

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

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**BOARD OF DIRECTORS MEETING**

**Tuesday, April 15, 2025, 9:30 AM**

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

Directors: David Rousseau, President; Christopher Dobson, Vice President; and Nicholas Brown

Call to Order  
Roll Call

1. Request for Approval of the Minutes for the Meeting of August 8, 2024  
.....PRESIDENT DAVID ROUSSEAU
2. Appointment of Officers for Fiscal Year 2026 (FY26)  
.....PRESIDENT DAVID ROUSSEAU
3. PricewaterhouseCoopers LLP (PwC) FY25 Audit
  - A. Informational presentation by PwC to serve as an independent public accountant for the FY25 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..... RAUL PIÑA, PwC
  - B. Request for approval to retain PwC to serve as an independent public accountant for audits conducted for FY25 ..... JEREMY FRY
4. Update on the Status of Operations and Counterparty Credit Ratings  
.....JASON RIGGS
5. Financial Matters.....JEREMY FRY
  - A. Unaudited summary of the financial statements covering the first nine months (through January 31, 2025) of FY25
  - B. Request for approval of the proposed Operating Budget for FY26
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.
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**NOTICE WILL BE SENT REGARDING THE NEXT  
SVFC MEETING**

04/08/2025



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

**DRAFT**

August 8, 2024

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 10:34 a.m. on Thursday, August 8, 2024, from the Hoopes 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 Christopher J. Dobson, Vice President of SVFC and SRP; and Nicholas Brown of SVFC and SRP.

Director of SVFC absent at roll call was David Rousseau, President of SVFC and SRP.

Also present were Sandra D. Kenney and Paul E. Rovey, Directors of SRP; Jon W. Hubbard, Treasurer of SVFC and Treasurer and Senior Director of Financial Operations and Compliance of SRP; Jason I. Riggs, Assistant Treasurer of SVFC and Director and Assistant Treasurer of Treasury Operations and Compliance 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. Irene R. Avalos, Melissa J. Burger, and Sue Ann Perkinson of SRP; Messrs. Brian J. Koch, Ken J. Lee, Michael J. O'Connor, Jim M. Pratt, and Jeff A. Wright of SRP; and Raúl Piña 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 Tuesday, August 6, 2024.

Vice President and Director C.J. Dobson served as Chairman. He called the meeting to order at 10:34 a.m. and acknowledged the existence of a quorum of the Board of Directors.

Approval of the Minutes

On a motion duly made by Vice President and Director C.J. Dobson and seconded by Director N.R. Brown, the Board of Directors of the SVFC unanimously approved and adopted the minutes for the meeting of April 11, 2024, as presented.

Corporate Secretary J.M. Felty polled the SVFC Board Members on Vice President and Director C.J. Dobson's motion to approve the minutes for the meeting of April 11, 2024. The vote was recorded as follows:

YES:	Directors C.J. Dobson, Vice President; and N.B. Brown	(2)
NO:	None	(0)
ABSTAINED:	None	(0)
ABSENT:	Director David Rousseau, President	(1)

#### Fiscal Year 2024 (FY24) Audit Findings by PwC

Sue Ann Perkinson, SRP Controller and Senior Director of Corporate Accounting Services, introduced Raúl Piña, Engagement Partner with PwC. Ms. S.A. Perkinson reminded the Board that PwC had been retained to audit the financials of SVFC for the FY24 ended April 30, 2024.

Using a PowerPoint presentation, Mr. R. Piña reported that PwC completed a comprehensive audit of SVFC's financial statements for FY24 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. R. Piña 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.

Ms. S.A. Perkinson and Mr. R. Piña responded to questions from Board.

Copies of the handouts distributed and 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, Jason I. Riggs, Assistant Treasurer of SVFC and Director and Assistant Treasurer of Treasury Operations and Compliance of SRP, updated the Board on the status of operations of SVFC and its current counterparty credit rating. He reported that the FY24 gas discount was \$8.6 million. Mr. J.I. Riggs said that the total savings (inception to-date) was \$177.0 million, including a total gas discount of \$127.0 million and total interest earnings of \$50.0 million. He noted that there had been no delivery issues.

Mr. J.I. Riggs 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 reviewed information on SVFC's investments as of June 30, 2024. Mr. J.I. Riggs provided an overview of operating account funds and functions and an investment review of SVFC. He concluded with a forecasted retail gas burn versus prepay supply from May 2024 through June 2053.

Mr. J.I. Riggs responded to questions from the Board.

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, Jeff A. Wright, SRP Director of Financial Reporting, provided the Board a preliminary financial update of SVFC. He compared FY24 actuals to budget for income and expenses and explained the variances. Mr. J.A. Wright concluded with a comparison of assets, liabilities, and equity of SVFC for FY24 and FY23.

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.

Mr. B.J. Koch left the meeting during the presentation.

There being no further business to come before the Board, the meeting adjourned at 11:06 a.m.

John M. Felty  
Secretary



# Salt Verde Financial Corporation

## Appointment of Officers for FY2026

- **Proposed officers**

- President: David Rousseau
- Vice President: Chris J. Dobson
- Secretary: John M. Felty
- Asst. Secretary: Lora F. Hobaica
- Treasurer: Jon W. Hubbard
- Asst. Treasurer: Jason I. Riggs

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





April 15, 2025

# The PwC audit

For when trust matters



**Salt Verde Financial Corporation**

**2025 audit plan**

Report to the **Board of Directors**



**CONFIDENTIAL**

This report and the information that it contains is intended solely for the information and use of those charged with governance and, if appropriate, management, and is not intended to be, and should not be used by anyone other than these specified parties.





# Audit objectives

## Our primary objective is 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, 2025 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 entities with respect to which independence requirements apply (e.g. acquisitions/divestitures/equity investments or other transactions), as well as changes leading to new officers, directors, or beneficial owners not previously identified.
- If PwC is providing impermissible non-audit services to, or has other prohibited relationships with, an entity with respect to which independence requirements will apply (e.g., a prospective new affiliate pursuant to a merger or acquisition or the hiring of a new director), such services and/or relationships will need to be identified and evaluated prior to the effective date when independence requirements will apply (e.g. the effective date of the transaction) and actions will most likely be needed to cease or restructure the impermissible services and/or relationships.
- If a PwC partner or staff member is seeking or discussing potential employment or association with an audit client, this can have independence implications such that the individual would have to be removed from the engagement if providing any services to the client.

We need to proactively work together with management 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:

- **Continuous monitoring and training:**

- 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 financial interests used by all partners and staff

- **Tech-enabled compliance:** Independence confirmation system that automatically generates and sends confirmations to US 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 – all accounts and assertions

## Planned audit response

- We will test manual journal entries and other adjustments
- We will test significant new related party transactions, if applicable
- We will perform unpredictability procedures
- We will evaluate the business rationale for significant unusual transactions, if applicable

## 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 Company's 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



# Your audit team

At PwC, we develop extraordinary professionals, trained with a keen understanding of how companies build and maintain trust in a complex world. Our team includes technical leaders, digitally upskilled professionals, specialists in your industry and is ready to deliver quality assurance across financial and emerging non-financial dimensions related to your audit and business. Moreover, we care — inspired by the higher ideals of our profession, and committed to live out the tenets of independence, objectivity and public service.



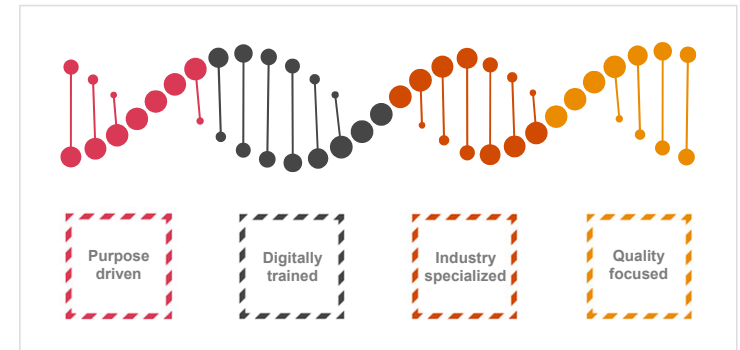
**Raul Pina**  
Engagement Partner



**Scott Gavin**  
Engagement Senior  
Manager



**Pankaj Sahay**  
Valuation Specialist





# Other required communications





# Other required communications

Matter to Report	Comments
<b>Independence</b>	<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> <p>There were no relationships or other matters identified that might reasonably be thought to bear on independence.</p> <p>In line with our policy approach in the US as it relates to the exchange of gifts, meals, entertainment, privileges or other favors with the Company.</p>
<b>Significant issues discussed with management prior to appointment or retention</b>	<p>There were no significant issues discussed with management in connection with the appointment/retention of PwC.</p>



# Other required communications

Matter to Report	Comments
<b>Non-compliance with laws and regulations and illegal acts</b>	<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>
<b>Other Information included in the Annual Report</b>	<p>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"><li>• A material inconsistency exists between the other information and the auditor's knowledge obtained in the audit, and/or</li><li>• A material misstatement of fact exists or the other information is otherwise misleading.</li></ul> <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>
<b>Obtain information relevant to the audit</b>	<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>
<b>PwC Audit Quality Report</b>	<p>Our Audit Quality Report shares how our culture, values, people and processes come together to help us achieve our audit quality objectives. Our Audit Quality Report has been provided to the Board of Directors.</p>

# **FY25 Independent Public Accountant**

## **Recommendation:**

Approve PricewaterhouseCoopers as Independent Public Accountant  
for the fiscal year 2025 audit



April 15, 2025

# The PwC audit

For when trust matters



Salt Verde Financial Corporation

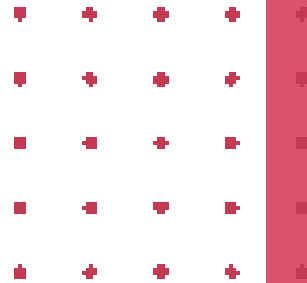
2025 audit plan

Report to the Board of Directors



CONFIDENTIAL

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## Our focus on audit quality

Our audit practice is in a position of strength, with a reputation for delivering quality built over years by the hard work and achievements of our people. As a multidisciplinary firm, we have the skills and capabilities to achieve even more — innovating, using leading technology to work smarter and faster, unlocking value, and breaking down barriers that get in the way of progress.

Healthy capital markets depend on trust in the information provided by companies to the public and market participants. We know how important it is that we help build that trust by demonstrating integrity, quality, and transparency in everything we do.

April 15, 2025

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

An audit is fundamentally about trust, as it can help enhance confidence in a company's information. Driven by a quality-first mindset, our people deliver an innovative audit that focuses on sharper risk assessment, effective and efficient execution and insights. We continue to be inspired by the higher ideals of our profession, particularly independence and objectivity, and our legacy of bringing increased confidence to the financial statements.

The pace of development in standards and technology, combined with increasing stakeholders' expectations, is transforming how companies are evaluated and how we perform our audits. As such, we are continually investing in market-leading technology (including AI), deep industry knowledge and technical acumen to reimagine your audit experience.

This report was prepared based on meetings with and insights from management, consideration of SVFC's operating environment, and our risk assessment procedures, including considerations of any year-to-date activities. As in past years, our audit approach will remain responsive to the Company's environment and any macroeconomic influences. 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 understand what matters to you. Together, we can agree on mutual audit needs and expectations, enabling us to provide you with 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 continue to bring you The PwC Audit. Thank you for your continued trust in and support of us as your auditors. If you have any questions or wish to discuss any other matters prior to our meeting, please do not hesitate to contact me at (708) 310-2358 or [raul.pina@pwc.com](mailto:raul.pina@pwc.com).

Very truly yours,

Raúl Piña  
Engagement Partner

*PricewaterhouseCoopers LLP, 4300 E Camelback Rd, Suite 475, Phoenix, AZ 85018 T: (602) 364 8000*



## What's Inside

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# Highlights

## Independence

- Compliance with the auditor independence rules is a shared responsibility between the Company and PwC
- As a matter of policy, we communicate gifts and entertainment the US audit engagement team anticipates providing over the course of the year

## Fraud & Related Parties

- We will inquire with management and in the Board of Directors regarding matters related to Fraud and Related Parties

## Risk Assessment

### Significant risks

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

## Our Audit Deliverables

- Audit report on the financial statements

## Materiality & Scoping

- Materiality was determined using assets as the primary metric





# Our approach



# Audit objectives

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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:

### • Continuous monitoring and training:

- Required independence training for all partners and staff
- Global tracking of Authorizations for Services (AFS) through Salesforce
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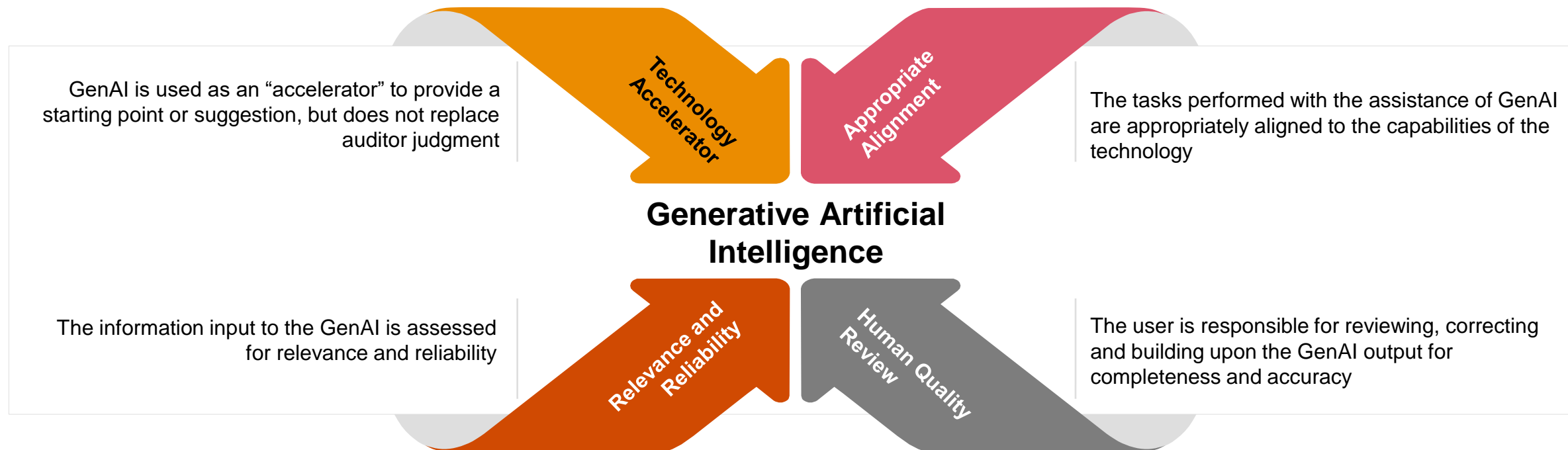
In signing the engagement letter, the Company agrees to inform PwC periodically about the identity of each affiliate/beneficial owner and to **notify PwC in advance regarding any expected addition or removal of an affiliate/beneficial owner.**



# Use of GenAI in the Audit

## Harness the power of generative artificial intelligence (GenAI)

We recently updated our policies related to the use of GenAI in the audit to enhance the oversight and communication about the responsible use of GenAI. Updates to our policies and business rules include required communications with key team members, including component teams, and with those charged with governance. Below is a summary of our working practices as well as the ways that we can potentially use GenAI in the audit.



## Types of GenAI technologies and solutions available for engagement teams to use during the audit:

ChatPwC

M365 Copilot

ChatNational



# 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 revenue, total assets, operating expenses. Materiality was preliminarily determined based on: total assets.



OVERALL MATERIALITY



SUM DE MINIMIS

## 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





# Our team and how we will deliver



# Your audit team

At PwC, we develop extraordinary professionals, trained with a keen understanding of how companies build and maintain trust in a complex world. Our team includes technical leaders, digitally upskilled professionals, specialists in your industry and is ready to deliver quality assurance across financial and emerging non-financial dimensions related to your audit and business. Moreover, we care — inspired by the higher ideals of our profession, and committed to live out the tenets of independence, objectivity and public service.



**Raul Pina**

Engagement Partner



**Scott Gavin**

Engagement Senior  
Manager



**Pankaj Sahay**

Valuation Specialist





# Timeline and communication plan

- Planning and interim procedures

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- Audit plan presentation to the Audit Committee

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- Year-end field work
- Year- end results and audit report

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•  
•

Sept

Oct

Nov

Dec

Jan

Feb

Mar

Apr

May

Jun

Jul

Aug



# Our commitment to you

## Building on our professional relationship

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### 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.

### Bringing the right knowledge to the table

Raul leads our issues resolution process, speaking for the firm on all audit matters and leading a transparent process that directly involves all relevant parties from the beginning.

### Understanding perspectives

We both bring diverse perspectives and experiences to the table. We'll ask questions to develop a deeper understanding of the matters and your perspective on them.

### Reflection and celebration

We will both self-reflect and reflect jointly with you to drive continuous improvement in the audit. We take time to re-energize and connect with you and celebrate important milestones.

### Working effectively

We'll sit down with your team to understand your investments in data, ERPs, internal audit and monitoring, and we will design an approach that leverages the best of you and the best of us. Where possible, we will take advantage of what your team has done to reduce overall audit burden.

### Phasing thoughtfully

We will distribute our audit thoughtfully throughout the year with a goal to discuss, test and resolve accounting matters as they surface.

### Sharing permissible insights

You can count on us to support you within the context of our role and share objective perspectives on topics that are important to you. Where insights are considered permissible non-audit services, we will obtain Board pre-approval.



# Other required communications



# Other required communications

Matter to Report	Comments
Independence	<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> <p>There were no relationships or other matters identified that might reasonably be thought to bear on independence.</p> <p>In line with our policy approach in the US as it relates to the exchange of gifts, meals, entertainment, privileges or other favors with the Company, we have attached Appendix II, which provides an overview of our policy as well as a summary of the types of entertainment that the US audit engagement team intends to pursue this year.</p>
Significant issues discussed with management prior to appointment or retention	<p>There were no significant issues discussed with management in connection with the appointment/retention of PwC.</p>



# Other required communications

Matter to Report	Comments
<b>Non-compliance with laws and regulations and illegal acts</b>	<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>
<b>Other Information included in the Annual Report</b>	<p>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"><li>• A material inconsistency exists between the other information and the auditor's knowledge obtained in the audit, and/or</li><li>• A material misstatement of fact exists or the other information is otherwise misleading.</li></ul> <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>
<b>Obtain information relevant to the audit</b>	<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>
<b>PwC Audit Quality Report</b>	<p>Our Audit Quality Report shares how our culture, values, people and processes come together to help us achieve our audit quality objectives. Our Audit Quality Report Summary, which includes a link to the full report is included as Appendix III.</p>



# Appendices





# Appendices

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**PwC's Audit Quality Report**

**Glossary**

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**II**

**III**

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# Draft engagement letter





April 15, 2025

Jon Hubbard  
Salt Verde Financial Corporation  
P.O. Box 52025  
Phoenix, Arizona 85027-2025

Dear Mr. Hubbard:

The purpose of this letter is to confirm our understanding of the terms of PricewaterhouseCoopers LLP's ("PwC," "our," "us," or "we") engagement as independent accountants of Salt Verde Financial Corporation (the "Company," "SVFC," "you," or "your").

Services and related report

We will audit the financial statements of SVFC which comprise the statement of net position at 04/30/2025 and related statements of revenues, expenses, and changes in net position for the year then ending. Upon completion of our audit, we will provide SVFC 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 SVFC we are unable to complete our 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 SVFC'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 a financial statement 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 a financial statement 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 SVFC'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 SVFC .
- 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 SVFC '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 identify 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 SVFC, as appropriate, any such matters identified during our audit.

We also are responsible for determining that those charged with governance are informed about certain other matters related to the conduct of our 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 SVFC'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 SVFC; (iv) procedures performed related to SVFC '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 those charged with governance receive 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 financial statement 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 SVFC'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 of certain matters, including (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 deficiencies in the design or operation of SVFC's internal control over financial reporting, and which of these are believed to be significant deficiencies or material weaknesses. Management also is responsible for identifying and ensuring that SVFC 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 SVFC's annual report and SVFC'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 SVFC'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 SVFC'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.

SVFC 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. Where our audit report is published or reproduced, in printed form or electronically, the complete set of financial statements, including notes, must also be presented.

Additionally, regulations established by certain non-U.S. countries include a requirement for the auditor to be registered in that country if SVFC 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 SVFC. 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 engagement, SVFC releases and indemnifies PwC and its personnel from any and all claims, liabilities, costs, and expenses attributable to any knowing misrepresentation by management.

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

PwC is a U.S. firm of the global network of separate and independent PricewaterhouseCoopers firms (exclusive of PwC, the "Other PwC Firms"). PwC may, in its discretion, draw on the resources of and/or subcontract to its subsidiaries and affiliates, the Other PwC Firms and/or third party contractors and subcontractors (each, a "PwC Subcontractor"), in each case within or outside the United States of America in connection with the provision of the services and/or for internal, administrative and/or regulatory compliance purposes. SVFC agrees that PwC may provide information PwC receives in connection with this agreement to the PwC Subcontractors for such purposes. PwC 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 SVFC 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 SVFC'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 SVFC is unable to provide such schedules, information and assistance, PwC and you will mutually revise the fee to reflect additional services, if any, required of us to complete the engagement. Should SVFC be acquired, PwC will reserve the right to renegotiate the fees.

Our fees for this engagement will be \$90,000, subject to the terms and conditions above. We will advise if any circumstances arise which may require a change in scope and/or fee.

We also will bill SVFC 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 PwC 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

PwC 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. The independence rules encompass not only SVFC but also its affiliates, as defined in the AICPA Code of Professional Conduct, and individuals with a beneficial ownership interest (known through reasonable inquiry) that gives the individual significant influence over SVFC, as provided in the AICPA Code of Professional Conduct. Therefore, SVFC agrees to inform us periodically about the identity of each such affiliate or beneficial owner and will notify us in advance regarding any expected addition or removal of such an affiliate or beneficial owner, which may impact our auditor independence, including, for example, due to the (i) acquisition of a new affiliate, (ii) disposition or change in control of, or additional investment in, an existing affiliate, or (iii) identification of a new beneficial ownership interest that gives the individual significant influence over SVFC. SVFC acknowledges that we will use this information confidentially to assess and/or reassess independence.

In the event we are requested or authorized by SVFC 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 SVFC, SVFC 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.

SVFC 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 PwC 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 SVFC merges or an entity which acquires all or substantially all of the assets of SVFC and where, in either case, the assignee entity agrees to be bound by this provision. Any assignment or transfer by SVFC 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. Because our services are often recurring, and due to the timing of when an engagement letter may be signed for the 2026 services ("2026 Engagement Letter"), we may perform procedures and gather information for the 2026 services before the 2026 Engagement Letter is executed. To the extent that such work occurs before the 2026 Engagement Letter is executed, the terms of this engagement letter shall continue to apply to that work until such time as either (1) SVFC or PwC informs the other party that the engagement is terminated or (2) the 2026 Engagement Letter is executed, whichever is earlier. For the avoidance of doubt, fees for any work performed in support of the 2026 services will be billed according to what is ultimately agreed in the 2026 Engagement Letter.

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 the 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 SVFC to be identified by third parties without the SVFC's consent.

The foregoing consent is valid until further notice by SVFC.



\* \* \* \* \*

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 Raúl Piña at (708) 310-2358. 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, preferably by electronic signature. You may also return the signed copy attached to an email as a pdf, jpeg or similar file type sent to me at [raul.pina@pwc.com](mailto:raul.pina@pwc.com), by hand, by mail or by air courier.

Very truly yours:

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PricewaterhouseCoopers LLP

Date:

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

Salt Verde Financial Corporation by and through its Board of Directors.

By:

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Mr. Jon Hubbard  
Treasurer

Date:

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# PwC's gift and entertainment policy

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# 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: occasional meals with management and invitations to PwC sponsored social or networking events. 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.



# Audit Quality Report

October 2024



# In our annual Audit Quality Report, read about....

**Our reputation for quality is vital to our ability to achieve our purpose, to build trust and solve important problems. Quality is – and always will be – our number one priority.**

Our **2024 Audit Quality Report** shares how our culture, values, people, and processes come together to help us achieve our quality objectives - further supporting your understanding of our system of quality management. It brings transparency into the health of our audit practice, including many of the factors we consider in evaluating how we are measuring up to our quality expectations and insight into over 20 related transparency data points.



**Download our 2024 Audit Quality Report [here](#).**

- Our leaders prioritize the delivery of quality service. Quality, ethical behavior, and accountability are regularly reinforced in communications. Our accountability framework specifies expected actions and behaviors, and includes consequences when exceptions occur.  
**97% of our audit professionals reported receiving consistent messages about the importance of audit quality from leadership\***
- Our independence compliance programs consider independence in both fact and appearance and include systems and processes that support our people in maintaining independence.  
**Our 300+ independence specialists engaged in 38,000 consultations.\***
- If an independence exception occurs, we determine whether the firm remains objective and impartial and timely communicate the matter to our client.
- We accept or continue audit relationships only when supported by our assessment of business, litigation, and reputational risks and audit procedures can be satisfactorily designed and executed.

- Attracting, retaining, and developing top talent is fundamental to our ability to deliver quality. We're committed to taking action that benefits our profession and builds the future talent pipeline and to maintain a meaningful people experience that supports development for our people and the skills to serve their professional goals.

**We hired over 1,800 entry-level and over 50 experienced audit professionals, respectively. Total headcount increased to over 16,000 audit team members.\***

- We continue to embrace more in-person time together to further support the development and needs of our people and enhance team collaboration.
- Our rewards strategy recognizes the growth and impact of the individual, including their contributions to delivering quality and value. We remain committed to proactively increasing base pay for our audit professionals when needed to align with our ongoing evaluation of market conditions.

**Average annual voluntary turnover decreased to 12.7%. Average annual overtime for our associates through directors also decreased.**

*\*For the fiscal year ended June 30, 2024. See our 2024 Audit Quality Report for more information, including comparative numbers for the previous two years.*





# ...how, as a leader of the profession...

- Partners are evaluated based on their contributions, inclusive of impact and quality. Our audit partners are not evaluated or compensated for selling non-audit services to their audit clients. The performance of other audit team members is assessed against dimensions guiding critical skills and behaviors related to delivering audit quality.
- Completion of required auditing; accounting; and annual independence, ethics, and compliance training is a component of individual performance.

Average training hours per audit professional increased to 90.\*

- Our audit teams are composed of individuals who bring the right blend of technical capabilities and industry knowledge.
- Our fully integrated Acceleration Center (AC) audit team members perform an increasing amount of work in specific audit areas, allowing teams to appropriately scale and standardize work to enhance quality.

The ratio of partners/managing directors to all other audit team members (including ACs) decreased to 1 to 13.7.\*

- Our audit teams utilize our broad network of multidisciplinary specialists to better understand the business, identify and address relevant risks, stay informed on developing matters, and obtain insights.

The percentage of audit hours provided by specialists decreased slightly to 16.9%.\*

- Our National Office, including the Chief Auditor Network, and Quality Management Network also support our audit teams, so they do not have to go it alone.

The ratio of partners/managing directors (MDs) in technical support roles to total partners/MDs increased to 1 to 5.7.\*

- Aura, our cloud-based audit platform, is used globally across all of our audits. Our audit tools and technology are designed to support leading audit practices based on the data and process maturity of our clients, and we continue to add innovative capabilities to drive quality and improve the audit experience. Our audit teams can access specialized tools to visualize and analyze, for example, full revenue populations at the transaction level.

- Each member firm in the PwC Network is responsible for monitoring and continuously improving its system of quality management. PwC US partners receive information about the results of the Network inspection program to consider in planning and performing their audit work. We also assist member firms in promoting quality in audits performed under US auditing standards, for example by providing training materials and access to experienced resources.

- We monitor the quality of our US audits through various channels:

201 audit engagements were subject to internal inspection with a compliance rate of 98%.\*

10 audits (out of 57 audits and one interim review inspected) were included in Part I.A of our 2023 PCAOB Inspection report (generally covering 2022 year-ends).\*

Less than 1% of the issuer annual financial statements audited by PwC in the past five years have been restated (29 total).\*

- As a learning organization, we continue to focus on identifying and responding to opportunities for enhancement in a timely manner.

*\*For the fiscal year ended June 30, 2024. See our 2024 Audit Quality Report for more information, including comparative numbers for the previous two years.*



# ...we are at the leading edge of quality.

As a learning organization, we continue to focus on identifying opportunities for enhancement in a timely manner through various channels. The actions we take to maintain audit quality are responsive to identified opportunities, as well as current macroeconomic events, standard setting and regulatory developments, and other matters impacting our clients, our people, our firm, the PwC Network, and the profession.

In FY24:

- The most senior members of our Operating Committee, including the Senior Partner, Chief Operating Officer, Chief Commercial Officer, Chief Financial Officer, General Counsel, Assurance Leader, Tax Leader, and Advisory Leader signed income-at-risk provisions that are expected to apply in circumstances such as pervasive and significant firm-level incidents, for example, significant breakdowns in the system of quality management.
- We issued guidance to assist teams in mitigating the risk of violations in certain areas of our independence policy that we identified as more likely to involve complex, unusual, or unfamiliar circumstances, for example, voluntary and involuntary situations that could lead to a restricted client becoming unrestricted, and certain joint business relationships.
- Our National Office addressed various auditing, accounting, reporting, and other practice matters – including, for example, Pillar Two, new auditing standards and rules for multilocation audits, new SEC cybersecurity disclosure rules, the Middle East conflict – through enhanced guidance and tools, additional training, and targeted reach-outs.
- We provided enhanced guidance, including helpful tools, working practices and examples, to facilitate the direction, supervision, and review of engagement team members and took additional, focused action to reinforce the professional skills of our new reviewers.
- We introduced multiple tools that leverage GenAI, including ChatNational, ChatPwC, and Microsoft's M365 Copilot. We created comprehensive GenAI training and business rules regarding the appropriate use of GenAI in performing certain tasks. Collectively, our audit and Digital Assurance & Technology professionals had approximately 37,000 hours of training on the use of AI.

“Audit quality” means we consistently:

- comply with professional standards;
- exercise professional skepticism;
- use our experience to identify and resolve issues timely; and
- apply a deep and broad understanding of our clients' businesses and the financial environment in which they operate in identifying and responding to risks relevant to our audit.

Our\* system of quality management is designed to meet the requirements of the PwC Network's Quality Management and Service Excellence (QMSE) framework and the relevant quality control standards of the PCAOB, AICPA and IAASB, including International Standard on Quality Management 1 (ISQM1). The most recent annual evaluation confirmed that as of March 31, 2024, our system of quality management over our audit practice is designed appropriately and operating effectively to provide reasonable assurance that the quality objectives prescribed by the relevant quality control standards, including ISQM 1, and the PwC Network's QMSE framework have been achieved.



# Glossary





# Glossary

## 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.

## Significant risk

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

## SUM de minimis

The amount below which potential audit adjustments are clearly trivial and need not be accumulated and posted to the summary of uncorrected misstatements (SUM). The amount is set so that any misstatements below that amount would not be material to the financial statements, individually or in combination with other misstatements, considering the possibility of undetected misstatement.

## 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.

## Overall materiality

Materiality determined for the financial statements as a whole.

## 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.



# For when trust matters

Report to the **Board of Directors**

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# **Salt Verde Financial Corporation Operations Update**

Jason I. Riggs | April 15, 2025

# Salt Verde Financial Corporation - Operations Update

FY25 Gas Discount \$ 8.6 million

Total savings – Inception through March 2025 \$ 183.0 million

- Gas Discount \$ 131.0 million
- Interest Earnings\* \$ 52.0 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 2025

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
Salt Verde Financial Corp.'s Primary Exposure							
Citigroup Inc.	Guarantor for CEI	BBB+	A3	BBB+	Baa1	Trigger Reached	1
Other Entities Involved in Transaction							
Citigroup Energy Inc.	Gas Supplier	A+	NR	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	Caa2	A+	A1	Trigger Reached	Trigger Reached
	Surety Bond Provider	NR	Caa2	N/A			
National Public Finance Guarantee Corp.	Reinsurance Provider for MBIA Insurance Corp.	NR	Baa3	N/A			
American General Life Insurance Co.	Investment Agreement Provider (Debt Service & Capitalized Interest)	A+	A2	A+	A1	Trigger Reached	Trigger Reached
		A+	A2	BBB+	Baa1	3	2
U.S. Bank NA	Bond Trustee	A+	A2	N/A			

# Citi Collateral

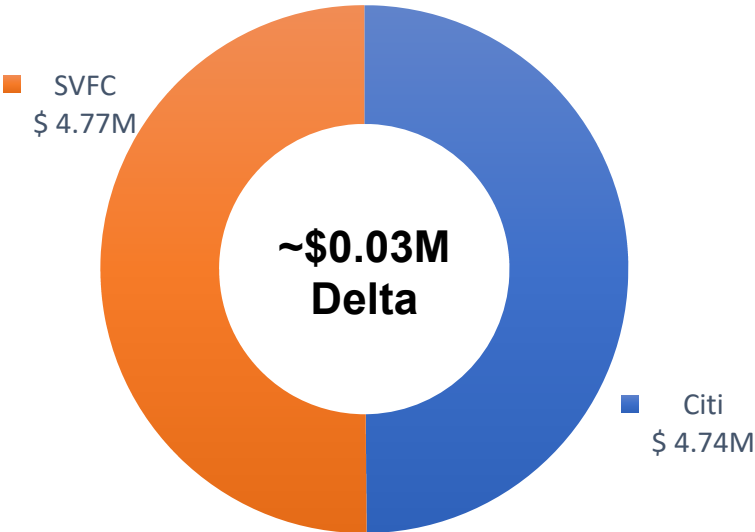
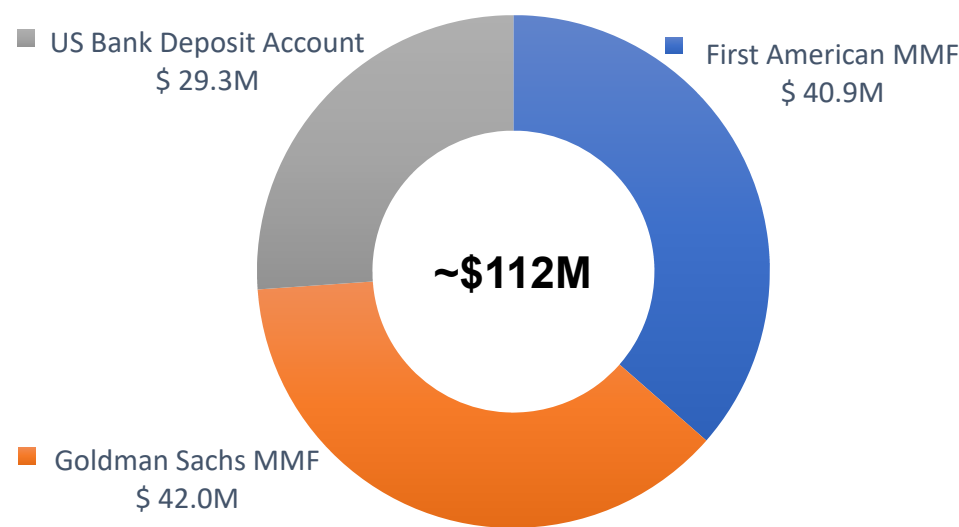
Initial Amount Received on May 10, 2016

\$197.6 million

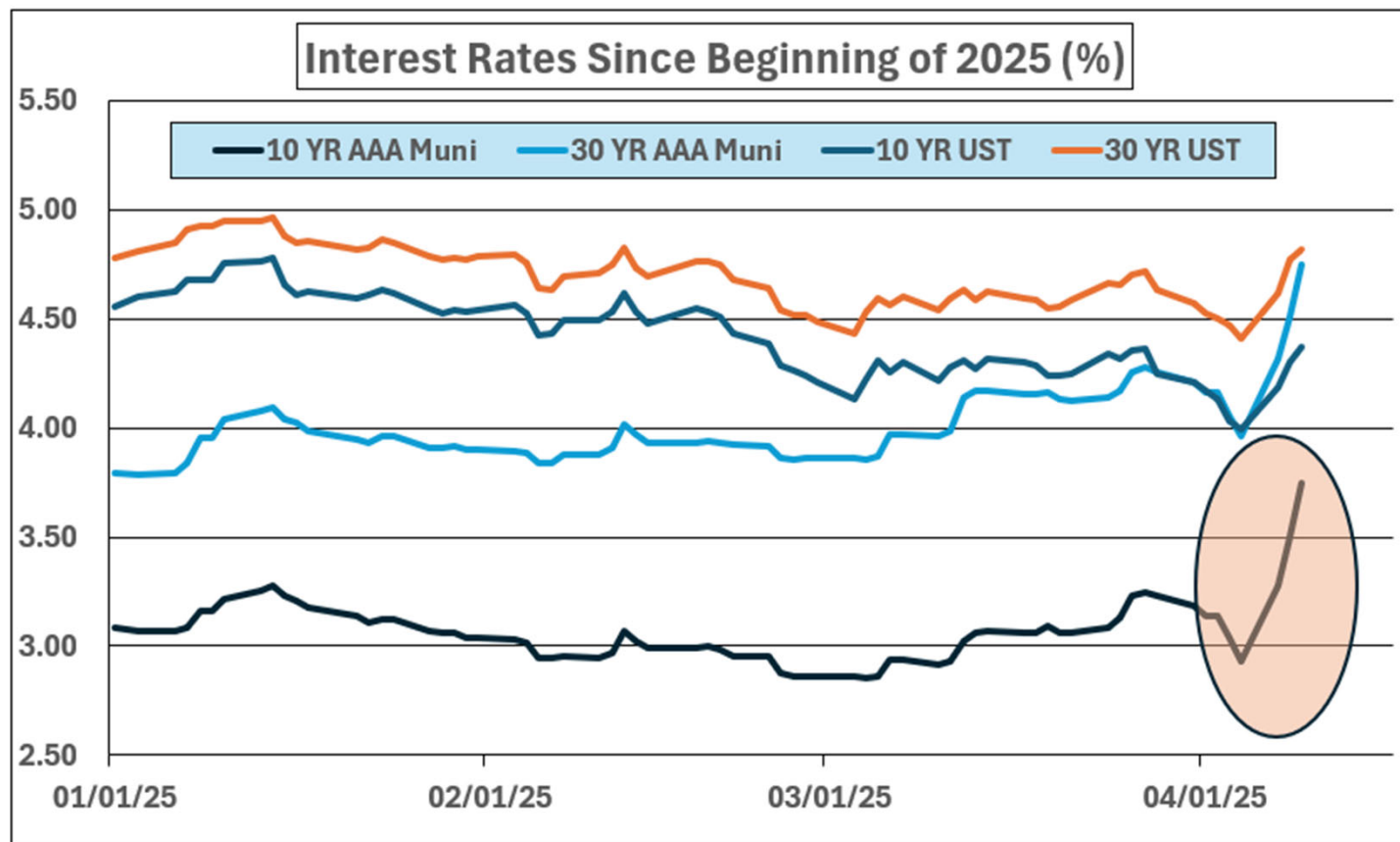
- Required balance is re-calculated/adjusted, ~\$112M at 2/28/2025

Collateral Held – Breakdown

Interest Earned - FY2024 thru Feb 2025



# Recent Longer-Term Rate Movement



**thank you**



# **Salt Verde Financial Corporation**

## **Financial Matters**

Review of Financial Statements  
and  
Approval of FY2026 Operating Budget

Jeremy Fry  
April 15, 2025

# Salt Verde Financial Corporation

## Summary

### FY 2025 Actuals through Q3

- Gas received/delivered as scheduled
- Expenses are slightly above budget due to timing of payments

### FY 2026 Budget

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

# Salt Verde Financial Corporation

## Financial Information

	<u>Nine Months</u> <u>Ended 1/31/2025</u>	<u>Budget for</u> <u>Nine Months</u> <u>Ended 1/31/2025</u>	<u>Variance</u>
(Amounts in thousands)	(Unaudited)		
<b><u>Income</u></b>			
Gas Revenues	\$ 81,435	\$ 81,435	\$ -
Investment Income	1,514	2,388	(874)
Interest Income on Collateral	4,269	3,416	853
Total Income	<u>87,218</u>	<u>87,239</u>	<u>(21)</u>
<b><u>Expenses</u></b>			
Bond Interest	40,422	40,422	-
Amortization of Prepaid Gas	35,721	35,721	-
Transfers to SRP	2,050	2,388	(338)
Interest Expense on Collateral	4,366	4,250	116
Other	83	124	(41)
Total Expenses	<u>82,642</u>	<u>82,905</u>	<u>(263)</u>
<b><u>Gain before loss on derivatives</u></b>	<u>4,576</u>	<u>4,334</u>	<u>242</u>
Loss on derivatives	<u>(6,409)</u>	<u>-</u>	<u>(6,409)</u>
<b><u>Net (Loss) Gain</u></b>	<u>\$ (1,833)</u>	<u>\$ 4,334</u>	<u>\$ (6,167)</u>



# Salt Verde Financial Corporation

## Financial Information

(Amounts in thousands)	<u>As of 1/31/2025</u> <u>(Unaudited)</u>	<u>4/30/2024</u> <u>(Audited)</u>	<u>Variance</u>
<b><u>Assets</u></b>			
Current Assets	\$ 99,662	\$ 100,397	\$ (735)
Current portion of derivative asset	62,978	68,654	(5,676)
Derivative asset, net of current portion	682,095	693,041	(10,946)
Collateral Assets	111,599	114,832	(3,233)
Other Assets	428,656	464,377	(35,721)
Total Assets	<u>\$ 1,384,990</u>	<u>\$ 1,441,301</u>	<u>\$ (56,311)</u>
<b><u>Liabilities &amp; Equity</u></b>			
Current Liabilities	\$ 40,671	\$ 50,190	\$ (9,519)
Current portion of derivative liability	71,158	76,993	(5,835)
Collateral Liability	111,599	114,832	(3,233)
Long Term Liabilities	1,009,353	1,040,866	(31,513)
Derivative liability, net of current portion	713,226	717,604	(4,378)
Equity	(561,017)	(559,184)	(1,833)
Total Liabilities & Equity	<u>\$ 1,384,990</u>	<u>\$ 1,441,301</u>	<u>\$ (56,311)</u>

# **Salt Verde Financial Corporation**

## **FY2026 Operating Budget**

# Salt Verde Financial Corporation

## FY2026 Operating Budget

(Amounts in thousands)	<u>FY2025</u>	<u>Proposed FY2026</u>	<u>Change</u>
<b><u>Income</u></b>			
Gas Revenues	\$ 81,435	\$ 84,282	\$ 2,847
Investment Income	3,095	3,189	94
Interest on Collateral	4,546	3,831	(715)
Total Income	<u>89,076</u>	<u>91,302</u>	<u>2,226</u>
<b><u>Expenses</u></b>			
Bond Interest	53,620	52,108	(1,512)
Amortization of Prepaid Gas	35,721	35,721	-
Transfers to SRP	3,095	3,189	94
Interest on Collateral	5,428	5,187	(241)
Other	167	165	(2)
Total Expenses	<u>98,031</u>	<u>96,370</u>	<u>(1,661)</u>
<b>Net Loss</b>	<u>\$ (8,955)</u>	<u>\$ (5,068)</u>	<u>\$ 3,887</u>

# **Salt Verde Financial Corporation**

## **Recommendation**

- Approve the proposed Operating Budget for FY2026

