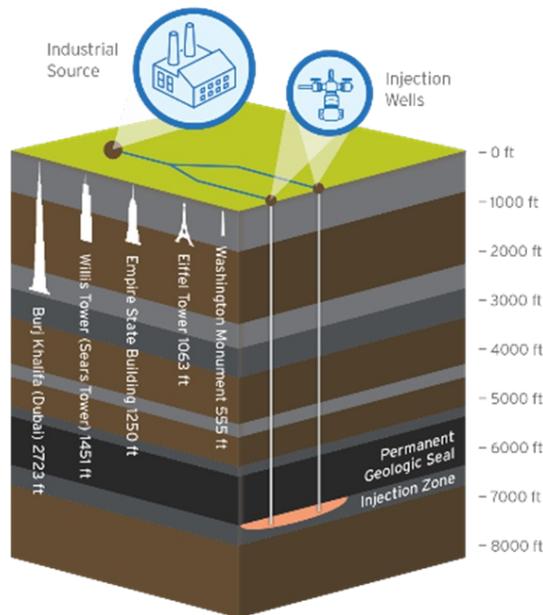


## Investments in Carbon Capture Technologies

As we enter some of the warmest temperatures in the last 125,000 years, scientists around the world are developing new technologies to reduce carbon emissions. Four of our holdings—California Resources Corporation, Great Lakes Dock and Dredge, Green Plains, and Valero—have partnered with some of the largest carbon capture and removal projects on the planet. Carbon capture remains a hotly debated topic as it is expensive and the potential environmental and health benefits are still unproven. However, the projects our companies are involved with have the potential to remove billions of tons of CO<sub>2</sub> from the atmosphere and improve the prospects for reducing some catastrophic consequences of global warming.

Before we provide project overviews, please note that the carbon capture initiatives highlighted here are mostly ancillary to these companies' core businesses. Nonetheless, if optimistic projections come to fruition and investor enthusiasm increases, they could provide meaningful upside to future profits and valuation multiples.



California Resources Corporation is one of the newest additions to our portfolio. California has set some of the most ambitious goals for carbon reduction, including cutting emissions by 40% by 2030 and reaching carbon neutrality by 2045. The state expects between 15 and 20% of this total reduction to stem from carbon capture and storage, and California Resources intends to play a substantial role in this endeavor. Through California Resources' Carbon Terravault, the company will be able to provide up to 1 billion metric tons of carbon storage. The company captures CO<sub>2</sub> from industrial sources, compresses it for transport, and injects it safely into

depleted underground oil and gas reservoirs, where it is permanently stored and monitored. California Resources' wells are significantly deeper than other California producers and have shown decades of geologic containment, solving two of the key issues surrounding previous carbon storage solutions. California Resources is uniquely positioned in a large consumption state with favorable storage solutions to reduce emissions dramatically. Shareholders stand to benefit from projected profits that could be substantial.

Great Lakes Dock and Dredge is another company in our portfolio that has invested in carbon capture. Great Lakes has entered into a partnership with Project Vesta to capture carbon on the coasts. This project uses the mineral olivine and energy from waves to speed up the natural CO<sub>2</sub> capture process while

simultaneously de-acidifying the local ocean environment. Natural chemical weathering happens in various places around the world, consuming nearly one gigaton of carbon dioxide each year; however, it is too slow a process to impact emission levels. Project Vesta aims to amplify and accelerate the natural chemical weathering processes by implementing it in several sites around the world. At full scale, Project Vesta is less than 10% of the cost of other carbon capture technologies and has the potential to remove billions of tons of CO<sub>2</sub> and reduce ocean acidification.



Green Plains is involved in a carbon capture and sequestration project “anticipated to be the largest in the world,” according to the company. Green Plains has partnered with Summit Carbon Solutions to connect biofuel producers to carbon sequestration systems. Their system can carry ten million tons of compressed CO<sub>2</sub>—equivalent to the amount of carbon dioxide that a 12 million acre of forest can sequester in one year. The planned startup could be as early as 2024. Green Plains is also one of the U.S.’s largest producers of renewable fuels. They are also at work developing low-impact protein from plant-based sources.

Valero is also engaged in carbon sequestration through its partnership with Navigator Energy. With Navigator, they are developing an industrial-scale carbon capture pipeline that will be able to store up to 8 million metric tons of CO<sub>2</sub> (see pipeline map, at right). Per company reports, “The initial phase is expected to span more than 1,200 miles of new carbon dioxide gathering and transportation pipelines across five Midwest states.... Valero, the largest renewable fuels producer in North America, is expected to become an anchor shipper by securing a majority of the initial available system capacity. Navigator is expected to lead the construction and operations of the system and anticipates operations to begin late 2024.”



The ultimate profitability of these emerging technologies will rely on government funding, including both new and existing legislation. However, government support for carbon capture projects appears strong and growing. Last year the Department of Energy announced plans to fund projects with the goal to reach one billion tons of carbon removal per year. Questions remain on the effectiveness of carbon capture projects due to their costs, efficiency of storing CO<sub>2</sub>, and limited operational history. However, due to recent funding proposals by the federal government and numerous states, carbon sequestration projects are making large steps towards nationwide storage pipelines and major emissions reductions. We hope and expect that through these investments, clients of Private Management Group will benefit economically while improving the long-term outlook for climate change and the environment.

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## 2021 Tax Forms

Schwab produces Form 1099 Composite from late-January to mid-February and will continue to issue them through tax filing deadlines. For many of our clients, *Schwab will begin issuing Form 1099 Composite on February 18, 2022.* Custodians, like Schwab, are required to issue 1099s by certain deadlines even though year-end adjustments have not been completed hence corrected/revised 1099s are sent through Mid-March or later. Due

to the possibility of corrected 1099s, it is a good idea to consult your tax advisor for input as Private Management Group can't give tax filing advice.

If you're unaware of how your 1099s are being delivered, you can [click here](#) to determine your delivery settings. Clients who have elected to receive printed form 1099s will be notified via email when their form 1099s have mailed. They will also be provided a link to the Statements & Reports tab where they will be able to access their tax forms. Clients who receive electronic delivery of their form 1099s will continue to receive an email as soon as their forms are available online.

If you have online access to your 1099s, you should have received an e-mail from Schwab titled "Track your 1099 availability online." The link in the e-mail will direct you to the estimated date of completion of your 1099s.

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***As always, it is a pleasure and a privilege to service your portfolio needs, and we thank you for your trust and business.***

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Information discussed in this report contains forward-looking statements relating to anticipated financial performance, business prospects, returns, market forces, new services, technological developments, and other matters. The Private Securities Litigation Reform Act of 1995 provides a safe harbor for forward-looking statements. In order to comply with the terms of the safe harbor, Private Management Group, Inc. ("PMG") notes that a variety of factors could cause actual results and experience to differ materially from the anticipated results or other expectations expressed in these forward-looking statements. Factors may change in the future and we take no responsibility to update or modify statements. Forward-looking statements typically contain words such as "may," "will," "should," "expect," "anticipate," "estimate," "continue," "believes," "expects," "hopefully," "tend," "forecasts," or variations of these words, suggesting that future outcomes are uncertain. The following discussion is intended to identify certain factors (though not necessarily all such factors) that could cause future outcomes to differ materially from those set forth in forward-looking statements made by PMG.

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