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January 8, 2026

Cheryl Grabham
Materials Management Program Manager
Oregon Department of Environmental Quality
700 NE Multnomah St, Ste 600
Portland, OR 97232

Dear Ms. Grabham,

PaintCare is pleased to submit a revised Oregon Paint Stewardship Program Plan to the Department of Environmental Quality (DEQ), with the primary purpose of establishing a new fee structure, a necessary and significant change for the program's sustainability. The revised Program Plan also includes the anticipated 2026-2030 program budget, updates to the program's service providers, and other minor revisions throughout the Plan to reflect the current level of sites and services available in Oregon and PaintCare's most recent branding style.

The following provides supplementary and detailed information to support PaintCare's request for an adjustment to the PaintCare fee. The corresponding Funding and Budget Information section of the Program Plan begins on page 33.

Program History and Overview

The Oregon program began on July 1, 2010, and has collected over 10 million gallons of paint from households and businesses in its 15 years of operation. The paint recovery rate—the volume of paint collected divided by the volume of new paint sold during the same period—has averaged nearly 8% over the last seven years. The program's 194 year-round drop-off sites provide 98% of the state's population with a drop-off site within a 15-mile radius, meeting the distribution criterion outlined in the Oregon statute. Convenience is further provided to Oregonians by including supplemental sites and services.

The current fee structure of \$0.45, \$0.95, and \$1.95 by container size (larger than half pint up to smaller than one gallon, one to two gallons, and larger than two gallons up to five gallons, respectively) was implemented in October 2018. This fee structure allowed the program to operate for five years, generating positive net earnings and restoring positive net assets. However, lower-than-anticipated paint sales and increasing program costs, specifically those related to paint management, have led to annual deficits and a decline in net assets.

Based on PaintCare's revenue and expense forecast for the next five years, a revised paint stewardship fee structure is necessary for the program's long-term sustainability. The proposed fee structure, approved by the PaintCare Board of Directors, would generate revenue to support operations, promote program awareness, and maintain a positive net asset position. Without a fee increase, the program is projected to enter a position of negative net assets by the end of 2027. The proposed fee structure is consistent with the approved fee structure for the state of Washington, which went into effect on January 1, 2026, and is discussed in more detail below.

Budget Description

The following explains the program's revenue source and expense categories.

Revenue. Revenue is derived from fees on new paint sales.

Expense Categories. Except for Corporate Expenses, the following expense categories are specific to operating the Oregon program. These costs are borne entirely by the Oregon program and not shared with other PaintCare programs. They are categorized as follows:

- **Paint processing.** These are usually the most significant expenses of the program. Costs are based on vendor pricing and include payments for the additional activities (e.g., reuse) at sites.
- **Paint transportation.** These expenses include the cost of transporting paint bins from paint drop-off sites to paint processing locations.
- **Paint collection supplies and support.** These expenses include paint collection bins, spill kits, training materials, signs, and other related costs for drop-off sites and large volume pickups (LVP).
- **Communications.** These expenses include advertising, printing and distribution of brochures and other outreach materials, media relations, event promotion, conferences and memberships, production, translations, awareness surveys, and information provided to Oregon retailers required by statute.
- **Personnel, professional services and other.** These expenses include program staff working directly on the Oregon program, legal expenses for regulatory review and contract development, other logistical and professional support, and office expenses.
- **State agency administrative fees.** These fees, required by the paint stewardship law, are paid to DEQ for oversight of the program.

Corporate expenses. Corporate expenses (collectively referred to as "Administrative costs" in Oregon law) are those that are not specific to the Oregon program but support all current and future PaintCare programs. These costs include but are not limited to corporate staffing (e.g., PaintCare's president, operations staff, and communications staff); back-office support (e.g., information technology, legal, government affairs, and accounting); company-wide auditing, insurance, outside counsel, and other professional services; software licenses and maintenance of data management systems; occupancy; general communications; and other supplies and services that support all PaintCare programs.

Corporate expenses are allocated among all PaintCare programs based on each program's relative population in the most recent census. At the time of plan submission, Oregon represents 3.9% of the combined population of all PaintCare programs (based on 2020 census data). In addition, as more states pass paint stewardship legislation, those states are added to the corporate allocation formula, and the share of corporate expenses allocated to each of the current programs decreases.

Unallocated Reserve Funds. As of December 31, 2024, the Oregon program's balance was \$2,875,672. The program is forecasted to have a balance of \$1,487,609 at the end of 2025.

Unallocated reserve funds will be used to maintain a reserve balance with a target not to exceed 35 percent of the total annual budget (per ORS 459A.835[1]), and fund efforts to achieve the program's statutorily mandated goals for latex recycling, source reduction, and program awareness.

Anticipated Program Budget

Paint sales in Oregon have not returned to pre-pandemic levels, resulting in lower-than-anticipated revenue. Between 2020 and 2023, revenue declined year after year, finally stabilizing in 2024. The 2025 annual forecast suggests revenue will remain flat for a third consecutive year. A modest increase of approximately 2.5% in sales is forecast for 2026; however, due to economic uncertainty in recent years, a conservative approach is being maintained for budgeting beyond 2026, which involves holding revenue flat through 2030.

Paint management costs, including Paint Collection Supplies and Support, Paint Transportation, and Paint Processing (collectively referred to as CTP), account for about 80% of the program's expenses. A competitive bid process was recently completed to ensure the program obtained the best pricing for CTP services. PaintCare received six proposals and selected two vendors as the state's primary CTP service providers, retaining two additional service providers to provide limited CTP services. As a result, the program will undergo a significant change in its service providers in early 2026. To prepare, the program made a substantial investment in reusable paint collection bins, resulting in end-of-year 2025 expenses being higher than anticipated. Although the bid process did not yield significant cost savings, the program will transition away from bundled CTP rates to align more closely with the pricing model of its other programs, where collection, transportation, and processing are budgeted separately. This change will improve program administration and reporting efficiency. Paint management costs are expected to continue to increase steadily over the five-year budgeted period.

The Oregon Paint Stewardship law includes provisions that require setting goals to reduce the amount of postconsumer paint generated in the state and to raise public awareness of the stewardship program. In April 2024, a program plan amendment was submitted to DEQ and was conditionally approved. It establishes two 10-year goals to increase public awareness and reduce the generation of postconsumer paint. To support efforts toward the two goals, \$500,000 was allocated in the 2026 Communications budget, with anticipated increases throughout the five-year budget pending approval of the proposed fee change.

Net assets are expected to continue their downward trend, ending 2026 with a fund balance of \$545,215, which will cover only about a month of operating expenses. By the end of 2027, without a fee increase, the program is projected to have negative net assets of \$(824,765). Although the program is not expected to add a significant number of sites or services, some growth is anticipated to occur organically. Similarly, a considerable increase in the volume of paint collected is not expected; however, some growth is anticipated. This growth, combined with the addition of new sites and services, is expected to increase paint management costs. These increased program costs, along with vendor price increases, are expected to continue outpacing any modest growth in paint sales as indicated over the past several years. A fee increase is necessary to cover projected costs, maintain operational viability, and achieve a positive net asset position.

Table 1 below presents a five-year budget that includes the proposed fee increase in its revenue calculation, effective January 1, 2027. Table 2 below shows the same budget but using the current fee structure to estimate revenue for all five years. Without the fee increase, the program is projected to have negative net assets by the end of 2027, as presented in Table 2; however, with the approval of the proposed fee increase, positive net assets are expected to be maintained throughout the five-year budget period.

**TABLE 1: FIVE-YEAR BUDGET PROJECTED OREGON PROGRAM BUDGET
WITH THE PROPOSED FEE CHANGE**

Revenue	2026	2027	2028	2029	2030
Small Containers	\$524,234	\$757,227	\$757,227	\$757,227	\$757,227
Medium Containers	2,620,747	4,000,087	4,000,087	4,000,087	4,000,087
Large Containers	2,202,601	3,106,232	3,106,232	3,106,232	3,106,232
Total Revenue	5,347,582	7,863,546	7,863,546	7,863,546	7,863,546
Expenses					
Paint Processing	3,694,681	3,819,559	3,934,145	4,248,877	4,333,855
Paint Transportation	1,171,127	1,253,106	1,290,699	1,393,955	1,421,834
Paint Collection Supplies and Support	162,891	174,293	179,522	193,884	197,762
Communications	500,000	650,000	655,000	655,000	655,000
Personnel, Professional Fees, Other	338,677	352,625	367,487	383,050	399,347
State Agency Administrative Fees	40,000	40,000	40,000	40,000	40,000
Allocation of Corporate Activity	407,600	427,980	449,379	471,848	495,440
Total Expenses	6,314,976	6,717,562	6,916,232	7,386,613	7,543,237
Unallocated Reserve Funds	(967,394)	1,145,985	947,315	476,934	320,309
Interest Income	25,000	25,000	25,000	25,000	25,000
Net Assets, Beginning of Year	1,487,609	545,215	1,716,200	2,688,514	3,190,448
Net Assets, End of Year	\$545,215	\$1,716,200	\$2,688,514	\$3,190,448	\$3,535,757

**TABLE 2: FIVE-YEAR PROJECTED OREGON PROGRAM BUDGET
WITHOUT THE PROPOSED FEE CHANGE**

Revenue	2026	2027	2028	2029	2030
Small Containers	\$524,234	\$524,234	\$524,234	\$524,234	\$524,234
Medium Containers	2,620,747	2,620,747	2,620,747	2,620,747	2,620,747
Large Containers	2,202,601	2,202,601	2,202,601	2,202,601	2,202,601
Total Revenue	5,347,582	5,347,582	5,347,582	5,347,582	5,347,582
Expenses					
Paint Processing	3,694,681	3,819,559	3,934,145	4,248,877	4,333,855
Paint Transportation	1,171,127	1,253,106	1,290,699	1,393,955	1,421,834
Paint Collection Supplies and Support	162,891	174,293	179,522	193,884	197,762
Communications	500,000	650,000	655,000	655,000	655,000
Personnel, Professional Fees, Other	338,677	352,625	367,487	383,050	399,347
State Agency Administrative Fees	40,000	40,000	40,000	40,000	40,000
Allocation of Corporate Activity	407,600	427,980	449,379	471,848	495,440
Total Expenses	6,314,976	6,717,562	6,916,232	7,386,613	7,543,237
Change in Net Assets	(967,394)	(1,369,980)	(1,568,650)	(2,039,031)	(2,195,655)
Interest Income	25,000	0	0	0	0
Net Assets, Beginning of Year	1,487,609	545,215	(824,765)	(2,393,415)	(4,432,446)
Net Assets, End of Year	\$545,215	\$(824,765)	\$(2,393,415)	\$(4,432,446)	\$(6,628,101)

Note: Values presented in these financial tables are obtained from worksheets that include additional subcategories and cents. Due to rounding, Total Revenue and/or Total Expenses may differ by a few dollars in some years. Interest income is subject to change based on interest rates and checking account balance.

Proposed PaintCare Fee Increase

The current fee, which marked the first increase since the program began in July 2010, took effect on October 1, 2018, and restored the program to a position of positive net assets. However, as mentioned above, due to lower-than-anticipated revenue over the past several years and increased costs, PaintCare is seeking DEQ's approval of a second fee increase, as presented below. The proposed fees were reviewed and approved by PaintCare's Board of Directors, and if approved by the DEQ, would take effect on January 1, 2027.

The table below shows the original, current, and proposed fee structure. PaintCare's proposed fee structure is based on projected paint sales, revenue, and expenses, with different and increasing amounts for the following four size categories.

Container Size	Original Fee Structure	Current Fee Structure	Proposed Fee Structure	Change	Percent Increase
Half pint or smaller	\$0.00	\$0.00	\$0.00	\$0.00	0%
Larger than half pint up to smaller than 1 gallon	\$0.35	\$0.45	\$0.65	\$0.20	44%
1-2 gallons	\$0.75	\$0.95	\$1.45	\$0.50	53%
Larger than 2 gallons up to 5 gallons	\$1.60	\$1.95	\$2.75	\$0.80	41%

Audit of the PaintCare Fee

To help ensure that the program's funding mechanism is appropriate to cover its costs, Oregon law requires the proposed PaintCare fee to be reviewed by an independent financial auditor.

The audit report issued by Lydon Fetteroff Corydon, P.A. is provided in the appendix and concluded the following:

In our opinion, the accompanying forecast is presented, in accordance with the guidelines for presentation of a forecast established by the AICPA, and the underlying assumptions are suitably supported and provide a reasonable basis for PCOR's forecast, in all material respects. Also, in our opinion the PCOR's uniform paint stewardship assessment fee of \$0.45, \$0.95, and \$1.95 by each container size (larger than half pint up to smaller than one gallon, one gallon to two gallons, and larger than two gallons up to five gallons, respectively) charged on all paint containers sold at retail to Oregon state consumers from January 1, 2026 through December 31, 2026, and uniform paint stewardship assessment fee of \$0.65, \$1.45, and \$2.75 by each container size (larger than half pint up to smaller than one gallon, one gallon to two gallons, and larger than two gallons up to five gallons, respectively) charged on all paint containers sold at retail to Oregon state consumers starting January 1, 2027 is reasonable, within the meaning of ORS 459A.820–459A.855, to cover the expenses (costs) of operating the architectural paint stewardship program and maintain financial reserves sufficient to operate said program over the multi-year period from January 1, 2026, through December 31, 2030.

To ensure paint retailers have adequate time to incorporate the new fees into their point-of-sale systems and to support consumer education, PaintCare respectfully requests DEQ's prompt approval of the proposed fee increase and revised program plan no later than June 30, 2026. Please let me know if you have questions or if PaintCare can provide additional information to ensure timely approval of the proposed fee increase. We look forward to hearing back from you.

Sincerely,

A handwritten signature in black ink that reads "Lauren Scher". The signature is fluid and cursive, with "Lauren" on the first line and "Scher" on the second line.

Lauren Scher
Oregon Program Manager

CC: Rachel Harding, Product Stewardship Specialist

PAINTCARE OREGON LLC

**SUMMARY SCHEDULE OF ACTUAL AND
FORECASTED REVENUES, EXPENSES (COSTS), AND
FINANCIAL RESERVE FUND
AND**

**CALCULATED AVERAGE UNITIZED PAINT STEWARDSHIP FEE
FOR PAINTCARE OREGON LLC, THE OREGON DEPARTMENT OF ENVIRONMENTAL
QUALITY, PAINTCARE INC., AND PAINTCARE INC.'S BOARD OF DIRECTORS**

For the Actual and Projected Period from January 1, 2022 through December 31, 2025
and Forecasted Period covering January 1, 2026 through December 31, 2030

PAINTCARE OREGON LLC

SUMMARY SCHEDULE OF ACTUAL AND FORECASTED REVENUES, EXPENSES (COSTS) AND FINANCIAL RESERVE FUND AND CALCULATED AVERAGE UNITIZED PAINT STEWARDSHIP FEE FOR PAINTCARE OREGON LLC, THE OREGON DEPARTMENT OF ENVIRONMENTAL QUALITY, PAINTCARE INC., AND PAINTCARE INC.'S BOARD OF DIRECTORS

For the Actual and Projected Period from January 1, 2022 through December 31, 2025 and Forecasted Period covering January 1, 2026 through December 31, 2030

CONTENTS	PAGE(S)
Independent Accountant's Examination Report	1-2
Forecasted Financial Information:	
Summary Schedule of Forecasted Revenues, Expenses (Costs), and Financial Reserve Fund (A)	3
Summary and Detail Schedule of Actual and Forecasted Revenues, Expenses (Costs), and Financial Reserve Fund (B)	4
Calculated Average Unitized Paint Stewardship Fee for PaintCare Oregon LLC, the Oregon Department of Environmental Quality, PaintCare Inc., and PaintCare Inc.'s Board of Directors (B)	5
Notes to Forecasted Financial Information	6-13

(A) For the Forecasted Period (only) covering January 1, 2026 through December 31, 2030

(B) For the Actual and Projected Period from January 1, 2022 through December 31, 2025 and Forecasted Period covering January 1, 2026 through December 31, 2030



INDEPENDENT ACCOUNTANT'S STEWARDSHIP FEE EXAMINATION REPORT

Nichole Dorr, VP State Programs
PaintCare Oregon LLC
PaintCare Inc.
PaintCare Inc.'s Board of Directors

Pursuant to PaintCare Oregon LLC's (PCOR) engagement letter dated on August 8, 2025, we have examined the accompanying summary of forecasted revenues, expenses (costs), and financial reserve fund prepared by the management of PCOR with regard to operating a paint recycling program required by the Oregon Revised Statutes (ORS) Volume 13, Title 36A, Chapter 459A, Sections 459A.820 – 459A.855, and the calculated average unitized paint stewardship fee by container size that PCOR has proposed to fund the program for the multi-year operational period covering January 1, 2026 through December 31, 2030 (collectively the forecasted period), and including actual and projected operating revenue and expenses (costs) that PCOR has incurred from January 1, 2022 through December 31, 2025, including the related summary of significant assumptions and accounting policies of PCOR, based on the guidelines for the presentation of a forecast established by the American Institute of Certified Public Accountants (AICPA). PCOR's management is responsible for preparing and presenting the forecast in accordance with guidelines for the presentation of a forecast established by the AICPA and the forecast was prepared for the purpose of complying with ORS 459A.820 – 459A.855. Our responsibility under ORS 459A.820 – 459A.855 is to express an opinion that the assessment fee by container size does not exceed the costs of the paint stewardship program and to recommend an amount for such paint stewardship assessment to the department based on our examination.

Our examination was conducted in accordance with attestation standards established by the AICPA. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the forecast is presented in accordance with the guidelines for the presentation of a forecast established by the AICPA, in all material respects. An examination involves performing procedures to obtain evidence about the forecast. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material misstatement of the forecast, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Also, we are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements related to the engagement.

INDEPENDENT ACCOUNTANT'S STEWARDSHIP FEE EXAMINATION REPORT
(continued)

In our opinion, the accompanying forecast is presented, in accordance with the guidelines for presentation of a forecast established by the AICPA, and the underlying assumptions are suitably supported and provide a reasonable basis for PCOR's forecast, in all material respects. Also, in our opinion the PCOR's uniform paint stewardship assessment fee of \$0.45 , \$0.95, and \$1.95 by each container size (larger than half pint up to smaller than one gallon, one gallon to two gallons, and larger than two gallons up to five gallons, respectively) charged on all paint containers sold at retail to Oregon state consumers from January 1, 2026 through December 31, 2026, and uniform paint stewardship assessment fee of \$0.65, \$1.45, and \$2.75 by each container size (larger than half pint up to smaller than one gallon, one gallon to two gallons, and larger than two gallons up to five gallons, respectively) charged on all paint containers sold at retail to Oregon state consumers starting January 1, 2027 is reasonable, within the meaning of ORS 459A.820 – 459A.855, to cover the expenses (costs) of operating the architectural paint stewardship program and maintain financial reserves sufficient to operate said program over the multi-year period from January 1, 2026 through December 31, 2030.

Emphasis of Matter:

The forecasted reserve balance as of December 31, 2030 is forecasted to be below management's internal reserve policy. See **NOTE G** to the examination report for further discussion.

There will usually be differences between forecasted and actual results because events and circumstances frequently do not occur as expected and those differences may be material. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

The accompanying documents contain confidential proprietary business information of PCOR and other parties that should not be publicly disclosed. Also, the accompanying forecast statements and our report are intended solely for the information and use of PCOR, the Oregon Department of Environmental Quality, PaintCare Inc., and PaintCare Inc.'s Board of Directors, and are not intended to be used and should not be used by anyone other than these specified parties.



December 3, 2025

PAINTCARE OREGON LLC

SUMMARY SCHEDULE OF FORECASTED REVENUES, EXPENSES
(COSTS), AND FINANCIAL RESERVE FUND
FOR PAINTCARE OREGON LLC, THE OREGON DEPARTMENT OF
ENVIRONMENTAL QUALITY, PAINTCARE INC., AND
PAINTCARE INC.'S BOARD OF DIRECTORS

For the Forecasted Period covering January 1, 2026 through December 31, 2030

FORECASTED REVENUES

Paint stewardship (recycling) fee - NOTE B	\$ 36,801,767	(1)
	TOTAL REVENUES	36,801,767

FORECASTED EXPENSES

Collection, transportation, and processing - NOTE C	\$ 27,470,190		
Communications - NOTE D	3,115,000		
Corporate overhead allocation - NOTE E	2,252,247		
Salaries and benefits, state reporting fees, travel, and administrative - NOTE F	<u>2,041,182</u>		
	TOTAL EXPENSES	<u>34,878,619</u>	(2)

**INCREASE IN FORECASTED RESERVE BALANCE
BEFORE FORECASTED INTEREST INCOME**

Interest income - NOTE H	<u>125,000</u>
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**INCREASE IN FORECASTED RESERVE BALANCE FOR THE
PERIOD COVERING JANUARY 1, 2026 THROUGH DECEMBER 31, 2030**

2,048,148

BEGINNING RESERVE BALANCE AT DECEMBER 31, 2025

1,487,609 (3)

FORECASTED RESERVE BALANCE AT DECEMBER 31, 2030 - NOTE G

\$ 3,535,757

(1) For the forecasted period from January 1, 2026 through December 31, 2026, retailers will collect a \$0.45 fee for each paint container unit sold larger than a half pint up to smaller than one gallon, \$0.95 fee for each one to two gallons paint container unit sold, and \$1.95 fee for each paint container larger than two gallons up to five gallons sold in Oregon. Effective January 1, 2027 through December 31, 2030, retailers will collect a \$0.65 fee for each paint container unit sold larger than a half pint up to smaller than one gallon, \$1.45 fee for each one to two gallons paint container unit sold, and \$2.75 fee for each paint container larger than two gallons up to five gallons sold in Oregon.

(2) Includes the forecasted period expenses covering January 1, 2026 through December 31, 2030.

(3) Beginning reserve balance includes the cumulative reserve for the program from its inception through December 31, 2025, and includes pre-operational costs incurred prior to the program's implementation.

**CONTAINS CONFIDENTIAL PROPRIETARY BUSINESS DATA, WHICH IS RESTRICTED FOR USE
BY PCOR, THE OREGON DEPARTMENT OF ENVIRONMENTAL QUALITY, PAINTCARE INC.,
AND PAINTCARE INC.'S BOARD OF DIRECTORS**

See Notes to Forecasted Financial Information and Accountant's Report

PAINTCARE OREGON LLC

SUMMARY AND DETAIL SCHEDULE OF ACTUAL AND FORECASTED REVENUES,
 EXPENSES (COSTS), AND FINANCIAL RESERVE FUND
 FOR PAINTCARE OREGON LLC, THE OREGON DEPARTMENT OF
 ENVIRONMENTAL QUALITY, PAINTCARE INC., AND
 PAINTCARE INC.'S BOARD OF DIRECTORS
 For the Actual and Projected Period from January 1, 2022 through December 31, 2025 and
 Forecasted Period covering January 1, 2026 through December 31, 2030

See Page 3 of Report

	Actual and Projected Period from January 1, 2022 through December 31, 2025	+	Forecasted Period covering January 1, 2026 through December 31, 2030	=	Total
FORECASTED REVENUES					
Paint stewardship (recycling) fee					
Larger than half pint up to smaller than a gallon	\$ 2,004,183		\$ 3,553,140		\$ 5,557,323
One to two gallons	10,454,218		18,621,097		29,075,315
Larger than two gallons up to five gallons	8,734,243		14,627,530		23,361,773
TOTAL REVENUES	21,192,644		36,801,767		57,994,411 (1)
FORECASTED EXPENSES					
Collection, transportation, and processing	18,458,246		27,470,190		45,928,436
Communications	1,248,415		3,115,000		4,363,415
Corporate overhead allocation	1,467,821		2,252,247		3,720,068
Salaries and benefits, state reporting fees, travel, and administrative	1,028,475		2,041,182		3,069,657
TOTAL EXPENSES	22,202,957		34,878,619		57,081,576 (2)
Other Income:					
Interest income	25,000		125,000		150,000
CHANGE IN FORECASTED RESERVE/(DEFICIT) BALANCE	\$ (985,313)		\$ 2,048,148		\$ 1,062,835
BEGINNING RESERVE BALANCE AT DECEMBER 31, 2021 AND DECEMBER 31, 2025,	2,472,922		1,487,609		2,472,922 (3)
DECEMBER 31, 2025 AND DECEMBER 31, 2030, RESPECTIVELY	\$ 1,487,609		\$ 3,535,757		\$ 3,535,757

(1) For the actual and projected period from January 1, 2022 through December 31, 2025 and the forecasted period from January 1, 2026 through December 31, 2026, retailers will collect a \$0.45 fee for each paint container unit sold larger than a half pint up to smaller than one gallon, \$0.95 fee for each one to two gallons paint container unit sold, and \$1.95 fee for each paint container larger than two gallons up to five gallons sold in Oregon. Effective January 1, 2027 through December 31, 2030, retailers will collect a \$0.65 fee for each paint container unit sold larger than a half pint up to smaller than one gallon, \$1.45 fee for each one to two gallons paint container unit sold, and \$2.75 fee for each paint container larger than two gallons up to five gallons sold in Oregon.

(2) Includes actual and projected period from January 1, 2022 through December 31, 2025 and forecasted period covering January 1, 2026 through December 31, 2030.

(3) Beginning reserve balance includes the cumulative reserve for the program from its inception through December 31, 2021, and includes pre-operational costs incurred prior to the program's implementation.

CONTAINS CONFIDENTIAL PROPRIETARY BUSINESS DATA, WHICH IS RESTRICTED FOR USE BY PCOR, THE OREGON DEPARTMENT OF ENVIRONMENTAL QUALITY, PAINTCARE INC., AND PAINTCARE INC.'S BOARD OF DIRECTORS

See Notes to Forecasted Financial Information and Accountant's Report

PAINTCARE OREGON LLC

CALCULATED AVERAGE UNITIZED PAINT STEWARDSHIP FEE
FOR PAINTCARE OREGON LLC, THE OREGON DEPARTMENT OF
ENVIRONMENTAL QUALITY, PAINTCARE INC., AND
PAINTCARE INC.'S BOARD OF DIRECTORS

For the Actual and Projected Period from January 1, 2022 through December 31, 2025 and
Forecasted Period covering January 1, 2026 through December 31, 2030

FORECASTED CALCULATED AVERAGE UNITIZED PAINT STEWARDSHIP FEE

	(1) Unit Fee 1/1/2022 - 12/31/2026	(1) Proposed Unit Fee 1/1/2027 - 12/31/2030	Forecasted Period					
			Actual and Forecasted Units Sold 1/1/2022 - 12/31/2026 (2)	Forecasted Units Sold 1/1/2027 - 12/31/2030 (3)	Actual and Projected Period from January 1, 2022 through December 31, 2025 (4)	Forecasted Period + covering January 1, 2026 through December 31, 2026 (5)	Forecasted Period + covering January 1, 2027 through December 31, 2030 (6)	= Total Combined Actual and Forecasted Revenue
REVENUE								
Larger than half pint up to smaller than a gallon	\$ 0.45	\$ 0.65	5,617,177	4,659,856	\$ 2,004,183	\$ 524,234	\$ 3,028,906	\$ 5,557,323
One to two gallons	0.95	1.45	13,746,851	11,034,724	10,454,218	2,620,747	16,000,350	29,075,315
Larger than two gallons up to five gallons	1.95	2.75	5,607,584	4,518,156	8,734,243	2,202,601	12,424,929	23,361,773
TOTAL REVENUES					21,192,644	5,347,582	31,454,185	57,994,411
LESS: EXPENSES					(22,202,957)	(6,314,976)	(28,563,643)	(57,081,576)
CHANGE IN FORECASTED RESERVE BALANCE								
BEFORE NET INVESTMENT ACTIVITY					(1,010,313)	(967,394)	2,890,542	912,835
Interest income					25,000	25,000	100,000	150,000
CHANGE IN FORECASTED RESERVE/(DEFICIT) BALANCE					\$ (985,313)	\$ (942,394)	\$ 2,990,542	\$ 1,062,835
BEGINNING RESERVE BALANCE AT DECEMBER 31, 2021								2,472,922 (7)
FORECASTED RESERVE BALANCE AT DECEMBER 31, 2030							\$ 2,048,148 See Page 4 of Report	\$ 3,535,757

(1) For the actual and projected period from January 1, 2022 through December 31, 2025 and the forecasted period covering January 1, 2026 through December 31, 2026, retailers will collect a \$0.45 fee for each paint container unit sold larger than a half pint up to smaller than one gallon, \$0.95 fee for each one to two gallons paint container unit sold, and \$1.95 fee for each paint container larger than two gallons up to five gallons sold in Oregon. Effective January 1, 2027 through December 31, 2030, retailers will collect a \$0.65 fee for each paint container unit sold larger than a half pint up to smaller than one gallon, \$1.45 fee for each one to two gallons paint container unit sold, and \$2.75 fee for each paint container larger than two gallons up to five gallons sold in Oregon.

(2) Actual and projected unit sales for the period January 1, 2022 through December 31, 2025 and forecasted unit sales for the period covering January 1, 2026 through December 31, 2026.

(3) Forecasted unit sales for the period covering January 1, 2027 through December 31, 2030.

(4) Includes actual and projected operating revenues and expense for the period covering January 1, 2022 through December 31, 2025, subject to the fees collected at retail (\$0.45 fee for each paint container unit sold larger than a half pint up to smaller than one gallon, \$0.95 fee for each one to two gallons paint container unit sold, and \$1.95 fee for each paint container larger than two gallons up to five gallons).

(5) Includes forecasted operating revenues and expense for the period covering January 1, 2026 through December 31, 2026, subject to the fees collected at retail (\$0.45 fee for each paint container unit sold larger than a half pint up to smaller than one gallon, \$0.95 fee for each one to two gallons paint container unit sold, and \$1.95 fee for each paint container larger than two gallons up to five gallons).

(6) Includes forecasted operating revenues and expense for the period covering January 1, 2027 through December 31, 2030, subject to the fees collected at retail (\$0.65 fee for each paint container unit sold larger than a half pint up to smaller than one gallon, \$1.45 fee for each one to two gallons paint container unit sold, and \$2.75 fee for each paint container larger than two gallons up to five gallons).

(7) Beginning reserve balance includes the cumulative reserve for the program from its inception through December 31, 2021, and includes pre-operational costs incurred prior to the program's implementation.

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PAINTCARE OREGON LLC

NOTES TO FORECASTED FINANCIAL INFORMATION

For the Actual and Projected Period from January 1, 2022 through December 31, 2025
and Forecasted Period covering January 1, 2026 through December 31, 2030

NOTE A – SUMMARY OF SIGNIFICANT ASSUMPTIONS AND ACCOUNTING POLICIES

PaintCare Oregon LLC (PCOR) is a wholly owned subsidiary of PaintCare, Inc. and was established to operate the paint recycling program in the state of Oregon. The accompanying summary schedules of forecasted revenues, expenses (costs), and financial reserve fund and calculated average unitized paint stewardship fee for PCOR, the Oregon Department of Environmental Quality (ODEQ), PaintCare Inc., and PaintCare Inc.'s Board of Directors presents, to the best of management's knowledge and belief, the PCOR's expected forecasted revenues, expenses (costs), and financial reserve fund and calculated average unitized paint stewardship fee for the ODEQ for the forecasted period.

The forecast reflects the actual and expected costs to operate a paint stewardship (recycling) program from January 1, 2022 through the end of forecasted period as required by the Oregon Revised Statutes (ORS) 459A.820 – 459A.855. The forecast also includes the calculation of the average unitized paint stewardship fee per container size sold at retail that PCOR has proposed to fund that program for the multi-year operational period covering January 1, 2026 through December 31, 2030. The forecast also includes the actual and projected operating revenues and expenses (costs) from January 1, 2022 through December 31, 2025 and forecasted operating revenues and expenses (costs) from January 1, 2026 through December 31, 2030 (collectively the forecast), including the related summary of significant assumptions and accounting policies of PaintCare Oregon LLC. Accordingly, the forecast reflects management's assumptions as of December 3, 2025, the date of this forecast, of the forecasted expenses of operation of the program, and the proposed unitized paint stewardship fee per container size sold at retail that would be needed to cover these expenses and to establish and maintain a financial reserve.

The forecast is designed to provide information to the ODEQ regarding the calculation of the paint stewardship fee and whether it is a reasonable amount to cover the expenses of the program and to maintain a reserve fund for program expenses as of December 31, 2030. Accordingly, this presentation should not be used for any other purposes.

The assumptions disclosed herein are those that management believes are significant to the forecast. The forecasted revenues and expenses are presented on an accrual basis, and there will usually be differences between the forecasted and actual results because events and circumstances frequently do not occur as expected, and those differences may be material.

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NOTES TO FORECASTED FINANCIAL INFORMATION

For the Actual and Projected Period from January 1, 2022 through December 31, 2025
and Forecasted Period covering January 1, 2026 through December 31, 2030

NOTE B – PAINT STEWARDSHIP (RECYCLING) FEE REVENUE

The paint stewardship (recycling) fee collected will provide the revenue to fund the expenses for the paint stewardship (recycling) program. Retailers will collect a \$0.45 fee for each larger than half pint up to smaller than one gallon paint container unit sold, \$0.95 fee for each one gallon to two gallons paint container unit sold, and \$1.95 fee for each larger than two gallons up to five gallons paint container unit sold from January 1, 2026 through December 31, 2026 (current, approved fee). Based on the recalculation of the fee required, effective January 1, 2027, retailers will collect a \$0.65 fee for each larger than half pint up to smaller than one gallon paint container unit sold, \$1.45 fee for each one gallon to two gallons paint container unit sold, and \$2.75 fee for each larger than two gallons up to five gallons paint container unit sold beginning January 1, 2027 through December 31, 2030 (see table below).

Management estimated the stewardship fee revenue for the forecasted period by making certain assumptions. The significant assumptions made by management were the estimated population growth of the state of Oregon, per capita paint sales, and paint container size purchasing trends in the state of Oregon. The forecasted period beginning in 2026 is primarily modeled after the results of 2024 and 2025, the two most recent years of full operations. Using data from the United States Census, the historical population change in the state of Oregon from 2020 through 2023 was a decrease of 0.09%. Also, the United States Census projected population growth rate for Oregon for the period covering 2026 through 2030 is expected to be less than 0.50%. Management does not expect the population growth rate in the state of Oregon to have a significant impact on sales per capita during the forecasted period. Management expects a continued slowing in construction growth in both residential and commercial in the state of Oregon during the forecast period. Therefore, management believes sales during the forecasted year of 2026 will grow at 2.50%, 2027 at 47.00% (solely due to the fee increase), and 2028 through 2030 will have a projected 0.00% average growth rate.

PCOR is funded by a fee paid by paint manufacturers for each can of paint they sell in the state. Manufacturers pass the fee to retailers, who then apply it to the price of paint. Stores can choose whether or not to show the fee on their receipts. The fee will be based on the size of the container as follows:

<u>Container Size</u>	<u>Fee 1/1/2026 – 12/31/2026</u>	<u>Fee 1/1/2027 – 12/31/2030</u>
Larger than half pint up to smaller than 1 gallon	\$0.45	\$0.65
1 gallon to 2 gallons	\$0.95	\$1.45
Larger than 2 gallons up to 5 gallons	\$1.95	\$2.75

Revenue from the paint stewardship fee is estimated to be \$36,801,767 for the forecasted period January 1, 2026 through December 31, 2030.

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NOTES TO FORECASTED FINANCIAL INFORMATION

For the Actual and Projected Period from January 1, 2022 through December 31, 2025
and Forecasted Period covering January 1, 2026 through December 31, 2030

NOTE C – COLLECTION, TRANSPORTATION, AND PROCESSING EXPENSES

Units collected and collection expenses:

Program products are architectural paints in containers no larger than five gallons in size. They do not include industrial coatings, coatings used for original equipment manufacturing, and other specialty coatings.

In the development of management's paint collection infrastructure expense model for the state of Oregon for 2026 through 2030, management considered actual costs for running the program from 2022 through 2025, and the following factors and assumptions:

- Household hazardous waste (HHW) facilities and events:
HHW facilities and events provide their customers with the convenience of dropping off other products at the same time as paint.
- Solid waste facilities (transfer stations, recycling centers, and landfills):
Solid waste facilities provide their customers with the convenience of dropping off other products at the same time as paint, and they often have regular customers that have used their facilities for many years.
- Retail stores:
Retailer participation as a paint drop-off site is voluntary. Retailers are not compensated for being a drop-off site. PCOR has identified 596 paint retailers in Oregon, of which 391 stores were identified as potential drop-off sites. As of December 31, 2025, 142 of these retailers were participating as drop-off sites.
- Material reuse stores:
Sites may operate reuse areas in which they place leftover paint that was brought to their site in good condition to be given away or sold "as is" to their customers and local community. This paint management method represents the highest, best use of paint and typically reduces program costs by avoiding the transportation and processing costs that would otherwise be required to manage the paint. PaintCare may provide compensation for reuse services.

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NOTES TO FORECASTED FINANCIAL INFORMATION

For the Actual and Projected Period from January 1, 2022 through December 31, 2025
and Forecasted Period covering January 1, 2026 through December 31, 2030

NOTE C – COLLECTION, TRANSPORTATION, AND PROCESSING EXPENSES (continued)

Units collected and collection expenses (continued):

- Direct pick-up or large volumes:

Large Volume Pick-up (LVP) Service is free to the customer and will be offered to Oregon painting contractors, other businesses, organizations, and households with large volumes of paint with a minimum quantity, currently 100 gallons by container size. The service allows approved users to have paint picked up at their business or home.

Recurring Large Volume Pick-up (RLVP) Service is a free service also offered to painting contractors and other businesses and organizations that generate large volumes of leftover paint on an on-going basis.

- PaintCare events:

Paint drop-off events may be held by PCOR in areas of the state that are not within 15 miles of a paint drop-off site or have too few drop-off sites for the population of the area, and participants from any place in Oregon will be allowed to use the events.

Collection expenses:

Expenses to operate the program and various key assumptions include:

- Paint processing: This is the most significant expense of the program. PCOR contracts for processing and proper end-of-life management of postconsumer paint collected in the program. Expenses are forecasted based upon signed vendor agreements for processing paint. See further details on processing expenses below.
- Paint transportation: These expenses include the cost of transporting paint bins from paint drop-off sites. Expenses are forecasted based upon signed vendor agreements for paint transportation. See further details on transportation expenses below.
- Collection supplies and support: These expenses include the cost of paint collection bins, spill kits, PaintCare event expenses, labor to assist LVP sites to pack their paint, and payments for additional activities at sites (reuse). As of December 31, 2025, there were approximately 192 total drop-off sites. The number of bins at each drop-off site will vary depending on the relative capacity of the stores. Retail drop-off sites will receive site visits semi-annually. HHW, solid waste facilities, and RLVP sites will be visited annually.

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PAINTCARE OREGON LLC

NOTES TO FORECASTED FINANCIAL INFORMATION

For the Actual and Projected Period from January 1, 2022 through December 31, 2025
and Forecasted Period covering January 1, 2026 through December 31, 2030

NOTE C – COLLECTION, TRANSPORTATION, AND PROCESSING EXPENSES (continued)

Transportation and processing expenses:

Transportation and processing costs include fees paid to vendors to (1) transport discarded paint container units from drop-off sites to the recycler's processing facility, and (2) processing paint for recycling and proper end-of-life management.

As of the date of this examination report, PCOR has engaged, under separate contracts, four transporters, which provides management reasonable estimates of transportation and processing expenses. Under the terms of these agreements, transportation costs are computed based on zones and processing costs are computed by weight. These estimates were used for projecting this expense over the forecasted period.

Management has made certain assumptions to develop the forecasted collection, transportation, and processing (C, T, P) expenses. The C, T, P contracts (noted above) are expected to be up for renegotiation in 2029. The forecasted C, T, P costs for 2029 are projected to increase by 8.00% due to expected vendor contract price increases. The forecasted C, T, P costs for 2026, 2027, 2028, and 2030 are projected to increase 2.00% – 4.00% per year, which is similar to the historical price increases in years when contracts are not renegotiated. Additionally, forecasted C, T, P costs are based on actual costs, signed vendor contracts, trends, and comparison to the prior periods and budgets.

The total collection, transportation, and processing costs are estimated to be \$27,470,190 for the forecasted period January 1, 2026 through December 31, 2030.

NOTE D – COMMUNICATION EXPENSES

These expenses include advertising and promotional materials to increase awareness of the program, with PCOR performing education and outreach efforts to promote the paint stewardship program in Oregon. PCOR may utilize various outreach methods including distribution of point-of-sale materials, fact sheets, and signage, as well as messaging delivered via social media, digital and outdoor ads, radio, streaming, online video, print ads, and TV to promote the Oregon paint recycling program to a widespread audience and increase overall awareness of the program.

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NOTES TO FORECASTED FINANCIAL INFORMATION

For the Actual and Projected Period from January 1, 2022 through December 31, 2025
and Forecasted Period covering January 1, 2026 through December 31, 2030

NOTE D – COMMUNICATION EXPENSES (continued)

Communications costs are based on current written contracts with public relations agencies to promote and manage marketing for the recycling program. Costs also include expenses incurred to obtain third-party products and services such as advertising space, public education, point of sale marketing outreach, website maintenance, conferences and events, and customer service. Management estimated marketing outreach, point of sale, and advertising costs based on anticipated costs in 2026 through 2030. In 2026, communication costs are expected to be approximately \$500,000. Beginning in 2027 through 2030, PCOR is expected to incur communication costs of approximately \$655,000 per year, respectively, to provide public education and outreach expenditures in the state of Oregon.

The forecasted communication costs are estimated to be \$3,115,000 for the forecasted period January 1, 2026 through December 31, 2030.

NOTE E – CORPORATE OVERHEAD ALLOCATION

Overhead expenses are those that are not specific to Oregon but support all PaintCare state stewardship programs. These costs include:

Administrative and corporate staff, back-office support (information technology, human resources, legal, accounting, and government affairs), insurance, data management systems, annual financial audit, software licenses, professional services for corporate or organization-wide matters, occupancy, general communications, and other supplies and services that support all PaintCare programs.

Corporate expenses are allocated among all PaintCare state stewardship programs based on their relative populations in the most recent census and began to be assessed in Oregon state about six months before the program started. As of January 1, 2026, Oregon will represent 3.87% of the combined population of all states participating in the PaintCare programs. Total corporate overhead costs allocated to the states is expected to increase approximately 5.00% per year.

The portion of overhead costs allocated to Oregon are estimated to be \$2,252,247 for the forecasted period January 1, 2026 through December 31, 2030.

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NOTES TO FORECASTED FINANCIAL INFORMATION

For the Actual and Projected Period from January 1, 2022 through December 31, 2025
and Forecasted Period covering January 1, 2026 through December 31, 2030

NOTE F – SALARIES, STATE REPORTING FEES, TRAVEL, AND ADMINISTRATIVE

Total actual and forecasted salaries and benefits, state reporting, travel, and administrative (including legal costs), include costs required to run the paint stewardship program. Direct expenses are allocated to Oregon's paint stewardship program based upon direct effort where they can be specifically identified. These costs include:

- a. Personnel: These expenses include the cost of one full-time and three part-time employees, at varying rates, working directly to run the program, and are expected to increase approximately 5.00% per year. Salary and benefits are estimated to be \$1,428,829 for the forecasted period January 1, 2026 through December 31, 2030.
- b. State oversight: This expense is paid by PaintCare to the Oregon Department of Environmental Quality for oversight of the paint stewardship program. OR state reporting fees are \$40,000 per year. The estimated state oversight costs are \$200,000 for the forecasted period January 1, 2026 through December 31, 2030.
- c. Travel: Management has developed forecasted travel expenses with the assumption that the program coordinators will visit each location statewide once or twice per year. These costs will include airfare, lodging, mileage, and meals, and are estimated to be \$249,791 for the forecasted period January 1, 2026 through December 31, 2030.
- d. Administration: These expenses include supplies, printing, subscriptions, occupancy, and other general expenses that are forecasted based on other state programs and historical actuals. Costs for administrative expenses are estimated to be \$48,277 for the forecasted period January 1, 2026 through December 31, 2030.
- e. Professional services: These expenses include the legal costs for regulatory review and developing contracts, and other logistical and professional support. Management modeled forecasted professional fees on the historical costs and actual costs of other state programs. Costs for professional services are estimated to be \$114,285 for the forecasted period January 1, 2026 through December 31, 2030.

The total salaries, state reporting, travel, and administrative expenses are estimated to be \$2,041,182 for the forecasted period January 1, 2026 through December 31, 2030.

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PAINTCARE OREGON LLC

NOTES TO FORECASTED FINANCIAL INFORMATION

For the Actual and Projected Period from January 1, 2022 through December 31, 2025
and Forecasted Period covering January 1, 2026 through December 31, 2030

NOTE G – OPERATING (FINANCIAL) RESERVE FUND

The PCOR financial policies require an operating (financial) reserve to sustain the program in times of either higher than expected paint collection volumes resulting in higher expenses, lower than expected paint sales resulting in less revenues, or a combination of the two. PCOR management and staff use prudent financial management in allocating net asset funds between unrestricted (necessary for working capital needs and current operations) versus board-designated financial reserves (necessary for the long-term viability of the recycling program). We also note that unlike a governmental entity, PCOR cannot bridge cash flow shortfalls by accessing additional working capital (cash) or other financing from other governmental sources. Therefore, PCOR has taken the position that having operating cash on hand, as well as a reserve, is fiscally responsible.

PCOR's reserves policy establishes a target reserve as a percentage of annual expenses and sets a minimum and maximum threshold. PCOR currently has a target reserve of 100% of annual expenses (twelve months of operating expenses), with a minimum threshold of 75% (nine months) and a maximum threshold of 125% (fifteen months).

Management estimated that the forecasted paint stewardship fee of \$0.65 for each paint container larger than half pint up to smaller than one gallon, \$1.45 for each one gallon to two gallons paint container, and \$2.75 for each paint container larger than two gallons up to five gallons sold, effective January 1, 2027 through December 31, 2030, will result in the net reserve fund at December 31, 2030 to be forecasted at \$3,535,757, which is approximately 47% of twelve-months of 2030's estimated operating expenses of \$7,543,237. Therefore, the forecasted net reserve at December 31, 2030 will not be within the target reserve threshold of a minimum of 75% and maximum of 125% of operating expenses, but is sufficient for the program to operate through December 31, 2030.

NOTE H – INVESTMENT AND INTEREST INCOME

States in the PaintCare program have the opportunity to participate in PaintCare's investment activity allocation. PaintCare Oregon currently does not participate in the investment activity, therefore there is no investment income in the forecasted period January 1, 2026 through December 31, 2030.

In the forecast, PCOR has included interest income earned on cash, which is estimated to be \$25,000 per year. The total interest income is estimated to be \$125,000 for the forecasted period January 1, 2026 through December 31, 2030.

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