

**SALT VERDE FINANCIAL CORPORATION
BOARD MEETING NOTICE AND AGENDA**

BOARD OF DIRECTORS MEETING

Thursday, April 13, 2023, 9:30 AM

**SRP Administration Building
1500 N. Mill Avenue, Tempe, AZ 85288**

Directors: David Rousseau, President; Christopher Dobson, Vice President; and Jack White Jr.

Call to Order
Roll Call

1. Request for Approval of the Minutes for the Meeting of August 22, 2022
..... PRESIDENT DAVID ROUSSEAU
2. Appointment of Officers for Fiscal Year 2024..... PRESIDENT DAVID ROUSSEAU
3. PricewaterhouseCoopers LLP Fiscal Year 2023 Audit
 - A. Informational presentation by PricewaterhouseCoopers LLP (PwC) to serve as an independent public accountant for the Fiscal Year 2023 (FY23) Audit including a presentation of the audit plan; discussion of the scope, parameters, and areas of review; and review of the fee for the audit..... DAN MCGILL, PwC
 - B. Request for approval to retain PwC to serve as an independent public accountant for audits conducted for FY23 JEFFREY WRIGHT
4. Financial Matters..... JEFFREY WRIGHT
 - A. Unaudited summary of the financial statements covering the first nine months (through January 31, 2023) of FY23
 - B. Request for approval of the proposed Operating Budget for FY24
5. Update on the Status of Operations and Counterparty Credit Ratings
..... JASON RIGGS
6. Adjourn PRESIDENT DAVID ROUSSEAU

The Board may vote during the meeting to go into Executive Session, pursuant to A.R.S. §38-431.03(A)(3), for the purpose of discussion or consultation for legal advice with legal counsel to the Board on any of the matters listed on the agenda.

Visitors: The public has the option to attend in-person or observe via Zoom and may receive teleconference information by contacting the Corporate Secretary's Office at (602) 236-4398. If attending in-person, all property in your possession, including purses, briefcases, packages, or containers, will be subject to inspection.

**NOTICE WILL BE SENT REGARDING THE NEXT
SVFC MEETING**

04/06/2023

MINUTES
BOARD OF DIRECTORS
SALT VERDE FINANCIAL CORPORATION,
an Arizona Nonprofit Corporation

DRAFT

August 22, 2022

A meeting of the Board of Directors of the Salt Verde Financial Corporation (SVFC), an Arizona nonprofit corporation organized under the Arizona Nonprofit Corporation Act, convened at 10:15 a.m. on Monday, August 22, 2022, from the Board Conference Room at the SRP Administration Building, 1500 North Mill Avenue, Tempe, Arizona. This meeting was conducted in-person and via teleconference in compliance with open meeting law guidelines.

Directors of SVFC present at roll call were David Rousseau, President of SVFC and SRP; Chris J. Dobson, Vice President of SVFC and SRP; and John M. White Jr. of SVFC and SRP.

Also present were Paul E. Rovey, Director of SRP; Tyler M. Francis, Council Chairman of SRP; J. Rocky Shelton, Council Vice Chairman of SRP; Brian J. Koch, Treasurer of SVFC and Corporate Treasurer and Senior Director of Financial Services of SRP; Dale R. Politi, Assistant Treasurer of SVFC and Assistant Treasurer of Cash Management of SRP; John M. Felty, Secretary of SVFC and Corporate Secretary of SRP; Lora F. Hobaica, Assistant Secretary of SVFC and Assistant Corporate Secretary of SRP; Mmes. Melissa J. Burger and Sue Ann Perkinson of SRP; Messrs. Mike Hummel, Aidan J. McSheffrey, Michael J. O'Connor, G. Saint Paul, and Jeffrey A. Wright of SRP; and Scott Gavin and Dan McGill of PricewaterhouseCoopers LLP (PwC).

In compliance with A.R.S. §38-431.02, Andrew Davis of the SRP Corporate Secretary's Office had posted a notice and agenda of a meeting of the Board of Directors of SVFC at the SRP Administration Building, 1500 North Mill Avenue, Tempe, Arizona, at 9:00 a.m. on Friday, August 19, 2022.

President and Director D Rousseau served as Chairman. He called the meeting to order at 10:15 a.m. and acknowledged the existence of a quorum of the Board of Directors.

Approval of the Minutes

On a motion duly made by Director J.M. White Jr. and seconded by Vice President and Director C.J. Dobson, the Board of Directors of the SVFC unanimously approved and adopted the minutes for the meeting of April 14, 2022, as presented.

Secretary J.M. Felty polled the SVFC Board Members on Director J.M. White's motion to approve the minutes for the meeting of April 14, 2022. The vote was recorded as follows:

YES:	Directors David Rousseau, President; Chris J. Dobson, Vice President; and John M. White Jr.	(3)
NO:	None	(0)
ABSTAINED:	None	(0)
ABSENT:	None	(0)

Fiscal Year 2022 Audit Findings by PricewaterhouseCoopers

Sue Ann Perkinson, SRP Controller and Senior Director of Corporate Accounting Services, introduced Scott Gavin, Engagement Leader with PwC. Ms. S.A. Perkinson reminded the Board that PwC had been retained to audit the financials of SVFC for the Fiscal Year 2022 (FY22) ended April 30, 2021.

Using a PowerPoint presentation, Mr. S.Gavin reported that PwC is in the process of completing a comprehensive audit of SVFC's financial statements for FY22 and that, in the opinion of PwC, the statements of SVFC had been presented fairly and in accordance with generally accepted accounting principles.

Continuing, Mr. S.Gavin detailed the audit process and findings, the significant accounting and reporting issues and transactions impacting the financial statements, and the required communications to the Board. He concluded by stating that PwC had not identified any material or significant deficiencies in internal control over financial reporting.

Copies of the PowerPoint slides used in this presentation and materials distributed by PwC are on file in the SRP Corporate Secretary's Office and, by reference, made a part of these minutes.

Update on Current Operations

Using a PowerPoint presentation, Brian J. Koch, Treasurer of SVFC and Corporate Treasurer and Senior Director of Financial Services of SRP, updated the Board on the status of operations of SVFC and its current counterparty credit rating. Continuing, Mr. B.J. Koch reported that the FY23 gas discount was \$8.6 million, the inception to-date gas discount was \$154.1 million, and that there had been no delivery issues.

Mr. B.J. Koch provided a review of Moody's and Standard and Poor's current credit ratings of Citigroup Inc. and the other counterparties involved and a review of Citigroup Inc.'s collateral. He provided an investment review of SVFC. Mr. B.J. Koch concluded with information on SVFC's investments as of July 1, 2022 including a listing of securities held by fund, the amount, average weighted maturity and yield, and a statement of investment policy compliance.

Copies of the PowerPoint slides used in this presentation are on file in the Corporate Secretary's Office and, by reference, made a part of these minutes.

Financial Matters

Using a PowerPoint presentation, Jeffrey A. Wright, SRP Director of Financial Reporting, provided the Board a preliminary financial update of SVFC. He compared FY22 actuals to budget for income and expenses and explained the variances. Mr. J.A. Wright also compared assets, liabilities, and equity of SVFC for FY22 and FY21.

Copies of the PowerPoint slides used in this presentation are on file in the Corporate Secretary's Office and, by reference, made a part of these minutes.

There being no further business to come before the Board, the meeting adjourned at 10:33 a.m.

John M. Felty
Secretary

Salt Verde Financial Corporation

Appointment of Officers

- **Proposed officers**

- President: David Rousseau
- Vice President: Christopher J. Dobson
- Secretary: John M. Felty
- Asst. Secretary: Lora F. Hobaica
- Treasurer: Brian J. Koch
- Asst. Treasurer: Dale R. Politi

- **Recommendation:** Appoint officers as proposed above.



FY2023 audit plan

Tomorrow's audit, today

Report to the Board of Directors

Salt Verde Financial Corporation

April 13, 2023

Dan McGill, Engagement Leader

CONFIDENTIAL



Audit objectives

Our primary objectives are to:

- Perform an audit in accordance with auditing standards generally accepted in the United States of America to obtain reasonable assurance the Salt Verde Financial Corporation financial statements are prepared in accordance with accounting principles generally accepted in the United States of America and are free from material misstatement whether caused by error or fraud, and
- Render an opinion on the financial statements as of April 30, 2023 and for the year then ending
- Our audit does not relieve management of its responsibilities with regard to the financial statements.
- An audit of financial statements includes obtaining an understanding of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting.



Our audit deliverables

Audit report on the financial statements.

Our shared responsibility for independence

Compliance with the auditor independence rules continues to be a shared responsibility between a company's management and its independent auditor.

This shared responsibility includes monitoring certain areas to satisfy, as applicable, the independence requirements of the AICPA. For example:

- It is important for management to notify PwC in advance of the effective date, of changes in circumstances that may affect the population of potential affiliates, as well as changes leading to new officers, directors, or beneficial owners not previously identified.
- If PwC is providing impermissible non-audit services to an entity that is a prospective new affiliate pursuant to a merger or acquisition, such services will need to be identified and evaluated prior to the effective date of the transaction and actions will most likely be needed to cease or restructure the impermissible services.
- If a PwC partner or staff member is seeking or discussing potential employment with an audit client, this can have independence implications such that the individual would have to be removed from the engagement if providing services to the client.

We need to work together with management proactively to avoid relationships that might jeopardize our independence - that is our view and the expectation of our stakeholders.

The following PwC and management working practices have been discussed with management to support this communication on a timely basis such that PwC has sufficient time to complete the necessary independence assessment.

Actions	PwC	Management
Review board of director, and other key committee, meeting minutes	X	
Inquire of key management individuals, including the Controller and legal counsel, as to any new or expected new affiliates or new or expected new officers, directors or significant shareholders	X	
Inquire with the legal department and human resources team as to the existence of new or expected new affiliate, directors or significant shareholders		X

Inside our independence processes:

Independence is the cornerstone of our profession. We're investing in our people and technology to ensure compliance with these rules through the following:

- Required independence training for all partners and staff
- Global tracking of Authorizations for Services (AFS) through Salesforce
- Global use of an independence monitoring system for personal affiliations used by all partners and staff
- Independence confirmation system that automatically generates and sends confirmations to partners and staff at the commencement of their work on an engagement.

In signing the engagement letter, the Company agrees to inform PwC periodically about the identity of each affiliate/beneficial owner and to **notify PwC in advance regarding any expected addition or removal of an affiliate/beneficial owner.**

Risk assessment results

Significant risk

Risk of management override of controls

Related accounts

Pervasive

Planned audit response

- Inquire with management regarding their knowledge of fraud or suspected fraud and the fraud risk assessment process
- Perform testing of significant and unusual journal entries
- Detail testing of individually significant and unusual transactions

Fraud and related-party items for discussion:

We are required to make certain inquiries of the Board of Directors related to fraud risks. In addition, as part of our overall response to fraud risk, we incorporate unpredictability into our audit by modifying the nature, timing, and extent of our procedures.

Fraud items for discussion:

- Programs and controls in place to mitigate the risk of fraud and error
- Specific concerns about the risk of error or fraud
- Any actual, alleged or suspected fraud
- Oversight of the assessment of fraud risks and mitigating controls
- Significant unusual transactions
- Understanding of the Company's relationships and transactions with related parties
- Concerns regarding related-party relationships and transactions
- Violations or possible violations of law

Risk assessment results

Significant risk

Risk of fraud in revenue recognition

Related accounts

Revenue – Accuracy Assertion

Planned audit response

- Perform test of details over revenue to ensure that revenue was properly recognized
- Testing will include agreeing out selections to underlying contracts



Risk assessment results

Significant risk

Fair Value of Derivatives may not be properly recorded

Related accounts

Derivative Asset/Liability – Valuation Assertion

Planned audit response

- Confirmation of prepaid gas balance
- Tracing terms to original agreements for all derivative instruments
- Involvement of our internal valuation specialists in the testing of fair value
- Work will be performed and managed by the most experienced members of the engagement team



Scoping and materiality overview

Our audit strategy is based on a top-down, risk-based audit approach. Fundamental to our audit approach is an understanding of

The size and complexity of the business and its environment

The design and implementation of entity-level controls (ELCs) and information technology general controls (ITGCs)

Management's process for evaluating internal control over financial reporting.

We identify significant accounts and disclosures and relevant assertions considering quantitative and qualitative factors, based on whether there is a reasonable possibility the account could contain a misstatement that, individually or when aggregated with others, could have a material effect on the financial statements.

We determine the materiality level for the financial statements as a whole for purposes of (1) identifying and assessing risks of material misstatement and (2) for determining the nature, timing and extent of audit procedures.

We consider quantitative and qualitative factors, as well as metrics used by the users of the financial statements including total assets, revenue and expenses. Materiality was preliminarily determined based on: Total Assets.



Considerations for scoping accounts or disclosures include:

- Size and composition of the account;
- Susceptibility to misstatement due to errors or fraud;
- Volume of activity, complexity and homogeneity;
- Nature of the account or disclosure;
- Changes from prior period in account or disclosure characteristics;
- Accounting and reporting complexities;
- Exposure to losses in the account;
- Possibility of significant contingent liabilities;
- Existence of related-party transactions;
- Complexity, subjectivity and/or uncertainty related to accounting estimates

Your digitally upskilled audit team

Engagement leadership

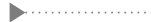
Dan McGill
Engagement Partner



Scott Gavin
Engagement Manager



Pankaj Sahay
Valuation Specialists



The people + tech in our foundation

Centers of Excellence

Centralizing work, standardizing procedures, and leveraging specialized skill sets

Acceleration Centers

Diverse, global talent pools help deliver quality, client service excellence and operational efficiency

People-led innovation

Equipping our people with the upskilling and tools to personalize the audit experience

Other required communications



Other required communications

Matter to Report	Comments
Independence	<p>There were no relationships or other matters identified that might reasonably be thought to bear on independence.</p> <p>In accordance with the AICPA's Code of Professional Conduct, we are required to communicate a breach of external independence requirements to you as soon as possible or in line with a communication protocol that is confirmed in writing. As of the date of this report, we are not aware of any breach of external independence requirements.</p>
Significant issues discussed with management prior to appointment or retention	<p>There were no significant issues discussed with management in connection with the retention of PwC.</p>
Non-compliance with laws and regulations and illegal acts	<p>We are not aware of any instances of non-compliance with laws and regulations.</p> <p>We are not aware of any potential illegal acts.</p>

Other required communications

Matter to Report	Comments
Other Information included in the Annual Report	<p>Effective for AICPA-standards audits for entities with fiscal years ending on or after December 15, 2021, AICPA Auditing Standards Board Statement on Auditing Standards No. 137 (SAS 137) requires that we communicate to you our responsibility with respect to other information, the procedures performed related to the other information, and the results.</p> <p>These standards require that we read other information, whether financial or nonfinancial, included in the Company's annual report and consider whether a material inconsistency exists between the other information and the financial statements and to remain alert for indications that</p> <ul style="list-style-type: none">• A material inconsistency exists between the other information and the auditor's knowledge obtained in the audit, and/or• A material misstatement of fact exists or the other information is otherwise misleading. <p>We assume no obligation to perform procedures to corroborate such other information as part of our audit.</p> <p>As of the date of this letter, management has informed us that they intend to issue other information. We will be required to obtain written acknowledgment from management as to the document(s) which comprise the annual report and the planned manner and timing of issuance of these documents.</p>
Obtain information relevant to the audit	We will inquire of the Board of Directors about whether it is aware of matters relevant to the audit and about the risks of material misstatement.
PwC Audit Quality Report	Our Audit Quality Report shares how our culture, values, people and processes come together to help us achieve our audit quality objectives.

Tomorrow's audit, today

Report to the **Board of Directors**

© 2022 PwC. All rights reserved. PwC refers to the US member firm, and may sometimes refer to the PwC network. Each member firm is a separate legal entity. Please see www.pwc.com/structure for further details. This content is for general information purposes only, and should not be used as a substitute for consultation with professional advisors.

What do people + technology have to do with one another? Everything. When our community of solvers bring technology to the audit, we create a powerful human-machine combination. That's why we're embracing digital disruption. To reimagine the audit by optimizing digital know-how and human expertise to put quality first and usher in an experience revolution for you and your team.



FY2023 audit plan

Tomorrow's audit, today

Report to the Board of Directors

Salt Verde Financial Corporation

April 13, 2023

CONFIDENTIAL



Bringing you tomorrow's audit, today

April 13, 2023

Dear Members of the Board of Directors of Salt Verde Financial Corporation:

An audit is fundamentally about trust — your trust in our quality, our people, our approach and our technology which leads to a cost-effective and efficient audit. It is about having the confidence of a quality, risk-based audit that garners the respect of the capital markets. This quality-first motivated mindset drives our approach to your audit. We're excited to share how we're reimagining your audit experience through Tomorrow's audit, today — our new equation of people and technology.

This report was prepared based on meetings with management, consideration of the operating environment and our risk assessment procedures. As in past years our audit approach will remain responsive to the Company's environment. Any significant changes to our audit plan will be shared and discussed with the Board of Directors at a future meeting.

Discussion of our audit plan helps to ensure our PwC engagement team members hear what matters to you and together we consider the audit needs and expectations, enabling us to provide the highest level of service, audit quality, and value. Additionally, the information included within this report allows the Board of Directors to understand the judgments we have made in planning and scoping our audit procedures. We remain committed to candid discussions with the Board of Directors and management, delivering a quality audit, as well as providing an independent point of view. We welcome your feedback throughout the audit.

We are excited to bring you Tomorrow's audit, today. Thank you for your trust in us as your auditors. If you have any questions about matters discussed herein, or wish to discuss any other matters prior to our meeting, please do not hesitate to contact me at (310) 872-8226 or daniel.r.mcgill@pwc.com.

Very truly yours,



Daniel McGill
Engagement Partner

*PricewaterhouseCoopers LLP, 1850 North Central
Avenue, Suite 700, Phoenix, AZ 85004-4563
T: (602) 364 8000*

PwC | Tomorrow's audit, today

Tomorrow's audit, today

The new equation of people + tech

What we bring to your audit

People

Experienced, digitally
upskilled professionals



Technology

End-to-end digital audit



What you experience

Trust

in a quality, tailored audit

Insights

into your business

Efficiency

for you and us

Driven by **authentic relationships**

What's Inside

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- PwC's gift and entertainment policy
- Glossary



This report and the information that it contains is intended solely for the information and use of the Board of Directors or management, if appropriate, and should not be used by anyone other than these specified parties.

Highlights

Independence

- Compliance with the auditor independence rules is a shared responsibility between the Company and PwC

Risk Assessment

Significant risks

- Management override of controls
- Risk of fraud in revenue recognition
- Fair Value of derivatives may not be properly recorded

Materiality

- Materiality was determined using assets as the primary metric

Our Approach



Audit objectives

Our primary objectives are to:

- Perform an audit in accordance with auditing standards generally accepted in the United States of America to obtain reasonable assurance the Salt Verde Financial Corporation financial statements are prepared in accordance with accounting principles generally accepted in the United States of America and are free from material misstatement whether caused by error or fraud, and
- Render an opinion on the financial statements as of April 30, 2023 and for the year then ending
- Our audit does not relieve management of its responsibilities with regard to the financial statements.
- An audit of financial statements includes obtaining an understanding of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting.

Our audit deliverables

Audit report on the financial statements.



Our shared responsibility for independence

Compliance with the auditor independence rules continues to be a shared responsibility between a company's management and its independent auditor.

This shared responsibility includes monitoring certain areas to satisfy, as applicable, the independence requirements of the AICPA. For example:

- It is important for management to notify PwC in advance of the effective date, of changes in circumstances that may affect the population of potential affiliates, as well as changes leading to new officers, directors, or beneficial owners not previously identified.
- If PwC is providing impermissible non-audit services to an entity that is a prospective new affiliate pursuant to a merger or acquisition, such services will need to be identified and evaluated prior to the effective date of the transaction and actions will most likely be needed to cease or restructure the impermissible services.
- If a PwC partner or staff member is seeking or discussing potential employment with an audit client, this can have independence implications such that the individual would have to be removed from the engagement if providing services to the client.

We need to work together with management proactively to avoid relationships that might jeopardize our independence - that is our view and the expectation of our stakeholders.

The following PwC and management working practices have been discussed with management to support this communication on a timely basis such that PwC has sufficient time to complete the necessary independence assessment.

Actions	PwC	Management
Review board of director, and other key committee, meeting minutes	X	
Inquire of key management individuals, including the Controller and legal counsel, as to any new or expected new affiliates or new or expected new officers, directors or significant shareholders	X	
Inquire with the legal department and human resources team as to the existence of new or expected new affiliate, directors or significant shareholders		X

Inside our independence processes:

Independence is the cornerstone of our profession. We're investing in our people and technology to ensure compliance with these rules through the following:

- Required independence training for all partners and staff
- Global tracking of Authorizations for Services (AFS) through Salesforce
- Global use of an independence monitoring system for personal affiliations used by all partners and staff
- Independence confirmation system that automatically generates and sends confirmations to partners and staff at the commencement of their work on an engagement.

In signing the engagement letter, the Company agrees to inform PwC periodically about the identity of each affiliate/beneficial owner and to **notify PwC in advance regarding any expected addition or removal of an affiliate/beneficial owner.**

Risk assessment results

Significant risk

Risk of management override of controls

Related accounts

Pervasive

Planned audit response

- Inquire with management regarding their knowledge of fraud or suspected fraud and the fraud risk assessment process
- Perform testing of significant and unusual journal entries
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Fraud and related-party items for discussion:

We are required to make certain inquiries of the Board of Directors related to fraud risks. In addition, as part of our overall response to fraud risk, we incorporate unpredictability into our audit by modifying the nature, timing, and extent of our procedures.

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- Violations or possible violations of law

Risk assessment results

Significant risk

Risk of fraud in revenue recognition

Related accounts

Revenue – Accuracy Assertion

Planned audit response

- Perform test of details over revenue to ensure that revenue was properly recognized
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Risk assessment results

Significant risk

Fair Value of Derivatives may not be properly recorded

Related accounts

Derivative Asset/Liability – Valuation Assertion

Planned audit response

- Confirmation of prepaid gas balance
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- Involvement of our internal valuation specialists in the testing of fair value
- Work will be performed and managed by the most experienced members of the engagement team

Scoping and materiality overview

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We determine the materiality level for the financial statements as a whole for purposes of (1) identifying and assessing risks of material misstatement and (2) for determining the nature, timing and extent of audit procedures.

We consider quantitative and qualitative factors, as well as metrics used by the users of the financial statements including total assets, revenue and expenses. Materiality was preliminarily determined based on: Total Assets.

Considerations for scoping accounts or disclosures include:

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- Existence of related-party transactions;
- Complexity, subjectivity and/or uncertainty related to accounting estimates

Your digitally upskilled audit team

Engagement leadership

Dan McGill
Engagement Partner



Scott Gavin
Engagement Manager



Pankaj Sahay
Valuation Specialists



The people + tech in our foundation

Centers of Excellence

Centralizing work, standardizing procedures, and leveraging specialized skill sets

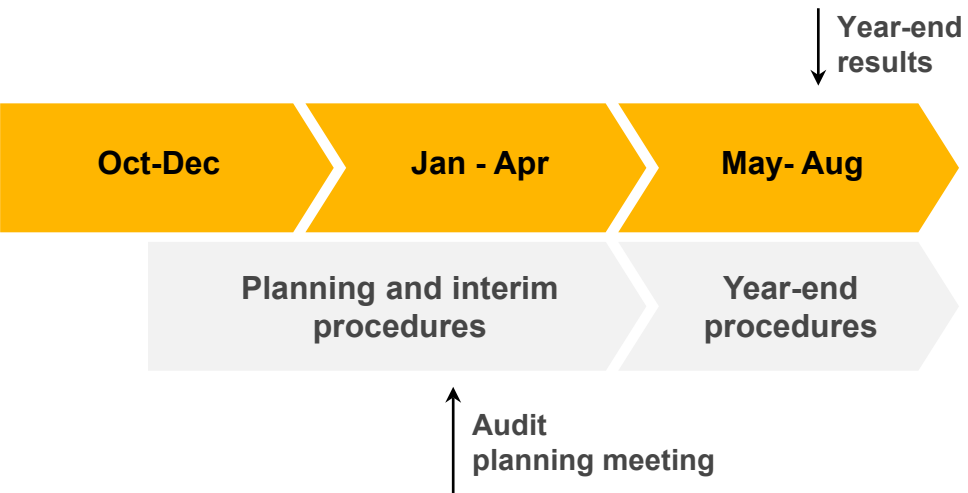
Acceleration Centers

Diverse, global talent pools help deliver quality, client service excellence and operational efficiency

People-led innovation

Equipping our people with the upskilling and tools to personalize the audit experience

Timeline and communication plan



Working better together

Open, two-way communication.

We'll work together to establish a communication cadence that's right for you, but we know that issues don't wait. We are here for you when you need us and will discuss matters in real-time.

Having the right decision-makers at the table

Dan McGill speaks for the firm on all audit matters, leading a process that directly involves CFO / Controller / Board of Directors from the beginning.

Understanding perspectives

We both bring diverse perspectives and experiences to the table. We'll ask questions to develop a deeper understanding, and openly discuss potential alternatives.

Other required communications



Other required communications

Matter to Report	Comments
Independence	<p>There were no relationships or other matters identified that might reasonably be thought to bear on independence.</p> <p>In accordance with the AICPA's Code of Professional Conduct, we are required to communicate a breach of external independence requirements to you as soon as possible or in line with a communication protocol that is confirmed in writing. As of the date of this report, we are not aware of any breach of external independence requirements.</p>
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Non-compliance with laws and regulations and illegal acts	<p>We are not aware of any instances of non-compliance with laws and regulations.</p> <p>We are not aware of any potential illegal acts.</p>

Other required communications

Matter to Report	Comments
Other Information included in the Annual Report	<p>Effective for AICPA-standards audits for entities with fiscal years ending on or after December 15, 2021, AICPA Auditing Standards Board Statement on Auditing Standards No. 137 (SAS 137) requires that we communicate to you our responsibility with respect to other information, the procedures performed related to the other information, and the results.</p> <p>These standards require that we read other information, whether financial or nonfinancial, included in the Company's annual report and consider whether a material inconsistency exists between the other information and the financial statements and to remain alert for indications that</p> <ul style="list-style-type: none">• A material inconsistency exists between the other information and the auditor's knowledge obtained in the audit, and/or• A material misstatement of fact exists or the other information is otherwise misleading. <p>We assume no obligation to perform procedures to corroborate such other information as part of our audit.</p> <p>As of the date of this letter, management has informed us that they intend to issue other information. We will be required to obtain written acknowledgment from management as to the document(s) which comprise the annual report and the planned manner and timing of issuance of these documents.</p>
Obtain information relevant to the audit	<p>We will inquire of the Board of Directors about whether it is aware of matters relevant to the audit and about the risks of material misstatement.</p>
PwC Audit Quality Report	<p>Our Audit Quality Report shares how our culture, values, people and processes come together to help us achieve our audit quality objectives.</p>

Appendices



Appendices

Draft Engagement letter	I
PwC's gift and entertainment policy	II
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Draft engagement letter – Appendix I



DRAFT

April 13, 2023

Mr. Brian Koch
Treasurer
Salt Verde Financial Corporation
P.O. Box 52025
Phoenix, Arizona 85027-2025

Dear Mr. Koch:

The purpose of this letter is to confirm our understanding of the terms of our engagement as independent accountants of Salt Verde Financial Corporation (the "Company" or "SVFC").

Services and related report

We will audit the financial statements of the Company which comprise the statement of net position at April 30, 2023 and related statement of revenues, expenses, and changes in net position for the year then ending. Upon completion of our audit, we will provide the Company with our written audit report on the financial statements referred to above. Circumstances may arise in which our report may differ from its expected form and content based on the results of our audit. Depending on the nature of these circumstances, it may be necessary for us to modify our opinion or add an emphasis-of-matter paragraph or other matter paragraph to our audit report. If for any reason relating to the affairs or management of the Company we are unable to complete the audit, we may decline to issue a report as a result of this engagement.

Under generally accepted accounting principles promulgated for governmental organizations in the United States of America, management's discussion and analysis (MD&A) and certain other information are required supplementary information (RSI). In connection with the Company's presentation of RSI, we will apply certain limited procedures and report deficiencies in, or the omission of, such information. However, we have not been engaged to examine and, accordingly, will not express an opinion, or any other form of assurance, on RSI. As part of this engagement and as is customary in our role as auditor, we may provide various types of insights-whether oral, written or visual.

Our responsibilities and limitations

The objectives of our audit 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 audit report that includes our opinion. We will conduct our audit in accordance with auditing standards generally accepted in the United States of America ("US GAAS"). As part of an audit in accordance with US GAAS, 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. The procedures selected depend on judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.
- 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 Company's internal control. However, any significant deficiencies and material weaknesses, relating to internal



control over financial reporting identified during our audit will be communicated, in writing, to the Company.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Based on the audit evidence obtained, conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We will design our audit to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error. Reasonable assurance is a high level of assurance but is not absolute assurance and is therefore not a guarantee that an audit conducted in accordance with US GAAS 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. Absolute assurance is not attainable because there are inherent limitations of an audit that result in most of the audit evidence, on which we draw conclusions and base our opinion, being persuasive rather than conclusive and due to the characteristics of fraud. Our audit will not include a detailed audit of transactions, such as would be necessary to disclose errors or fraud that did not cause a material misstatement of the financial statements or other illegal acts having an indirect or immaterial financial statement impact. It is important to recognize that there are inherent limitations in the auditing process. An audit is based on the concept of selective testing of the data underlying the financial statements, which involves judgment regarding the areas to be tested and the nature, timing, extent and results of the tests to be performed. Because of the inherent limitations of an audit, together with the inherent limitations of internal control, an unavoidable risk exists that some material misstatements may not be detected, even though the audit is properly planned and performed in accordance with US GAAS. Because of the characteristics of fraud, particularly those involving concealment through collusion, falsified documentation and management's ability to override controls, an audit designed and executed in accordance with US GAAS may not detect a material fraud. Further, while effective internal control reduces the likelihood that errors, fraud or other illegal acts will occur and remain undetected, it does not eliminate that possibility. For these reasons we cannot ensure that errors, fraud or other illegal acts, if present, will be detected. However, we will communicate to the Company, as appropriate, any such matters identified during our audit.

We also are responsible for determining that the Board of Directors is informed about certain other matters related to the conduct of the audit, including, among other matters (i) the planned scope and timing of the audit; (ii) significant findings or issues from the audit, including, but not limited to, any disagreements with management about matters that could be significant to the Company's financial statements or our report thereon and; any significant difficulties encountered in performing the audit; (iii) information relating to our independence with respect to the Company; (iv) procedures performed related to the Company's other information and the results thereof; and (v) all significant deficiencies and material weaknesses identified during the audit. Lastly, we are responsible for ensuring that the Board of Directors receives copies of certain written communications between us and management, including management representation letters and written communications on accounting, auditing, internal control or operational matters.

The audit will not be planned or conducted in contemplation of reliance by any specific third party or with respect to any specific transaction. Therefore, items of possible interest to a



third party will not be specifically addressed and matters may exist that would be assessed differently by a third party, possibly in connection with a specific transaction.

Management's responsibilities

Our audit will be conducted on the basis that management acknowledges and understands that they have responsibility for the preparation and fair presentation of the financial statements referred to above in accordance with accounting principles generally accepted in the United States of America. 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 Company's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued. Management's evaluation of whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the entity's ability to continue as a going concern for a reasonable period of time will be considered in our assessment of management's use of the going concern basis of accounting and whether substantial doubt exists. Management also acknowledges and understands their responsibility 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. Management is responsible for informing us (i) about all known or suspected fraud affecting the entity involving (a) management, (b) employees who have significant roles in internal control over financial reporting, and (c) others where the fraud could have a material effect on the financial statements; and (ii) of its knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, former employees, analysts, regulators, short sellers, or others. Management is responsible for (i) adjusting the financial statements to correct material misstatements and for affirming to us that the effects of any uncorrected misstatements aggregated by us are immaterial, both individually and in the aggregate, to the financial statements taken as a whole; and (ii) notifying us of all material weaknesses, including other significant deficiencies, in the design or operation of the Company's internal control over financial reporting that are reasonably likely to adversely affect the Company's ability to record, process, summarize and report external financial data reliably in accordance with generally accepted accounting principles. Management also is responsible for identifying and ensuring that the Company complies with the laws and regulations applicable to its activities.

Management also acknowledges and understands their responsibility for providing us, on a timely basis, with access to all information of which management is aware that is relevant to the preparation and fair presentation of the financial statements such as records, documentation and other matters; additional information that we may request from management for the purpose of the audit; and unrestricted access to persons within the entity from whom we determine it necessary to obtain audit evidence. As required by US GAAS, we will make specific inquiries of management and others about the representations embodied in the financial statements and the effectiveness of internal control over financial reporting. As part of our audit process, we will request from management written confirmation concerning representations made to us in connection with the audit. The results of our audit tests, the responses to our inquiries and the written representations comprise the evidential matter we intend to rely upon in forming our opinion on the financial statements.

Management acknowledges that internal auditors providing direct assistance to support our audit will be allowed to follow our instructions and management will not intervene in the work the internal auditors perform for us in a direct assistance capacity.

Management acknowledges and understands its responsibility to provide written acknowledgment of which document or documents comprise the Company's annual report and the Company's planned manner and timing of issuance of such documents. Management also acknowledges and understands its responsibility for the preparation of any other information, whether financial or nonfinancial (accompanying the financial statements and the audit report thereon) included in the Company's annual report ("other information") in a manner that is materially consistent with information appearing in the financial statements,



does not contain any material misstatement of fact, and is not otherwise misleading. Management acknowledges and understands its responsibility to provide us with the final version of the document or documents comprising the annual report in a timely manner, and, if possible, prior to the date of our audit report on the financial statements. When some or all of the other information will not be available until after the date of our report on the financial statements, management acknowledges and understands its responsibility to provide a written representation that the final version of the other information will be provided to us when available, and prior to the Company's issuance of the other information, such that we can complete any procedures that may be required by US GAAS.

Other documents

US GAAS requires that we read any annual report (or similar document) that contains our audit report. The purpose of this procedure is to consider whether the other information, including the manner of its presentation, is materially inconsistent with information appearing in the financial statements. We assume no obligation to perform procedures to corroborate such other information as part of our audit.

The Company may wish to include our report on these financial statements in a registration statement proposed to be filed under the Securities Act of 1933 or in offering materials for other securities offerings, including without limitation offerings under Rule 144A and other offerings exempt from registration under the Securities Act of 1933. You agree that the aforementioned audit report, or reference to our Firm, will not be included in any such offering without our prior permission or consent. Any agreement to perform work in connection with an offering, including an agreement to provide permission or consent, will be a separate engagement.

Additionally, regulations established by certain non-U.S. countries include a requirement for the auditor to be registered in that country if the Company offers its securities to the public in the non-U.S. country or provides financial information to a non-U.S. regulator or government. The potential consequences of our non-compliance with these regulatory regimes in a timely manner can be severe for both our Firm and the Company. Accordingly, you will notify us of (i) your current or planned offerings of securities on a regulated market in a non-U.S. country or (ii) when you have provided or plan to provide audited financial statements to a non-U.S. regulator or government in connection with your access to its public capital markets, whether or not you include or refer to our report or include reference to our Firm.

Release and indemnification

Because of the importance of oral and written management representations to an effective audit, the Company releases and indemnifies PricewaterhouseCoopers LLP and its personnel from any and all claims, liabilities, costs, and expenses attributable to any knowing misrepresentation by management.

In no event shall PricewaterhouseCoopers LLP be liable to the Company, whether a claim be in tort, contract or otherwise, for any consequential, indirect, lost profit or similar damages relating to PricewaterhouseCoopers LLP's services provided under this engagement letter, except to the extent finally determined to have resulted from the willful misconduct or fraudulent behavior of PricewaterhouseCoopers LLP relating to such services.

In the event that our report is subsequently included in a filing with the Securities and Exchange Commission (unless our report is included as a result of Rule 3-05, Rule 3-14, Rule 6-11, Rule 8-04, or Rule 8-06 of Regulation S-X), we and the Company hereby agree that the preceding two paragraphs in this "Release and Indemnification" section of this letter and any paragraphs covering the same issues in our previous engagement letters for previously issued reports included in the filing will be null and void and will no longer confer any rights or obligations on the parties. Such engagement letters will be deemed to be amended



accordingly at the time of such filing, without further action by either party. Any letters so amended will remain in full force and effect unless otherwise amended by the parties.

Dispute resolution procedures

Any controversy or claim between the parties arising out of or relating to this engagement letter, the services provided hereunder, or any prior audit engagement letters or services (a "Dispute") shall be submitted first to non-binding, confidential mediation, and if not resolved by mediation, then to binding arbitration as described herein. The mediation shall be conducted in accordance with these procedures and, except to the extent inconsistent with these procedures, the Mediation Procedure of International Institute for Conflict Prevention and Resolution ("CPR") then in effect.

A party shall submit a Dispute to mediation by written notice to the other party or parties. The mediator shall be selected by mutual agreement of the parties. If the parties cannot agree on a mediator, the CPR shall designate a mediator in accordance with its Mediation Procedure. Any mediator must be acceptable to all parties and must confirm in writing that he or she is not, and will not become during the term of the mediation, an employee, partner, executive officer, director, or substantial equity owner of PricewaterhouseCoopers LLP or any PricewaterhouseCoopers LLP audit client.

The mediator shall conduct the mediation as he/she determines, with the agreement of the parties. The mediation shall be treated as compromise and settlement negotiations under the standards set forth in the Federal Rules of Evidence and all applicable state counterparts, together with any applicable statutes protecting the confidentiality of mediations or settlement discussions. The mediator may not testify for either party in any later proceeding relating to the Dispute. The mediation proceeding shall not be recorded or transcribed. Each party shall bear its own costs (including attorneys' fees) of the mediation. The parties shall share equally the fees and expenses of the mediator.

If the parties have not resolved a Dispute within 90 days after the written notice beginning the mediation process is served (or a longer period, if the parties agree to extend the mediation), the mediation shall terminate and the Dispute shall be settled by binding arbitration. The arbitration shall be conducted in accordance with these procedures and, except to the extent inconsistent with these procedures, the Rules for Non-Administered Arbitration of the International Institute for Conflict Prevention and Resolution ("Rules") then in effect. The arbitration shall be conducted before a panel of three arbitrators selected using the screened process provided in the Rules. The arbitration panel, and not any federal, state or local court or agency, shall have exclusive authority to resolve any dispute regarding the extent to which a Dispute is subject to arbitration, or relating to the interpretation, applicability, enforceability or formation of the engagement letter.

Any Dispute between the parties, including any claims or defenses asserted, and the interpretation of the engagement letter shall be governed by the law of New York State, without giving effect to its choice-of-law rules. The arbitrators may render early or summary disposition of some or all issues, after the parties have had a reasonable opportunity to make submissions on those issues. Discovery shall be conducted in accordance with the Rules. Upon a showing that the evidence sought is material to the Dispute, hearing sessions attended by one or more panel members may be convened to secure (i) documents from third-party witnesses, if the production cannot reasonably be obtained by other means; and/or (ii) testimony from third-party witnesses who could not be compelled to attend the arbitration hearing at its scheduled location.

Judgment on an arbitration award may be entered in any court having jurisdiction. All aspects of the arbitration shall be treated as confidential, except to the limited extent necessary to obtain entry of the award by a court. The arbitration panel shall have no power to award non-monetary or equitable relief of any sort.



The arbitration panel shall have no power to award damages that are punitive in nature, that do not measure a party's actual damages, or that are inconsistent with the Release and Indemnification provisions or any other terms of the engagement letter. The parties further agree that if the arbitration panel determines to award pre- or post-judgment interest, any such interest shall be computed on a simple basis at a rate of three percent. The parties accept and acknowledge that any demand for arbitration must be issued within one year from the date the demanding party becomes aware or should reasonably have become aware of the facts that give rise to the alleged liability and, in any event, no later than two years after the cause of action accrued.

In the event that our report is subsequently included in a filing with the Securities and Exchange Commission (unless our report is included as a result of Rule 3-05, Rule 3-14, Rule 6-11, Rule 8-04, or Rule 8-06 of Regulation S-X), we and the Company hereby agree that the preceding paragraph in this "Dispute resolution procedures" section of this letter and any paragraphs covering the same issues in our previous engagement letters for previously issued reports included in the filing will be null and void and will no longer confer any rights or obligations on the parties. Such engagement letters will be deemed to be amended accordingly at the time of such filing, without further action by either party. Any letters so amended will remain in full force and effect unless otherwise amended by the parties.

Other PricewaterhouseCoopers firms and subcontractors

PricewaterhouseCoopers LLP is the U.S. firm of the global network of separate and independent PricewaterhouseCoopers firms (exclusive of PricewaterhouseCoopers LLP, the "Other PwC Firms"). PricewaterhouseCoopers LLP may, in its discretion, draw on the resources of and/or subcontract to its subsidiaries, the Other PwC Firms and/or third party contractors and subcontractors (each, a "PwC Subcontractor"), in each case within or outside the United States in connection with the provision of the services and/or for internal, administrative and/or regulatory compliance purposes. The Company agrees that PricewaterhouseCoopers LLP may provide information PricewaterhouseCoopers LLP receives in connection with this agreement to the PwC Subcontractors for such purposes. PricewaterhouseCoopers LLP will be solely responsible for the provision of the services (including those performed by the PwC Subcontractors) and for the protection of the information provided to the PwC Subcontractors.

You agree that neither you nor any group entity will bring any claim, whether in contract, tort (including negligence) or otherwise against any PwC Subcontractor in respect of this engagement letter or in connection with the services herein. In the event that our report is subsequently included in a filing with the Securities and Exchange Commission (unless our report is included as a result of Rule 3-05, Rule 3-14, Rule 6-11, Rule 8-04, or Rule 8-06 of Regulation S-X), for independence purposes we and the Company hereby agree that the immediately preceding sentence will be null and void and will no longer confer any rights or obligations on the parties. This letter will be deemed to be amended accordingly at the time of such filing, without further action by either party. The amended letter will remain in full force and effect unless otherwise amended by the parties.

Timing and fees

Completion of our work is subject to, among other things, 1) appropriate cooperation from the Company's personnel, including timely preparation of necessary schedules, 2) timely responses to our inquiries, and 3) timely communication of all significant accounting and financial reporting matters. When and if for any reason the Company is unable to provide such schedules, information and assistance, PricewaterhouseCoopers LLP and you will mutually revise the fee to reflect additional services, if any, required of us to complete the audit. Should the Company be acquired, PricewaterhouseCoopers LLP will reserve the right to renegotiate the fees.



Our fees for this audit engagement will be \$84,000, subject to the terms and conditions above. We will advise you should any circumstances arise which may require a change in scope and/or fee.

We also will bill the Company for our reasonable out-of-pocket expenses, any applicable sales, use or value added tax, and our internal per ticket charges for booking travel. Amounts billed for services performed by PricewaterhouseCoopers LLP or PwC Subcontractors shall be considered fees and not expenses.

Invoices rendered are due and payable within 30 days.

Any additional services that may be requested and we agree to provide will be the subject of separate arrangements.

Other matters

PricewaterhouseCoopers LLP is owned by professionals who hold CPA licenses as well as by professionals who are not licensed CPAs. Depending on the nature of the services we provide, non-CPA owners may be involved in providing services to you now or in the future.

Compliance with the auditor independence rules is a shared responsibility between a company and its independent auditor. Because the independence rules encompass not only the Company but also its affiliates, as defined in AICPA Code of Professional Conduct, the Company agrees to inform us periodically about the identity of each affiliate and will notify us in advance regarding any expected addition or removal of an affiliate, including, for example, due to changes in ownership or control and new acquisitions or significant investments. The Company acknowledges that we will use this information confidentially to assess and/or reassess independence.

In the event we are requested or authorized by the Company or required by government regulation, subpoena, or other legal process to produce our working papers or our personnel as witnesses with respect to our engagement for the Company, the Company will, so long as we are not a party to the proceeding in which the information is sought, reimburse us for our professional time and expenses, as well as the fees and expenses of our counsel, incurred in responding to such a request.

The Company agrees that it will not, directly or indirectly, agree to assign or transfer this engagement letter or any rights, obligations, claims or proceeds from claims against PricewaterhouseCoopers LLP arising out of or in any way relating to this engagement letter, any services provided hereunder, or any fees for this engagement or such services, to anyone, except to an entity with which the Company merges or an entity which acquires all or substantially all of the assets of the Company and where, in either case, the assignee entity agrees to be bound by this provision. Any assignment or transfer by the Company in violation of this paragraph shall be void and invalid.

This engagement letter reflects the entire agreement between us relating to the services covered by this letter. It replaces and supersedes any previous proposals, correspondence and understandings, whether written or oral. The agreements contained in this engagement letter shall survive the completion or termination of this engagement.

Except in the circumstance we reasonably believe that termination is necessary for independence reasons, this Agreement is subject to termination upon 15 days' written notice by either party, SVFC shall pay PricewaterhouseCoopers LLP for all services rendered and expenses incurred as of the date of termination as mutually agreed upon between SVFC and PricewaterhouseCoopers LLP.

SVFC agrees that PricewaterhouseCoopers may use SVFC's name in experience citations.



Notwithstanding any other provision of this engagement letter, PwC and the Other PwC Firms may use the information received under this engagement letter to develop, enhance, modify and improve technologies, tools, methodologies, services and offerings, and/or for development or performance of data analysis or other insight generation. Information developed in connection with these purposes may be used or disclosed to you or current or prospective clients to provide them services or offerings. PwC and the Other PwC Firms will not use or disclose the information in a way that would permit the Company to be identified by third parties without the Company's consent.

The foregoing consent is valid until further notice by the Company.



* * * * *

We are pleased to have the opportunity to provide services to Salt Verde Financial Corporation. If you have any questions about this letter, please discuss them with Dan McGill at (310) 872-8226. If the services and terms outlined in this letter are acceptable, please sign one copy of this letter in the space provided and return it to me. You may return the signed copy by hand, by mail or by air courier, attached to an email as a pdf, jpeg or similar file type sent to me at daniel.r.mcgill@pwc.com, or by electronic signature.

Very truly yours:

PricewaterhouseCoopers LLP

Date:



The services and terms as set forth in this letter are agreed to.

Salt Verde Financial Corporation

By:

Brian Koch

Treasurer

Date:

PwC's gift and entertainment policy – Appendix II

Communication to Board of Directors Regarding the Exchange of Gifts, Meals, Entertainment, Privileges or Other Favors for the U.S. Audit Engagement Team

A General Overview of Our U.S. Policy On the Exchange of Gifts and Entertainment

We are informing you of our policy approach in the U.S. as it relates to the exchange of gifts, meals, entertainment, privileges or other favors (hereinafter, “gifts and entertainment”) with the Company. We have a number of general considerations regarding these exchanges, including the consideration that in order to avoid creating any actual, potential or perceived impairment of our independence or conflict of interest, we should be confident that any exchange of gifts and entertainment would not be interpreted by a reasonable, objective person as an effort to influence a specific decision.

We also have a number of guiding principles in the U.S. for the exchange of gifts and entertainment, including that such an exchange must be occasional, sensible and reasonable in the circumstances. Specifically with regard to gifts, unless prohibited by law, regulation or applicable policy, we may offer and accept a gift of typically no more than \$100 in value or less per person, assuming it is no more than occasional, sensible and reasonable in the circumstances. Our policy also provides guidance--not a dollar limit--for assessing whether a client meal is sensible and reasonable in the circumstances. Generally, a meal that costs \$200 per person or less in total (food, drinks, tip) in a large metropolitan area for a significant client contact (e.g., a CEO, CFO, etc.) is acceptable. Attending a sporting or recreational event, the theatre, a concert, or other similar event, whether in a suite or general seating, at market ticket prices for that seating, is generally acceptable. Reasonable food and drink at the event is also generally acceptable.

Our U.S. policy includes other more specific guidelines for each of the categories of gifts and entertainment, as well as factors to assist in determining the standard of “occasional, sensible, and reasonable in the circumstances,” such as the nature, cost, and value of the gifts and entertainment, the role of the individual(s) receiving and providing the gifts and entertainment, whether the gifts and entertainment was associated with the active conduct of business, and whether a reasonable person would agree the gifts and entertainment is sensible and appropriate. We also have an internal process for pre-approval of departures from our guidelines, and consultation considerations where practitioners have questions or need guidance.

Types of Entertainment That the U.S. Audit Engagement Team Intends to Pursue This Year

Over the course of the next year, the U.S. audit engagement team anticipates providing the following types of entertainment: hosting a social event with key client contacts. While we anticipate that covered persons other than audit engagement team members (e.g., individuals providing ten or more hours of non-audit services) may be involved in providing entertainment, we are communicating activities of the audit engagement team because we believe these are most important for the Board of Directors to be aware of.

Glossary – Appendix III

Fraud

An intentional act by one or more individuals among management, those charged with governance, employees, or third parties, involving the use of deception that results in a misstatement in the financial statements that are the subject of an audit. Two types of intentional misstatements are relevant: misstatements resulting from fraudulent financial reporting and misstatements resulting from misappropriation of assets.

Related parties

Related parties include:

- a. Affiliates of the entity
- b. Entities for which investments in their equity securities would be required, absent the election of the fair value option under the Fair Value Option Subsection of ASC 825-10-15, to be accounted for by the equity method by the investing entity
- c. Trusts for the benefit of employees, such as pension and profit-sharing trusts that are managed by or under the trusteeship of management
- d. Principal owners of the entity and members of their immediate families
- e. Management of the entity and members of their immediate families
- f. Other parties with which the entity may deal if one party controls or can significantly influence the management or operating policies of the other to an extent that one of the transacting parties might be prevented from fully pursuing its own separate interests
- g. Other parties that can significantly influence the management or operating policies of the transacting parties or that have an ownership interest in one of the transacting parties and can significantly influence the other to an extent that one or more of the transacting parties might be prevented from fully pursuing its own separate interests.

Related party transactions

The transfer of assets or liabilities or the performance of services by, to or for a related party irrespective of whether a price is charged.

Risk assessment procedures

The procedures performed by the auditor to obtain information for identifying and assessing the risks of material misstatement in the financial statements whether due to fraud or error.

Overall materiality

Materiality determined for the financial statements as a whole.

Significant risk

An identified and assessed risk of material misstatement that, in our professional judgment, requires special audit consideration.

Tomorrow's audit, today

Report to the Board of Directors

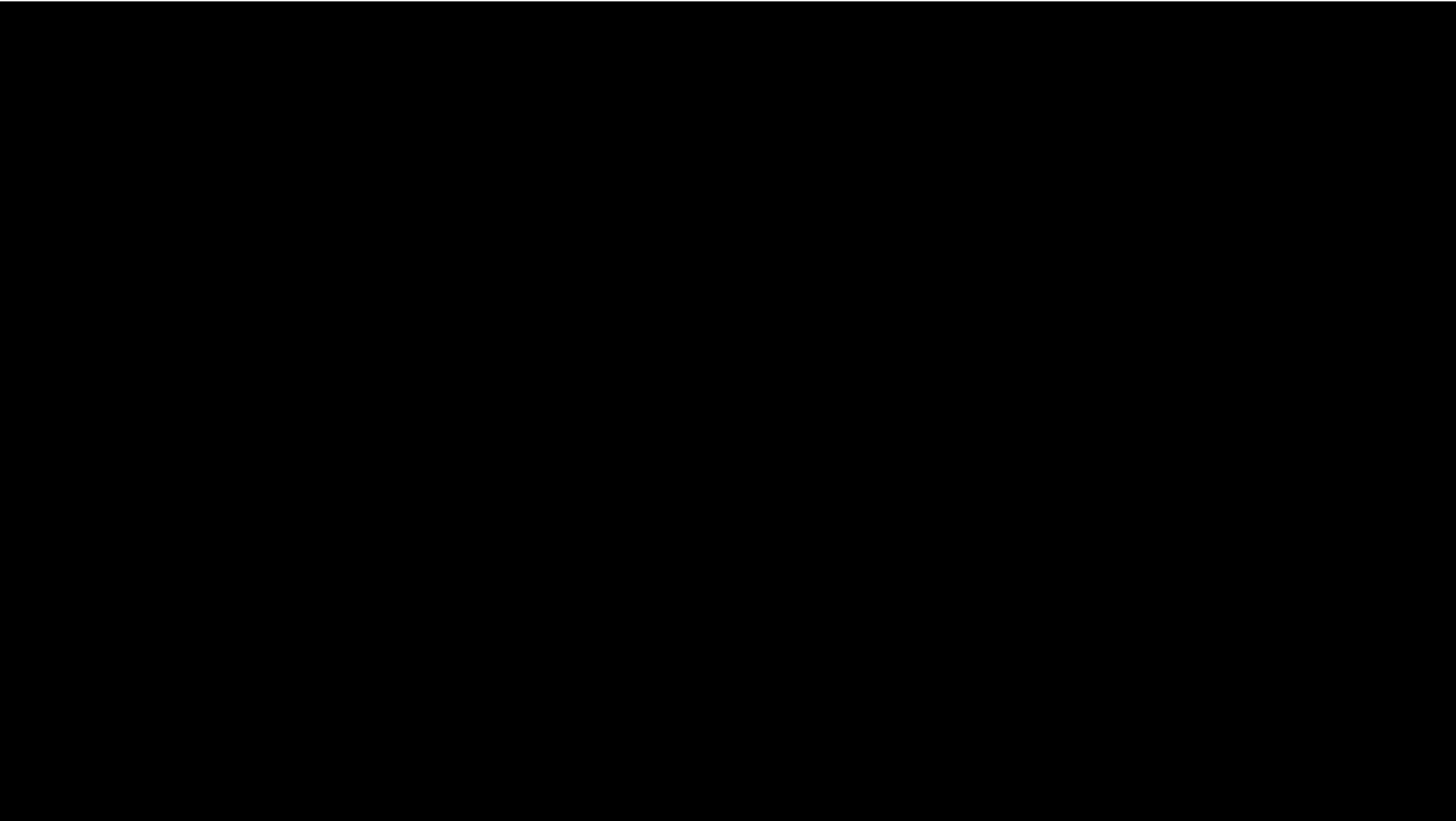
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What do people + technology have to do with one another? Everything. When our community of solvers bring technology to the audit, we create a powerful human-machine combination. That's why we're embracing digital disruption. To reimagine the audit by optimizing digital know-how and human expertise to put quality first and usher in an experience revolution for you and your team.

FY23 Independent Public Accountant

Recommendation:

Approve PricewaterhouseCoopers as Independent Public Accountant
for the fiscal year 2023 audit



Salt Verde Financial Corporation

Financial Matters

Review of Financial Statements
and
Approval of FY2024 Operating Budget

Jeff Wright
April 13, 2023

Salt Verde Financial Corporation

Summary

FY 2023 Actuals through Q3

- Gas received/delivered as scheduled
- Investment interest received in full
- First commodity swap payment since FY09
- Excluding swap payment, expenses are in line with budget

FY 2024 Budget

- Increase in scheduled rates and corresponding revenues
- Increase in collateral interest revenue and expense

Salt Verde Financial Corporation

Financial Information

(Amounts in thousands)	<u>Nine Months</u> <u>Ended 1/31/2023</u> (Unaudited)	<u>Budget for</u> <u>Nine Months</u> <u>Ended 1/31/2023</u>	<u>Variance</u>
<u>Income</u>			
Gas Revenues	\$ 79,126	\$ 75,639	\$ 3,487
Investment Income	2,374	2,352	22
Interest Income on Collateral	2,237	524	1,713
Total Income	<u>83,737</u>	<u>78,515</u>	<u>5,222</u>
<u>Expenses</u>			
Bond Interest	42,133	42,133	-
Amortization of Prepaid Gas	35,721	35,721	-
Commodity Swap Expense	3,487	-	3,487
Transfers to SRP	2,642	2,352	290
Interest Expense on Collateral	2,704	590	2,114
Other	61	101	(40)
Total Expenses	<u>86,748</u>	<u>80,897</u>	<u>5,851</u>
<u>Losses before loss on derivatives</u>	<u>(3,011)</u>	<u>(2,381)</u>	<u>(630)</u>
Gain on derivatives	<u>38,829</u>	<u>-</u>	<u>38,829</u>
Net Gain (Loss)	<u>\$ 35,818</u>	<u>\$ (2,381)</u>	<u>\$ 38,199</u>

Salt Verde Financial Corporation

Financial Information

(Amounts in thousands)	<u>As of 1/31/2023</u> <u>(Unaudited)</u>	<u>4/30/2022</u> <u>(Audited)</u>	<u>Variance</u>
<u>Assets</u>			
Current Assets	\$ 100,258	\$ 100,323	\$ (65)
Current portion of derivative asset	54,773	11,326	43,447
Derivative asset, net of current portion	741,830	866,984	(125,154)
Collateral Assets	125,941	165,358	(39,417)
Other Assets	500,100	535,821	(35,721)
Total Assets	<u>\$ 1,522,902</u>	<u>\$ 1,679,812</u>	<u>\$ (156,910)</u>
<u>Liabilities & Equity</u>			
Current Liabilities	\$ 32,631	\$ 42,418	\$ (9,787)
Current portion of derivative liability	62,763	19,953	42,810
Collateral Liability	125,941	165,358	(39,417)
Long Term Liabilities	1,068,003	1,090,991	(22,988)
Derivative liability, net of current portion	771,055	934,401	(163,346)
Equity	(537,491)	(573,309)	35,818
Total Liabilities & Equity	<u>\$ 1,522,902</u>	<u>\$ 1,679,812</u>	<u>\$ (156,910)</u>



Salt Verde Financial Corporation

FY2024 Operating Budget

Salt Verde Financial Corporation

FY2024 Operating Budget

(Amounts in thousands)	<u>FY2023</u>	<u>Proposed</u> <u>FY2024</u>	<u>Change</u>
<u>Income</u>			
Gas Revenues	\$ 75,639	\$ 78,590	\$ 2,951
Investment Income	3,083	3,167	84
Interest on Collateral	834	5,871	5,037
Total Income	<u>79,556</u>	<u>87,628</u>	<u>8,072</u>
<u>Expenses</u>			
Bond Interest	55,985	54,910	(1,075)
Amortization of Prepaid Gas	35,721	35,721	-
Transfers to SRP	3,083	3,167	84
Interest on Collateral	921	6,625	5,704
Other	137	157	20
Total Expenses	<u>95,847</u>	<u>100,580</u>	<u>4,733</u>
Net Loss	<u>\$ (16,291)</u>	<u>\$ (12,952)</u>	<u>\$ 3,339</u>

Salt Verde Financial Corporation

Recommendation

- Approve the proposed Operating Budget for FY2024



Salt Verde Financial Corporation

Status of Operations

Jason I. Riggs | April 13, 2023

Salt Verde Financial Corporation - Operations Update

FY23 Gas Discount \$ 8.6 million

Total savings – Inception through March 2023 \$ 160.1 million

- Gas Discount \$ 114.0 million
- Interest Earnings* \$ 46.1 million

No delivery issues

Current credit ratings



Senior Debt		Subordinate Debt	
Moody's	S&P	Moody's	S&P
A3	BBB+	Ba3	BBB+

**Excluding collateral*

Counterparty Ratings – April 2023

Counterparties Monitored in Pre-Pay Gas Transaction							
Counterparty	Role	Current Rating		Trigger Rating		Notches to Reach Trigger	
		S&P	Moody's	S&P	Moody's	S&P	Moody's
<i>Salt Verde Financial Corp.'s Primary Exposure</i>							
Citigroup Inc.	Guarantor for CEI	BBB+	A3	BBB+	Baa1	Trigger Reached	1
<i>Other Entities Involved in Transaction</i>							
Citigroup Energy Inc.	Gas Supplier	Not Rated		N/A			
Royal Bank of Canada	Commodity Swap Provider	AA-	Aa1	A-	A3	3	5
MBIA Insurance Corp. (MBIA Inc's Guarantor)	Investment Agreement Provider (Debt Reserve)	NR	Caa1	A+	A1	Trigger Reached	Trigger Reached
	Surety Bond Provider	NR	Caa1	N/A			
National Public Finance Guarantee Corp.	Reinsurance Provider for MBIA Insurance Corp.	NR	Baa2	N/A			
American General Life Insurance Co.	Investment Agreement Provider (Debt Service)	A+	A2	A+	A1	Trigger Reached	Trigger Reached
		A+	A2	BBB+	Baa1	3	2
U.S. Bank NA	Bond Trustee	AA-	A1	N/A			

Citi: Potential Guarantor Change

- Citigroup Corporate Structure:

 - **Citigroup, Inc.** (existing Guarantor, BBB+/A3)

 - ↳ **Citigroup Global Markets Holdings Inc.** (potential replacement, A/A2)

 - ↳ Citigroup Financial Products, Inc.

 - ↳ Citigroup Energy, Inc. (Gas Supplier)

- Citi needs rating agency approval, if approved:

 - SRP cannot unreasonably withhold consent
 - Certain disclosure requirements

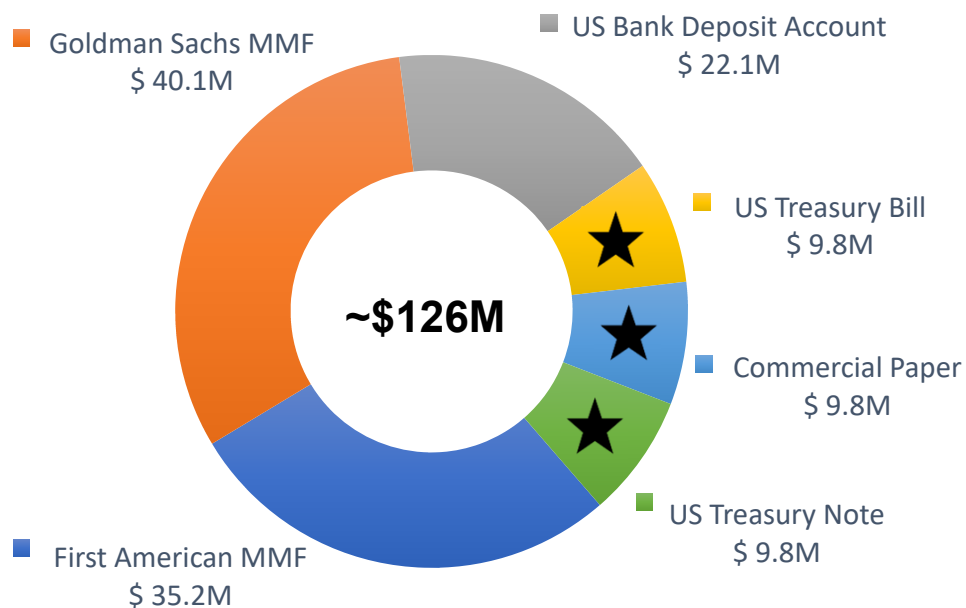
- SRP evaluating risk if guarantor changed

Citi Collateral

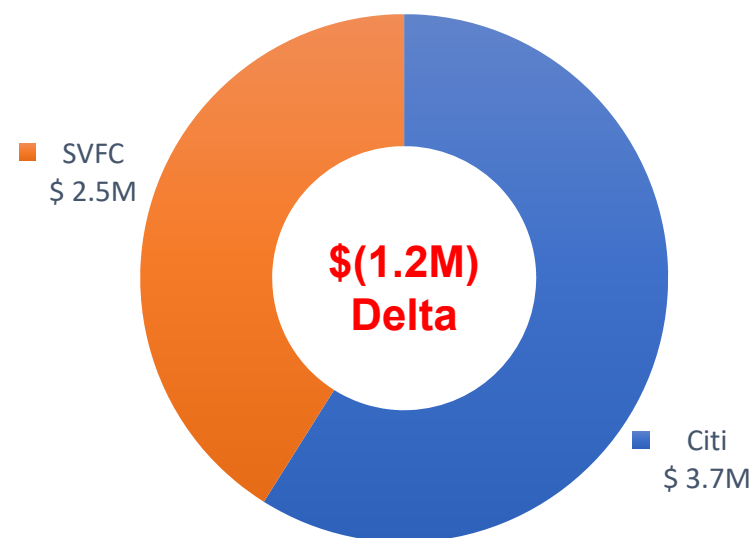
Initial Amount Received on May 10, 2016 \$ 197.6 million

- Required balance is re-calculated/adjusted, ~\$126M at 3/31/2023

Collateral Held – Breakdown



Interest Earned - FY2023 thru March 2023



thank you

