Northeast Ohio
Regional Sewer District

DEBT MANAGEMENT POLICY
Effective Date: August 18, 2022

Table of Contents

1. INTRODUCTORY STATEMENT OF INTENT

The following are the general policies that the Northeast Ohio Regional Sewer District (NEORSD) expects to follow in the financing of its capital program. NEORSD intends for this Debt Management Policy to be applied in conjunction with and, to the fullest extent possible, consistent with its Investment Policy. The Debt Management Policy is designed to provide a framework for evaluating NEORSD's capital funding program. From time to time, NEORSD expects that it will deviate from the Policy as it implements its capital program. It will deviate from the Policy only when it believes it is in its best financial interest to do so, and such deviations will be fully disclosed to, and must be approved by, the Board of Trustees.

2. GOALS AND OBJECTIVES

The goals of the Debt Management Policy are to establish parameters for issuing debt and managing a debt portfolio which encompasses NEORSD's capital improvement needs and its ability to repay financial obligations using a long-term financial planning approach. Specifically, the policies outlined in this document are intended to guide NEORSD in:

- Evaluating critical debt issuance options.
- Promoting sound financial management in the short- and long-term.
- Providing accurate and timely information on financial conditions.
- Maintaining appropriate capital assets for present and future needs.
- Protecting and enhancing NEORSD's credit rating.
- Ensuring the legal and prudent use of NEORSD's bonding authority through an effective system of financial security and internal controls.
- Using debt financing where appropriate to match projected revenue streams with needs.
- Assessing the impact of new debt to user rates and implementing processes to mitigate material increases.

3. CAPITAL IMPROVEMENT PLAN FUNDING

Each year NEORSD prepares a ten-year Sewer Capital Improvement Plan (Sewer CIP), which lists anticipated capital projects by category and the year in which the project will be constructed. Historically, NEORSD had been successful in obtaining federal construction grants to fund these projects. As grant funds decreased, it obtained funding for most projects through the State-administered Clean Water State Revolving Fund Program known as the Water Pollution Control Loan Fund (WPCLF) in Ohio. This program provides below market interest rate loans secured by user fees paid by customers. In addition to grant funds and low interest loan funds, NEORSD has accessed the Ohio Water Development Authority (OWDA) Fresh Water and other applicable loan programs. These loans are also secured by user fees. Other sources of funding for capital projects include internally generated funds and proceeds from NEORSD's revenue bond financing. As NEORSD reviews its Sewer CIP, priority of funding will generally be:

- Grant funds
- Low interest OWDA loans from the WPCLF program
- Internally generated funds
- Revenue Bonds and Notes
- OWDA Fresh Water and other applicable loan programs
- Other loan funds as available, such as Ohio Public Works Commission funds
- Lease financing

NEORSD also prepares a capital improvement program for its Regional Stormwater Management Program. At this time, the NEORSD does not intend to issue debt of any kind to fund Stormwater projects. The priority of funding for NEORSD's Stormwater Capital Improvement Plan will generally be:

- Grant funds
- Internally generated funds

Consistent with the foregoing priorities, NEORSD may from time to time establish interim financing mechanisms for its Sewer CIP, and it will generally seek to secure obligations that it issues or incurs for interim financing purposes on a subordinated basis relative to its Revenue Bonds.

4. GUIDING PRINCIPLES

The following policies will govern the issuance of all NEORSD debt:

4.1. Trust Agreement

NEORSD will abide by all the covenants are contained in the Trust Agreement that secures its Revenue Bonds. NEORSD considers these covenants to be minimum requirements.

4.2. Net Revenue Pledge

Under most circumstances, NEORSD will secure debt obligations that it issues for the financing of capital improvements by a pledge of NEORSD's Net Revenues on parity with the pledge that secures NEORSD's outstanding Revenue Bonds. NEORSD may use interim financing methods before issuing long-term Revenue Bonds for the financing of projects, and it will generally secure such interim financing on a subordinated basis relative to its Revenue Bonds. In addition, if NEORSD enters a contractual arrangement with another political subdivision or entity to construct a Water Resource Project to be owned by the other subdivision or entity, NEORSD may use the flexibility it has under its Trust Agreement to finance the Project on a stand-alone basis rather than by a pledge of NEORSD's Net Revenues.

4.3. User Rates

NEORSD will continuously monitor the effects of additional debt to its user rates and seek to mitigate material increases through policies and practices set forth in this document.

4.4. Waiver of Policy by Board of Trustees

NEORSD may deviate from the requirements of the Debt Policy when, by resolution of the Board of Trustees, NEORSD finds that it is in its best interest to do so.

5. APPROACH TO FINANCING SHORT- AND LONG-TERM DEBT

NEORSD has historically used the WPCLF and other low-cost sources of capital. It intends to continue to pursue the use of loan funds and grant financing and to maximize such use to reduce the overall financing cost of its capital program.

The maximum term of any debt issuance by NEORSD shall be limited to the useful life of the assets(s) being financed up to 40 years, per Ohio Revised Code Section 6119.12. NEORSD has the option to issue debt for a shorter period of time if it is deemed appropriate by the Chief Financial Officer and NEORSD's Board. Generally, any debt taken on by NEORSD shall have a level repayment schedule avoiding any balloon or bullet maturities. With respect to long-term fixed rate bonds issued in the capital markets, NEORSD shall use its best efforts to utilize optional redemption features that give NEORSD maximum flexibility with respect to refinancing and restructuring debt in the future.

A sound debt management program integrates pay-as-you-go project financing with projects financed through the issuance of long-term debt. NEORSD's CIP ues this combined approach to fund its capital projects. Therefore, it is important to integrate NEORSD's Debt Management Policy with the CIP. Debt issuance for capital projects should not be considered unless such issuance has been incorporated into the CIP.

Factors Favoring Pay-As-You-Go Financing

- Current revenues and adequate fund balances are available such that project phasing can be accomplished.
- Useful life of the capital asset is 10 years or less.
- Additional debt might have an adverse impact on NEORSD's credit rating.
- Market conditions are unstable or present difficulties in marketing the transaction.

Factors Favoring Long-term Debt Financing

- Revenues available for debt service are sufficient and reliable such that long-term financings can be marketed with an investment grade credit rating (Capital markets bonds only).
- The project securing the financing is of the type which will support an investment grade credit rating (Capital markets bonds only).
- Market conditions present favorable interest rates.
- The project is required to meet or relieve capacity needs and current resources are insufficient or unavailable.
- The life of the project or capital asset to be financed is 10 years or longer.

Variable Rate Debt

- To minimize overall interest rate risk, the amount of variable rate financing shall not exceed 25% of NEORSD's outstanding combined senior and subordinate debt.
- Prior to issuing variable rate debt, NEORSD will develop a plan of finance to manage associated risks and mitigate its variable rate exposure.

Lease Financing

- NEORSD will use lease financing for facilities or equipment if it can be demonstrated that this is (i) the most cost-effective way to secure financing, or (ii) on small projects that do not warrant entry into the bond market.

6. POLICY STANDARDS

Within the framework of the principles described above, NEORSD will be guided by the following operational policies.

6.1. Professionals

- NEORSD will select an independent registered municipal advisor and bond counsel to assist in its debt issuance, debt administration processes and rebate reports.

- NEORSD will select bond counsel to provide objective legal opinions with respect to debt obligations and whether interest paid is tax-exempt under federal/state laws and regulations. Bond counsel will be selected pursuant to District Bylaws' process for selecting legal counsel.

- Municipal advisors, underwriters, and other professionals will be selected in a manner consistent with NEORSD's procurement policy for professional services. Fees for Underwriters and other professional services will be negotiated on a transaction-by-transaction basis with the assistance of NEORSD's municipal advisor.

- NEORSD will select a qualified independent representative to assist in the process of understanding, evaluating, and issuing derivative products.

6.2. Debt Issuance

- Prior to the issuance of any debt, the Board will pass an authorizing resolution authorizing the financing arrangements. The Board will set limits and parameters on the sale in the resolution and will delegate the determination of the specific terms of the debt to the Chief Executive Officer or Chief Financial Officer. The final terms will be set in a Certificate of Award which must comply with the limits and parameters established in the authorizing resolution.

- NEORSD will analyze its capital-financing alternatives before a specific transaction is scheduled.

- Debt will not be sold without integrating and considering the impact that debt service costs will have on NEORSD's operating budget. NEORSD will regularly review opportunities to refund its debt when it is advantageous for NEORSD's financial position to do so.

- NEORSD may use available cash to redeem or defease outstanding debt. Prior to executing a cash defeasance, the municipal advisor will provide an analysis to identify the efficiency of each bond within NEORSD's debt portfolio so that management can determine which debt obligations will be redeemed.

- Bond Anticipation Notes are typically an interim means of financing and, by their very nature, expose NEORSD to interest rate risk upon renewal. Notes may be used (i) to finance small projects until such time as the project or projects can be rolled into a larger bond sale, (ii) during times of high interest rates and when the expectation is that interest rates are stable or trending downward and (iii) on an interim basis during the construction period until such time as the project is placed into service.

- NEORSD will issue long-term, fixed rate debt to permanently finance the acquisition of long-lived capital assets when revenues or cash balances are not sufficient to finance these projects. NEORSD will consider key economic variables, local economic trends, revenue and expenditure projections, and the overall debt burden before issuing bonds.

- Federally taxable debt may be issued in lieu of tax-exempt debt due to market conditions, legal considerations, or any other reason determined by NEORSD to be financially, legally, or structurally advantageous.

- NEORSD will consider issuing debt purchased directly by a bank or private investor if it is determined economically advantageous to do or if it provides financing flexibility unavailable through other financing options.

- Variable rate demand bonds, auction rate securities, and Bond Anticipation Notes carry inherent interest rate risk. Such securities have traditionally carried interest rates significantly lower than fixed rate securities issued at the same time and offer the potential for lower debt service costs over the life of the issue. NEORSD will consider using such debt (i) when the interest rate environment is generally considered high and the expectation is that interest rates have a stable or declining bias, (ii) to match assets and liabilities, (iii) when the interest rate yield curve is relatively steep and (iv) when it is advantageous for NEORSD to redeem bonds on short notice or restructure its debt once a project has become operational. NEORSD anticipates that no more than 20% of its total debt portfolio (including loans, such as from the WPCLF) will be in the form of notes or variable rate bonds with an interest reset period of one year or less.

- NEORSD will consider using either a competitive process or a negotiated process when issuing capital markets bonds on a case-by-case basis. NEORSD's bond ratings for its revenue bonds debt typically provide for a full complement of bids at the most favorable market interest rates. At the same time, NEORSD is aware that unique considerations of market timing, credit structure, rating grade and other factors specific to the issuance may favor a negotiated underwriting.

- Unless an alternative source of revenues is identified, NEORSD will pay costs of issuance from the proceeds of the debt issue.

- When applicable, prior to incurring project costs, the Board will adopt a resolution documenting its intent to be reimbursed from tax-exempt debt proceeds.

- The Trust Agreement governing NEORSD's revenue bonds calls for annual debt service coverage of 115% on senior lien debt and 100% on all indebtedness. NEORSD's Board has set a policy to produce a minimum annual coverage of 125% on senior lien bonds and 105% on all indebtedness in order to insulate itself from fluctuations in usage or a higher-than-expected level of delinquent accounts.

- The Trust Agreement permits NEORSD to set the amount of the Debt Service Reserve Fund securing each series of Bonds at the time that the Bonds are sold. NEORSD maintains a preference for not funding a Debt Service Reserve Requirement for a series of Bonds. NEORSD will consider funding a Debt Service Reserve Fund if it meets the one or more of the following criteria: (1) to maintain or improve its credit rating, (2) it is necessary for the marketability of a series of bonds, or (3) NEORSD determines it is in its best interest to provide additional liquidity for a transaction. If the obtaining of a surety bond or other credit facility is determined to be a more economical means of funding a reserve than cash, then NEORSD will use that means.

- NEORSD will not advance refund a debt obligation unless it can be demonstrated that such refunding will result in present value savings of at least 4.00% of the principal on the debt being refinanced. Since regulations do not restrict the number of times that debt can be refinanced on a current basis, NEORSD only needs to show a net savings for Current Refunding issues. Notwithstanding the foregoing, NEORSD may refund an issue at a level below the minimum savings thresholds if the purpose of the refunding is to incorporate less restrictive covenants into a transaction, to achieve greater flexibility or lower financing costs.

- NEORSD will use programs offering government subsidized rates if available for an anticipated debt issuance, and if economically advantageous to do so. NEORSD may refund existing debt issued with a government subsidy (such as Build America Bonds) for reasons other than economic savings if the subsidy is reduced, eliminated, or expected to be reduced or eliminated. In this event, the savings thresholds listed above may be waived at the discretion of the Chief Financial Officer and upon authorization of the Board.

6.3. User Rates

- User rates are directly impacted by the financial policies set forth in this document. In an effort to mitigate future rate increases, NEOSRD will consider using the following tools and/or update policies herein to achieve the desire goals of management and the Board:
    - Use cash to redeem outstanding debt.
    - Draw from the rate stabilization fund to reduce impact of current or anticipated future user rate increases.
    - Refund outstanding debt with lower interest rate debt.
    - Revise management's targeted annual coverage levels if actual coverage levels exceed the Board's policy of 125% on senior lien bonds and 105% on all indebtedness.
    - If debt must be issued to finance a project, deferred principal structures may be considered to mitigate near-term debt pressure, resulting in reduced user rate pressure.

6.4. Credit Ratings and Rating Agencies

- NEORSD seeks to maintain the highest possible credit ratings for its debt without compromising the delivery of its basic core services. NEORSD will exercise due care in both its annual budgeting and its debt management to maintain and preserve the highest ratings on NEORSD's bonds and notes. The staff and Board will attempt to take prudent steps to maintain the highest ratings possible, but it recognizes that external factors impact the rating decision-making process. Staff will maintain an ongoing dialogue with rating analysts in an effort to ensure that the analysts fully understand NEORSD's capital program, operations, management and decision-making processes. NEORSD's debt policy will be communicated to the rating agencies, and deviations from the stated policy will be fully disclosed.

- NEORSD will seek credit agency ratings to secure the most favorable market interest rate when the expected costs of obtaining the ratings do not exceed the projected interest rate savings.

- NEORSD will maintain contact and communicate at least once every three years with the rating agencies, even when project-specific debt transactions are not planned in the immediate future.

- NEORSD desires to maintain at least a Aa1 / AA+ revenue bond rating with Moody's Investors Service and S&P Global Ratings. NEORSD will use its best efforts to maintain its rating over time and will provide updated NEORSD financial information (such as the Annual Comprehensive Financial Report) on an annual basis and any additional information in a timely fashion upon request from the rating agency. Rating requests related to the issuance of securities shall be made by the Chief Financial Officer on a case-by-case basis. Rating surveillance and rating requests shall be given full attention in an effort to maximize the rating outcome. When engaging with the rating agency on a formal basis, presentations should include but not be limited to full and complete economic, management and financial updates, a detailed review of financial and managerial policies and procedures, and any other key factors considered in the current rating criteria published by the rating agency.

- NEORSD will use Bond Insurance and/or Letters of Credit for Credit Enhancement when it is economically advantageous to do so. Enhancement will be used when present value savings result or when such use permits NEORSD to incorporate less restrictive covenants into a transaction which results in greater flexibility or reductions in financing costs. NEORSD will select Bond Insurance through a competitive process.

6.5. Compliance and Reporting

- The Chief Financial Officer will bring about procedures to maintain compliance with NEORSD's continuing disclosure requirements related to its outstanding debt obligations.

- NEORSD will continue to issue an Annual Comprehensive Financial Report so that current and comprehensive financial information will be readily available to the public, investors, and rating agencies. All of that same information is also made immediately accessible on-line at NEORSD's web site and submitted on the Electronic Municipal Market Access service of the Municipal Securities Rulemaking Board.

- NEORSD will meet its continuing disclosure requirements in a timely and thorough manner.

- NEORSD will invest bond proceeds in investments that are consistent with its Trust Agreement and Investment Policy. Investment of bond proceeds must mature or be marketable at par prior to the date that the proceeds are anticipated to be spent. NEORSD will seek to minimize market risk on the investment of bond proceeds.

- NEORSD will fully comply with all arbitrage rebate requirements of the federal tax code and IRS regulations and will perform arbitrage rebate calculations for each issue subject to rebate. All necessary rebate payments will be filed and paid when due.

- NEORSD will conform to Generally Accepted Accounting Principles in reporting and disclosing all debt transactions.

- NEORSD's finance department will annually review its debt policies and bring revisions to the Board as needed.

7. PROJECT FINANCING

As noted above, NEORSD's Trust Agreement gives it the flexibility to finance a Water Resource Project on a stand-alone basis rather than by a pledge of NEORSD's Net Revenues if NEORSD enters a contractual arrangement with another political subdivision or entity to construct a Water Resource Project to be owned by the other subdivision or entity. Generally, NEORSD will avail itself of that flexibility in those circumstances in order not to expose itself to any credit risk on such project financings and in order to maximize the creditworthiness of its Revenue Bonds as a means of financing improvements to NEORSD's core system.

8. DERIVATIVE PRODUCTS

When used properly, derivative products can be effective interest rate management tools, which can provide a governmental entity financial flexibility, opportunities for interest rate savings, alter the pattern of debt service payments, create variable rate exposure, or change variable rate payments to fixed rate and otherwise limit or hedge variable rate payments. However, there are significant risks involved with such transactions. The following are the general policies that NEORSD will follow in the utilization of interest rate swaps and related interest rate hedging techniques.

8.1. Qualified Independent Representative

NEORSD will select a qualified independent representative (QIR) to assist it in the process of understanding, evaluating, and issuing derivative products. The QIR will be selected in a manner consistent with NEORSD's procurement policy for professional services.

- The QIR will provide an engagement letter outlining the entire scope of their services to be provided. Among other items, the scope of services must provide for the following:
    - The QIR shall assist with securing the Commodity Futures Trading Commission (CFTC) Interim Compliant Identifier number for the transaction, ensuring that the transaction qualifies as an end user exemption, and adherence to other CFTC rules.
    - The QIR shall provide a written recommendation to execute a transaction and upon completion shall provide an opinion as to the fairness and that the transaction was priced at market levels.
    - The QIR shall document the incremental value of the swap transaction versus the cash market, including a valuation of call option considerations. Call option considerations should include valuing the swap if non-callable versus a comparable non-callable bond; and valuing the cost of imbedding a call option in the swap to provide some potential protection for the issuer to manage the termination costs.

8.2. Conditions to Entering into Interest Rate Agreements

- NEORSD shall not enter into an Interest Rate Agreement without proper authorization from the Board.
- Prior to entering into an Interest Rate Agreement, NEORSD and its QIR will determine the maximum allowable notional amount of a derivatives contract and develop a list of derivative products that may be used or are prohibited.
- In connection with each proposed Interest Rate Agreement, NEORSD shall obtain the advice of its QIR and shall analyze and determine how the Interest Rate Agreement is intended to accomplish its stated purposes.

- No Interest Rate Agreement shall be entered into unless such agreement relates to indebtedness of NEORSD that is either outstanding or authorized at the time of the execution or effective date of the Interest Rate Agreement; nor shall any Interest Rate Agreement have a scheduled term that exceeds the term of the indebtedness to which the Interest Rate Agreement relates.
- Prior to the execution of a transaction, NEORSD will require documentation that the transaction contemplated fits the requirements set forth in this document.
- NEORSD prohibits taking upfront payments or premiums and selling options.

8.3. Credit Rating Impact and Credit Rating of the Counterparty

- NEORSD, with assistance from the QIR, will evaluate and document the potential rating impact of entering into an Interest Rate Agreement.
- NEORSD and QIR will develop guidelines for selecting counterparties of high credit quality and address potential risks prior to entering into an Interest Rate Agreement.

8.4. Procurement of Interest Rate Agreements

- NEORSD may enter into an Interest Rate Agreement through negotiation with a Counterparty or through a competitive bidding process and shall obtain the advice of its QIR regarding the preferable course in the particular circumstances.

8.5. Risks Associated with Interest Rate Agreements

Prior to entering into an Interest Rate Agreement, NEORSD shall obtain the advice of its QIR regarding the risks associated with entering into the Interest Rate Agreement, including, if applicable and without limitation:

  - Basis risk
  - Interest rate risk
  - Collateral posting risk
  - Counterparty risk
  - Termination risk
  - Market access risk
  - Amortization risk
  - Rollover risk
  - Credit risk

In addition to understanding the risks above, NEORSD will implement, with assistance from its QIR, methods for measuring, evaluating, monitoring, and managing these risks.

8.6. Documentation

- The current regulatory framework dictates that all derivative transactions be documented using standardized forms. Documentation in the municipal swap market is accomplished through the negotiation and execution of the forms of documents published by the International Swaps and Derivatives Association, Inc. (ISDA). NEORSD will use ISDA forms to conform to the new CFTC regulations. Certain provisions in the forms shall be subject to negotiation as determined by NEORSD, its QIR, and its bond counsel, and NEORSD maintains the ability to amend ISDA documents as necessary.

8.7. Financial Monitoring

- NEORSD will provide for internal controls to monitor rates, calculate and make payments, manage collateral, and budget and account for derivatives appropriately. The Counterparty, unless it has provided collateral to secure its obligations under an Interest Rate Agreement, shall agree to provide NEORSD with at least monthly mark-to- market calculations showing the current termination value of the Interest Rate Agreement. If the Counterparty or its guarantor has provided collateral to secure its obligations under an Interest Rate Agreement, the Counterparty shall agree to provide at least weekly valuations of the collateral and the termination value of the Interest Rate Agreement. NEORSD shall establish and maintain a process for monitoring and reviewing the valuations required by these guidelines.

8.8. Financial Statement Reporting and Disclosure

- NEORSD will properly disclose to the rating agencies material information of an executed derivative transaction in its audited financial statements and make available the necessary documents on the Electronic Municipal Market Access service of the Municipal Securities Rulemaking Board.
- NEORSD shall account for any Interest Rate Agreement on its financial statements through generally accepted accounting principles.

9. DEFINITIONS

All capitalized terms used in this Debt Policy shall have the meanings established herein:

"Advance Refunding" means a refinancing of a Bond or Note that occurs more than 90 days prior to the maturity date or call date of the Bond or Note being refinanced.

"Bond" means a long-term, interest-bearing debt instrument secured by a pledge of certain identified revenues.

"Bond Anticipation Note" or "BAN" means a note issued in anticipation of a later issuance of Bonds and usually paid from the proceeds of the sale of the Bonds or renewal Notes.

"Bond Counsel" means legal counsel retained to (1) assist in the legal structuring of debt issues, and (2) render an opinion as to the enforceability of the debt obligations and as to the tax-exempt status of interest on the debt obligations.

"Bond Insurance" means a financial guarantee purchased by NEORSD or the Underwriter to make timely payment of principal and interest by the Bond Insurer in the event that NEORSD is unable to do so.

"Competitive Sale" means a Bond or Note issuance where NEORSD (along with its financial advisors and Bond Counsel) structures a Bond or Note sale and offers the securities for sale through a competitive bidding process.

"Continuing Disclosure" means the requirement that NEORSD disseminate financial and operating data on an ongoing basis subsequent to the issuance of Notes or Bonds in order to comply with Rule 15c2-12 under the Securities and Exchange Act of 1934 promulgated by the Securities and Exchange Commission.

"Costs of Issuance" means costs required to sell Bonds or Notes including, without limitation, legal fees, underwriting fees, financial advisory fees, credit enhancement costs, rating fees, printing fees, and other necessary expenses.

"Counterparty" means the party to an Interest Rate Agreement other than NEORSD.

"Credit Enhancement" means bond insurance or a letter of credit which is purchased by NEORSD, the primary purpose of which is to increase the credit rating of an issue of Bonds or Notes.

"Credit Rating" means a designation of credit strength assigned to Bonds or Notes of NEORSD by one of the primary rating agencies (Moody's Investors Service, Standard & Poor's, or Fitch Ratings).

"Debt Service" means the payment of Principal and Interest on a debt issue.

"Derivative" means a contract entered into between NEORSD and a Counterparty whereby NEORSD purchases an interest rate management product. Such products include swaps, caps and collars.

"Fixed Rate" means an interest rate that is set at the time of issuance and which remains fixed or unchanged for the life of the debt.

"Interest Rate Agreement" means an interest rate swap or exchange agreement, an agreement establishing an interest rate floor or ceiling or both, and any other interest rate hedging agreement, including options to enter into or cancel such agreements, as well as the reversal or extension thereof.

"Interest Rate Risk" means the risk that a market increase in interest rates will expose NEORSD to an increase in Debt Service costs.

"Letter of Credit" means a form of Credit Enhancement whereby a Bank agrees to guarantee payment of Debt Service.

"Negotiated Sale" means a Note or Bond sale where NEORSD selects an Underwriter or team of Underwriters to represent it in the market. The Underwriting team selected sets the rates on the bonds in consultation with NEORSD and its advisors.

"Note" means a debt instruments with a term of one year or less.

"Principal" means the par amount of an issue of Bonds or Notes.

"Qualified Independent Representative (QIR)" means a professional that is independent from the swap dealer (the QIR has not been associated with a swap dealer within the past year and has not been recommended by the swap dealer).

"Refunding" or "Refinancing" means a debt issuance, the proceeds from the sale of which are used to pay or defease previously issued debt.

"Revenue Bond" means, in the case of NEORSD, its Wastewater Improvement Revenue Bonds, secured by a pledge of NEORSD's Net Revenues.

"Term" means the length of time a debt issue is outstanding prior to being paid in full.

"Underwriter" means an investment banking firm or commercial bank that purchases Bonds or Notes from NEORSD through either a Negotiated Sale or Competitive Sale.

"Variable Rate" means an interest rate that is periodically reset during the life of a debt issue.

"Water Resource Project" means any wastewater facility or water management facility acquired, constructed, or operated by or leased to NEORSD with a portion of the cost thereof being paid from a loan or grant from NEORSD under Chapter 6119 of the Ohio Revised Code, including all buildings and facilities that NEORSD considers necessary for the operation of the project, together with all property, rights, easements, and interest that may be required for the operation of the project.

APPROVED:

Kyle Dreyfuss-Wells, Chief Executive Officer — Date: 8/19/2022

Eric J. Luckage, Chief Legal Officer — Date: 08/19/2022

Kenneth J. Duplay, Chief Financial Officer — Date: 08/19/22

James D. Bunsey, Chief Operating Officer — Date: 8/22/22

Constance T. Haqq, Chief Administrative Officer — Date: 8-19-2022

Change Log

Date	Section	Revision
3/1/2007	All	Adopt Debt Management Policy via Board Resolution No. 61-07
4/19/2007	All	Adopt Interest Rate Swap Policy via Board Resolution No. 107-07
10/21/2010	All	Amend Debt Management Policy (Res. No. 61-07) via Board Resolution No. 295-10
08/18/2022	All	Amend Debt Management Policy (Res. No. 295-10) and consolidate with Interest Rate Swap Policy via Board Resolution No. 268-22