,895	61,178
Plan Net Position										
Net investment income	4,393	4,134	4,134	(5,399)	11,853	1,658	4,381	3,112	8,272	47
Administrative expenses	(165)	(128)	(127)	(134)	(123)	(145)	(183)	(255)	(317)	(388)
Benefit payments, including refunds	(4,772)	(4,996)	(5,142)	(5,466)	(5,658)	(5,872)	(6,143)	(6,414)	(7,473)	(7,896)
Other	-	-	-	-	-	(477)	-	-	-	-
Net change in Net Position Held in Trust	(544)	(990)	(1,135)	(10,999)	6,072	(4,836)	(1,945)	(3,557)	482	(8,237)
Net Position Restricted for Pensions, Beginning	48,534	49,523	50,659	61,658	55,586	60,422	62,367	65,924	65,442	73,679
Net Position Restricted for Pensions, Ending	47,990	48,534	49,523	50,659	61,658	55,586	60,422	62,367	65,924	65,442
BWL Net Pension Asset, Ending	\$ (8,646)	\$ (6,480)	\$ (5,009)	\$ (2,772)	\$ (13,214)	\$ (3,388)	\$ (6,596)	\$ (6,616)	\$ (9,029)	\$ (4,264)
Plan Net Position as a % of Total Pension Liability	122%	115%	111%	106%	127%	106%	112%	112%	116%	107%
Covered Employee Payroll	\$ 266	\$ 262	\$ 248	\$ 238	\$ 237	\$ 240	\$ 406	\$ 603	\$ 586	\$ 772
BWL's Net Pension Asset as a % of Covered Employee Payroll	(3,250%)	(2,473%)	(2,020%)	(1,165%)	(5,576%)	(1,412%)	(1,625%)	(1,097%)	(1,541%)	(552%)

See notes to required supplementary information

**Lansing Board of Water and Light
Defined Benefit Plan and Trust for Employees' Pensions**

Required Supplementary Information (Unaudited)
Schedule of Employer Contributions
Last Ten Fiscal Years
(In Thousands)

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Actuarially determined contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the actuarially determined contribution	-	-	-	-	-	-	-	-	-	-
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Employee Payroll	\$ 266	\$ 262	\$ 248	\$ 238	\$ 237	\$ 240	\$ 406	\$ 603	\$ 586	\$ 772
Contributions as a Percentage of Covered Employee Payroll	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%

See notes to required supplementary information

**Postretirement Benefit Plan and Trust for
Eligible Employees of Lansing Board of Water and Light**

Required Supplemental Information (Unaudited)
Schedule of Changes in BWL's
Net OPEB Liability (Asset) and Related Ratios
Last Ten Fiscal Years*
(In Thousands)

	2025	2024	2023	2022	2021	2020	2019	2018	2017
Total OPEB Liability									
Service cost	\$ 4,479	\$ 4,201	\$ 3,452	\$ 3,299	\$ 3,396	\$ 3,245	\$ 4,403	\$ 4,827	\$ 3,130
Interest	10,640	10,355	9,827	9,871	10,535	10,804	14,920	15,039	14,226
Changes in benefit terms	-	-	-	-	-	-	(415)	-	-
Differences between expected and actual experience	11,189	(801)	4,770	(1,084)	(8,794)	(6,093)	(5,231)	(9,880)	5,281
Changes in assumptions	2,901	-	-	10,173	(3,752)	7,254	(59,336)	(1,728)	(2,027)
Benefit payments, including refunds	(9,563)	(9,181)	(10,628)	(13,493)	(8,344)	(9,157)	(9,278)	(10,395)	(9,574)
Net Change in Total OPEB Liability	19,646	4,574	7,421	8,766	(6,959)	6,053	(54,937)	(2,137)	11,036
Total OPEB Liability, Beginning	168,403	163,829	156,410	147,644	154,603	148,550	203,487	205,624	194,588
Total OPEB Liability, Ending	188,049	168,403	163,831	156,410	147,644	154,603	148,550	203,487	205,624
Trust Net Position									
Contributions, employer	62	65	68	13,493	8,344	9,157	9,278	10,395	9,574
Net investment income	24,832	24,300	21,226	(19,247)	49,387	4,158	11,688	11,039	18,040
Administrative expenses	(370)	(259)	(336)	(354)	(449)	(512)	(569)	(634)	(705)
Benefit payments, including refunds	(9,563)	(9,181)	(10,628)	(13,493)	(8,344)	(9,157)	(9,278)	(10,395)	(9,574)
Net change in Net Position Held in Trust	14,961	14,925	10,330	(19,601)	48,938	3,646	11,119	10,405	17,335
Trust Fiduciary Net Position, Beginning	253,396	238,471	228,142	247,743	198,805	195,159	184,040	173,635	156,300
Trust Fiduciary Net Position, Ending	268,357	253,396	238,472	228,142	247,743	198,805	195,159	184,040	173,635
BWL Net OPEB Liability (Asset), Ending	<u>\$ (80,308)</u>	<u>\$ (84,993)</u>	<u>\$ (74,641)</u>	<u>\$ (71,732)</u>	<u>\$ (100,099)</u>	<u>\$ (44,202)</u>	<u>\$ (46,609)</u>	<u>\$ 19,447</u>	<u>\$ 31,989</u>
Trust Fiduciary Net Position as a % of Total OPEB Liability (Asset)	142.71%	150.47%	145.56%	145.86%	167.80%	128.59%	131.38%	90.44%	84.44%
Covered Employee Payroll	\$ 82,440	\$ 77,109	\$ 69,744	\$ 62,976	\$ 60,269	\$ 58,198	\$ 56,785	\$ 55,650	\$ 54,383
BWL's Net OPEB Liability (Asset) as a % of Covered Employee Payroll	(97.41%)	(110.22%)	(107.02%)	(113.90%)	(166.09%)	(75.95%)	(82.08%)	34.95%	58.82%

*GASB Statement No. 74 was implemented as of June 30, 2017. Information from 2016 is not available and this schedule will be presented on a prospective basis.

See notes to required supplementary information

**Postretirement Benefit Plan and Trust for
Eligible Employees of Lansing Board of Water and Light**

Required Supplemental Information (Unaudited)
Schedule of Employer Contributions
Last Ten Fiscal Years
(In Thousands)

Fiscal Year Ended	Employer Contributions		Difference of Required to Actual Contributions	Covered Employee Payroll	Percentage of Actual Contributions to Covered Payroll
	Required	Actual			
6/30/2016	\$ 5,788	\$ 9,423	\$ 3,635	\$ 53,893	17%
6/30/2017	7,508	9,574	2,066	54,383	18%
6/30/2018	7,535	10,395	2,860	55,650	19%
6/30/2019	7,031	9,278	2,247	56,785	16%
6/30/2020	-	9,157	9,157	58,198	16%
6/30/2021	220	8,344	8,124	60,269	14%
6/30/2022	-	13,493	13,493	62,976	21%
6/30/2023	-	68	68	69,744	0%
6/30/2024	-	65	65	77,109	0%
6/30/2025	-	62	62	82,440	0%

See notes to required supplementary information

Lansing Board of Water & Light - City of Lansing, Michigan

Notes to Required Supplementary Information (Unaudited)

Years Ended June 30, 2024 and 2024

1. Defined Benefit Plan

Actuarial valuation information relative to the determination of contributions:

Valuation date June 30, 2025, based on roll-forward of February 28, 2025 valuation

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age method
Amortization method	Level dollar over a 15-year period
Remaining amortization period	15 years
Asset valuation method	Market value of the assets
Inflation	2.25%
Salary increases	3.5% per year
Investment rate of return	6.0% per year compounded annually
Mortality	PUB-2010 General Mortality Table with MP-2021 Improvement Scale
Changes to assumptions:	No changes in assumptions.

Actuarial valuation information relative to the determination of contributions:

Valuation date June 30, 2024, based on roll-forward of February 29, 2024 valuation

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age method
Amortization method	Level dollar over a 15-year period
Remaining amortization period	15 years
Asset valuation method	Market value of the assets
Inflation	2.25%
Salary increases	3.5% per year
Investment rate of return	6.0% per year compounded annually
Mortality	PUB-2010 General Mortality Table with MP-2021 Improvement Scale
Changes to assumptions:	No changes in assumptions.

Lansing Board of Water & Light - City of Lansing, Michigan

Notes to Required Supplementary Information (Unaudited)

Years Ended June 30, 2024 and 2024

Significant Changes

June 30, 2025

- Difference between actual and expected experience - The \$352.4K actuarial gain on the Total Pension Liability for the fiscal year ending June 30, 2025 is primarily attributable to favorable demographic experience.
- Assumption change - None.
- Investment gain - The plan experienced a \$1.63M gain on plan assets during the fiscal year ending June 30, 2025 due to the actual return on assets equaling 9.52% vs. an expected return of 6.00%.

June 30, 2024

- Difference between actual and expected experience - The \$18.1K actuarial gain on the Total Pension Liability for the fiscal year ending June 30, 2024 is primarily attributable to favorable demographic experience.
- Assumption change - None.

June 30, 2023

- Difference between actual and expected experience - The \$981K actuarial gain on the Total Pension Liability for the fiscal year ending June 30, 2023 is primarily attributable to participant deaths.
- Assumption change - None.

June 30, 2022

- Difference between actual and expected experience - The \$179K actuarial gain on the Total Pension Liability for the fiscal year ending June 30, 2022 is primarily attributable to the difference between actual experience and demographic assumptions.
- Assumption change - The plan experienced a \$1.73MM actuarial loss due to the change in the mortality improvement scale and the decrease in the discount rate from 6.50% to 6.00%. Updating the mortality improvement scale to the MP-2021 scale resulted in a \$120K actuarial loss and decreasing the discount rate resulted in a \$1.61MM actuarial loss. The combination of these two changes resulted in an overall actuarial loss of \$1.73MM.

June 30, 2021

- Difference between actual and expected experience - The \$968K actuarial gain on the Total Pension Liability for the fiscal year ending June 30, 2021 is primarily attributable to participant deaths.
- Assumption change - The plan experienced a \$366K actuarial gain due to the change in the mortality improvement scale.

June 30, 2020

- Difference between actual and expected experience - The \$.92MM actuarial gain on the Total Pension Liability for the fiscal year ending June 30, 2020 is primarily attributable to participant deaths.

Lansing Board of Water & Light - City of Lansing, Michigan

Notes to Required Supplementary Information (Unaudited)

Years Ended June 30, 2024 and 2024

- Assumption change - The plan experienced a \$1.55MM actuarial loss due to the change in the mortality improvement scale and the decrease the discount rate from 7.00% to 6.50%. Updating the mortality improvement scale to the MP-2019 scale resulted in a \$.22MM actuarial gain and decreasing the discount rate resulted in a \$1.77MM actuarial loss. The combination of these two changes resulted in an overall actuarial loss of \$1.55MM.

June 30, 2019

- Difference between actual and expected experience - The \$.74MM gain on the Total Pension Liability for the fiscal year ending June 30, 2019 is primarily attributable to participant deaths.
- Assumption change - The plan experienced a \$1.21MM loss due to the change of the mortality assumption from the RP-2014 Total Dataset Mortality adjusted to 2006 and projected generationally using the MP-2017 improvement scale to the PUB-2010 General Employees Mortality, projected generationally using the MP-2018 improvement scale.

June 30, 2018

- Difference between actual and expected experience - The \$230,000 gain on the Total Pension Liability for the fiscal year ending June 30, 2018 is primarily attributable to participant deaths.
- Assumption change - Assumptions for the discount rate and expected return on assets were decreased from 7.50% to 7.00% to reflect the expected long term rate of return on the trust.

June 30, 2017

- Difference between actual and expected experience - The \$383,000 gain on the Total Pension Liability for the fiscal year ending June 30, 2017 is primarily attributable to participant deaths.
- Assumption change - The plan experienced a \$.86MM gain due to the change of the mortality assumption from the RP-2014 table projected generationally with Scale MP-2014 with MP-2016 Improvement Scale.

June 30, 2016

- Difference between actual and expected experience - The \$299,000 loss on the Total Pension Liability for the fiscal year ending June 30, 2016 is primarily attributable to participant deaths.
- Assumption change - The plan experienced a \$1.47MM gain due to the change of the mortality assumption from the RP-2014 table projected generationally with Scale MP-2014 with MP-2015 Improvement Scale.

Lansing Board of Water & Light - City of Lansing, Michigan

Notes to Required Supplementary Information (Unaudited)
Years Ended June 30, 2024 and 2024

2. Postretirement Benefit Plan

Actuarial valuation information relative to the determination of contributions:

Valuation date	June 30, 2025, based on roll-forward of February 28, 2025 valuation
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Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal level % of salary method
Amortization method	Level dollar over a 30-year closed period
Remaining amortization period	23 years
Inflation	2.25%
Salary increases	9.0% growth at age 25 and decreases to 5.3% for ages 60+. This percentage includes general wage inflation and merit / productivity increases.
Investment rate of return	6.5% per year compounded annually
Mortality	PUBH-2010 General Employees Mortality Table projected generationally using MP-2021 scale

Actuarial valuation information relative to the determination of contributions:

Valuation date	June 30, 2024, based on roll-forward of February 29, 2024 valuation
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Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal level % of salary method
Amortization method	Level dollar over a 30-year closed period
Remaining amortization period	24 years
Inflation	2.25%
Salary increases	9.0% growth at age 25 and decreases to 5.3% for ages 60+. This percentage includes general wage inflation and merit / productivity increases.
Investment rate of return	6.5% per year compounded annually
Mortality	PUBH-2010 General Employees Mortality Table projected generationally using MP-2021 scale

Lansing Board of Water & Light - City of Lansing, Michigan

Notes to Required Supplementary Information (Unaudited)

Years Ended June 30, 2024 and 2024

Significant Changes:

June 30, 2025

- Difference between actual and expected experience - The \$11.2M actuarial loss on the Total OPEB Liability for the fiscal year ending June 30, 2025 is primarily attributable to higher than expected 2025 per capita claims cost. The 2025 Humana premiums for post-65 participants increased 46% when compared to premiums for 2024.
- Assumption Change - The \$2.9M actuarial loss on the Total OPEB Liability for the fiscal year ending June 30, 2025 is attributable to updating the medical trend assumptions to those described in the Michigan Uniform Assumptions for 2025.
- Investment gain - The \$8.7M investment gain during the fiscal year ending June 30, 2025 is attributable an actual return on assets of 9.99% vs. an expected return of 6.50%.

June 30, 2024

- Difference between actual and expected experience - The \$800.9K actuarial gain on the Total OPEB Liability for the fiscal year ending June 30, 2024 is attributable to the combination of favorable demographic experience and lower than expected per capita claims cost.
- Assumption change - None.
- Investment gain - The \$9.1M investment gain during the fiscal year ending June 30, 2024 is attributable an actual return on assets of 10.39% vs. an expected return of 6.50%.

June 30, 2023

- Difference between actual and expected experience - The \$4.77M actuarial loss on the Total OPEB Liability for the fiscal year ending June 30, 2023 is attributable to the combination of unfavorable demographic experience and unfavorable claims experience for the pre-Medicare retirees. \$1.86M of the actuarial loss is associated with demographic experience. The remaining \$2.91M of the actuarial loss is due to higher than expected 2023 per capita claims cost.
- Assumption change - None.
- Investment gain - The \$6.75M investment gain during the fiscal year ending June 30, 2023 is attributable an actual return on assets of 9.52% vs. an expected return of 6.50%.

June 30, 2022

- Difference between actual and expected experience - The \$1.08MM actuarial gain on the Total OPEB Liability for the fiscal year ending June 30, 2022 is attributable to favorable demographic experience. The favorable demographic experience is mainly attributable to deaths (25 participants), termination of active participants and changes in coverage elections.
- Assumption change - The \$10.17MM actuarial loss on the Total OPEB liability for the fiscal year ending June 30, 2022 is attributable to updating the mortality improvement scale to the MP-2021 scale, updating the demographic assumptions to reflect the results of the 2022 experience analysis and decreasing the discount rate from 7.0% to 6.5%. Updating the mortality improvement scale resulted in a \$.38MM actuarial loss. Updating the demographic assumptions resulted in a \$1.73MM actuarial loss. The remaining \$8.06MM of actuarial loss is attributable to decreasing the discount rate from 7.0% to 6.5%.

Lansing Board of Water & Light - City of Lansing, Michigan

Notes to Required Supplementary Information (Unaudited)

Years Ended June 30, 2024 and 2024

June 30, 2021

- Difference between actual and expected experience - The \$8.79MM actuarial gain on the Total OPEB Liability for the fiscal year ending June 30, 2021 is attributable to the combination of favorable demographic experience and lower than expected 2021 per capita claims cost. \$3.94MM of the actuarial gain is associated with demographic experience and is mainly attributable to deaths (37 participants), termination of active participants and changes in coverage elections. The remaining \$4.85MM of the actuarial gain is due to less than expected 2021 per capita claims cost. The 2021 Humana premiums are slightly lower than what was expected for 2021 (\$321.92 per month vs. \$347.80 per month)
- Assumption change - The \$3.75MM actuarial gain on the Total OPEB liability for the fiscal year ending June 30, 2021 is attributable to updating the mortality improvement scale to the MP-2020 scale and reflecting the updated healthcare trend assumptions set forth in the Michigan Uniform Assumptions memo for the 2021 fiscal year. Updating the mortality improvement scale resulted in a \$1.18MM actuarial gain. The remaining \$2.57MM of the actuarial gain is attributable to reflecting the updated trend assumptions.

June 30, 2020

- Difference between actual and expected experience - The \$6.09MM gain on the Total OPEB Liability for the fiscal year ending June 30, 2020 is attributable to the combination of unfavorable demographic experience and a reduction in the per capita claims cost used in the June 30, 2020 valuation. The \$1.13MM loss associated with demographic experience is mainly attributable to active participant retirements. The \$7.22MM gain due to a reduction in per capita claims cost is attributable a decrease in the Pre-65 medical and prescription drug premiums for 2021. The 2020 Pre-65 medical and Rx monthly premium for a retiree was \$1,073.13. For 2020, the Pre-65 medical and Rx monthly premium for a retiree is \$957.99. An 11% reduction in monthly premium. The combination of the demographic loss and the reduction in monthly premiums resulted in the overall \$6.09MM actuarial gain.
- Assumption change - The \$7.25MM loss on the Total OPEB liability for the fiscal year ending June 30, 2020 is attributable to updating the mortality improvement scale to the MP-2019 scale and decreasing the discount rate from 7.50% to 7.00%. Updating the mortality improvement scale resulted in a \$.53MM actuarial gain. Whereas, decreasing the discount rate resulted in a \$7.78MM actuarial loss. The combination of these changes resulted in the overall \$7.25MM actuarial loss.

June 30, 2019

- Difference between actual and expected experience - The \$5.2 million gain on the Total OPEB Liability for the fiscal year ending June 30, 2019 is primarily due to favorable demographic experience. The favorable experience is mainly attributable to terminations of active participants and deaths of participants with and without beneficiaries.

Lansing Board of Water & Light - City of Lansing, Michigan

Notes to Required Supplementary Information (Unaudited)

Years Ended June 30, 2024 and 2024

- Assumption changes - (1) The plan experienced a \$54.4 million gain on the Total OPEB Liability due to a change of the assumed per capita claims cost. The Board changed the Plan's insurance provider for Medicare eligible participants from The Hartford and Envision Insurance to Humana. Doing so resulted in a dramatic decrease in both the medical and prescription drug monthly premiums from the prior fiscal year (\$98.99 per month vs. \$219.54 per month for medical coverage and \$213.47 per month vs. \$305.00 per month for prescription drug coverage); (2) The Plan experienced a \$3.8 million loss on the mortality assumption change. The mortality assumption was updated from the RPH-2014 Total Dataset mortality, adjusted to 2006 and projected generationally using the MP-2017 improvement scale to the PUBH-2010 General Employees mortality, projected generationally using the MP-2018 improvement scale; and (3) The Plan experienced a \$8.7 million gain on a change to the medical and prescription drug trend assumptions. The trend assumptions were changed to those prescribed under the Michigan Uniform Assumptions for the 2019 fiscal year.
- Change in benefit terms - The Plan experienced a \$.4 million gain due to an expected increase in the retiree contribution percentage for employees hired on or after January 1, 2009. The expected contribution percentage was increased from 14% to 20% of the premium charged to active employees.

June 30, 2018

- Difference between actual and expected experience - The \$9.9 million gain on the Total OPEB Liability for the fiscal year ending June 30, 2018, is attributable to a reduction in the per capita claims cost used in the June 30, 2018 valuation. Better than expected claims experience during the fiscal year resulted in a decrease in the projected claims when compared to those used in the June 30, 2017, valuation.
- Assumption change - The mortality improvement scale was updated to the MP-2017 scale.

SUPPLEMENTARY INFORMATION

Lansing Board of Water & Light - City of Lansing, Michigan

Income Available for Revenue Bond Debt Retirement
Years Ended June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Income, Before Capital Contributions Per Statement of Revenues, Expenses and Changes in Net Position	\$ 27,611,097	\$ 9,892,222
Adjustments to Income		
Depreciation	68,414,785	68,302,725
Interest on long-term debt:		
Notes	502,882	35,748
Revenue bonds	40,773,265	32,361,141
Total additional income	<u>109,690,932</u>	<u>100,699,614</u>
Income Available for Revenue Bonds and Interest Redemption	<u>137,302,029</u>	<u>110,591,836</u>
Debt Retirement Pertaining to Revenue Bonds		
Principal	13,495,000	13,890,000
Interest	28,420,898	26,892,515
Total	<u>\$ 41,915,898</u>	<u>\$ 40,782,515</u>
Percent Coverage of Revenue Bonds and Interest Requirements	<u>328%</u>	<u>271%</u>

Lansing Board of Water & Light - City of Lansing, Michigan

Detail of Statements of Revenues and Expenses

Years Ended June 30, 2025 and 2024

	Combined		Water		Electric		Steam		Chilled Water	
	2025	2024	2025	2024	2025	2024	2025	2024	2025	2024
Operating Revenues										
Water	\$ 61,455,925	\$ 55,757,309	\$ 61,455,925	\$ 55,757,309	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Electric:										
Retail	339,811,950	320,953,423	-	-	339,811,950	320,953,423	-	-	-	-
Sales for resale	45,712,660	21,022,840	-	-	45,712,660	21,022,840	-	-	-	-
Steam	14,691,575	12,785,927	-	-	-	-	14,691,575	12,785,927	-	-
Chilled water	6,775,779	6,915,341	-	-	-	-	-	-	6,775,779	6,915,341
Total operating revenues	468,447,889	417,434,840	61,455,925	55,757,309	385,524,610	341,976,263	14,691,575	12,785,927	6,775,779	6,915,341
Operating Expenses										
Production:										
Fuel, purchased power and other operating expenses	162,042,369	138,777,452	13,104,702	11,937,645	143,170,294	120,777,854	3,544,070	3,748,279	2,223,303	2,313,674
Maintenance	21,288,260	22,732,499	4,914,461	4,829,509	14,408,264	16,417,358	977,292	847,694	988,243	637,938
Transmission and distribution:										
Operating expenses	13,841,237	14,757,338	2,109,194	1,723,667	11,459,984	12,824,290	272,059	209,381	-	-
Maintenance	23,522,155	23,933,835	5,344,811	4,318,783	17,600,971	18,930,788	576,373	684,264	-	-
Administrative and general	98,253,370	93,398,015	20,791,617	20,268,440	73,130,801	67,809,873	3,058,116	3,331,409	1,272,836	1,988,293
Return on equity	28,057,140	26,028,591	3,458,385	3,052,498	23,417,418	21,813,339	798,642	793,022	382,695	369,732
Depreciation	68,414,785	68,302,725	9,346,893	9,296,051	54,739,935	54,230,343	3,420,854	3,400,940	907,103	1,375,391
Total operating expenses	415,419,316	387,930,455	59,070,063	55,426,593	337,927,667	312,803,845	12,647,406	13,014,989	5,774,180	6,685,028
Operating income	53,028,573	29,504,385	2,385,862	330,716	47,596,943	29,172,418	2,044,169	(229,062)	1,001,599	230,313
Nonoperating Income (Expenses)										
Investment income (loss)	18,181,899	14,264,806	1,897,918	1,155,936	15,306,399	12,267,458	767,911	619,445	209,671	221,967
Other (expense) income	(2,323,228)	(1,480,080)	1,951,263	736,040	(3,226,442)	(2,470,239)	(1,263,259)	28,970	215,210	225,149
Bonded debt interest expense	(40,773,265)	(32,361,141)	(1,290,088)	(1,383,139)	(37,766,806)	(28,982,836)	(1,645,586)	(1,818,781)	(70,785)	(176,385)
Other interest expense	(502,882)	(35,748)	(84,546)	(3,682)	(417,722)	(32,026)	(614)	(40)	-	-
Total nonoperating expense	(25,417,476)	(19,612,163)	2,474,547	505,155	(26,104,571)	(19,217,643)	(2,141,548)	(1,170,406)	354,096	270,731
Net income (loss)	\$ 27,611,097	\$ 9,892,222	\$ 4,860,409	\$ 835,871	\$ 21,492,372	\$ 9,954,775	\$ (97,379)	\$ (1,399,468)	\$ 1,355,695	\$ 501,044

Lansing Board of Water & Light - City of Lansing, Michigan

Detail of Statements of Changes in Net Position

Years Ended June 30, 2025 and 2024

	<u>Combined</u>	<u>Water</u>	<u>Electric</u>	<u>Steam</u>	<u>Chilled Water</u>
Net Position, June 30, 2023	\$ 712,953,773	\$ 103,184,771	\$ 612,552,311	\$ (14,494,666)	\$ 11,711,357
Income (loss) before contributions	<u>9,892,222</u>	<u>835,871</u>	<u>9,954,775</u>	<u>(1,399,468)</u>	<u>501,044</u>
Net Position, June 30, 2024	722,845,995	104,020,642	622,507,086	(15,894,134)	12,212,401
Income (loss) before contributions	<u>27,611,097</u>	<u>4,860,409</u>	<u>21,492,372</u>	<u>(97,379)</u>	<u>1,355,695</u>
Net Position, June 30, 2025	<u>\$ 750,457,092</u>	<u>\$ 108,881,051</u>	<u>\$ 643,999,458</u>	<u>\$ (15,991,513)</u>	<u>\$ 13,568,096</u>

Lansing Board of Water & Light - City of Lansing, Michigan

Detail of Fiduciary Statements of Net Position -

Pension and OPEB Trust Funds

Years Ended June 30, 2025 and 2024

	2025			
	Defined Contribution Plan	Defined Benefit Plan	VEBA	Total
Assets				
Receivable, investment interest receivable	\$ -	\$ 116,055	\$ 699,657	\$ 815,712
Cash and cash equivalents	24,667,291	605,254	495,903	25,768,448
Investments at fair value:				
Mutual funds, bonds	18,283,837	22,554,739	59,643,501	100,482,077
Mutual funds, equity	166,998,488	21,790,236	176,020,497	364,809,221
Real estate fund investment	-	3,038,367	37,206,523	40,244,890
Self-directed brokerage account				
Equity securities/stocks	18,377,421	-	-	18,377,421
Mutual funds, equity	827,483	-	-	827,483
Participants note receivable	3,422,732	-	-	3,422,732
Total assets	232,577,252	48,104,651	274,066,081	554,747,984
Liabilities				
Trade payable, due to broker/other	-	114,244	697,927	812,171
Reimbursement for benefits paid by employer	-	-	5,011,279	5,011,279
Net Position, Held in Trust for Pension and Other Employee Benefits	\$ 232,577,252	\$ 47,990,407	\$ 268,356,875	\$ 548,924,534
	2024			
	Defined Contribution Plan	Defined Benefit Plan	VEBA	Total
Assets				
Receivable, investment interest receivable	\$ -	\$ -	\$ 14,641	\$ 14,641
Cash and cash equivalents	26,073,272	437,821	1,857,276	28,368,369
Investments at fair value:				
Mutual funds, bonds	17,497,649	23,149,441	55,835,109	96,482,199
Mutual funds, equity	152,413,555	21,335,946	159,831,296	333,580,797
Real estate fund investment	-	3,668,689	38,565,204	42,233,893
Self-directed brokerage account				
Equity securities/stocks	12,507,716	-	-	12,507,716
Certificates of deposit (negotiable)	100,039	-	-	100,039
Mutual funds, equity	598,099	-	-	598,099
Participants note receivable	3,532,182	-	-	3,532,182
Total assets	212,722,512	48,591,897	256,103,526	517,417,935
Liabilities				
Trade payable, due to broker/other	-	58,122	259,187	317,309
Reimbursement for benefits paid by employer	-	-	2,448,357	2,448,357
Net Position, Held in Trust for Pension and Other Employee Benefits	\$ 212,722,512	\$ 48,533,775	\$ 253,395,982	\$ 514,652,269

Lansing Board of Water & Light - City of Lansing, Michigan

Detail of Statement of Changes in Fiduciary Net Position -

Pension and OPEB Trust Funds

Years Ended June 30, 2025 and 2024

	2025			
	Defined Contribution Plan	Defined Benefit Plan	VEBA	Total
Increases				
Investment income:				
Net appreciation in				
fair value of investments	\$ 22,795,649	\$ 3,355,509	\$ 19,493,611	\$ 45,644,769
Interest and dividend income	3,648,273	1,037,880	5,338,815	10,024,968
Net investment income	26,443,922	4,393,389	24,832,426	55,669,737
Employer contributions	8,970,407	-	61,852	9,032,259
Interest from participant notes receivable	226,953	-	-	226,953
Other	480,908	-	-	480,908
Total increases	36,122,190	4,393,389	24,894,278	65,409,857
Decreases				
Retiree benefits paid	15,686,771	4,771,884	9,562,998	30,021,653
Loan defaults	412,246	-	-	412,246
Participants' note and administrative fees	168,433	164,873	370,387	703,693
Total decreases	16,267,450	4,936,757	9,933,385	31,137,592
Change in net position held in trust	19,854,740	(543,368)	14,960,893	34,272,265
Net Position Held in Trust for Pension and Other Employee Benefits				
Beginning	212,722,512	48,533,775	253,395,982	514,652,269
Ending	<u>\$ 232,577,252</u>	<u>\$ 47,990,407</u>	<u>\$ 268,356,875</u>	<u>\$ 548,924,534</u>

Lansing Board of Water & Light - City of Lansing, Michigan

Detail of Statement of Changes in Fiduciary Net Position -

Pension and OPEB Trust Funds

Years Ended June 30, 2025 and 2024

	2024			
	Defined Contribution Plan	Defined Benefit Plan	VEBA	Total
Increases				
Investment income:				
Net appreciation in				
fair value of investments	\$ 22,518,517	\$ 2,980,011	\$ 19,047,703	\$ 44,546,231
Interest and dividend income	3,363,114	1,153,670	5,252,303	9,769,087
Net investment income	25,881,631	4,133,681	24,300,006	54,315,318
Employer contributions	9,435,006	-	65,286	9,500,292
Interest from participant notes receivable	189,210	-	-	189,210
Other	269,948	-	-	269,948
Total increases	35,775,795	4,133,681	24,365,292	64,274,768
Decreases				
Retiree benefits paid	13,525,681	4,995,541	9,180,680	27,701,902
Loan defaults	331,152	-	-	331,152
Participants' note and administrative fees	152,962	127,598	259,201	539,761
Total decreases	14,009,795	5,123,139	9,439,881	28,572,815
Change in net position held in trust	21,766,000	(989,458)	14,925,411	35,701,953
Net Position Held in Trust for Pension and Other Employee Benefits				
Beginning	190,956,512	49,523,233	238,470,571	478,950,316
Ending	\$ 212,722,512	\$ 48,533,775	\$ 253,395,982	\$ 514,652,269

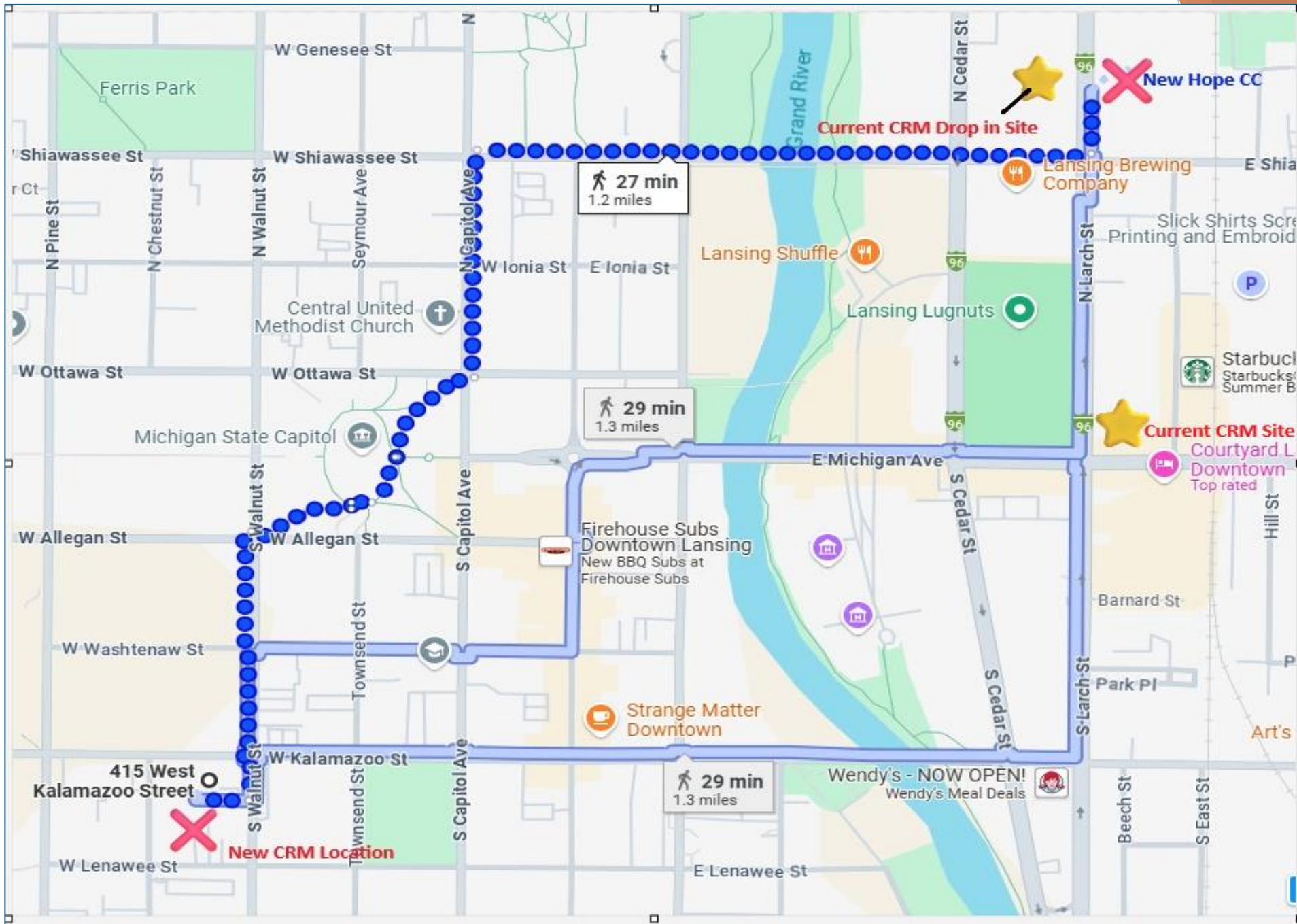


New Hope Community Center Moving to the Nest

March 9, 2026

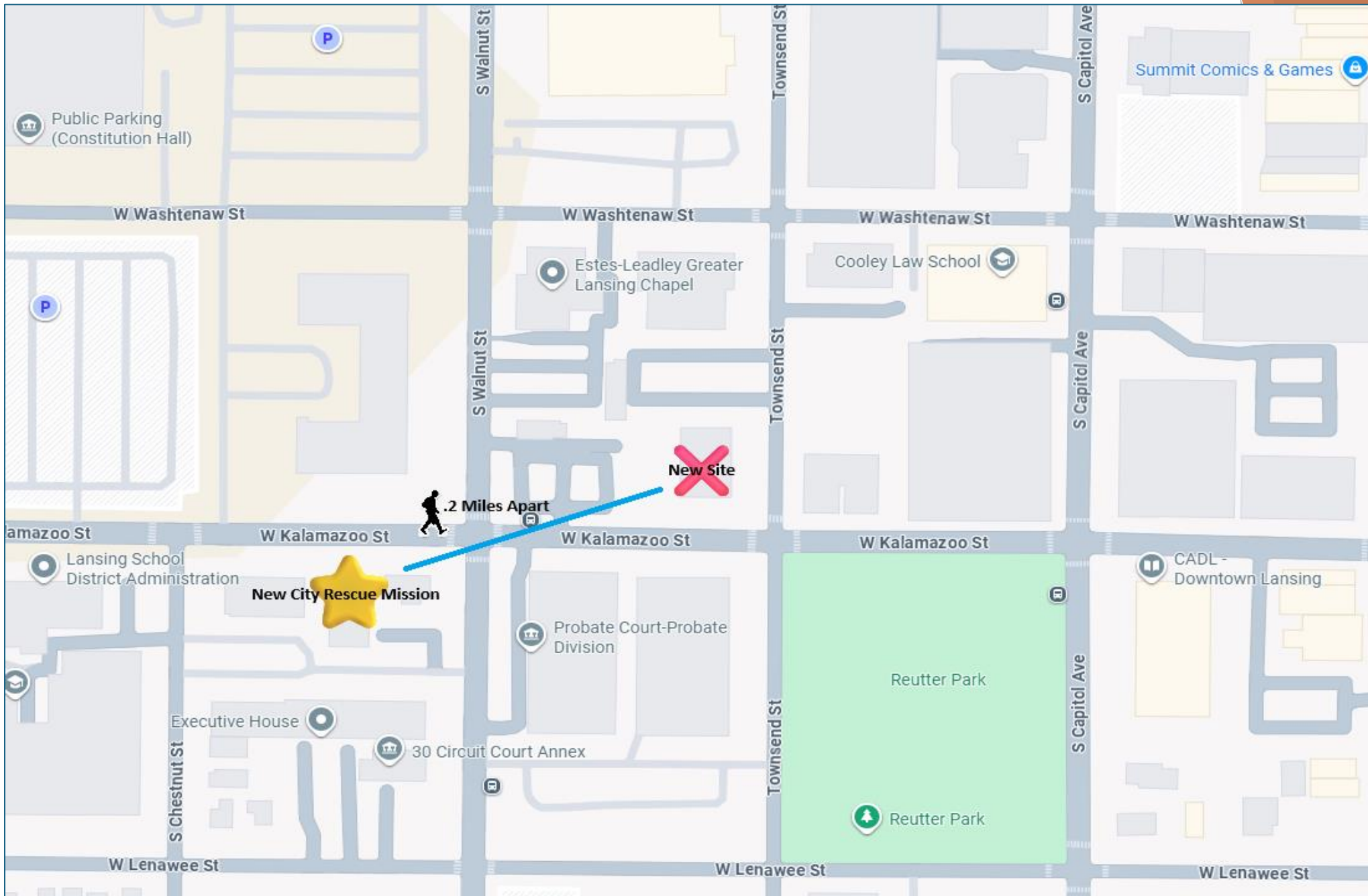
Recent Happenings

- ▶ New Hope has been running a deficit for years and is unable to continue funding at Shelter.
- ▶ The current building is falling apart and under utilized (operating 2 floors of 5)
- ▶ Location for folks doesn't work anymore. Proximity to other shelters and services is challenging.
- ▶ At the end of August, CRM closed and Moved their 100 Men participants (on Michigan Ave) and their 'Drop in' site (across the street from New Hope) that held 70 people; to their new facility (1.2 miles away) off Kalamazoo.
- ▶ CRM now has capacity for:
 - ▶ 200 Men
 - ▶ 100 Women
 - ▶ 100 "Drop in" participants



The Solution...

- ▶ The Nest has been established to take over complementary services to CRM (Day Center, Case Management, VETS program, and Family Shelter) at a new CLOSER location.
 - ▶ Without a day center program, there would be 400 people with no place to go (during the day).
 - ▶ Without case management, our homeless population will struggle to improve their situations.
 - ▶ Without family shelters, more kids will be sleeping outside in unsafe conditions.
 - ▶ We would lose 22 beds for our veterans (funded by VA).



New Location

- ▶ Continue to provide overnight shelter for Veterans (only program in the area)
- ▶ Continue to provide overnight shelter for families that are the hardest to place (focus on dads and older teens)
- ▶ Continue a day program for all people to receive services (case management, medical visits, mail, laundry, showers, meals, etc.)
- ▶ Our New facility would be staffed 24/7

STATE-OF-THE-ART, 11,200 SF BUILDING

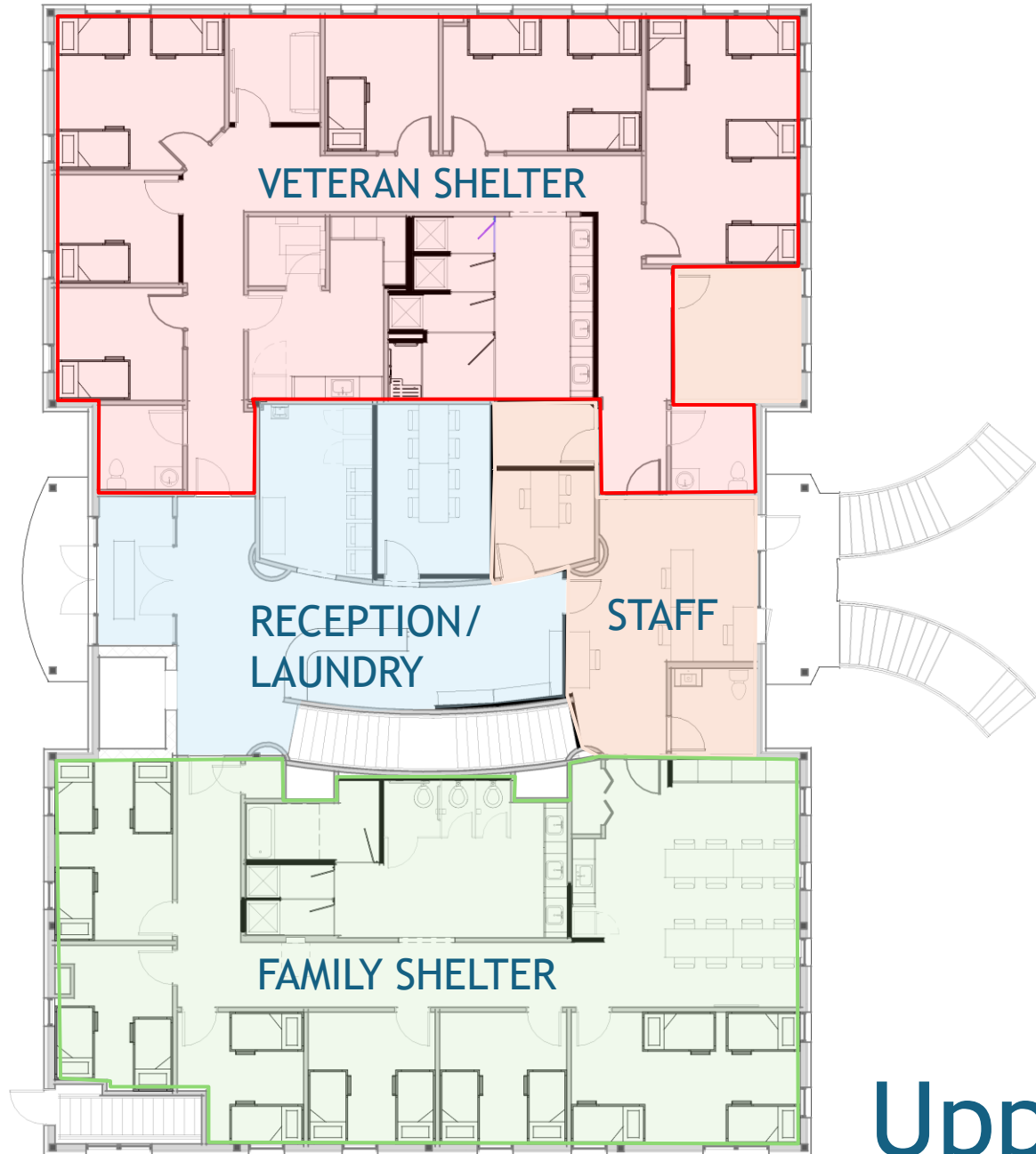
Downtown Lansing, a five-minute walk to State Capitol



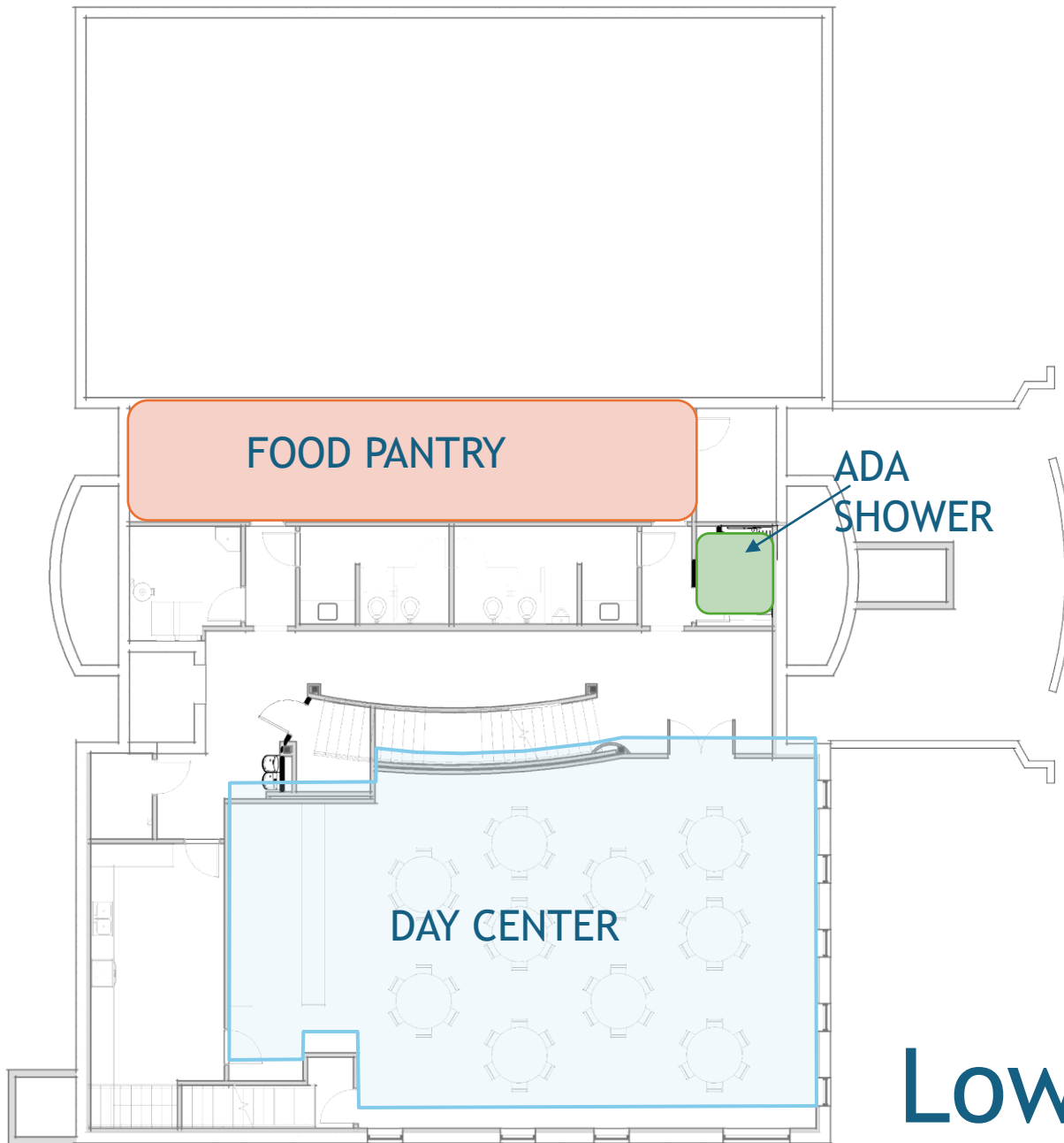
FOR SALE OR LEASE
 332 Townsend St.,
 Lansing, MI

Available:
11,200 SF

SALE PRICE:	LEASE RATE:
\$1,600,000	\$22.00
CASH OR NEW MORTGAGE	PSF/YR, + UTILITIES & JANITORIAL
2024 EXPENSES	
Utilities	\$32,000
Insurance	\$3,400
Bldg Repairs & Lawn/Snow	\$14,200
Property Taxes	<u>\$53,475</u>
Total	\$103,075



Upper Level Plan



Lower Level Plan

Thank you!
For More Information:

Shelbi Frayer
Shelbi@theLansingNest.org

GENERAL INFORMATION

APPLICANT: Boji Group
124 W Allegan St., Suite 2100
Lansing, MI 48933

OWNER: Michigan Beer & Wine Wholesalers
332 Townsend St.
Lansing, MI 48933

REQUESTED ACTION: 1. Rezoning of 332 Townsend St. from “DT-3” Downtown Core to “R-AR” Residential Adaptive Reuse
2. Special Land Use Permit for a ‘Sheltered Care Facility’

EXISTING LAND USE: Professional Office (vacant)

EXISTING ZONING: “DT-3” Downtown Core

PROPOSED ZONING: “R-AR” Residential Adaptive Reuse

PROPERTY SIZE: 21,780, 0.5 acres

SURROUNDING LAND USE: N: Office
S: County courthouse, office
E: Multi-family residential
W: Office

SURROUNDING ZONING: N: “DT-3” Downtown Core
S: “DT-3” Downtown Core
E: “DT-3” Downtown Core
W: “DT-3” Downtown Core

MASTER PLAN DESIGNATION: The Design Lansing Master Plan designates the subject property as “Downtown Edge”. W Kalamazoo St is designated as an ‘prime connector’.

APPLICANT’S REQUESTS

Z-2-2026: Request to rezone the property at 332 Townsend St. from “DT-3” Downtown Core to “R-AR” Residential Adaptive Reuse.

SLU-2-2026: Special land use permit to allow a sheltered care facility in the existing building at 332 Townsend St. A sheltered care facility is not permitted in the “DT-3” zoning district but is permitted by special land use permit in the proposed “R-AR” zoning district. A “sheltered care facility” is defined by the zoning ordinance as:

“A governmental or nongovernmental establishment having as its principal function the provision of supervision, personal care, and protection for more than six (6) adults, in addition to room and board, for up to 24 hours a day, five or more days a week and for two or more consecutive weeks, with or without compensation. "Sheltered care facility" includes, but is not limited to, emergency shelters, facilities for persons who are homeless, parolees, ex-offenders, aged, or developmentally or physically disabled, who may require supervision on an on-going basis but do not require continuous nursing care. A sheltered care facility does not include any of the following:

1. A nursing home licensed under Article 17 of Public Act 368 of 1978, as amended, being M.C.L.A. 333.20101 to 333.22181;
2. A hospital licensed under Article 17 of Public Act 368; or
3. A hospital for the mentally ill or a facility for the developmentally disabled operated by the department of mental health under Public Act 258 of 1974, as amended, being M.C.L.A. 330.1001 to 330.2106.”

REZONING

COMPATIBILITY WITH SURROUNDING ZONING PATTERNS

The subject property is surrounded on all sides by “DT-3” zoning, with the exception of the property to the southwest at 415/421 W. Kalamazoo Street that was rezoned to the “R-AR”, Residential Adaptive Reuse district in 2023 specifically to allow the Lansing Rescue Mission sheltered care facility (Z-8-2023) at that location. The “R-AR” zoning is one of the few zoning districts that permits sheltered care facilities and is intended to accommodate reuse of buildings that are unique or to accommodate uses that have unique locational needs such as shelters. Unlike most zoning districts, the “R-AR” district is only intended to address specific situations/uses which is why all properties that are zoned “R-AR” are surrounded by other zoning districts and thus, inconsistent with the zoning patterns in the areas in which they are located. While it is generally considered good planning and zoning practices to create and preserve consistent zoning patterns as they result in consistent development patterns, there is a heightened need for shelters at this time and there are no other properties in and around the downtown that are zoned for that purpose, with the exception of the Lansing Rescue Mission property. A rezoning, therefore, is going to be necessary in order to accommodate such facilities, in spite of creating inconsistent zoning patterns. Shelters are essential to the community and should primarily be located in close proximity to the downtown where they can effectively serve the majority of the population in need of their services. The subject property is on the fringe of the downtown but within short walking distance thereof and one block from a major bus route that provides transportation throughout the City. The purpose of requiring a special land use permit is so that each proposal can be evaluated to determine if a particular site is appropriate for use as a shelter and will not negatively impact other uses in the surrounding area.

COMPATIBILITY WITH SURROUNDING LAND USE

There is currently a two-story building with a 6,696 square footprint that occupies the eastern half of the site with a 25-space parking lot on the western half of the property. The property is primarily surrounded by a mixture of multi-story office buildings, off-street parking lots, multi-family

residential buildings, and a public park. A newly developed homeless shelter is approximately 450 feet to the southwest.

“The Nest” is a new non-profit organization, originating from Holy Cross Services, that will be operating the shelter. It successfully operated a day and overnight shelter at 430 N Larch Street for many years. This request will facilitate its relocation so that it can provide separate housing for families and veterans, with access to the facility by use of key cards. The occupancy limit will be determined by the City’s Fire Marshal.

Shelters can generate a relatively high level of activity and thus, the potential negative impacts on adjoining and nearby residential areas need to be considered when determining if a particular location is appropriate for such use. In this case, the property is located two blocks from the core downtown and primarily surrounded by office uses and parking lots. Given the surrounding land uses and the experience that the operator of the proposed facility has with managing shelters, it is not anticipated that the approval of the special land use permit will have any detrimental impacts on the surrounding area.

COMPLIANCE WITH MASTER PLAN

The Design Lansing Comprehensive Plan designates the subject property as “Downtown Edge”. The Plan does not address sheltered care facilities so it cannot be determined if the proposed use is consistent with the future land use designation of the property. It is difficult to state if existing shelters at the time were thought to be adequate to serve the homeless population during the planning process, or if they were not included due to the nature of their use, and thus, there was no consideration for their inclusion. Since the Plan was adopted in 2012 however, the need for accommodations has outpaced the capacity of existing facilities and organizations, thus creating the need for new shelters. Without the Plan providing specific guidance as to where shelters should be located, the basic principles of planning should be used to make that determination.

The proposed shelter location is consistent with a primary goal of master planning which is to accommodate land uses in appropriate areas where they can operate successfully without negatively impacting surrounding uses. The subject property is located just outside of the core downtown in an area that is comprised primarily of offices and parking lots but within a short walking distance from the businesses and services available in the core downtown. In addition, the site is surrounded by relatively high traffic volume thoroughfares and on major bus routes that provide transportation to the site and elsewhere throughout the City.

Another important planning principle to consider when determining where certain uses should be located is accessibility by various modes of transportation. For example, in order to generate and maintain a strong customer base, commercial uses such as restaurants, gas stations, and retail establishments should be located along major thoroughfares where they are visible to large volumes of traffic and can be readily accessed by private vehicles and public transportation. Other uses, such as the proposed shelter, have those same needs but should be located where they are easily accessible by foot and public transportation since the majority of the users do not have private transportation. Public transportation is also very important so that the occupants of the shelter can access places of employment and utilize human service resources that can assist with transitioning out of homelessness. The subject property is located near major bus routes and is within walking distance of many facilities that provide services and resources to those in need.

IMPACT ON VEHICULAR AND PEDESTRIAN TRAFFIC

The sheltered care facility will generate additional pedestrian traffic in the area. The amount of vehicular traffic, however, is expected to be negligible and likely even less than what was generated when the building was in full use for office purposes. The applicant has stated that the 25 parking spaces located on the site will be sufficient to serve the needs of the proposed shelter.

IMPACT ON PUBLIC FACILITIES

Use of the buildings for an overnight shelter will likely increase the water and other utility usage. The need for upgrading or expanding utility systems to serve the use will need to be determined between the applicant and the relevant service providing agency during the change of use plan review/permit process.

ENVIRONMENTAL IMPACT

There will be no changes to the site and thus, there will be no impact on the natural environment.

IMPACT ON FUTURE PATTERNS OF DEVELOPMENT

Shelters are essential to the community and need to be accommodated in locations where their operations can be carried out effectively. Shelters are unique in that they need to be located with convenient access to public transportation, businesses, and human service agencies. There is a heightened need for additional shelter space in the City and this proposal will help to fill that need. Furthermore, the proximity of the site to the core downtown provides the occupants of the shelter with convenient access to various civic, institutional, religious, and medical facilities that can assist with accomplishing the ultimate goal of transitioning into permanent.

Since the circumstances surrounding this request are based upon the very specific and unique needs of a shelter, approval of the rezoning will not set a precedent for approval of future rezoning requests in the area and thus will not have any impact on future patterns of development in the area.

SPECIAL LAND USE PERMIT

Section 1262.02(f) of the Zoning ordinance sets forth the criteria which must be used to evaluate a Special Land Use permit request. The criteria and evaluation are as follows.

- 1. Is the proposed special land use designed, constructed, operated, and maintained in a manner harmonious with the character of adjacent property and the surrounding area?**

Holy Cross Services (HCS) has operated a day and overnight shelter for many years at 430 N. Larch Street without any significant incidents or complaints from the community. HCS recently announced it will shut down its overnight shelter as soon as April 1, 2026 as part of a broad restructuring and refocusing of services for the people they serve. A new entity, The Nest, will take over operations of the homeless service operations, with HCS continuing to act as a fiduciary for The Nest. The facility will undergo a renovation to convert office space to dwelling space and the maximum allowable capacity will be determined by the City's Building Safety Office and Fire Marshal during the plan review and permitting process for the change of use to the building.

2. Will the proposed special land use change the essential character of the surrounding area?

The proposed shelter will not change the “essential character” of the surrounding area as there is already a shelter within one block to the east and since no changes will be made to the physical site.

3. Will the proposed special land use interfere with the enjoyment of adjacent property?

It is not anticipated that the shelter will interfere with the “enjoyment” of adjacent properties. The immediate area surrounding the property consists of surface parking lots and office buildings with a 35-unit apartment building to the southeast. The courthouse across the street to the south draws a large number of people to the area on a daily basis. During the day, the vast majority of the people using the shelter are working at a job, looking for or training for employment, and seeking assistance from various human service agencies. There is little space for congregation outside of the building and there will be on-site personnel to monitor the facility.

4. Will the proposed special land use represent an improvement to the use or character of property under consideration and the surrounding area in general, and will the use be in keeping with the natural environment of the lot?

The proposed rezoning and special land use permit will allow for adaptive reuse of a vacant office building which, given the overabundance of office space in the downtown and the low demand for additional office space, without making the necessary accommodations for an alternative use of the building, it will likely remain vacant for the foreseeable future. Vacant buildings deteriorate over time and can become a blight in the areas in which they are located.

The proposed shelter will have no impacts on the natural environment.

5. Will the proposed special land use be hazardous to adjacent property or involve uses, activities, materials or equipment which are detrimental to the health, safety or welfare of persons or property through the excessive production of traffic, noise, smoke, odor, fumes, or glare?

The proposed shelter will produce very little vehicular traffic and will not generate smoke, odors, fumes, glare, or any other conditions that would be detrimental to the health, safety, and welfare of the community.

6. Will the proposed special land use be adequately served by essential public facilities and services, or is it demonstrated that the person responsible for the proposed special land use is able to continually provide adequately for the services and facilities deemed essential to the special land use under consideration?

The Building Safety Office inspectors have toured the building and will review the change of use permit when plans are submitted. No concerns about the adequacy of utility services for the change of use have been raised at this time but will be evaluated more thoroughly as part of the plan review/ permitting process.

7. Will the proposed special land use place demand on public services and facilities in excess of current capacity?

Although there will be greater use of utilities, the site is adequately served by all necessary public facilities.

8. Is the proposed special land use consistent with the intent and purpose of this Zoning Code and the objectives of any currently adopted Comprehensive Plan?

The zoning code is the primary tool for implementing the future land use component of the City's Comprehensive/Master Plan and thus, the intent and purpose of the two documents are the same in that regard. A detailed description of this request as it relates to the Master Plan is provided in the "Compliance with Master Plan" section on page 3 of this report.

9. Will the proposed special land use meet the dimensional requirements of the district in which the property is located?

There are no proposed changes to the existing building or site and there is no need for any additional parking.

SUMMARY

Z-2-2026 is a request to rezone the property at 332 Townsend Street from "DT-3" Downtown Core to "R-AR" Residential Adaptive Reuse. SLU-2-2026 is a request for a special land use permit to allow a sheltered care facility in the existing building at 332 Townsend Street. A sheltered care facility is not permitted in the "DT-3" zoning district but is permitted by special land use permit in the proposed "R-AR" zoning district.

The available information supports a finding that the requests satisfy all of the criteria set forth in the Zoning Ordinance for evaluating rezoning and special land use permit applications, as detailed in this staff report.

RECOMMENDATIONS

Staff recommends approval of Z-2-2026 to rezone 332 Townsend Street from "DT-3" Downtown Core to "R-AR" Residential Adaptive Reuse and SLU-2-2026, for a special land use permit to allow the building on the site to be utilized for a sheltered care facility.

Respectfully Submitted,

**Susan Stachowiak
Zoning Administrator**

Aerial:



Zoning:



Street view



(Looking northwest, Google, July 2025)



(Looking south)

PETITION FOR SPECIAL LAND USE

CITY OF LANSING
PLANNING OFFICE

Reset Form

Print Form



Andy Schor, Mayor

FILE NUMBER: _____

DATE SUBMITTED: _____

To the Honorable Mayor and City Council:

The undersigned do hereby petition for approval of a Special Land Use on the following described property:

332 Townsend St. Lansing, MI 48933

full street address, including zip code, or location of property

Legal description:

LOTS 5 & 6 BLOCK 126 ORIG PLAT

Applicant: **Boji Group**

Address (including zip code): **124 W. Allegan St. Ste 2100 Lansing, MI 48933**

Phone number(s): **517-377-3000**

Name of owner(s): **Boji Tower**

Owner address (including zip code): **124 W. Allegan St. Ste 2100 Lansing, MI 48933**

Owner phone number(s): **517-377-3000**

Interest in property (please check one):

- Option to buy
- Owner
- Lessee
- Represent owner

Other (please specify): **The Nest Lansing will purchase property after SLU is approved.**

IF MORE SPACE IS NEEDED FOR THE ITEMS LISTED BELOW, PLEASE ATTACH EXTRA SHEETS

Proposed Special Land Use: **Shelter**

- Child Care (13 or more)
- Residential Care Facility (7 or more)

Zoning of the property: **DT-3 Petitioned to rezone R-AR**

Size of Parcel:

Width: **66** ft. Length: **165** ft. Area: **0.5** Sq. ft.

Irregular: (specify and attach scale drawing with dimension)

Please describe your proposal:

The property is intended to be the Holy Cross Services Day Shelter (lower level) and Overnight Shelter for families and veterans (ground floor). This existing building has a lower level assembly space which will remain for the day shelter and ground floor oversized offices which will be converted into sleeping quarters. Existing break room and meeting spaces will be converted into bathrooms and kitchenettes. With the proximity of the new New Hope Community Shelter, this location and existing building layout coordinate well for the continuation of services in proximity of each other.

include specific background information and copies of permits, approvals, and program information

Submit the following:

- Lot Plan (showing location of existing structure and include adjacent properties and setback dimensions).
- Site Plan (showing parking areas, driveways, accessory buildings, trash receptacles).
- Landscape, screening, and buffering plan in accordance with Chapter 1290.
- Photographs of the site.
- Flood plain elevations, if applicable.
- Copies of permits from other agencies, if applicable.

FEES:

Consolidated Rate: \$1,100.00

Please review the application and file it with the Planning Office. The Planning Office will transmit it to the City Clerk for official submission.

Signature of applicant:
Jordan Jerore

 Digitally signed by
 Jordan Jerore
 Date: 2026.01.12
 14:11:44 -05'00'

Name: Jordan Jerore

For assistance, please contact:

PLANNING OFFICE
 316 N. CAPITOL AVE., SUITE D-1
 LANSING, MI 48933-1236
 (517) 483-4066

Application for Appointment to Board or Commission

Thank you for your interest in serving on a Lansing Board, Commission, or Committee.

Certain boards, commissions, or committees require appointees to be a registered elector in the City of Lansing (Charter Section 2-102) and be a resident of Lansing for one year prior to taking office (Charter Section 2-102).

Appointees to every board, commission, or committee must not be in default to the City at the time of taking office (Charter Section 2-103.2).

Lansing City Charter, Section 5-104, Ineligibility For Boards, restricts certain City employee activities on some boards: "No person holding another City office or activity employed by the City shall be eligible to be a voting member on any board."

Date	01/30/2025
First Name	Caitlin
Last Name	O'Rourke
Date of Birth	[REDACTED]
Home Address	425 Everett Drive
City	Lansing
State	MI
Zip Code	48915
Email	orourkecc@gmail.com
Gender	[REDACTED]
If you don't know which ward you live in, visit the Lansing Neighborhoods Ward Map and type in your address to find out!	
Ward	Ward 4
Precinct	37
Best Phone Number to Contact You	[REDACTED] 4
In what year did you move to Lansing?	1986
Additional Information Regarding Experience and Credentials	I've lived in Lansing for the majority of my life and I've dealt with City Government up close and I've experienced various departments. I feel that I understand city operations more than the average citizen and I think that gives me a unique perspective.

Occupational Background	Vice President of Capitol Fundraising Associates, Operations and Compliance Director for Committee to Protect Health Care, Senior Advisor at Great Lakes Political Academy, and independent contractor.
Educational Background	J.W. Sexton High School Grand Valley State University
Are you a current City of Lansing or Lansing Board of Water and Light employee?	Yes
Current Appointments	Potter Park Zoo Board
First Choice for Board to Serve on	Elected Officers Compensation Commission
Please comment briefly on why you wish to serve on a particular board or commission. Please be specific as to your goals and ideas about how you wish to contribute to the work of the board or commission.	I've lived in Lansing for the majority of my life and I've dealt with City Government up close and I've experienced various departments. I feel that I understand city operations more than the average citizen and I think that gives me a unique perspective.
Qualifications and Eligibility – At this time, if you do not meet one or more of the qualifications or eligibility requirements listed at the top, please state here the requirement to be met and explain how you will be qualified or eligible before you would be sworn in to an appointed office.	I currently meet all requirements for eligibility.
<p>This certification is not required but may impact potential consideration of the appointment being sought. I authorize the use of the information provided above to conduct a background search, including but not limited to criminal history, residency, and indebtedness to the City of Lansing. If selected to serve, I further authorize additional background checks during the term of my service to ensure the required criteria continue to be met. I also acknowledge that I have the affirmative duty to inform the City if I become aware of any change or condition in my status that fails to meet the required criteria.</p>	
Agreement to Background Check Authorization	<ul style="list-style-type: none"> I agree
Please type your name in this box to signify that you can serve on a board or commission and the information in this application is accurate to the best of your knowledge.	Caitlin O'Rourke
Date & Time	01/31/2026 12:48 PM (EST)
Receive an email copy of this form.	Yes

BY THE COMMITTEE OF THE WHOLE
RESOLVED BY THE CITY COUNCIL OF THE CITY OF LANSING

WHEREAS, the Mayor has made the recommendation for appointment of Caitlin O'Rourke as an At-Large member of the Elected Officers Compensation Commission for a term to expire October 1, 2027; and

WHEREAS, the Mayor's office has confirmed with this resolution, that they have vetted the applicant based on the original application and believes that the applicant meets the qualifications as required by the City Charter; and

WHEREAS, the Committee of the Whole met on March 9, 2026 and took affirmative action.

NOW, THEREFORE, BE IT RESOLVED that the Lansing City Council, hereby, confirms the appointment of Caitlin O'Rourke as an At-Large member of the Elected Officers Compensation Commission for a term to expire October 1, 2027.

Swope, Chris

From: LaVella Todd <LaVella.Todd@LBWL.COM>
Sent: Monday, February 2, 2026 11:59 AM
To: Swope, Chris; Boak, Sherrie
Cc: Jackson, Brian; Scott Taylor; Lilly Speers
Subject: [EXTERNAL] 2026-01-02 Lansing BWL FY2026-30 External Auditor Recommendation
Attachments: 2026-01-02 FY2026-30 External Auditor Recommendation.pdf

Importance: High

Good morning,

On behalf of the BWL Board of Commissioners, please find the attached Resolution 2026-01-02 Lansing BWL External Auditor Recommendation for FY2026-30, approved the BWL Board of Commissioners at their January 27, 2026 Regular Board Meeting.

Per this Resolution, Lansing BWL Board of Commissioners respectfully requests Lansing City Council approval of its External Audit recommendation: Baker Tilly.

Thank you,
LaVella J. Todd
Corporate Secretary
Lansing Board of Water & Light
Office: (517) 702-6080
Cell: (517) 282-7585
Email: LaVella.Todd@LBWL.COM
Connect with us | www.lbw.com



RESOLUTION 2026-01-02

Lansing Board of Water & Light External Auditor Recommendation

WHEREAS, Lansing City Charter Section 7-601 requires an independent audit of all accounts of the City government, including the Board of Water and Light (BWL), at the close of each fiscal year, and all such audits shall be made by a Certified Public Accountant designated by the City Council; and

WHEREAS, BWL staff engaged in its normal public procurement process for the purpose of soliciting and evaluating proposals from a variety of independent public accounting firms that have municipal utility audit experience to perform an audit of the BWL as required by Lansing City Charter Section 7-601 for fiscal years ending June 30 on the following respective years: 2026, 2027, 2028, 2029, and 2030; and

WHEREAS, based on the public procurement evaluation of the proposals received, the BWL staff recommends the firm of Baker Tilly to perform these BWL audits; and

WHEREAS, since Baker Tilly has been the auditor for the most recent contract period, Baker Tilly is required to replace their current principal auditor for the new contract period.

RESOLVED, that the Board of Commissioners support BWL staff's recommendation; and

FURTHER RESOLVED, the Board of Commissioners recommends that Lansing City Council approve and designate Baker Tilly to perform the annual financial audit for each of the fiscal years ending June 30 on the following respective years: 2026, 2027, 2028, 2029, and 2030 in accordance with Lansing City Charter 7-601; and

FURTHER RESOLVED, that the Corporate Secretary is hereby directed to submit this resolution on behalf of the Board of Commissioners to City Council requesting their approval of Baker Tilly as recommended by the Board of Commissioners.

Motion by Commissioner Beth Graham, Seconded by Commissioner Semone James, to approve the Resolution for Lansing Board of Water & Light External Auditor Recommendation at a Board Meeting held on January 27, 2026.

Action: Motion Carried.

Resolution #2026-###

By the Committee of the Whole
Resolved by the City Council of the City of Lansing

WHEREAS, Lansing City Charter Section 7-604 requires an independent audit of all accounts of the City government, including the Board of Water and Light (BWL), at the close of each fiscal year, and all such audits shall be made by a Certified Public Accountant designated by the City Council; and

WHEREAS, BWL staff engaged in its normal public procurement process for the purpose of soliciting and evaluating proposals from a variety of independent public accounting firms that have municipal utility audit experience to perform an audit of the BWL as required by Lansing City Charter Section 7-604 for fiscal years ending June 30 on the following respective years: 2026, 2027, 2028, 2029, and 2030; and

WHEREAS, based on the public procurement evaluation of the proposals received, the BWL staff recommends the firm of Baker Tilly to perform these BWL audits; and

WHEREAS, since Baker Tilly has been the auditor for the most recent contract period, Baker Tilly is required to replace their current principal auditor for the new contract period; and

WHEREAS, the BWL Board of Commissioners supports BWL staff's recommendation; and

WHEREAS, the BWL Board of Commissioners recommended that Lansing City Council approve and designate Baker Tilly to perform the annual financial audit for each of the fiscal years ending June 30 on the following respective years: 2026, 2027, 2028, 2029, and 2030;

NOW, THEREFORE, BE IT RESOLVED that the Lansing City Council, hereby designates Baker Tilly to perform the BWL annual financial audit for each of the fiscal years ending June 30 on the following respective years: 2026, 2027, 2028, 2029, and 2030.

Resolution #2026-###

By the Committee of the Whole
Resolved by the City Council of the City of Lansing

WHEREAS, the City of Lansing and the Lansing Entertainment and Public Facilities Authority (“LEPFA”) entered into a certain Agreement for Operating Downtown Facilities Agreement on October 19, 2016, that provided for the management and operation of City-owned facilities by LEPFA; and

WHEREAS, the original term of the Agreement is set to expire on October 19, 2026; and

WHEREAS, LEPFA has approved a contract with a third-party management company called ASM-GLOBAL, (now Legends Global) which has requested an extension of the Agreement as part of entering into a five-year management agreement with LEPFA; and

WHEREAS, in addition to an extension of the Agreement, the City and LEPFA desire to make additional changes to the Agreement; and

WHEREAS, a certain First Amendment to and Extension of the Agreement (“Amendment”) has been presented for approval; and

WHEREAS, the Amendment was placed on file with the City Clerk on May 23, 2025, for public inspection and has remained on file for the period of time required by the City Charter and Codified Ordinances; and

WHEREAS, a public hearing was duly noticed and held on June 23, 2025, during which the public was presented with the opportunity to address the City Council and comment on the Amendment;

NOW THEREFORE, BE IT RESOLVED that the Amendment is hereby approved, contingent upon an eventual contract between LEPFA and ASM-GLOBAL (now Legends Global).

BE IT FURTHER RESOLVED that subsequent to a duly executed contract between LEPFA and ASM-GLOBAL (now Legends Global), the Mayor and City Clerk are authorized to execute the Amendment on behalf of the City of Lansing.

**FIRST AMENDMENT TO AND EXTENSION OF THE
AGREEMENT FOR OPERATING DOWNTOWN FACILITIES**

This First Amendment (the “Amendment”) is made by and between the City of Lansing, a Michigan municipal corporation (the “City”) and the Lansing Entertainment and Public Facilities Authority, a Michigan public corporation (the “Authority”) on this, the _____ day of _____, 2025 (the “Effective Date”).

- A. The City and the Authority (collectively, the “Parties”) entered into a certain Agreement for Operating Downtown Facilities on October 19, 2016 (the “Original Contract”).
- B. The 10-year term of the Original Contract will expire on October 19, 2026.
- C. The Parties wish to extend the term of their agreement and modify other provisions of the Original Contract as set forth in this Amendment. The Original Contract and this Amendment shall be hereinafter referred together as the Parties’ “Agreement.”

Now, Therefore, in acknowledgment of and reliance on the recitals stated above and in consideration of the mutual covenants contained in the Original Contract and this Amendment, the Parties hereby agree as follows:

- 1. The initial 10-year term of the Agreement, as provided for by Paragraph 13 of the Original Contract is extended four (4) years to provide for a new expiration date of October 19, 2030.
- 2. Appendix A of the Original Contract, which provides for list of City-owned “Downtown Facilities,” subject to the Agreement for operation and management by the Authority, is modified as follows:
 - a. “City Market” is removed as a “Downtown Facility.” Further, any appearance of the phrase “City Market” in the Original Contract is deleted.
 - b. “Cooley Law School Stadium” is modified to read “Jackson Field.” Further, any appearance of the phrase “Cooley Law School Stadium” is amended to read “Jackson Field.”
 - c. “Grosbeck Golf Course,” located at 1600 Ormond Street in the City of Lansing, is added as a “Downtown Facility.”
- 3. The language contained in Paragraph 3(G) of the Original Contract is deleted and replaced with the following:

Except for Jackson Field, which is already subject to an existing naming rights agreement pursuant to the TMO Agreement, the Authority shall have the right to market and sell, lease, or license the naming rights to Downtown Facilities for a period of time no longer than the remainder of the term of this Agreement. The Authority shall not enter into any naming rights agreement without the prior

approval of the City Mayor, who shall have the right to refuse approval for any or no reason.


4. The Original Contract, as modified by this Amendment, contains all of the terms and conditions of the Agreement. Except as modified by this Amendment, the terms of the Agreement shall remain in full force and effect. In the event of a conflict between the Original Contract and this Amendment, the provisions of this Amendment shall control.

SIGNATURES ON NEXT PAGE


IN WITNESS WHEREOF, the parties have caused this Amendment to be executed by their proper and duly authorized officers as of the Effective Date.

LANSING ENTERTAINMENT AND
PUBLIC FACILITIES AUTHORITY.

CITY OF LANSING


Maureen McNulty Saxton
Chairwoman of its Board of Commissioners

Andy Schor
Mayor


Paul M. Collins
Secretary/Treasurer of its
Board of Commissioners

Chris Swope
Clerk

APPROVED AS TO FORM:

APPROVED AS TO
AVAILABILITY OF FUNDS:

Gregory S. Venker
Lansing City Attorney

Crystal L. Thomas
Lansing Finance Director

Board and Commission Terms to End June 30

Arts and Culture Commission

TERM EXPIRATION	LAST NAME/FIRST NAME	POSITION
6/30/2026	Shirley Carter-Powell	At-Large
6/30/2026	vacant (Clara Martinez)	1st Ward
6/30/2026	vacant (Morgan Butts)	At-Large

Board of Ethics

TERM EXPIRATION	LAST NAME/FIRST NAME	POSITION
6/30/2026	James Cavanagh	Mayoral - At-Large
6/30/2026	James DeLine	Council - 2nd Ward

Board of Fire Commissioners

TERM EXPIRATION	LAST NAME/FIRST NAME	POSITION
6/30/2026	Jarrod LaRue	2nd Ward
6/30/2026	Krishna Singh	At-Large

Board of Plumbing

TERM EXPIRATION	LAST NAME/FIRST NAME	POSITION
6/30/2026	vacant	Journeyman Plumber

Board of Police Commissioners

TERM EXPIRATION	LAST NAME/FIRST NAME	POSITION
6/30/2026	Randy Watkins	At-Large
6/30/2026	Samuel Brewster	2nd Ward

Board of Public Service

TERM EXPIRATION	LAST NAME/FIRST NAME	POSITION
6/30/2026	Hugh McNichol	2nd Ward
6/30/2026	Samara Morgan	At-Large

Board of Review

TERM EXPIRATION	LAST NAME/FIRST NAME	POSITION
6/30/2026	Sharon Civils	At-Large

Board and Commission Terms to End June 30

Board of Water and Light

TERM EXPIRATION	LAST NAME/FIRST NAME	POSITION
6/30/2026	Beth Graham	2nd Ward
6/30/2026	Brian Ross	Delhi-DeWitt-Lansing-Meridian Townships
6/30/2026	David Price	At-Large

Board of Zoning Appeals

TERM EXPIRATION	LAST NAME/FIRST NAME	POSITION
6/30/2026	Heath Lowry	At-Large
6/30/2026	Kurt Berryman	At-Large
6/30/2026	Stephen Robertson	At-Large

Building Board of Appeals

TERM EXPIRATION	LAST NAME/FIRST NAME	POSITION
6/30/2026	vacant	

Diversity, Equity, and Inclusion Advisory Board

TERM EXPIRATION	LAST NAME/FIRST NAME	POSITION
6/30/2026	Emily Sorroche	At-Large
6/30/2026	vacant (Hannah Nelson-Jones)	2nd Ward

Downtown Lansing, Inc. Board

TERM EXPIRATION	LAST NAME/FIRST NAME	POSITION
6/30/2026	Josh Pugh	Adjacent Nbhd. Resident
6/30/2026	Julie Durham	Business Representative
6/30/2026	Keri Tomac	Business Representative

Employees' Retirement System Board of Trustees

TERM EXPIRATION	LAST NAME/FIRST NAME	POSITION
6/30/2026	Matthew Bahr	Elected

Historic District Commission

TERM EXPIRATION	LAST NAME/FIRST NAME	POSITION
6/30/2026	James Bell	At-Large
6/30/2026	Melissa Riba	At-Large
6/30/2026	Samantha Troutman	At-Large

Board and Commission Terms to End June 30

Human Relations and Community Services Advisory Board

TERM EXPIRATION	LAST NAME/FIRST NAME	POSITION
6/30/2026	Melissa Horste	At-Large
6/30/2026	Ronald Embry	2nd Ward

Income Tax Board of Review

TERM EXPIRATION	LAST NAME/FIRST NAME	POSITION
6/30/2026	Kenneth Salzman	At-Large
6/30/2026	Peter Jones	At-Large
6/30/2026	Robert Emerson	At-Large

Joint Building Authority Board of Commissioners

TERM EXPIRATION	LAST NAME/FIRST NAME	POSITION
6/30/2026	Jake Brower	Lansing Appointee
6/30/2026	vacant	Joint Appointee

Lansing Entertainment and Public Facilities Authority Board of

TERM EXPIRATION	LAST NAME/FIRST NAME	POSITION
6/30/2026	Danielle Lenz	At-Large
6/30/2026	Larry Leatherwood	At-Large
6/30/2026	Maureen Saxton	At-Large

Lansing Gateway Corridor Improvement Authority Board of Dire

TERM EXPIRATION	LAST NAME/FIRST NAME	POSITION
6/30/2026	Jo Sinha	ownership or business interest
6/30/2026	Robert Benstein	ownership or business interest

Lansing Housing Commission

TERM EXPIRATION	LAST NAME/FIRST NAME	POSITION
6/30/2026	Heather Taylor	At-Large

Lansing Public Media Authority Board of Commissioners

TERM EXPIRATION	LAST NAME/FIRST NAME	POSITION
6/30/2026	Lillian Werbin	Member

Board and Commission Terms to End June 30

Michigan Avenue Corridor Improvement Authority Board of Direc

TERM EXPIRATION	LAST NAME/FIRST NAME	POSITION
6/30/2026	Tim Daman	ownership or business interest
6/30/2026	vacant (Laurie Baumer)	

Park Board

TERM EXPIRATION	LAST NAME/FIRST NAME	POSITION
6/30/2026	Christopher Green-Szmadzinski	2nd Ward
6/30/2026	Joan Lenhard	At-Large

Planning Commission

TERM EXPIRATION	LAST NAME/FIRST NAME	POSITION
6/30/2026	Katie Alexander	At-Large
6/30/2026	Shane Muchmore	2nd Ward

Saginaw Street Corridor Improvement Authority Board of Direct

TERM EXPIRATION	LAST NAME/FIRST NAME	POSITION
6/30/2026	Diane Sanborn	ownership or business & resident within 1/2 mile
6/30/2026	vacant (John Shaski)	

General Fund Revenues

Proposed Amendment

FY 2026

	FY 2026 Adopted Budget	FY 2026 Amended Budget		FY 2026 Proposed Budget
<u>Property Taxes</u>				
Non-Dedicated	42,885,000	42,885,000		42,885,000
Dedicated - Police	4,237,500	4,237,500		4,237,500
Dedicated - Fire	4,237,500	4,237,500		4,237,500
Dedicated - Roads	2,825,000	2,825,000		2,825,000
Dedicated - Parks	2,825,000	2,825,000		2,825,000
Total	57,010,000	57,010,000	-	57,010,000
<u>Income Taxes</u>				
City Income Tax	43,990,000	43,990,000	3,500,000	47,490,000
Total	43,990,000	43,990,000	3,500,000	47,490,000
<u>Licenses & Permits</u>				
Business Licenses	112,880	112,880		112,880
Cable Franchise Fees	800,000	800,000		800,000
Medical Marijuana Licenses	824,000	824,000		824,000
Non-Business Licenses	34,620	34,620		34,620
Buildings Licenses & Permits	31,000	31,000		31,000
Total	1,802,500	1,802,500	-	1,802,500
<u>State Grants</u>				
Public Safety	2,560,000	2,560,000	75,000	2,635,000
Other State Grants	1,520,000	1,520,000	-	1,520,000
Reimbursements	1,800,000	1,800,000	(25,000)	1,775,000
Revenue Sharing	19,200,000	19,200,000	(610,000)	18,590,000
Capital City Allocation	1,000,000	1,000,000		1,000,000
Total	26,080,000	26,080,000	(560,000)	25,520,000
<u>Return on Equity</u>				
Return on Equity Payments	29,800,000	29,800,000		29,800,000
Total	29,800,000	29,800,000	-	29,800,000

General Fund Revenues

Proposed Amendment

FY 2026

	FY 2026 Adopted Budget	FY 2026 Amended Budget		FY 2026 Proposed Budget
<u>Charges for Services</u>				
Fees	89,700	89,700		89,700
Services Rendered	2,255,700	2,255,700		2,255,700
Building Inspection Fees	2,178,500	2,178,500		2,178,500
Services To Others	64,400	64,400		64,400
Central Stores/Notary	2,000	2,000		2,000
Public Safety Services	184,900	184,900		184,900
Ambulance Transport Fees	5,980,000	5,980,000	(200,000)	5,780,000
Sales	2,200	2,200		2,200
Use & Admission Fees	678,600	678,600		678,600
Total	11,436,000	11,436,000	(200,000)	11,236,000
<u>Fines & Forfeitures</u>				
Fines & Forfeitures	1,768,000	1,768,000	-	1,768,000
Total	1,768,000	1,768,000	-	1,768,000
<u>Interest & Rent</u>				
Interest Income	585,000	585,000	300,000	885,000
Rental Income	215,000	215,000		215,000
Total	800,000	800,000	300,000	1,100,000
<u>Other Revenue</u>				
Donations & Contributions	136,000	136,000		136,000
Miscellaneous	157,500	157,500		157,500
Sale of Capital Assets	120,000	120,000		120,000
Total	413,500	413,500	-	413,500
<u>Interfund Transfers In</u>				
Interfund Transfers In	100,000	100,000		100,000
Total	100,000	100,000	-	100,000
<u>Use of Fund Balance</u>				
Unassigned	67,000	67,000	(1,483,261)	(1,416,261)
Committed	-	1,346,261	70,000	1,416,261
Total	67,000	1,413,261	(1,413,261)	-
Total General Fund Revenues	173,267,000	174,613,261	1,626,739	176,240,000

General Fund Expenditures
Proposed Amendment
FY 2026

<u>Appropriations</u>	<u>FY 2026</u> <u>Adopted</u> <u>Budget</u>	<u>FY 2026</u> <u>Amended</u> <u>Budget</u>	<u>FY 2026</u> <u>Proposed</u> <u>Budget</u>
<u>Council</u>			
Personnel	697,481	697,481	697,481
Operating	214,919	214,919	31,600
Total	912,400	912,400	31,600
<u>Internal Auditor</u>			
Personnel	238,452	238,452	238,452
Operating	10,176	10,176	10,176
Total	248,628	248,628	-
<u>Courts</u>			
Personnel	5,005,773	5,005,773	5,005,773
Operating	1,651,227	1,651,227	1,651,227
Total	6,657,000	6,657,000	-
<u>Mayor's Office</u>			
Personnel	1,073,330	1,073,330	1,073,330
Operating	297,828	297,828	11,800
Total	1,371,158	1,371,158	11,800
<u>Media Center</u>			
Personnel	664,016	664,016	664,016
Operating	107,511	107,511	107,511
Total	771,527	771,527	-
<u>Clerk's Office</u>			
Personnel	1,122,559	1,122,559	1,122,559
Operating	691,832	691,832	691,832
Total	1,814,391	1,814,391	-
<u>Neighborhood & Citizen Engagement</u>			
Personnel	530,319	530,319	530,319
Operating	210,722	210,722	210,722
Total	741,041	741,041	-
<u>Economic Development & Planning</u>			
Personnel	4,837,516	4,837,516	4,837,516
Operating	3,580,033	3,580,033	3,580,033
Total	8,417,549	8,417,549	-
<u>Finance</u>			
Personnel	1,908,500	1,908,500	1,908,500
Operating	566,648	566,648	566,648
Total	2,475,148	2,475,148	-
<u>Assessing</u>			
Personnel	1,604,176	1,604,176	1,604,176
Operating	251,268	251,268	251,268
Total	1,855,444	1,855,444	-
<u>Treasury</u>			
Personnel	2,079,026	2,079,026	2,079,026
Operating	1,008,574	1,008,574	1,008,574
Total	3,087,600	3,087,600	-

General Fund Expenditures Proposed Amendment FY 2026

<u>Appropriations</u>	<u>FY 2026 Adopted Budget</u>	<u>FY 2026 Amended Budget</u>	<u>FY 2026 Proposed Budget</u>
<u>Human Resources</u>			
Personnel	2,063,930	2,063,930	2,063,930
Operating	648,348	648,348	648,348
Total	2,712,278	2,712,278	-
<u>Attorney's Office</u>			
Personnel	2,707,215	2,707,215	2,707,215
Operating	331,037	331,037	331,037
Total	3,038,252	3,038,252	-
<u>Police</u>			
Personnel	49,644,398	49,644,398	550,000
Operating	9,200,925	9,200,925	9,200,925
Total	58,845,323	58,845,323	550,000
<u>Fire</u>			
Personnel	38,540,084	38,540,084	450,000
Operating	6,722,028	6,722,028	123,339
Total	45,262,112	45,262,112	573,339
<u>Public Service</u>			
Personnel	3,151,767	3,151,767	3,151,767
Operating	10,613,390	10,613,390	10,613,390
Total	13,765,157	13,765,157	-
<u>Human Relations & Community Service</u>			
Personnel	2,270,323	2,270,323	2,270,323
Operating	320,665	320,665	320,665
Total	2,590,988	2,590,988	-
<u>Parks & Recreation</u>			
Personnel	6,045,037	6,045,037	6,045,037
Operating	3,844,296	3,844,296	3,844,296
Total	9,889,333	9,889,333	-
<u>Human Services</u>			
Operating	2,307,000	3,653,261	40,000
Total	2,307,000	3,653,261	40,000
<u>City Supported Agencies</u>			
Operating	537,500	537,500	(230,000)
Total	537,500	537,500	(230,000)
<u>City Recognitions</u>			
Operating	10,000	10,000	10,000
Total	10,000	10,000	-
<u>Non-Departmental</u>			
Vacancy Factor	(1,500,000)	(1,500,000)	(1,500,000)
South Lansing District Library	150,000	150,000	150,000
Debt Service	987,171	987,171	987,171
Net Transfers	6,320,000	6,320,000	650,000
Total	5,957,171	5,957,171	650,000
General Fund Total Expenditures	173,267,000	174,613,261	1,626,739
			176,240,000

BY THE COMMITTEE OF THE WHOLE
RESOLVED BY THE CITY COUNCIL OF THE CITY OF LANSING

WHEREAS, at any time during the fiscal year, the City Council may consider appropriations which modify the previously adopted annual appropriation to transfer an unencumbered balance in whole or in part from any account; provide for the expenditure of revenues in excess of those in the budget; or meet a public emergency affecting life, health, property, or the public peace; and

WHEREAS, with the completion of the FY 2025 audit, and based on historical and year-to-date reports from the City Treasury and accounting systems, the City anticipates additional revenues from Income Taxes and Interest earnings, and reduced revenues from Charges for Services in the current fiscal year, and additional resources available to appropriate for Opioid remediation strategies; and,

WHEREAS, the State of Michigan's January Consensus Revenue Estimating Conference, along with further guidance from the Michigan Department of Treasury, offers quantifiable insight for General Fund Revenue Sharing, Major and Local Street Act 51 Funding, an anticipated three years of Public Safety Revenue Sharing, and other State funded distributions; and,

WHEREAS, the Department of Justice has awarded the City federal dollars to be utilized in the amount of \$750,000 for the purpose of hiring six officers for a period of at least four years, for which the City intends to leverage its three years of Public Safety Revenue Sharing and increasing contributions from the General Fund to extend and gradually incorporate its full funding into General Fund operations over six years; and,

WHEREAS, the Public Safety Revenue Sharing and matching City dollars above will further support the City's Office of Neighborhood Safety and gun violence intervention programs as part of a combined public approach to also be fully reincorporated into the General Fund over the same period; and,

WHEREAS, actuarial analysis of the City's required pension contributions for Police and Fire require an additional million in funding above budgeted estimates, with fringe benefits otherwise on track with budgeted projections for FY 2026; and,

WHEREAS; the City's Firefighter training initiative included costs for paramedic training determined to be ineligible for reimbursement from its originally intended source, and only partial reimbursement of emergency weather responses resulting in a smaller contingency balance for these emergency needs; and,

WHEREAS, authorized carryforwards for remaining Basic Human Needs funding of \$700,775, and Opioid Settlement Funding in the amount of \$560,690 has been processed this past quarter as authorized by City Council budget policies, with additional carryforwards requested by City Council and the Mayor's Office, a partial carryforward for final Charter Commission expenditures; and,

NOW, THEREFORE, BE IT RESOLVED, that the Lansing City Council approves acceptance of the Department of Justice Grant for the purposes of funding the six police officers as part of its strategy leveraging Federal, State, and Local funding to address public safety needs of the City; and,

BE IT FURTHER RESOLVED, that the following FY 2025/2026 budget amendment is approved:

Appropriation	Description	Amount
General Fund	Income Taxes	\$3,500,000
General Fund	State Grants	(\$560,000)
General Fund	Charges for Services	(\$200,000)
General Fund	Interest & Rent	\$300,000
General Fund	Appropriation of Fund Balance	(\$1,413,261)
Total General Fund Revenue Appropriation		<u>\$1,626,739</u>
City Council	Operating	\$31,600
Mayor's Office	Operating	\$11,800
Police	Personnel (Pension)	\$550,000
Fire	Personnel (Pension)	\$450,000
Fire	Operating	\$123,339
Basic Human Services	Operating	\$40,000
City Supported Agencies	Operating	(\$230,000)
Non-Departmental	Net Transfers	\$650,000
Total General Fund Expenditure Appropriation		<u>\$1,626,739</u>
Public Safety Revenue Sharing	State Grants	(\$980,000)
Public Safety Revenue Sharing	Federal Grants	\$250,000
Public Safety Revenue Sharing	Transfers In	\$550,000
Public Safety Revenue Sharing	Appropriation of Fund Balance	(\$392,000)
Total Public Safety Revenue Sharing Revenue Appropriation		<u>(\$572,000)</u>
Public Safety Revenue Sharing	Personnel	(\$592,000)
Public Safety Revenue Sharing	Operating	\$20,000
Total Public Safety Revenue Sharing Expenditure Appropriation		<u>(\$572,000)</u>
Major Streets Fund	State Grants	\$2,000,000
Major Streets Fund	Appropriation of Fund Balance	(\$2,000,000)
Total Major Streets Fund Revenue Appropriation		<u>\$0</u>
Local Streets Fund	State Grants	\$600,000
Local Streets Fund	Appropriation of Fund Balance	(\$600,000)
Total Local Streets Fund Revenue Appropriation		<u>\$0</u>
Opioid Settlement Fund	Appropriation of Fund Balance	\$95,000

Total Opioid Settlement Fund Revenue Appropriation		<u>\$95,000</u>
Opioid Settlement Fund	Operating	\$95,000
Total Opioid Settlement Fund Expenditure Appropriation		<u>\$95,000</u>
Disaster Contingency Fund	Interfund Transfers In	\$100,000
Total Disaster Contingency Fund Revenue Appropriation		<u>\$100,000</u>
Disaster Contingency Fund	Operating	\$100,000
Total Disaster Contingency Fund Expenditure Appropriation		<u>\$100,000</u>

BE IT FINALLY RESOLVED, the Administration is authorized to create appropriation accounts and to make the necessary operating transfers for the expenditure and control of the appropriations.

Act-7-2025, Lot 49, 200 block S Cedar St., Sale of Real Property - STAFF REPORT

An Act 33 Review is a planning level review of the **location, character, and extent** of public improvements and City property transactions. Act 33 Reviews are conducted by the City of Lansing pursuant to the provisions of the Michigan Planning Enabling Act (P.A. 33 of 2008) and Section 208 of the Lansing Code of Ordinances.

APPLICANT Deep Green Technologies USA LLC
1007 N Orange St. 4th Floor, Suite 1382
Wilmington, DE 19801

PROPOSAL: Sale of Real Property, three properties along 200 block of S Cedar St..

PARCEL(S): 501 E Kalamazoo St. PID # 33-01-01-16-427-122
229 S Cedar St. PID # 33-01-01-16-427-082
0 S Cedar St. PID # 33-01-01-16-427-051

CURRENT OWNER(S): City of Lansing
316 N Capitol Ave., Suite D1.
Lansing, MI 48933

EXISTING LAND USE & ZONING Use: Vacant – surface parking lot,
Zoning: DT-3 Downtown Core

PROPERTY SIZE AND SHAPE: L-shaped, irregular, 99,560 square feet, 2.28 acres total
-122 – 50,750.5 square feet
-082 – 43,908.5 square feet
-051 – 4,901 square feet

SURROUNDING ZONING & LAND USE North: DT-3; infrastructure, solar array
East: DT-3; motor vehicle service station
South: DT-2; commercial, restaurant
West: DT-3; infrastructure, Dye Water Conditioning Plant

ANALYSIS

BACKGROUND:

Note: This report will refer to Lot 49 as 501 E Kalamazoo St. and Lot 49a as 229 S Cedar St.

The City of Lansing proposes to sell three parcels of real property totaling 2.28 acres, two of which are being used as City parking lots commonly known as Lot 49 and Lot 49a, to Deep Green for redevelopment for a data center. Lot 49 was acquired in 1990 for \$600,000. Lot 49a was purchased in 2010 for \$350,000.

The properties were historically developed with several single-family residences from at least 1906. In the late 1940s or early 1950s, the southern portion of the property was developed with

Submitted @ mls 1/26/26

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two gasoline service stations. These buildings were razed in the late 1950s or early 1960s when the Imperial 400 Motel was constructed. The motel buildings remained until the early 1990s when the structures were razed and the City’s public parking lot. State of Michigan records state that an oil tank was removed from the property in 1992.

Lot 49a (229 S Cedar St.) was formerly the Yellow Cab headquarters. In 2007 the City proposed to swap Lot 49 along E Kalamazoo St. for this property to help facilitate the ‘Kalamazoo Gateway’, a mixed-use redevelopment which ultimately did not happen due to the Great Recession. (Z-12-2007, Act-17-2007). The subject properties were both included in the Z-12-2007 rezoning request from H – Light Industrial to G-1 – Business well before the 2012 *Design Lansing* Plan and the Form-Based Zoning Code, explicitly to permit the redevelopment from parking lots to a four-story mixed-use development. That rezoning case was recommended for approval by that Planning Board.

City Council ultimately followed through with the purchase in 2010 for \$350,000, with a long-term vision for prominent redevelopment at the intersection of Downtown and the Stadium District. During the 2010 purchase process it was stated that there was some site contamination, estimated at a \$50,000 clean up.

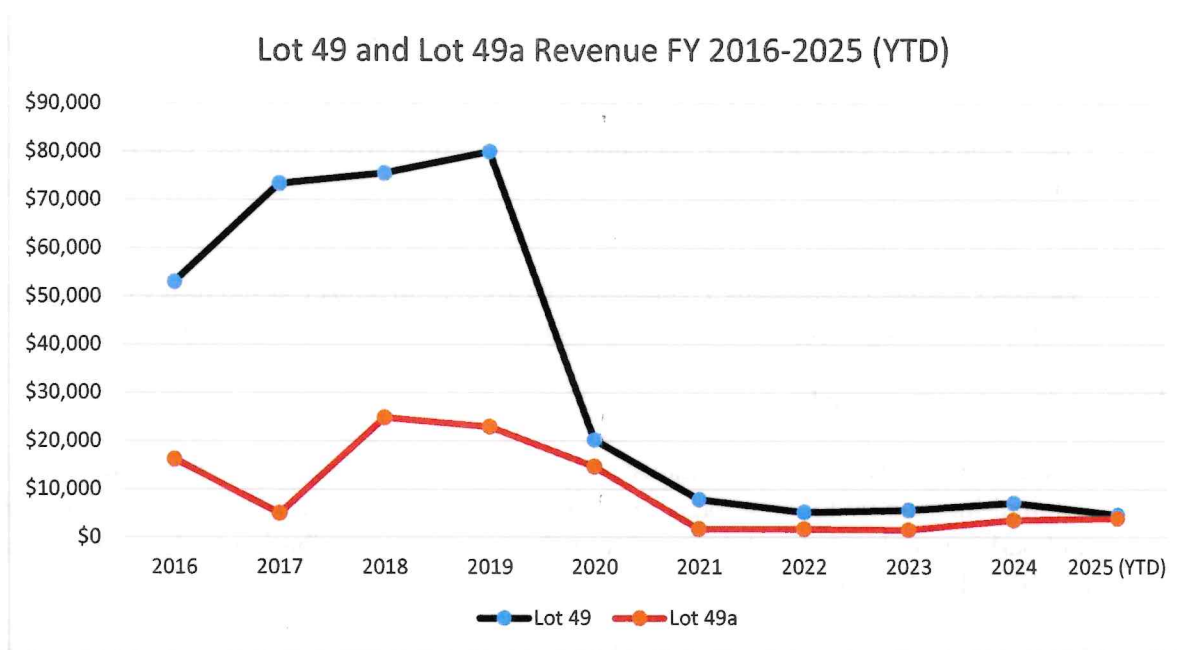
Lot 49 contains 81 parking spaces, while Lot 49a has 64 spaces. While there are a handful of regular permit holders they typically serve overflow or event parking for Lansing Lugnuts games, Lansing Center events, and Choose Lansing. Some of this parking is formalized in individual agreements. These users have been notified of the proposed sale and the Parking Services Office is working to select new sites based on individual needs.

Below is a ten-year review of revenue for the lots. There has been a marked decline since the 2020 Covid-19 pandemic.

Year	Lot 49	Lot 49a
FY 2025 (YTD)	\$ 4610.80	\$ 3979.00
FY 2024	\$ 7113.50	\$ 3547.00
FY 2023	\$ 5626.00	\$ 1560.00
FY 2022	\$ 5143.00	\$ 1700.00
FY 2021	\$ 7771.00	\$ 1745.00
FY 2020	\$ 20,234.00	\$ 14,674.00
FY 2019	\$ 79,957.74	\$ 22,958.00
FY 2018	\$ 75,569.01	\$ 24,866.00
FY 2017	\$ 73,386.52	\$ 4,998.00*
FY 2016	\$ 53,028	\$ 16,265.00
2020 – 2025 (YTD) Total	\$ 49,528.30	\$ 27,205
2016 – 2019 Total	\$ 281,941.27	\$ 69,087

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* Note: Lot 49a 2017 decline due to a resurfacing project.



The properties were included amongst the assets recommended for sale in the 2023 Parking Study, conducted by Walker Consultants. A March 7, 2023 appraisal valued the two parking lot properties at \$1,450,000. The appraisal did not include the small 4,901 square foot lot (-051). These parcels are under-utilized and are not necessary for the City parking system nor other City operations.

Lansing Economic Development Corporation (LEDC) in partnership with the City, released a request for proposals for these parcels in 2023. Only one respondent submitted a plan. That proposal for multi-family residential development fell through during 2023.

Since the beginning of Mayor Schor's 'Build Lansing Initiative' in 2021 the City has maintained a review of any and every proposal for redevelopment of non-park City-owned property. Deep Green has been only the second entity to submit a purchase offer for Lot 49/49a since 2023.

The subject parcels along with 220 S Larch St. are part of a conditional rezoning request (Z-2-2025) from DT-3 Downtown Core to IND-1 Industrial to permit the data center land use.

LOCATION:

The subject properties are located along the 200 blocks of S Cedar St. at the intersections with the 500 block of E Kalamazoo St. This area is the southern end of the Stadium District. The area bordered by the Grand River and Pere Marquette Railroad from E Kalamazoo St. north to E Shiawassee St. was designated as the DT-3 Downtown Core zoning district to permit redevelopment with the greatest density and mix of uses.

CHARACTER:

The subject area is specifically mentioned in the 2012 *Design Lansing* Comprehensive Plan (pgs. 63-64).

“This zone creates unappealing vehicular entries to downtown from the east and barriers that discourage pedestrian access to and from near-downtown neighborhoods. Along East Michigan Avenue, a transition to urban mixed use has begun...”

“Design Lansing recommends a continued transition from industrial and heavy commercial to a mix of office, retail, entertainment, arts/cultural live-work and residential uses.”

However, it goes on to concede:

“Except on the riverfront, light industry can continue to be part of this mixed-use area if external impacts (outdoor storage, noise and truck traffic) are minimized, and buildings and parking are located and designed to make a positive contribution to the area’s visual appeal and walkability.”

During the drafting and the subsequent amendments to the form-based zoning code, the Stadium District from Cedar Street to Pere Marquette Railroad, from Kalamazoo Street to Shiawassee Street, was included in the DT-3 Downtown Core zoning district to encourage the dynamic mixed-use redevelopment envisioned in the comprehensive plan.

Staff recognizes that redevelopment has so far failed to extend to the 500-600 block of E Kalamazoo St. even with major projects such as Block 600 on E Michigan Ave. The 600 block of E Kalamazoo St. is still dominated by motor vehicle and light industrial uses, or worse, vacancies. There are four major vacant parcels across the street that have been on the market for years.

Part of the sale agreement placed on file November 14, 2025, includes conditions to require development of the site to follow Zoning Ordinance Site Layout Requirements for the DT-3 district as well as Chapter 1254 Architectural Standards for Commercial/Mixed-Use buildings (of DT-3) rather than Industrial buildings, thereby requiring the building to be sited at the street frontage without front yard parking, and requiring the building to have a pedestrian-friendly and pedestrian-scaled architecture, thereby furthering goals of the master plan and the zoning ordinance for the subject area.

EXTENT:

The extent of the proposed sale is three parcels totaling 2.28 acres to facilitate a data center and accessory infrastructure uses/structures. The parcels must be combined prior to construction. If approved, the property will return to the tax rolls with a more productive land use.

The sale price is \$1,400,000.

AGENCY REFERRALS

Lansing Board of Water and Light (BWL)

- (Dick Peffley General Manager) BWL owns and operates the John F. Dye Water Conditioning Plant west of subject matter property, and we look forward to having Deep Green as our new neighbor.

Public Service Department:

(Dan Danke, Engineer)

- Cedar Street and Larch Street are MDOT roads and will require MDOT permit for construction in the ROW.
- The sewers appear to be City of Lansing sewers and not MDOT's.
- There is sanitary sewer on all sides of the property. Proposed sanitary flow needs to be provide in order to ascertain capacity issues, if any, and determine which sewer should be used.
- The south lot looks like it discharges storm sewer to Kalamazoo Street. The north lot looks like it sheet flows to Cedar Street. A catch basin system will be required for the new development.
- Compliance with stormwater ordinance is required.
- Public Service will need to know if the LBWL plans to discharge the "hot water" to the public sewers.
- The sewers on the north may not be in an easement, since they are located on LBWL property.
- Sanitary sewer adjoining the development are old and may need lining.

Lansing Assessor's Office

(Jennifer Czeiszperger, Director)

- We have done a work-up for an estimated true cash value:
 - Estimated building with land, land improvements, and specialty building items (i.e. generators etc) \$14,000,000
 - Personal property items (i.e. servers, routers etc) \$10,000,000

These values would result in an annual potential tax bill of \$560,363 for the real property and \$313,020 for the personal property. (\$873,383 total taxes for year – with City of Lansing portion being \$233,280 annually)

Lansing Fire Department:

- (Jared Nisch, Fire Marshal) No objection.

Parks and Recreation Department

- (Brett Kaschinske, Director) No objection.

EDP – Development Office

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- *(Erin Buitendorp, Manager)* No objection.

STAFF RECOMMENDATION

Staff recommends approval of Act-7-2025, to return under-utilized property back to the tax rolls and to support redevelopment of underutilized city parking lots with the following conditions:

1. All exterior mechanical equipment, including roof-mounted equipment and any proposed or future back-up generators, shall be screened behind a ten-foot tall masonry screen wall and utilize noise-dampening materials or methods to mitigate noise pollution stemming from site operations.
2. Site operations shall not produce any nuisance impacts including noise, vibration, or fumes, on neighboring residential property.

**Respectfully submitted,
Andy Fedewa, Planner**

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Aerial:



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Zoning:



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Streetview: (looking northwest, July 2025)



BUY-SELL AGREEMENT

This Buy-Sell Agreement (the "Agreement") is made as of _____, 2026, between Deep Green Technologies USA LLC, a Delaware limited liability company licensed to do business in Michigan, whose address is 1007 N. Orange Street, 4th Floor, Suite 1382, Wilmington Delaware 19801 (the "Purchaser"), the City of Lansing, a Michigan municipal corporation, whose principal business address is 124 West Michigan Avenue, Lansing, MI 48933 (the "Seller"), and the City of Lansing Building Authority, a public body corporate, organized and existing pursuant to the provisions of Act 31, Public Acts of Michigan, 1948 (First Extra Session), as amended, whose address is c/o City of Lansing, 124 W. Michigan Avenue, Lansing, Michigan 48933 (the "Building Authority").

RECITALS

A. The Seller owns the real property located at 229 South Cedar Street, Lansing, Michigan, including surrounding properties that are located on East Kalamazoo Street, between Cedar and Larch Streets, commonly known as Parking Lot #49/49A, Parcel Numbers 33-01-01-16-427-082, 33-01-01-16-427-122, and 33-01-01-16-427-051 consisting of approximately 2.5 acres, as legally described on the attached Exhibit A (the "Property"). The Property shall be deemed to include all improvements and appurtenances now or hereafter on the land. The legal description of the Property described on Exhibit A shall be verified by the Survey, if any, prepared in accordance with Section 5 below and amended, if necessary.

B. The Seller desires to sell to the Purchaser, and the Purchaser desires to purchase from the Seller, the Property, in accordance with the terms and conditions of this Agreement.

C. Historical title documents indicate that the Building Authority had, and may still have, an interest in the Property. As part of the sale and conveyance described in this Agreement, the Building Authority intends to transfer whatever interest it may still have in the Property to Purchaser, subject to the terms and conditions of this Agreement.

TERMS AND CONDITIONS

In exchange for the consideration in and referred to by this Agreement, the parties agree as follows:

1. Property Conveyance and Acquisition. The Seller agrees to sell and convey to the Purchaser, and the Purchaser agrees to purchase and acquire from the Seller, the Property. The sale and conveyance of the Property under this Agreement shall include the existing surface parking lot improvements located on the Property. The sale and conveyance of the Property to the Purchaser is subject to the terms and conditions of this Agreement, and unless waived or acceptable to Purchaser in Purchaser's sole discretion: all (i) applicable building and use restrictions, (ii) zoning ordinances, and (iii) utility easements of record, including any easements held by the Lansing Board of Water and Light.

2. Property Development. After closing, and unless otherwise agreed upon by the parties, the Purchaser shall develop the Property for use as a data center together with any supportive office space, which shall be designed and constructed with the following criteria (collectively, "Minimum Criteria"): (i) any structures shall be compliant with dimensional requirements for the DT-3 zoning district as reflected in the final site plan for the Project (as defined below) as approved by Seller; (ii) the development must have adequate screening including facades or other structures,

for any industrial structures on the Property; (iii) the architectural standards and exterior materials used for any buildings, structures, screening, or other massing on the Property shall be in compliance with the requirements of the DT-3 zoning district as reflected in the final site plan for the Project as approved by Seller; (iv) the Purchaser agrees that no portion of the Property shall be used for any purpose other than a data center, supportive office space and other ancillary uses (collectively, the "Project"); (v) total private investment in the Project, including the cost of the Property, shall be a minimum of Five Million and 00/100 Dollars (\$5,000,000.00) per megawatt ("MW") of total utility load (by way of example and not limitation, if the completed Project uses 24 MW, then the total private investment in the Project will be One Hundred Twenty Million and 00/100 Dollars (\$120,000,000.00); (vi) within twelve (12) months following completion of construction, the Project will create a minimum of fifteen (15) full-time jobs, inclusive of full-time jobs created by Purchaser and any tenants of the Project, and (vii) after completion of construction, the operation of the Project will at all times be in compliance with any and all Lansing City Code regarding noise limitations, and will not be entitled to any exemption for industrial property or industrial use. The development, construction and ongoing maintenance of the Project shall be conducted in accordance with all applicable laws and ordinances. The Purchaser acknowledges and agrees that the development and use of the Property in accordance with this paragraph is a material part of the consideration to the Seller for this Agreement and the sale of the Property.

2a. Minimum full-time jobs. For purposes of the Agreement, a "full-time employee" shall include a person 1) who is employed by the Purchaser on a salary, wage, commission, or other basis, for a minimum period of forty (40) hours per week; and 2) from whose compensation the Purchaser is required by law to withhold for City income taxes. Compliance with § 2(vi) of this Agreement will be demonstrated by the Purchaser submitting to the Seller on or before February 1 of the first year after completion of construction and on or before February 1 of each year thereafter, a certified status report (the "Status Report") signed by the chief executive officer of the Purchaser, or the general manager of the Project. The Status Report shall set forth the average number of full-time employees at the Facility during the calendar year preceding the date of the Status Report, the Company's efforts to hire local residents as required in Paragraph No. 3, and the Facility costs as of the December 31st preceding the date of the Status Report. For purposes of the Agreement, the average full-time employees shall be computed as the average of the number of full-time employees at the Facility on March 31, June 30, September 30, and December 31 of the calendar year preceding the date of the Status Report. Each year, for each full-time employee below the 15 committed by the Purchaser, the Purchaser shall pay to the Seller \$1500.00.

3. Consideration. The purchase price for the Property is One Million Four Hundred Thousand and 00/100 Dollars (\$1,400,000.00) (the "Purchase Price"). The Purchase Price shall be payable by wire transfer of immediately available funds by Purchaser at closing.

4. Deposit. As of the signing of this Agreement Purchaser has deposited Twenty-Five Thousand and 00/100 Dollars (\$25,000.00) with First American Title Insurance Company (the "Title Company"), which shall serve as and become the earnest money deposit under this Agreement (the "Deposit"). The Deposit shall be applied to the Purchase Price at closing, or otherwise distributed in accordance with the terms of this Agreement. The Parties shall enter into an escrow agreement regarding the Deposit, using a form substantially similar to the standard escrow agreement utilized by the Title Company, within five (5) days of the signing of this Agreement.

5. Survey. The Purchaser may provide, at its sole cost and expense, a survey of the Property, prepared by a licensed Michigan land surveyor or civil engineer, containing an accurate metes and bounds description and certification of the acreage of the Property, and showing all improvements, encroachments, easements, rights-of-way, and the locations of all utility lines on the Property (the "Survey"). The Survey shall be certified to the Purchaser, the Seller and the Title Company. The results of the Survey must be determined by the Purchaser during the Inspection Period specified in paragraph 7 below to be acceptable to the Purchaser, in the Purchaser's sole discretion, or the Purchaser shall not be required to close.

6. Title Insurance. At the Purchaser's sole cost and expense, the Title Company shall provide a standard ALTA owner's policy of title insurance, without standard exceptions (other than any exceptions regarding survey, which shall be the Purchaser's obligation to provide the necessary survey), in the amount of the Purchase Price effective as of the date of closing. At closing, the Seller shall deliver to the Title Company an owner's affidavit and such other documents reasonably required by the Title Company to enable the Title Company to delete its standard exceptions (other than any exceptions regarding survey, which shall be the Purchaser's obligation to provide the necessary survey) and to provide a "marked-up" title commitment, dated as of the closing date. The "marked-up" title commitment shall reflect the Purchaser as the owner of the Property and the insured under said title commitment. A commitment to issue such policy insuring marketable title vested in the Purchaser, including a tax status report, and copies of all exceptions to title disclosed therein, will be obtained by the Purchaser for the Seller's inspection within fifteen (15) days after the Purchaser's final acceptance of this Agreement. Said commitment and policy shall be issued by the Title Company. The status of the Seller's title must be marketable and any easements, reservations, or exceptions that will continue after closing must be acceptable to the Purchaser, or the Purchaser shall not be required to close.

If the Purchaser, within twenty (20) days of the receipt of the title insurance commitment and copies of all exceptions to title disclosed therein, makes a written objection to the Seller as to the marketability of the Seller's title (the "Title Objection"), the Seller shall have thirty (30) days to cure the Title Objection. In the event the Seller is unable or unwilling to cure the Title Objection defect, then such defect may be waived by the Purchaser. If the Purchaser is unwilling to waive the Title Objection, then the Purchaser or the Seller may declare this Agreement terminated, in which event the Deposit shall be returned to the Purchaser, and the parties shall have no further obligation or liability to each other.

If, during the Inspection Period, the Seller discovers a title exception, marketable title defect, unrecorded document, legal right of another, or Title Objection (collectively, "Title Defect") that the Seller determines in its sole discretion will expose the Seller to: (i) a claim of breach of obligation or duty of the Seller to a third party; or (ii) a claim for damages, and the Seller is unable or unwilling to cure the Title Defect, and notifies Purchaser in writing within ten (10) business days of the discovery thereof, then the Purchaser or the Seller may declare this Agreement terminated by written notice to the other party. In the event of such termination, this Agreement shall be deemed null and void and no longer in effect, the Deposit shall be returned to the Purchaser, and the parties shall have no further obligation or liability to each other.

7. Access; Inspections. Within one hundred eighty (180) days from the date of this Agreement (the "Inspection Period"), the Purchaser may enter the Property with one (1) business day advance notice to the Seller to make any inspections, examinations, tests or studies that the Purchaser deems necessary, provided such activities shall not interfere with the possessory rights of the Seller and

the Seller's use of the Property. The Purchaser shall be solely responsible for all costs and expenses incurred in doing so and, if this transaction does not close, it will reasonably restore the affected property to the substantially same condition it was in prior to its entry on the Property. The Purchaser agrees to indemnify and hold the Seller, its employees, officers, and agents, free and harmless from any cost, expense, damage, liability, or claim arising out of or in connection with the exercise by the Purchaser of the rights conferred by this paragraph.

If during the Inspection Period, the Purchaser is not, for any reason or no reason, satisfied with the results of the inspections, examinations, tests or studies, in the Purchaser's sole discretion, the Purchaser may notify the Seller in writing prior to the expiration of the Inspection Period of the Purchaser's desire to terminate this Agreement. If the Purchaser notifies the Seller in writing of its desire to terminate this Agreement prior to the expiration of the Inspection Period, the Deposit shall be returned to the Purchaser and this Agreement shall be deemed null and void. If no notice is received by the Seller from the Purchaser within the Inspection Period, the Purchaser shall have been deemed to accept the inspection results of the Property.

Notwithstanding anything to the contrary contained in this Agreement, and as conditions precedent to the Purchaser's and Seller's obligations to close on the purchase and sale of the Property, during the Inspection Period all of the following must be completed/performed:

- (a) The City of Lansing Planning Board completing and placing on file with the Lansing City Council ("Council") a review pursuant to the Michigan Planning Enabling Act (P.A. 33 of 2008 as amended).
- (b) Lansing City Council approving this Agreement by resolution. Council has full and independent authority to approve or reject this Agreement for whatever reason; a rejection by the Council will not be deemed an act of breach or default of this Agreement.
- (c) The Purchaser completing any and all due diligence activities and reviews, to Purchaser's sole satisfaction, to determine if the Property is suitable for Purchaser's Intended Use.
- (d) The Purchaser having obtained from the City of Lansing and all governmental agencies having jurisdiction over the Property all necessary rezoning, site plan approvals, and other governmental approvals, as determined by the Purchaser in its sole discretion, allowing the Purchaser to develop the Project (collectively, the "Governmental Approvals").
- (e) The Purchaser having obtained from the City of Lansing and all governmental agencies having jurisdiction over the Property all necessary permits for the Purchaser to commence construction of the infrastructure on the Property, and the Purchaser, the City of Lansing, and all governmental agencies having jurisdiction over the Property have completed the "pre-construction" meeting allowing the Purchaser to commence construction of the Project (collectively, the "Permit Approvals").

- (f) The Purchaser obtaining a firm, written commitment for financing for the Project, which shall be in an amount and upon terms that are acceptable to Purchaser in its sole discretion, and an appraisal, both of which are satisfactory to Purchaser's lender and/or other financing sources to allow the Purchaser to facilitate the acquisition, construction, and completion of the Project (collectively, the "Financing Approval").

If during the Inspection Period, Purchaser accepts the physical condition of the Property, but Purchaser has not obtained, each in a condition satisfactory to Purchaser, in Purchaser's sole discretion, the Governmental Approvals, the Permit Approvals, and the Financing Approval only, the Purchaser shall have the right to extend the term of the Inspection Period for an additional ninety (90) days in order to obtain satisfactory Governmental Approvals, the Permit Approvals, and the Financing Approval, as the case may be (the "Extended Inspection Period"), by providing the Seller with written notice prior to the expiration of the Inspection Period.

Within the Extended Inspection Period, as soon as Purchaser obtains the Governmental Approvals, the Permit Approvals, and the Financing Approval, the Purchaser shall notify the Seller in writing that Purchaser is prepared to proceed to Closing. If during the Extended Inspection Period, the Purchaser has not obtained the Governmental Approvals, the Permit Approvals, and the Financing Approval, then the Deposit shall be turned over to the Seller and this Agreement shall automatically terminate without any further action of the parties. If the Purchaser notifies the Seller in writing of its desire to terminate this Agreement prior to the expiration of the Extended Inspection Period, for any reason, the Deposit shall be turned over to the Seller and this Agreement shall be deemed null and void without any further action of the parties. If no notice of any kind is received by the Seller from the Purchaser upon conclusion of the Extended Inspection Period, the Deposit shall be turned over to the Seller and this Agreement shall be deemed null and void without the need for any further action by the parties.

The Purchaser agrees that the Purchaser is not relying on any representation or statement made by the Seller regarding any aspect of the Property, except as may be expressly set forth in this Agreement. Accordingly, the Purchaser agrees to accept the Property as expressly provided in this Agreement and set forth in the closing documents agreed to by both Parties.

8. Disclosures; Release. The Seller shall provide or make available to the Purchaser, within ten (10) days after the date of this Agreement, complete copies of all existing environmental reports, asbestos surveys, audits, building inspection reports, structural analysis, engineering reports, surveys, construction drawings, architectural plans and specifications, utility plans and specifications, and investigations for or affecting the Property which are in the Seller's possession or control and that the Seller is able to locate. In addition, the Purchaser and/or its agents shall be authorized to review any public records of the Property on file with the municipal authority having jurisdiction.

If the Purchaser does not terminate this Agreement and closes on the Property, the Purchaser agrees that it shall have unconditionally released the Seller from and against any and all liability to the Purchaser, both known and unknown, present and future, for "environmental damage," degradation, response, remediation and clean-up costs to the Property arising out of applicable

environmental laws or the presence of hazardous substances on, under, or about the Property at the date of closing.

9. Warranties of Seller. Except as otherwise provided or acknowledged in this Agreement, the Seller will represent and warrant to the Purchaser at closing, which representations and warranties shall survive closing, as follows:

- a. Marketable title to the Property shall be transferred to the Purchaser on the closing date, free from liens, encumbrances, claims of others, unless otherwise specified herein or in the Covenant Deed given and accepted at closing. The Building Authority shall release to Purchaser any interest it may still have in the Property by Quit Claim Deed (or other form of deed acceptable to Title Company, Purchaser and Seller to delete any such interest as an exception to title in Purchaser's owner's policy) given and accepted at closing.
- b. Performance of the obligations of the Seller under this Agreement will not violate any contract, indenture, statute, ordinance, judicial or administrative order or judgment applicable to the Seller or the Property.
- c. There is no litigation or proceeding pending, or to the Seller's knowledge threatened, against or involving the Seller or the Property, and the Seller does not know of any ground for any such litigation or proceeding, which could have a material adverse impact on the Purchaser or the Purchaser's title to the Property.
- d. The Seller shall continue its current insurance of the improvements on the Property and maintain the Property in its current condition during the interim period between the acceptance of this Agreement and the closing date.
- e. The Seller is not aware of any latent defects on the Property not disclosed to Purchaser.

10. Warranties of Purchaser. Except as otherwise provided or acknowledged in this Agreement, the Purchaser will represent and warrant to the Seller at closing, which representations and warranties shall survive closing, as follows:

- a. The performance of the obligations of the Purchaser under this Agreement will not violate any contract, indenture, judicial or administrative order or judgment applicable to the Purchaser.
- b. There is no litigation or proceeding pending against or involving the Purchaser, and the Purchaser does not know of any ground for any such litigation or proceeding, which could have an adverse impact on the Seller or the Seller's interest under this Agreement.
- c. Except as otherwise provided or acknowledged in this Agreement or any documents executed at closing, after the Purchaser completes the Purchaser's due diligence in accordance with paragraph 7 of this Agreement, the Purchaser acknowledges that if the Purchaser proceeds to closing the Purchaser is purchasing the Property, and any and all buildings and improvements located on the Property that are included in the sale, "as is" in its current physical condition and "where is" as to location.
- d. The development and use of the Property shall be completed in accordance with paragraph 2 of this Agreement.
- e. Neither Purchaser, nor any of its principals, are in debt or default of any outside agreement or condition, to the City of Lansing.

11. Damage to Property. If between the date of this Agreement and the closing date, all or any part of the Property is damaged by hazard or natural elements or other causes beyond the Seller's control which cannot be repaired prior to the closing date, Seller shall immediately notify the Purchaser of such occurrence. The Purchaser may elect to terminate this Agreement by written notice to the Seller within thirty (30) days after receipt of notice of the damage from the Seller. If the Purchaser exercises the right to terminate this Agreement, the Deposit shall be returned to the Purchaser and this Agreement shall be null and void. If the Purchaser does not elect to terminate this Agreement, there shall be no reduction of the Purchase Price and at closing, and the Seller shall assign, if permitted by the insurance contract, to the Purchaser whatever rights the Seller may have with respect to any insurance proceeds.

12. Property Taxes, Special Assessments and Utilities. The Purchaser shall be responsible to pay all taxes, special assessments and utility rates or charges levied or assessed against the Property after closing. Seller shall pay or otherwise obtain a waiver of all taxes, special assessments and utility rates or charges levied or assessed against the Property prior to closing and as of the closing date.

The Purchaser acknowledges and agrees that future tax revenue from the development and ownership of the Property is a material part of the consideration to the Seller for this Agreement and the sale of the Property. The Purchaser agrees not to transfer or close on the sale of all or part of the Property to an entity that will result in the Property becoming tax exempt. The Purchaser agrees that the Property will be placed on the tax rolls and remain on the tax rolls for a period of not less than twenty (20) years commencing with the date of closing. In the event the Property is removed from the tax rolls after the commencement of the twenty (20) year taxing period for the Property, but prior to the expiration of such period, then the Purchaser or the then current owner of the Property will reimburse the City for an amount equal to the taxable value of the improved Property in the year before it is no longer taxed (the "Base Value") times nineteen and 44/100 (19.44) mills, which shall equal the "Annual Amount" for each year remaining up to and including the final year of the twenty (20) year period.

The amount payable to the Seller will be either paid on an annual basis or in one lump sum. If the Purchaser or the then current owner of the Property elects to make annual payments, the Base Value shall be increased each year over the prior year's Base Value by the rate promulgated annually by the State Tax Commission to cap taxable value. If the Purchaser or the then current owner of the Property elects to make a lump sum payment, the lump sum payment shall be calculated by increasing the Annual Amount by three percent (3.0%) for each year remaining and discounting back at five percent (5.0%), equaling the net present value. The lump sum is due and payable on or before the Purchaser closes on the transfer or sale of the Property to the State of Michigan or other agency or entity that results in the Property becoming tax exempt or unless the Purchaser or the then current owner of the Property elects to make annual payments. The annual payments shall be due and payable on or before June 15th, commencing in the year the Property is no longer taxed and continuing on June 15th of each year for the remaining time.

Notwithstanding the foregoing, if the Property is taken off the tax rolls through eminent domain, condemnation, or any other governmental taking, whatsoever, the Purchaser or the then current owner of the Property shall not be obligated to reimburse the Seller for the taxable value under this paragraph.

13. Closing. The closing (the "Closing") will take place as soon as possible following the satisfaction of all conditions precedent specified in this Agreement, and in no event later than sixty (60) days following the earlier of: (i) the expiration of the Inspection Period, or Extended Inspection Period, as the case may be; or (ii) the date the Purchaser obtains all of the Governmental Approvals, the Permit Approvals, and the Financing Approval, and the conditions precedent in Section 7 met or deemed waived if applicable. The Closing will occur at the offices of the Title Company, at a time mutually agreed upon by the Purchaser and the Seller, or at another location as mutually agreed upon by the parties. The Purchaser shall pay the recording fees and any costs associated with any financing the Purchaser may obtain, the title commitment, and the title policy. Each party shall pay its own attorneys' fees and costs.

At the Closing, the Seller shall deliver the following to the Purchaser or the Title Company, as indicated:

- a. A Covenant Deed from the Seller, and a Quit Claim Deed or other form of deed as reflected in paragraph 9a above from the Building Authority as specified in this Agreement;
- b. Copies of the Seller's organizational and authority documents sufficient to establish to the Purchaser and the Title Company, the Seller's authority to enter into and to consummate this transaction;
- c. Any other documents required by this Agreement to be delivered by the Seller.

At the Closing, the Purchaser shall deliver the following:

- a. To the Seller, the Purchase Price specified in paragraph 3 above, less the Deposit, in the form of U.S. currency, by wire transfer of immediately available funds, as adjusted by the apportionments and assignments in accordance with this Agreement;
- b. Copies of Purchaser's organizational and authority documents, sufficient to establish to Seller and the Title Company, the Purchaser's authority to enter into and consummate this transaction;
- c. Any other documents required by this Agreement to be delivered by the Purchaser.

14. Statement of Lack of Necessity. Pursuant to Lansing City Charter 8-403 and the real property disposition ordinances promulgated thereunder, the real property to be disposed of in this Agreement, or any other agreements referenced or required herein, is not necessary for public purposes.

15. Brokers. Each party represents and warrants that there are no brokers', finders' or similar fees or commissions in connection with this transaction, except that Purchaser has engaged Martin Commercial Properties ("Martin") as its commercial broker, which commission Purchaser will pay pursuant to its separate agreement with Martin.

16. Assignment. The Purchaser may not assign this Agreement without the prior written consent of the Seller, which consent shall not be unreasonably withheld, conditioned or delayed. If consented to by Seller, any assignee(s) shall be subject to all of the conditions of this Agreement as if they were an original party thereto.

17. Breach and Remedies. In the event of default by the Purchaser under this Agreement prior to the Closing, the Seller's sole remedy at law or equity shall be to declare forfeiture and obtain the entire Deposit as liquidated damages, in full termination of this Agreement. In the event of a

default by the Seller, the Purchaser may, at its option, elect to: (i) specifically enforce the terms of this Agreement, in which event, the Purchaser shall be entitled to recover from the Seller the court costs and reasonable attorneys' fees incurred by the Purchaser in specifically enforcing this Agreement; or (ii) demand and be entitled to an immediate refund of the entire Deposit in full termination of this Agreement. In the event of default by the Purchaser under this Agreement after Closing, Seller may seek all rights and remedies available at law, in equity, or in this Agreement to enforce all its rights and Purchaser's obligations under this Agreement. To the extent permitted by law, the parties agree that the jurisdiction and venue for any action brought to enforce rights or obligations under this Agreement shall be solely in the State Courts in Ingham County, Michigan and that the applicable laws, should any choice of law arise, shall be those of the State of Michigan.

18. Notices. Any notice required or permitted by this Agreement shall be sufficient if in writing and either delivered personally or by regular mail addressed to the parties at their addresses specified below, and any notices given by mail shall be deemed to have been given as of the next business day following the date of posting.

In case of the Seller, addressed to or delivered personally to:

Rawley Van Fossen
Director, Department of Economic Development and Planning
316 North Capitol Avenue
Lansing, MI 48933

and with a copy mailed or delivered to:

Lansing City Attorney
124 West Michigan Avenue
City Hall-5th Floor
Lansing, MI 48933

In case of the Purchaser, addressed to or delivered personally to:

Deep Green Technologies USA LLC
1007 N. Orange Street
4th Floor, Suite 1382
Wilmington Delaware 19801

and with a copy mailed or delivered to:

Michell D. Goldsmith, Esq.
Taft Stettinius & Hollister
111 E. Wacker Drive, Suite 2600
Chicago, Illinois 60601-4208

Either party may change its address for notices, from time to time, by designating the new address in writing and forwarding it to the other party as provided in this paragraph.

19. Miscellaneous.

a. This is the entire agreement between the parties regarding its subject matter. This Agreement supersedes any and all other agreements, either oral or written, between the parties with respect to the subject matter of this Agreement. This Agreement may not be

modified or amended except in writing executed by both parties. The captions are for reference only and shall not affect the interpretation of this Agreement. More than one copy of this Agreement may be signed, but all constitute but one agreement. A facsimile or electronically transmitted signature by any party to this Agreement shall constitute a binding signature to this Agreement.

b. This Agreement shall be binding upon the parties and their subrogees, successors, and assigns. Time is deemed to be of the essence of all undertakings and agreements of the parties hereto.

c. Whenever this Agreement requires that something be done within a specified period of days, that period shall (i) not include the day from which the period commences, (ii) include the day upon which the period expires, (iii) expire at 5:00 p.m. U.S. Eastern time on the day upon which the period expires, and (iv) be construed to mean calendar days; provided, that if the final day of the period falls on a Saturday, Sunday or City of Lansing holiday, the period shall extend to the first business day thereafter.

d. Purchaser shall have possession of the Property from and after the Closing, free and clear of any rights or claims of possession by any third party or the Seller.

e. Purchaser agrees that in the event construction of the Project has not commenced, which is defined as vertical construction of a permanent structure on the Property (as evidenced by work done beyond demolition and groundbreaking, pursuant to a Building Permit issued consistent with the approved site plan), within two (2) years from the date of closing (the "Outside Commencement Deadline"), then Seller shall have the right, but not the obligation, within ninety (90) days from the Outside Commencement Deadline, to purchase the Property back from Purchaser for an amount equal to the Purchase Price, plus any state and county transfer taxes, title insurance, and all closing costs and recording fees (the "Right of Reacquisition"). Notwithstanding anything to the contrary in the foregoing, if Purchaser's failure to timely commence construction of the Project is due to Seller's action or failure to act, then the Outside Commencement Deadline shall be extended by the number of days that Seller's action or failure to act caused any delay in the commencement of the construction of the Project. If Seller exercises its Right of Reacquisition, it must do so only in accordance with this Paragraph 19e, and shall provide written notice of such exercise to Purchaser; however, provided Seller is not otherwise in breach of its obligations under this Agreement, Purchaser shall not have any right to cure or contest the Reacquisition.

f. The Covenant Deed from Seller to Purchaser shall be in the form attached hereto as Exhibit B.

g. A Memorandum of Development Agreement, in the form attached hereto as Exhibit C, shall be recorded at the time of closing.

[SIGNATURES OF THE PARTIES ON THE NEXT PAGE]

The parties have signed this Agreement as of the date first above written.

CITY OF LANSING

PURCHASER

By: _____
Andy Schor, Mayor

Deep Green Technologies USA LLC

DocuSigned by:
By: _____
Mark Lee

Its: Director

By: _____
Chris Swope, Clerk

Approved as to form:

By: _____
Gregory Venker, City Attorney

CITY OF LANSING BUILDING
AUTHORITY

By: _____
Andrew Kilpatrick, Chairperson

[Signature Page of that certain Buy-Sell Agreement between Deep Green Technologies USA LLC as the Purchaser, the City of Lansing, a Michigan municipal corporation, as the Seller, and the City of Lansing Building Authority, a public body corporate, as a party in interest]

EXHIBIT A
LEGAL DESCRIPTION

EXHIBIT B
FORM OF COVENANT DEED

EXHIBIT C
FORM OF MEMORANDUM OF DEVELOPMENT AGREEMENT



Dear Council members,

During our Feb. 9 presentation to council, there were several requests for additional information about our proposed development. Please see below for additional information and clarification.

Power Use

The data center will have a total power supply capacity of 24MW, combining 8MW from the grid connection and 16MW of on-site fuel cells (see attached fuel cell FAQ document). Of the 24MW, 20MW will be dedicated to the data center's IT equipment, and 4MW will be used for ancillary services, predominantly cooling.

The site's high density and suitability for High Performance Compute (HPC) mean we expect high utilization factors for the hosted servers. The data center's electricity demand will increase gradually as the site is commissioned, before stabilising at a typical operating load of around 16–18 megawatts, with occasional peaks of up to 24MW. As a co-location facility hosting multiple independent customers, overall power use is naturally averaged across many users, resulting in a smooth and stable demand profile with fewer sharp peaks than a single-tenant site.

While there will be small variations in electricity use across the day and between seasons, consumption is expected to remain broadly consistent year-round, reflecting the continuous operation of digital services. Data centre efficiency is typically higher in winter months, when lower ambient temperatures reduce the need for mechanical cooling, further lowering energy use per unit of computing activity. At full operation, the site is expected to consume approximately 120–145 gigawatt-hours of electricity annually, comparable to a typical industrial facility.



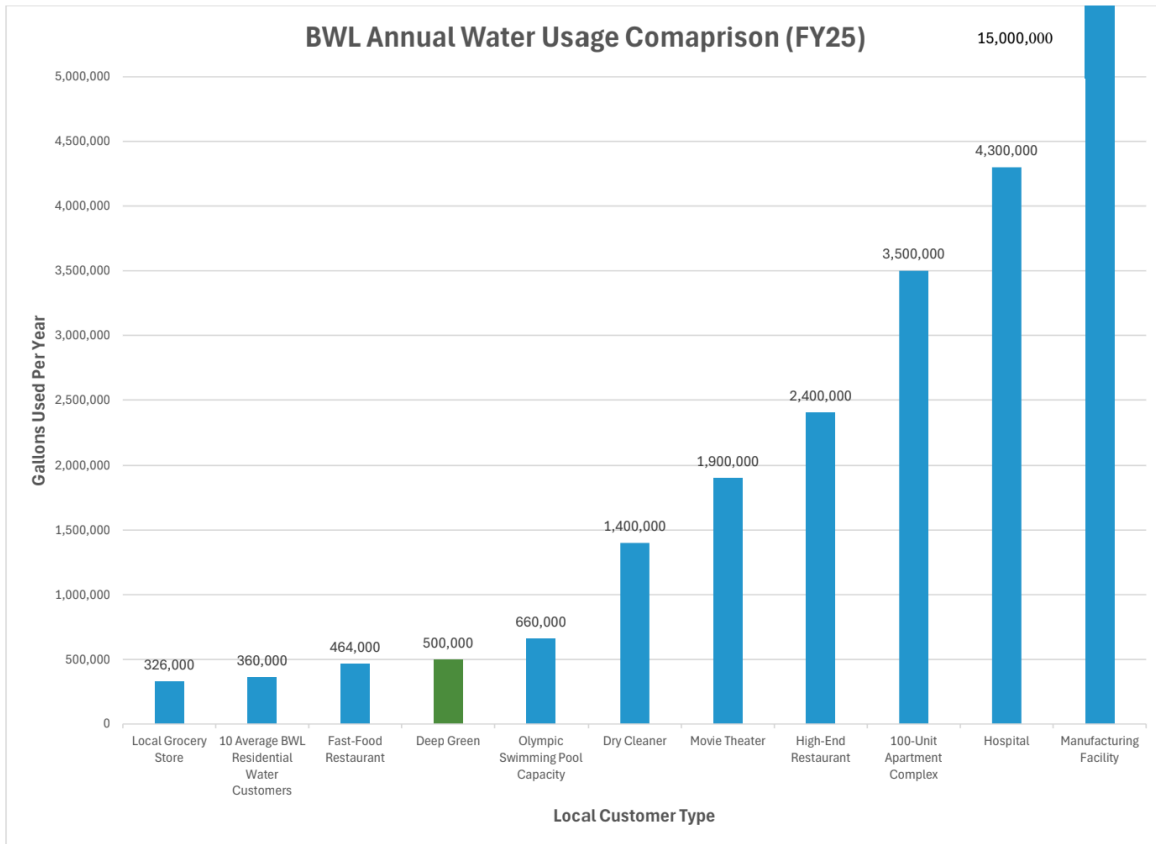
Water Use

Traditional data centre cooling relies on open-loop evaporative systems — essentially large cooling towers that continuously evaporate water to dissipate heat, requiring a constant fresh water supply to replace what is lost. A large conventional data centre can consume tens of millions of gallons per year this way.

The Deep Green site will use a closed-loop cooling system that works on a fundamentally different principle. Rather than evaporating water, it circulates a fixed volume of coolant through a sealed network of pipes that run directly to the servers and processing equipment. The coolant absorbs heat from the hardware, carries it away to a heat exchanger, sheds the heat to outside air via mechanical chillers or cooling coils, and then recirculates back to the servers in a continuous closed circuit — never evaporated, never discharged.

The critical distinction for the City of Lansing is what this means for local water resources. Because the coolant is never evaporated or discharged, water losses are minimal, and there is no dependency on a continuous fresh water supply as there would be with a conventional cooling tower system.

Deep Green has implemented these systems in the UK and is committing to apply the same principle in Lansing, with total annual water consumption kept below 500,000 gallons — a fraction of the millions of gallons a conventionally cooled facility of equivalent scale would consume. Deep Green plans to use a premixed coolant solution so as not to use BWL water within the closed loop system. The attached chart provided by the BWL compares our facility's estimated water use to other local customers.



The graph above is from BWL and shows the data center’s expected water use vs other use cases within Lansing. As you can see, the data center’s water usage is comparable to a fast-food restaurant or local grocery store.

Site Plan and Impact Studies

Preliminary site plans have provided to the city and were included in previous council packets. They are attached again for your review. Deep Green will follow all city rules and processes for our project review and will be happy to share analyses as the process moves forward.



Corporate Governance

Deep Green Technologies Ltd

- Official company records filed at UK Companies House:
<https://find-and-update.company-information.service.gov.uk/company/13601125>
- Officers listed at
<https://find-and-update.company-information.service.gov.uk/company/13601125/officers>
- Articles of Association attached.

Octopus

- Press article detailing Octopus Energy Generation's initial investment:
<https://octopus.energy/press/deep-green-investment/> .
- They have subsequently increased their investment in the business (as evidenced at Companies House above) and their commitment to fund capital expenditure to £500 million.

I hope this information helps inform your deliberations. Please let us know if you have any follow up questions or if we can provide anymore detail. Thank you.

Yours sincerely,

A handwritten signature in black ink, appearing to be "Mark Lee", with a horizontal line underneath.

Mark Lee
Chief Executive Officer

From: [Smiljana Williams](#)
To: [City Council](#); [Boak, Sherrie](#)
Cc: [Dick Peffley](#)
Subject: [EXTERNAL] Follow-up to City Council Meeting Questions
Date: Friday, February 20, 2026 5:10:37 PM
Attachments: [Water Usage Comparison Deep Green FY25.pdf](#)

City Council,

During the Deep Green's presentation at the February 9, 2026, Council meeting, Councilmember Nevarez Martinez inquired about two points and asked that the Lansing Board of Water & Light (BWL) follows up with a response:

1. Deep Green's energy usage
2. If Deep Green would use as much water as 40% of City of Lansing households

Because Deep Green is most appropriate to provide accurate energy usage information, we defer to them to provide this information. Deep Green intends to provide a response to this question when they provide a response to the council with the remaining of their action items from the February 9, 2026, meeting.

As for the water usage, Councilmember Nevarez Martinez also inquired if Deep Green would use as much water as 40% of City of Lansing households. Deep Green's estimated annual water usage is 500,000 gallons of water per year, which is also equal to approximately 15 homes or a small restaurant in Lansing. BWL averages 18 million gallons of water per day to customers, which includes residential and wholesale customers. Even using a conservative estimate that half of BWL's daily pumpage goes to City of Lansing residents, that's 9 million gallons per day. This number alone shows that Deep Green would not come close to using what 40% of Lansing households use.

Attached is an annual water usage comparison graph for Deep Green and some identified residential, business, and industrial customers in the Greater Lansing Area that you may find helpful.

Thank you,
Dick

Deep Green

On-Site Fuel Cell FAQs



Q: What is solid oxide fuel cell technology and how does it work?

A: Fuel cells are a clean and quiet form of power generation that makes electricity without burning fuel. On a basic level, fuel cells generate electricity by combining hydrogen and oxygen to create a chemical reaction. Currently, the hydrogen is sourced from methane (natural gas or biogas). The electron flow from that reaction is then captured as usable power.

Q: Do solid oxide fuel cells consume or discharge water?

A: No. When extracting hydrogen from the methane found in natural gas, solid oxide fuel cells utilize small amounts of water in a closed-loop reaction for a process called “steam methane reformation.” Once the fuel cell is operating, it requires zero input of water and does not discharge any water. In fact, the system actually creates a small amount of water from the hydrogen and ambient oxygen, which is recycled back into the system. This stands in stark contrast to combustion-based onsite power options that are often burdensome on local water supplies.

Q: So fuel cells use natural gas?

A: Fuel cells do not use natural gas as a fuel, but rather as a carrier of hydrogen. In today’s economy, as technology for extracting geologic hydrogen advances, the only viable source of hydrogen is the methane found in natural gas (CH₄).

Q: What happens to the methane after it is used by the fuel cell?

A: The methane (CH₄) reacts with steam (H₂O) and is separated into hydrogen (H₂) – which is used for the electrochemical reaction that produces electricity – and carbon dioxide.

Q: What fumes, exhaust or other emissions do the fuel cells produce?

A: The only byproducts of fuel cell electric generation are carbon dioxide (CO₂) and water.

Q: Are fuel cells a new technology?

A: No. Fuel cells were invented in the 1800s. Solid oxide fuel cells are a proven technology widely adopted by customers with high sustainability and reliability needs across the country and around the world, including many hospitals, universities, manufacturers, retailers, telecom sites, utilities and data centers.

Q: What are the benefits of using fuel cells to help power Deep Green’s proposed data center?

A: First, on-site fuel cells reduce Deep Green’s dependence on the electric grid. Second, the heat from the fuel cells will also be redirected into the Lansing Board of Water & Light steam and hot water utility network, reducing the use of natural gas to heat the water (and related emissions from burning fossil fuel) while lowering costs to downtown customers. Third, because non-combustion fuel cells emit virtually no criteria pollutants and do not consume or discharge water, they will not impact local air quality or water resources in contrast to combustion-based generation.

Q: Where have solid oxide fuel cells been deployed previously?

A: Fuel cells are deployed across the country and world, powering sites ranging from businesses and schools to critical facilities like hospitals. Bloom Energy, for example, is one of the country’s largest fuel cell manufacturers and has 1,600 customer installations in over a dozen states and nine countries worldwide.

Q: Are solid oxide fuel cells more efficient than other forms of power generation?

A: Yes. Fuel cells turn fuel into electricity more directly and efficiently than combustion systems, converting roughly 50-66% of the fuel’s energy into electricity when measured using the LHV (lower heating value) standard. For comparison, combustion turbines and engines typically achieve LHV efficiency of 30-40%.

Q: What makes fuel cells more efficient than using combustion to generate electricity?

A: Combustion sources are inefficient in comparison because they must first convert chemical energy to thermal energy by burning fuel, then convert thermal energy into mechanical energy, and finally convert mechanical energy into electricity. Fuel cells, on the other hand, use an electrochemical process to convert the hydrogen found in natural gas directly to electrical energy. They have no moving parts other than a small fan, allowing them to operate quietly, reliably, and efficiently.

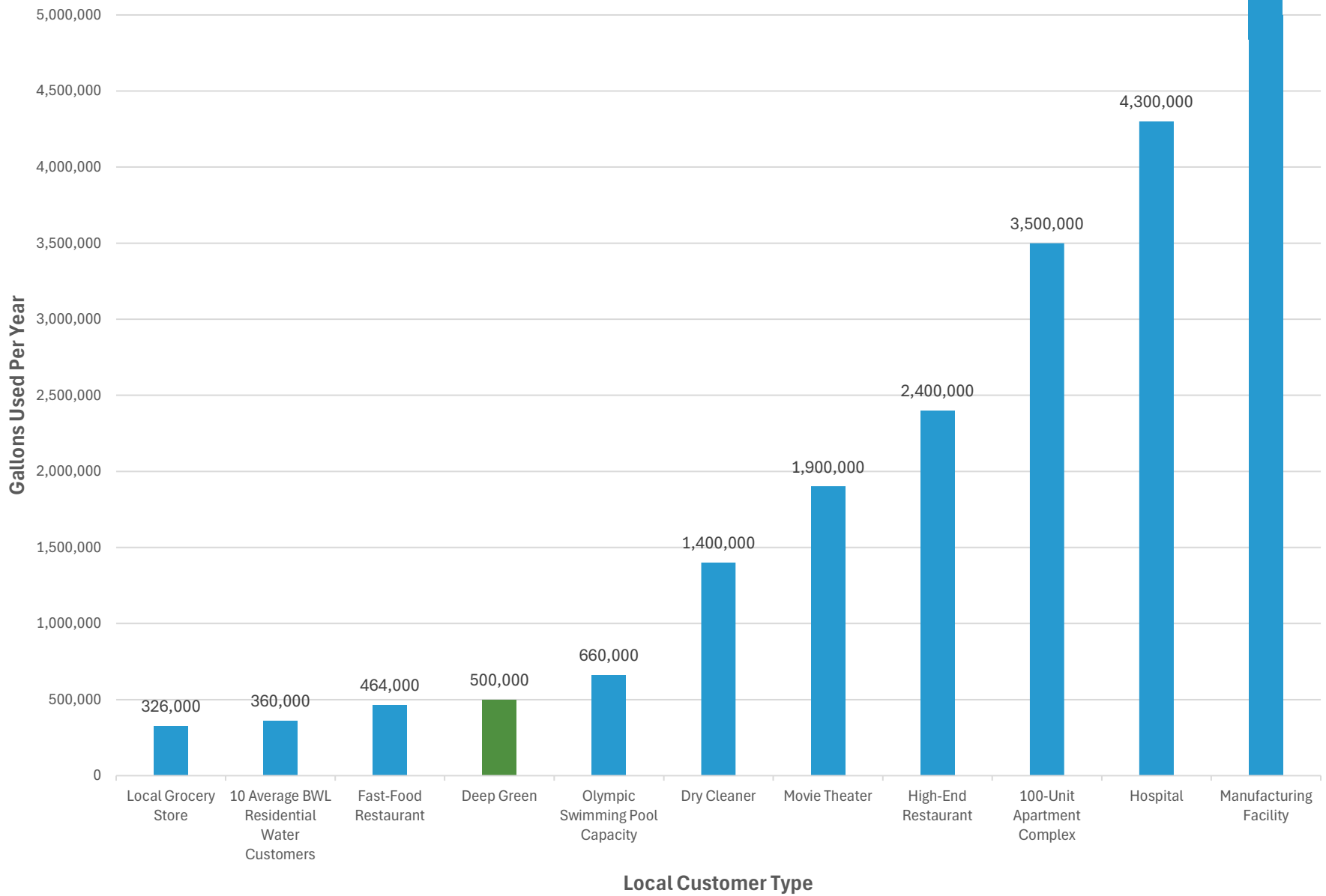
Q: Do fuel cells produce a significant amount of noise?

A: No. Fuel cells are very quiet thanks to the fact they create electricity using a chemical reaction. You can easily have a conversation standing right next to them. The fuel cells will be housed in an enclosure that will further attenuate the sound.

Q: Are fuel cells a cleaner technology than combustion power?

A: Yes. Compared to the energy supplied by the regional electric grid, fuel cells reduce SO₂ and NO_x emissions by over 99.5% and CO₂ emissions by nearly 50%. This calculation is made using the EPA’s eGRID database to compare solid oxide fuel cells to the MISO non-baseload “marginal” generation unit.

BWL Annual Water Usage Comparison (FY25)



New Articles of Association

of

Deep Green Technologies Limited

Company number: 13601125

Company limited by shares

(Adopted by a special resolution passed on 19 December 2023)

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THE COMPANIES ACT 2006
COMPANY LIMITED BY SHARES

NEW

ARTICLES OF ASSOCIATION

OF

DEEP GREEN TECHNOLOGIES LIMITED

(Adopted by a special resolution passed on 19 December 2023)

1. Introduction

1.1 The model articles for private companies limited by shares contained or incorporated in Schedule 1 to the Companies (Model Articles) Regulations 2008 (SI 2008/3229) as amended prior to the date of adoption of these Articles (the "**Model Articles**") shall apply to the Company, save insofar as they are varied or excluded by, or are inconsistent with, the following Articles.

1.2 In these Articles and the Model Articles any reference to any statutory provision shall be deemed to include a reference to each and every statutory amendment, modification, re-enactment and extension of or to such statutory provision for the time being in force.

1.3 In these Articles:

- (a) Article headings are used for convenience only and shall not affect the construction or interpretation of these Articles;
- (b) words denoting the singular include the plural and vice versa and reference to one gender includes the other gender and neuter and vice versa;
- (c) Articles 8(2), 9(4), 10(3), 11(2), 13, 14, 17(2), 17(3), 19, 21, 26(5), 30(5) to (7) (inclusive), 36, 44(4), 51, 52 and 53 of the Model Articles shall not apply to the Company;
- (d) Articles 52 to 62 (inclusive) and 73 of the model articles for public companies contained or incorporated in Schedule 3 to the Companies (Model Articles) Regulations 2008 (SI 2008/3229) shall apply mutatis mutandis to the Company (notwithstanding that it is not a public limited company);
- (e) in the event of any Bonus Issue or Reorganisation, the Preference Amount and the Series B Preference Amount and the Series C Preference Amount, as applicable, shall be adjusted as determined by the Board with Investor Director Consent equitably so as to ensure that each Shareholder is in no better or worse position (with respect to each Share held) as a result of such Bonus Issue or Reorganisation provided that if a doubt or dispute arises concerning such adjustment, the Board shall, if requested by the Investor Majority, refer the matter to the Auditors (or such independent firm of accountants as the Board may decide) whose determination shall, in the absence of manifest error, be final and binding on the Company and each of the Shareholders (and the costs of the Auditors (or such independent firm of accountants) shall be borne by the Company);
- (f) reference to "**issued Shares**" of any class shall exclude any Shares of that class held as Treasury Shares from time to time, unless stated otherwise;
- (g) reference to the "**holders**" of Shares or a class of Share shall exclude the Company holding Treasury Shares from time to time, unless stated otherwise;

- (h) reference to the **"transfer"** of a Share includes:
- (i) the transfer or assignment of a beneficial or other interest in that Share or the creation of a trust or Encumbrance over that Share, or in each case of a beneficial or other interest in a Share; and
 - (ii) the transfer of Shares pursuant to a merger or scheme of arrangement and any provision of such merger or scheme of arrangement by which a Shareholder thereby ceases to be interested in shares in the Company (or any surviving or successor entity to such Shareholder) (whether by way of cancellation or otherwise),

and the terms **"transferring"**, **"transferor"** and other derivatives shall be construed accordingly;

- (i) the words **"include"**, **"including"** and **"in particular"** are to be construed as being by way of illustration or emphasis only and are not to be construed so as to limit the generality of any words preceding them;
- (j) references to **"bankruptcy"**, **"liquidation"**, and **"administrative receivership"** shall have the meanings given to such terms under English law and shall also be deemed to include any similar or analogous status or concept under any other law (and, in which case, in the event of any dispute or ambiguity, the meaning of any such term shall, for the purposes of interpreting these Articles, be determined by the Board whose determination shall be final and binding);
- (k) a person shall be deemed not to have ceased to be (or to have given or received notice to terminate their employment or consultancy as) an Employee if upon cessation of such employment or consultancy they nevertheless continue as an Employee in some other capacity (including if their employment is terminated and they thereafter continue as a non-executive director);
- (l) with respect to provisions of these Articles concerning Employee Shares and Employees, the term **"consultancy"** includes services as a non-executive director (other than as an Investor Director) and the term **"consultant"** and other derivatives shall be construed accordingly; and
- (m) an Employee who is a Director and a Leaver shall be excluded from the Board for the purposes any decision or determination under Article 17 (*Departing Employee*) and the related definitions.

1.4 In respect of any actions or matters requiring or seeking the acceptance, approval, agreement, consent or words having similar effect of any Employee or Ordinary Shareholder under these Articles, if at any time there are any Restricted Members and/or Restricted Shares, such Restricted Members and/or Restricted Shares shall be disregarded. If no voting Employee or Ordinary Shareholders remain, such acceptance, approval, agreement or consent shall not be required.

1.5 In respect of any actions or matters requiring or seeking the acceptance, approval, agreement, consent or words having similar effect of an Investor Director under these Articles, if at any time an Investor Director has not been appointed or an Investor Director declares in writing to the Company and the Investors that they consider that providing such consent gives rise or may give rise to a conflict of interest to their duties as a Director, such action or matter shall require an Investor Majority Consent.

2. **Definitions**

In these Articles the following words and expressions shall have the following meanings:

"Accepting Tag Shareholder" has the meaning given in Article 18.6 (*Tag-along*);

"Act" means the Companies Act 2006 (as amended from time to time);

"Acting in Concert" has the meaning given to it in The City Code on Takeovers and Mergers published by the Panel on Takeovers and Mergers (as amended from time to time);

"Allocation Notice" has the meaning given in Article 14.9 (*Completion of transfer of Sale Shares*);

"Applicant" has the meaning given in Article 14.9 (*Completion of transfer of Sale Shares*);

"Appointor" has the meaning given in Article 21.1 (*Alternate Directors*);

"Arrears" means in relation to any Share, all arrears of declared and/or accrued but unpaid dividends on that Share;

"Asset Sale" means the disposal by the Company of all or substantially all of its undertaking and assets (where disposal may include the grant by the Company of an exclusive licence of intellectual property not entered into in the ordinary course of business);

"Associate" in relation to any person means:

- (a) any person who is an associate of that person (and the question of whether a person is an associate of another is to be determined in accordance with section 435 of the Insolvency Act 1986); and (whether or not an associate as so determined);
- (b) any member of the same Group; and
- (c) any member of the same Fund Group;

"Auditors" means the auditors of the Company from time to time (or if none are appointed the accountants of the Company from time to time);

"Available Profits" means profits available for distribution within the meaning of Part 23 of the Act;

"Bad Leaver" means a Leaver who:

- (a) became:
 - (i) a Leaver as a consequence of that person's dismissal or termination as an Employee for gross misconduct, fraud, dishonesty or being convicted of any criminal offence (other than a road traffic offence which is not punishable by a custodial sentence) or any grounds which entitle the Company to summarily dismiss or immediately terminate the Employee's employment, office, consultancy or engagement as an Employee (other than where that dismissal is found by a tribunal or court of competent jurisdiction, to be unfair or wrongful); or
 - (ii) a Leaver as a consequence of that person's resignation as an Employee at any time during the period starting on the Commencement Date and ending 12 months from the Commencement Date (or 12 months from the start date of such Leaver's employment), except in circumstances which constitute a constructive dismissal; or
- (b) after becoming a Leaver, commits a material breach of any non-compete obligations owed to the Company under the Shareholders' Agreement or under such person's terms of engagement or employment as an Employee or otherwise, even if such person did become a Leaver by reason of being a Bad Leaver on their Effective Termination Date;

"Board" means the board of Directors (or any committee of the board of Directors constituted for the purpose of taking any relevant action or decision);

"Bonus Issue" or "Reorganisation" means any return of capital, bonus issue of shares or other securities of the Company by way of capitalisation of profits or reserves (other than a capitalisation issue in substitution for or as an alternative to a cash dividend which is made available to the Series A Shareholders) or any consolidation or sub-division or any variation in the conversion rate applicable to any other outstanding shares of the Company in each case other than shares issued as a result of the events set out in Article 11.5 (*Pre-emption rights in respect of new shares and other securities*);

"Business Day" means a day on which English clearing banks are ordinarily open for the transaction of normal banking business in the City of London (other than a Saturday or Sunday);

"Called Securities Holder" has the meaning given in Article 19.5 (*Drag-along*);

"Called Shareholder" has the meaning given in Article 19.1 (*Drag-along*);

"Called Shares" has the meaning given in Article 19.2 (*Drag-along*);

"Capitalised Sum" has the meaning given in Article 29.1 (*Authority to capitalise and appropriation of capitalised sums*);

"Catch Up Amount" means an amount per Share which is equivalent to the amount per Series A Share as that received by the Series A Shareholders pursuant to Article 5.1(b);

"CEO Director" has the meaning given in Article 22.2 (*Appointment of Directors*);

"Civil Partner" means in relation to a Shareholder, a civil partner (as defined in the Civil Partnership Act 2004) of the Shareholder;

"Commencement Date" means the Date of Adoption;

"Common Liabilities" has the meaning given in Article 19.6 (*Drag-along*);

"Company" means Deep Green Technologies Limited (registered number 13601125);

"Continuing Shareholders" has the meaning given in Article 14.8 (*Transfers: Offer*);

"Contribution Obligations" has the meaning given in Article 19.6 (*Drag-along*);

"Controlling Interest" means interests in shares giving to the holder (or holders) of such interests control of the Company within the meaning of section 1124 of the CTA 2010;

"CTA 2010" means the Corporation Tax Act 2010;

"Date of Adoption" means the date on which these Articles were adopted;

"Deferred Shares" means deferred shares of £0.0000005 each in the capital of the Company from time to time;

"Director(s)" means a director or directors of the Company from time to time;

"Disqualifying Event" has the meaning given in Article 16.1 (*Compulsory transfers – general*);

"Disqualifying Event Notice" has the meaning given in Article 16.1 (*Compulsory transfers – general*);

"Disqualifying Event Transfer" has the meaning given in Article 16.1 (*Compulsory transfers – general*);

"Disqualifying Event Transfer Documents" has the meaning given in Article 16.1 (*Compulsory transfers – general*);

"Drag Along Notice" has the meaning given in Article 19.2 (*Drag-along*);

"Drag Along Option" has the meaning given in Article 19.1 (*Drag-along*);

"Drag Completion Date" has the meaning given in Article 19.8 (*Drag-along*);

"Drag Consideration" has the meaning given in Article 19.4 (*Drag-along*);

"Drag Documents" has the meaning given in Article 19.8 (*Drag-along*);

"Drag Purchaser" has the meaning given in Article 19.1 (*Drag-along*);

"Dragged Share Sale" has the meaning given in Article 19.1 (*Drag-along*);

"Effective Termination Date" means the date on which the Leaver's employment, directorship, or consultancy terminates;

"electronic address" has the same meaning as in section 333 of the Act;

"electronic form" and **"electronic means"** have the same meaning as in section 1168 of the Act;

"Eligible Director" means a Director who would be entitled to vote on a matter had it been proposed as a resolution at a meeting of the Board;

"Employee" means an individual who is employed by, or who provides consultancy services to, the Company or any member of the Company's Group;

"Employee Shares" in relation to an Employee (or Leaver) means all Shares (other than Series B Shares) held by:

- (a) the Employee (or Leaver) in question; and
- (b) any Permitted Transferee of that Employee (or Leaver) other than those Shares held by those persons that an Investor Majority declares itself satisfied were not acquired directly or indirectly from the Employee (or Leaver) or by reason of that person's relationship with the Employee (or Leaver);

"Encumbrance" means any mortgage, charge, security, interest, lien, pledge, assignment by way of security, equity, claim, right of pre-emption, option, covenant, restriction, reservation, lease, trust, order, decree, judgment, title defect (including any retention of title claim), conflicting claim of ownership or any other encumbrance of any nature whatsoever (whether or not perfected other than liens arising by operation of law);

"Equity Securities" has the meaning given in sections 560(1) to (3) inclusive of the Act and for the avoidance of doubt an allotment of Equity Securities includes a transfer of shares which immediately before such transfer were held by the Company as Treasury Shares;

"Equity Shares" means the Series A Shares and the Ordinary Shares;

"Excess Sale Shares" has the meaning given in Article 14.8 (*Transfers: Offer*);

"Exercise Documents" has the meaning given in Article 19.2 (*Drag-along*);

“**Expert Valuer**” has the meaning given in Article 15.1 (*Valuation of Shares*);

“**Fair Value**” is as determined in accordance with Article 15 (*Valuation of Shares*);

“**Family Group**” means, as regards any individual (whether living or deceased) (a “**Principal**”):

- (a) such Principal;
- (b) the Privileged Relations of such Principal;
- (c) the Trustee(s) of any Family Trust(s) under which no immediate beneficial interest in any of the shares in question is for the time being vested in any person other than the Principal and/or their Privileged Relations; and
- (d) the Qualifying Companies of such Principal,

(and, in each case, with respect to the holding of interests in Shares, any nominee or custodian of such Principal) and the term “**member of the same Family Group**” shall be construed accordingly;

“**Family Trusts**” means as regards any particular individual member or deceased or former individual member, trusts (whether arising under a settlement, declaration of trust or other instrument by whomsoever or wheresoever made or under a testamentary disposition or on an intestacy) under which no immediate beneficial interest in any of the shares in question is for the time being vested in any person other than the individual and/or Privileged Relations of that individual; and so that for this purpose a person shall be considered to be beneficially interested in a share if such share or the income from such share is liable to be transferred or paid or applied or appointed to or for the benefit of such person or any voting or other rights attaching thereto are exercisable by or as directed by such person pursuant to the terms of the relevant trusts or in consequence of an exercise of a power or discretion conferred thereby on any person or persons;

“**Financial Year**” has the meaning given in section 390 of the Act;

“**Founder**” means Mark Bjornsgaard;

“**Fund Group**” means, as regards any fund, limited, general or other partnership, company, investment trust, unit trust, investment company or collective investment scheme (as defined by the Financial Services and Markets Act 2000) or other entity (excluding any Qualifying Company or Family Trust) whose principal business is to make investments, including in securities, or whose business is managed by a Fund Manager (an “**Investment Fund**”):

- (a) such Investment Fund;
- (b) any participant or partner in or member of any such Investment Fund or the holders of any unit trust which is a participant or partner in or member of any Investment Fund (but in each case only in connection with the dissolution of the Investment Fund or any distribution of assets of the Investment Fund pursuant to the operation of the Investment Fund in the ordinary course of business);
- (c) any other Investment Fund whose business is managed or advised by such Fund Manager or by a member of the same Group as such Investment Fund or Fund Manager;
- (d) a member of the same Group as such Investment Fund or Fund Manager; and
- (e) any trustee, nominee or custodian of such Investment Fund and vice versa,

(and, in each case, with respect to the holding of interests in Shares, any nominee or custodian of such interests in Shares) and the term “**member of the same Fund Group**” shall be construed accordingly;

“**Fund Manager**” means a person whose principal business is to make, manage or advise upon investments in securities;

“**Good Leaver**” means a Leaver who is not a Bad Leaver or Intermediate Leaver and shall include when the Board (including Investor Director Consent) determines that a person is a Good Leaver;

“**Group**” means, as regards any undertaking (as defined in section 1161(1) of the Act) (other than a Qualifying Company) (a “**Principal Undertaking**”):

- (a) such Principal Undertaking;
- (b) each Parent Undertaking of such Principal Undertaking; and
- (c) each Subsidiary Undertaking of (i) such Principal Undertaking or (ii) any Parent Undertaking of such Principal Undertaking,

(and in each case, with respect to the holding of interests in Shares, any nominee or custodian of such interests in Shares) and the term “**member of the same Group**” shall be construed accordingly;

“**Growth Lowest Threshold Shares**” means the tranche of Growth Shares to which the Lowest Threshold Amount applies;

“**Growth Second Threshold Shares**” means the tranche of Growth Shares to which the Second Threshold Amount applies;

“**Growth Highest Threshold Shares**” means the tranche of Growth Shares to which the Highest Threshold Amount applies;

“**Growth Shares**” means the Ordinary C Shares of £0.0000005 each designated as such with the rights described in these Articles and which may be issued in tranches having attached to them different Threshold Amounts;

“**hard copy form**” has the same meaning given in section 1168 of the Act;

“**Highest Threshold Amount**” means at any time the highest of all the Threshold Amounts applicable across all tranches of Growth Shares then in issue;

“**Holding Company Notice**” has the meaning given in Article 30.4 (*New Holding Company*);

“**Holding Company Reorganisation**” means any transaction involving the issue of shares in the capital of a New Holding Company to the Shareholders, the object or intent of which is to interpose the New Holding Company as the sole owner of the Company such that immediately subsequent to such transaction:

- (a) the membership, pro rata shareholdings and classes of shares comprised in the New Holding Company is substantially the same as that of the Company (excluding Treasury Shares) immediately prior to such transaction (save for the fact that such shares are issued by a different company);
- (b) the rights attaching to each class of share comprised in the New Holding Company are substantially the same as those rights attaching to the like class of share comprised in the share capital of the Company immediately prior to such transaction (save for the fact that such shares are issued by a different company and/or in a different jurisdiction with attendant differences in company law); and

- (c) the constitutional documents of the New Holding Company are the same in substantive effect as the articles of association of the Company immediately prior to such acquisition (save for the fact that they apply in respect of a different company, and as to matters and modifications to reflect that the New Holding Company may be incorporated in a jurisdiction other than England and Wales);

"Initial Sale Share Entitlement" has the meaning given in Article 14.8 (*Transfers: Offer*);

"Instrument of Transfer" means a stock transfer form or any other transfer document in either hard copy form or electronic form, in either case in any usual form or in any other form which the Board may approve;

"Interested Director" has the meaning given in Article 25.5 (*Terms and conditions of Board authorisation*);

"Intermediate Leaver" means a Leaver as a consequence of that person's resignation as an Employee (without Investor Majority Consent) at any time during the Relevant Period (unless that Leaver qualifies as a Bad Leaver as a result of limb (b) of that definition), except in circumstances which constitute a constructive dismissal;

"Investor Director" has the meaning given in Article 22.3 (*Appointment of Directors*);

"Investor Director Consent" means the prior written consent of at least one of the Investor Directors;

"Investor Majority" means the holders of at least 50 per cent. of Series A Shares from time to time;

"Investor Majority Consent" means the prior written consent of the Investor Majority;

"Investor Observer" has the meaning given in Article 22.3 (*Appointment of Directors*);

"Investors" means (i) each holder of Series A Shares and (ii) each Permitted Transferee of a Series A Shareholder holding Series A Shares;

"IPO" means the admission of all or any of the Shares or securities representing those shares (including depository interests, American depository receipts, American depository shares and/or other instruments) on the New York Stock Exchange, NASDAQ or on the Official List of the United Kingdom Financial Conduct Authority or the AIM Market operated by the London Stock Exchange Plc or any other recognised investment exchange (as defined in section 285 of the Financial Services and Markets Act 2000);

"ITEPA" means Income Tax (Earnings and Pensions) Act 2003;

"Leaver" means an Employee or Director who ceases to be an Employee or Director (for whatever reason) without becoming or remaining an employee or director of any member of the Group;

"Leaver's Percentage" means, in relation to and for the purposes of determining the number of Employee Shares that are required (pursuant to Article 17 (*Departing Employee*)) to be converted into Deferred Shares as a result of a Good Leaver ceasing to be an Employee, the percentage (rounded to the nearest two decimal places) calculated as follows:

In respect of Series C Shares:

$$\text{Leaver's Percentage} = 50 - ((1/36 \times 50) \times \text{NM}),$$

where NM = the number of full calendar months elapsed from the Commencement Date to the Effective Termination Date, such that the Leaver's Percentage shall be zero on the first day of the 37th calendar month after the Commencement Date and thereafter;

In respect of Ordinary B1 Shares:

$$\text{Leaver's Percentage} = 100 - ((1/36 \times 100) \times \text{NM}),$$

where NM = the number of full calendar months elapsed from the Commencement Date to the Effective Termination Date, such that the Leaver's Percentage shall be zero on the first day of the 37th calendar month after the Commencement Date and thereafter;

In respect of Ordinary B2 Shares:

$$\text{Leaver's Percentage} = 50 - ((1/36 \times 50) \times \text{NM}),$$

where NM = the number of full calendar months elapsed from the Commencement Date to the Effective Termination Date, such that the Leaver's Percentage shall be zero on the first day of the 37th calendar month after the Commencement Date and thereafter;

In respect of Ordinary C1 Shares:

$$\text{Leaver's Percentage} = 75 - ((1/36 \times 75) \times \text{NM}),$$

where NM = the number of full calendar months elapsed from the date of issue of the relevant Ordinary C1 Shares to the Effective Termination Date, such that the Leaver's Percentage shall be zero on the first day of the 37th calendar month after the date of issue of the relevant Ordinary C1 Shares and thereafter;

In respect of Ordinary C2 Shares:

$$\text{Leaver's Percentage} = 100 - ((1/36 \times 100) \times \text{NM}),$$

where NM = the number of full calendar months elapsed from the date of issue of the relevant Ordinary C2 Shares to the Effective Termination Date, such that the Leaver's Percentage shall be zero on the first day of the 37th calendar month after the date of issue of the relevant Ordinary C2 Shares and thereafter;

"Lowest Threshold Amount" means at any time the lowest of all of the Threshold Amounts that are applicable across all tranches of Growth Shares then in issue;

"Major Investors" means the Investor and the Founder (provided the Founder holds at least 20 per cent. of the Shares at the relevant time);

"New Growth Share Plan" has the meaning given to it in the Subscription and Shareholders' Agreement;

"New Holding Company" means a holding company of the Company newly incorporated in any jurisdiction which has no previous trading history and has resulted from a Holding Company Reorganisation;

"New Securities" means any shares in the capital of the Company or Relevant Securities granted or issued (or to be granted or issued) by the Company after the Date of Adoption (other than those granted or issued as a result of the events set out in Article 11.5 (*Pre-emption rights in respect of new shares and other securities*)) and the term **"New Security"** shall be construed accordingly;

"New Shareholder" has the meaning given in Article 19.12 (*Drag-along*);

"Non-Cash Consideration" has the meaning given in Article 5.4 (*Liquidation Preference*);

"Non-Investor Director" means any Director (other than an Investor Director);

"Offer Period" has the meaning given in Article 14.8 (*Transfers of Shares subject to pre-emption rights*);

"Ordinary B1 Shares" means the ordinary B1 shares of £0.0000005 each in the capital of the Company from time to time;

"Ordinary B2 Shares" means the ordinary B2 shares of £0.0000005 each in the capital of the Company from time to time;

"Ordinary B Shares" means the Ordinary B1 Shares and the Ordinary B2 Shares;

"Ordinary C1 Shares" means the non-voting Ordinary C1 shares of £0.0000005 each in the capital of the Company from time to time;

"Ordinary C2 Shares" means the non-voting Ordinary C2 shares of £0.0000005 each in the capital of the Company from time to time;

"Ordinary C Shares" means the Ordinary C1 Shares and the Ordinary C2 Shares (also referred to as **"Growth Shares"**);

"Ordinary Shareholders" means the holders from time to time of the Ordinary Shares (but excludes the Company holding Treasury Shares);

"Ordinary Shares" means together the Ordinary B Shares and the Ordinary C Shares;

"Original Shareholder" has the meaning given in Article 13.1 (*Permitted Transfers*);

"Other Seller" has the meaning given in Article 14.8 (*Transfers of Shares subject to pre-emption rights*);

"Permitted Transfer" means a transfer of Shares in accordance with Article 13 (*Permitted Transfers*);

"Permitted Transferee" means:

- (a) in relation to any member of a Family Group, any other member of that Family Group;
- (b) in relation to an undertaking (as defined in section 1161(1) of the Act) (other than a Qualifying Company) means any member of the same Group;
- (c) in relation to an Investment Fund (other than a Qualifying Company) means any other member of the same Fund Group; and
- (d) in relation to an Investor:
 - (i) any member of the same Group;
 - (ii) any member of the same Fund Group; and
 - (iii) any nominee or custodian of the Investor;

"Post-Reorganisation Shareholder" has the meaning given in Article 30.3 (*New Holding Company*);

"Pre-Emption Waiver" has the meaning given in Article 30.5 (*New Holding Company*);

"Preference Amount" means, in respect of a Series A Share, the amount of money subscribed for that Series A Share (whether in respect of nominal amount or share premium) (if applicable, adjusted as referred to in Article 1.3(e) (*Introduction*)) together with a sum equal to any Arrears;

"Primary Holder" has the meaning given in Article 26.8;

"Prior Permitted Transferee" has the meaning given in Article 13.7 (*Notices*);

"Privileged Relation" in relation to a Shareholder who is an individual member or deceased or former member means a spouse, Civil Partner, child or grandchild (including a step or adopted or illegitimate child and their issue);

"Proceeds Of Sale" means the consideration payable (including any deferred and/or contingent consideration) whether in cash or otherwise to those Shareholders selling (or otherwise transferring) Shares under a Share Sale less any fees, costs and expenses payable in respect of such Share Sale as approved by the Selling Shareholders;

"Proposed Reorganisation" has the meaning given in Article 30.1 (*New Holding Company*);

"Proposed Seller" means any person proposing to transfer any shares in the capital of the Company;

"Qualifying Company" means, as regards any individual, a company the entire issued share capital of which is held (legally and beneficially) by such individual (together with their Privileged Relations and Family Trusts) and over which that individual exercises control (within the meaning of section 1124 of the CTA 2010);

"Relevant Interest" has the meaning given in Article 25.5 (*Terms and conditions of Board authorisation*);

"Relevant Period" means:

- (a) in respect of a holder of Ordinary B Shares or Series C Shares, the period from the Commencement Date until 60 months from the Commencement Date; and
- (b) in respect of a holder of Growth Shares, the period from the date of issue of those Growth Shares until 60 months from that date;

"Relevant Security" means any security, option, warrant, agreement or instrument which confers any right to subscribe for any share(s) in the capital of the Company (and the term **"Relevant Securities"** shall be construed accordingly);

"Reorganisation Actions" has the meaning given in Article 30.1 (*New Holding Company*);

"Restricted Member" has the meaning given in Article 17.5 (*Suspension of voting rights*);

"Restricted Shares" has the meaning given in Article 17.6 (*Suspension of voting rights*);

"Re-transfer Period" has the meaning given in Article 13.7 (*Permitted Transfers*);

"Re-transfer Shares" has the meaning given in Article 13.7 (*Permitted Transfers*);

"Sale Agreement" has the meaning given in Article 19.2 (*Drag-along*);

"Sale Information" has the meaning given in Article 19.2 (*Drag-along*);

"Sale Shares" has the meaning given in Article 14.2 (*Transfers of Shares subject to pre-emption rights*);

"Second Threshold Amount" means the Threshold Amount applicable to a tranche of Growth Shares which has the lowest Threshold Amount which is next greater than the Lowest Threshold Amount;

"Seller" has the meaning given in Article 14.2 (*Transfers of Shares subject to pre-emption rights*);

"Sellers' Shares" has the meaning given in Article 19.1 (*Drag-along*);

"Selling Shareholder" has the meaning given in Article 19.1 (*Drag-along*);

"Series A Shareholders" means the holders of the Series A Shares (but excludes the Company holding Treasury Shares).

"Series A Shares" means the series A shares of £0.0000005 each in the capital of the Company from time to time.

"Series B Shareholders" means the holders of the Series B Shares (but excludes the Company holding Treasury Shares);

"Series B Shares" means the series B shares of £0.0000005 each in the capital of the Company from time to time;

"Series C Shares" means the series C shares of £0.0000005 each in the capital of the Company from time to time;

"Share Sale" means the sale or transfer of any of the existing shares in the capital of the Company (in one transaction or as a series of transactions) which will result in the acquirer of those shares and persons Acting in Concert with them together acquiring a Controlling Interest in the Company, except where following completion of the sale or transfer the shareholders and the proportion of shares held by each of them are the same as the shareholders and their shareholdings in the Company immediately prior to the sale or transfer;

"Shareholder" means any holder of any Shares (but excludes the Company holding Treasury Shares);

"Shareholders Entitled" has the meaning given in Article 29.1;

"Shares" means the Ordinary Shares, Deferred Shares, the Series B Shares and the Series A Shares from time to time;

"Significant Profits" has the meaning given in Article 4.9 (*Special Dividend*);

"Significant Transaction" means any transaction or series of transactions involving a transfer or licensing of some or all of the rights in relation to some or all of the assets of the Company, including licensing agreements and business and asset sale and purchase agreements pursuant to which the net payment(s) to the Company is an amount at least equal to 25% of the net asset value of the Company at the relevant time;

"Special Dividend" has the meaning given in Article 4.9 (*Special Dividend*);

"Subscribers" has the meaning given in Article 11.2 (*Pre-emption rights in respect of new shares and other securities*);

"Subscription and Shareholders' Agreement" means the subscription and shareholders' agreement dated the Date of Adoption between, amongst others, the Company and the Investors (as defined in that agreement) (as amended and restated from time to time);

"Subscription Period" has the meaning given in Article 11.2 (*Pre-emption rights in respect of new shares and other securities*);

"Subsidiary", "Subsidiary Undertaking" and "Parent Undertaking" have the respective meanings set out in sections 1159 and 1162 of the Act;

"Surplus Assets" has the meaning given in 5.1 (*Liquidation Preference*);

"Tag Offer" has the meaning given in Article 18.2 (*Tag-along*);

"Tag Offer Period" has the meaning given in Article 18.3 (*Tag-along*);

"Tag Purchaser" has the meaning given in Article 18.1 (*Tag-along*);

"Tag Sale" has the meaning given in Article 18.1(*Tag-along*);

"Tag Sale Notice" has the meaning given in Article 18.3 (*Tag-along*);

"Threshold Amount" means, in respect of any Growth Share the Threshold Amount applicable to that Growth Share as determined and recorded in writing by the Company (with Investor Majority Consent) prior to the date on which such Growth Share is issued;

"Transfer Date" has the meaning given in Article 14.9 (*Completion of transfer of Sale Shares*);

"Transfer Notice" has the meaning given in Article 14.2 (*Transfers of Shares subject to pre-emption rights*);

"Transfer Price" has the meaning given in Article 14.3 (*Transfers of Shares subject to pre-emption rights*);

"Treasury Shares" means shares in the capital of the Company held by the Company as treasury shares from time to time within the meaning set out in section 724(5) of the Act;

"Trustees" in relation to a Shareholder means the trustees of a Family Trust;

"Unvested" means those Employee Shares which may be required to be converted into Deferred Shares or the subject of a Compulsory Transfer Notice under Article 17 (*Departing Employee*) if the relevant Employee were then a Leaver; and

"Voting Shares" means the Series A Shares and the Ordinary B Shares.

3. **Share capital**

3.1 In these Articles, unless the context requires otherwise, references to shares of a particular class shall include shares allotted and/or issued after the Date of Adoption and ranking *pari passu* in all respects (or in all respects except only as to (a) the date from which those shares rank for dividend and (b) the amount paid up or credited as paid up on each share) with the shares of the relevant class then in issue.

3.2 Except as otherwise provided in these Articles, the Series A Shares, the Series B Shares and the Ordinary Shares shall rank *pari passu* in all respects but shall constitute separate classes of shares.

3.3 The words "and the directors may determine the terms, conditions and manner of redemption of any such shares" shall be deleted from article 22(2) of the Model Articles.

3.4 Subject to Investor Majority Consent and the Act, the Company may purchase its own Shares to the extent permitted by section 692(1ZA) of the Act.

3.5 Paragraph (c) of article 24(2) of the Model Articles shall be amended by the replacement of the words "that the shares are fully paid; and" with the words "the amount paid up on them; and".

3.6 In article 25(2) of the Model Articles, the words "payment of a reasonable fee as the directors decide" in paragraph (c) shall be deleted and replaced by the words "payment of the expenses reasonably incurred by the Company in investigating evidence as the directors may determine".

- 3.7 The Board may by resolution decide, either generally or in any particular case, that any signatures on any share certificates need not be autographic but may be applied to the certificates by some mechanical, electronic or other means or may be printed on them. Article 24(5) of the Model Articles shall be amended accordingly.
- 3.8 For the avoidance of doubt, the Company shall not exercise any right in respect of any Treasury Shares, including any right to:
- (a) receive notice of or to attend or vote at any general meeting of the Company;
 - (b) receive or vote on any proposed written resolution; and
 - (c) receive a dividend or other distribution,
- save as otherwise permitted by section 726(4) of the Act.
- 3.9 The Company shall be entitled to retain any share certificate(s) relating to Employee Shares while any such Shares remain Unvested.
- 3.10 The Company may exercise the powers of paying commissions conferred by section 553 of the Act.
4. **Dividends**
- 4.1 In respect of any Financial Year, the Company's Available Profits will be applied as set out in this Article 4.
- 4.2 Except as otherwise agreed in writing by the Shareholders from time to time, if the Company pays or makes any dividend or distribution, whether in cash or in kind then it shall be made or paid in the following manner:
- (a) for all distributions up to and including the Lowest Threshold Amount, to the holders of Series A Shares and Ordinary B Shares pro rata to the number of Series A Shares and Ordinary B Shares held by them; and
 - (b) for all distributions above the Lowest Threshold Amount, to the holders of:
 - (i) the Series A Shares;
 - (ii) the Ordinary B Shares; and
 - (iii) the Growth Shares (if any) the holders of which would receive any amount of Surplus Assets under Article 5.2 if a distribution were to be made under Article 5 at the relevant time,and in respect of each such Share, the holder shall receive the proportion of the total amount distributed under this Article 4.2(b) which the amount distributable in respect of that Share under Article 5.2 would bear to the total Surplus Assets distributed under Article 5.2 if a distribution were to be made under Article 5 at the relevant time.
- 4.3 The Series B Shares and the Series C Shares shall not confer upon the holder the right to receive any dividend or distribution, whether in cash or in kind except pursuant to Article 5.
- 4.4 Each Growth Share shall not confer upon the holder the right to receive and dividend or distribution, whether in cash or in kind, until the value of all distributions has exceeded the relevant Threshold Amount.
- 4.5 Subject to the Act and these Articles, the Board may, provided Investor Majority Consent is given, pay interim dividends if justified by the Available Profits in respect of the relevant period

- 4.6 If there are nil paid or partly paid share(s), any holder of such share(s) shall only be entitled, in case of any dividend, to be paid an amount equal to the amount of the dividend multiplied by the percentage of the amount that is paid up (if any) on such share(s) during any portion or portions of the period in respect of which a dividend is paid.
- 4.7 In addition to the authority set out in Article 29, a capitalised sum which was appropriated from profits available for distribution (which are not required for the Special Dividend) may be applied in or towards paying up any sums unpaid on existing Shares held by the persons entitled to such capitalised sum.
- 4.8 Article 31(1) of the Model Articles shall be amended by:
- (a) the replacement of the words "either in writing or as the directors may otherwise decide" at the end of paragraphs (a), (b) and (c) of that article 31(1) with the words "in writing"; and
 - (b) the replacement of the words "either in writing or by such other means as the directors decide" from the end of paragraph (d) of that article 31(1) with the words "in writing".

Special Dividend

- 4.9 In the event that the Company has Available Profits as a result of a Significant Transaction (the "**Significant Profits**"), the Company will, with Investor Majority Consent and the approval of the Board in its sole discretion but without any need for a resolution of the Company and before the application of any profits to reserve or for any other purpose, pay in respect of the Equity Shares a dividend (the "**Special Dividend**") for which the aggregate amount is equal to the amount of the Significant Profits that is to be paid within 3 months of a Significant Transaction and distributed as follows:
- (a) first, in distributing to the holders of the Deferred Shares, if any, a total of one penny in aggregate for the entire class of Deferred Shares (which payment shall be deemed satisfied by distribution to any one holder of Deferred Shares);
 - (b) thereafter, in distributing to each of the Series A Shareholders, in priority to the Series B Shares, the Series C Shares and the Ordinary Shares, an amount per Series A Share held equal to the Preference Amount (provided that if there are insufficient Significant Profits to distribute the amounts per Series A Share equal to the Preference Amount for each Series A Share, the remaining Significant Profits shall be distributed to the Series A Shareholders pro rata to their respective aggregate Preference Amount);
 - (c) thereafter, the balance of the Significant Profits (if any) shall be distributed among the holders of:
 - (i) the Ordinary B Shares;
 - (ii) the Series A Shares; and
 - (iii) the Growth Shares (if any) the holders of which would receive any amount of Surplus Assets under Article 5.2 if a distribution were to be made under Article 5 at the relevant time,and in respect of each such Share, the holder shall receive the proportion of the relevant Significant Profits which the amount distributable in respect of that Share under Article 5.2 would bear to the total Surplus Assets distributed under Article 5.2 if a distribution were to be made under Article 5 at the relevant time.
- 4.10 If it is not lawful for the Special Dividend to be paid, the Shareholders shall (to the extent lawful and within their control) take any necessary action reasonably requested by the Investor Majority to enable the Special Dividend to be paid lawfully.

- 4.11 Once the Investor Majority Consent and Board approval is obtained, the Special Dividend will automatically become a debt due from and immediately payable by the Company on the payment date specified in Article 4.9. If and to the extent that the debt so constituted is not paid in full on that date, the unpaid amount will carry interest at an annual rate of 2 per cent. above the base rate from time to time of the Bank of England, calculated on a daily basis over a 365 day year from and including the date any sum becomes due to the actual date of payment, compounded to the end of each calendar month in respect of the period from that date up to (and including) the date of actual payment.
- 4.12 The Company will procure that the profits of any other members of its Group available for distribution will be paid by way of dividend to the Company (or, as the case may be, the relevant member of its Group that is its immediate holding company or Parent Undertaking) if and to the extent that dividends are necessary to permit lawful and prompt payment by the Company of any dividend.
- 4.13 Articles 30(2) and 32 of the Model Articles shall not apply to the Special Dividend.

5. **Liquidation Preference**

- 5.1 On a distribution of assets on a liquidation or a return of capital (other than a conversion, redemption or purchase of Shares) the surplus assets of the Company remaining after payment of or provisioning for its liabilities ("**Surplus Assets**") shall be applied (to the extent that the Company is lawfully permitted to do so):
- (a) first, in distributing to the holders of the Deferred Shares, if any, a total of one penny in aggregate for the entire class of Deferred Shares (which payment shall be deemed satisfied by distribution to any one holder of Deferred Shares);
 - (b) thereafter, in distributing to each of the Series A Shareholders, in priority to the Series B Shares, the Series C Shares, the Ordinary B Shares and the Growth Shares, an amount per Series A Share held equal to the Preference Amount (provided that if there are insufficient Surplus Assets to distribute the amounts per Series A Share equal to the Preference Amount for each Series A Share, the remaining Surplus Assets shall be distributed to the Series A Shareholders on a pro rata basis); and
 - (c) thereafter, in distributing to each of the Series B Shareholders and the Series C Shareholders, in priority to the Ordinary B Shares and the Growth Shares, an amount per Series B Share and Series C Share held equal to the Catch Up Amount (provided that if there are insufficient Surplus Assets to distribute the amounts per Series B Share and Series C Share equal to Catch Up Amount for each Series B Share and each Series C Share, the remaining Surplus Assets shall be distributed to the Series B Shareholders and the Series C Shareholders on a pro rata basis); and
 - (d) thereafter, such amount of the Surplus Assets remaining after the distributions above (if any) shall be distributed in accordance with Article 5.2.
- 5.2 The remaining Surplus Assets shall be distributed as follows:
- (a) if the total Surplus Assets are less than the Lowest Threshold Amount; or there are no Growth Shares in issue at the relevant time, the balance of the remaining Surplus Assets (if any) shall be distributed to the holders of Series A Shares and Ordinary B Shares pro rata to the number of Series A Shares and Ordinary B Shares held; and
 - (b) if the total Surplus Assets are equal to or exceed the Lowest Threshold Amount, then, the Surplus Assets shall first be distributed among to the holders of Series A Shares and Ordinary B Shares pro rata to the number of Series A Shares and Ordinary B Shares held until the total distributions made under Article 5.1 and this Article are equal to the Lowest Threshold Amount; and then

- (c) to the extent the amount of the Surplus Assets is greater than the Lowest Threshold Amount, then the amount of the Surplus Assets (if any, remaining after the distributions above) equal to the difference between the Surplus Assets and the Lowest Threshold Amount, but capped at the amount by which the Second Threshold Amount exceeds the Lowest Threshold Amount (for the avoidance of doubt, if there is no Second Threshold Amount, the remaining amount of Surplus Assets (if any) shall not be capped), shall be distributed:
 - (i) first, in distributing to each of the holders of Growth Lowest Threshold Shares, an amount per Growth Lowest Threshold Share held equal to the Catch Up Amount (provided that if the remaining Surplus Assets is insufficient to distribute the amounts per Share equal to the Catch Up Amount for each Growth Lowest Threshold Share, the remaining Surplus Assets shall be distributed to the holders of Growth Lowest Threshold Shares pro rata to their respective aggregate Catch Up Amounts); and
 - (ii) second, the balance of the remaining Surplus Assets (if any) shall be distributed among the holders of Series A Shares, Ordinary B Shares and Growth Lowest Threshold Shares pro rata to the number of such Shares held; then
- (d) to the extent the amount of the Surplus Assets is greater than the Second Threshold Amount, then the amount of the Surplus Assets (if any, remaining after the distributions above) equal to the difference between the Surplus Assets and the Second Threshold Amount, but capped at the amount by which the Highest Threshold Amount exceeds the Second Threshold Amount (for the avoidance of doubt, if there is no Highest Threshold Amount, the remaining amount of Surplus Assets (if any) shall not be capped), shall be distributed:
 - (i) first, in distributing to each of the holders of Growth Shares with the Second Threshold Amount, an amount per Growth Share (other than a Growth Lowest Threshold Share and a Growth Highest Threshold Share) held equal to the Catch Up Amount (provided that if the remaining Surplus Assets is insufficient to distribute the amounts per Share equal to the Catch Up Amount for each such Share, the remaining Surplus Assets shall be distributed to the holders of such Shares pro rata to their respective aggregate Catch Up Amounts); and
 - (ii) second, the balance of the remaining Surplus Assets (if any) shall be distributed among the holders of Series A Shares, Ordinary B Shares and Growth Shares (other than Growth Highest Threshold Shares) pro rata to the number of such Shares held; then
- (e) to the extent the amount of the Surplus Assets is greater than the Highest Threshold Amount, then the amount of the Surplus Assets (if any, remaining after the distributions above) shall be distributed:
 - (i) first, in distributing to each of the holders of Growth Highest Threshold Share an amount per Growth Share held equal to the Catch Up Amount (provided that if the remaining Surplus Assets is insufficient to distribute the amounts per Share equal to the Catch Up Amount for each such Share, the remaining Surplus Assets shall be distributed to the holders of such Shares pro rata to their respective aggregate Catch Up Amounts); and
 - (ii) second, the balance of the remaining Surplus Assets (if any) shall be distributed among the holders of Series A Shares, Ordinary B Shares and Growth Shares pro rata to the number of such Shares held.

5.3 In the event that any distributions under Articles 5.1 and 5.2 are made on more than one occasion:

- (a) each distribution shall be made in accordance with Articles 5.1 and 5.2 as if it were the only amount to be distributed and without regard to the expected amount of any distributions expected to be made on any further occasions; and
 - (b) a distribution on any further occasion shall be made in accordance with Article 5.1 after taking into account any previous distributions made under 4.2, 5.1 and 5.2.
- 5.4 If any distribution under Articles 5.1 and 5.2 includes any non-cash assets, proceeds or other amounts ("**Non-Cash Consideration**") the cash equivalent value of any such Non-Cash Consideration shall be determined in such manner as the Board (acting reasonably and in good faith and with Investor Majority Consent) may determine.
- 5.5 Where any Special Dividend has been paid on a Series A Share, such amount so paid by way of Special Dividend shall be set off against (and up to the amount of) any amount subsequently payable on that Series A Share under Article 5.1(b) (*Liquidation preference*) and such Series A Shareholder shall only receive under Article 5.1(b) (*Liquidation preference*) the balance (if any) of the Preference Amount in respect of such Series A Share held by that holder.
- 6. **Exit Provisions**
- 6.1 On a Share Sale, the Proceeds Of Sale shall be distributed to those Shareholders selling (or otherwise transferring) Shares pursuant to such Share Sale in the order of priority set out in Article 5.1 (*Liquidation preference*) and subject to Articles 5.3 (*Liquidation preference*) and 5.4 (*Liquidation preference*). No Shareholder shall sell (or otherwise transfer) any Shares as part of a Share Sale unless (and the Board shall not register any transfer of Shares pursuant to a Share Sale unless the Board is reasonably satisfied that) the terms of such Share Sale provide that the Proceeds Of Sale are distributed in accordance with Article 5.1 (*Liquidation preference*) to those Shareholders selling or otherwise transferring Shares pursuant to such Share Sale, provided always that if the Proceeds Of Sale are not settled in their entirety upon completion of the Share Sale:
 - (a) the Board shall not be prohibited from registering the transfer of the relevant Shares so long as the Proceeds Of Sale that are settled have been (or will, under the terms of the Share Sale, be) distributed in the order of priority set out in Article 5 (*Liquidation preference*); and
 - (b) the Shareholders shall take any action required by the Board to ensure that the Proceeds Of Sale in their entirety are distributed in the order of priority set out in Article 5 (*Liquidation preference*).
- 6.2 On an Asset Sale the Surplus Assets shall be distributed (to the extent that the Company is lawfully permitted to do so) in the order of priority set out in Article 5.1 (*Liquidation preference*) and subject to the provisions of Articles 5.3 (*Liquidation preference*) and 5.4 (*Liquidation preference*), provided always that if it is not lawful for the Company to distribute the Surplus Assets in accordance with the provisions of these Articles, the Shareholders shall take any necessary action reasonably requested by the Board (including actions that may be necessary to put the Company into voluntary liquidation) so that Article 5 (*Liquidation preference*) applies and is given effect.
- 7. **Votes in general meeting and written resolutions**
- 7.1 The Series A Shares shall confer on each holder of Series A Shares (in that capacity) the right to receive notice of and to attend, speak and vote at all general meetings of the Company and to receive, vote on and constitute an eligible member for the purposes of proposed written resolutions of the Company.
- 7.2 The Series B Shares shall not entitle the holders of them to receive notice of, to attend, to speak or to vote at any general meeting of the Company nor to receive or vote on, or otherwise constitute an eligible member for the purposes of, proposed written resolutions of the Company.

- 7.3 The Series C Shares shall not entitle the holders of them to receive notice of, to attend, to speak or to vote at any general meeting of the Company nor to receive or vote on, or otherwise constitute an eligible member for the purposes of, proposed written resolutions of the Company.
- 7.4 The Ordinary B Shares shall confer on each holder of Ordinary B Shares (in that capacity) the right to receive notice of and to attend, speak and vote at all general meetings of the Company and to receive, vote on and constitute an eligible member for the purposes of proposed written resolutions of the Company.
- 7.5 The Growth Shares shall not entitle the holders of them to receive notice of, to attend, to speak or to vote at any general meeting of the Company nor to receive or vote on, or otherwise constitute an eligible member for the purposes of, proposed written resolutions of the Company.
- 7.6 The Deferred Shares (if any) shall not entitle the holders of them to receive notice of, to attend, to speak or to vote at any general meeting of the Company nor to receive or vote on, or otherwise constitute an eligible member for the purposes of, proposed written resolutions of the Company.
- 7.7 On a show of hands each holder of Voting Shares who (being an individual) is present in person or by proxy or (being a corporation) is present by a duly authorised representative or by proxy shall have one vote and on a poll each such holder so present shall have one vote for each Voting Share held by them, provided always that this Article 7.7 (*Votes in general meeting and written resolutions*) (is subject to Article 7.8 (*Votes in general meeting and written resolutions*), Article 17.5 (*Suspension of voting rights*)).
- 7.8 No voting rights attached to a Voting Share which is nil paid or partly paid may be exercised:
- (a) at any general meeting, at any adjournment of it or on any poll called at or in relation to it; or
 - (b) on any proposed written resolution,
- unless all of the amounts payable to the Company in respect of that Voting Share have been paid.

8. Consolidation of Shares

Whenever as a result of a consolidation of Shares any Shareholders would become entitled to residual fractions of a Share, the Board may (in its absolute discretion) deal with those residual fractions as they think fit on behalf of those Shareholders. In particular, the Board may aggregate and sell the Shares representing the fractions for the best price reasonably obtainable to any person (including, subject to the provisions of the Act, the Company) and distribute the net proceeds of sale in due proportion among those Shareholders, and the Board may authorise any person to execute an Instrument of Transfer for the Shares to, or in accordance with the directions of, the purchaser. The transferee shall not be bound to see to the application of the purchase money nor shall their title to the Shares be affected by any irregularity in or invalidity of the proceedings in reference to the sale.

9. Deferred Shares

- 9.1 Subject to the Act, all Deferred Shares in issue may be purchased by the Company at any time at its option for a total of one penny in aggregate for all such Deferred Shares (which amount shall be apportioned between the holders of Deferred Shares pro rata as to the number of Deferred Shares held and may be paid to any one or more holders of Deferred Shares on behalf of all holders of Deferred Shares) without obtaining the sanction of the holder(s).
- 9.2 The allotment or issue of Deferred Shares or the conversion or re-designation of Shares into Deferred Shares shall be deemed to confer irrevocable authority on the Company at any time after their allotment, issue, conversion or re-designation, without obtaining the sanction of such holder(s), to:

- (a) appoint any person to execute any transfer (or any agreement to transfer) of such Deferred Shares to such person(s) as the Company may determine (as nominee or custodian or otherwise), including (subject to the Act) to the Company itself, in any such case for a price being not more than an aggregate sum of one penny for all the Deferred Shares registered in the name of such holder(s);
- (b) receive the consideration for such a transfer or purchase (and give a good discharge for it) and hold the same on trust for the transferor(s);
- (c) give, on behalf of such holder(s), consent to the cancellation of such Deferred Shares; and/or
- (d) retain the certificate(s) (if any) in respect of such Deferred Shares pending their transfer, cancellation and/or purchase.

9.3 No Deferred Share may be transferred without the prior consent of the Board.

10. Variation of rights

10.1 Whenever the share capital of the Company is divided into different classes of Shares, the special rights attached to any such class may only be varied or abrogated (either whilst the Company is a going concern or during or in contemplation of a winding-up) with the consent in writing of the holders of a majority of the issued Shares of that class (provided that, if such variation or abrogation treats two or more classes in the same manner, the written consent of the holders of a majority of the issued Shares of such classes (as if such classes constituted one and the same class) shall only be required).

10.2 The creation of a new class of Shares which has preferential rights to one or more existing classes of Shares shall not constitute a variation of the rights of those existing classes of Shares.

10.3 The conversion, reclassification or redesignation of shares from one class of Shares to another class of Shares in accordance with these Articles or the terms of their issue shall not constitute a variation or abrogation of the rights of the converted, reclassified or redesignated Shares and accordingly Article 17 (*Departing Employee*) are not subject to the provisions of this Article 10 (*Variation of rights*).

11. Pre-emption rights in respect of new shares and other securities

11.1 Sections 561(1) and 562(1) to (5) (inclusive) of the Act do not apply to an allotment of Equity Securities made by the Company.

11.2 Unless otherwise approved by Special Resolution (and with Investor Majority Consent), if the Company proposes to allot any New Securities those New Securities shall not be allotted to any person unless the Company has in the first instance offered each Shareholder its pro rata share of the New Securities (the "**Subscribers**") on the same terms and at the same price as those New Securities are being offered to other persons on a pari passu and pro rata basis to the number of Equity Shares held by such Shareholder divided by the number of Equity Shares then in issue (together with any outstanding Relevant Securities then exercisable or convertible into Equity Shares) (as nearly as may be without involving fractions). The offer:

- (a) shall be in writing, be open for acceptance from the date of the offer to the date 10 Business Days after the date of the offer (inclusive) (the "**Subscription Period**") and give details of the number and subscription price of the New Securities and material terms of such offer; and
- (b) may stipulate that any Subscriber who wishes to subscribe for a number of New Securities in excess of the proportion to which each is entitled shall in their acceptance state the number of excess New Securities for which they wish to subscribe.

- 11.3 If, at the end of the Subscription Period, the number of New Securities applied for is equal to or exceeds the number of New Securities being offered to the Subscribers, such New Securities shall be allotted to the Subscribers who have applied for New Securities on a pro rata basis to the number of Equity Shares held by such Subscribers which procedure shall be repeated until all of the New Securities being offered to the Subscribers have been allotted (as nearly as may be without involving fractions or increasing the number allotted to any Subscriber beyond that applied for by them).
- 11.4 If, at the end of the Subscription Period, the number of New Securities applied for is less than the number of New Securities being offered to the Subscribers, the New Securities shall be allotted to the Subscribers in accordance with their applications and any remaining New Securities may be offered to any other person as the Board may determine at the same price and on the same terms as the offer to the Subscribers for a period of up to 60 Business Days.
- 11.5 The provisions of Articles 11.2 (*Pre-emption rights in respect of new shares and other securities*) to 11.4 (*Pre-emption rights in respect of new shares and other securities*) (inclusive) shall not apply to:
- (a) Growth Shares issued pursuant to the New Growth Share Plan in accordance with the terms of the Subscription and Shareholders' Agreement;
 - (b) Shares or Relevant Securities issued or granted by the Company in order for it to comply with its obligations under these Articles;
 - (c) Shares or Relevant Securities issued by the Company in consideration of the acquisition by the Company of any company or business which has been approved in writing by an Investor Majority;
 - (d) Shares or Relevant Securities issued or granted by the Company as a result of a Bonus Issue or Reorganisation which has been approved in writing by an Investor Majority; and
 - (e) Shares or Relevant Securities issued to the Investor in accordance with the terms of the Framework Investment Agreement and Subscription and Shareholders' Agreement or on the conversion of any convertible loan note or other convertible instrument held by the Investor.
- 11.6 Any New Securities offered under this Article 11 (*Pre-emption rights in respect of new shares and other securities*) to the Investor may be accepted in full or part only by (i) that Investor or (ii) a member of the same Fund Group as that Investor's ultimate beneficial owner or (iii) a member of the same Group as that Investor in accordance with the terms of this Article 11 (*Pre-emption rights in respect of new shares and other securities*).
- 11.7 Save with the express approval of the Board, no Shares shall be allotted (nor any Treasury Shares be transferred) to any Employee, Director, prospective Employee or prospective director of the Company or any member of the Company's Group, who in the opinion of the Board is subject to taxation in the United Kingdom (and/or, if so determined by the Board, any other jurisdiction), unless such person has entered into a joint section 431 ITEPA election with the Company or any member of the Company's Group (as applicable) (and/or, if so determined by the Board in respect of any other jurisdiction, any comparable foreign tax election concerning the foreign tax treatment of such Shares).
- 12. Transfers of Shares – general**
- 12.1 In Articles 12 (*Transfers of Shares – general*) to 19 (*Drag-along*) (inclusive), reference to the transfer of a Share includes the transfer or assignment of a beneficial or other interest in that Share or the creation of a trust or Encumbrance over that Share and reference to a Share includes a beneficial or other interest in a Share.

- 12.2 Unless the Board determines otherwise (with Investor Director Consent), a holder of Growth Shares shall only be permitted to transfer Growth Shares in accordance with Article 13.3 (*Permitted Transfers*), Article 16 (*Compulsory Transfers*), Article 17 (*Departing Employee*), Article 18 (*Tag-along*) or Article 19 (*Drag-along*).
- 12.3 No Share may be transferred unless the transfer is made in accordance with these Articles. If a Shareholder transfers or purports to transfer a Share otherwise than in accordance with these Articles such transfer shall be null and void and either (i) if so required by the Board, such Share will be returned to the transferor with or without conditions or (ii) the Board may resolve that the transferor shall be deemed on such date as the Board shall determine to have served a Transfer Notice in respect of all Shares held by them.
- 12.4 Any transfer of a Share by way of sale which is required to be made under Articles 12 (*Transfers of Shares – general*) to 19 (*Drag-along*) (inclusive) will be deemed to include a warranty that the transferor sells with full title guarantee free from all Encumbrances.
- 12.5 Save where the provisions of any of Articles 16 (*Compulsory transfers – general*), 17 (*Departing Employee*) or 19 (*Drag-along*) apply, no Shares held by any Employee or any of their Permitted Transferees shall be transferred without Investor Majority Consent.
- 12.6 The Board may refuse to register a transfer if:
- (a) it is a transfer of a Share to a bankrupt, a minor or a person of unsound mind;
 - (b) the transfer is to an Employee, Director or prospective Employee or prospective director of the Company or any member of the Company's Group, who in the opinion of the Board is subject to taxation in the United Kingdom (and/or, if so determined by the Board, any other jurisdiction), and such person has not, unless otherwise expressly approved by the Board, entered into a joint section 431 ITEPA election with the Company or any member of the Company's Group (as applicable) (and/or, if so determined by the Board in respect of any other jurisdiction, any comparable foreign tax election concerning the foreign tax treatment of such Shares);
 - (c) it is a transfer of a Share which is not fully paid:
 - (i) to a person of whom the Board does not approve; or
 - (ii) on which Share the Company has a lien;
 - (d) the Instrument of Transfer is not lodged at the registered office or at such other place as the Board may appoint;
 - (e) the Instrument of Transfer is not accompanied by the certificate for the Shares to which it relates (or an indemnity for any lost certificate in a form acceptable to the Board) and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer;
 - (f) the transfer is in respect of more than one class of Shares per Instrument of Transfer (or the Board is otherwise unable to ascertain from the Instrument of Transfer which Shares are transferred if those Shares held by the transferor are not fungible);
 - (g) the transfer is in favour of more than four transferees; or
 - (h) these Articles otherwise provide that such transfer shall not be registered.

If the Board refuses to register a transfer, the Instrument of Transfer must be returned to the transferee with the notice of refusal unless they suspect that the proposed transfer may be fraudulent.

- 12.7 The Board shall refuse to register the transfer of any Share:

- (a) which is "subject to restrictions" (within the meaning given in paragraph 5 of Schedule 1B to the Act), unless permitted to so register by the court, or
 - (b) if the Company or Board are otherwise prevented by law from registering the transfer.
- 12.8 As a condition to the registration of any transfer of shares in the Company (whether pursuant to a Permitted Transfer or otherwise), the transferee (if they are not already a party to the Shareholders' Agreement) shall execute and deliver to the Company a deed agreeing to be bound by the terms of the Shareholders' Agreement or similar document in force between some or all of the Shareholders and the Company in any form as the Board may reasonably require (but not so as to oblige the transferee to have any obligations or liabilities greater than those of the proposed transferor under any such agreement or other document) and if any condition is imposed in accordance with this Article 12.8 (*Transfers of Shares – general*) the transfer shall not be registered unless that deed has been executed and delivered to the Company's registered office by the transferee.
- 12.9 To enable the Board to determine whether or not there has been any disposal of shares in the capital of the Company (or any interest in shares in the capital of the Company) in breach of these Articles the Company may, if so determined by the Board, require any holder or the legal personal representatives of any deceased holder or any person named as transferee in any Instrument of Transfer lodged for registration or any other person who the Board reasonably believe to have information relevant to that purpose, to furnish to the Company that information and evidence the Board may request regarding any matter which they deem relevant to that purpose, including (but not limited to) the names, addresses and interests of all persons respectively having interests in the shares in the capital of the Company from time to time registered in the holder's name. If the information or evidence is not provided to enable the Board to determine to their reasonable satisfaction that no breach has occurred, or where as a result of the information and evidence the Board is reasonably satisfied that a breach has occurred, the Board shall immediately notify the holder of such shares in the capital of the Company in writing of that fact and the following shall occur:
- (a) the relevant shares shall cease to confer upon the holder of them (including any proxy appointed by the holder) any rights to vote (whether on a show of hands or on a poll and whether exercisable at a general meeting or on a written resolution of the Company or at any separate meeting or written resolution of the class in question) provided that, at the election of any Investor, such rights shall not cease if as a result of such cessation the Company shall become a Subsidiary of that Investor; or
 - (b) the withholding of payment of all dividends or other distributions (other than the amount they may be entitled to pursuant to the application of Article 4.9 (*Special Dividend*)) otherwise attaching to the relevant shares or to any further shares issued in respect of those shares; and
 - (c) the holder may be required at any time following receipt of the notice to transfer some or all of its Shares to any person(s) at the price that the Board may require by notice in writing to that holder. In the event that such holder fails to so transfer such Shares as so required within 5 Business Days of receipt of such notice, such holder shall be deemed to have appointed the Company as the agent of such holder for the sale of such Shares, who may authorise any Director to sign any document necessary for such transfer.
- The rights referred to in (a) and (b) above may be reinstated by the Board with Investor Director Consent and shall in any event be reinstated upon the completion of any transfer referred to in (c) above.
- 12.10 In any case where the Board requires a Transfer Notice to be given in respect of any Shares, if a Transfer Notice is not duly given within a period of 10 Business Days of demand being made, a Transfer Notice shall be deemed to have been given at the expiration of that period.

12.11 If the Board requires a Transfer Notice to be given, or a Transfer Notice is deemed to have been given under these Articles, the Transfer Notice, unless otherwise specified in the Articles, will be treated as having specified that:

- (a) the Transfer Price for the Sale Shares will be:
 - (i) such price as may be agreed by the Seller and the Company with Investor Director Consent (and any Director who is a Seller or with whom the Seller is connected (within the meaning of section 252 of the Act) shall abstain from voting on any resolution of the Board approving any such price); or
 - (ii) if the Seller and the Company fail to so agree the price within five Business Days (or such longer period as the Board may approve) of the Transfer Notice having been given (or after the date on which the Board becomes aware that a Transfer Notice has been deemed to have been given), will be the Fair Value of the Sale Shares;
- (b) the Seller wishes to transfer all of the Shares held by it;
- (c) where these Articles specify that some but not all of the Shares held by the Seller are to be the subject of a Transfer Notice but do not specify which particular Shares are the subject of the Transfer Notice and the Shares held by the transferor are not fungible, then the Board with Investor Director Consent shall in good faith determine which Shares are the subject of the Transfer Notice; and
- (d) the Seller offers such Shares for sale with full title guarantee free from all Encumbrances.

12.12 Shares may be transferred by means of an Instrument of Transfer, which is executed by or on behalf of:

- (a) the transferor; and
- (b) (if any of the Shares are partly or nil paid) the transferee.

13. Permitted Transfers

13.1 Subject to Article 12.2, a Shareholder (who is not a Permitted Transferee) (the "**Original Shareholder**") may transfer all or any of their Shares (or an interest in Shares) to any of their Permitted Transferees without serving a Transfer Notice pursuant to Article 14 (*Transfers of Shares subject to pre-emption rights*) (save that no Restricted Shares shall be transferred to a Permitted Transferee without Investor Majority Consent).

13.2 Shares previously transferred as permitted by Article 13.1 (*Permitted Transfers*) may be transferred by the transferee to the Original Shareholder or to any other Permitted Transferee of the Original Shareholder without restriction as to price or otherwise.

13.3 A Shareholder holding Growth Shares may transfer their Growth Shares to the Series A Shareholder (or the Company or an employee benefit trust, as applicable) in accordance with clause 17 of the Subscription and Shareholders' Agreement without serving a Transfer Notice pursuant to Article 14 (*Transfers of Shares subject to pre-emption rights*).

13.4 Where under the provision of a deceased Shareholder's will or laws as to intestacy, the persons legally or beneficially entitled to any Shares, whether immediately or contingently, are Permitted Transferees of the deceased Shareholder, the legal representative of the deceased Shareholder may transfer any Share to those Permitted Transferees, in each case without serving a Transfer Notice pursuant to Article 14 (*Transfers of Shares subject to pre-emption rights*).

- 13.5 No transfer of Shares may be made to Trustees pursuant to Article 13.1 (*Permitted Transfers*) or Article 13.2 (*Permitted Transfers*) unless the Board is satisfied:
- (a) with the terms of the trust instrument and in particular with the powers of the trustees;
 - (b) with the identity of the proposed trustees and beneficiaries;
 - (c) the proposed transfer will not result in 50 per cent. or more of the aggregate of the Company's equity share capital being held by trustees of that and any other trusts; and
 - (d) that no costs incurred in connection with the setting up or administration of the Family Trust in question are to be paid by the Company.
- 13.6 No transfer of Shares may be made to a Qualifying Company pursuant to Article 13.1 (*Permitted Transfers*) or Article 13.2 (*Permitted Transfers*) unless the Board is satisfied:
- (a) with the identity of the Qualifying Company and of its legal and beneficial owners and persons with significant control; and
 - (b) the proposed transfer will not result in the Company and such Qualifying Company becoming members of the same Group.
- 13.7 If a transferee of Shares under Article 13.1 (*Permitted Transfers*) or Article 13.2 (*Permitted Transfers*) who:
- (a) was a member of the same Group as the Original Shareholder at the time of such transfer thereafter ceases (other than on dissolution of the Original Shareholder) to be a member of the same Group as the Original Shareholder; or
 - (b) was a member of the same Fund Group as the Original Shareholder at the time of such transfer thereafter ceases (other than on dissolution of the Original Shareholder) to be a member of the same Fund Group as the Original Shareholder; or
 - (c) was a member of the same Family Group as the Original Shareholder at the time of such transfer thereafter ceases (other than upon the death of the Original Shareholder) to be a member of the same Family Group as the Original Shareholder (whether by reason of divorce or otherwise),

such transferee (a "**Prior Permitted Transferee**") must not later than five Business Days thereafter give written notice to the Company stating that they are no longer a Permitted Transferee of the Original Shareholder. If so required by written notice served by the Company (acting with Investor Director Consent) on the Prior Permitted Transferee at any time prior to the date 20 Business Days after the date on which such notice was so served on the Company, such Prior Permitted Transferee shall transfer all Shares held by it (other than those Shares which the Company may determine (in its sole discretion) to have been independently acquired by the Prior Permitted Transferee other than by reason of any connection to, or prior transfer or exercise of rights or securities by, the Original Shareholder) (the "**Re-transfer Shares**") to the Original Shareholder (or a Permitted Transferee of the Original Shareholder) (provided such transferee is not dead, bankrupt, in liquidation, in administration nor the subject of (nor are any of the transferee's material assets the subject of) administrative receivership), which transfer shall be made without requiring that a Transfer Notice be served pursuant to Article 14 (*Transfers of Shares subject to pre-emption rights*). In the event that the Prior Permitted Transferee fails to so transfer all such Re-transfer Shares within 10 Business Days (or such longer period as the Board may determine (in its sole discretion)) (a "**Re-transfer Period**") of being first so required in writing to do so by the Company, the Prior Permitted Transferee will on the expiry of such Re-transfer Period be deemed to have given a Transfer Notice in respect of all Re-transfer Shares held by it.

- 13.8 A transfer of any Shares approved by the Board (with Investor Majority Consent) may be designated a Permitted Transfer and made without restriction as to price or otherwise and with any such conditions as may be imposed and each such transfer shall be registered by the Board.
- 13.9 Any Shares may at any time be transferred (without serving a Transfer Notice pursuant to Article 14 (*Transfers of Shares subject to pre-emption rights*)) as part of a sale of the entire issued share capital of the Company to a company which, upon completion of all such transfers will then be a New Holding Company and which sale has been approved in accordance with Article 30 (*New Holding Company*).
- 13.10 The Company shall only be permitted to sell or transfer any Shares held as Treasury Shares to any person(s) approved by the Board (with Investor Director Consent).
- 14. Transfers of Shares subject to pre-emption rights**
- 14.1 Save where the provisions of any of Articles 3.4 (*Share capital*), 13 (*Permitted Transfers*), 18 (*Tag-along*), and 19 (*Drag-along*) apply, any transfer of Shares by a Shareholder shall be subject to the pre-emption rights contained in this Article 14 (*Transfers of Shares subject to pre-emption rights*).
- 14.2 A Shareholder who wishes to transfer Shares (a "**Seller**") shall, except as otherwise permitted by these Articles, before transferring or agreeing to transfer any Shares give notice in writing (a "**Transfer Notice**") to the Company specifying:
- (a) the Shares (including number and class of Shares (and in the case of Series A Shares and the Preference Amount) and other particulars if the Shares held by the transferor are not fungible) which they wish to transfer (the "**Sale Shares**");
 - (b) if they wish to sell the Sale Shares to a third party, the name of the proposed transferee and the terms and conditions of the proposed sale;
 - (c) subject to Article 12.11 (*Transfers of Shares – general*), the price per share at which they wish to transfer the Sale Shares (and for which purpose a different price may be stated with respect to different classes of Share and/or, in the case of Series A Shares, a different Preference Amount); and
 - (d) that the Sale Shares are offered for sale with full title guarantee free from all Encumbrances.
- 14.3 The price at which a Sale Share is to be offered for sale (the "**Transfer Price**") shall, subject to Article 12.11 (*Transfers of Shares – general*), be the price at which the Seller wishes to transfer the Sale Shares as stated in the Transfer Notice provided that (i) if no price is so stated by the Seller, the Transfer Price shall be an amount agreed between the Seller and the Company, (ii) if the price is not stated in cash, the Transfer Price shall be an equivalent cash value agreed between the Seller and the Company and (iii) if the Transfer Price is not determined in accordance with the foregoing provisions of this Article within 5 Business Days (or such longer period as the Board may approve) of the Transfer Notice having been given (or deemed given) in respect of such Sale Shares, the Transfer Price will be the Fair Value of the Sale Shares (as shall be determined in accordance with Article 15 (*Valuation of Shares*)). For the avoidance of doubt, a different Transfer Price may apply in respect of Shares which are not fungible, including, if the Shares are of different classes and/or, in the case of Series A Shares, have a different Preference Amount.
- 14.4 Except with the approval of the Board or as otherwise specified in these Articles (including Article 15.9 (*Valuation of Shares*)), no Transfer Notice once given or deemed to have been given under these Articles may be withdrawn.
- 14.5 A Transfer Notice constitutes the Company the agent of the Seller for the sale of the Sale Shares at the Transfer Price.

14.6 Where a Transfer Notice has been given (or deemed given) to the Company, as soon as practicable following the determination of the Transfer Price the Company (as agent of the Seller) shall offer the Sale Shares for sale in accordance with Articles 14.7 (*Priority for offer of Sale Shares*) and 14.8 (*Transfers: Offer*).

14.7 *Offer of Sale Shares*

- (a) The Company (as agent of the Seller) shall offer the Sale Shares to the holders of Equity Shares on the basis set out in Article 14.8 (*Transfers: Offer*).
- (b) Where Sale Shares comprise different classes of share or otherwise have a different Transfer Price, multiple offers shall be made by the Company (as agent of the Seller) mutatis mutandis in accordance with this Article 14 (*Transfers of Shares subject to pre-emption rights*), such that in respect of each offer the Sale Shares the subject of that offer are of the same class and offered at the same Transfer Price per share.

14.8 *Transfers: Offer*

- (a) If Sale Shares are to be offered to Shareholders pursuant to Article 14.7 (*Offer of Sale Shares*), the Company (as agent of the Seller) shall offer the Sale Shares to such Shareholders (but excluding the Seller, and, if and to the extent so determined by the Board (i) any other Shareholder whose Shares are then the subject of any Transfer Notice (an "**Other Seller**") and (ii) any Permitted Transferees of the Seller and/or any Other Seller) (the "**Continuing Shareholders**") inviting them to apply in writing within the period of 10 Business Days commencing on (and including) the date of the offer (the "**Offer Period**") for the relevant number of Sale Shares.
- (b) An offer of Sale Shares made by the Company (as agent of the Seller) to Continuing Shareholders under this Article 14.8 (*Transfers: Offer*) shall be in writing and:
 - (i) shall stipulate:
 - (A) the total number and class of Sale Shares so offered to all Continuing Shareholders (together with the amount of any accrued unpaid dividend thereon and, in the case of Series A Shares, the Preference Amount in respect of such Series A Shares);
 - (B) the number of Sale Shares offered to the Continuing Shareholder (an "**Initial Sale Share Entitlement**"), calculated on a pro rata basis to the number of Equity Shares held by the Continuing Shareholders in each case at the time the offer is made;
 - (C) the terms of the offer and the Offer Period;
 - (ii) shall be open for acceptance during the Offer Period; and
 - (iii) shall stipulate that any Continuing Shareholder who wishes to acquire Sale Shares in excess of their Initial Sale Share Entitlement may, in their acceptance of the offer, state the maximum number of additional Sale Shares in excess of their Initial Sale Share Entitlement which the Continuing Shareholder wishes to purchase ("**Excess Sale Shares**") (provided that the number of Excess Sale Shares together with their Initial Sale Share Entitlement which a Continuing Shareholder wishes to acquire shall not, in aggregate, exceed the total number of Sale Shares so offered to all Continuing Shareholders).
- (c) If, at the end of the Offer Period, the number of Sale Shares applied for is equal to or exceeds the total number of Sale Shares so offered to Continuing Shareholders, the Sale Shares so offered to Continuing Shareholders shall be allocated to the Continuing Shareholders who have applied for Sale Shares as follows:

- (i) first, each such Continuing Shareholder shall be allocated their Initial Sale Share Entitlement (or, if lower, the number of Sale Shares applied for by the Continuing Shareholder); and
 - (ii) thereafter, the remaining balance of the Sale Shares so offered to Continuing Shareholders shall be allocated as between those Continuing Shareholders who have applied for Excess Sale Shares on a pro rata basis to the number of Equity Shares held by each such Continuing Shareholder (provided always that no Continuing Shareholder shall be allocated a number of Sale Shares in excess of the aggregate number which they have applied for). No Continuing Shareholder shall be allocated any fraction of any Sale Share and all fractional entitlements shall be aggregated and may be allocated in such manner as the Board may determine.
- (d) If, at the end of the Offer Period, the number of Sale Shares applied for by all Continuing Shareholders is less than the total number of Sale Shares so offered to Continuing Shareholders, each Continuing Shareholder shall be allocated the number of Sale Shares which they applied for and the remaining balance of the Sale Shares may, if so permitted, be transferred in accordance with Article 14.10 (*Unallocated Sale Shares*);
- (e) Any Sale Shares offered under this Article 14 (*Transfers of Shares subject to pre-emption rights*) to an Investor may be accepted in full or part only by a member of the same Fund Group as that Investor or a member of the same Group as that Investor in accordance with the terms of this Article 14 (*Transfers of Shares subject to pre-emption rights*) (in which event, reference in Article 14.9 (*Completion of transfer of Sale Shares*) to the Continuing Shareholders (including as used in the term "Applicant") shall be construed so as to include such an acceptee).

14.9 Completion of transfer of Sale Shares

- (a) Promptly following the allocation of Sale Shares to Continuing Shareholders in accordance with Article 14.8 (*Transfers: Offer*) the Company shall give written notice (an "**Allocation Notice**") to the Seller and each Continuing Shareholder stating the number of Sale Shares allocated to each Continuing Shareholder who applied therefor (each an "**Applicant**") converted into the existing class of Shares held by such Applicant, where the Sale Shares so offered pertain to a different class of Shares to that held by such Applicant, and the place and time (being not less than 5 Business Days nor more than 15 Business Days after the date of the Allocation Notice) for completion of the transfer of the Sale Shares (the "**Transfer Date**").
- (b) On the Transfer Date:
- (i) the Seller shall:
 - (A) transfer, with full title guarantee free from all Encumbrances, to each Applicant the Sale Shares allocated to that Applicant as set out in the Allocation Notice; and
 - (B) duly complete, execute and deliver to each Applicant (which may be delivered to, and received by, the Company on behalf of such Applicant) such Instrument of Transfer(s) and other documents as necessary to give effect to such transfer of the relevant Sale Shares to such Applicant, together with the Seller's certificate(s) for such Sale Shares (or an indemnity for any lost certificate in a form acceptable to the Board);
 - (ii) each Applicant shall pay to the Seller (which payment may be paid in accordance with Article 14.9(d)) (*Completion of transfer of Sale Shares*) the Transfer Price payable in respect of the Sale Shares allocated to that Applicant as set out in the Allocation Notice; and

- (iii) the Company shall procure that all necessary actions are taken to permit the conversion of any Sale Shares transferred to an Applicant holding Shares, prior to the Transfer Date, of a different class to those Sale Shares allocated to such Applicant.
- (c) If the Seller fails to comply with the provisions of Article 14.9(b) (*Completion of transfer of Sale Shares*):
- (i) the chairperson of the Company or, failing them, one of the Directors, or some other person nominated by a resolution of the Board, may as agent for and on behalf of, and in the name of, the Seller complete, execute and deliver to each Applicant (which may be delivered to, and received by, the Company on behalf of such Applicant) any Instrument of Transfer and other documents as are necessary to give effect to such transfer of the relevant Sale Shares to each such Applicant, together with the Seller's certificate(s) for such Sale Shares (or an indemnity for any lost certificate in a form acceptable to the Board);
 - (ii) the Company may receive, and give good discharge, as agent of the Seller, the Transfer Price payable in respect of the Sale Shares so transferable to the Applicants; and
 - (iii) the Company shall (subject to the Instrument of Transfer being duly stamped (or, if applicable, duly certified as exempt from the payment of stamp duty)) register such transfer and enter each Applicant in the register of members of the Company as the holders of the Sale Shares so transferred.
- (d) The Transfer Price payable to the Seller in accordance with Article 14.9(b) (*Completion of transfer of Sale Shares*) by an Applicant may be paid to, and received by, the Company (which may give good discharge therefor as agent on behalf of the Seller). Subject to completion of the transfer of relevant Sale Shares to such Applicant, any such monies so held by the Company shall be then paid into a separate bank account in the Company's name on trust (or otherwise held on trust) for the Seller pending the Seller's compliance with their obligations under Article 14.9(b) (*Completion of transfer of Sale Shares*). Upon the Seller's compliance with their obligations under Article 14.9(b) (*Completion of transfer of Sale Shares*) (and, where applicable, affirmation by the Seller of the actions taken by the agent(s) of the Seller under these Articles) such monies shall be remitted by the Company to the Seller in accordance with the Seller's reasonable instructions.

14.10 *Unallocated Sale Shares*

- (a) If an Allocation Notice does not relate to all the Sale Shares then, subject to Article 14.10(b) (*Unallocated Sale Shares*), the Seller may, within eight weeks after service of the Allocation Notice, transfer the unallocated Sale Shares to any person at a price at least equal to the Transfer Price (subject always to Articles 12.5 (*Transfers of Shares – general*), 12.6 (*Transfers of Shares – general*), 12.8 (*Transfers of Shares – general*) and 12.12 (*Transfers of Shares – general*)).
- (b) The right of the Seller to transfer Shares under Article 14.10(a) (*Unallocated Sale Shares*) does not apply where the Board is of the opinion on reasonable grounds that:
- (i) the transferee is a person (or a nominee for a person) who the Board (with Investor Director Consent) determine in their absolute discretion is a competitor with (or an Associate of a competitor with) the business of the Company or with a Subsidiary Undertaking of the Company;
 - (ii) the sale of the Sale Shares is not bona fide or the price is subject to a deduction, rebate or allowance to the transferee;

- (iii) the Seller has failed or refused to provide promptly information available to them and reasonably requested by the Board for the purpose of enabling it to form the opinion mentioned above; or
- (iv) the Sale Shares were the subject of a Transfer Notice required or deemed to have been given pursuant to any provision of these Articles (including any of Articles 12.2 (*Transfers of Shares – general*), 12.10 (*Transfers of Shares – general*), 13.7 (*Permitted Transfers*), 16 (*Compulsory transfers – general*) or 17 (*Departing Employee*)).

15. Valuation of Shares

- 15.1 If no Transfer Price can be agreed or determined in accordance with the provisions of Articles 12.11 (*Transfers of Shares – general*) or 14.3 (*Transfers of Shares subject to pre-emption rights*) then (unless the Fair Value is otherwise determined by agreement in writing between the Seller and the Company) the Company shall either:
- (a) appoint an expert valuer in accordance with Article 15.2 (*Valuation of Shares*) (the "**Expert Valuer**") to certify the Fair Value of the Sale Shares; or
 - (b) if the Fair Value of Shares of the same class (and, in the case of Series A Shares, having the same Preference Amount per share) as the Sale Shares, has been certified by an Expert Valuer within the preceding 12 weeks, specify that the Fair Value per share of the Sale Shares will be same as the Fair Value per share as was so previously certified by the Expert Valuer.
- 15.2 The Expert Valuer shall be the Auditors (or, if otherwise agreed by the Company and the Seller, an independent firm of Chartered Accountants to be agreed between the Company and the Seller), provided that if no Auditors then hold office (or the Auditors do not agree to act as Expert Valuer) and absent any such agreement between the Company and the Seller, then the Expert Valuer shall be such firm of Chartered Accountants as may be nominated by the then President of the Institute of Chartered Accountants in England and Wales on the joint application of the Company and the Seller. If the Seller fails to enter into the documentation necessary to make such application (within 10 Business Days of a request by the Company to do so), the Company's proposed appointee shall be the Expert Valuer.
- 15.3 The "**Fair Value**" per share of the Sale Shares shall (unless otherwise determined by agreement in writing between the Seller and the Company with Investor Director Consent) be determined by the Expert Valuer on the following assumptions and bases:
- (a) valuing the Sale Shares as on an arm's-length sale between a willing seller and a willing buyer;
 - (b) if the Company is then carrying on business as a going concern, on the assumption that it will continue to do so;
 - (c) that the Sale Shares are capable of being transferred without restriction;
 - (d) valuing the Sale Shares without any premium or discount being attributable to the existence (or absence) of any power or control conferred by the Sale Shares by reason of voting or other rights attaching to the Sale Shares; and
 - (e) reflect any other factors which the Expert Valuer reasonably believes should be taken into account (and may include the rights of the Sale Shares under Articles 4 (*Dividends*), 5 (*Liquidation Preference*) and 6 (*Exit Provisions*)).
- 15.4 If any difficulty arises in applying any of these assumptions or bases then the Expert Valuer shall resolve that difficulty (as may include disregarding or modifying any such assumptions or bases) in whatever manner the Expert Valuer shall in its absolute discretion think fit.

- 15.5 The Expert Valuer shall be requested to determine the Fair Value within 20 Business Days of its appointment and to notify the Company and the Seller of its determination. For the avoidance of doubt, different Fair Values may apply in respect of Sale Shares of different classes and/or, in the case of Series A Shares, with a different Preference Amount.
- 15.6 The Expert Valuer shall act as expert and not as arbitrator and its determination shall be final and binding (in the absence of fraud or manifest error).
- 15.7 The Company will give the Expert Valuer access to such accounting records or other relevant documents of the Company as the Expert Valuer may reasonably require subject to the Expert Valuer agreeing to such confidentiality provisions as the Company may reasonably require.
- 15.8 The Expert Valuer shall deliver to the Company and the Seller its certificate stating the Fair Value per share of each Sale Share.
- 15.9 Save where the Transfer Price is to be determined pursuant to Article 12.11 (*Transfers of Shares – general*), the Seller may by notice in writing to the Company within 5 Business Days of the service on them of the Expert Valuer's certificate pursuant to Article 15.8 (*Valuation of Shares*), withdraw the Transfer Notice in respect of the Sale Shares.
- 15.10 The fees and expenses (and sales taxes, if applicable) of the Expert Valuer charged in connection with the determination of Fair Value, and the delivery of the Expert Valuer's certificate, in respect of any Sale Shares shall be paid by the Company provided that if:
- (a) the Seller withdraws the Transfer Notice in respect of such Sale Shares pursuant to Article 15.9 (*Valuation of Shares*) (or otherwise with the consent of the Board with Investor Director Consent); or
 - (b) the Fair Value certified by the Expert Valuer in respect of such Sale Shares is less than the price (if any) proposed by the Company to the Seller in any communication made (in writing) for the purpose of seeking to reach agreement as to the Transfer Price of such Sale Shares under Articles 12.11 (*Transfers of Shares – general*) or 14.3 (*Transfers of Shares subject to pre-emption rights*) or otherwise,

then the Seller shall reimburse and pay to the Company on demand the amount of such fees and expenses (and sales taxes, if applicable) (and the Company shall be entitled to deduct, and retain for its own account, the amount thereof from any Transfer Price in respect of the Sale Shares which is paid to, or held by, the Company as agent for, or on trust for, the Seller).

16. **Compulsory transfers – general**

- 16.1 Subject to Article 16.2 (*Compulsory transfers – general*), on the death, bankruptcy, liquidation or administration of, or if an administrative receivership arises in respect of (or any material assets of), a Shareholder (a "**Disqualifying Event**"), they or their personal representatives or trustee in bankruptcy, or liquidator, administrator or administrative receiver, as the case may be, must (i) promptly after (and in any event within 10 Business Days of) the date of the grant of probate, the making of the bankruptcy order or the appointment of the liquidator, administrator or the administrative receiver, notify the Company of the occurrence of such Disqualifying Event (a "**Disqualifying Event Notice**") and (ii) within 10 Business Days (or such longer period as the Company may determine (in its sole discretion)) of being so required in writing to do so by the Company, transfer all the Shares held by them to a person who is a Permitted Transferee of such Shareholder (a "**Disqualifying Event Transfer**") and deliver to the Company a valid Instrument of Transfer (duly executed and stamped, if applicable, or certified as exempt, if applicable) in favour of such Permitted Transferee, together with the certificate(s) (or duly executed indemnity in favour of the Company in respect of any lost, destroyed or missing certificate, in a form acceptable to the Board), in respect of all of the Shares held by the Shareholder (together with such other documents as may be required under Articles 12.7 (*Transfers of Shares – general*) and 12.8 (*Transfers of Shares – general*)) (the "**Disqualifying Event Transfer Documents**"). If, when required:

- (a) a Disqualifying Event Notice is not given;
- (b) a Disqualifying Event Transfer is not made; or
- (c) the Disqualifying Event Transfer Documents are not delivered to the Company,

(in each case within the relevant periods for doing so), a Transfer Notice will, unless otherwise determined by the Board with Investor Director Consent, then be deemed to be given in respect of all Shares held by such Shareholder. Such Transfer Notice will be deemed to be given on the date on which the relevant period expired for giving a Disqualifying Event Notice, making a Disqualifying Event Transfer or delivering the Disqualifying Event Transfer Documents (as the case may be), or such other date as the Company may determine.

16.2 Article 16.1 (*Compulsory transfers – general*) shall not apply to a solvent liquidation undertaken for the purposes of a solvent reconstruction, reorganisation or scheme of arrangement, or the solvent administration, of an Investor.

16.3 If a Compulsory Transfer Notice is served on a Leaver pursuant to clause 17.3, the Leaver shall within 10 Business Days (or such longer period as the Company may determine (in its sole discretion)) of being so required in writing to do so by the Company, transfer all the Employee Shares held by them to the Series A Shareholder or, if the Company so directs (with Investor Majority Consent), to the Company or an employee benefit trust (a "**Leaver Event Transfer**") and deliver to the Company a valid Instrument of Transfer (duly executed and stamped, if applicable, or certified as exempt, if applicable) in favour of such Permitted Transferee, together with the certificate(s) (or duly executed indemnity in favour of the Company in respect of any lost, destroyed or missing certificate, in a form acceptable to the Board), in respect of all of the Employee Shares which are subject to the compulsory event transfer notice held by the Shareholder (together with such other documents as may be required under Articles 12.7 (*Transfers of Shares – general*) and 12.8 (*Transfers of Shares – general*)) (the "**Leaver Event Transfer Documents**"). If, when required:

- (a) a Leaver Event Transfer is not made; or
- (b) the Leaver Event Transfer Documents are not delivered to the Company,

(in each case within the relevant periods for doing so), a Transfer Notice will, unless otherwise determined by the Board with Investor Director Consent, then be deemed to be given in respect of all Shares held by such Shareholder. Such Transfer Notice will be deemed to be given on the date on which the relevant period expired for making a Leaver Event Transfer or delivering the Leaver Event Transfer Documents (as the case may be), or such other date as the Company may determine.

16.4 The price payable per Employee Share the subject of a Compulsory Transfer Notice will be:

- (a) in respect of a Good Leaver, the Fair Value of the Employee Shares;
- (b) in respect of an Intermediate Leaver, a discount of 50% to the Fair Value of the Employee Shares; and
- (c) in respect of a Bad Leaver, the lower of (i) the nominal value of those Employee Shares, and (ii) the Fair Value of those Employee Shares,

and the provisions of Article 15 will apply in determining the Fair Value.

17. Departing Employee

Deferred Shares

17.1 Unless and to the extent that the Board and the Investor Majority determine that this Article 17.1 (*Departing Employee*) shall not apply, if at any time during the Relevant Period an Employee

becomes a Leaver, the following proportion of the Leaver's Employee Shares shall automatically convert into Deferred Shares (on the basis of one Deferred Share for each Employee Share held) on the Effective Termination Date (or, if later, any other date on which the Board with Investor Director Consent determines that this Article 17.1 (*Departing Employee*) shall apply) and, in the event of any fraction, the number of Employee Shares so converted shall be rounded down to the nearest whole share:

- (a) if the Leaver is a Good Leaver or an Intermediate Leaver, the Leaver's Percentage of such Employee Shares; and
- (b) if the Leaver is a Bad Leaver:
 - (i) all of the Leaver's Employee Shares which are Equity Shares; and
 - (ii) the Leaver's Percentage of the Leaver's Employee Shares which are Series C Shares.

17.2 Upon such conversion into Deferred Shares:

- (a) the Company shall record in the register of members of the Company each holder of Employee Shares so converted as the holder of the appropriate number of Deferred Shares; and
- (b) the Leaver (and their Permitted Transferee(s)) shall deliver to the Company at its registered office the shares certificate(s) (to the extent not already in the possession of the Company) (or an indemnity for any lost certificate in a form acceptable to the Board) for the Employee Shares so converted; and
- (c) subject to such delivery, there shall be issued to the Shareholder (subject to Article 9.2(d) (*Deferred Shares*)) new share certificate(s) for the number of Deferred Shares resulting from the relevant conversion and any remaining Employee Shares, held by such Shareholder.

If any Shareholder fails to so deliver to the Company any such share certificate (or such an indemnity for any lost certificate), the chairperson of the Company or, failing them, one of the Directors, or some other person nominated by a resolution of the Board, may as agent for and on behalf of, and in the name of, such Shareholder execute and deliver to the Company such an indemnity for any lost or absent certificate in a form acceptable to the Board.

17.3 If the Leaver is a Bad Leaver or an Intermediate Leaver, the Investor Majority will be entitled to give written notice that a compulsory transfer is required (a "**Compulsory Transfer Notice**") in respect of the balance of their Employee Shares which are Equity Shares, and the provisions of clauses 16.3 and 16.4 shall apply.

17.4 If the Leaver is a Good Leaver, the Investor Majority will be entitled to serve a Compulsory Transfer Notice in respect of the balance of their Employee Shares which are Growth Shares only, and the provisions of clauses 16.3 and 16.4 shall apply.

Suspension of voting rights

17.5 All voting rights attached to Employee Shares held by a Leaver (and, if and to the extent determined by the Board, Employee Shares held by any Permitted Transferee of that Leaver) (a "**Restricted Member**") shall be suspended, unless the Board (acting with Investor Director Consent) notify them otherwise, as from the Effective Termination Date.

17.6 Any Employee Shares whose voting rights are suspended pursuant to Article 17.5 (*Suspension of voting rights*) ("**Restricted Shares**") shall not confer on the holders of Restricted Shares the right to receive a notice of and attend all general meetings (and receive copies of proposed written resolutions) of the Company and shall have no right to vote either in person or by proxy or to vote on any proposed written resolution. Voting rights suspended pursuant to Article 17.5

(*Suspension of voting rights*) shall be automatically restored immediately prior to an IPO. If a Restricted Member transfers any Restricted Shares in accordance with these Articles (other than a transfer to any of their Permitted Transferees) all voting rights attached to the Restricted Shares so transferred shall (with the consent of the Board with Investor Director Consent, not to be unreasonably withheld) upon completion of the transfer (as evidenced by the transferee's name being entered in the Company's register of members) automatically be restored.

Employee Shares held by multiple persons

17.7 Where Employee Shares are held by more than one person, the allocation of the number of Employee Shares subject to conversion into Deferred Shares or to be retained by the holder (as the case may be) as amongst such persons shall be determined by the Board to be, as near as practicable, pro-rata as between such persons (or such other allocation as the Company and such persons may agree in writing).

18. **Tag-along**

18.1 Except in the case of transfers pursuant to Articles 13 (*Permitted Transfers*), 16 (*Compulsory transfers – general*) and 17 (*Departing Employee*) or in respect of which Article 19 (*Drag-along*) applies, after going through the pre-emption procedure in Article 14 (*Transfers of Shares subject to pre-emption rights*), the provisions of Article 18.2 (*Tag-along*) will apply if one or more Proposed Sellers proposes to transfer in one or a series of related transactions any Shares (the "**Tag Sale**") which would, if put into effect, result in any proposed purchaser (together with their Associates or persons Acting in Concert with them) acquiring a Controlling Interest in the Company (the "**Tag Purchaser**").

18.2 After the Proposed Seller has gone through the pre-emption process set out in Article 14 (*Transfers of Shares subject to pre-emption rights*), Proposed Seller must, before making a Tag Sale procure the making by the Tag Purchaser of an offer (the "**Tag Offer**") to any Shareholders who have not taken up their pre-emptive rights under Article 16 to acquire the Shares held by such Shareholders. The terms of the Tag Offer shall be no less favourable than the terms of the Tag Sale.

18.3 The Tag Offer must be given by written notice (a "**Tag Sale Notice**") at least 10 Business Days prior to the proposed sale date and be open for acceptance by any such Shareholder within 5 Business Days of deemed service of the Tag Sale Notice (the "**Tag Offer Period**"). The Tag Sale Notice shall specify:

- (a) the identity of the Tag Purchaser;
- (b) the purchase price (or means by which the purchase price will be calculated) to be paid by the Tag Purchaser, which shall be distributed in accordance with Article 18.4 (*Tag-along*);
- (c) the manner in which the consideration is to be paid;
- (d) the number and class of Shares proposed to be purchased by the Tag Purchaser;
- (e) the address to which an acceptance of the Tag Offer should be sent; and
- (f) the other terms and conditions of the Tag Offer.

18.4 The Proceeds Of Sale in respect of all Shares transferred pursuant to the Tag Sale and acceptances of the Tag Offer shall, in aggregate, be distributed in accordance with Article 6 (*Exit Provisions*) (and the terms (including as to price) of the Tag Offer and the Tag Sale shall provide for, and be consistent with, such distribution).

18.5 If any other holder of Shares is not given the rights accorded to them by this Article, the Proposed Sellers will not be entitled to complete their sale and the Company will not register any transfer intended to carry that sale into effect.

- 18.6 If the Tag Offer is accepted by any Shareholder (an **"Accepting Tag Shareholder"**) within the Tag Offer Period, the completion of the Tag Sale will be conditional upon the completion of the purchase of all the Shares held by Accepting Tag Shareholders.
- 18.7 The purchase of the Accepting Tag Shareholders' shares shall not be subject to Article 14 (*Transfers of Shares subject to pre-emption rights*).
19. **Drag-along**
- 19.1 If the holders of a majority of the Equity Shares (excluding Treasury Shares and any Equity Shares held by a Shareholder who is, or is an Associate of, a Drag Purchaser, as defined below) (including an Investor Majority) (the **"Selling Shareholders"**) agree to transfer all their interest in Shares (the **"Sellers' Shares"**) to a proposed purchaser (the **"Drag Purchaser"**) (or, if so directed by the Drag Purchaser, a nominee of such Drag Purchaser), the Selling Shareholders shall have the option (the **"Drag Along Option"**) to compel each other holder of Shares other than the Investor (each a **"Called Shareholder"**) to sell and transfer all their Shares to such Drag Purchaser (or, if so directed by the Drag Purchaser, a nominee of such Drag Purchaser) in accordance with the provisions of this Article 19 (*Drag-along*) (such transfers of Shares by the Selling Shareholders and the Called Shareholders being the **"Dragged Share Sale"**).
- 19.2 The Selling Shareholders may exercise the Drag Along Option by giving a written notice to that effect (a **"Drag Along Notice"**) to the Company at any time before the transfer of the Sellers' Shares to the Drag Purchaser and the Company shall forthwith send a copy of the Drag Along Notice to the Called Shareholders. A Drag Along Notice shall specify:
- (a) that the Called Shareholders are required to transfer all their Shares (the **"Called Shares"**) under this Article;
 - (b) the person to whom they are to be transferred;
 - (c) the consideration (whether in cash or otherwise) for which the Called Shares are to be transferred (calculated in accordance with Article 19.4 (*Drag-along*));
 - (d) the proposed date of transfer;
 - (e) the form of any sale agreement or form of acceptance or any other document of similar effect that the Called Shareholders are required to sign in connection with such Dragged Share Sale (the **"Sale Agreement"**);
 - (f) in respect of any Called Securities Holder (as defined below) only, any exercise notice or other documents (including any tax elections) which the Called Securities Holder may be required to sign in connection with the exercise of any options or other rights to subscribe, convert into or otherwise acquire (including but not limited to warrants) Shares (**"Exercise Documents"**); and
 - (g) that information concerning the Called Shareholder which the Drag Purchaser reasonably requires in connection with the transfer of Called Shares (and may include information concerning (i) details of any account in the name of the Called Shareholder to which cash consideration may be paid (ii) the tax treatment of payments to be made to, or tax status of, the Called Shareholder (iii) the status of the Called Shareholder for the purposes of ascertaining the applicability of relevant securities laws and (iv) verification of the identity, ownership and control of the Called Shareholder and other information as may be required for anti-money laundering or other compliance purposes) (**"Sale Information"**),
- (and, in the case of paragraphs (b) to (d) above, whether actually specified or to be determined in accordance with a mechanism described in the Drag Along Notice).
- 19.3 Drag Along Notices shall be irrevocable but will lapse if the date for completion of the sale of the Sellers' Shares by the Selling Shareholders to the Drag Purchaser does not occur within 60

Business Days (or such longer time period as may be proposed by the Selling Shareholders and approved by the Board with Investor Director Consent) after the date of service of the Drag Along Notice. The Selling Shareholders shall be entitled to serve further Drag Along Notices following the lapse of any particular Drag Along Notice.

- 19.4 The consideration (in cash or otherwise) for which each Selling Shareholder and each Called Shareholder shall transfer Shares pursuant to the Dragged Share Sale shall be the consideration per Share, determined in accordance with Article 6 in reference to the total consideration payable in respect of all Shares to be transferred to the Drag Purchaser pursuant to the Dragged Share Sale (the "**Drag Consideration**").
- 19.5 A Drag Along Notice may be served on any person(s) (each a "**Called Securities Holder**") holding Relevant Securities, if and to the extent exercisable (or which would become exercisable) in connection with the Dragged Share Sale and, if so served such Called Securities Holder shall, upon their acquisition of Shares, thereupon become a Called Shareholder subject mutatis mutandis to the provisions of this Article 19 (*Drag-along*) (notwithstanding that they may not have been a Called Shareholder at the date of the Drag Along Notice).
- 19.6 The liabilities and obligations of a Called Shareholder under the terms of any Sale Agreement shall be limited to those matters as concern the Called Shareholder in their capacity as a holder of Called Shares, the transfer of Called Shares pursuant to the Dragged Share Sale and the payment of the consideration. Accordingly, the terms of the Sale Agreement may, inter alia, provide that:
- (a) a Called Shareholder warrants and undertakes to transfer their Called Shares to the Drag Purchaser (or, if so directed by the Drag Purchaser, a nominee of such Drag Purchaser) on the Drag Completion Date with full title guarantee free from all Encumbrances and that the Called Shareholder has power, capacity and authority to enter into the Sale Agreement and so transfer such Called Shares. A Called Shareholder shall not, however, be obliged to agree to (i) give any representation, warranty or undertaking concerning, or any indemnity in respect of any liability of, the business and affairs of the Company's Group, nor (ii) unless such Called Shareholder is or has been an Employee, any restrictive covenant including, without limitation, any covenant not to compete or covenant not to solicit customers, employees or suppliers of any Group Company;
 - (b) consideration paid (and/or payable) be subject to obligation(s) and arrangements (whether by means of escrow, holdback, reduction of consideration, contribution to the costs of any relevant insurance or contribution to transaction costs and expenses (including costs and expenses of any sellers' representative and/or Shareholders' Representative (as defined below)) ("**Contribution Obligations**") with respect to:
 - (i) liabilities of (and tax withholdings and deductions (including, if applicable, amounts to be withheld in respect of employee income tax and social security contributions) arising in respect of consideration payable to) the Called Shareholder ("**Several Liabilities**"); and
 - (ii) any:
 - (A) price adjustment mechanisms (including any earn-out, locked box or completion accounts adjustment); and/or
 - (B) liabilities (actual or potential, including any settlement) in respect of any representations, warranties, undertakings and/or indemnities given by any person(s),
- in connection with the Dragged Share Sale (any or all of the foregoing being "**Common Liabilities**"), provided that the Sale Agreement provides for the following principles (howsoever expressed or effected):

- (x) the Contribution Obligations of a Called Shareholder with respect to Common Liabilities shall be satisfied only by way of reduction to the amount of any unpaid consideration (and not, for the avoidance of doubt, any repayment of consideration previously paid out). For the purpose of this provision, consideration held in escrow (or subject to any security interest of the Drag Purchaser or its nominee) shall not be treated as having been paid to the Called Shareholder even if the Called Shareholder is beneficially interested in such consideration; and
- (y) Contribution Obligations of a Called Shareholder in respect of Common Liabilities shall be no more onerous than the terms of the Contribution Obligations of other Selling Shareholders in respect of Common Liabilities; and
- (y) the liability of a Called Shareholder shall not exceed the amount of Drag Consideration received by such Called Shareholder in connection with the Dragged Share Sale, except with respect to claims related to fraud by such Called Shareholder, the liability for which need not be limited as to such Called Shareholder.

19.7 The Sale Agreement may include such provisions as may be necessary or desirable to accommodate the inclusion of Called Securities Holders (if any) in the Dragged Share Sale (and may include provisions with respect to (i) the exercise of options or other rights to subscribe, convert into or otherwise acquire (including but not limited to warrants) Shares (including the delivery of Exercise Documents), (ii) the satisfaction by the Called Securities Holder of their Several Liabilities in respect of the payment of any exercise price and any employee income tax and social security contributions arising in connection with their acquisition and/or sale of Shares and (iii) the making of tax elections by the Called Securities Holder).

19.8 Within three Business Days of the Company copying the Drag Along Notice to the Called Shareholders (or such later date as may be specified in the Drag Along Notice), each Called Shareholder shall deliver to the Company (which shall receive the same as agent on behalf of the Called Shareholder with authority to deliver the same to the Drag Purchaser on completion of the sale of Called Shares to the Drag Purchaser in accordance with the terms of the Sale Agreement (the "**Drag Completion Date**")):

- (a) duly executed Instrument of Transfer for its Shares in favour of the Drag Purchaser;
- (b) the relevant share certificate(s) (or a duly executed indemnity in favour of the Directors of the Company in respect of any lost, destroyed or missing certificate, in a form acceptable to the Board) in respect of its Shares;
- (c) a duly executed Sale Agreement, if applicable, in the form specified in the Drag Along Notice or as otherwise specified by the Company;
- (d) in the case of a Called Securities Holder, duly executed Exercise Documents required to be provided by them; and
- (e) the Sale Information, in the form specified in the Drag Along Notice or as otherwise specified by the Company,

(together the "**Drag Documents**").

19.9 The Company (or its nominee) may receive, and give good receipt for, any consideration payable to any Called Shareholder in respect of the transfer of their Called Shares, which consideration shall be held by the Company (or its nominee) on trust for the benefit of such Called Shareholder. The Company shall be entitled to be paid from such consideration any amount otherwise due and payable by the Called Shareholder to any member of the Company's Group (including any payments due in connection with the exercise of any option to acquire Shares). The payment of the remaining balance of such consideration due to the relevant Called

Shareholder may, in the sole discretion of the Board, be withheld pending the delivery of any Drag Document(s) and the ratification by the Called Shareholder of the transfer of their Called Shares and/or any act undertaken on behalf of (or deemed to be undertaken by) such Called Shareholder in accordance with this Article 19.9 (*Drag-along*).

- 19.10 If a Called Shareholder fails to deliver the Drag Documents for their Shares to the Company by the Drag Completion Date, the Company (acting by any Director of the Company) shall be constituted the agent of such defaulting Called Shareholder with power and authority to take such actions and execute, enter into, and give effect to, any Drag Document(s), for and on behalf of and in the name of such defaulting Called Shareholder, in each case as the Board may determine to be necessary or desirable to effect (or otherwise in connection with) the transfer of the Called Shareholder's Shares pursuant to this Article 19 (*Drag-along*) and the Board shall, if requested by the Drag Purchaser, so authorise any Director to effect the transfer of the Called Shareholder's Shares on the Called Shareholder's behalf to the Drag Purchaser (or, if so directed by the Drag Purchaser, a nominee of such Drag Purchaser) on the Drag Completion Date. The Board shall authorise registration of the transfer once appropriate stamp duty (if any is required) has been paid and the Instrument of Transfer and certificate (or indemnity in a form acceptable to the Board) in respect of the Shares so transferred is delivered to the Company.
- 19.11 Any transfer of Shares to a Drag Purchaser pursuant to a sale in respect of which a Drag Along Notice has been duly served shall not be subject to the provisions of Article 14 (*Transfers of Shares subject to pre-emption rights*).
- 19.12 On any person, following the issue of a Drag Along Notice, becoming a Shareholder pursuant to the exercise of a pre-existing option or warrant to acquire shares in the Company or pursuant to the conversion of any convertible security of the Company (a "**New Shareholder**"), a Drag Along Notice shall be deemed to have been served on the New Shareholder on the same terms as the previous Drag Along Notice who shall then be bound to sell and transfer all Shares (save to the extent the relevant Shares were sold as part of the Dragged Share Sale on the Drag Completion Date by the New Shareholder, whether as a Called Securities Holder or otherwise) so acquired to the Drag Purchaser and the provisions of this Article shall apply with the necessary changes to the New Shareholder except that completion of the sale of the Shares shall take place on the later of: (a) the Drag Along Notice being deemed served on the New Shareholder; and (b) completion of the Dragged Share Sale on the Drag Completion Date.
- 19.13 Whether or not a transfer of Called Shares is validly made in accordance with this Article 19 (*Drag-along*) (including any determination as to whether a Sale Agreement satisfies the requirements of Articles 19.6 (*Drag-along*) and 19.7 (*Drag-along*) (including any determination as to what constitutes a Contribution Obligation and/or the Common Liabilities and/or whether the principles set out in Article 19.6(b) (*Drag-along*) are satisfied)) shall be determined by the Board and, save in the event of fraud, such determination shall be final and binding on all persons.
- 19.14 In the event that the Selling Shareholders, in connection with the Dragged Share Sale, appoint a third party independent shareholder representative (a "**Shareholder Representative**") with respect to the establishment and management of any escrow or holdback fund in connection with any indemnification or breach of warranty under the Sale Agreement (the "**Escrow**"), each Called Shareholder shall be deemed to consent to (i) the appointment of such Shareholder Representative, (ii) the establishment of the Escrow and (iii) the payment of such Called Shareholder's applicable portion (from the Escrow) of any reasonable and properly incurred fees and expenses of such Shareholder Representative, in each case in connection with such Shareholder Representative's services and duties in connection with the establishment and management of such Escrow.

20. **Directors' borrowing powers**

The Board may, with Investor Director Consent or Investor Majority Consent where required under the Shareholders' Agreement, exercise all the powers of the Company to borrow or raise money and to mortgage or charge its undertaking, property and uncalled capital and to issue

debentures, debenture stock and other securities as security for any debt, liability of obligation of the Company or of any third party and to give any guarantees or indemnities.

21. Alternate Directors

21.1 Notwithstanding any provision of these Articles to the contrary, any person appointed as a Director (the "**Appointor**") may appoint any director or any other person as they think fit to be their alternate Director to:

- (a) exercise that Director's powers; and
- (b) carry out that Director's responsibilities in relation to the taking of decisions by the Board in the absence of the alternate's Appointor.

The appointment of an alternate Director shall not require approval by a resolution of the Board.

21.2 Any appointment or removal of an alternate must be effected by notice in writing to the Company signed by the Appointor, or in any other manner approved by the Board.

21.3 The notice must:

- (a) identify the proposed alternate; and
- (b) in the case of a notice of appointment, contain a statement signed by the proposed alternate that the proposed alternate is willing to act as the alternate of the Director giving the notice.

21.4 An alternate Director may act as an alternate to more than one Director and has the same rights, in relation to any Directors' meeting (including as to notice) or Directors' written resolution, as the alternate's Appointor.

21.5 Except as these Articles specify otherwise, alternate Directors:

- (a) are deemed for all purposes to be Directors;
- (b) are liable for their own acts and omissions;
- (c) are subject to the same restrictions as their Appointors; and
- (d) are not deemed to be agents of or for their Appointors,

and, in particular, each alternate Director shall be entitled to receive notice of all meetings of Directors and of all meetings of committees of Directors of which their Appointor is a member.

21.6 A person who is an alternate Director but not a Director:

- (a) may be counted as participating for the purposes of determining whether a quorum is present (but only if that person's Appointor is not participating); and
- (b) may sign a Directors' written resolution (but only if their Appointor is an Eligible Director in relation to that decision, but does not participate).

No alternate Director may be counted as more than one Director for such purposes.

21.7 A Director who is also an alternate Director is entitled, in the absence of their Appointor, to a separate vote on behalf of each Appointor, in addition to their own vote on any decision of the Directors (provided that their Appointor is an Eligible Director in relation to that decision).

21.8 An alternate Director is not entitled to receive any remuneration from the Company for serving as an alternate Director, except such part of the alternate's Appointor's remuneration as the Appointor may direct by notice in writing made to the Company.

21.9 An alternate Director's appointment as an alternate Director shall terminate:

- (a) when the Appointor revokes the appointment by notice to the Company in writing specifying when it is to terminate;
- (b) on the occurrence in relation to the alternate Director of any event which, if it occurred in relation to their Appointor, would result in the termination of the Appointor's appointment as a Director;
- (c) on the death of their Appointor; or
- (d) when their Appointor's appointment as a Director terminates.

22. **Appointment of Directors**

22.1 Unless and until the Company shall otherwise determine by ordinary resolution, the number of Directors shall not be more than 6.

22.2 The chief executive officer of the Company appointed by the Board from time to time shall be a Director (the "**CEO Director**").

22.3 The holders of a majority of the Series A Shares, for so long as the Series A Shares represent not less than 20 per cent of the Voting Shares in issue, shall have the right:

- (a) to appoint and maintain in office two natural persons as Directors (the "**Investor Directors**") and the other holders of Voting Shares shall not vote their Voting Shares so as to remove that Director from office; and
- (b) to appoint one natural person as an observer at each and any meeting of the Board who will be entitled to speak at any such meetings and receive copies of all board papers as if they were a Director but will not be entitled to vote (the "**Investor Observer**").

22.4 The holders of a majority of the Series A Shares, for so long as the Series A Shares represent not more than 20 per cent and not less than 10 per cent of the Voting Shares in issue, shall have the right:

- (a) to appoint and maintain in office one natural person as a Director (the "**Investor Director**") and the other holders of Voting Shares shall not vote their Voting Shares so as to remove that Director from office; and
- (b) to appoint one natural person as an observer at each and any meeting of the Board who will be entitled to speak at any such meetings and receive copies of all board papers as if they were a Director but will not be entitled to vote (the "**Investor Observer**").

22.5 The Founder, for so long as he, together with Rachel Anne Forder (and their Permitted Transferees) hold, in aggregate, not less than 20 per cent of the Voting Shares in issue, shall have the right to appoint and maintain in office two natural persons as Directors and the other holders of Voting Shares shall not vote their Voting Shares so as to remove that Director from office.

22.6 The Founder, for so long as he, together with Rachel Anne Forder (and their Permitted Transferees) hold, in aggregate, not more than 20 per cent and not less than 10 per cent of the Voting Shares in issue, shall have the right to appoint and maintain in office one natural person

as a Director and the other holders of Voting Shares shall not vote their Voting Shares so as to remove that Director from office.

22.7 The appointment or removal of a Director or Investor Observer in accordance with this Article 22 (*Appointment of Directors*) shall be by written notice from their appointer(s) to the Company, which shall take effect on delivery of such notice at the Company's registered office or at any meeting of the Board or committee of the Board.

22.8 Each Director and Investor Observer shall be entitled at their request to be appointed as a member or observer (as appropriate) to any committee of the Board established from time to time, to the board of directors of any Subsidiary Undertaking of the Company and to any committee of the board of directors of any Subsidiary Undertaking established from time to time.

23. **Disqualification of Directors**

23.1 In addition to that provided in article 18 of the Model Articles, the office of a Director shall also be vacated if:

(a) they are convicted of a criminal offence (other than a road traffic offence which is not punishable by a custodial sentence) and the Directors resolve that their office be vacated;

(b) in the case of a Director (other than a Director entitled to be appointed pursuant to Articles 22.3 (*Appointment of Directors*) to 22.6 (*Appointment of Directors*)):

(i) a resolution removing them from office is passed by the Board; or

(ii) an ordinary resolution removing them from office is passed by the members of the Company; or

(a) in the case of a Director appointed pursuant to Articles 22.3 (*Appointment of Directors*) to 22.6 (*Appointment of Directors*), if the person then having the right to nominate such Director to hold office either:

(i) serves notice on them in writing removing them from office; or

(ii) effects such steps for the removal of such Director from office as may be provided for in Article 22 (*Appointment of Directors*) or the Shareholders' Agreement.

24. **Proceedings of Directors' meetings**

24.1 The quorum for Directors' meetings shall be two Directors and which must include at least one Investor Director (if so appointed) and at least one Non-Investor Director (unless, in respect of any specified meeting, such Investor Director or Non-Investor Director expressly confirms in writing that their attendance is not required for such meeting to be quorate), save that where a Relevant Interest of a Director is being authorised by other Director(s) in accordance with section 175(5)(a) of the Act, such Director and any other interested Director shall not be included in the quorum required for the purpose of such authorisation but shall otherwise be included for the purpose of forming the quorum at the meeting. If such a quorum is not present within half an hour from the time appointed for the meeting, or if during a meeting such quorum ceases to be present, the meeting shall stand adjourned to the same day in the next week at the same time and place or at such time and place as determined by the Directors present at such meeting. If a quorum is not present at any such adjourned meeting within half an hour from the time appointed, then any two remaining Directors shall be entitled to form a quorum and the meeting shall proceed.

24.2 In the event that a meeting of the Directors is attended by a Director who is acting as alternate for one or more other Directors, the Director or Directors for whom they are the alternate shall

be counted in the quorum despite their absence, and if on that basis there is a quorum the meeting may be held despite the fact (if it is the case) that only one Director is physically present.

- 24.3 Notice of a Directors' meeting need not be given to Directors who waive their entitlement to notice of that meeting, by giving notice to that effect to the Company at any time before or after the date on which the meeting is held. Where such notice is given after the meeting has been held, that does not affect the validity of the meeting, or of any business conducted at it.
- 24.4 Provided (if these Articles so require) that they have declared to the Directors, in accordance with the provisions of these Articles, the nature and extent of their interest (and subject to any restrictions on voting or counting in a quorum imposed by the Directors in authorising a Relevant Interest), a Director may vote at a meeting of the Directors or of a committee of the Directors on any resolution concerning a matter in which they have an interest, whether a direct or an indirect interest, or in relation to which they have a duty and shall also be counted in reckoning whether a quorum is present at such a meeting.

25. **Directors' interests**

Specific interests of a Director

- 25.1 Subject to the provisions of the Act and provided (if these Articles so require) that they have declared to the Directors in accordance with the provisions of these Articles, the nature and extent of their interest, a Director may (save as to the extent not permitted by law from time to time), notwithstanding their office, have an interest of the following kind:
- (a) where a Director (or a person connected with them) is party to or in any way directly or indirectly interested in, or has any duty in respect of, any existing or proposed contract, arrangement or transaction with the Company or any other undertaking in which the Company is in any way interested;
 - (b) where a Director (or a person connected with them) is a director, employee or other officer of, or a party to any contract, arrangement or transaction with, or in any way interested in, any body corporate promoted by the Company or in which the Company is in any way interested;
 - (c) where a Director (or a person connected with them) is a Shareholder or a shareholder in, employee, director, member or other officer of, or consultant to, a Parent Undertaking of, or a Subsidiary Undertaking of a Parent Undertaking of, the Company;
 - (d) where a Director (or a person connected with them) holds and is remunerated in respect of any office or place of profit (other than the office of auditor) in respect of the Company or body corporate in which the Company is in any way interested;
 - (e) where a Director is given a guarantee, or is to be given a guarantee, in respect of an obligation incurred by or on behalf of the Company or any body corporate in which the Company is in any way interested;
 - (f) where a Director (or a person connected with them or of which they are a member or employee) acts (or any body corporate promoted by the Company or in which the Company is in any way interested of which they are a director, employee or other officer may act) in a professional capacity for the Company or any body corporate promoted by the Company or in which the Company is in any way interested (other than as auditor) whether or not they are or it is remunerated for this;
 - (g) an interest which cannot reasonably be regarded as likely to give rise to a conflict of interest; or
 - (h) any other interest authorised by ordinary resolution.

Investor interests of Directors

25.2 In addition to the provisions of Article 25.1 (*Specific interests of a Director*), subject to the provisions of the Act and provided (if these Articles so require) that they have declared to the Directors in accordance with the provisions of these Articles, the nature and extent of their interest, they may (save as to the extent not permitted by law from time to time), notwithstanding their office, have an interest arising from any duty they may owe to, or interest they may have as an employee, director, trustee, member, partner, officer or representative of, or a consultant to, or direct or indirect investor (including by virtue of a carried interest, remuneration or incentive arrangements or the holding of securities) in:

- (a) an Investor;
- (b) a Fund Manager which advises or manages an Investor;
- (c) any of the funds advised or managed by a Fund Manager who advises or manages an Investor from time to time; or
- (d) another body corporate or firm in which a Fund Manager who advises or manages an Investor or any fund advised or managed by such Fund Manager has directly or indirectly invested, including any portfolio companies.

Interests of which a Director is not aware

25.3 For the purposes of this Article 25 (*Directors' interests*), an interest of which a Director is not aware and of which it is unreasonable to expect them to be aware shall not be treated as an interest of theirs.

Accountability of any benefit and validity of a contract

25.4 In any situation permitted by this Article 28 (save as otherwise agreed by them) a Director shall not by reason of their office be accountable to the Company for any benefit which they derive from that situation and no such contract, arrangement or transaction shall be avoided on the grounds of any such interest or benefit.

Terms and conditions of Board authorisation

25.5 Subject to Article 25.6 (*Terms and conditions of Board authorisation for an Investor Director*), any authority given in accordance with section 175(5)(a) of the Act in respect of a Director ("**Interested Director**") who has proposed that the Directors authorise their interest ("**Relevant Interest**") pursuant to that section may, for the avoidance of doubt:

- (a) be given on such terms and subject to such conditions or limitations as may be imposed by the authorising Directors as they see fit from time to time, including:
 - (i) restricting the Interested Director from voting on any resolution put to a meeting of the Directors or of a committee of the Directors in relation to the Relevant Interest;
 - (ii) restricting the Interested Director from being counted in the quorum at a meeting of the Directors or of a committee of the Directors where such Relevant Interest is to be discussed; or
 - (iii) restricting the application of the provisions in Articles 25.7 (*Director's duty of confidentiality to a person other than the Company*) and 25.8 (*Director's duty of confidentiality to a person other than the Company*), so far as is permitted by law, in respect of such Interested Director;
- (b) be withdrawn, or varied at any time by the Directors entitled to authorise the Relevant Interest as they see fit from time to time,

and subject to Article 25.6 (*Terms and conditions of Board authorisation for an Investor Director*), an Interested Director must act in accordance with any such terms, conditions or limitations imposed by the authorising Directors pursuant to section 175(5)(a) of the Act and this Article 25 (*Directors' interests*).

Terms and conditions of Board authorisation for an Investor Director

- 25.6 Notwithstanding the other provisions of this Article 28, it shall not (save with the consent in writing of an Investor Director) be made a condition of any authorisation of a matter in relation to that Investor Director in accordance with section 175(5)(a) of the Act, that they shall be restricted from voting or counting in the quorum at any meeting of, or of any committee of the Directors or that they shall be required to disclose, use or apply confidential information as contemplated in Article 25.8 (*Director's duty of confidentiality to a person other than the Company*).

Director's duty of confidentiality to a person other than the Company

- 25.7 Subject to Article 25.8 (*Director's duty of confidentiality to a person other than the Company*) (and without prejudice to any equitable principle or rule of law which may excuse or release the Director from disclosing information, in circumstances where disclosure may otherwise be required under this Article 25 (*Directors' interests*)), if a Director, otherwise than by virtue of their position as Director, receives information in respect of which they owe a duty of confidentiality to a person other than the Company, they shall not be required:
- (a) to disclose such information to the Company or to any Director, or to any officer or employee of the Company; or
 - (b) otherwise to use or apply such confidential information for the purpose of or in connection with the performance of their duties as a Director.

- 25.8 Where such duty of confidentiality arises out of a situation in which a Director has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the interests of the Company, Article 25.7 (*Director's duty of confidentiality to a person other than the Company*) shall apply only if the conflict arises out of a matter which falls within Article 25.1 (*Specific interests of a Director*) or Article 25.2 (*Investor interests of Directors*) or has been authorised under section 175(5)(a) of the Act.

Additional steps to be taken by a Director to manage a conflict of interest

- 25.9 Where a Director has an interest which can reasonably be regarded as likely to give rise to a conflict of interest, the Director shall take such additional steps as may be necessary or desirable for the purpose of managing such conflict of interest, including compliance with any procedures laid down from time to time by the Directors for the purpose of managing conflicts of interest generally and/or any specific procedures approved by the Directors for the purpose of or in connection with the situation or matter in question, including:
- (a) absenting themselves from any discussions, whether in meetings of the Directors or otherwise, at which the relevant situation or matter falls to be considered; and
 - (b) excluding themselves from documents or information made available to the Directors generally in relation to such situation or matter and/or arranging for such documents or information to be reviewed by a professional adviser to ascertain the extent to which it might be appropriate for them to have access to such documents or information.

Requirement of a Director to declare an interest

- 25.10 Subject to section 182 of the Act, a Director shall declare the nature and extent of any interest permitted by Article 25.1 (*Specific interests of a Director*) or Article 25.2 (*Investor interests of Directors*) at a meeting of the Directors, or by general notice in accordance with section 184 (notice in writing) or section 185 (general notice) of the Act or in such other manner as the

Directors may determine, except that no declaration of interest shall be required by a Director in relation to an interest:

- (a) falling under Article 25.1(g) (*Specific interests of a Director*);
- (b) if, or to the extent that, the other Directors are already aware of such interest (and for this purpose the other Directors are treated as aware of anything of which they ought reasonably to be aware); or
- (c) if, or to the extent that, it concerns the terms of their service contract (as defined by section 227 of the Act) that have been or are to be considered by a meeting of the Directors, or by a committee of Directors appointed for the purpose under these Articles.

Shareholder approval

25.11 Subject to section 239 of the Act, the Company may by ordinary resolution ratify any contract, transaction or arrangement, or other proposal, not properly authorised by reason of a contravention of any provisions of this Article 25 (*Directors' interests*).

25.12 For the purposes of this Article 25 (*Directors' interests*):

- (a) a conflict of interest includes a conflict of interest and duty and a conflict of duties;
- (b) the provisions of section 252 of the Act shall determine whether a person is connected with a Director; and
- (c) a general notice to the Directors that a Director is to be regarded as having an interest of the nature and extent specified in the notice in any transaction or arrangement in which a specified person or class of persons is interested shall be deemed to be a disclosure that the Director has an interest in any such transaction of the nature and extent so specified.

26. Notices

26.1 Subject to the requirements set out in the Act, any notice given or document sent or supplied to or by any person under these Articles, or otherwise sent by the Company under the Act, may be given, sent or supplied:

- (a) in hard copy form; or
- (b) in electronic form;

or partly by one of these means and partly by another of these means.

Notices shall be given and documents supplied in accordance with the procedures set out in the Act, except to the extent that a contrary provision is set out in this Article 26 (*Notices*).

Notices in hard copy form

26.2 Any notice or other document in hard copy form given or supplied under these Articles may be delivered or sent by first class post (airmail if overseas):

- (a) to the Company or any other company at its registered office; or
- (b) to the address notified to or by the Company for that purpose; or
- (c) in the case of an intended recipient who is a member or their legal personal representative or trustee in bankruptcy, to such member's address as shown in the Company's register of members; or

- (d) in the case of an intended recipient who is a Director or alternate, to their address as shown in the register of Directors; or
- (e) to any other address to which any provision of the Companies Acts (as defined in the Act) authorises the document or information to be sent or supplied; or
- (f) where the Company is the sender, if the Company is unable to obtain an address falling within one of the addresses referred to in (a) to (e) above, to the intended recipient's last address known to the Company.

26.3 Any notice or other document in hard copy form given or supplied under these Articles shall be deemed to have been served and be effective:

- (a) if delivered, at the time of delivery; or
- (b) if posted, on receipt or 48 hours after the time it was posted, whichever occurs first.

Notices in electronic form

26.4 Subject to the provisions of the Act, any notice or other document in electronic form given or supplied under these Articles may:

- (a) if sent by email (provided that an address for email has been notified to or by the Company), be sent by the relevant form of communication to that address;
- (b) if delivered or sent by first class post (airmail if overseas) in an electronic form (such as sending a disk by post), be so delivered or sent as if in hard copy form under Article 26.2 (*Notices*); or
- (c) be sent by such other electronic means (as defined in section 1168 of the Act) and to such address(es) as the Company may specify:
 - (i) on its website from time to time; or
 - (ii) by notice (in hard copy or electronic form) to all members of the Company from time to time.

26.5 Any notice or other document in electronic form given or supplied under these Articles shall be deemed to have been served and be effective:

- (a) if sent by email (where an address for email has been notified to or by the Company), on receipt or 48 hours after the time it was sent, whichever occurs first;
- (b) if posted in an electronic form, on receipt or 48 hours after the time it was posted, whichever occurs first;
- (c) if delivered in an electronic form, at the time of delivery; and
- (d) if sent by any other electronic means as referred to in Article 26.4(c) (*Notices in electronic form*), at the time such delivery is deemed to occur under the Act.

26.6 Where the Company is able to show that any notice or other document given or sent under these Articles by electronic means was properly addressed with the electronic address supplied by the intended recipient, the giving or sending of that notice or other document shall be effective notwithstanding any receipt by the Company at any time of notice either that such method of communication has failed or of the intended recipient's non-receipt.

Notice by means of a website

- 26.7 Subject to the provisions of the Act, any notice or other document or information to be given, sent or supplied by the Company to Shareholders under these Articles may with Investor Majority Consent be given, sent or supplied by the Company by making it available on the Company's website.

General

- 26.8 In the case of joint holders of a Share all notices shall be given to the joint holder whose name stands first in the register of members of the Company in respect of the joint holding (the "**Primary Holder**"). Notice so given shall constitute notice to all the joint holders.
- 26.9 Anything agreed or specified by the Primary Holder in relation to the service, sending or supply of notices, documents or other information shall be treated as the agreement or specification of all the joint holders in their capacity as such (whether for the purposes of the Act or otherwise).

27. Indemnities and insurance

- 27.1 Subject to the provisions of, and so far as may be permitted by, the Act:

- (a) every Director or other officer of the Company (excluding the Auditors) shall be entitled to be indemnified by the Company (and the Company shall also be able to indemnify directors of any associated company (as defined in section 256 of the Act)) out of the Company's assets against all liabilities incurred by them in the actual or purported execution or discharge of their duties or the exercise or purported exercise of their powers or otherwise in relation to or in connection with their duties, powers or office, provided that no current or former Director or current or former director of any associated company is indemnified by the Company against:

- (i) any liability incurred by the director to the Company or any associated company;
- (ii) any liability incurred by the director to pay a fine imposed in criminal proceedings or a sum payable to a regulatory authority by way of a penalty in respect of non-compliance with any requirements of a regulatory nature; or
- (iii) any liability incurred by the director:
 - (A) in defending any criminal proceedings in which they are convicted;
 - (B) in defending civil proceedings brought by the Company or any associated company in which final judgment (within the meaning set out in section 234 of the Act) is given against the director; or
 - (C) in connection with any application under sections 661(3) or 661(4) or 1157 of the Act (as the case may be) for which the court refuses to grant them relief,

save that, in respect of a provision indemnifying a director of a company (whether or not the Company) that is a trustee of an occupational pension scheme (as that term is used in section 235 of the Act) against liability incurred in connection with that company's activities as trustee of the scheme, the Company shall also be able to indemnify any such director without the restrictions in Articles 27.1(a)(i) (*Indemnities and insurance*), 27.1(a)(iii)(B) (*Indemnities and insurance*) and 27.1(a)(iii)(C) (*Indemnities and insurance*) applying; and

- (b) the Directors may exercise all the powers of the Company to purchase and maintain insurance for any such current or former Director or other officer against any liability which by virtue of any rule of law would otherwise attach to them in respect of any negligence, default, breach of duty or breach of trust of which they may be guilty in relation to the Company, or any associated company including (if they are a director of

a company which is a trustee of an occupational pension scheme) in connection with that company's activities as trustee of an occupational pension scheme.

27.2 The Company shall (at the cost of the Company) effect and maintain for each current or former Director or current or former director of any associated company policies of insurance insuring each such director against risks in relation to their office as each director may reasonably specify, including any liability which by virtue of any rule of law may attach to them in respect of any negligence, default of duty or breach of trust of which they may be guilty in relation to the Company.

28. **Secretary**

Subject to the provisions of the Act, the Board may appoint a secretary for such term, at such remuneration and upon such conditions as they may think fit; and any secretary so appointed may be removed by them.

29. **Authority to capitalise and appropriation of capitalised sums**

29.1 The Board may, in order to give effect to any provision of these Articles (or otherwise if authorised to do so by an ordinary resolution):

- (a) decide to capitalise any profits of the Company (whether or not they are available for distribution) which are not required for paying a preferential dividend, or any sum standing to the credit of the Company's share premium account or capital redemption reserve; and
- (b) appropriate any sum which they so decide to capitalise (a "**Capitalised Sum**") to such Shareholders and in such proportions as the Board may in their absolute discretion deem appropriate (the "**Shareholders Entitled**").

29.2 Capitalised Sums may be applied on behalf of such Shareholders and in such proportions as the Board may (with Investor Majority Consent) deem appropriate.

29.3 Any Capitalised Sum may be applied in paying up new Shares up to the nominal amount (or such amount as is unpaid) equal to the Capitalised Sum, which are then allotted credited as fully paid to the Shareholders Entitled or as they may direct.

29.4 A Capitalised Sum which was appropriated from profits available for distribution may be applied in paying up new debentures of the Company which are allotted credited as fully paid to the Shareholders Entitled or as they may direct.

29.5 Subject to these Articles the Board may:

- (a) apply Capitalised Sums in accordance with Articles 29.3 (*Authority to capitalise and appropriation of capitalised sums*) and 29.4 (*Authority to capitalise and appropriation of capitalised sums*) partly in one way and partly another;
- (b) make such arrangements as they think fit to deal with Shares or debentures becoming distributable in fractions under this Article 29 (*Authority to capitalise and appropriation of capitalised sums*); and
- (c) authorise any person to enter into an agreement with the Company on behalf of all of the Shareholders Entitled which is binding on them in respect of the allotment of Shares or debentures under this Article 29 (*Authority to capitalise and appropriation of capitalised sums*).

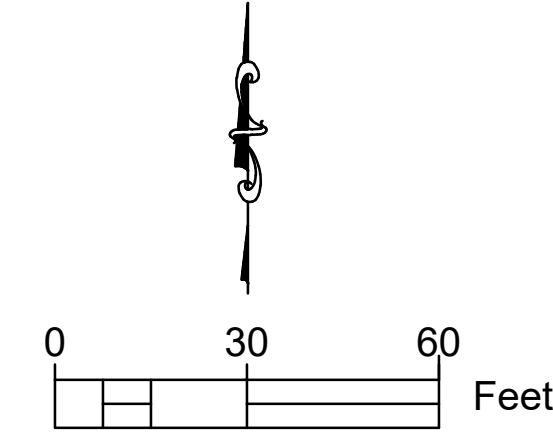
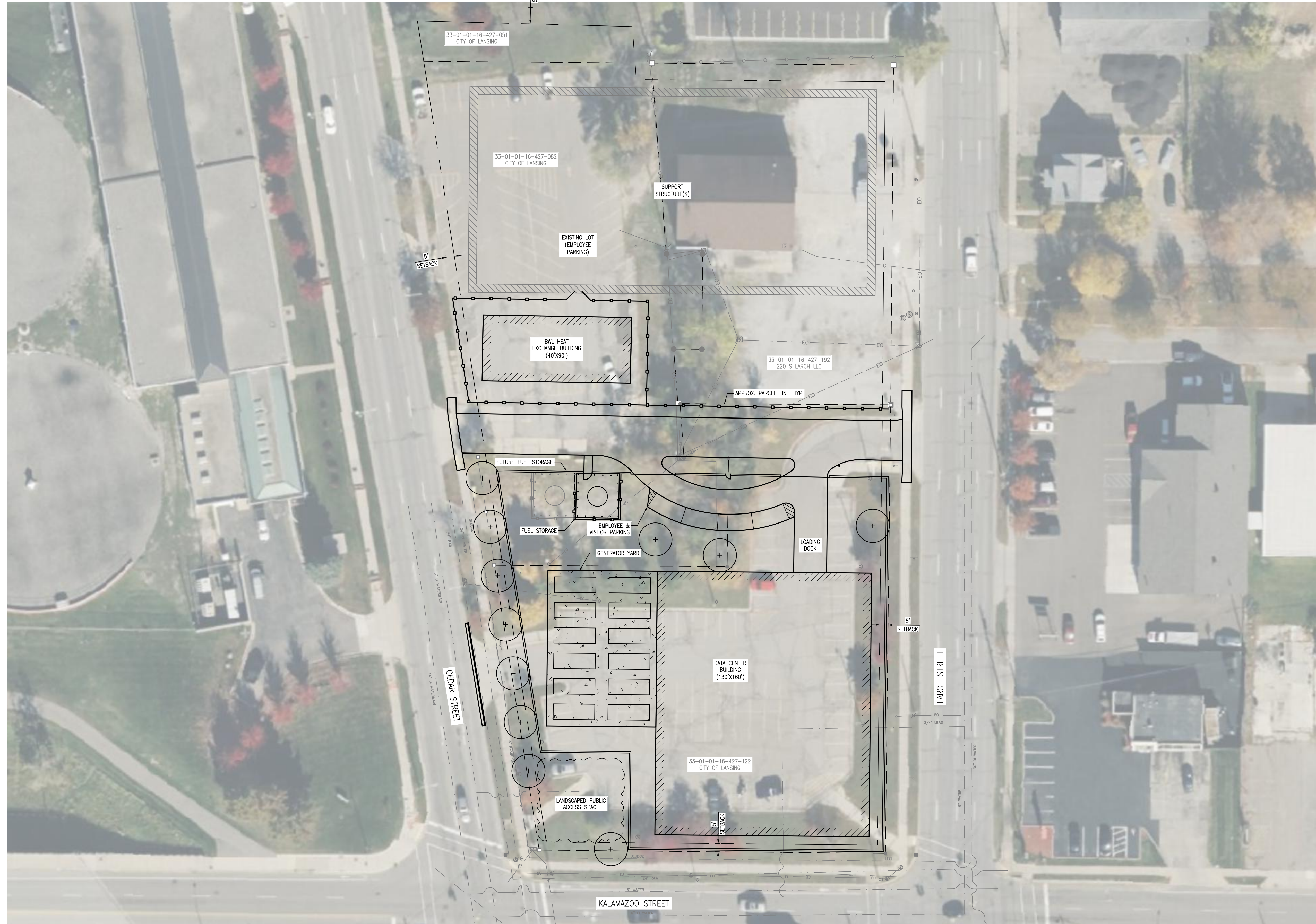
30. **New Holding Company**

30.1 In the event of a Holding Company Reorganisation approved by the Board with Investor Majority Consent (a "**Proposed Reorganisation**"), each of the Shareholders shall (i) consent to, vote

for, raise no objections to and waive any applicable rights in connection with the Proposed Reorganisation and (ii) take all such actions to tender their Shares as required pursuant to the Proposed Reorganisation (the "**Reorganisation Actions**"). The Shareholders shall be required to take all Reorganisation Actions with respect to the Proposed Reorganisation as are required by the Board to facilitate the Proposed Reorganisation. If any Shareholder fails to comply with the provisions of this Article 30 (*New Holding Company*), the Company shall be constituted the agent of each defaulting Shareholder for taking the Reorganisation Actions as are necessary to effect the Proposed Reorganisation and the Board may authorise any Director, officer or member to execute and deliver on behalf of such defaulting Shareholder the necessary documents to effect the Proposed Reorganisation, including any share exchange agreement and/or Instrument of Transfer.

- 30.2 The Company shall procure that the shares issued by the New Holding Company to the Shareholders (or any subsequent holder, as the case may be) pursuant to the Holding Company Reorganisation will be credited as fully paid as to the amount determined in accordance with this Article 30 (*New Holding Company*). Such New Holding Company shares shall be subject to the constitutional documents of the New Holding Company and otherwise (subject to the express provisions of such constitutional documents) shall have the same rights and obligations as all other New Holding Company shares of the same class in issue at the time (other than as regards any dividend or other distribution payable by reference to a record date preceding the date of issue of such New Holding Company shares).
- 30.3 On any person, following the date of completion of a Holding Company Reorganisation, becoming a Shareholder pursuant to any Relevant Securities or otherwise (a "**Post-Reorganisation Shareholder**"), the Post-Reorganisation Shareholder shall then be bound to do all such acts and things necessary in order to transfer to the New Holding Company all such resulting shares held by the Post-Reorganisation Shareholder, and the provisions of this Article 30 (*New Holding Company*) shall apply with the necessary changes to the Post-Reorganisation Shareholder.
- 30.4 The Company shall procure that, in respect of each Major Investor (except as otherwise agreed in writing by such Major Investor, acting reasonably):
- (a) it provides not less than 20 Business Days' prior written notice to the Major Investors of any Proposed Reorganisation (the "**Holding Company Notice**"); and
 - (b) following the date of the Holding Company Notice, it consults with such Major Investors in good faith and provides such information reasonably requested by such Major Investors in respect of such Proposed Reorganisation.
- 30.5 Article 30.1 (*New Holding Company*) shall not apply in respect of any of the Major Investors (except as otherwise agreed in writing by all Major Investors, acting reasonably) if it is determined pursuant to Articles 30.6 (*New Holding Company*) to 30.8 (*New Holding Company*) that any taxes will be payable and/or any tax filings will be required to be submitted by any one or more Major Investors or any one or more of their respective underlying partners, members, shareholders and/or other beneficial owners as a direct result of the transfer of its respective Shares to the New Holding Company and in such event, the Company and the Major Investors will discuss in good faith to find alternative ways to assess how to structure such Proposed Reorganisation in a manner acceptable to each of them in writing.
- 30.6 If, in a Major Investor's reasonable opinion following written advice from its legal adviser, accountant or tax adviser (as the case may be), such Major Investor determines that any taxes will be payable and/or any tax filings will be required to be submitted by such Major Investor or its underlying partners, members, shareholders and/or other beneficial owners as a direct result of the transfer of its Shares to the New Holding Company:
- (a) such Major Investor shall as soon as reasonably practicable notify the Company in writing and provide a copy of such written advice from its legal adviser, accountant or tax adviser (as the case may be) to the Company on a non-reliance basis;

- (b) the Company and each relevant Major Investor will discuss in good faith for a period of up to 15 Business Days (as may be extended between the Company and such Major Investor) following receipt of such written notice in Article 30.6(a) (*New Holding Company*) to find alternative ways to assess how to structure such Proposed Reorganisation in a manner acceptable to each of them in writing.
- 30.7 In the event that any Major Investor(s) and the Company cannot agree as to whether any taxes will be payable and/or whether any tax filings will be required to be submitted by any such Major Investor or its underlying partners, members, shareholders and/or other beneficial owners as a direct result of the transfer of its Shares to the New Holding Company and/or how to structure the relevant Proposed Reorganisation upon the expiry of the time limit set out in Article 30.6 (*New Holding Company*), the Company and the relevant Major Investor(s) shall appoint an expert to determine such tax treatment and opine on how to structure the relevant Proposed Reorganisation in accordance with Article 30.8 (*New Holding Company*) (the "**Expert**").
- 30.8 The Expert will be an independent firm of internationally recognized Chartered Accountants in England and Wales to be agreed in writing between the Company and the relevant Major Investor(s) or, failing agreement in writing of such firm not later than the date 5 Business Days after the expiry of the time limit set out in Article 30.6 (*New Holding Company*), an independent firm of Chartered Accountants to be nominated by the then President of the Institute of Chartered Accountants in England and Wales following a joint application by both the Company and one or more of the relevant Major Investors. Such Expert shall be requested to (a) determine the tax treatment of the Proposed Reorganisation in respect of the relevant Major Investor's Shares and opine on how to structure the relevant Proposed Reorganisation within 20 Business Days of its appointment based on any factors which such Expert reasonably believes should be taken into account and (b) notify the Board and relevant Major Investors of their determination. The Expert shall act as expert and not as arbitrator and its determination shall be final and binding on the parties (in the absence of fraud or manifest error). The Board will give the Expert access to all accounting records or other relevant documents of the Company subject to the Expert agreeing such confidentiality provisions as the Board may reasonably impose. The Expert shall deliver its certificate to the Company and the relevant Major Investor(s). The cost of obtaining the certificate shall be paid by the Company.



CONCEPTUAL SITE PLAN

MARTIN DEEP GREEN PROJECT
INGHAM COUNTY, MI

PHASE

CONCEPT

ISSUANCES

#	DESCRIPTION	DATE
1	CONCEPT	10/16/2025

PROJ. #: 25-0108
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Andy Schor
Mayor

LANSING PLANNING COMMISSION
Regular Meeting
March 3, 2026 - 6:30 p.m.
10th Floor, City Council Chambers, Lansing City Hall
124 W Michigan Avenue, Lansing, MI 48933

MINUTES – DRAFT

1. OPENING SESSION

Vice-Chair Ms. Alexander called the meeting to order at 6:30 p.m.

- a. Present: Katie Alexander, Tony Cox, Monte Jackson, Spencer Lippert, Shane Muchmore, Ted O’Dell, John Ruge
- b. Absent: Tim Klont (excused)
- c. Staff: Rawley Van Fossen, Director of Economic Development and Planning Department; Erin Buitendorp, Manager of the Community Development Office; Doris Witherspoon, Senior Planner; Andy Fedewa, Principal Planner; Dan DuChene, Deputy City Attorney

2. APPROVAL OF AGENDA – The agenda was approved by unanimous consent.

3. COMMUNICATIONS

Mitch Rice email in support of Z-3-2026.

Lansing Chamber of Commerce letter in support of Z-3-2026.

Alison Peeler email asking clarifying questions for Act-4-2026.

4. PUBLIC HEARINGS & ITEMS FOR ACTION

A. City of Lansing Annual Action Plan, Citywide Needs Hearing and Proposed Funding Allocations FY 2026-2027

Ms. Witherspoon spoke on the City’s funding strategy with the Community Development Block Grants (CDBG), HOME Investment Partnership (HOME), and Emergency Solutions Grant (ESG) programs through the US Department of Housing and Urban Development (HUD) each year.

Ms. Witherspoon reviewed the estimated funding amounts for various projects under each program such as, but not limited to, homeowner housing rehabilitation, rental unit rehabilitation, down payment assistance, housing construction, homelessness prevention, and shelter operations. As in previous years, the presented numbers are based on an expectation that they will follow last year’s amounts so the final funding amounts may differ slightly.

Ms. Alexander opened the public hearing.

Seeing no one wishing to speak, Ms. Alexander closed the public hearing.

Mr. Muchmore made a motion, seconded by Mr. O’Dell, to recommend approval of the City of Lansing Annual Action Plan, Citywide Needs Hearing and Proposed Funding Allocations FY 2026-2027.

On a voice vote the motion carried unanimously (7-0).

B. Z-3-2026, 200 blocks of S. Cedar Street and S. Larch Street, 229 S Larch St., Conditional Rezoning from “DT-3” Downtown Core to “IND-1” Industrial.

Mr. Fedewa stated Planning Commission previously reviewed Z-2-2025, a conditional rezoning for these four properties from DT-3 to IND-1 to permit a ‘data center’ and accessory infrastructure. During the public hearing process with City Council, Deep Green Technologies USA, LLC had committed to various agreements for inclusion in a new sale agreement. For the sake of transparency, the City has requested the Planning Commission review the request for a conditional rezoning.

This request covers four contiguous parcels, three owned by the City of Lansing and one owned by 220 Larch LLC.

The conditions as voluntarily offered by the property owners, the City of Lansing and 220 S. Larch, LLC are as follows:

1. The parcels will not be used for any purpose other than data center operations and supporting facilities;
2. Any structures will be compliant with the dimensional requirements, architectural standards, screening or massing requirements, and exterior materials requirements of the DT-3 classification, as reflected in any final site plan as approved by the City of Lansing; and
3. All use of the parcels will be consistent with requirements of Lansing City Code regarding noise limitations, and the parcels will not be entitled to any exemption for industrial property or industrial use.

The purchaser of the four parcels, Deep Green Technologies USA LLC, has consented to the conditions, which if approved, will run with the land and are binding upon successive owners of the land.

Mr. Fedewa stated that this area, east of the Grand River, now colloquially called the Stadium District, is specifically mentioned in the Comprehensive Plan on pages 63-64. The area was recognized for its deindustrialization and the Plan recommends a transition from industrial and heavy commercial to a mix of office, retail, entertainment, arts/cultural live-work and residential uses. The Plan however does state that “Except on the riverfront, light industry can continue to be part of this mixed-use area if external impacts (outdoor storage, noise and truck traffic) are minimized, and buildings and parking are located and designed to make a positive contribution to the area’s visual appeal and walkability.”

The former zoning here was “H” Light Industrial until the 2021 Form Based Code changed this area east of the river to DT-2 or DT-3. DT-2 does allow some light industrial uses, and DT-3 permits light industrial with retail sales on-site.

Mr. Fedewa stated that the proposed data center is of a low intensity in the scheme of other industrial uses, not nearly the kind of heavy industry once located along the east bank of the Grand River. The proposed condition limiting the parcels to a data center and supporting facilities prevent future establishment of incompatible industrial uses such as open storage, heavy manufacturing, or recycling/salvage operations. Further, the conditions requiring the development to comply with the site layout requirements and architectural standards of the DT-3 satisfies the concerns stated in the comprehensive plan, as well as advancing the intent of the zoning ordinance.

Staff recommends approval of Z-3-2026, to conditionally rezone the four subject properties, with the conditions voluntarily offered by the property owners and consented to by the purchaser:

1. The parcels will not be used for any purpose other than data center operations and supporting facilities;
2. Any structures will be compliant with the dimensional requirements, architectural standards, screening or massing requirements, and exterior materials requirements of the DT-3 classification, as reflected in any final site plan as approved by the City of Lansing; and
3. All use of the parcels will be consistent with requirements of Lansing City Code regarding noise limitations, and the parcels will not be entitled to any exemption for industrial property or industrial use.

Rob Stolpestad, Principal, Hedmark Holdings; reviewed presentation slides included in the agenda packet and spoke on how Deep Green's model is based on heat reuse, which is how they chose to invest in Lansing and why they wish to locate in the Downtown area to connect into BWL's future hot water system. Mr. Stolpestad reiterated their commitment to abide by rules and standards of the DT-3 zoning district and to fit in with buildings within the Stadium District.

Mr. Stolpestad spoke on the expected noise of the back-up generators that are only used in case of power failure, but are tested for 30 minutes monthly. Each generator will be enclosed and then surrounded by a sound attenuated screen wall. This practice is similar to other large institutional and industrial users.

Mr. Stolpestad spoke on how they will utilize 8 megawatts (MW) from the electric grid during phase one and have plans for a 16-MW biofuel cell substation. Mr. Stolpestad referred to information in the packet on anticipated emissions. Deep Green is paying for all capital expenditures for their electric consumption.

Mr. Stolpestad reviewed their stated community benefits, including the sale price, property tax revenue, donations to BWL's Pennies for Power, and a commitment to source the local population for employment. Mr. Stolpestad these commitments are legally binding in the sale agreement and their contract with BWL.

Mr. Cox asked about the expected water usage and how water will be utilized and disposed of. Mr. Cox asked for details about the closed-loop system. Mr. Stolpestad referred to the agenda packet page that states they expect about 500,000 gallons of water annually, and how the proposed data center is just a fraction of the power and water used by mega-sites. The expected use is more comparable to a restaurant. Jack Pressman, development manager, spoke

on how glycol is used to cool water that is recycled through the system after it is initially heated from the cooling process. The system is heavily non-water based and biodegradable. Deep Green will use a third party to properly ship the spent water and solution off-site for disposal.

Mr. Van Fossen stated that site plan review is conducted with the Public Service Department and the Building Safety Office to verify compliance with applicable local, State, and Federal requirements.

Mr. Ruge asked for more information about the 16-MW biofuel substation system. Mr. Pressman spoke on how the existing grid is powered by a natural gas combustion system. The proposed biofuel system is more efficient and produces less pollution. Mr. Pressman recommended that Planning Commissioners review Bloom Energy for a comparable system that would be operated by BWL when built.

Ms. Alexander opened the public hearing for Z-3-2026.

Brad Clark spoke on economic development and in support of Z-3-2026.

Ivan Droste spoke on the additional information that has been released since Planning Commission's public hearing during the November 5, 2026 and in opposition of Z-3-2026.

Marshall Clabeaux spoke on the potential pollution of the proposed power substation, about the need for walkability within the Stadium District, the potential nuisances that could impact nearby residents, and the lifecycle of the data center. Mr. Clabeaux spoke in opposition of Z-3-2026.

Nichole Keway Biber spoke on conflicts with the vision of the Comprehensive Plan, walkability within the Stadium District, and use of the River Trail. Ms. Keway Biber spoke in opposition of Z-3-2026.

Emma Bostwick, Lansing Economic Area Partnership, spoke on economic development and in support of Z-3-2026.

Cynthia Rowe spoke on the potential water usage and disposal of wastewater, and in opposition of Z-3-2026.

Fred McLaughlin spoke on the quick nature of the proposal and on community planning. Mr. McLaughlin spoke in opposition of Z-3-2026.

Heather Shawa, Assistant General Manager of Lansing Board of Water and Light, commented on the ongoing partnership with Deep Green to integrate with the hot water system conversion, the first phase of which should be operational within the next 2-3 years. Ms. Shawa spoke on the capital costs Deep Green will bear and what may happen if they vacate the premises. Ms. Shawa spoke on the noise level of BWL's substation plants in REO Town as a comparison.

Jason Brown spoke on the potential for construction jobs and in support of Z-3-2026.

Michael Mercer spoke in opposition of Z-3-2026.

Sidney Mccalib spoke on economic development and in support of Z-3-2026.

Seeing no one else wishing to speak, Ms. Alexander closed the public hearing for Z-3-2026.

Mr. O'Dell made a motion, seconded by Mr. Jackson, to recommend approval of Z-3-2026, 200 blocks of S. Cedar Street and S. Larch Street, 229 S Larch St., Conditional Rezoning from "DT-3" Downtown Core to "IND-1" Industrial.

With the following conditions:

- 1. The parcels will not be used for any purpose other than data center operations and supporting facilities;**
- 2. Any structures will be compliant with the dimensional requirements, architectural standards, screening or massing requirements, and exterior materials requirements of the DT-3 classification, as reflected in any final site plan as approved by the City of Lansing; and**
- 3. All use of the parcels will be consistent with requirements of Lansing City Code regarding noise limitations, and the parcels will not be entitled to any exemption for industrial property or industrial use.**

Mr. Muchmore asked how long the properties have been parking lots. Mr. Fedewa stated that the parcel called Lot 49 along E Kalamazoo St. was first taken on by the City in 1990. Lot 49a along S Cedar St. was contemplated for a land swap with the City in the mid-2000s for redevelopment but ultimately did not happen. The City then bought the parcel in 2008. The two lots were productive until the Covid-19 pandemic affected revenue. A more detailed summary was included in the Act-7-2025 staff report for the sale of property.

Mr. Ruge asked what architectural standards will be applied to the proposed building and how will the City decide what is on the proposed mural. Mr. Fedewa stated that there are commercial/mixed-use building standards in Chapter 1246 of the Zoning Ordinance that require certain building materials, massing and articulation, and the amount of windows. The content of any mural is a matter of free speech, so the City does not have rules for artwork.

Mr. Jackson asked if a rezoning has a timeline and if the properties would revert back to DT-3 if Deep Green left the property. Mr. Fedewa stated that the zoning and the conditions, if approved, run with the land and would be applied to any successive owner. The zoning only reverts back if the applicant fails to commence work with the stated timeframe. A future owner would be allowed to request a different rezoning if they wanted to use the land for something other than a data center.

Mr. Lippert asked for clarification about the two rezoning requests, from November and the current one. Mr. Fedewa stated that the Z-2-2025 application only had one condition, that the parcels be used for a data center and accessory operations and that during the public hearing process with Council Deep Green verbally committed to other requests, but those were not

ultimately in the sale agreement on file. This Z-3-2026 request includes the data center use as well as a requirement to adhere to the DT-3 Site Layout Requirements and the Architectural Standards, and adhere to requirements on noise level. The sale agreement will include Deep Green's other commitments as decided on by the owners and Deep Green.

Mr. Ruge asked for clarification on the statement that the data center will have a lifespan of 20 years. Mr. Stolpestad answered that the lifespan of equipment is at least 20 years and this will be a substantial capital investment for Deep Green. Mr. Stolpestad relayed information about another project of an existing data center that is being renovated to be updated with contemporary technology so that that existing building can continue its use.

Ms. Alexander asked for information about what other locations were considered by the development team. Mr. Stolpestad stated that they considered multiple locations around downtown to be near the BWL system, including the former Cooley Law School building and parking lot.

Mr. Muchmore asked for confirmation that the proposed data center would have to be downtown for proximity to the BWL hot water infrastructure. Mr. Pressman confirmed that proximity is necessary and they have been negotiating with BWL for ten months.

Mr. Cox asked for the applicant to address previous comments about potential smells from operations. Mr. Pressman stated that the facility has three components, the data center which will be filtered, the back-up generators that will be enclosed and screened, and the fuel cell substation that will have lower emissions.

Mr. Lippert asked how close does the data center have to be to BWL facilities. Mr. Pressman stated that siting further and further away requires a much higher cost to connect the two components.

Mr. Ruge asked if the preliminary image released by Deep Green would meet the architectural standards. Mr. Fedewa answered that the rendering is preliminary for illustrative purposes and there is not enough information. Mr. Ruge asked if the building could have storefronts for third party use. Mr. Van Fossen stated that the proposed buyer has not asked for accessory commercial land use.

Ms. Alexander stated she appreciated the amount of work the applicant and the City have put into addressing issues and questions that have come up in terms of the rezoning request. Ms. Alexander stated she appreciated their responsiveness and work. Ms. Alexander was still concerned that this is an industrial use in the downtown core.

Mr. Ruge spoke on his vote in December and how he did not think the proposed data center aligned with a Stadium District plan, but that there is not a sub-area plan in place, so he has reconsidered the proposal.

On a roll call vote the motion carried 5-2. Mr. Cox and Ms. Alexander cast the dissenting votes.

C. Act-4-2026, 325 Riverfront Dr., Lansing Shuffle, Sale of Property.

Mr. Fedewa presented this request from Lansing Shuffleboard LL LLC and the City to sell a portion of the property at 325 Riverfront Dr. which currently hosts the building known as 'Lansing Shuffle'. The current existing parcel includes Rotary Park in addition to the building, but the park is not part of the proposed sale. An aerial is included in the agenda packet to show proposed boundaries. The subject parcel is dedicated park land. As such, the question to sell must be decided by the electors of Lansing during a general or special election. Because the applicant requested to purchase the property, as outlined in the terms of the lease agreement, the City is obligated to begin the process to place the question of selling the property on the August 4, 2026 primary election ballot.

The Parks Board is scheduled to review the question of placing the proposal on the ballot at their March 11, 2026 meeting. Planning Commission is reviewing the question of the sale as part of the established Act 33 review process.

Mr. Fedewa stated the current building opened in January 2010, replacing the original Lansing City Market that was at the southwest corner of E Shiawassee St. and N Cedar St. While originally serving as a farmer's market with tens of merchants, the building closed in 2019 and the site transitioned to a food court with dedicated restaurant vendors and shuffleboard courts over the course of 2021-2022 with a grand opening in January 2023. Before Lansing Shuffle came, the building was managed by the Lansing Entertainment and Public Facilities Authority (LEPFA), and operated at a loss since its opening, necessitating a general fund subsidy.

The Lansing Shuffle building is essentially commercial in character and not connected to typical parks or City functions/operations.

With support from the Parks and Recreation department and the Administration, and with the understanding that the proposed parcel is not necessary for City or park operations, staff recommends approval of the request to place the question of the sale of the proposed property on the August 4, 2026 ballot.

If the question to sell the land is approved by Lansing voters, the City will enter into sale agreement with Lansing Shuffle which will be subject to a public hearing at City Council and ultimately voted on by Council. There are some agency referral comments stating the need for various easements to be worked out at that time.

The parcel must be split prior to sale. If ultimately approved, the property will return to the tax rolls with the more productive land use captured. An estimate by the City Assessor predicts that the annual property tax will exceed the current annual rent paid by the applicant.

Mr. Jackson asked if Lansing Shuffle will have adequate parking after the split. Mr. Van Fossen answered that Lansing Shuffle does not currently own or have parking, but customers utilize the adjacent on-street and off-street city parking lots like other area businesses.

Mr. Ruge asked if the sales agreement will have terms to protect the building from demolition and resale. Mr. Fedewa answered that that will be something for the Administration and Lansing Shuffle to determine if Lansing voters approve the question of sale.

Mr. Lippert asked for clarification about the process, if Planning Commission is advising about placing the question of sale on the ballot or recommending the final sale. Mr. Fedewa confirmed that Planning Commission is being asked to determine their support for placing the question of the sale on the ballot.

Ms. Alexander asked when the parcels would be split. Mr. Fedewa stated that the split would be processed prior to sale, after an affirmative vote and if/when the sale agreement is approved.

Mr. O'Dell stepped away from the meeting at 8:20. Mr. O'Dell returned to the meeting at 8:23.

Kris Klein, President and Chief Executive Officer of Lansing Economic Development Corporation, and Jon Hartzell, co-owner of Lansing Shuffle, spoke on the history of the site, Mr. Hartzell's background and experience in Detroit, and the process to transition the former farmer's market to a food hall for restaurants. The Lansing Shuffle model is focused on providing the space, infrastructure, and major components for individual vendors to move into, while also activating the shared space.

Mr. Klein stated that an RFI was released in 2020 and a lease agreement with Lansing Shuffle followed with an original lease term to 2040, but with a provision included to sell the building if requested by Lansing Shuffle, after a minimum of three years and once a condition that taxes have been captured to repay all eligible activities described in the agreement were met.

Mr. Hartzell stated that they are requesting the purchase to secure long-term financial stability and more affordable terms for their secondary tenants. Their debt service structure changes if they possess ownership of the building. Mr. Hartzell committed to assessing what agreements can be continued in the sale agreement, such as continued public use of facilities and restrooms, and various utility usage for Rotary Park.

Mr. Klein outlined the process for the sale including review by Parks Board and City Council, the election, and then the future sale agreement which would be subject to a public hearing at City Council and City Council's vote.

Mr. Muchmore asked for clarification on what Lansing Shuffle offers secondary tenants. Mr. Hartzell stated they lease core equipment and restaurant space rather than just white-boxing the suite. Lansing Shuffle provides components such as major kitchen systems, hoods, fire suppression, three-compartment sinks, and grease interceptors.

Ms. Alexander opened the public hearing for Act-4-2026.

Sidney Mccalib, General Manager of Lansing Shuffle spoke on his experience as a resident and general manager for the business. Mr. Mccalib was supportive of the sale.

Ivan Droste stated that a sale may more beneficial to Lansing Shuffle rather than the City. Mr. Droste questioned how property taxes may change in the future and stated that city-owned resources are valuable until a sale removes it from its assets forever.

Seeing no one else wishing to speak, Ms. Alexander closed the public hearing for Act-4-2026.

Mr. Muchmore made a motion, seconded by Mr. Cox to recommend placing the question of selling 325 Riverfront Drive, Lansing Shuffle Building, on the August 4, 2026 ballot.

Mr. Ruge commented on the loss of a downtown city market and that it is unfortunate it was not successful. Mr. Ruge stated his opposition of selling City-owned property along the riverfront but understands how conditions change.

Ms. Alexander asked how the City acquired the property and if there may be conditions tied to how the City proceeds or what it may do, similar to a previous request to sell land adjacent to North Cemetery and donated to the City. Dan DuChene, Deputy City Attorney, stated that if there conditions it will be discovered during the sale agreement process and review of the deed.

On a roll call vote the motion carried unanimously (7-0).

5. COMMENTS FROM THE AUDIENCE – None

6. RECESS – Not taken

7. BUSINESS

A. Consent Items

- (1) Minutes for approval: February 3, 2026
The minutes from the February 3, 2026, Planning Commission meeting were approved without objection.**

B. Old Business – None

C. New Business – None

8. REPORT FROM PLANNING & ZONING OFFICE

Mr. Van Fossen thanked the Commissioners for their time and consideration and thanked staff for their work for this meeting.

9. COMMENTS FROM THE CHAIRPERSON

Ms. Alexander thanked the audience and recommended individuals consider signing up for a City board/commission to serve.

10. COMMENTS FROM COMMISSION MEMBERS

Commissioners thanked staff for their work and wished Zoning Administrator Sue Stachowiak well.

11. PENDING ITEMS: FUTURE ACTION REQUIRED – None

12. ADJOURNMENT – The meeting was adjourned at 8:47 p.m.

BY THE COMMITTEE OF THE WHOLE
RESOLVED BY THE CITY COUNCIL OF THE CITY OF LANSING

WHEREAS, the City Council previously held a public hearing for considering the proposed sale of Parking Lot #49/49A; three parcels (33-01-01-16-427-082, 33-01-01-16-427-122, 33-01-01-16-427-051) of City property to Deep Green Technologies USA LLC, as described in a Buy-Sell Agreement placed on file with the City Clerk on November 14, 2025; and

WHEREAS, an updated Buy-Sell Agreement has been placed on file with the City Clerk on February 21, 2026, containing additional terms and conditions related to the obligations of Deep Green Technologies USA LLC;

NOW THEREFORE BE IT RESOLVED by the City Council of the City of Lansing that a public hearing be set for Monday, March 23, 2026 at 7:00 p.m. in the Tony Benavides Lansing City Council Chambers, 10th Floor, Lansing City Hall, 124 W Michigan Avenue, Lansing, Michigan, for the purpose of considering the proposed sale of Parking Lot #49/49A; three parcels (33-01-01-16-427-082, 33-01-01-16-427-122, 33-01-01-16-427-051) of City property to Deep Green Technologies USA LLC:

Act-7-2025, Parking Lot #49/49A, 200 block S Cedar St, Sale of Real Property
Parcels 33-01-01-16-427-082, 33-01-01-16-427-122, 33-01-01-16-427-051

INTRODUCTION OF ORDINANCE

An ordinance of the City of Lansing, Michigan, providing for the rezoning of four parcels of real property located in the City of Lansing, Michigan and for the revision of the district maps adopted by Section 1242.02 of the Code of Ordinances.

Z-3-2026 Parcel #s 33-01-01-16-427-122, 33-01-01-16-427-082, 33-01-01-16-427-051, and 33-01-01-16-427-192, located on the north side of E. Kalamazoo Street between S. Cedar Street and S. Larch Street – Rezoning from “DT-3” Urban Core to “IND-1” Industrial with the conditions that the parcels will not be used for any purpose other than data center operations and supporting facilities; any structures will be compliant with the dimensional requirements, architectural standards, screening or massing requirements, and exterior materials requirements of the DT-3 classification, as reflected in any final site plan as approved by the City of Lansing; and all use of the parcels will be consistent with requirements of Lansing City Code regarding noise limitations, and the parcels will not be entitled to any exemption for industrial property or industrial use, which shall run with the land and be binding upon all future owners thereof.

Was read a first time by its title and referred to the Committee of the Whole.



Andy Schor
Mayor

LANSING PLANNING COMMISSION
Regular Meeting
March 3, 2026 - 6:30 p.m.
10th Floor, City Council Chambers, Lansing City Hall
124 W Michigan Avenue, Lansing, MI 48933

MINUTES – DRAFT

1. OPENING SESSION

Vice-Chair Ms. Alexander called the meeting to order at 6:30 p.m.

- a. Present: Katie Alexander, Tony Cox, Monte Jackson, Spencer Lippert, Shane Muchmore, Ted O’Dell, John Ruge
- b. Absent: Tim Klont (excused)
- c. Staff: Rawley Van Fossen, Director of Economic Development and Planning Department; Erin Buitendorp, Manager of the Community Development Office; Doris Witherspoon, Senior Planner; Andy Fedewa, Principal Planner; Dan DuChene, Deputy City Attorney

2. APPROVAL OF AGENDA – The agenda was approved by unanimous consent.

3. COMMUNICATIONS

Mitch Rice email in support of Z-3-2026.

Lansing Chamber of Commerce letter in support of Z-3-2026.

Alison Peeler email asking clarifying questions for Act-4-2026.

4. PUBLIC HEARINGS & ITEMS FOR ACTION

A. City of Lansing Annual Action Plan, Citywide Needs Hearing and Proposed Funding Allocations FY 2026-2027

Ms. Witherspoon spoke on the City’s funding strategy with the Community Development Block Grants (CDBG), HOME Investment Partnership (HOME), and Emergency Solutions Grant (ESG) programs through the US Department of Housing and Urban Development (HUD) each year.

Ms. Witherspoon reviewed the estimated funding amounts for various projects under each program such as, but not limited to, homeowner housing rehabilitation, rental unit rehabilitation, down payment assistance, housing construction, homelessness prevention, and shelter operations. As in previous years, the presented numbers are based on an expectation that they will follow last year’s amounts so the final funding amounts may differ slightly.

Ms. Alexander opened the public hearing.

Seeing no one wishing to speak, Ms. Alexander closed the public hearing.

Mr. Muchmore made a motion, seconded by Mr. O’Dell, to recommend approval of the City of Lansing Annual Action Plan, Citywide Needs Hearing and Proposed Funding Allocations FY 2026-2027.

On a voice vote the motion carried unanimously (7-0).

B. Z-3-2026, 200 blocks of S. Cedar Street and S. Larch Street, 229 S Larch St., Conditional Rezoning from “DT-3” Downtown Core to “IND-1” Industrial.

Mr. Fedewa stated Planning Commission previously reviewed Z-2-2025, a conditional rezoning for these four properties from DT-3 to IND-1 to permit a ‘data center’ and accessory infrastructure. During the public hearing process with City Council, Deep Green Technologies USA, LLC had committed to various agreements for inclusion in a new sale agreement. For the sake of transparency, the City has requested the Planning Commission review the request for a conditional rezoning.

This request covers four contiguous parcels, three owned by the City of Lansing and one owned by 220 Larch LLC.

The conditions as voluntarily offered by the property owners, the City of Lansing and 220 S. Larch, LLC are as follows:

1. The parcels will not be used for any purpose other than data center operations and supporting facilities;
2. Any structures will be compliant with the dimensional requirements, architectural standards, screening or massing requirements, and exterior materials requirements of the DT-3 classification, as reflected in any final site plan as approved by the City of Lansing; and
3. All use of the parcels will be consistent with requirements of Lansing City Code regarding noise limitations, and the parcels will not be entitled to any exemption for industrial property or industrial use.

The purchaser of the four parcels, Deep Green Technologies USA LLC, has consented to the conditions, which if approved, will run with the land and are binding upon successive owners of the land.

Mr. Fedewa stated that this area, east of the Grand River, now colloquially called the Stadium District, is specifically mentioned in the Comprehensive Plan on pages 63-64. The area was recognized for its deindustrialization and the Plan recommends a transition from industrial and heavy commercial to a mix of office, retail, entertainment, arts/cultural live-work and residential uses. The Plan however does state that “Except on the riverfront, light industry can continue to be part of this mixed-use area if external impacts (outdoor storage, noise and truck traffic) are minimized, and buildings and parking are located and designed to make a positive contribution to the area’s visual appeal and walkability.”

The former zoning here was “H” Light Industrial until the 2021 Form Based Code changed this area east of the river to DT-2 or DT-3. DT-2 does allow some light industrial uses, and DT-3 permits light industrial with retail sales on-site.

Mr. Fedewa stated that the proposed data center is of a low intensity in the scheme of other industrial uses, not nearly the kind of heavy industry once located along the east bank of the Grand River. The proposed condition limiting the parcels to a data center and supporting facilities prevent future establishment of incompatible industrial uses such as open storage, heavy manufacturing, or recycling/salvage operations. Further, the conditions requiring the development to comply with the site layout requirements and architectural standards of the DT-3 satisfies the concerns stated in the comprehensive plan, as well as advancing the intent of the zoning ordinance.

Staff recommends approval of Z-3-2026, to conditionally rezone the four subject properties, with the conditions voluntarily offered by the property owners and consented to by the purchaser:

1. The parcels will not be used for any purpose other than data center operations and supporting facilities;
2. Any structures will be compliant with the dimensional requirements, architectural standards, screening or massing requirements, and exterior materials requirements of the DT-3 classification, as reflected in any final site plan as approved by the City of Lansing; and
3. All use of the parcels will be consistent with requirements of Lansing City Code regarding noise limitations, and the parcels will not be entitled to any exemption for industrial property or industrial use.

Rob Stolpestad, Principal, Hedmark Holdings; reviewed presentation slides included in the agenda packet and spoke on how Deep Green's model is based on heat reuse, which is how they chose to invest in Lansing and why they wish to locate in the Downtown area to connect into BWL's future hot water system. Mr. Stolpestad reiterated their commitment to abide by rules and standards of the DT-3 zoning district and to fit in with buildings within the Stadium District.

Mr. Stolpestad spoke on the expected noise of the back-up generators that are only used in case of power failure, but are tested for 30 minutes monthly. Each generator will be enclosed and then surrounded by a sound attenuated screen wall. This practice is similar to other large institutional and industrial users.

Mr. Stolpestad spoke on how they will utilize 8 megawatts (MW) from the electric grid during phase one and have plans for a 16-MW biofuel cell substation. Mr. Stolpestad referred to information in the packet on anticipated emissions. Deep Green is paying for all capital expenditures for their electric consumption.

Mr. Stolpestad reviewed their stated community benefits, including the sale price, property tax revenue, donations to BWL's Pennies for Power, and a commitment to source the local population for employment. Mr. Stolpestad these commitments are legally binding in the sale agreement and their contract with BWL.

Mr. Cox asked about the expected water usage and how water will be utilized and disposed of. Mr. Cox asked for details about the closed-loop system. Mr. Stolpestad referred to the agenda packet page that states they expect about 500,000 gallons of water annually, and how the proposed data center is just a fraction of the power and water used by mega-sites. The expected use is more comparable to a restaurant. Jack Pressman, development manager, spoke

on how glycol is used to cool water that is recycled through the system after it is initially heated from the cooling process. The system is heavily non-water based and biodegradable. Deep Green will use a third party to properly ship the spent water and solution off-site for disposal.

Mr. Van Fossen stated that site plan review is conducted with the Public Service Department and the Building Safety Office to verify compliance with applicable local, State, and Federal requirements.

Mr. Ruge asked for more information about the 16-MW biofuel substation system. Mr. Pressman spoke on how the existing grid is powered by a natural gas combustion system. The proposed biofuel system is more efficient and produces less pollution. Mr. Pressman recommended that Planning Commissioners review Bloom Energy for a comparable system that would be operated by BWL when built.

Ms. Alexander opened the public hearing for Z-3-2026.

Brad Clark spoke on economic development and in support of Z-3-2026.

Ivan Droste spoke on the additional information that has been released since Planning Commission's public hearing during the November 5, 2026 and in opposition of Z-3-2026.

Marshall Clabeaux spoke on the potential pollution of the proposed power substation, about the need for walkability within the Stadium District, the potential nuisances that could impact nearby residents, and the lifecycle of the data center. Mr. Clabeaux spoke in opposition of Z-3-2026.

Nichole Keway Biber spoke on conflicts with the vision of the Comprehensive Plan, walkability within the Stadium District, and use of the River Trail. Ms. Keway Biber spoke in opposition of Z-3-2026.

Emma Bostwick, Lansing Economic Area Partnership, spoke on economic development and in support of Z-3-2026.

Cynthia Rowe spoke on the potential water usage and disposal of wastewater, and in opposition of Z-3-2026.

Fred McLaughlin spoke on the quick nature of the proposal and on community planning. Mr. McLaughlin spoke in opposition of Z-3-2026.

Heather Shawa, Assistant General Manager of Lansing Board of Water and Light, commented on the ongoing partnership with Deep Green to integrate with the hot water system conversion, the first phase of which should be operational within the next 2-3 years. Ms. Shawa spoke on the capital costs Deep Green will bear and what may happen if they vacate the premises. Ms. Shawa spoke on the noise level of BWL's substation plants in REO Town as a comparison.

Jason Brown spoke on the potential for construction jobs and in support of Z-3-2026.

Michael Mercer spoke in opposition of Z-3-2026.

Sidney Mccalib spoke on economic development and in support of Z-3-2026.

Seeing no one else wishing to speak, Ms. Alexander closed the public hearing for Z-3-2026.

Mr. O'Dell made a motion, seconded by Mr. Jackson, to recommend approval of Z-3-2026, 200 blocks of S. Cedar Street and S. Larch Street, 229 S Larch St., Conditional Rezoning from "DT-3" Downtown Core to "IND-1" Industrial.

With the following conditions:

- 1. The parcels will not be used for any purpose other than data center operations and supporting facilities;**
- 2. Any structures will be compliant with the dimensional requirements, architectural standards, screening or massing requirements, and exterior materials requirements of the DT-3 classification, as reflected in any final site plan as approved by the City of Lansing; and**
- 3. All use of the parcels will be consistent with requirements of Lansing City Code regarding noise limitations, and the parcels will not be entitled to any exemption for industrial property or industrial use.**

Mr. Muchmore asked how long the properties have been parking lots. Mr. Fedewa stated that the parcel called Lot 49 along E Kalamazoo St. was first taken on by the City in 1990. Lot 49a along S Cedar St. was contemplated for a land swap with the City in the mid-2000s for redevelopment but ultimately did not happen. The City then bought the parcel in 2008. The two lots were productive until the Covid-19 pandemic affected revenue. A more detailed summary was included in the Act-7-2025 staff report for the sale of property.

Mr. Ruge asked what architectural standards will be applied to the proposed building and how will the City decide what is on the proposed mural. Mr. Fedewa stated that there are commercial/mixed-use building standards in Chapter 1246 of the Zoning Ordinance that require certain building materials, massing and articulation, and the amount of windows. The content of any mural is a matter of free speech, so the City does not have rules for artwork.

Mr. Jackson asked if a rezoning has a timeline and if the properties would revert back to DT-3 if Deep Green left the property. Mr. Fedewa stated that the zoning and the conditions, if approved, run with the land and would be applied to any successive owner. The zoning only reverts back if the applicant fails to commence work with the stated timeframe. A future owner would be allowed to request a different rezoning if they wanted to use the land for something other than a data center.

Mr. Lippert asked for clarification about the two rezoning requests, from November and the current one. Mr. Fedewa stated that the Z-2-2025 application only had one condition, that the parcels be used for a data center and accessory operations and that during the public hearing process with Council Deep Green verbally committed to other requests, but those were not

ultimately in the sale agreement on file. This Z-3-2026 request includes the data center use as well as a requirement to adhere to the DT-3 Site Layout Requirements and the Architectural Standards, and adhere to requirements on noise level. The sale agreement will include Deep Green's other commitments as decided on by the owners and Deep Green.

Mr. Ruge asked for clarification on the statement that the data center will have a lifespan of 20 years. Mr. Stolpestad answered that the lifespan of equipment is at least 20 years and this will be a substantial capital investment for Deep Green. Mr. Stolpestad relayed information about another project of an existing data center that is being renovated to be updated with contemporary technology so that that existing building can continue its use.

Ms. Alexander asked for information about what other locations were considered by the development team. Mr. Stolpestad stated that they considered multiple locations around downtown to be near the BWL system, including the former Cooley Law School building and parking lot.

Mr. Muchmore asked for confirmation that the proposed data center would have to be downtown for proximity to the BWL hot water infrastructure. Mr. Pressman confirmed that proximity is necessary and they have been negotiating with BWL for ten months.

Mr. Cox asked for the applicant to address previous comments about potential smells from operations. Mr. Pressman stated that the facility has three components, the data center which will be filtered, the back-up generators that will be enclosed and screened, and the fuel cell substation that will have lower emissions.

Mr. Lippert asked how close does the data center have to be to BWL facilities. Mr. Pressman stated that siting further and further away requires a much higher cost to connect the two components.

Mr. Ruge asked if the preliminary image released by Deep Green would meet the architectural standards. Mr. Fedewa answered that the rendering is preliminary for illustrative purposes and there is not enough information. Mr. Ruge asked if the building could have storefronts for third party use. Mr. Van Fossen stated that the proposed buyer has not asked for accessory commercial land use.

Ms. Alexander stated she appreciated the amount of work the applicant and the City have put into addressing issues and questions that have come up in terms of the rezoning request. Ms. Alexander stated she appreciated their responsiveness and work. Ms. Alexander was still concerned that this is an industrial use in the downtown core.

Mr. Ruge spoke on his vote in December and how he did not think the proposed data center aligned with a Stadium District plan, but that there is not a sub-area plan in place, so he has reconsidered the proposal.

On a roll call vote the motion carried 5-2. Mr. Cox and Ms. Alexander cast the dissenting votes.

C. Act-4-2026, 325 Riverfront Dr., Lansing Shuffle, Sale of Property.

Mr. Fedewa presented this request from Lansing Shuffleboard LL LLC and the City to sell a portion of the property at 325 Riverfront Dr. which currently hosts the building known as 'Lansing Shuffle'. The current existing parcel includes Rotary Park in addition to the building, but the park is not part of the proposed sale. An aerial is included in the agenda packet to show proposed boundaries. The subject parcel is dedicated park land. As such, the question to sell must be decided by the electors of Lansing during a general or special election. Because the applicant requested to purchase the property, as outlined in the terms of the lease agreement, the City is obligated to begin the process to place the question of selling the property on the August 4, 2026 primary election ballot.

The Parks Board is scheduled to review the question of placing the proposal on the ballot at their March 11, 2026 meeting. Planning Commission is reviewing the question of the sale as part of the established Act 33 review process.

Mr. Fedewa stated the current building opened in January 2010, replacing the original Lansing City Market that was at the southwest corner of E Shiawassee St. and N Cedar St. While originally serving as a farmer's market with tens of merchants, the building closed in 2019 and the site transitioned to a food court with dedicated restaurant vendors and shuffleboard courts over the course of 2021-2022 with a grand opening in January 2023. Before Lansing Shuffle came, the building was managed by the Lansing Entertainment and Public Facilities Authority (LEPFA), and operated at a loss since its opening, necessitating a general fund subsidy.

The Lansing Shuffle building is essentially commercial in character and not connected to typical parks or City functions/operations.

With support from the Parks and Recreation department and the Administration, and with the understanding that the proposed parcel is not necessary for City or park operations, staff recommends approval of the request to place the question of the sale of the proposed property on the August 4, 2026 ballot.

If the question to sell the land is approved by Lansing voters, the City will enter into sale agreement with Lansing Shuffle which will be subject to a public hearing at City Council and ultimately voted on by Council. There are some agency referral comments stating the need for various easements to be worked out at that time.

The parcel must be split prior to sale. If ultimately approved, the property will return to the tax rolls with the more productive land use captured. An estimate by the City Assessor predicts that the annual property tax will exceed the current annual rent paid by the applicant.

Mr. Jackson asked if Lansing Shuffle will have adequate parking after the split. Mr. Van Fossen answered that Lansing Shuffle does not currently own or have parking, but customers utilize the adjacent on-street and off-street city parking lots like other area businesses.

Mr. Ruge asked if the sales agreement will have terms to protect the building from demolition and resale. Mr. Fedewa answered that that will be something for the Administration and Lansing Shuffle to determine if Lansing voters approve the question of sale.

Mr. Lippert asked for clarification about the process, if Planning Commission is advising about placing the question of sale on the ballot or recommending the final sale. Mr. Fedewa confirmed that Planning Commission is being asked to determine their support for placing the question of the sale on the ballot.

Ms. Alexander asked when the parcels would be split. Mr. Fedewa stated that the split would be processed prior to sale, after an affirmative vote and if/when the sale agreement is approved.

Mr. O'Dell stepped away from the meeting at 8:20. Mr. O'Dell returned to the meeting at 8:23.

Kris Klein, President and Chief Executive Officer of Lansing Economic Development Corporation, and Jon Hartzell, co-owner of Lansing Shuffle, spoke on the history of the site, Mr. Hartzell's background and experience in Detroit, and the process to transition the former farmer's market to a food hall for restaurants. The Lansing Shuffle model is focused on providing the space, infrastructure, and major components for individual vendors to move into, while also activating the shared space.

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Mr. Hartzell stated that they are requesting the purchase to secure long-term financial stability and more affordable terms for their secondary tenants. Their debt service structure changes if they possess ownership of the building. Mr. Hartzell committed to assessing what agreements can be continued in the sale agreement, such as continued public use of facilities and restrooms, and various utility usage for Rotary Park.

Mr. Klein outlined the process for the sale including review by Parks Board and City Council, the election, and then the future sale agreement which would be subject to a public hearing at City Council and City Council's vote.

Mr. Muchmore asked for clarification on what Lansing Shuffle offers secondary tenants. Mr. Hartzell stated they lease core equipment and restaurant space rather than just white-boxing the suite. Lansing Shuffle provides components such as major kitchen systems, hoods, fire suppression, three-compartment sinks, and grease interceptors.

Ms. Alexander opened the public hearing for Act-4-2026.

Sidney Mccalib, General Manager of Lansing Shuffle spoke on his experience as a resident and general manager for the business. Mr. Mccalib was supportive of the sale.

Ivan Droste stated that a sale may more beneficial to Lansing Shuffle rather than the City. Mr. Droste questioned how property taxes may change in the future and stated that city-owned resources are valuable until a sale removes it from its assets forever.

Seeing no one else wishing to speak, Ms. Alexander closed the public hearing for Act-4-2026.

Mr. Muchmore made a motion, seconded by Mr. Cox to recommend placing the question of selling 325 Riverfront Drive, Lansing Shuffle Building, on the August 4, 2026 ballot.

Mr. Ruge commented on the loss of a downtown city market and that it is unfortunate it was not successful. Mr. Ruge stated his opposition of selling City-owned property along the riverfront but understands how conditions change.

Ms. Alexander asked how the City acquired the property and if there may be conditions tied to how the City proceeds or what it may do, similar to a previous request to sell land adjacent to North Cemetery and donated to the City. Dan DuChene, Deputy City Attorney, stated that if there conditions it will be discovered during the sale agreement process and review of the deed.

On a roll call vote the motion carried unanimously (7-0).

5. COMMENTS FROM THE AUDIENCE – None

6. RECESS – Not taken

7. BUSINESS

A. Consent Items

- (1) Minutes for approval: February 3, 2026
The minutes from the February 3, 2026, Planning Commission meeting were approved without objection.**

B. Old Business – None

C. New Business – None

8. REPORT FROM PLANNING & ZONING OFFICE

Mr. Van Fossen thanked the Commissioners for their time and consideration and thanked staff for their work for this meeting.

9. COMMENTS FROM THE CHAIRPERSON

Ms. Alexander thanked the audience and recommended individuals consider signing up for a City board/commission to serve.

10. COMMENTS FROM COMMISSION MEMBERS

Commissioners thanked staff for their work and wished Zoning Administrator Sue Stachowiak well.

11. PENDING ITEMS: FUTURE ACTION REQUIRED – None

12. ADJOURNMENT – The meeting was adjourned at 8:47 p.m.

**Z-3-2026, 200 block S Cedar St., 500 block E Kalamazoo St., & 220 S. Larch Street.
Rezoning from DT-3 “Downtown Core” to IND-1 “Industrial”**

This is a request to rezone the following parcels, owned by the City of Lansing:

33-01-01-16-427-122;
33-01-01-16-427-082; and
33-01-01-16-427-051.

And the following parcel, owned by 220 S Larch LLC:

33-01-01-16-427-192,

Located on the north side of E. Kalamazoo Street, and between S. Cedar Street and S. Larch Street from “DT-3” Urban Core to “IND-1” Industrial with the following conditions, as voluntarily offered by both property owners and consented to by the perspective buyer of all four parcels:

1. The parcels will not be used for any purpose other than data center operations and supporting facilities;
2. Any structures will be compliant with the dimensional requirements, architectural standards, screening or massing requirements, and exterior materials requirements of the DT-3 classification, as reflected in any final site plan as approved by the City of Lansing; and
3. All use of the parcels will be consistent with requirements of Lansing City Code regarding noise limitations, and the parcels will not be entitled to any exemption for industrial property or industrial use.

The purpose of the rezoning is to permit a 24-megawatt (MW) data center that combines computer data storage capacity with an approach for carbon-neutral heat recovery. The Board of Water & Light will be selling 8 MW of electric power to Deep Green for the proposed data center. In return, the center will provide free, carbon-neutral heat directly into the BWL’s hot water system downtown as BWL converts from the existing steam system, reducing the natural gas demand for the system and carbon emissions.

Planning Commission previously reviewed Z-2-2025, a conditional rezoning for these four properties from DT-3 to IND-1 to permit a ‘data center’ and accessory infrastructure. During the public hearing process with City Council, Deep Green Technologies USA, LLC has committed to various agreements for inclusion in a new sale agreement. For the sake of transparency, the City has requested the Planning Commission review the request for a conditional rezoning.

City Planning and Zoning Office staff recommended approval of the rezoning based upon a finding that the proposed data center will be consistent with statements made in the Comprehensive Plan, that light industrial uses may continue in the area east of the Grand River envisioned for mixed-use redevelopment so long as external impacts are minimized. Efforts to minimize potential nuisances are being advanced in conditions of the rezoning and sale agreement. The intent and regulations of the Form Based Zoning Ordinance are being implemented by the condition that the future site plan must conform with the DT-3 district, requiring a building site at the main frontages,

that the building be designed as a common commercial/mixed-use type building, and parking and loading docks be placed in the rear.

At the public hearing held by the Planning Commission on March 3, 2026, five individuals spoke in support, and six individuals spoke in opposition of the request.

At the same meeting, a motion to approve the request was carried by a vote of 5-2.

Commissioners Tony Cox and Katie Alexander cast the dissenting votes.

GENERAL INFORMATION

APPLICANT: Deep Green Technologies, LLC
1007 N. Orange Street, 4th Floor, Suite 1382
Wilmington, DE 19801

OWNERS: E Kalamazoo Parcel & S Cedar Parcels (aka Lot 49, Lot 49a):
City of Lansing
124 W. Michigan Avenue
Lansing, MI 48933

220 S. Larch Street: :
220 S. Larch, LLC
330 S. Marshall St, Ste 100
Lansing, MI 48912

REQUESTED ACTIONS: Conditional rezoning of four contiguous parcels from “DT-3”
Downtown Core to “IND-1” Industrial

EXISTING LAND USES: Parcel A. 220 S. Larch Street: Motor Vehicle Repair
Parcel B E. Kalamazoo Street: City parking lot
Parcel C S. Cedar Street 1: City parking lot
Parcel D S. Cedar Street 2: Vacant

PROPERTY SIZE: 118,185 +/- square feet – 2.71 acres – All 4 parcels combined

SURROUNDING LAND USE: N: Board of Water & Light solar array farm & parking lots
S: Wendy’s Restaurant
E: Valvoline Oil Change, vehicle sales & vehicle repair
W: Board of Water & Light Water Treatment Plant

SURROUNDING ZONING: N: “DT-3” Downtown Core
S: “DT-2” Urban Flex
E: “DT-3” Downtown Core
W: “DT-3” Downtown Core

COMPREHENSIVE PLAN: The *Design Lansing* Comprehensive Plan designates the subject properties for “Downtown Mixed-Use Center: Edge”. E Kalamazoo Street is designated as a prime connector. S. Larch Street is designated as an arterial corridor and S. Cedar Street is designated as an activity corridor.

NOTE: Planning Commission previously reviewed Z-2-2025, a conditional rezoning for these four properties from DT-3 to IND-1 to permit a ‘data center’ and accessory infrastructure. During the public hearing process with City Council, Deep Green Technologies USA, LLC has committed to various agreements for inclusion in a new sale agreement. For the sake of transparency, the City has requested the Planning Commission review the request for a conditional rezoning.

DESCRIPTION:

This is a request to conditionally rezone four contiguous parcels (33-01-01-16-427-122, 33-01-01-16-427-082, 33-01-01-16-427-051, and 33-01-01-16-427-192) located on the north side of E. Kalamazoo Street between S. Cedar Street and S. Larch Street (see attached aerial and proposed site plan) from “DT-3” Downtown Core to “IND-1” Industrial. The purpose of the rezoning is to permit a 24-megawatt (MW) data center that combines computer data storage capacity with an approach for carbon-neutral heat recovery. The Board of Water & Light will be selling 8 MW of electric power to Deep Green for the proposed data center. In return, the center will provide free, carbon-neutral heat directly into the BWL’s hot water system downtown as BWL converts from the existing steam system, reducing the natural gas demand for the system and carbon emissions. A more detailed description of the data center operations is attached to this report. This is a conditional rezoning request wherein, if approved, the only allowable use of the properties would be the data center and accessory power substation. The conditions as voluntarily offered by the property owners, the City of Lansing (Parcels B, C, & D) and 220 S. Larch, LLC (Parcel A) are as follows:

1. The parcels will not be used for any purpose other than data center operations and supporting facilities;
2. Any structures will be compliant with the dimensional requirements, architectural standards, screening or massing requirements, and exterior materials requirements of the DT-3 classification, as reflected in any final site plan as approved by the City of Lansing; and
3. All use of the parcels will be consistent with requirements of Lansing City Code regarding noise limitations, and the parcels will not be entitled to any exemption for industrial property or industrial use.

REZONING ANALYSIS

COMPATIBILITY WITH SURROUNDING LAND USE:

The proposed data center will be compatible with the surrounding industrial and heavy commercial land uses. The data center is most similar to a warehouse of computer equipment with some accessory office use. The previous zoning of the property, prior to adoption of the form-based code was “H” Light Industrial which permitted the surrounding industrial uses and would have permitted the proposed data center by-right. There is a Board of Water & Light (BWL) water conditioning plant to the west, a BWL solar array to the north and various automobile service facilities to the east. To the south is a fast-food restaurant, an office building plaza, and a parking lot. Seven vacant parcels are in the immediate vicinity. While the property is zoned “DT-3” Downtown Core, the area does not share the same characteristics as the majority of the downtown that is primarily comprised of commercial, office, and residential uses in a pedestrian-friendly environment. The subject property, by contrast, is surrounded by three major streets with high volumes of traffic; is located in an area that is dominated by industrial and automobile-oriented businesses, or is otherwise vacant; and is not conveniently located within a critical mass of residential, office and commercial uses that draw a level of pedestrian traffic to the area necessary to support most uses permitted under the existing “DT-3” zoning.

The proposed “IND-1” zoning permits several land uses that would not be appropriate for the subject property such as open storage facilities, heavy manufacturing, and recycling/salvage operations. To

prevent future establishment of incompatible land uses, the property owners have offered this request as a conditional rezoning wherein the allowable use will be restricted to the data center and accessory power infrastructure uses only.

A preliminary rendering of the proposed building is attached to this staff report. The building facades will be a mix of brick and decorative concrete and at least 25 feet in height, as required by the existing and proposed zoning designations. The scale and design of the building will be compatible with the BWL water conditioning plant to the west and will be of higher quality and design than many of the other existing buildings in the area. A condition of the sale agreement and this rezoning request will be that the proposed building comply with the site layout requirements of Section 1243.09, and with the Architectural Standards of Chapter 1254 of the Zoning Ordinance.

The attached, preliminary site plan demonstrates compliance with the basic site layout requirements of both the proposed “IND-1” zoning district and the existing “DT-3” zoning district. The building will be located at the required 5-foot setback line at the northwest corner of N. Larch Street and E. Kalamazoo Street so that the building, rather than the parking lot, will become the dominant feature of the site along those roadways, consistent with the intent of the zoning ordinance and the comprehensive plan. The outdoor equipment/generators will be enclosed by a screen wall with a noise dampening system. The site will be surrounded by a wrought-iron fence for safety and security, and landscaping, including new trees in the right-of-way along all three roadways will be planted. These changes will dramatically improve the appearance of the site compared to current conditions. The final site plan will need to be substantially consistent with the attached preliminary site plan.

The applicant has provided the following statement with respect to impact of the data center operations on the surrounding area:

“The facility is hyper-efficient and near silent. It will not be any louder than any other nearby land uses, and it will not produce any vibrations. There are no residential properties located adjacent to this facility. The main source of potential noise odor will be the backup power generators. These will need to run for a short time once a month, and the odor is similar to that of french fries. Outside of regular testing, these will only be used in rare instances of power failure. The generators will be housed in acoustic shells and comply with the maximum permitted noise levels set by the relevant city building codes.”

The subject property is not located directly adjacent to single-family residential or other low-impact non-residential uses that could be negatively impacted by the potential effects of the facility as described above.

COMPLIANCE WITH COMPREHENSIVE PLAN:

The *Design Lansing* Comprehensive plan designates the subject property for “Downtown Mixed-Use Center: Edge”.

The subject area is specifically mentioned in the 2012 *Design Lansing* Comprehensive Plan (pgs. 63-64).

“This zone creates unappealing vehicular entries to downtown from the east and barriers that discourage pedestrian access to and from near-downtown neighborhoods. Along East Michigan Avenue, a transition to urban mixed use has begun...”

“Design Lansing recommends a continued transition from industrial and heavy commercial to a mix of office, retail, entertainment, arts/cultural live-work and residential uses.”

However, it goes on to concede:

“Except on the riverfront, light industry can continue to be part of this mixed-use area if external impacts (outdoor storage, noise and truck traffic) are minimized, and buildings and parking are located and designed to make a positive contribution to the area’s visual appeal and walkability.”

While the proposed data center does not completely align with future land uses being advanced in the comprehensive plan, it is not the kind of heavy industry once located along the east bank of the Grand River and it is consistent with several of *Design Lansing’s* goals and objections as well as the basic principles of planning and zoning in general. These include permitting uses in areas where they are compatible with existing uses, eliminating surface parking lots along major road frontages and constructing buildings near front property lines so that they, as opposed to parking lots, become the dominant feature of the site. Buildings along roadways with parking located to the side or rear have the effect of reducing speeds, creating a more pedestrian friendly environment and improving the appearance of the streetscapes.

IMPACT ON VEHICULAR AND PEDESTRIAN TRAFFIC:

The proposed data center is not expected to impact vehicular or pedestrian traffic circulation in the area. The building will not be open to the general public and there will be 15 employees across multiple shifts on the site when it is operating at full capacity. The proposed driveways will be located away from the major intersections with Kalamazoo St. There is a proposed loading dock internal to the site and not in conflict with the circulation network. The proposed traffic, therefore, will be minimal and less than what is generated by the existing City-owned parking lots.

IMPACT ON PUBLIC FACILITIES:

The site plan for the proposed development will require administrative site plan review and approval in accordance with applicable City, State and Federal standards and rules, during which a stormwater management plan and the adequacy of the utility systems necessary to serve the data center will be evaluated.

ENVIRONMENTAL IMPACT:

City staff’s review of environmental impacts of a rezoning request are preliminary and basic in practice, focused on site development of allowable land uses. Staff evaluates the historical use of a property and the historical development of the site only. Staff does not conduct, nor does the City require, a Phase I or Phase II Environmental Site Assessment reports for a rezoning application.

The subject properties have historically had motor vehicle service stations, a motel, and a taxi-cab headquarters. The only existing building is vacant and was historically a motor vehicle repair station. The sites have been developed for decades. The majority of each parcel is covered by impervious surface except for landscaping setback areas and the vacant parcel (Parcel D) which is grass lawn.

No parcel is part of a wetland and none are within the 100-year floodplain. There are no historical woodlands on site.

Staff's research of Lot 49 and 49a has shown that underground storage tanks have been removed and remediated. If any additional materials are discovered during construction, Deep Green is obligated to address them and take any legally required actions.

The construction of the proposed data center will not impact the physical environment as the site has been developed. There will be very little site disturbance of the natural environment.

IMPACT ON FUTURE PATTERNS OF DEVELOPMENT:

A conditional rezoning request is unique and not expected to set a negative precedent for future requests to rezone property in the area for industrial purposes. The condition for the rezoning limits the allowable use of the property to the proposed data center and accessory infrastructure. The proposed use is low impact and will result in architectural improvements to the site that will bring it further into compliance with the intent and purpose of the comprehensive plan and the zoning ordinance as described in this staff report.

OTHER

The four parcels that comprise the site must be combined into one parcel before any permits can be issued for new construction. This is an administrative process that can be approved once all four parcels are under the exact same ownership.

The conditional rezoning request will need to be put into proper format and signed and notarized before final approval of the rezoning. The Planning and Zoning Office will provide a template.

SUMMARY

This is a request to rezone four contiguous parcels located on the north side of E. Kalamazoo Street between S. Cedar Street and S. Larch Street from "DT-3" Downtown Core to "IND-1" Industrial, with the condition that use of subject properties will be restricted to the proposed data center as described in the attachments provided by the applicant.

The purpose of the rezoning is to permit a 24-megawatt data center that combines computing capacity with an approach to carbon-neutral heat recovery for sustainable technology and clean energy innovation. The Board of Water & Light will be providing power to Deep Green for the proposed data center. In return, the center will provide free, carbon-neutral heat directly into the BWL's hot water system, reducing natural gas demand for the system and carbon emissions.

The findings of fact as described in this staff report support a positive recommendation for the request. The proposed rezoning will have no negative impacts on traffic, public services, the environment, or future patterns of development in the area. In addition, the proposed data center will be compatible with the surrounding land uses and will be consistent with the intent and purpose of the zoning ordinance and the comprehensive plan.

RECOMMENDATION

Staff recommends approval of Z-3-2026, to conditionally rezone the following properties:

Parcel A	220 S Larch St. –	PID # 33-01-01-16-427-192;
Parcel B	(501) 0 E Kalamazoo St. -	PID # 33-01-01-16-427-122;
Parcel C	(229) 0 S Cedar St. -	PID # 33-01-01-16-427-082; and
Parcel D	0 S Cedar St. -	PID # 33-01-01-16-427-051,

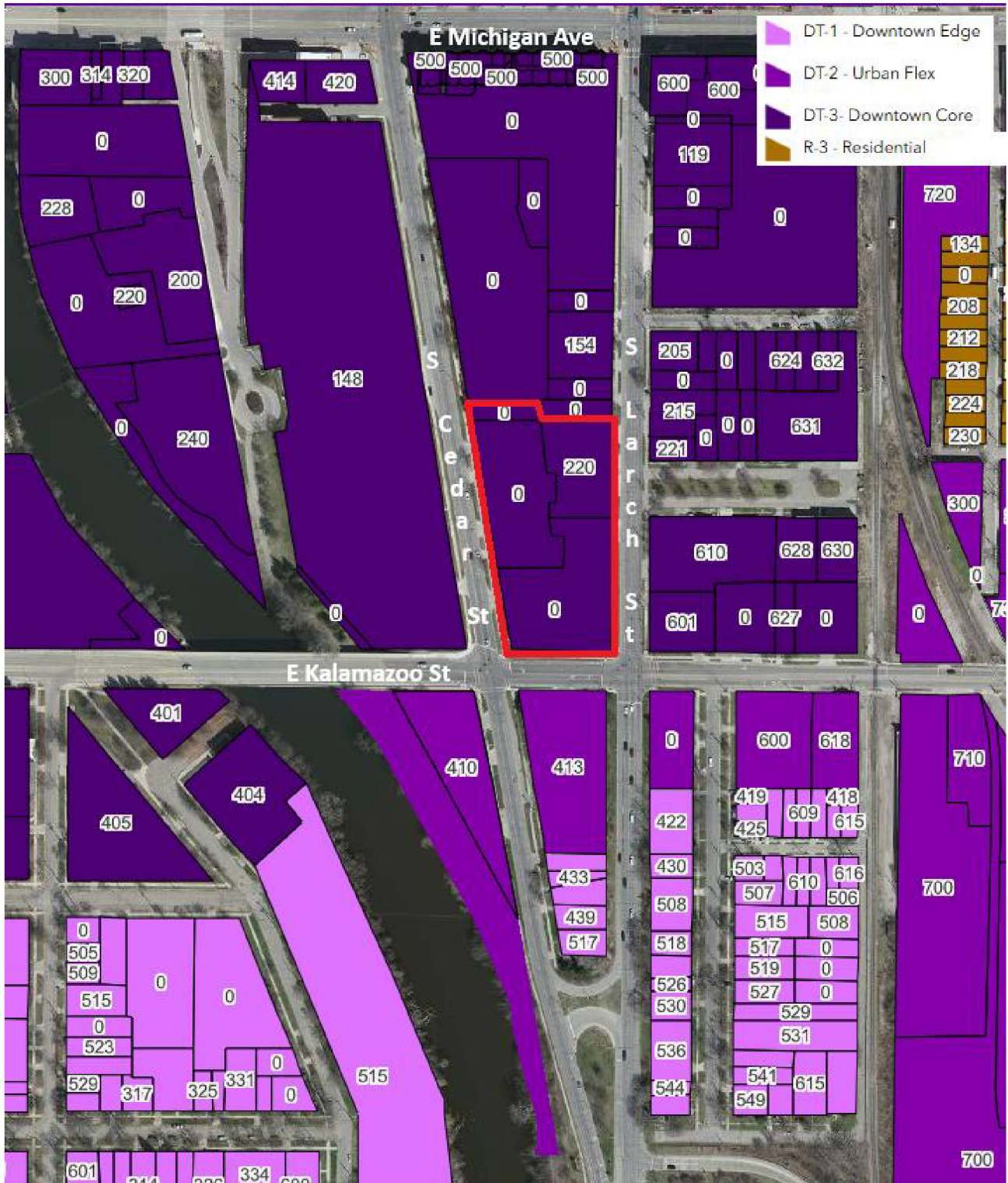
From DT-3 Downtown Core to IND-1 Industrial, with the following conditions:

1. The parcels will not be used for any purpose other than data center operations and supporting facilities;
2. Any structures will be compliant with the dimensional requirements, architectural standards, screening or massing requirements, and exterior materials requirements of the DT-3 classification, as reflected in any final site plan as approved by the City of Lansing; and
3. All use of the parcels will be consistent with requirements of Lansing City Code regarding noise limitations, and the parcels will not be entitled to any exemption for industrial property or industrial use.

Respectfully Submitted,

**Andy Fedewa
Planner**

Zoning:



Streetview: (looking northwest, July 2025)



(looking east, February 2026)



Proposed Site Plan:





Andy Schor, Mayor

PETITION FOR RE-ZONING

CITY OF LANSING
PLANNING OFFICE

Reset Form

Print

FILE NUMBER: _____

DATE SUBMITTED: 2.26.26

To the Honorable Mayor and City Council:

The undersigned do hereby petition for approval to rezone the following described property:

Street address, including zip code, of property to be rezoned

From DT-3 district to IND-1 district.

Legal description:

229 S. CEDAR: S 1/2 R OF E 1/2 LOT 5 & N 1.5 R OF E 1/2 LOT 6, BLOCK 241 ORIG PLAT, ALSO LOTS 1 THRU 7 INCL, JOHNS SUB REC L 1 P 51, LOT 8 JOHNS SUB, ALSO S 41.25 FT OF W 1/2 LOT 4, W 1/2 LOTS 5 & 6, AND S 57.75 FT OF N 132 FT OF E 1/2 LOT 5 EXC E 114.5 FT BLOCK 241 ORIG PLAT, S 2 R OF N 8 R OF W 1/2 LOT 4 BLOCK 241 ORIG PLAT.
220 S. LARCH STREET: S 41.25 FT OF E 1/2 LOT 4, ALSO E 1/2 LOT 5 EXC S 8.25 FT AND EXC COM 99 FT N & 136.55 FT W OF SE COR LOT 5, TH E 22.05 FT, S. 57.75 FT., W. 17.18 FT., NWLY 58 FT +/- TO BEG; BLOCK 241 ORIG PLAT

Applicant: Deep Green Technologies USA, LLC (Purchaser), City of Lansing (Owner)

Address (including zip code): 1007 N. Orange Street, 4th Floor, Suite 1382, Wilmington, DE 19801

Phone number(s): (248) 727-1617

Fax number: (248) 351-3082 Email: _____

Name of owner: City of Lansing (229 S. Cedar)/220 S. Larch, LLC (220 S. Larch)

Address (including zip code): 219 N. Grand Ave., Lansing, MI 48933-1307/330 Marshall Street, Suite 100, Lansing, MI 48912

Phone number: (517) 483-4320/ (517) 319-9262

Interest in Property (please check one):

- Option to buy, Owner, Lessee, Represent owner

Other (please specify): Applicant has a Buy-Sell Agreement with the City of Lansing, pending court approval, and a Buy-Sell Agreement with 220 S. Larch LLC to purchase the subject parcels.

IF MORE SPACE IS NEEDED FOR THE ITEMS LISTED BELOW, PLEASE ATTACH EXTRA SHEETS

Do you have a specific plan for using this property? Yes No

If so, describe and / or explain the specific land use proposed for this property:

The proposed use for the subject property is a data center with 24 MW of electric power provided by the Lansing Board of Water & Light (LBWL).


If exhibits are to be furnished late, please indicate date of submittal: _____

If exhibits are not submitted in a timely manner, the petition may be tabled or the process delayed.

FEES:

Consolidated Rate: \$1,100.00

Please have the petition reviewed by and filed with the Planning Office. The Planning Office will transmit it to the City Clerk for official submission.

Signature of applicant:  _____

Name: Mark Lee Andy Schor, Mayor

For assistance, please contact:

PLANNING OFFICE
316 N. CAPITOL AVE., SUITE D-1
LANSING, MI 48933-1236
(517) 483-4066
FAX: (517) 483-6036

Andy Schor
Mayor



City Hall - 9th Floor
124 W. Michigan Avenue
Lansing, MI 48933-1694
PH: 517.483.4141 – FAX: 517.483.6066
Lansing.Mayor@lansingmi.gov

Andy Schor, Mayor

OFFICE OF THE MAYOR
CITY OF LANSING, MICHIGAN

February 26, 2026

To Whom It May Concern:

On behalf of the City of Lansing, as the manager of real property, I offer the following conditions to the request to amend the zoning for parcels 33-01-01-16-427-122, 33-01-0116-427-082, and 33-01-01-16-427-051, currently owned and managed by the City of Lansing, and proposed for sale to Deep Green Technologies USA, LLC, from DT-3 Commercial to IND-1 Industrial:

- The parcels will not be used for any purpose other than data center operations and supporting facilities;
- Any structures will be compliant with the dimensional requirements, architectural standards, screening or massing requirements, and exterior materials requirements of the DT-3 classification, as reflected in any final site plan as approved by the City of Lansing; and
- All use of the parcels will be consistent with requirements of Lansing City Code regarding noise limitations, and the parcels will not be entitled to any exemption for industrial property or industrial use.

Sincerely,

Andy Schor
Mayor



City of Lansing
Attn: Planning and zoning office
316 N. Capitol Avenue
Suite D-1
Lansing, MI 48933

Re: Conditions to amend zoning of 220 S. Larch Street, Lansing, MI 48912

To Whom it may concern:

On behalf of 220 S Larch, LLC, as its Manager, I offer the following conditions to the request to amend the zoning for parcel 33-01-01-16-427-192, currently owned by 220 S Larch LLC, and under contract for purchase by Deep Green Technologies USA, LLC, from DT-3 Commercial to IND-1 Industrial:

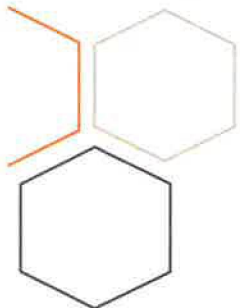
- The parcels will not be used for any purpose other than data center operations and supporting facilities.
- Any structures will be compliant with the dimensional requirements, architectural standards, screening or massing requirements, and exterior materials requirements of the DT-3 classification, as reflected in any final site plan as approved by the City of Lansing; and
- All use of the parcels will be consistent with requirements of Lansing City Code regarding noise limitations, and the parcels will not be entitled to any exemption for industrial property or industrial use.

Sincerely,



Patrick K. Gillespie

pgillespie@gillespie-group.com





Mark Lee (Deep Green, CEO)
Conditional Zoning for 229 S. Cedar, Lansing, MI and 220 S. Larch, Lansing, MI

Date: 27th February 2026

The undersigned, Mark Lee, on behalf of Deep Green Technologies USA, LLC, being the prospective purchasers of parcels 33-01-01-16-427-122, 33-01-0116-427-082, 33-01-01-16-427-051, and 33-01-01-16-427-192, and the applicants for a request to amend the zoning of said parcels from "DT-3" Commercial district to "IND-1" Industrial district, agrees and consents to the conditions offered by the current property owners:

- The parcels will not be used for any purpose other than data center operations and supporting facilities;
- Any structures will be compliant with the dimensional requirements, architectural standards, screening or massing requirements, and exterior materials requirements of the DT-3 classification, as reflected in any final site plan as approved by the City of Lansing; and
- All use of the parcels will be consistent with requirements of Lansing City Code regarding noise limitations, and the parcels will not be entitled to any exemption for industrial property or industrial use;

and understands that if the requested zoning amendment is approved by the Lansing City Council the conditions shall run with the land and be binding upon the successor owners of the land.

A handwritten signature in black ink, appearing to be "Mark Lee", written over a horizontal line.

Mark Lee



DEEP
GREEN

Powering Progress.
Supporting Community.

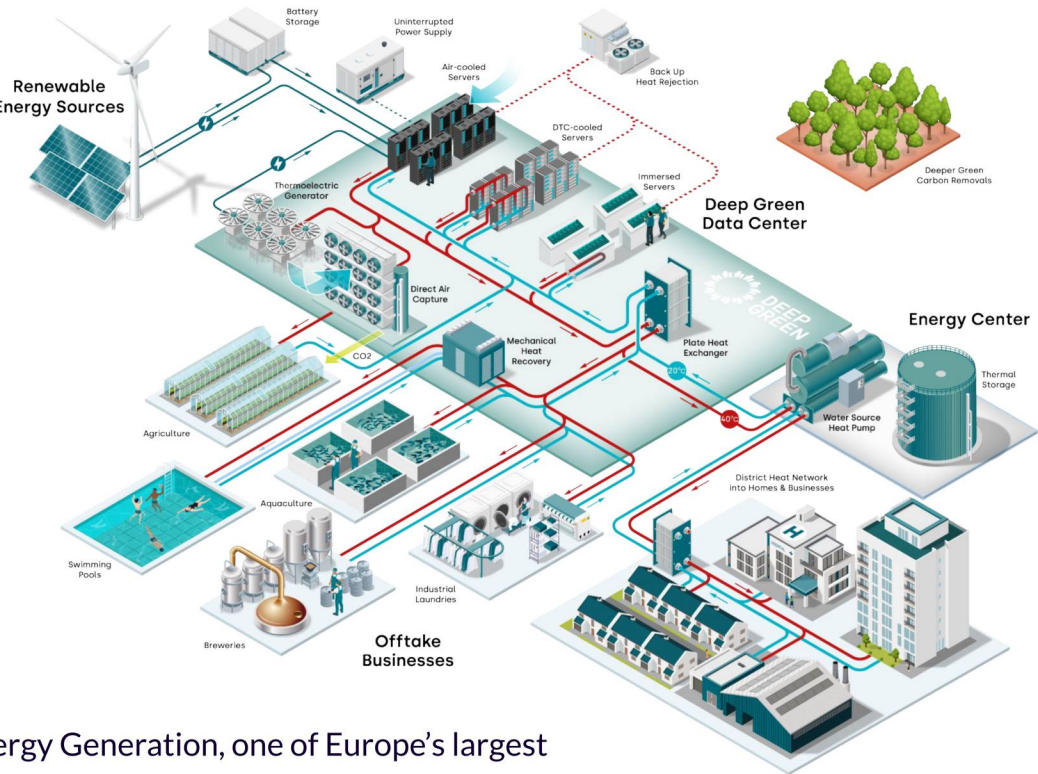


WE'RE READY TO
SERVE LANSING

About Deep Green

Deep Green is a data center developer, doing things differently:

- Free heat
- Compact & hyper energy efficient
- Negligible water use & zero extraction or pollution
- Community investment
- Co-location for regional tech



octopusenergy
generation

Funded by Octopus Energy Generation, one of Europe's largest renewable energy infrastructure investors.

Community feedback on data centers:

Increase local utility rates

Consume an enormous amount of water

Displace acres of farmland

Are a fire risk

Help grow generative AI

Are ugly and don't fit in a downtown environment

Don't create jobs

Our Vision: Lansing as a standard

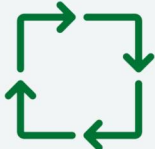
Combining sustainable computing and heating to align with Lansing's climate and innovation goals.

24_{MW}

Urban data center to power the local tech-economy.



Heat reuse to reduce natural gas demand and carbon impact.



Closed-loop water - glycol cooling to minimize water usage.

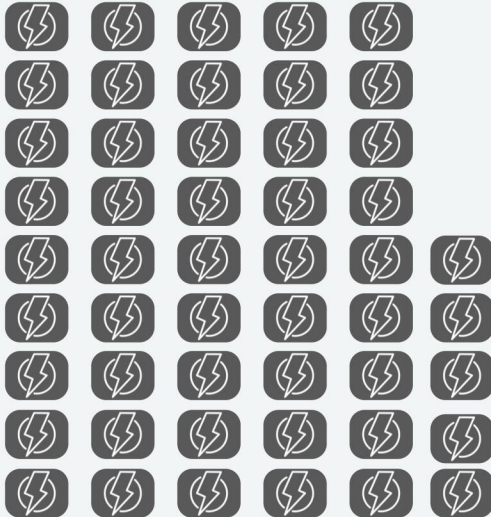


Long-term economic impact as well as local high wage jobs.



A different kind of data center: Power use

Hyperscale data center



500MW - 1GW+

Equivalent to twice the power demand of Lansing and the surrounding areas

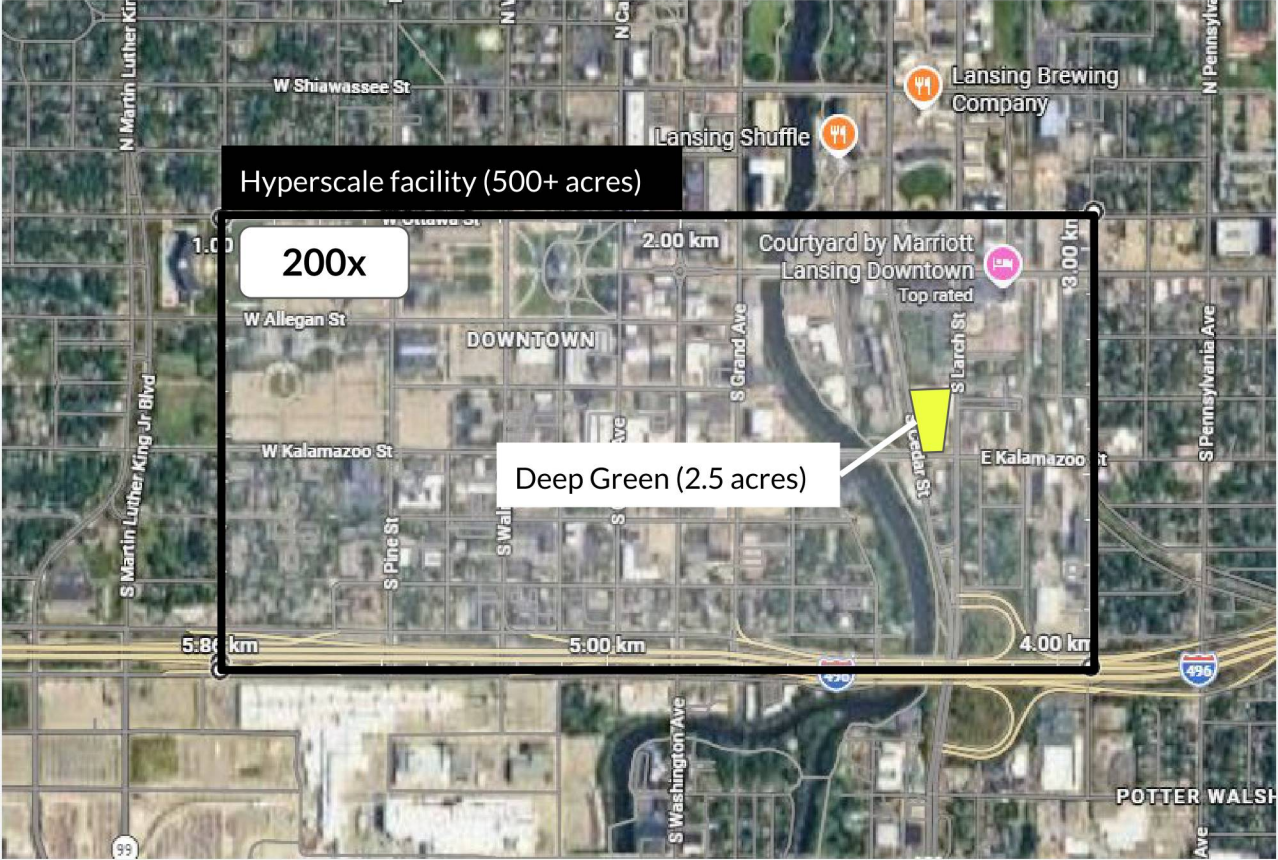
50x



24 MW

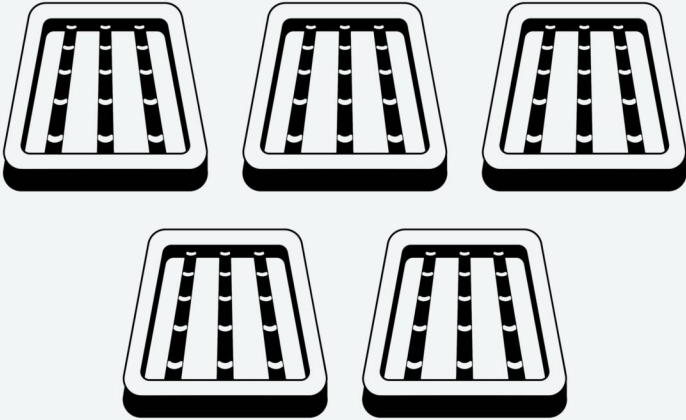
Existing capacity on the grid + on-site fuel cell technology

A different kind of data center: Land use



A different kind of data center: Water use

Hyperscale data center



500x



250,000,000 gallons a year
Equivalent to City of Lansing's water consumption
or 5 olympic swimming pools a day

<500,000 gallons a year
Equivalent to 10 residential homes or a small
restaurant

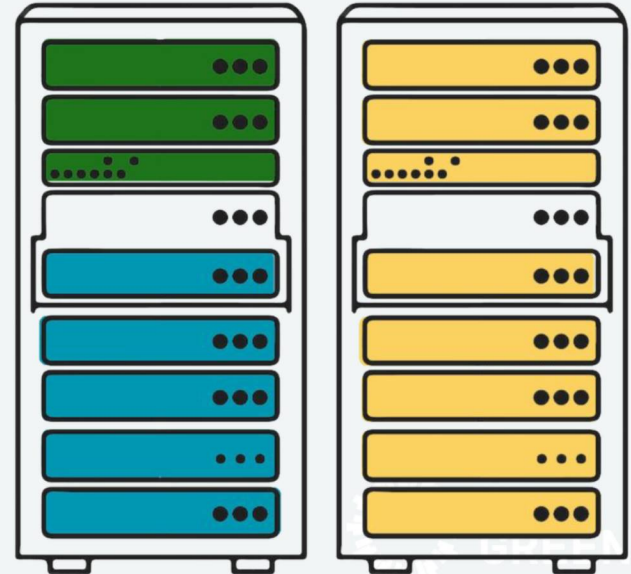
A different kind of data center: Colocation for regional clients

- Deep Green builds 'Colocation' data centers (multiple clients per site).
- The small size of Deep Green sites means we are **not** suitable for Generative AI, military or law enforcement operations. This is a facility for regional **businesses** and **universities**.
- Putting Lansing on the map for cutting edge sustainable digital infrastructure and encouraging technology businesses to come to the City.

University research

AI/HPC native applications

Blue chip corporations running
their HPC functions



Design Aesthetics



Sound & water

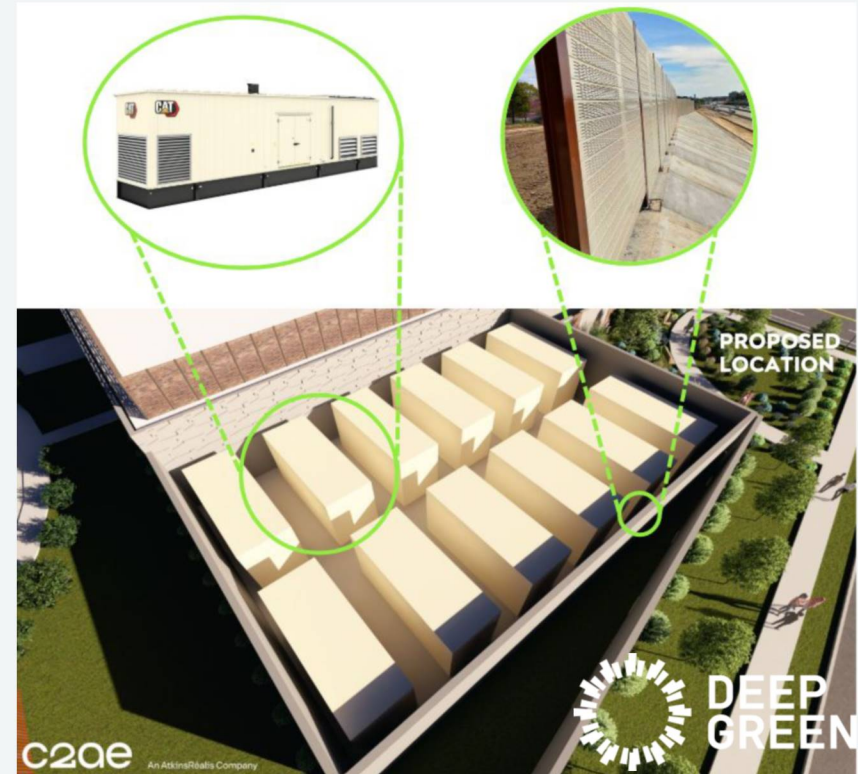
Negligible impact on the local environment

Sound

- Generators will only be run every 2 weeks for an hour. This will be scheduled to minimise disruption.
- Generator enclosures and sound attenuation walls used to achieve current legal noise limits for downtown zoning.

Water

- Closed loop liquid based cooling system means no incremental water from BWL used in data center cooling system and no discharge to the local environment.
- Glycol mix used which is replaced every 5-15 years, processed per EGLE standards.



Power

Power will be supplied by BWL via an 8MW grid supply + 16MW on-site fuel cell facility

Benefits of fuel cells:

- Reduced impact on grid
- Quiet (chemical reaction to produce power)
- Cleaner & highly efficient (NOX & SO₂ reduced by 95.5% and CO₂ reduced by nearly 50%)

BWL will not be responsible for any capital costs related to this project - Deep Green is paying all infrastructure costs including the hot water connection.

Electric Rules & Regulations



Section 3.4: All new customers must pay for their required infrastructure and energy. Costs cannot be passed on to existing customers.

The community benefits

- Heat made available to BWL's hot water system.
- \$1.4 million purchase of parking lots deemed obsolete by a 2023 city-commissioned study.
- \$120+ million investment in Lansing.
- 50+ jobs during construction and operations.
- Long-term skilled employment: technicians, engineers, administrators working and paying taxes in Lansing.

When fully operational / occupied:

\$873k

Annual property tax revenue for local gov't, schools, libraries, etc.

\$1M

Estimated annual BWL revenues returned to the City of Lansing

\$120k

Per year toward the BWL "Pennies for Power" program to help customers in need

310k_{MCF}

Projected reduction in annual natural gas demand for BWL

Our design pledge to Lansing

- ✓ We will implement a closed loop, liquid based cooling system to minimise water consumption. There will be zero water discharge into the river from the data center's cooling loop.
- ✓ We will have consultation with the planning department and provide opportunity to feedback on the proposed design and aesthetics.
- ✓ We will prioritise local and regional compute demand in our sales efforts.
- ✓ We will make all heat generated by the site available to BWL to utilise within their hot water system.
- ✓ We will use union labor and use local Lansing contractors wherever possible.
- ✗ We will not cause increased utility rates for Lansing residents and businesses. We will pay in full for all power infrastructure and pay market rate for the power we consume.
- ✗ We will not build another data center in Lansing or expand the current project past the existing plots limits.
- ✗ We will not seek any discounts or incentives for local or city taxes or levies.

Mark Lee

Mark Lee
Chief Executive Officer

Legally Binding Commitments

Buy-Sell Agreement

- ✓ We will adhere to downtown noise limits.
- ✓ The city will have input on the site plan and all design aesthetics, including walkability and green space.
- ✓ The city has the right to buy back the land if the project doesn't commence within 24 months.
- ✓ No local tax incentives or abatements

BWL Contract

- ✓ We will pay for all required power infrastructure up front.
- ✓ We will pay market rate for our energy needs and guarantee the projected \$1M BWL return on equity to the city.
- ✓ We will implement a closed-loop, liquid-based cooling system to minimize water consumption.
- ✓ We will make all heat generated by the site available to BWL - for free.
- ✓ We will contribute \$120,000 per year to Pennies for Power or other local charities designated by the city.

Labor Contracts

- ✓ We will enter into a project labor agreement (PLA) with the local trade unions council to ensure union labor for the construction of our facility.

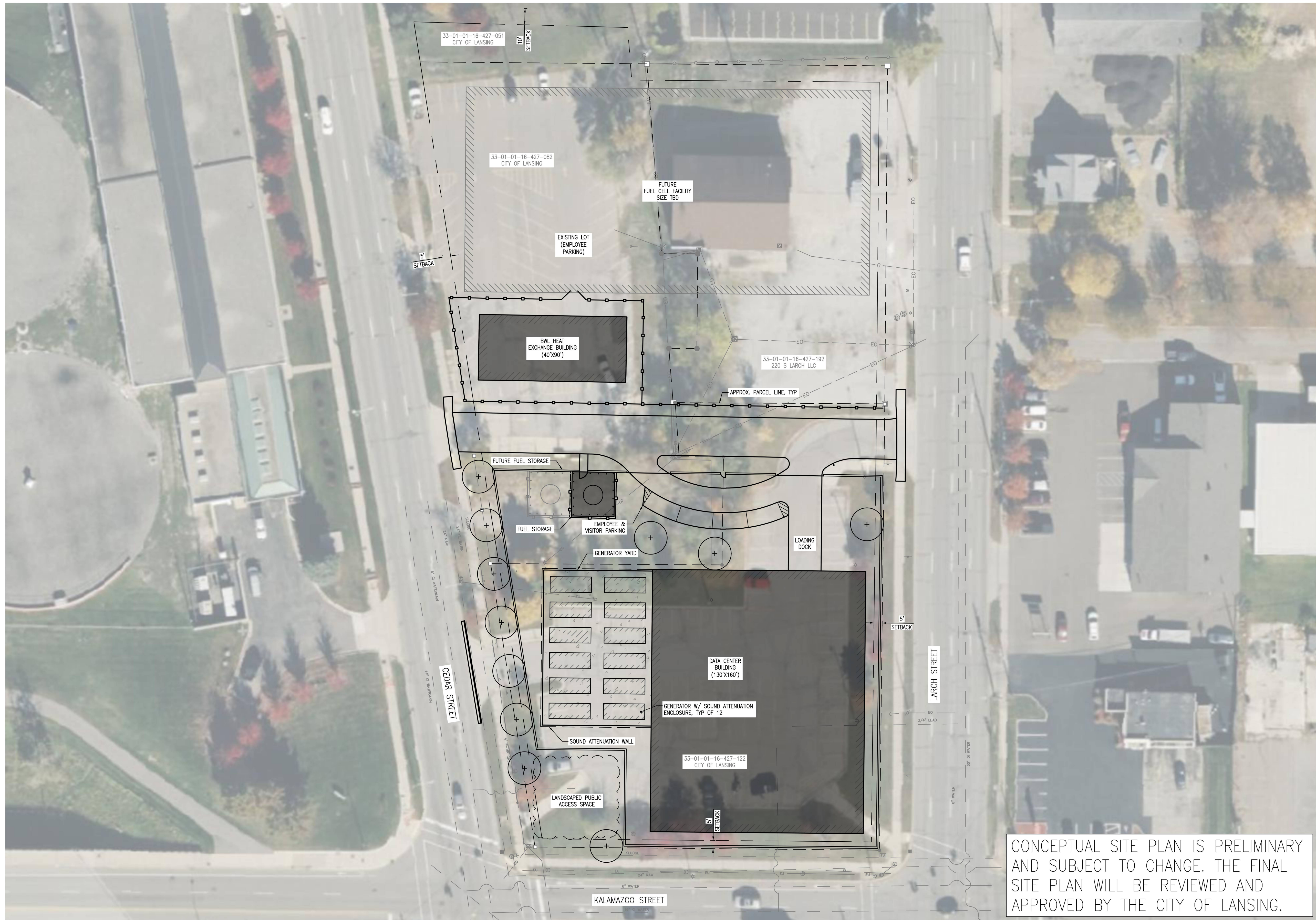
Following Best Practices



- ✓ Consider whether your industrial zone is appropriate for data centers – Lansing is doing that through this rezoning process
- ✓ Include quality-of-life impacts in industrial zoning regulation – potential impacts and their mitigation have been prominently featured throughout this process
- ✓ Get commitments in writing – DONE
- ✓ Request a Property Tax Guarantee – DONE
- ✓ Explore data center integration with other industrial infrastructure – DONE (heat reuse)

Questions?





CONCEPTUAL SITE PLAN IS PRELIMINARY AND SUBJECT TO CHANGE. THE FINAL SITE PLAN WILL BE REVIEWED AND APPROVED BY THE CITY OF LANSING.

From: Mitch Rice <ricem1957@gmail.com>
Sent: Tuesday, March 3, 2026 11:17 AM
To: Fedewa, Andrew <Andrew.Fedewa@lansingmi.gov>
Subject: [EXTERNAL] Planning Commission meeting3-3

Dear Planning Commission members:

I am supportive of this rezone

Z-3-2026, 200 blocks of S. Cedar Street and S. Larch Street, 229 S Larch St., Conditional rezoning from “DT-3” Downtown Core to “IND-1” Industrial.

This change in zoning is an appropriate use of the property and its location. It borders the downtown core but does not appear to be the best zoning for this area. It has not been used for anything but parking in recent years. It is unlikely any retail, service or housing development would ever be viable on these parcels.

I am supportive of the sale of the following property.

C. Act-4-2026, 325 Riverfront Dr., Lansing Shuffle, Sale of Property

Mitch Rice

Ward 2 resident



March 3, 2026

Lansing City Planning Commission
Neighborhood Empowerment Center
600 W Maple Street
Lansing, MI 48906

RE: Support for Item 4.B. Z-3-2026 – 200 Blocks of S. Cedar Street and S. Larch Street, 229 S. Larch St. – Conditional Rezoning from DT-3 Downtown Core to IND-1 Industrial

Dear Chair and Members of the Planning Commission:

On behalf of the Lansing Regional Chamber of Commerce, we write once again to express our strong and unwavering support for Item 4.B. Z-3-2026, the request to conditionally rezone the property located in the 200 blocks of South Cedar Street and South Larch Street, including 229 S. Larch St., from DT-3 Downtown Core to IND-1 Industrial.

As you may recall, the Chamber previously submitted a letter of support for this project in November 2025. While this item was subsequently required to be refiled, our support has never wavered. We continue to believe this conditional rezoning represents a strategic and forward-looking opportunity for the City of Lansing.

As the leading voice for the business community and a long-standing partner in Lansing's economic growth, we are committed to advancing opportunities that strengthen our economy, create jobs, and support the continued vitality of our capital city. Deep Green's proposed development represents a significant private investment in Lansing's future and aligns directly with our region's focus on innovation, sustainability, and advanced technology infrastructure.

This approximately 120-million-dollar project would transform underutilized, city owned land into a productive, revenue generating, high value use that supports long term economic growth. Property that currently functions as a surface parking lot generating no property tax revenue would become a world class data center facility bringing meaningful economic activity, local business opportunities, and new jobs to our region.

The proposed use is compatible with adjacent properties, including the Lansing Board of Water and Light water conditioning plant located across the street. Existing surrounding uses such as the solar array and nearby vehicle service centers establish an appropriate context for this type of development. Importantly, this is a conditional rezoning request. If the property were ever to





change ownership, the only permitted use would remain a data center and supporting facilities. This provides long term certainty and alignment with the intended vision for the corridor.

Deep Green's sustainable model, including the potential to reuse waste heat to support nearby buildings, reflects one of the most forward thinking and environmentally responsible data center approaches in the country. This development builds on the Lansing Board of Water and Light's legacy of innovative energy investment and complements ongoing corridor revitalization efforts extending from REO Town into the Stadium District and downtown core.

Communities that lead in digital infrastructure, energy innovation, and sustainable technology will be best positioned to attract the next generation of employers and talent. This project strengthens Lansing's competitive position, supports continued corridor investment, and signals that our community is open to responsible, high tech economic development.

For these reasons, we respectfully and strongly encourage the Planning Commission to approve Item 4.B. Z-3-2026. This conditional rezoning advances our shared goal of building a strong, vibrant, and innovative regional economy.

Thank you for your continued service to the City of Lansing and for your thoughtful consideration of this important action item.

Sincerely,

A handwritten signature in black ink that reads 'Tim Daman'.

Tim Daman
President & CEO
Lansing Regional Chamber of Commerce



ORDINANCE # _____

AN ORDINANCE OF THE CITY OF LANSING, MICHIGAN, PROVIDING FOR THE REZONING OF FOUR PARCELS OF REAL PROPERTY LOCATED IN THE CITY OF LANSING, MICHIGAN AND FOR THE REVISION OF THE DISTRICT MAPS ADOPTED BY SECTION 1242.02 OF THE CODE OF ORDINANCES.

The City of Lansing ordains:

Section 1. That the district maps adopted by and incorporated as Section 1242.02 of the Code of Ordinances of the City of Lansing, Michigan be amended to provide as follows:

To change the zoning classification of the properties described as follows:

Case Number: Z-3-2026
Parcel Number: 33-01-01-16-427-051
Addresses: 0 S Cedar St.
Legal Descriptions: S 2 R OF N 8 R OF W 1/2 LOT 4 BLOCK 241 ORIG PLAT, from “DT-3” Downtown Core to “IND-1” Industrial

Case Number: Z-3-2026
Parcel Number: 33-01-01-16-427-082
Addresses: 0 S Cedar St.
Legal Descriptions: LOT 8 JOHNS SUB, ALSO S 41.25 FT OF W 1/2 LOT 4, W 1/2 LOTS 5 & 6, AND S 57.75 FT OF N 132 FT OF E 1/2 LOT 5 EXC E 114.5 FT BLOCK 241 ORIG PLAT, from “DT-3” Downtown Core to “IND-1” Industrial

Case Number: Z-3-2026
Parcel Number: 33-01-01-16-427-122
Addresses: 0 E Kalamazoo St.
Legal Descriptions: S 1/2 R OF E 1/2 LOT 5 & N 1.5 R OF E 1/2 LOT 6, BLOCK 241 ORIG PLAT, ALSO LOTS 1 THRU 7 INCL, JOHNS SUB REC L 1 P 51, from “DT-3” Downtown Core to “IND-1” Industrial

Case Number: Z-3-2026
Parcel Number: 33-01-01-16-427-192
Addresses: 220 S Larch St.
Legal Descriptions: S 41.25 FT OF E 1/2 LOT 4, ALSO E 1/2 LOT 5 EXC S 8.25 FT AND EXC COM 99 FT N & 136.55 FT W OF SE COR LOT 5, TH E 22.05 FT, S 57.75 FT, W 17.18 FT, NW'LY 58 FT +/- TO BEG; BLOCK 241 ORIG PLAT, from “DT-3” Downtown Core to “IND-1” Industrial

With the conditions that the parcels will not be used for any purpose other than data center operations and supporting facilities; any structures will be compliant with the dimensional requirements, architectural standards, screening or massing requirements, and exterior materials requirements of the DT-3 classification, as reflected in any final site plan as approved by the City of Lansing; and all use of the parcels will be consistent with

requirements of Lansing City Code regarding noise limitations, and the parcels will not be entitled to any exemption for industrial property or industrial use, which shall run with the land and be binding upon all future owners thereof.

Section 2. All ordinances or parts of ordinances inconsistent with the provisions hereof are hereby repealed.

Section 3. This ordinance was duly adopted by the Lansing City Council on _____, 2026, and a copy is available in the office of the Lansing City Clerk, 9th Floor, City Hall, 124 W. Michigan Avenue, Lansing, MI 48933.

Section 4. This ordinance shall take effect on the 14th day after enactment, at any later date specified or unless given immediate effect by City Council.

BY THE COMMITTEE OF THE WHOLE
RESOLVED BY THE CITY COUNCIL OF THE CITY OF LANSING

Resolved by the City Council of the City of Lansing that a public hearing be set for Monday, April 6, 2026 at 7:00 p.m. in the Tony Benavides Lansing City Council Chambers, 10th Floor, Lansing City Hall, 124 W Michigan Avenue, Lansing, Michigan, for the purpose of approving and/or opposing the Ordinance for rezoning:

Z-3-2026 Parcel #s 33-01-01-16-427-122, 33-01-01-16-427-082, 33-01-01-16-427-051, and 33-01-01-16-427-192, located on the north side of E. Kalamazoo Street between S. Cedar Street and S. Larch Street – Rezoning from “DT-3” Urban Core to “IND-1” Industrial with the conditions that the parcels will not be used for any purpose other than data center operations and supporting facilities; any structures will be compliant with the dimensional requirements, architectural standards, screening or massing requirements, and exterior materials requirements of the DT-3 classification, as reflected in any final site plan as approved by the City of Lansing; and all use of the parcels will be consistent with requirements of Lansing City Code regarding noise limitations, and the parcels will not be entitled to any exemption for industrial property or industrial use, which shall run with the land and be binding upon all future owners thereof.

CITY OF LANSING
NOTICE OF PUBLIC HEARING

**Z-3-2026, 200 blocks of S. Cedar Street and S. Larch Street, 229 S Larch St.,
Conditional rezoning from DT-3 Downtown Core to IND-1 Industrial**

The Lansing City Council will hold a public hearing on Monday, April 6, 2026 at 7:00 p.m. in the Tony Benavides Lansing City Council Chambers, 10th Floor, Lansing City Hall, 124 W. Michigan Avenue, Lansing, Michigan to consider Z-3-2026 a request to rezone parcel #'s 33-01-01-16-427-122, 33-01-01-16-427-082, 33-01-01-16-427-051, and 33-01-01-16-427-192, located on the north side of E. Kalamazoo Street between S. Cedar Street and S. Larch Street – Rezoning from “DT-3” Urban Core to “IND-1” Industrial with the conditions that the parcels will not be used for any purpose other than data center operations and supporting facilities; any structures will be compliant with the dimensional requirements, architectural standards, screening or massing requirements, and exterior materials requirements of the DT-3 classification, as reflected in any final site plan as approved by the City of Lansing; and all use of the parcels will be consistent with requirements of Lansing City Code regarding noise limitations, and the parcels will not be entitled to any exemption for industrial property or industrial use, which shall run with the land and be binding upon all future owners thereof.

For more information, please call Lansing City Council at 517-483-4177. If you are interested in this matter, please attend the public hearing or send a representative. Written comments will be accepted between 8 a.m. and 5 p.m. on City business days if received before 5 p.m., Monday, April 6, 2026 at the City Clerk’s Office, Ninth Floor, City Hall, 124 West Michigan Ave., Lansing, MI 48933 or email city.clerk@lansingmi.gov.

Chris Swope, City Clerk