

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended: **December 31, 2025**

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from: to

Commission File Number 000-50009

PACIFIC HEALTH CARE ORGANIZATION, INC.

(Exact name of registrant as specified in its charter)

Utah (State or other jurisdiction of incorporation or organization)	87-0285238 (I.R.S. Employer Identification No.)
1980 MacArthur Boulevard, Suites 306 & 307 Irvine, California (Address of principal executive offices)	92612 (Zip Code)

Registrant's telephone number, including area code: **(949) 721-8272**

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading symbol	Name of each exchange on which registered
None	N/A	N/A

Securities registered pursuant to Section 12(g) of the Act:

\$.001 par value, common voting shares
(Title of class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Exchange Act.

Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or such shorter period that the registrant was required to submit such files).

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements.

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b).

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

The aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold as of the last business day of the registrant's most recently completed second fiscal quarter was approximately \$3,499,200.

As of March 17, 2026, the issuer had 12,800,000 shares of its \$.001 par value common stock issued and outstanding.

Documents incorporated by reference: None

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PACIFIC HEALTH CARE ORGANIZATION, INC.

Throughout this annual report on Form 10-K (this “annual report”), unless the context indicates otherwise, the terms, “we,” “us,” “our” or the “Company” refer to Pacific Health Care Organization, Inc., (“PHCO”) and our wholly owned subsidiaries Medex Healthcare, Inc. (“Medex”), Medex Managed Care, Inc. (“MMC”) and Medex Medical Management, Inc. (“MMM”). References to “fiscal year 2025” and “fiscal year 2024” mean the periods ended December 31, 2025, and 2024, respectively.

**CAUTIONARY STATEMENT REGARDING
FORWARD-LOOKING STATEMENTS**

All statements other than statements of historical fact included in this annual report and in the documents incorporated by reference herein, if any, including without limitation, statements regarding our future events, financial condition or results of operations, business strategy, potential acquisitions, budgets, projected costs, liquidity, capital resources, and plans and objectives of management for future operations, are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. In some cases, forward-looking statements can be identified by terminology such as “anticipate,” “believe,” “continue,” “could,” “estimate,” “expect,” “forecast,” “foresee,” “future,” “intend,” “likely,” “may,” “might,” “plan,” “potential,” “predict,” “project,” “should,” “strategy,” “will,” “would,” and other similar expressions and their negatives.

Forward-looking statements are not guarantees of future performance and involve known and unknown risks and uncertainties, many of which may be beyond our control. Readers are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date hereof, and actual results could differ materially as a result of various factors. The following include some but not all of the factors that could cause actual results and financial condition to differ materially from those expressed or implied by forward-looking statements:

- competition within our industry, including competition from much larger competitors;
- our ability to retain existing customers and to attract new customers;
- legislative and regulatory requirements or changes which could render our services less competitive or obsolete;
- cost reduction efforts by our existing and prospective customers;
- failure to retain or recruit, or changes in, officers and key employees, and uncertainties in our ability to maintain key consultants and advisors;
- reductions in workers compensation claims or the demand for our services, from whatever source;
- the loss, ineffective management, malfunction (including those resulting from cybersecurity incidents and breaches), or increased costs of third-party-provided technologies and services on which our operations rely;
- cybersecurity incidents and breaches, and other software system failures, and the imposition of laws imposing costly cybersecurity and data protection compliance;
- delays, reductions, or cancellations of contracts we have previously entered;
- changes in U.S. trade policies and retaliatory responses from other countries, including tariffs;
- the effects of and uncertainty surrounding the adoption, use and reliability of disruptive technologies such as artificial intelligence;
- the loss of or inability to obtain adequate insurance coverage;
- business combinations involving our customers or competitors;
- economic and labor market conditions generally and in the industries in which we and our customers participate, including the effects resulting from immigration laws and enforcement, economic recessions, financial sector turmoil, partial or full federal government shutdown, international conflicts, and rising domestic inflation and related economic policy responses; and
- our failure to successfully develop new services and/or products either organically or through acquisition, or to anticipate current or prospective customers’ needs.

For more detailed information about particular risk factors related to us and our business, see Part I, Item 1A *Risk Factors* .

New risk factors emerge from time to time, and it is not possible for our management to predict all risk factors, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements.

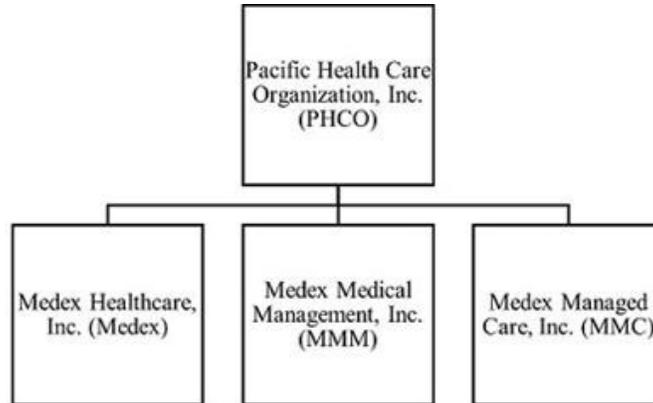
One should not place undue reliance on forward-looking statements. Forward-looking statements are based on the beliefs of management as well as assumptions made by and information currently available to management and apply only as of the date of this annual report or the respective dates of the documents it incorporates by reference. Neither we nor any other person assumes any responsibility for the accuracy or completeness of forward-looking statements. Further, except to the extent required by law, we undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events, or a change in events, conditions, circumstances or assumptions underlying such statements, or otherwise.

The following discussion should be read in conjunction with our consolidated financial statements and the related notes contained elsewhere in this annual report and in our other filings with the Securities and Exchange Commission (the “SEC”).

PART I

ITEM 1. BUSINESS

We are workers' compensation cost containment specialists providing a range of services principally to California employers and claims administrators. The Company was incorporated under the laws of the State of Utah in April 1970, under the name Clear Air, Inc. The Company changed its name to Pacific Health Care Organization, Inc., in January 2001. In February 2001, we acquired Medex, a California corporation organized in March 1994, in a share for share exchange. Medex is in the business of managing and administering both Health Care Organizations ("HCOs") and Medical Provider Networks ("MPNs") in the state of California, and providing workers' compensation carve-out and Medicare set-aside services. In March 2011, we incorporated MMC, a Nevada corporation, as a wholly owned subsidiary of the Company. MMC oversees and manages the Company's utilization review and bill review services. In February 2012, we incorporated MMM, a Nevada corporation, as a wholly owned subsidiary of the Company. MMM is responsible for overseeing and managing medical case management and employee advocate services. We discontinued lien representation services in the third quarter of 2023 due to the lack of demand. Below is our corporate structure as of December 31, 2025.



Business of the Company

We offer an integrated and layered array of complementary business solutions that enable our customers to better manage their workers' compensation-related healthcare administration costs. We are constantly looking for ways to expand the suite of services we can provide our customers, either through strategic acquisitions or organic development.

Our business objective is to deliver value to our customers by reducing their workers' compensation-related medical claims expenses in a manner that will ensure injured employees receive high quality healthcare, returning them to gainful employment without undue delay. According to studies conducted by auditing bodies on behalf of the California Division of Workers' Compensation, ("DWC") the two most significant cost drivers for workers' compensation are claims frequency and longer than average treatment duration. Our services focus on ensuring timely medical treatment to reduce the claim duration and medical treatment costs.

Our services include providing customers access to our HCOs and MPNs. We also provide medical bill review, medical case management, employee advocate services, utilization review, workers' compensation carve-outs and Medicare set-aside services. Complementary to these services, we also provide expert witness testimony. We offer our services as a bundled managed care solution, as standalone services, or as add-on ancillary services.

Our core services focus on reducing medical treatment costs by enabling our customers to have control and oversight of the medical treatment of their injured employees to ensure treatment is timely and appropriate. This control is primarily obtained by participation in our HCOs or one of our MPNs. Through Medex, we hold two of three total licenses issued by the state of California to establish and manage HCOs within the state of California. We hold several government-issued licenses to operate medical provider networks. We also hold approvals issued by the state of California to function as an MPN and currently administer 21 MPNs. Our HCO and MPN programs provide our customers with provider networks within which the customer has some ability to direct the administration of the claim. This is designed to decrease the incidence of fraudulent claims and disability awards, and ensure injured employees receive necessary vocational rehabilitation and training. Our medical bill and utilization review services provide oversight of medical billing and treatment requests, and our medical case management and employee advocate services keep workers' compensation claims progressing to a resolution and assure treatment plans are aligned from a medical perspective.

Our customers include self-administered employers, insurers, third party administrators, municipalities, and others. Our principal customers are companies with operations located in the state of California where the cost of workers' compensation insurance is a critical problem for employers, though we process medical bill reviews, utilization reviews and provide medical case management and employee advocate services in several other states. Our provider networks, which are located only in California, are comprised of providers experienced in treating occupational injuries.

Our business has a long sales cycle, typically eight months or more. Once we have established a customer relationship and enrolled the employees of our employer customers, we anticipate our revenue to adjust with the growth or retraction of our customers' employee headcount. We also expect growth and contraction of employee headcounts throughout the year as we gain new customers and lose existing customers. The reasons for customer terminations vary but include when a customer opts to use a different workers' compensation administration vendor; engages an insurance carrier or third-party administrator that uses a different workers' compensation administration vendor; and when our contract ends with state and local governments and they are required to engage in a public bidding process for their workers' compensation administration vendor.

Health Care Organizations

An HCO is a network of health care providers specializing in the treatment of workplace injuries and in back-to-work rehabilitation for our customers' injured employees. HCOs provide injured employees with a network of health care providers in the event of a workers' compensation injury, while providing their employer (our customer) control over medical treatment and costs. In most cases, our HCOs give the employer up to 180 days of medical control in an HCO within which the employer can direct the administration of the claim. The injured employee may change providers once during this period but may not go to an out-of-network provider. The increased length of time during which the employer has control over administration of the claim is designed to decrease the incidence of fraudulent claims and disability awards. The right for the employer to control treatment within a network is based upon the notion that if the employer can direct care, it will facilitate timely and appropriate medical care and reduce the total cost of the claim.

Our two HCO licenses (respectively referred to as "Medex HCO" and "Medex 2 HCO") allow us to provide comprehensive medical provider networks throughout California. Our HCO networks are composed of medical providers experienced in treating worker injuries. We have contracted with approximately 6,529 and 7,639 individual medical providers and clinics for Medex HCO and Medex 2 HCO, respectively, as well as hospitals, and rehabilitation centers. Our customers select one of the Medex HCO networks in which to enroll their employees based on the medical groups in the network. During initial enrollment and during the period of re-enrollment, our customers' employees have the option to opt out of the HCO by redesignating their primary care physician to manage a workplace injury. If the employee opted out and is later injured on the job, their primary care physician would be authorized to oversee their medical care. Otherwise, the employer would be able to select the provider to oversee their medical care.

We continually review and update our networks with provider additions and removals based on feedback from internal operations, our customers, and their claims administrators. All our network providers' credentials are reviewed and vetted by Medex.

Our HCO networks are required to be recertified every three years. The Medex HCO has been recertified through March 15, 2028, and the Medex 2 HCO through October 9, 2027. HCO guidelines impose certain medical oversight, reporting, information delivery and usage fees on HCOs. These requirements increase the administrative costs and obligations on HCOs compared to MPNs.

Medical Provider Networks

Like an HCO, an MPN is a network of health care providers, but health care providers participating in MPNs are not required to have the same level of medical expertise in treating workplace injuries. Under an MPN program the employer dictates which provider the injured employee will see for the initial visit. After the initial visit, the employee has the discretion to choose which provider in the network will continue treatment of the claim. However, the employee's choice of provider is limited to those within the MPN for the life of the claim and the employee cannot opt-out of the MPN, which is a benefit to our customers. While the injured employee is limited to treatment by providers within the MPN, the California MPN laws and regulations allow the injured employee to dispute treatment decisions, provide for second and third medical opinions, and permit case review by an independent medical reviewer whose decision can result in the employer losing control over medical treatment of the employee.

Unlike our HCOs, our MPNs do not require our customers to pay annual enrollment fees, nor do they require our customers to comply with annual enrollment notice delivery requirements. As a result, there are fewer administrative costs to customers associated with an MPN program. This allows our MPNs to market their services at a lower cost to employers than our HCOs. For this reason, many customers may opt to use the MPN even though it provides customers with fewer rights to control medical treatment of employee injury claims.

We have received approval for and currently administer 21 MPNs. Customers can choose between two of our off-the-shelf MPNs, which serve as stand-alone networks or the foundation for the customer to customize their own MPN, in which they can add or remove specific providers or clinics. Each MPN must be reapproved every four years for each customer based on the date the MPN was approved by the California Division of Workers' Compensation.

HCO and MPN Hybrid Offering

As a licensed HCO and approved MPN, in addition to offering HCO and MPN programs, we are also able to offer our customers a combination of the HCO and MPN programs. Under this program, a customer can enroll its employees in our HCO program, and then prior to the expiration of the 180-day treatment period under the HCO program, the customer (the employer) can then enroll their injured employees into our MPN program to keep the medical care within their network of providers. This allows our customers to take advantage of both programs, which is what our HCO customers typically do. To our knowledge, Medex is currently the only entity in California offering this hybrid program.

Medical Case Management

Medical case management oversees injured employees' medical treatment to ensure that it progresses to a resolution and ensures treatment plans are aligned from a medical perspective. Medical case management is a collaborative process that assesses, evaluates, coordinates, implements and monitors medical treatment plans and the options and services required for occupational injuries. At the direction of the employer, medical case managers function as liaisons between the injured employee, claims adjuster, medical providers, and workers' compensation attorneys to achieve optimal results for the injured employee and their employer.

Our medical case management services are performed by nurses who are credentialed by the state and have expertise in various clinical areas and backgrounds in workers' compensation matters. This combination allows our nurses the opportunity to facilitate medical treatment that addresses the nuances of workers' compensation, which may include litigation. By utilizing these services our customers can ensure that the injured employee receives quality medical treatment in a timely and appropriate manner to help the employee return to work and close the workers' compensation claim. We also offer employee advocate services, which is similar to medical case management in that it utilizes our medical case managers to oversee an injured employee's medical treatment; however, the employee advocate assists the injured worker in resolving any disputes between the employer and the claims adjusters that may arise. The employee advocate is given authorization by the employee to contact others on the employee's behalf, such as claims adjusters, medical employees, lien claimants, human resources, return to work programs, unions, and employers, in order to facilitate resolution of the dispute.

Medical Bill Review

Medical bills are one of the biggest expenses that an employer's workers' compensation insurance company must pay for. To curtail these expenses, our customers utilize our medical bill review services to review medical bills for services rendered to an injured employee. We provide professional analysis of medical provider services and equipment billing to ascertain proper reimbursement. Our review of medical bills includes coding review and re-bundling, confirming that the services are customary and reasonable, fee schedule compliance, out-of-network bill review, pharmacy review, and preferred provider organization repricing arrangements. While some states have adopted fee schedules, which regulate the maximum allowable fees payable under workers' compensation for procedures performed by a variety of health treatment providers, many procedures are not covered by fee schedules and are still subject to review and negotiation.

Medical bill review services can result in significant claims savings. Our medical bill services are primarily within the state of California, but we process medical bill reviews in several other states. Out of state medical bill reviews typically are the result of an injured California employee moving to a different state, but who still requires medical care under an open workers' compensation claim.

Utilization Review

Utilization review, also known as utilization management, is required by law in all states for workers' compensation claims. Utilization review evaluates the medical necessity of proposed treatment by comparing medical treatment requests against accepted medical guidelines. Its purpose is to serve as a safeguard against payor liability for medical costs that are not medically appropriate or approved by the relevant medical and legal authorities. Reviews of medical treatment requests are conducted at the appropriate qualification level for the request by a nurse, peer-to-peer provider, a specialist or a medical director and within the timelines set by the relevant laws and regulations.

Our utilization review services provide an electronic intake of medical treatment requests, collection and review of the submitted documentation required for processing, and submission to the appropriately qualified reviewer for approval, modification, denial, or request for more information for the requested treatment. Once a determination is made, we process the request and notify all the stakeholders in the injured employee's claim within the regulated timeframe.

Medicare Set-Aside

Medicare set-aside services for workers' compensation claims is a financial agreement that allocates a portion of a workers' compensation settlement to pay for future medical services related to the workplace injury, illness, or disease. The purpose of the set-aside arrangement is to provide funds to the injured party to pay for future medical expenses that would not be covered by Medicare. This program affords our customers an effective way to overcome complications after settlement and avoids unnecessary costs attached to the claim.

Workers' Compensation Carve-Outs

Certain employers can opt out of the standard workers' compensation regulatory dispute resolution scheme through carve-out agreements that comply with state statutory and regulatory requirements. More specifically, carve-out agreements permit employers and employees to establish alternative dispute resolution arrangements to resolve disputes in the context of workers' compensation. These carve-out agreements are made between employers and the collective bargaining units representing the employer's covered employees.

Utilizing our knowledge of the friction in the California workers' compensation system, and the objectives of employers and the unions, we assist in guiding the negotiation of legal agreements for the implementation of workers' compensation carve-outs for California customers and provide services that reflect the parties' agreement regarding alternative dispute resolution arrangements. Under such carve-out agreements certain customers can access our HCOs, MPNs and medical case management program.

Expert Witness Testimony

As an ancillary service to our HCO and MPN services, we provide expert witness testimony before the California Workers Compensation Appeals Board. The fees we charge for this service include reimbursement of expert witness fees and travel and lodging expenses for all HCO customers except for one, whose fees are included in their monthly global fee.

Marketing, Customers and Pricing

We provide services to virtually any size employer in the state of California as well as insurers, third party administrators, self-administered employers, municipalities, and other industries. We also provide some customers utilization review, medical case management, and medical bill review services outside the state of California, typically to employees who suffered a workplace injury in California and then relocated to another state.

Our marketing and sales efforts focus primarily on customer referrals, conference presentations and responding to requests for proposals. We service both local and national accounts, however, with an emphasis on California focused markets. Our sales and marketing activities are conducted by account managers with the assistance of our executive team members. We do not market our services outside the state of California.

Our services can be integrated to allow for partial or full bundling of services and the sharing of information that creates efficiencies to further reduce the costs of claims. For example, our bundled services have allowed some customers to achieve up to a 70% reduction in the cost of injury claim resolution while maintaining superior treatment for their injured employees. The cost to our customers for our bundled services is generally the same as if the services were purchased individually.

Competition

We were one of the first commercial enterprises capable of offering HCO services and MPN services in California. While there are few HCO competitors, there are many MPN companies who compete in this market. Many of these competitors are larger than us and may have greater financial, research and marketing experience and resources than we do, and they may therefore represent substantial long-term competition. As of December 31, 2025, in California there were three certified health care organization licenses issued to two companies, and we own two of the three licenses. As such, we consider our current, direct HCO competition limited to one licensee business. On the other hand, there are minimal requirements for establishing MPNs and therefore, as of December 31, 2025, there were approximately 285 active MPNs in the state of California according to the DWC MPN website. Of these, we have received approval for and administer 21 MPNs.

We compete on both quality and price of services. We maintain quality of service by virtue of the training, skill, and experience of our professional staff and outside consultants. We compete on price through our integration of robust information technology systems we license from various vendors. We focus our business primarily on those employers and payors who use our HCO and/or MPN services. We anticipate that this focus will keep most of this business stable and renewable. However, periodically we expect that large customers may establish the in-house capability, or their third-party administrators may offer a discounted bundle for the services we offer, as this has occurred in the past. Further, if we are unable to compete effectively either because of a degradation in quality-of-service delivery resulting from, for example, a reduction in the skill and experience of our personnel or our inability to effectively manage, maintain or upgrade our information technology systems, it may be difficult for us to retain current customers or add new customers. A loss of customers, from whatever source, could materially and adversely affect our business, financial condition, and results of operations.

We rely on our well-trained and knowledgeable in-house professionals to develop service offerings that target the needs of our customers, all of whom seek efficient and effective resolution of workplace injuries and workers' compensation claims. For example, we contract directly with medical providers based on quality determinations rather than the provision of discounted medical services. We believe this provides us with a competitive advantage because we can market a direct relationship with providers who have demonstrated expertise in treating occupational injuries and writing credible medical reports. These qualities contribute to quicker resolution of workplace injuries and workers' compensation claims. We believe these qualities also provide more competitive value than relying on third party relationships or discounts alone.

We offer both HCO and MPN programs to potential customers, as well as an HCO/MPN combination model, which we believe also gives us a competitive advantage, because of the way the network was created. While some of our competitors offer either HCO or MPN services, to our knowledge, none of our competitors offer an HCO/MPN combination model.

Governmental Regulation

Managed care programs for workers' compensation are subject to various laws and regulations. The nature and degree of applicable regulation varies by state and by the specific services provided. Notably, services such as our HCOs, MPNs, and utilization review services that provide or arrange for the provision of healthcare services are subject to numerous, complex regulatory requirements that govern many aspects of our conduct and operations. These laws and regulations impose evolving administrative and legal burdens, expense, and risks to our business, but also provide a regulated environment in which our expertise and experience help us provide valuable services for our customers based on proven strategies that work within the existing system.

The provision of workers' compensation managed care in the state of California is governed by legislation and secondary regulations. We are required to be licensed or receive regulatory approval to operate our HCO and MPN networks. Medex has recertified the "Medex HCO" through March 15, 2028, and the "Medex 2 HCO" through October 9, 2027. Our MPN networks are required to be reapproved every four years based upon when the MPN went into effect for each customer.

MMC is required to be accredited by the independent, nonprofit accreditation entity Utilization Review Accreditation Commission ("URAC") in California to perform utilization review and is subject to a routine investigation by the state of California every five years. MMC has received full Utilization Management Accreditation for Workers' Compensation as a Utilization Review Organization from URAC. The full accreditation requires us to have and follow specific policies and procedures for our utilization review services and demonstrate our commitment to quality and adherence to nationally recognized guidelines. MMC must apply for URAC reaccreditation every three years and was most recently reaccredited on January 1, 2024. The costs to be accredited by URAC for Workers' Compensation Utilization Management for three years is \$36,000. URAC accreditation also allows us to provide utilization review services nationally as it is widely accepted as an alternative credential to state specific licenses and certificates.

The services we provide have developed largely in response to legislation or other governmental action. In many jurisdictions, such as California, licensing laws and regulations generally grant broad discretion to supervisory authorities to adopt and amend regulations and to supervise regulated activities. Changes in the legislation, or rules and regulations regulating workers' compensation, may create greater or lesser demand for the services we offer or require us to develop new or modified services to meet the needs of the marketplace and compete effectively. Such changes could also have an impact on our costs for providing services, potentially to levels that make our services unattractive or unaffordable to existing or potential customers. We could also be materially and adversely affected if the state of California were to elect to reduce the extent of medical cost containment strategies available to insurance companies and other payors or adopt other strategies for cost containment that would not support demand for our services. To proactively address such possibilities, we have engaged a California-based lobbyist with expertise in workers' compensation.

Healthcare reform remains a topic of considerable discussion at both the federal and state level. Due to uncertainties regarding the ultimate features of future reform initiatives and the timing of their enactment, we cannot predict which, if any, reforms will be adopted, when they may be adopted, or what impact they may have on our business or within the industry in which we participate. However, because workers' compensation is primarily a disability program, not the focus of recent healthcare reform discussions, we do not anticipate that healthcare reform would significantly impact workers' compensation.

Employees

Including the employees of our subsidiaries, as of March 17, 2026, we had a total of 30 full-time employees and one part-time employee. We also use the services of several consultants.

Reports to Security Holders

We file Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, proxy and information statements and other filings pursuant to Sections 13, 14 and 15(d) of the Exchange Act, and amendments to such filings with the SEC. The public may read and copy any materials we file with the SEC at its Public Reference Room at 100 F Street N.E., Washington, DC 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains its internet site www.sec.gov, which contains reports, proxy and information statements and our other SEC filings. We also post electronic copies of our quarterly and annual reports on our website www.pacifichealthcareorganization.com, which can be viewed or downloaded free of charge. Materials and information on our website are not part of or otherwise incorporated into this annual report.

ITEM 1A. RISK FACTORS

The risks and uncertainties described in the risk factors below are those that we currently consider material. You should carefully consider these risk factors, together with the statements contained elsewhere in this annual report, including our financial statements and the other reports we file with the SEC, in evaluating us or before making an investment in our common stock. The occurrence of any of the following risks or uncertainties, or additional risks and uncertainties not presently known to us or that we currently believe to be immaterial, could materially and adversely affect our business, financial position, results of operations, liquidity, cash flows, or reputation.

You should not draw any inference as to the magnitude or likelihood of any particular risk from its position or categorization in the following discussion. Further, the headings and subheadings of the risk factors are organized based on certain shared characteristics with other risk factors, but each risk factor should be read without limiting its application or content to the heading under which it is organized.

Customer, Vendor and Competition Related Risks

A significant percentage of our revenue is generated from a few customers, the loss of one or more of which could have a material impact on our results of operations, cash flows and financial condition.

A significant portion of operating revenue is received from a relatively small group of customers. During 2025, two customers, who represented 10% or more of operating revenue, combined accounted for approximately 34% of our total sales. See Note 2, Section F. “Concentrations of Risk” of Part II, Item 8 Notes to Consolidated Financial Statements for more information about our customer concentration.

We cannot guarantee that significant or other large customers will not, at some point, terminate or reduce our services. This has happened in the past. The loss of one or more significant or other large customers has historically had an adverse impact on our business, results of operations, cash flows and financial condition, sometimes materially. While we continue to work to lessen our dependence on a few customers, we believe this will continue to be a risk in the foreseeable future.

Most of our customer contracts permit either party to terminate without cause. In the past, for example, we have lost customers due to competitive pricing pressures and customer cost reduction efforts; failure to maintain the quality of the services we provide; and our inability to retain sufficient staffing. Competitive pricing is a particular challenge for us, as our larger competitors can often exploit economies of scale to price lower than us, or can offer bundled services that include insurance-related and other services we do not provide. If significant, or multiple, customers terminate their contracts, or do not renew or extend their contracts with us, as has happened in the past, it could have a material adverse effect on our business and results of operations.

A significant percentage of our accounts receivable is generated from a few customers, and if one or more of these customers default on their payment obligations to us, it could have a material impact on our results of operations, cash flows and financial condition.

As of December 31, 2025, four customers, who represented 10% or more of accounts receivable, combined accounted for approximately 66% of our total accounts receivable. If we are unable to diversify our customer base, we will continue to be susceptible to risks associated with customer concentration. Further, accounts receivable are typically unsecured and are thus subject to the increased risk of us being unable to collect overdue amounts. The inability or unwillingness to pay by our account debtors, for whatever reason or cause, could have a material adverse effect on our financial condition.

We are reliant on the timely, accurate and consistent provision of outsourced services for various services and business functions, the disruption, malfunction, termination or replacement of which could impede our ability to provide our services and materially adversely affect our business.

We contract with various third-party vendors for the provision and support of our services and business functions, including the critical information systems functionality upon which our services rely. Our business is dependent on our ability to provide, in an efficient and uninterrupted manner, necessary business functions which we outsource, such as the processing and support of enrollment in our HCO and MPN programs, and the partial outsourcing of our utilization review, medical bill review, administrative services for medical case management and Medicare set-aside services. Our operations may be adversely affected if there is a failure, disruption or malfunction, (including cybersecurity breaches and other risks discussed further at “*Cybersecurity, Information Technology and Outsourced Services Related Risks*” below) in the provision of such outsourced services, or if the relationship with or services provided by our vendors are terminated in whole or in part. Further, we may not be able to find an alternative vendor in a timely manner, on acceptable terms, or that can provide adequate services or functionality.

Outsourcing also may require us to change our existing operations or adopt new processes for providing or managing our services. If there are delays or difficulties in changing business processes or our third-party vendors do not perform as expected, it may delay our ability to provide our services and we may not realize, or not realize on a timely basis, the anticipated functionality or benefits of these relationships. Terminating or transitioning, in whole or in part, arrangements with vendors could result in additional costs or penalties, risks of operational delays and interruptions, or potential errors and control issues during the termination or transition phase. If we experience an interruption in our ability to provide our services or loss of access to data resulting from a malfunction, termination, transition or other disruption in outsourced services, we may not be able to meet the demands of our customers and, in turn, our business and results of operations could be materially and adversely impacted.

Our revenues may decline if we cannot compete successfully in an intensely competitive market.

Our target customers are employers seeking to control the cost of employee workers' compensation claims. We face competition from a variety of companies and the markets for our services are fragmented and competitive. Our competitors include national managed care providers, preferred provider networks, smaller independent providers, third-party administrators, and insurance companies. Many of our current and potential competitors have significantly greater financial, technical, marketing, and other resources than we do. As a result, our competitors may be able to respond more quickly to changes in market demands and requirements, including enhanced technology, changes in regulations and standards, and shifts in customer needs. We believe that as managed care services continue to gain acceptance in the marketplace our competitors will increasingly consist of insurance companies, third-party administrators, large workers' compensation managed care service companies and other significant providers of managed care services. These competitors may also be able to devote greater resources to the development, promotion and sale of their services and may be able to deliver competitive services or solutions at a lower price. Any of these competitive pressures could have a material adverse effect on our business, results of operations and financial condition.

If the scope and quality of our services lag behind the market or lower costs can be obtained elsewhere, we may lose customers which could have a material adverse impact on our results of operations and financial condition.

We are in the business of assisting our customers in controlling the cost of their employee workers' compensation claims. While we believe that several factors, including the quality of care provided to the employee, the rapidity at which the employee returns to work, and the service provided to the customer, play a part in attracting and retaining our customers, we believe that price is a primary determining factor in whether customers select or retain our services. While our competitors may offer direct fees less than those we charge, they have traditionally added fees to their other associated services and thus raised the total cost of their services. If our competitors reduce the cost at which they provide services, or our customers seek to reduce costs by performing similar services in-house, we anticipate we would have to likewise attempt to reduce the cost at which we provide our services or risk losing customers. Either outcome could have a material adverse impact on our business, results of operations and financial condition.

If we are unable to attract and retain employees and consultants with the skills our business requires, our business operations could be impacted negatively.

We compete with other workers' compensation managed care companies and healthcare providers in recruiting qualified personnel and consultants. Hiring and retaining personnel with industry expertise is critical to our competitive strategy. There is intense competition for the services of such people. Furthermore, we do not maintain "key person" insurance for any of our executive officers or employees and replacing executive officers and other key employees may be difficult and may take an extended period of time because of the limited number of individuals in our industry with the breadth of skills and experience required to perform these roles. Competition to hire from this limited pool is intense, and we may be unable to hire, train, retain or motivate key personnel on acceptable terms given the competition among the numerous competitors in our industry for similar personnel, many of whom have greater financial resources than us and can offer higher salaries, better benefit packages and broader opportunities. In addition, we operate primarily in California and some of our roles require our employees to live in or near very high cost of living areas in Southern California, which corresponds to higher wage requirements and alternative employment options.

Similarly, competition and pricing for our consultants and advisors, such as workers' compensation consultants, legal, accounting, and other professional service providers, is increasing. As a relatively small business, these costs can disproportionately impact our business and results of operations compared to larger competitors. Further, our consultants and advisors may have commitments under consulting or advisory contracts with other entities that may limit their availability to us. If we are unable to continue to attract and retain such consultants, our ability to pursue our growth strategy may be limited. In addition, we rely heavily on third-party provided information technology to support our business activities. As technology becomes more complex and more integral to our operations, our lack of inside technology personnel, both in general and with specialty in the third-party business systems we rely on, may also negatively impact our ability to adapt to changes, respond to technology related crises, meet customer needs, or timely implement necessary advancements.

We cannot guarantee that we will be able to attract and retain personnel in the future, particularly in a challenging labor market that disproportionately impacts us as a small service-oriented business. For example, during 2024 our Chief Financial Officer resigned and during 2025 our Vice President resigned and we have not yet identified full-time replacements for these roles. Our CEO, President and Chairman of the board of directors, Tom Kubota, is also our acting Principal Financial Officer until we find a replacement. Given the level of knowledge, experience, and skills the role of a full-time Chief Financial Officer requires, we cannot assure when we will be able to replace this role or the degree of impact on our salary and wages expenses when we do replace this role.

Further, it can also be difficult for us to hire and retain qualified and capable individuals to fill roles for our day-to-day operational staff. Our failure to hire and retain employees within our current pay structure and increases in employee benefits costs could result in increased operating expenses and decreased profitability.

If we are unable to effectively compete for, or otherwise attract or retain, employees and consultants, our business and financial condition could be materially adversely affected.

Cybersecurity, Information Technology and Outsourced Services Related Risks

A cybersecurity breach or other disruption to our or our vendors' information technology systems could result in the loss, theft, misuse, unauthorized disclosure of, or unauthorized access to customer, customer-employee or company information, or could otherwise disrupt our operations, any of which could materially adversely affect our business, financial condition or results of operations.

We rely heavily on third-party provided information technology to support our business activities. Our business involves the transmission and storage of confidential and personal information (including protected health information as defined by the Health Insurance Portability and Accountability Act) of our customers, their employees, and our employees. We, and the vendors we use to support our business, including vendor support of critical business functions such as IT, data management and cybersecurity, are at risk of cybersecurity breaches of the systems on which we rely, including circumvention or breach of security systems, denial-of-service attacks or other cyber-attacks, hacking, "phishing" attacks, computer viruses, ransomware, malware, employee error, social engineering, physical breaches, or other malfeasance. We anticipate that the threats of such incidents will continue to increase as dependence on information technology increases. Further, as these threats evolve, cybersecurity incidents could be more difficult to detect, defend against, and remediate.

As discussed in Part I, Item 1C. *Cybersecurity* of this annual report, during fiscal year 2023, the third-party vendor that provides the file transfer service through which our customers electronically share certain data regarding their employees and other third parties with us, experienced a data security incident that affected many of their customers, including us. Through this incident the threat actor accessed certain of our customers' employees' and other third parties' data, and such data included protected health information, as defined by the Health Insurance Portability and Accountability Act, and personally identifiable information. As of the date of this annual report, this incident has not had a materially adverse impact on our results of operations and the matter was closed in 2024. However, we have incurred expenses, and may incur in the future expenses and losses, related to this incident.

We continue to operate primarily remotely using employee laptops and accessories and secure, cloud-based data storage and access. As part of accommodating remote work, we rely on technology, software, hardware, and internet access and home resources of individual employees. We also have less control over the hardware, physical security of equipment, and maintenance of equipment used by our off-premises employees. Although we have implemented employee IT security training, instant remote access termination, remote hard drive wipe capabilities, and other systemic enhancements to increase security, we are still exposed to additional security and system failure risks through our accommodation of remote work.

Any compromise or perceived compromise of our security (or the security of our third-party service providers) could damage our reputation and our relationship with our customers, third-party administrators, insurers, enrollees, vendors and employees; reduce demand for our services; and subject us to significant liability as well as regulatory action. Cybersecurity breaches or failure to meet customer or other required cybersecurity standards could cause us to experience reputational harm, loss of customers, loss and/or delay of revenue, loss of proprietary data, loss of licenses, regulatory actions and scrutiny, sanctions or other statutory penalties, litigation, liability for failure to safeguard customers' information, financial losses or a drop in our stock price.

We cannot assure that we can maintain cyber liability insurance coverage and we could be subject to uninsured liabilities.

While we seek to maintain cyber liability insurance coverage and currently have such a policy in place, we cannot assure that we will be able to obtain or have continual cyber liability insurance coverage in the future, that available cyber liability insurance will be adequate to cover our liabilities or will not be cost prohibitive to maintain, or that claims will be covered by policies in place.

As discussed in Part I, Item 1C. *Cybersecurity* of this annual report, we responded to a cybersecurity incident in fiscal year 2023. We made a claim related to that incident under the cyber liability insurance policy in effect at that time. While that claim has been covered thus far, we received a notice of non-renewal of that policy. We were able to obtain new cyber liability insurance, but we cannot assure that we will be able to in the future.

Additionally, cyber liability insurance is subject to policy limitations and exclusions. If the limits of our cyber liability policies are exhausted, in whole or in part, it could deplete or reduce the limits available to pay other material claims applicable to that policy period. Further, our cyber liability insurance carrier could become insolvent and unable to fulfill its obligations to defend, pay or reimburse us when those obligations become due. The loss of or material reduction in cyber liability insurance could also materially affect our ability to contract with current or future customers depending on the cyber liability insurance requirements they require us to have. In any of these cases, or if liabilities exceed our limits or are not otherwise covered by insurance, it could have an adverse effect on our business, financial condition, or results of operations.

Our financial performance is tied to the availability, quality and functionality of the information technology platforms we can acquire or license from third parties to provide our services, the loss of which could disrupt our business and ability to remain competitive.

The effective and competitive delivery of our services is increasingly dependent upon information technology resources and processes provided by third-party vendors. In addition to better serving our customers, the effective use of technology increases efficiency and enables us to reduce costs. Our future success will depend, in part, on our ability to address the needs of our customers by using technology to provide services to enhance customer convenience, as well as to create additional efficiencies in our operations. We are largely dependent on licensing and integrating various information technology systems and software from third parties for delivery of our services, the loss, ineffective management or malfunction of which could jeopardize all or parts of our ability to deliver our services. We have in the past experienced delays and difficulties implementing third-party software used to provide our services. We anticipate that we will continue to rely on third-party software for our services in the future and many of the risks associated with the use of third-party software cannot be eliminated.

Further, there can be no assurance that we will be able to effectively implement new technology-driven products and services, which could reduce our ability to compete effectively, particularly because many of our competitors have greater resources to invest in technological improvements than we do. The ability to provide our services may also suffer from the impacts of industry consolidation, as larger companies privatize, acquire, develop, retire or limit the licensing of the software we currently rely on for providing our services. The cost of technologies we rely on may also change drastically, changing the profitability profiles of certain services and, in extreme cases, the viability of that line of business for us. Because we rely heavily on various technologies and their ability to integrate with other critical systems to provide our services, the occurrence of any of these events could have a material adverse impact on our business, results of operations and financial condition.

The adoption, use, and reliability of disruptive technologies such as artificial intelligence technology (“AI”), and the continued rapid pace of development of such technologies, are inherently uncertain and present risks that could have a material adverse effect on our business and results of operations.

As technology in our industry changes and evolves, keeping pace may become increasingly complex and expensive, or not possible, and could result in substantial increases in costs or a reduction in the demand for our services. Disruptive technologies such as AI increasingly present risks that could render our services uncompetitive, unprofitable, or even obsolete, and require us to alter our business plans.

The failure by us to compete with AI-based competitive services, integrate AI into our services, or accommodate the AI needs of our customers could have a material adverse effect on our business. Our efforts to integrate AI into our services are inherently risky and may not always succeed or be profitable. Our previous efforts to incorporate AI enhancements into some of our services were determined not to be cost-efficient when combined with our claim volumes and the specific means through which we provide our services. We cannot assure that we will be able to incorporate AI or other technology enhancements into our services cost-effectively, or at all. However, our competitors, including those with higher claim volume, more staff or less expensive offshore medically licensed staff, or different services models may be able to more quickly and profitably incorporate AI into their products and services, which could impair our ability to compete effectively.

In addition, one of our market differentiators is our expertise and specialized application of strategic tools to each service line of our customers’ programs. We believe this makes our services higher quality and more valuable to our customers; though, these services currently require human expertise and intervention to implement. Many of our competitors use AI or other forms of automation that lower their operating costs for their services. The growing adoption of artificial intelligence and automation by our customers and their other service providers also presents the risk that our customers will begin to expect us to adopt these technologies and potentially terminate our services if we do not.

The adoption of AI by us, the healthcare industry and the software upon which we rely to provide our services, introduces various risks, including dependency on potentially inaccurate or unreliable AI-generated outputs, potential for data privacy and security breaches, intellectual property infringement or disputes, challenges and costs in complying with rapidly-evolving AI regulations across multiple jurisdictions, and unforeseen consequences of AI integration into the workers’ compensation industry. The failure to address these risks adequately may negatively impact our operations, reputation, and financial performance. Additionally, as AI technology continues to evolve rapidly, other unforeseen risks may emerge that could adversely affect our business, financial condition, and results of operations.

An interruption in our ability to access, review or deliver data may cause customers to terminate our services and/or may reduce our ability to effectively compete.

Certain aspects of our business are dependent upon our ability to store, retrieve, process and manage data, and to maintain and upgrade our data processing capabilities. Interruption of data processing capabilities for any extended length of time, loss of stored data, programming errors or other system failures could cause our customers to terminate our services and could have a material adverse effect on our business and results of operations.

In addition, we expect that a considerable amount of our future growth will depend on our ability to process and manage claims data more efficiently and to provide more meaningful healthcare information to customers and payors of healthcare. There can be no assurance that our current data processing capabilities will be adequate, that we will be able to efficiently upgrade our systems to meet future needs, or that we will be able to develop, license or otherwise acquire software to competitively address market demands.

If we are unable to safeguard the security and privacy of confidential data, including personal information of our customers and their employees, or comply with applicable data privacy laws, our reputation and business could be harmed.

We are subject to data privacy related risks. Our services involve the collection and storage of confidential and personal information (including protected health information as defined by the Health Insurance Portability and Accountability Act) and the transmission of this information, most often electronically. For example, we collect personal information of our employees and our customers' employees. We cannot guarantee such information is invulnerable to security breaches and other unauthorized access by third parties. In certain cases, such information is also provided to third parties, the transmission of which is also subject to security risks. Once such information is in the control of the third parties, we are most often no longer able to control the use of such information, or the security protections employed by such third parties.

For example, and as discussed in more detail in Part I, Item 1C, *Cybersecurity* of this annual report, the third-party vendor that provides our managed file transfer as a service system experienced a data security incident that affected many of its customers, including us. The threat actor in this incident accessed certain of our customers' employees' and other third parties' data and such data included protected health information, as defined by the Health Insurance Portability and Accountability Act, and personally identifiable information. We provided the required notifications to the data owners, and where appropriate, to the individuals affected by the incident and to various State Attorneys General. As of the date of this annual report, this incident has not had a materially adverse impact on our results of operations. However, we cannot assure that there will not be future impacts from this incident on our business, results of operations and other potential liabilities.

In addition, as new data privacy and security laws are implemented, we may be unable to timely comply with such requirements, or such requirements may not be compatible with our current processes. Changing our processes to address new data security laws or customer requirements could be time-consuming and expensive and the failure to timely implement the required changes could result in our inability to sell our services or retain customers. For example, the California Consumer Privacy Act ("CCPA") and amendments made to it through the California Privacy Rights Act ("CPRA"), can require certain businesses to give California consumers more control over their data and share certain notices regarding their privacy practices. We believe we are currently exempt from compliance with the CCPA and CPRA, but if we have misinterpreted the existing exemptions, or if amendments to or official guidance related to these laws changes the availability of these exemptions to us, we may incur significant costs, administrative burdens, and legal liabilities as a result.

The collection and transmission of confidential and personal information subjects us to numerous related security breach risks and regulatory compliance risks. Our failure to comply with evolving regulatory requirements related to the collection and transmission of such information or the loss, unauthorized disclosure of or access to such information could lead to significant reputational or competitive harm, result in litigation, governmental or regulatory proceedings, or cause us to incur substantial liabilities, fines, penalties, or expenses.

Licensure and Regulatory Risks

Failure to maintain our licenses and/or accreditation would have a material, adverse impact on our business and results of operations.

Our HCOs require operating licenses from and our MPNs require approval by the state of California. If the California governing body were to determine that we have failed to comply with the licensure or approval requirements, it has the authority to deny, suspend or revoke our licenses or approvals. Further, our HCO licenses and MPN approvals must be recertified every three years and reapproved every four years, respectively. If our licenses or approvals were suspended, revoked, or not recertified or reapproved we would no longer be able to operate our HCO and/or MPN networks. In addition to the reduction in revenue we would experience from the loss of our HCO and/or MPN operations, the other services we offer would likely also be impacted negatively as many of the customers for our utilization review, medical bill review and medical case management services are derived from our HCO and MPN customers.

There are also risks that California reduces support for, or discontinues or alters the HCO and MPN programs. The HCO program, though effective, is the predecessor to the more utilized MPN program in California. As a result, there is a risk that the state's resources and expertise in certifying HCO programs may become limited to such an extent that we or the state decide to terminate the re-licensing of HCO programs, or the state amends or repeals the legislation authorizing HCOs. MPNs may also be at risk of legislative amendment or repeal due to pressures from various industry interest groups in California. Changes to or cessation of either program could have materially adverse effects on our business and results of operations.

Similarly, the state of California requires workers' compensation organizations performing utilization review in California to be accredited by URAC and undergo a routine investigation by the California Division of Workers' Compensation every five years. We must be reaccredited by URAC every three years. If we were to lose our URAC accreditation or fail to earn reaccreditation, we would experience a loss of utilization review revenue in California and possibly other states. Other states in which we currently perform utilization review/utilization management each have different standards for authorizing utilization review organizations. If we were to fail our routine investigations, not meet those varied standards, or experience administrative difficulty managing the maintenance of these various certifications and approvals, we could experience a loss or reduction in utilization review revenue and/or fines or penalties.

Changes in government regulations may negatively impact our costs of operation and/or demand for our services.

Our primary business operations are subject to licensing and other regulatory requirements in California, including minimum qualification standards for personnel, confidentiality, internal quality control and dispute resolution procedures. The cost of compliance with these regulatory programs can increase our operational costs, which may make it difficult for us to compete with other available alternatives for workers' compensation healthcare cost control.

The healthcare and workers' compensation regulatory environment is subject to ongoing changes that present risks to the continued and efficient provision of our services. While we strive to be involved in the California legislative process and to stay informed about industry developments, we cannot predict what additional government initiatives affecting our business, if any, may be promulgated in the future. We cannot assure that we will always be able to adapt to new or modified regulatory requirements or maintain necessary licenses and government approvals. Proposals for legislative healthcare reforms are regularly considered at the federal and state levels, and Presidential executive orders may impact the health care industry. For example, Executive Order 14273 "Lowering Drug Prices by Once Again Putting Americans First" was signed on April 15, 2025. While intended to lower long-term costs, this order may require changes to bill review technologies and shift cost structures for injured workers' medications. To the extent that such actions affect workers' compensation, they may render us unable to deliver services profitably, reduce demand for our services, or require us to develop new or modified services. Any of these factors could materially impact our results of operations.

Industry Trend Related Risks

Challenges to the use of certain healthcare cost containment techniques may cause our revenue to decrease.

Within our industry there has been a movement among certain medical and healthcare providers and injured worker applicants' attorneys to challenge the use of cost containment techniques. Some have even resorted to litigation to challenge the application of cost containment and medical control measures. This includes challenges to insurers' claims adjudication, reimbursement decisions, and choice of medical provider and treatments. While these lawsuits have not yet involved us or any services we currently offer, we may be subject to them in the future, and the impacts of other legal challenges may negatively impact our ability to provide certain cost containment services in the future, which could result in material adverse effects on our revenues.

Increased use of early intervention services could negatively impact our revenue.

Our revenue could be negatively impacted by the increased use of early intervention services such as injury occupational healthcare, first notice of loss, and telephonic case management services. The implementation at an early stage in the workers' compensation claim by healthcare payors of these early intervention services can lead to decreases in the average length of, and the total costs associated with, a healthcare claim, which may reduce or even eliminate the need for the later stage network and healthcare management services we provide.

Declines in workers' compensation claims could materially impact our financial condition and results of operations.

Some of our customers' industries are labor intensive, which can result in higher workers' compensation claims. However, with the rise in costs or unavailability of labor our customers may use technology to replace some of their workforce. This may cause a decline in the frequency or severity of the workers' compensation claims and reduce the need for our services. Changes in the strength of the economy also affect the size and activity of the workforce and consequently the level of workers' compensation claims. These factors can cause cyclical and permanent material adverse impacts on our results of operations.

Risks Related to Owning our Securities

The price and trading volume of our common stock may be volatile, which may negatively affect its value and liquidity.

The market price of our common stock may be volatile and subject to fluctuations. During the twelve-month period ended December 31, 2025, the low bid price for our common stock was \$0.65 per share and the high bid price was \$1.39 per share. Our common stock is currently quoted on the OTCQB, which is generally a thinly traded market that lacks the liquidity of certain other public markets. Additionally, there is a limited number of our shares of common stock outstanding, which may further limit the liquidity of our shares. Moreover, in the past, stock markets have experienced price and volume fluctuations that have particularly affected companies in the healthcare and managed care markets resulting in changes in the market price of the stock of many companies, which may not have been directly related to the operating performance of those companies. We cannot assure that the market price for our common stock will not fluctuate or decline significantly in the future or that there will be sufficient trading volume in our common stock to allow our shareholders to sell their shares in the market when they desire to do so.

Our Chief Executive Officer, President and Chairman of the board of directors has the ability to exercise significant control over the Company.

Tom Kubota, our Chief Executive Officer, President and Chairman of the board of directors beneficially owns 8,410,000 common shares, or approximately 65.7% of our outstanding common stock. Since 2008, Mr. Kubota has held a majority of our outstanding common stock and voting control of the Company. Mr. Kubota also holds 16,000 shares of our Series A convertible preferred stock, which represents 100% of the outstanding shares of Series A convertible preferred stock. In most matters, our Series A convertible preferred stock is treated on parity with our common stock on a share-for-share basis, with the exception that each share of Series A convertible preferred stock is entitled to 20,000 votes of common stock on all matters submitted to a vote of our common stockholders. The Series A convertible preferred stock is convertible to shares of our common stock on a one share for one share basis at the election of the holder thereof. This capital structure may be viewed positively, negatively or indifferently by the market, investors, and potential acquisition targets. If it is viewed negatively, it could affect the liquidity and/or market price for our common stock, and our ability to participate in merger and acquisition or capital-raising transactions.

General Risk Factors

Restrictions on immigration or changes in immigration laws, policy, or enforcement, could have adverse impacts on our condition and the condition of our customers and their workforces, and the healthcare industry, which could have an adverse impact on our results of operations and financial condition.

The political environment in the United States in recent years has included significant support for immigration legislation and enforcement changes, including most recently the current Presidential Administration's policies on immigration. This has resulted in uncertainty regarding the effects of national immigration policies and enforcement practices. These effects may include risks of labor shortages and increased labor costs for us, our customers and the healthcare industry.

Workers in California are eligible for workers' compensation benefits regardless of their immigration status. Given that most of our customers are based in California, if new immigration policies and enforcement adversely affect our customers' workforce composition or participation it could result in a decline in the number of workers' compensation claims filed (either due to lower overall employee counts or reduced reporting of workplace injuries), a decline in the overall number of employees employed by our customers (impacting our service lines billed based on total employee count), our customers closing or downsizing California locations due to lack of adequate and economically feasible labor resources, and other factors. Further, if new immigration policies and enforcement adversely impact the financial condition of our customers it may affect our customer's willingness or ability to spend on the services we provide.

In addition, changes in immigration policies and enforcement may impact our network of medical providers and our ability to provide network administration at the level required by our customers or state regulatory bodies. The healthcare industry is increasingly facing a nationwide shortage of healthcare personnel. We believe that foreign-trained medical providers comprise a significant part of medical providers that treat workers' compensation cases. While we do not know the immigration status of the health care providers in our networks, if new immigration policies and enforcement have the effect of materially reducing the number of medical providers in California, it could adversely affect our medical provider networks, or otherwise contribute to increased labor shortages in healthcare, which could have an adverse impact on our ability to provide adequate network coverage, to maintain the quality of our networks, to charge for network services for customers in certain locations, or to meet the network composition standards required to maintain our certifications. Any of these events could materially adversely affect our business and financial results.

U.S. trade policies and retaliatory responses from other countries may adversely impact our customers' businesses and result in a reduction or elimination of our services.

The effects of recent and evolving U.S. trade policies, such as the imposition of tariffs, changes in trade agreements, import/export restrictions, sanctions, and related regulatory actions are uncertain. New tariffs and potential countermeasures from other countries may result in increased costs for our customers and other risks related to international trade uncertainty. While it is still too early to ascertain the impact or potential increased escalation of these trade policies, the effects may include a contraction of our customers' business and headcounts, a decrease in our customers' business spending, including on our services, and customer business closures, each of which would likely have a material adverse impact on our business and results of operations.

Even if we are successful in making strategic acquisitions, it could have a negative impact on our business.

From time to time, management evaluates potential opportunities to expand our business through strategic acquisitions. To date, we have been unsuccessful in our efforts to identify suitable acquisition candidates. Even if we are successful in identifying and making strategic acquisitions, there can be no assurance such acquisitions will positively impact our business and results of operations. Acquisitions are subject to numerous risks. Expenses arising from our acquisition efforts could have a negative impact on operating results, at least in the short term. If such transactions do occur, there can be no assurance that we will be able to effectively integrate the acquired businesses. In addition, any such transactions would be subject to various risks associated with the acquisition of businesses, including, but not limited to, the following:

- an acquisition may (i) negatively impact our results of operations because it may require incurring large one-time charges, substantial debt or liabilities; (ii) require the amortization or write down of amounts related to deferred compensation, goodwill and other intangible assets; or (iii) cause adverse tax consequences, substantial depreciation, or deferred compensation charges;
- we may not identify all liabilities, risks, or other issues during due diligence, including contingent, undisclosed, or unanticipated liabilities, and any contractual protections may be insufficient to protect us from such liabilities;
- the consummation of an acquisition may be subject to required governmental, regulatory, or third-party approvals or consents, and such approvals or consents may be delayed, conditioned, or denied, or may require operational changes or restrictions that reduce the anticipated benefits of the acquisition;
- we may encounter difficulties in assimilating and integrating the businesses, technologies, products, services, personnel, or operations of companies that are acquired, particularly if key personnel of acquired companies decide not to work for us;
- an acquisition may disrupt ongoing business, divert resources, increase expenses, and distract management;
- the acquired businesses, products, services, or technologies may not generate sufficient revenue to offset acquisition cost;
- we may have to issue equity or debt securities to complete an acquisition, which would dilute the position of stockholders and could adversely affect the market price of our common stock; and
- the acquisitions may involve entry into a geographic or business market in which we have little or no prior experience.

There can be no assurance that we will be able to identify or consummate any future acquisitions on favorable terms, or at all, or that any future acquisitions will not have an adverse impact on our business or results of operations. If suitable opportunities arise, we may finance such transactions through debt or equity financing. There can be no assurance, however, that such debt or equity financing would be available to us on acceptable terms or at all when, and if, suitable strategic opportunities arise.

Litigation and legal liability may adversely affect our financial condition and results of operations.

We are subject to risks associated with litigation and legal proceedings, which could have a material adverse effect on our business, financial condition, and results of operations. From time to time, we may be involved in legal proceedings, claims, disputes, investigations, including matters involving our services, relationships with customers and vendors, regulatory and contractual obligations, and employment-related claims. We were involved in litigation during 2025, as previously reported and updated in “Note 11 – COMMITMENTS AND CONTINGENCIES” of Part II, Item 8 *Notes to Consolidated Financial Statements*.

In instances where we make recommendations concerning the appropriateness of providers’ medical treatment plans for patients, we may have exposure to legal claims from adverse medical outcomes. We do not believe we engage in the practice of medicine or medical services. Similarly, we do not grant or deny claims for payment of benefits. Notwithstanding this, there is nothing that bars someone from making a claim that the services we provide constitute the practice of medicine or the delivery of medical services.

In addition, we cannot assure that we will not be the subject of litigation, including being joined in litigation brought against one of our customers in the managed care industry. While we maintain professional liability insurance and such other coverages as we believe are reasonable considering our experience to date, this coverage may be insufficient. We also cannot assure that insurance companies will always make insurance available to us at a reasonable cost to protect us from significant future liability. If we become subject to litigation our business, financial condition or results of operations could be negatively impacted.

The outcome of any litigation or proceeding is inherently uncertain, and unfavorable outcomes could result in monetary damages, fines or penalties, injunctive or other equitable relief, increased compliance obligations, reputational harm, loss of customers, or restrictions on how we conduct our business. Litigation and related matters may also be costly and time-consuming to defend, may divert management’s attention and resources, and could require us to incur significant legal fees and expenses, regardless of the outcome.

The effects of inflation may have a disproportionate impact on our business.

The majority of our assets and liabilities are monetary in nature, as opposed to businesses that have significant investments in fixed assets or inventories. Because of this, the effects of rising inflation may impact us more than many other businesses, including the value of holding on to our cash position over time and related ability to capitalize on potential acquisition opportunities. Rising inflation can also adversely impact the profit margins for our customers who have fixed contract pricing, the pricing our vendors charge us, and our salary and wage expenses in our efforts to retain and attract employees. Further, inflation may affect our customers similarly and their ability to maintain and grow employee head counts. Inflation may also affect the general level of interest rates, which, among other things, may increase borrowing costs and preclude further growth of our business and the business of our customers.

A partial or full shutdown of the U.S. federal government resulting from a failure to enact spending authorization or appropriations legislation may adversely affect our business.

Federal government shutdowns (or threats of shutdowns) may contribute to broader economic uncertainty, reduced business confidence, and volatility in financial markets. Such conditions may lead customers to reassess contractual commitments, delay procurement decisions, or reduce spending, which could negatively affect our revenues and cash flows. A shutdown may also indirectly affect us through disruptions to third-party service providers, suppliers, or customers that rely on federal funding or government operations. For example, we have county and city government customers who may experience constraints to fiscal capacity due to delayed reimbursements, reduced federal grant flows, and a greater demand on local resources. To the extent any such counterparties experience financial stress, operational interruptions, or workforce reductions, our ability to operate efficiently or collect payments in a timely manner could be adversely affected. In addition, a shutdown could delay regulatory approvals, filings, or other actions by governmental agencies that may be relevant to our business, and may reduce agency capacity to provide guidance or conduct routine administrative functions. While the timing, duration, and scope of any federal government shutdown are inherently uncertain, repeated or prolonged funding disruptions could compound other risk factors and place additional strain on our financial and operational resources. We cannot predict whether, or to what extent, government shutdowns may occur, and any such events could materially and adversely affect our business.

Acts of war, terrorist attacks, natural disasters, and health crises (including epidemics and pandemics), may harm our business, operating results, and financial condition.

Acts of war, terrorist attacks, natural disasters, health crises, civil unrest or other similar events may disrupt our operations, as well as the operations of our customers. Such events have the potential to create significant volatility, uncertainty, and worldwide economic disruption, resulting in an economic slowdown of potentially extended duration, as seen with the COVID-19 pandemic. Such events could adversely affect our business and financial results, and they may also have the effect of heightening many of the other risks described throughout this annual report.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 1C. CYBERSECURITY

Risk Management and Strategy

We recognize the importance of maintaining the trust and confidence of our customers, business partners, and employees, and cybersecurity represents an important component of our overall approach to enterprise risk management. Our approach to cybersecurity risk management is aligned with our risk profile and business, and includes efforts towards meeting the standards for an organization of our size and type in conjunction with the National Institute of Standards and Technology. We also utilize a third-party IT vendor to manage the technological security and efficacy of our systems, including a Virtual Chief Information Officer, a Virtual Chief Information Security Officer, and other IT specialists who manage our IT and cybersecurity needs. In April 2024, we engaged the services of a cybersecurity company that works in conjunction with our managed IT vendor to provide additional cybersecurity management.

Our cybersecurity risk management is designed to employ technology and security practices across our operations and business functions, including vulnerability assessments, detecting and responding to cybersecurity incidents, cybersecurity crisis preparedness and incident response resources, vulnerability scans and IT security risk assessments, and investments in cybersecurity infrastructure and technology designed to reduce cybersecurity risks. Notable aspects of our cybersecurity risk management include:

- efforts towards adoption of the National Institute of Standards and Technology (NIST) Cybersecurity Framework;
- periodic IT risk assessments conducted by an external cybersecurity consultant;
- log management;
- Security Information Event Management (SIEM) and Security Operation Center Incident Response;
- vulnerability management;
- enterprise-wide security and privacy measures;
- IT security, cybercrime, privacy, and HIPAA security training provided to employees and independent contractors;
- periodic social engineering and phishing testing for employees;
- encrypted and air-gapped data backups;
- periodic dark web monitoring and vulnerability scans; and
- periodic review of disaster preparedness, incident response, and business continuity plans with cybersecurity consultants.

We intend to continue to leverage the support of third-party information technology and security providers, including to perform risk assessments designed to identify, assess, and manage cybersecurity risks. We assess on an ad-hoc basis the data protection practices of certain of our third-party vendors who handle our data, which assessments include the assessment of vendor data protection policies, disclosure of changes to data protection policies or practices, maintenance of cyber liability insurance, and provision of certifications, assessments, or other documentation as deemed relevant.

As of the date of this annual report, we maintain cyber liability insurance that provides cyber incident response coverage. However, costs, damages, and remediation associated with cybersecurity incidents may not be adequately insured under our insurance policy and may be subject to applicable deductibles, to the extent that they are covered. See also “*We cannot assure that we can maintain cyber liability insurance coverage and we could be subject to uninsured liabilities.*” in Part I, Item 1A, *Risk Factors* for additional discussion of risks related to our cyber liability insurance.

As previously disclosed, in fiscal year 2023, Fortra, LLC, the third-party vendor that provides the GoAnywhere managed file transfer as a service system (MFTaaS), experienced a data security incident that affected many of Fortra's customers, including us. We use GoAnywhere as a means by which our customers electronically share certain data regarding their employees and other third parties with us. Our understanding is that this activity was the result of the threat actor's exploit of a zero-day vulnerability in Fortra's systems. Based on the information we have obtained from Fortra and our own diligence, we understand that this activity only affected Fortra's systems, and did not involve unauthorized access to our information systems. However, the threat actor in this incident accessed certain of our customers' employees' and other third parties' data and such data included protected health information, as defined by the Health Insurance Portability and Accountability Act, and personally identifiable information. We engaged outside experts to assist in investigating and responding to this incident and provided the required notifications to the data owners, and where appropriate, to the individuals affected by the incident and to various State Attorneys General.

As of the date of this annual report, this incident has not had a materially adverse impact on our results of operations and the matter was closed in 2024. Though our response has not included material changes to our cyber risk management, strategy, or governance, we have taken or plan to take additional cybersecurity measures to continue to advance our cybersecurity policies, practices, and technology. We have incurred expenses, and may incur in the future expenses and losses related to this incident. See also the risks included below the heading "*Cybersecurity, Information Technology and Outsourced Services Related Risks*" in Part I, Item 1A, *Risk Factors* for additional discussion of risks related to cybersecurity.

Governance

Our entire board of directors is responsible for the strategic leadership and direction of our cybersecurity program and has oversight over cybersecurity risks. Our management may provide periodic presentations to the board on our cybersecurity program, including updates on cybersecurity risks, strategy and incident management, as applicable. Our cybersecurity risk management is also administrated at a management level through a multi-disciplinary Technology Business Review Committee comprised of members of our operational and organizational management, as well as our outsourced Virtual Chief Information Officer. The Technology Business Review Committee is tasked with identifying and monitoring what we believe to be the key technology risks currently facing us, including cybersecurity risks. The committee meets on at least a quarterly basis and on an as-needed basis to address risks, regulatory requirements, potential threats, vulnerabilities, available mitigation strategies and technologies, operational imperatives and changes, and progress updates on relevant projects related to our IT and cybersecurity.

In addition, we undergo an annual IT risk assessment reviewed by a third-party IT vendor, with significant or actionable findings reported to the Technology Business Review Committee. The annual IT risk assessment identifies our risk status on various IT security metrics and prioritizes remediation, external vulnerability scan results, patching reports, dark web status, and personnel IT security training reports. This annual third-party review helps further monitor and inform our Technology Business Review Committee's work and our cybersecurity risk management and strategy.

ITEM 2. PROPERTIES

On April 1, 2022, we moved office locations from 1201 Dove Street, Suite 300 in Newport Beach, California to 19800 MacArthur Boulevard, Suites 306 & 307, in Irvine, California, under a one-year lease. We renewed the lease on December 10, 2025, for an additional 12 months, with a new expiration of March 31, 2027. This office space now serves as our principal executive office, as well as the principal office of our operating subsidiaries. The new office space is for the executive team and shared office space for key employees to use as needed. We have decided to keep the majority of our workers remote, which gives us the flexibility to hire employees inside and outside of the state of California. We anticipate our new office space will be suitable and adequate for our needs for the duration of the lease. Our telephone number is 949-721-8272.

ITEM 3. LEGAL PROCEEDINGS

For information regarding legal proceedings, see "Note 11 – COMMITMENTS AND CONTINGENCIES" of Part II, Item 8 *Notes to Consolidated Financial Statements*, which discussion we incorporate by reference into this Item.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II**ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES****Market Information**

Our common stock is traded on the OTCQB under the ticker symbol "PFHO." The following table presents the published quarterly high and low bid quotations for the periods indicated and was furnished to us by OTC Markets Group, Inc. These quotations reflect inter-dealer prices without retail mark-up, mark-down or commission and may not necessarily represent actual transactions.

	<u>High</u>	<u>Low</u>
<u>Fiscal year ended December 31, 2025</u>		
Fourth Quarter	\$ 1.39	\$ 0.90
Third Quarter	\$ 1.28	\$ 0.80
Second Quarter	\$ 0.96	\$ 0.65
First Quarter	\$ 0.77	\$ 0.68
<u>Fiscal year ended December 31, 2024</u>		
Fourth Quarter	\$ 0.84	\$ 0.68
Third Quarter	\$ 0.88	\$ 0.78
Second Quarter	\$ 0.88	\$ 0.53
First Quarter	\$ 0.70	\$ 0.57

Holdings

As of March 10, 2026, we had 284 shareholders of record holding 12,800,000 shares of our common stock. The number of record shareholders was determined from the records of our stock transfer agent and does not include beneficial owners of common stock whose shares are held in "nominee" or "street" name by banks, brokers, and other financial institutions.

Dividends

Our ability to pay dividends is subject to limitations imposed by Utah law. Under Utah law, dividends may not be paid if, after giving effect to the dividend: a) the company would be unable to pay its debts as they become due in the usual course of business; or b) the company's total assets would be less than the sum of its total liabilities plus the amount that would be needed to satisfy the rights of any holders of preferential rights whose rights are superior to those receiving the dividend.

Securities Authorized for Issuance Under Equity Compensation Plans

Information regarding securities authorized for issuance under our equity compensation plans is set forth under the heading "Equity Compensation Plans" in Item 12 *Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters* of this annual report.

Performance Graph

Smaller reporting companies are not required to provide the information required by this Item.

Recent Sales of Unregistered Securities

Except as previously reported in our Quarterly Reports on Form 10-Q and our Current Reports on Form 8-K, we have not sold any equity securities during the year ended December 31, 2025, which were not registered under the Securities Act of 1933, as amended.

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

We did not repurchase any of our equity securities during the year ended December 31, 2025.

ITEM 6. RESERVED

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following is a discussion of our financial condition and results of operations for the years ended December 31, 2025 and 2024, and other factors that are expected to affect our prospective financial condition. The following discussion and analysis should be read together with our consolidated financial statements and related notes included in Item 8 *Financial Statements and Supplementary Data* of this annual report.

Some of the statements set forth in this section are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Actual future results may differ materially from those expressed in the forward-looking statements. We disclaim any obligation to update or revise any forward-looking statements based on the occurrence of future events, the receipt of new information, or otherwise. For further information about forward-looking statements and the factors that could cause actual results or events to differ materially from anticipated results or events, see "*Cautionary Statement Regarding Forward-Looking Statements*" above and Part I, Item 1A *Risk Factors*.

Summary of Fiscal Year 2025

During the year ended December 31, 2025, total revenues increased 11% compared to fiscal year 2024. During fiscal year 2025, revenue from MPN, utilization review, and medical case management increased by 6%, 5%, and 42%, respectively; and revenue from HCO, medical bill review, and other services decreased 2%, 4%, and 70%, respectively, compared to fiscal year 2024.

From fiscal year 2024 to fiscal year 2025, operating expenses increased by 10%, primarily as a result of increases in professional fees and data maintenance fees. The increases were partially offset by a decrease primarily in salaries and wages. Despite this increase in expenses, there was a 17% increase in our income from operations from fiscal year 2024 to fiscal year 2025.

Our net income increased 57%, from \$883,584 in fiscal year 2024 to \$1,387,647 in fiscal year 2025, as a result of the increase in our net income from operations, as well as a 117% increase in total other income from Employee Retention Credit ("ERC") refund checks from the IRS totaling \$488,655 and our investment in U.S. Treasury bills. The increase in net income was partially offset by a 33% increase in income tax provision related to additional income earned during fiscal year 2025. Basic and fully diluted earnings per share during fiscal year 2025 were \$0.11 and \$0.11, respectively, compared to \$0.07 and \$0.07, respectively, during fiscal year 2024.

Revenue

We derive revenue from fees charged for HCO notifications, HCO/MPN program administration, HCO/MPN custom networks, HCO/MPN claim network fees, medical bill review, utilization review services, medical case management and employee advocate services, Medicare set-asides, and network access.

HCO

HCO revenue is generated from fees charged to our employer customers for annual and new hire notifications to enroll their employees into our HCO program, annual or monthly program administration, custom network fees, claim network fees to access our HCO provider networks, and fees for other ancillary services they may select.

MPN

Like HCO revenue, MPN revenue is generated from fees charged to our employer customers for monthly program administration, custom network fees, and claim network fees to access our MPN provider networks. Unlike HCOs, from which we derive revenues from annual and new hire notification fees, MPNs do not require annual and new hire notifications and as such we do not generate related revenues.

Medical bill review

Medical bill review involves analyzing medical provider services and equipment billing to ascertain proper reimbursement. California and many other states have established fee schedules for the maximum allowable fees payable under workers' compensation for a variety of procedures performed by medical providers. Many procedures, however, are not covered under the fee schedules, such as hospital bills, which still require review and negotiation. Our medical bill review services include coding review and re-bundling, confirming that the services are customary and reasonable, fee schedule compliance, out-of-network bill review, pharmacy review, and preferred provider organization repricing arrangements. Our medical bill review services can result in significant savings for our customers. Revenue for medical bill reviews is generated based on a set fee per medical bill reviewed and a percentage of savings of the preferred provider organization discounts. Hospital bill review services generate revenue on a percentage of savings off of the hospital bill, usually with a negotiated cap.

Utilization review

Utilization review is the review of medical treatment requests by providers to give a safeguard for employers and injured employees against unnecessary or inappropriate medical treatment from the perspective of medical necessity, quality of care, appropriateness of decision-making, and timeliness of treatment. Its purpose is to reduce employer liability for medical costs that are not medically appropriate or approved by the relevant medical and legal authorities and the payor. We generate revenue when we receive a referral for a request for authorization of treatment from a claims adjuster. We bill by the number of treatment requests and the level of expertise of the reviewer required to approve, modify, or deny the request.

Medical case management

Medical case management oversees the injured employees' medical treatment to ensure that it progresses to a resolution and treatment plans are aligned from a medical perspective. Medical oversight is a collaborative process that assesses, evaluates, coordinates, implements and monitors medical treatment plans and the options and services required to meet an injured worker's health needs. Our medical case management services are performed by nurses who are licensed by the state and have expertise in various clinical areas and backgrounds in workers' compensation matters. We work to manage the number of nurses in our program to maintain our ratio of claims per nurse at a level that ensures timely and appropriate medical care is given to the injured worker and facilitates faster claim closures for our customers.

We also offer employee advocate services, which is similar to medical case management in that it utilizes our medical case managers who provide similar services; however, the medical case manager is an advocate for the employee. We generate revenue from these services when we receive a workers' compensation claim and a medical case manager is assigned to oversee the injured workers' medical treatment, with billing based on the number of hours a medical case manager works on the claim.

Other

Other revenue consists of revenue derived from network access fees charged for network access for preferred provider organizations, ancillary legal support services, Medicare set-aside and workers' compensation carve-out services.

The following table sets forth, for the years ended December 31, 2025, and 2024, the percentage each revenue item identified in our consolidated financial statements contributed to total revenues during the respective period.

	<u>2025</u>	<u>2024</u>
HCO	18%	21%
MPN	10%	10%
Medical bill review	6%	7%
Utilization review	32%	34%
Medical case management	33%	26%
Other	1%	2%

Expense

Salaries and wages

Salaries and wages reflect employment-related compensation we pay to our employees, payroll processing, payroll taxes, vacation expense, and commissions.

Professional fees

Professional fees include fees we pay to third parties to provide IT, financial, marketing, lobbying, in-house legal services related to the various services we offer, consulting, field medical case management, and board of directors' fees for board meetings, as well as legal, accounting, and other professional services fees.

Insurance

Insurance expenses are comprised primarily of health insurance benefits offered to our employees, directors' and officers' liability insurance, and cyber liability, workers' compensation and business liability coverages.

Outsource service fees

Outsource service fees consist of costs incurred by our subsidiaries by partially outsourcing utilization review, medical bill review, administrative services for medical case management and HCO, and Medicare set-aside services; and typically tend to fluctuate in correlation with customer demand for those services.

Data maintenance fees

Data maintenance fees include fees we pay to a third party to process HCO annual and new hire employee enrollments and notifications. HCO employee enrollment and notification fees fluctuate throughout the year because of the varied timing of customer enrolment in our HCO program, the number of employees our customers have in their workforce, the number of new hires throughout the year, and the number of new workers' compensation claims.

General and administrative

General and administrative expenses consist primarily of depreciation, bad debt, dues and subscriptions, IT enhancement, meals, travel, and entertainment, office rent, telephone, licenses and permits, miscellaneous, advertising and marketing, auto expenses, bank charges and fees, education, parking, postage and delivery, shareholders' expense, equipment repairs and office supplies.

The following table sets forth, for the years ended December 31, 2025, and 2024, the percentage each expense item identified in our consolidated financial statements contributed to total expense during the respective period.

	2025	2024
Salaries and wages	48%	53%
Professional fees	16%	12%
Insurance	6%	6%
Outsource service fees	13%	13%
Data maintenance fees	4%	2%
General and administrative	13%	14%

Results of Operations

Comparison of the fiscal years ended December 31, 2025 and 2024

The following represents selected components of our consolidated results of operations, for the years ended December 31, 2025 and 2024, respectively, together with changes from year-to-year:

	Year Ended December 31,		Amount of Change	% of Change
	2025	2024		
Revenues:				
HCO	\$ 1,226,474	\$ 1,247,712	\$ (21,238)	(2%)
MPN	663,529	625,488	38,041	6%
Medical bill review	403,333	418,276	(14,943)	(4%)
Utilization review	2,159,228	2,061,560	97,668	5%
Medical case management	2,217,361	1,560,649	656,712	42%
Other	45,250	151,705	(106,455)	(70%)
Total revenues	<u>6,715,175</u>	<u>6,065,390</u>	<u>649,785</u>	<u>11%</u>
Expenses:				
Salaries and wages	2,736,456	2,762,155	(25,699)	(1%)
Professional fees	931,210	600,915	330,295	55%
Insurance	332,594	332,856	(262)	0%
Outsource service fees	735,995	699,081	36,914	5%
Data maintenance	210,894	91,424	119,470	131%
General and administrative	766,988	726,336	40,652	6%
Total expenses	<u>5,714,137</u>	<u>5,212,767</u>	<u>501,370</u>	<u>10%</u>
Income from operations	1,001,038	852,623	148,415	17%
Other income (expense):				
Other income (Note 14)	421,670	-	421,670	N/A%
Interest income	473,605	414,635	58,970	14%
Interest expense	(1,522)	(3,552)	2,030	(57%)
Total other income (expense)	<u>893,753</u>	<u>411,083</u>	<u>482,670</u>	<u>117%</u>
Income before taxes	1,894,791	1,263,706	631,085	50%
Income tax provision	<u>507,144</u>	<u>380,122</u>	<u>127,022</u>	<u>33%</u>
Net income	<u>\$ 1,387,647</u>	<u>\$ 883,584</u>	<u>\$ 504,063</u>	<u>57%</u>

Key trends affecting results of operations

During fiscal year 2025, we received Employee Retention Credit (“ERC”) refund checks from the IRS totaling \$488,655, recorded as other income of \$419,801 and interest income of \$68,854. This resulted in a material one-time increase to our net income and earnings per share. These funds are taxable in the year they are received and have also impacted our provision for income taxes. We have additional ERC applications pending with the IRS for eligible periods that could result in additional refunds of approximately \$202,657. Our ERC eligibility remains subject to audit by the IRS for a period of five years from the date of filing. While we believe it has substantial support for its ERC claims and eligibility, there can be no assurance that the IRS will not challenge our eligibility or calculations during any future audit process.

The employee enrollment numbers in our HCO and MPN programs typically correlate with general economic conditions and the size and activities of our customers’ workforce. During fiscal year 2025, we saw an increase in MPN revenue that was attributable to additional service agreements with existing customers, reflecting efforts to access more cost-effective healthcare for injured workers, and an increase in employee enrollments from our customers’ increased headcounts. In contrast, our HCO revenue decreased during the same period due to decreases in employee enrollments and reported injuries. If economic conditions become challenging, including from the effects of inflationary pressures, elevated interest rates, and difficult labor market conditions, our customers may reduce their workforce or seek price-competitive alternatives to our services, in which case we would expect a decline in the number of employees enrolled in our HCO and MPN programs and the volume of medical bills reviewed, which could materially affect related revenues.

Our utilization review program grew by 5% during fiscal year 2025 due to increased requests for our services, which helped offset the overall decreases in HCO program revenue and medical bill review revenue. We believe that increased demand for our utilization review services is driven by rising and difficult to control healthcare costs, as this service is an additional means to decrease healthcare costs. However, as labor markets change, our customers may reduce their workforce which would decrease the amount of opportunities to provide this specialized function.

The expansion of our employee advocate services to six states outside of California continues to bolster our medical case management revenues. During fiscal year 2025, revenue from our employee advocate services increased 64% when compared to the same period of 2024, which drove a 42% increase in medical case management revenue. We plan to continue to expand employee advocate services to other states as feasible during 2026, but cannot guarantee that we will be successful in further growing this service.

Though we continue our efforts to increase our customer base and reduce customer concentration across all service lines, the addition or loss of a single customer can materially impact our results of operations. For example, in October 2024 we received notice of termination from one of our significant customers, which did not materially impact our operating revenues in 2025, but will likely have material impacts on operating revenues in 2026. Further, in January 2026, we received notice of termination from another significant customer, which we anticipate will have material impacts on our operating revenues in future periods; though, we also expect these impacts will be partially offset in future periods by increased services and new programs requested by our other customers. We expect to continue to be susceptible to risks associated with customer concentration, and related potential material impacts on our results of operations for the foreseeable future.

Total expenses increased 10% during fiscal year 2025 compared to fiscal year 2024. The increase was primarily due to increased professional fees related to two lawsuits initiated by our subsidiaries in 2025 (see “Note 11 – COMMITMENTS AND CONTINGENCIES” of Part II, Item 8 *Notes to Consolidated Financial Statements*), the retention of a consultant to serve as interim Assistant Controller, and increased data maintenance fees related to a large service at the beginning of 2025 for the customer who completed a phase out of our services during fiscal year 2025.

Revenue

HCO

During the year ended December 31, 2025, HCO revenue decreased by 2% compared to fiscal year 2024. The decrease in HCO revenue was attributable primarily to decreases in the number of employees enrolled in our program at our customers’ businesses, which also reduced the number of injuries incurred and reported.

MPN

During the year ended December 31, 2025, MPN revenue increased by 6% compared to fiscal year 2024. The increase in MPN revenue was largely due to an increase in monthly MPN program administration and custom network fees, resulting from the addition of a new customer and an increase in our existing customers' reported injuries. The increase in MPN revenue was partially offset by a decrease in both employee headcount and reported injuries at other customer locations.

Medical bill review

During fiscal year 2025, medical bill review revenue decreased by 4%, compared to fiscal year 2024. The decrease was primarily due to a shift in the mix of bill reviews performed from period to period, with a higher proportion of lower-priced bill reviews performed in fiscal year 2025 compared to a higher proportion of higher-priced hospital bill reviews in fiscal year 2024.

Utilization review

During fiscal year 2025, utilization review revenue increased 5% compared to fiscal year 2024. The increase in utilization review revenue was due to increased referrals of requests for authorization from existing customers.

Medical case management

During fiscal year 2025, revenue from medical case management increased 42% compared to fiscal year 2024. The increase was attributable to increases in billing rates, claim activity for one of our existing customers and in employee advocate services revenue due to the continued growth of the program within California and locations in six other states.

Other

Other revenue for the year ended December 31, 2025, decreased 70%, compared to the same period in the prior year, primarily due to the discontinuance of network access fee-related services for the significant customer that completed a phase out of our services during fiscal year 2025.

Expense

Professional fees

Professional fees increased 55% during fiscal year 2025 compared to fiscal year 2024. The increase in professional fees during fiscal year 2025 was primarily the result of increases in legal services related to the lawsuits initiated by our subsidiaries in 2025, as discussed in "Note 11 – COMMITMENTS AND CONTINGENCIES" of Part II, Item 8 *Notes to Consolidated Financial Statements*, and the retention of a consultant to serve as interim Assistant Controller during the third and fourth quarters of 2025.

Outsource service fees

Outsource service fees increased 5% during fiscal year 2025 compared to fiscal year 2024. The increase in outsource service fees during fiscal year 2025 was primarily related to the increase in use of these services for our utilization review service line.

Data maintenance

During fiscal year 2025, data maintenance fees increased 131% compared to fiscal year 2024. The increase in data maintenance fees was primarily due to the timing of when we completed annual and termination letters and related billing for some of our customers during each year; most notably for the significant customer that completed a phase out of our services during fiscal year 2025.

General and administrative

During fiscal year 2025, general and administrative expenses increased by 6% compared to fiscal year 2024. The increase was primarily due to increases in bad debt expense, dues and subscriptions, IT enhancement, and licenses and permits. The increases were primarily offset by decreases in advertising and marketing and miscellaneous expenses.

Income from operations

During the year ended December 31, 2025, we recognized an 11% increase in total revenue and a 10% increase in total expenses compared to the same period of 2024. As a result, our income from operations increased \$148,415, or 17%, during fiscal year 2025 when compared to the prior year.

Other income, net

Other income, net increased 117% during the year ended December 31, 2025, compared to the year ended December 31, 2024, due to ERC refunds received from the Internal Revenue Service in the amount of \$488,655, which includes interest of \$68,854, combined with interest from our investment in U.S. Treasury Bills of \$405,590. This increase in interest income was slightly offset by interest expense in fiscal year 2025, resulting in other income (expense) of \$893,753.

Income tax provision

Our income tax provision for the year ended December 31, 2025 increased by \$127,022 or 33% compared to fiscal year 2024. The increase in income tax provision was primarily attributable to the receipt of ERC refund checks and the increase in income from operations during fiscal year 2025, which increased our tax provision.

Net income

During fiscal year 2025, we realized an 11% increase in total revenues, a 10% increase in total expenses, and one-time ERC refunds from the Internal Revenue Service of \$488,655. This resulted in a 33% increase in our provision for income tax when compared to fiscal year 2024. As a result, we realized net income of \$1,387,647, a 57% increase year over year.

Liquidity and Capital Resources

Management currently believes that cash on hand and anticipated cash flows from operations will be sufficient to fund our operations for at least the next twelve months. Our primary sources of liquidity are cash, cash equivalents, short-term investments, and future cash generated from operations. However, our ability to generate cash from operations will depend on our future operating performance, which is subject to certain ongoing known and unknown risks and uncertainties. For a discussion of particular risk factors related to our business, see Part I, Item 1A *Risk Factors*.

We intend to continue to pursue potential acquisition transactions that, if additional cash on hand were needed for such a transaction, we would either need to condition closing upon maturity of our investments, if applicable, or seek alternate financing, or a combination of those approaches. We may also seek growth through organic development of new lines of business or expansion of existing offerings. Depending upon the nature of the opportunities we identify, such acquisitions or expansion could require greater capital resources than we currently possess. Should we need additional capital resources, we could seek to obtain such through debt and/or equity financing. We do not currently possess an institutional source of financing and there is no assurance that we could be successful in obtaining equity or debt financing when needed, on favorable terms, or at all. We could also use shares of our capital stock as consideration for a business acquisition transaction, but there is also no assurance that there would be significant interest in our capital stock from a potential seller or the market.

Cash Flow

During the year ended December 31, 2025, we had a net increase in cash and cash equivalents of \$98,332. See below for additional discussion and analysis of cash flow.

	Year Ended December 31,	
	2025	2024
Net cash provided by operating activities	\$ 1,160,784	\$ 675,084
Net cash used in investing activities	(990,147)	(1,133,892)
Net cash provided by (used in) financing activities	(72,305)	35,305
Net increase (decrease) in cash	\$ 98,332	\$ (423,503)

Net cash provided by operating activities was \$1,160,784 and \$675,084 in fiscal year 2025 and fiscal year 2024, respectively. This \$485,700 increase in cash flow from operations during fiscal year 2025 was primarily the result of higher net income offset primarily by changes in working capital balances, most notably accrued expenses.

Net cash used in investing activities was \$990,147 during fiscal year 2025, and \$1,133,892 during fiscal year 2024. The change in net cash used in investing activities was primarily the result of reinvesting the proceeds of investments that reached maturity during the period, which we increased by investing additional cash. We plan to continue reinvesting the proceeds as our investments reach maturity.

During fiscal year 2025, net cash used in financing activities was \$72,305, which was the result of payments made on our insurance financing agreement early in the year combined with the escheatment of unclaimed cash dividends from dividends declared in 2015.

Off-Balance Sheet Financing Arrangements

As of December 31, 2025, we had no off-balance sheet financing arrangements.

Inflation

We experience pricing pressures in the form of competitive pricing. Insurance carriers and third-party administrators compete against us for customers by offering bundled claims administration services with their own managed care services at a lower rate. We are also impacted by rising costs for certain inflation-sensitive operating expenses such as labor and employee benefits and facility leases. We believe that these impacts can be material to our revenues or net income. Some of our customers are public entities which contract with us at a fixed price for the term of the contract. Increases in labor and employee benefits can reduce our profit margin over the term of these contracts. See also “*The effects of inflation may have a disproportionate impact on our business*” under Part I, Item 1A *Risk Factors*.

Critical Accounting Estimates

Our consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States (“GAAP”). Application of these principles requires us to make estimates, assumptions, and judgments that affect the amounts reported in our consolidated financial statements and accompanying notes. Because of the inherent uncertainty in making estimates and judgments, actual results could differ from our estimates and judgments. Our critical accounting policies are disclosed in “Note 2 – SIGNIFICANT ACCOUNTING POLICIES” of Part II, Item 8 *Notes to Consolidated Financial Statements*.

We continually evaluate our accounting estimates and judgments and base our estimates and judgments on historical experience and various other factors that we believe to be reasonable under the circumstances. Our critical accounting estimates include revenue recognition, allowance for credit losses, legal contingencies, and income taxes, and are discussed in more detail below. Such accounting estimates require the most subjective or complex judgments by us, often as a result of the need to make assumptions regarding matters that are inherently uncertain, and actual results could differ materially from these estimates.

Revenue Recognition: Contracts with customers often include promises to transfer multiple products and services to a customer, referred to as distinct performance obligations. Determining whether products and services are considered distinct performance obligations that should be accounted for separately versus together may require significant judgment.

We allocate revenue to each performance obligation based on its stand-alone selling price (SSP). Judgment is required to determine unobservable SSP for each distinct performance obligation as most services provided by us are not directly observable. In instances where SSP is not directly observable, such as when we do not sell the product or service separately, we determine the SSP using information that may include market conditions and other observable inputs. We typically have more than one SSP for individual products and services due to the stratification of those products and services by customers and circumstances. In these instances, we determine SSP using a cost-plus margin approach. For further discussion, see “Note 2 – SIGNIFICANT ACCOUNTING POLICIES” of Part II, Item 8 *Notes to Consolidated Financial Statements*.

Allowance for Credit Losses: We determine our allowance for credit losses by considering several factors, including the length of time trade accounts receivable are past due, our previous loss history, the customers’ current ability to pay its obligation to us, and the condition of the general economy and the industry as a whole. We write off accounts receivable when they become uncollectible.

We must make significant judgments and estimates in determining contractual and credit loss allowances in any accounting period. One significant uncertainty inherent in our analysis is whether our past experience will be indicative of future periods. Although we consider future projections when estimating contractual and credit loss allowances, we ultimately make our decisions based on the best information available to us at the time the decision is made. Adverse changes in general economic conditions or trends in reimbursement amounts for our services could affect our contractual and credit loss allowance estimates, collection of accounts receivable, cash flows, and results of operations. At December 31, 2025, four customers accounted for 10% or more of accounts receivable compared to three customers at December 31, 2024.

Accounting for Income Taxes: We record a tax provision for the anticipated tax consequences of our reported results of operations. The provision for income taxes is computed using the asset and liability method, under which deferred tax assets and liabilities are recognized for the expected future tax consequences of temporary differences between the financial reporting and tax bases of assets and liabilities, and for operating losses and tax credit carryforwards. Deferred tax assets and liabilities are measured using the currently enacted tax rates that apply to taxable income in effect for the years in which those tax assets are expected to be realized or settled. We record a valuation allowance, if necessary, to reduce deferred tax assets to the amount that is believed more likely than not to be realized.

We recognize tax benefits from uncertain tax positions only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such positions are then measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement.

Management believes it is more likely than not that forecasted income, including income that may be generated as a result of certain tax planning strategies, together with future reversals of existing taxable temporary differences, will be sufficient to fully recover the deferred tax assets. In the event we determine all, or part of the net deferred tax assets are not realizable in the future, we will make an adjustment to the valuation allowance that would be charged to earnings in the period such determination is made. In addition, the calculation of tax liabilities involves significant judgment in estimating the impact of uncertainties in the application of GAAP and complex tax laws. Resolution of these uncertainties in a manner inconsistent with management's expectations could have a material impact on our financial condition and operating results. The significant assumptions and estimates described above are important contributors to our ultimate effective tax rate each year.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Smaller reporting companies are not required to provide the information required by this Item.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and
Stockholders of Pacific Health Care Organization, Inc.

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Pacific Health Care Organization, Inc. and Subsidiaries (the Company) as of December 31, 2025 and 2024, and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the years in the two-year period ended December 31, 2025, and the related notes (collectively referred to as the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2025 and 2024, and the results of its operations and its cash flows for each of the years in the two-year period ended December 31, 2025, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audit, we are required to obtain an understanding of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

Critical audit matters are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. We determined that there were no critical audit matters.

/s/ Boulay PLLP

We have served as the Company's auditor since 2024

Minneapolis, Minnesota

March 17, 2026

Pacific Health Care Organization, Inc. and Subsidiaries
Consolidated Balance Sheets

	<u>December 31,</u> <u>2025</u>	<u>December 31,</u> <u>2024</u>
ASSETS		
<i>Current Assets</i>		
Cash and cash equivalents	\$ 2,168,808	\$ 2,070,476
Investments	10,042,817	9,033,761
Accounts receivable, net	1,005,687	1,028,920
Prepaid expenses	157,458	202,117
Income tax receivable	13,273	-
Total current assets	13,388,043	12,335,274
<i>Long-term Assets</i>		
Property and equipment, net	51,724	52,429
Deferred tax assets	16,187	37,990
Other assets	7,492	7,110
Total long-term assets	75,403	97,529
Total Assets	\$ 13,463,446	\$ 12,432,803
LIABILITIES AND STOCKHOLDERS' EQUITY		
<i>Current Liabilities</i>		
Accounts payable	\$ 228,025	\$ 148,051
Accrued expenses	127,027	422,973
Income tax payable	-	68,727
Dividend payable	-	37,000
Insurance financing	-	35,305
Unearned revenue	33,544	33,544
Total Current Liabilities	388,596	745,600
<i>Commitments and Contingencies</i>		
Stockholders' Equity		
Convertible Preferred stock; 5,000,000 shares authorized at \$0.001 par value of which 40,000 shares designated as Series A preferred and 16,000 shares issued and outstanding at December 31, 2025 and 2024	16	16
Common stock, \$0.001 par value, 800,000,000 shares authorized, 12,800,000 shares issued and outstanding at December 31, 2025 and 2024	12,800	12,800
Additional paid-in capital	416,057	416,057
Retained earnings	12,645,977	11,258,330
Total Stockholders' Equity	13,074,850	11,687,203
Total Liabilities and Stockholders' Equity	\$ 13,463,446	\$ 12,432,803

The accompanying notes are an integral part of these consolidated financial statements.

Pacific Health Care Organization, Inc. and Subsidiaries
Consolidated Statements of Operations

	Years Ended December 31,	
	2025	2024
Revenues		
HCO	\$ 1,226,474	\$ 1,247,712
MPN	663,529	625,488
Medical bill review	403,333	418,276
Utilization review	2,159,228	2,061,560
Medical case management	2,217,361	1,560,649
Other	45,250	151,705
Total revenues	<u>6,715,175</u>	<u>6,065,390</u>
Expenses		
Salaries and wages	2,736,456	2,762,155
Professional fees	931,210	600,915
Insurance	332,594	332,856
Outsource service fees	735,995	699,081
Data maintenance	210,894	91,424
General and administrative	766,988	726,336
Total expenses	<u>5,714,137</u>	<u>5,212,767</u>
Income from operations	1,001,038	852,623
Other income (expense)		
Other income (Note 14)	421,670	-
Interest income	473,605	414,635
Interest expense	(1,522)	(3,552)
Total other income, net	<u>893,753</u>	<u>411,083</u>
Income before taxes	1,894,791	1,263,706
Income tax provision	507,144	380,122
Net income	<u>\$ 1,387,647</u>	<u>\$ 883,584</u>
Basic earnings per share:		
Net Income per share amount	\$ 0.11	\$ 0.07
Weighted average shares outstanding, basic	12,800,000	12,800,000
Fully diluted earnings per share:		
Net Income per share amount	\$ 0.11	\$ 0.07
Weighted average shares outstanding, diluted	12,816,000	12,816,000

The accompanying notes are an integral part of these consolidated financial statements.

Pacific Health Care Organization, Inc. and Subsidiaries
Consolidated Statements of Stockholders' Equity

	<u>Convertible Preferred Stock</u>		<u>Common Stock</u>		<u>Additional Paid in Capital</u>	<u>Retained Earnings</u>	<u>Total Stockholders' Equity</u>
	<u>Shares</u>	<u>Amount</u>	<u>Shares</u>	<u>Amount</u>			
Balance December 31, 2023	16,000	\$ 16	12,800,000	\$ 12,800	\$ 416,057	\$10,374,746	\$ 10,803,619
Net income for the year ended December 31, 2024	-	-	-	-	-	883,584	883,584
Balance December 31, 2024	16,000	\$ 16	12,800,000	\$ 12,800	\$ 416,057	\$11,258,330	\$ 11,687,203
Net income for the year ended December 31, 2025	-	-	-	-	-	1,387,647	1,387,647
Balance December 31, 2025	<u>16,000</u>	<u>\$ 16</u>	<u>12,800,000</u>	<u>\$ 12,800</u>	<u>\$ 416,057</u>	<u>\$12,645,977</u>	<u>\$ 13,074,850</u>

The accompanying notes are an integral part of these consolidated financial statements.

Pacific Health Care Organization, Inc. and Subsidiaries
Consolidated Statements of Cash Flows

	Years ended December 31,	
	2025	2024
Cash Flows from Operating Activities		
Net income	\$ 1,387,647	\$ 883,584
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	23,984	34,096
Provision for credit losses	9,417	(19,094)
Noncash interest on investments	(42,188)	(31,248)
Deferred taxes	21,803	881
Changes in operating assets and liabilities:		
Accounts receivable	13,816	10,754
Income tax receivable	(13,273)	-
Other assets	(382)	-
Prepaid expenses	44,659	(22,415)
Accounts payable	79,974	(11,738)
Accrued expenses	(295,946)	55,364
Income tax payable	(68,727)	(227,725)
Unearned revenue	-	2,625
Net cash provided by operating activities	<u>1,160,784</u>	<u>675,084</u>
Cash Flows from Investing Activities		
Proceeds from investments	18,723,548	15,931,687
Purchase of investments	(19,690,416)	(17,056,448)
Purchase of property and equipment	(23,279)	(9,131)
Net cash provided by (used in) investing activities	<u>(990,147)</u>	<u>(1,133,892)</u>
Cash Flows from Financing Activities		
Escheatment of unclaimed cash dividends	(37,000)	-
Proceeds from insurance financing agreement	-	139,790
Payments made on insurance financing agreement	(35,305)	(104,485)
Net cash provided by (used in) financing activities	<u>(72,305)</u>	<u>35,305</u>
Net increase (decrease) in cash and cash equivalents	98,332	(423,503)
Cash and cash equivalents at beginning of year	2,070,476	2,493,979
Cash and cash equivalents at end of year	<u>\$ 2,168,808</u>	<u>\$ 2,070,476</u>
Supplemental Cash Flow Information		
Cash paid for:		
Interest	\$ 1,522	\$ 3,552

The accompanying notes are an integral part of these consolidated financial statements.

Pacific Health Care Organization, Inc.
Notes to Consolidated Financial Statements
Years Ended December 31, 2025 and 2024

NOTE 1 – NATURE OF BUSINESS

Pacific Health Care Organization, Inc. (the “Company” or “PHCO”) is a workers’ compensation cost containment company providing a range of services principally to California employers and claims administrators. The Company was incorporated under the laws of the state of Utah in April 1970, under the name Clear Air, Inc. The Company changed its name to Pacific Health Care Organization, Inc., in January 2001. In February 2001, the Company acquired Medex, a California corporation organized in March 1994, in a share for share exchange. Medex is a wholly owned subsidiary of the Company. Medex is in the business of managing and administering both Health Care Organizations (“HCO”) and Medical Provider Networks (“MPN”) in the state of California, and providing workers’ compensation carve-out and Medicare set-aside services. In March 2011, the Company incorporated MMC, a Nevada corporation, as a wholly owned subsidiary of the Company. MMC oversees and manages the Company’s utilization review and bill review services. In February 2012, the Company incorporated MMM, a Nevada corporation, as a wholly owned subsidiary of the Company. MMM is responsible for overseeing and managing medical case management. The Company discontinued lien representation services in the third quarter of 2023 due to the lack of demand.

On October 19, 2021, the Company completed short-form mergers between PHCO and each of its wholly owned subsidiaries Industrial Resolutions Coalition (“IRC”), Medex Legal Support, Inc. (“MLS”), and Pacific Medical Holding Company (“PMHC”). As a result of the short-form mergers the separate existence of IRC, MLS and PMHC terminated and the business, assets and liabilities of those entities have been transferred to PHCO and to its other subsidiaries. The Company continues to offer the services of IRC and MLS through its other subsidiaries as described in the preceding paragraph.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting

These consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America.

B. Reclassifications

Certain reclassifications have been made to prior year amounts to conform to the current year presentations. These changes had no impact on the Company’s total assets, stockholders’ equity or reported net income.

C. Revenue Recognition

The Company recognizes revenue in accordance with ASU 2014-09, “Revenue from Contracts with Customers (Topic 606).” The core principle underlying Topic 606 is that the Company recognizes revenue to represent the transfer of goods and services to customers in an amount that reflects the consideration to which the Company expects to be entitled in such exchange. This requires the Company to identify contractual performance obligations and determine whether revenue should be recognized at a point in time or over time, based on when control of goods and services transfers to a customer.

ASC 606 requires the use of a five-step model to recognize revenue from customer contracts. The five-step model requires that the Company: (i) identify the contract with the customer, (ii) identify the performance obligations in the contract, (iii) determine the transaction price, including variable consideration to the extent that it is probable that a significant future reversal will not occur, (iv) allocate the transaction price to the respective performance obligations in the contract, and (v) recognize revenue when (or as) the Company satisfies the performance obligation.

Revenues are generated as services are provided to the customer based on the agreed upon sales price in accordance with customers’ contracts. Contracts are typically written for an initial annual period with automatic renewals on an annual or monthly basis, cancellable with 30 to 90 days’ notice, except as required by law for the Company’s HCO and MPN services, which require up to 180 days’ notice in some cases. When performing services for a public entity customer, the Company may be required to agree to the contract terms of the customer which are typically aligned with specific laws and regulations governing the customer.

The Company’s customers are typically large, well-established businesses with a significant workforce. The Company determines whether it is probable to collect substantially all of the consideration for services based on the creditworthiness of the customers at the time of commencing services.

The Company offers multiple services under its workers' compensation cost containment specialty service lines. The Company typically provides a menu of offerings from which the customer may choose to purchase as bundled managed care, standalone services, or add-on ancillary services. The price of each service is separate and distinct and provides a separate and distinct value to the customer. Pricing is generally consistent for each service irrespective of the other services or quantities requested by the customer. Bundled managed care contracts are therefore accounted for as separate performance obligations. Customers are typically invoiced monthly in arrears or annually in advance, depending on the service provided and the customer's preferences, and payment is due within 30 days. In cases where a customer is invoiced annually prior to services being rendered or remits payment in advance, typically for the Company's HCO/MPN services, the Company records the cash collected as unearned revenue and recognizes the revenue over the contract term as services are rendered.

Contracts with customers often include promises to transfer multiple products and services to a customer, referred to as distinct performance obligations. Determining whether products and services are considered distinct performance obligations that should be accounted for separately versus together may require significant judgment.

The Company allocates revenue to each performance obligation based on its stand-alone selling price (SSP). Judgment is required to determine unobservable SSP for each distinct performance obligation as most services provided by the Company are not directly observable. In instances where SSP is not directly observable, such as when the Company does not sell the product or service separately, the Company determines the SSP using information that may include market conditions and other observable inputs. We typically have more than one SSP for individual products and services due to the stratification of those products and services by customers and circumstances. In these instances, the Company determines SSP using a cost-plus margin approach. Discounts and other concessions are rarely awarded, and returns and refunds are not part of the normal course of business.

As of January 1, 2024, the balance of accounts receivable, net and unearned revenue was \$1,020,580 and \$30,919, respectively.

The Company recognizes revenue as described below for each type of service.

HCO/MPN

An HCO is a network of healthcare providers specializing in the treatment of workplace injuries and in back-to-work rehabilitation for the Company's customers' injured employees. HCOs provide injured employees with a network of healthcare providers in the event of a workers' compensation injury, while providing their employer (the Company's customer) control over medical treatment and costs. Like an HCO, an MPN is a network of healthcare providers, but healthcare providers participating in MPNs are not required to have the same level of medical expertise in treating workplace injuries. As a licensed HCO and approved MPN, in addition to offering HCO and MPN programs, the Company is also able to offer its customers a combination of the HCO and MPN programs.

The Company derives its HCO and MPN revenue from fees charged for various aspects of these programs. Monthly and annual HCO/MPN program administration is provided over time and invoiced monthly or annually for a fixed fee, with revenue recognized ratably over the applicable contractual term. HCO/MPN claim network fees are generated at specific points in time throughout the month and invoiced at the end of the month for an agreed upon per item fee. Monthly HCO/MPN custom network fees are provided over time and invoiced monthly for a fixed fee. Revenue is recognized ratably over time. Annual or one-time HCO notification letters are generated and mailed at a point in time during the year, at which time the customer is invoiced for the service for a fixed fee.

For the fiscal years ended December 31, 2025 and 2024, the Company's HCO programs generated approximately \$615,197 and \$597,064, respectively, from services performed over time and approximately \$611,277 and \$650,648, respectively, from services performed at a point in time.

For the fiscal years ended December 31, 2025 and 2024, the Company's MPN programs generated approximately \$514,029 and \$470,208, respectively, from services performed over time and approximately \$149,500 and \$155,280, respectively, from services performed at a point in time.

Medical Bill Review

Medical bills are one of the biggest expenses that an employer's workers' compensation insurance company must pay for. To curtail these expenses, the Company's customers utilize medical bill review services to review medical bills for services rendered to an injured employee. The Company provides professional analysis of medical provider services and equipment billing to ascertain proper reimbursement.

The Company derives its medical bill review revenue from fees generated and delivered at a point in time and invoiced upon completion of the services. These services are invoiced at a fixed fee with certain items also invoiced for a percentage of savings produced for the customer.

Utilization Review

Utilization review, also known as utilization management, is required by law in all states for workers' compensation claims. Utilization review evaluates the medical necessity of proposed treatment by comparing medical treatment requests against accepted medical guidelines. Its purpose is to serve as a safeguard against payor liability for medical costs that are not medically appropriate or approved by the relevant medical and legal authorities.

The Company derives its utilization review revenue from fees generated and delivered at a point in time and invoiced upon completion of the services. These services are invoiced at a fixed fee with certain items also invoiced for a percentage of savings produced for the customer.

Medical Case Management

Medical case management oversees injured employees' medical treatment to ensure that it progresses to a resolution and ensures treatment plans are aligned from a medical perspective. Medical case management is a collaborative process that assesses, evaluates, coordinates, implements and monitors medical treatment plans and the options and services required for occupational injuries.

The Company derives its medical case management revenue from services performed and delivered over time and invoiced monthly for those services at a fixed hourly rate. The types of services offered include both telephonic and field case management as well as employee advocate services.

Other Revenues

Other revenues consist of services performed for Medicare set aside requests, network access fees charged for network access for preferred provider organizations, ancillary legal support services, and workers' compensation carve-out services. Medicare set-aside services for workers' compensation claims is a financial agreement that allocates a portion of a workers' compensation settlement to pay for future medical services related to the workplace injury, illness, or disease. The purpose of the set-aside arrangement is to provide funds to the injured party to pay for future medical expenses that would not be covered by Medicare. Network access for preferred provider organizations gives customers access to provider groups that include a specialized network of medical providers related to workers' compensation and the lower fees associated with the Company's affiliation to those groups.

These services are performed at a point in time and invoiced upon completion of the service. Medicare set-aside requests are invoiced at a fixed fee or hourly rate, depending on the request type. Network access fees are invoiced at a percentage of savings produced for the customer. Ancillary legal services are invoiced at a fixed fee or hourly rate, depending on the service performed. Workers' compensation carve-out services are invoiced at a fixed fee or hourly rate, depending on the service performed.

D. Cash and Cash Equivalents

The Company considers all short-term, highly liquid investments that are readily convertible, within three months of origination, to known amounts as cash equivalents. As of December 31, 2025 and 2024, the Company had no cash equivalents.

E. Investments

The Company maintains its investments in US treasury bills and has classified them as held-to-maturity at the time of purchase. Held-to-maturity purchases are those securities in which the Company has the ability and intent to hold until maturity. Held-to-maturity securities are recorded at amortized cost, adjusted for the amortization or accretion of premiums and discounts. Premiums and discounts are amortized or accreted over the life of the related held-to-maturity security using a straight-line method.

The amortized cost basis, gross unrealized gains and losses, and fair value of the Company's held-to-maturity securities at December 31, 2025 and 2024 are shown below.

	Held-to-maturity securities			Fair Value
	Amortized Cost Basis	Gross Unrealized Gains	Gross Unrealized Losses	
December 31, 2025				
U.S. Treasury Bills	\$ 10,042,817	\$ 9,871	\$ -	\$ 10,052,688
Totals	\$ 10,042,817	\$ 9,871	\$ -	\$ 10,052,688
December 31, 2024				
U.S. Treasury Bills	\$ 9,033,761	\$ 7,743	\$ -	\$ 9,041,504
Totals	\$ 9,033,761	\$ 7,743	\$ -	\$ 9,041,504

The amortized cost basis and fair value of the Company's securities at December 31, 2025, by contractual maturity, are shown below.

December 31, 2025	Amortized Cost	Fair Value
Held-to-maturity securities		
Due in one year or less	\$ 10,042,817	\$ 10,052,688
	<u>\$ 10,042,817</u>	<u>\$ 10,052,688</u>

The fair value of the Company's held-to-maturity debt securities are determined based upon inputs, other than the quoted prices in active markets, that are observable either directly or indirectly, and are classified as level 2 fair value investments.

F. Concentrations of Risk

Cash and Cash Equivalents

Financial instruments that potentially subject the Company to concentrations of credit risks are comprised of cash deposits in excess of federally insured limits. The Company places its cash and cash equivalents at one well-known, quality financial institution. At times, such cash and investments may be in excess of the \$250,000 FDIC insurance limit. The Company believes it is not exposed to any significant credit risk on its cash and cash equivalents.

Major Customers

During 2025, two customers, who represented 10% or more of operating revenue, combined accounted for approximately 34% of our total sales. By comparison, during 2024 we had three customers who represented 10% or more of operating revenue that accounted for a combined approximately 43% of sales. Below are the respective percentages of total operating revenue that each of these customers represented as of December 31, 2025 and 2024:

	12/31/25	12/31/24
Customer A	23%	21%
Customer B	11%	11%
Customer C	-	11%

The percentages of the amounts due from customers who represented 10% or more of total accounts receivable as of December 31, 2025 and 2024, are as follows:

	12/31/25	12/31/24
Customer A	21%	20%
Customer B	20%	15%
Customer C	14%	10%
Customer D	11%	-

G. Depreciation

The cost of property and equipment is depreciated over the estimated useful lives of the related assets. The cost of leasehold improvements is depreciated over the lesser of the length of the lease of the related assets or the estimated lives of the assets. Depreciation is computed on the straight-line method which is five years for computer equipment, office equipment, and furniture and fixtures.

H. Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in these consolidated financial statements and accompanying notes. Actual results could differ from those estimates. Significant estimates include the values assigned to the allowance for credit losses, legal contingencies, and accruals for income taxes.

I. Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. Intercompany transactions and balances have been eliminated in consolidation.

J. Fair Value of Financial Instruments

The Company applies ASC 820, "Fair Value Measurements." This guidance defines fair value, establishes a three-level valuation hierarchy for disclosures of fair value measurement and enhances disclosure requirements for fair value measures. The three levels are defined as follows:

- Level 1 inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2 inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
- Level 3 inputs to valuation methodology are unobservable and significant to the fair measurement.

The carrying amounts reported in the balance sheets for cash and cash equivalents, receivables and current assets and liabilities each qualify as financial instruments and are a reasonable estimate of fair value because of the short period of time between the origination of such instruments and their expected realization and their current market rate of interest.

K. General and Administrative Expenses

General and administrative expenses include fees for advertising, charity, depreciation, bad debt and recoveries, rent expense for office, shareholders' expense, auto expenses, bank charges, dues and subscriptions, education, equipment/repairs, IT enhancement and internet expenses, licenses and permits, office supplies, parking, postage and delivery, printing and reproduction, rent expense for equipment, telephone and travel expenses, and entertainment costs.

L. Income Taxes

The Company accounts for income taxes by following the asset and liability approach to accounting for income taxes. Deferred tax assets and liabilities represent the future tax consequences of the differences between the financial statement carrying amounts of assets and liabilities versus the tax basis of assets and liabilities. Under this method, deferred tax assets are recognized for deductible temporary differences, operating loss, and tax credit carry forwards. Deferred tax liabilities are recognized for taxable temporary differences. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. The impact of the tax rate changes on deferred tax assets and liabilities is recognized in the year that the change is enacted. Management believes that any write-off not allowed will not have a material impact on the Company's financial position.

The Company is subject to taxation in United States federal and state jurisdictions. Based on its evaluation, the Company believes that it has no significant unrecognized tax positions. The Company does not believe there will be any material changes in its unrecognized tax positions over the next 12 months. The years 2022, 2023, and 2024 are still open for examination. The Company is not currently under audit by the Internal Revenue Service or any other tax authority.

The Company may from time to time be assessed interest or penalties by major tax jurisdictions, although any such assessments historically have been minimal and immaterial to its financial results. In accordance with current guidance, the Company classifies interest and penalties as income tax expense as incurred.

M. Stockholders' Equity

On January 6, 2020, the Company effected a four-shares-for-one-share (4:1) forward stock split ("Forward Split") of its common stock and its Series A convertible preferred stock. Unless otherwise noted, impacted amounts, share and per share information included in the financial statements and notes thereto have been retroactively adjusted for the Forward Split as if such Forward Split occurred on the first day of the first period presented.

The Company has two classes of stock. The Company had 800,000,000 shares of voting common stock authorized, and 12,800,000 shares issued and outstanding at both December 31, 2025 and 2024. The Articles of Incorporation of the Company, as amended, also authorizes 5,000,000 shares of \$0.001 par value preferred stock, which may be issued in one or more series, with designation, rights and privileges of such preferred stock to be set by the board of directors of the Company from time to time. On November 21, 2016, the board of directors of the Company approved a Certificate of Designation of Rights, Privileges and Preferences of Series A convertible preferred stock and authorized the Company's officers to file such with the Utah Division of Corporations and Commercial Code to create the Series A convertible preferred stock. The Series A convertible preferred stock has a par value of \$0.001 and consists of 40,000 shares, and may be converted into common stock on a one-share for one-share basis at the election of the holder thereof. The holders of Series A convertible preferred stock are entitled to vote with the common stockholders on all matters brought for approval of the common stockholders. In connection with any such matter, each outstanding share of Series A convertible preferred stock is entitled to 20,000 votes of common stock of the Company. In the event of a liquidation, dissolution or winding up of the Company, the Series A convertible preferred stock shall rank in parity with the Company's common stock. Holders of Series A convertible preferred stock are entitled to receive dividends, when, as and if declared by the board of directors. The Series A convertible preferred stock shall rank in parity with the Company's common stock as to any dividends. As of December 31, 2025 and 2024, 16,000 shares of the Series A convertible preferred stock were outstanding.

The Company purchased no shares of treasury stock during fiscal year 2025 or 2024. The Company does not have a plan to repurchase outstanding shares of common stock.

As of December 31, 2024, the Company had dividends payable of \$37,000, from a dividend declared in September 2015. As of December 31, 2024, no shareholder entitled to claim the unpaid September 2015 dividend made a claim to such dividend, accordingly the Company paid \$0 in connection with the September 2015 dividend during the year ended December 31, 2024. During fiscal year 2025, the Company paid \$750 of the outstanding September 2015 dividends payable to eligible shareholders. Additionally, during fiscal year 2025, the Company transferred the remaining unclaimed dividends payable of \$36,250 to a third party unclaimed property administrator for remittance (escheatment) to the applicable states in accordance with state unclaimed property laws. As of December 31, 2025, the Company had no dividends payable from the dividend declared in September 2015.

N. Share Based Compensation

The Company follows the fair value method of accounting for stock-based employee and non-employee compensation in accordance with statement of ASC Topic 718, “Compensation – Stock Compensation” which requires that equity-based payments (to the extent they are compensatory) be recognized in these audited consolidated statements of operations as compensation expense over the requisite service (vesting) period, based on the award’s fair value at grant date. No awards or grants have been awarded or granted under the Plan. See “Note 9 – EQUITY INCENTIVE AWARDS” of this Part II, Item 8 *Notes to Consolidated Financial Statements* for more information about the Company’s current equity incentive plan.

O. Accounts Receivable and Allowance for Credit Losses

In the normal course of business, the Company extends credit to its customers on a short-term basis. Although the credit risk associated with these customers is minimal, the Company routinely reviews its accounts receivable balances and makes provisions for credit losses. The Company ages its receivables by date of invoice. The Company has adopted the practical expedient to assume that the current conditions as of the balance sheet date will remain unchanged for the remaining life of the asset when developing a reasonable and supportable forecast as part of estimating the expected credit losses on these assets. Management reviews the allowance for credit loss quarterly and evaluates the balance of accounts receivable based on historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amount. When a specific account is deemed uncollectible, the Company charges off the receivable against the allowance for credit loss. A considerable amount of judgment is required in assessing the realization of these receivables including the current creditworthiness of each customer and related aging of the past-due balances, including any billing disputes. To assess the collectability of these receivables, the Company performs ongoing credit evaluations of its customers’ financial condition. Through these evaluations, the Company may become aware of a situation where a customer may not be able to meet its financial obligations due to deterioration of its financial viability, credit ratings or bankruptcy. The allowance for credit losses is based on the best information available to the Company and is reevaluated and adjusted as additional information is received. The Company evaluates the allowance based on historical write-off experience, the size of the individual customer balances, and past-due amounts. At fiscal year-end 2025 and 2024, the Company had an allowance for credit losses of \$18,925 and \$12,489, respectively. The increase in allowance for credit loss is attributable to an increase in the provision made during fiscal year 2025 related to one customer who had become delinquent on some of their payments during fiscal year 2025.

A roll-forward of the Company’s allowance for credit losses for the years ended is as follows:

	<u>December 31,</u> <u>2025</u>	<u>December 31,</u> <u>2024</u>
Allowance for credit losses, beginning of year	\$ 12,489	\$ 32,814
Current period provision	9,417	(19,094)
Write-off	(3,000)	(1,231)
Recovery	19	-
Allowance for credit losses, end of year	<u>\$ 18,925</u>	<u>\$ 12,489</u>

P. Leases

On April 1, 2022, the Company moved office locations from 1201 Dove Street, Suite 300 in Newport Beach, California to 19800 MacArthur Boulevard, Suites 306 and 307, in Irvine, California. Our current lease was set to expire as of March 31, 2026, but was renewed on December 10, 2025 for an additional 12-month lease, with a new expiration of March 31, 2027 with no extension options.

The Company follows the guidance of ASC 842, Leases, which requires an entity to recognize a right-of-use asset and a lease liability for all leases. As of December 31, 2025 and 2024, there are no operating lease right-of-use assets or liabilities. The Company elected to not apply the requirements of ASC 842 for short-term leases. Short-term leases are defined as leases that, at the commencement date, have a lease term of 12 months or less. Lease expense is recognized on a straight-line basis over the lease term. If a Company lease does not provide an implicit rate, the Company develops an estimated incremental borrowing rate at the commencement date based on the estimated rate at which it would borrow, in the current economic environment, an amount equal to the lease payments over a similar term on a collateralized basis which is used to determine the present value of lease payments. The Company had no finance leases at December 31, 2025 and 2024.

Q. Subsequent Events

On January 20, 2026, the Company received a 120-day notice of termination of services from one of our significant customers. As of March 17, 2026, the financial impact of this termination on our operations is not reasonably estimable.

In accordance with ASC 855-10, Company management reviewed all material events through the date of issuance and, other than the loss of customer disclosed above, there are no other material subsequent events to report.

R. Legal Contingencies

Liabilities for loss contingencies arising from claims, assessments, litigation, fines, and penalties and other sources are recorded when it is probable that a liability has been incurred and the amount can be reasonably estimated. Legal costs incurred in connection with the loss contingencies are expensed as incurred.

NOTE 3 – RECENTLY ISSUED ACCOUNTING STANDARDS**Recently Adopted Accounting Guidance**

On January 1, 2024, the Company retroactively adopted Accounting Standards Update (ASU) 2023-07, “Improvements to Reportable Segment Disclosures.” This ASU, which amends Topic 280: *Segment Reporting*, improves disclosure requirements for reportable segments and enhances disclosures for companies with single reportable segments. The adoption did not have a material impact on the Company’s financial statements.

The Company conducts its business activities and reports financial results as a single reportable segment, the workers’ compensation cost containment specialists segment, based on the nature of its business and accounting policies, which are described throughout Notes 1 and 2. The Chief Operating Decision Maker (“CODM”) is its executive team. The CODM makes decisions about allocating resources and assessing performance in a manner consistent with the way the Company operates its business and presents its financial results, using the same net income that is also reported on the consolidated statements of operations as net income. There are no reconciling items to the consolidated statements of operations. The measurement of segment assets is reported on the consolidated balance sheet as total assets. The CODM uses net income to evaluate income generated from segment assets (return on assets) in deciding whether to reinvest profits into the workers’ compensation cost containment specialists segment or into other parts of the entity. All of the Company’s customers are based in the United States.

In December 2023, the Financial Accounting Standards Board (FASB) issued ASU 2023-09, “Improvements to Income Tax Disclosures.” This ASU, which amends Topic 740: *Income Taxes*, enhances transparency by updating disclosure requirements for income taxes. The standard is effective for annual periods beginning after December 15, 2024. Early adoption is permitted in any annual period in which financial statements have not yet been issued (or made available for issuance). The Company adopted this standard on January 1, 2025, using the retrospective method of adoption. Based on the Company’s assessment, the adoption of ASU 2023-09 did not have a material effect on the Company’s consolidated financial statements or related disclosures.

In July 2025, the FASB issued ASU 2025-05, “Financial Instruments – Credit Losses (Topic 236) – Measurement of Credit Losses for Accounts Receivable and Contract Assets.” This ASU aims to reduce the cost and complexity of estimating credit losses while maintaining decision-useful information for financial statement users. The guidance allows all entities to elect a practical expedient related to developing forecasts as a part of estimating expected credit losses that assumes the current conditions as of the balance sheet date do not change for the remaining life of the asset. ASU 2025-05 is effective for fiscal years beginning after December 15, 2025, and interim periods within those annual reporting periods, with early adoption permitted. The Company adopted the standard as of January 1, 2025 and the adoption did not have a material impact on the Company’s consolidated financial statements.

NOTE 4 – PROPERTY AND EQUIPMENT

Scheduled below are the assets, costs, and accumulated depreciation at December 31, 2025 and 2024.

	December 31, 2025	December 31, 2024
Computer equipment	\$ 267,798	\$ 244,519
Furniture and fixtures	13,284	13,284
Totals	\$ 281,082	\$ 257,803
Less: accumulated depreciation	(229,358)	(205,374)
Total Property and Equipment, net	<u>\$ 51,724</u>	<u>\$ 52,429</u>

Depreciation expense for the years ended December 31, 2025 and 2024, totaled \$23,984 and \$34,096, respectively.

NOTE 5 – INCOME TAXES

Income before the provision for income taxes consists of the following:

	2025	2024
United States	\$ 1,894,791	\$ 1,263,706
Foreign	-	-
Income before provision for income taxes	<u>\$ 1,894,791</u>	<u>\$ 1,263,706</u>

The income tax provision for the years ended December 31, 2025 and 2024, consisted of the following:

	2025	2024
Current		
Federal	\$ 369,811	\$ 261,300
State	115,530	117,939
Total current	<u>\$ 485,341</u>	<u>\$ 379,239</u>
Deferred		
Federal	\$ 16,195	\$ 1,397
State	5,608	(514)
Total deferred	<u>\$ 21,803</u>	<u>\$ 883</u>
Total income tax provision	<u>\$ 507,144</u>	<u>\$ 380,122</u>

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The Company's total deferred tax assets and deferred tax liabilities at December 31, 2025 and December 31, 2024, are as follows:

	2025	2024
Deferred tax assets		
Reserves and allowances	\$ 5,256	\$ 3,494
Unearned revenues	9,316	9,385
Accrued expenses	14,872	38,441
Deferred tax assets	<u>\$ 29,444</u>	<u>\$ 51,320</u>
Deferred tax liabilities		
Depreciation	\$ (13,257)	\$ (13,330)
Deferred tax liabilities	<u>\$ (13,257)</u>	<u>\$ (13,330)</u>
Net deferred tax asset	<u>\$ 16,187</u>	<u>\$ 37,990</u>

The reconciliation of income tax computed at statutory rates of income tax benefits is as follows:

	2025		2024	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Expense at federal statutory rate of 21%	\$ 397,907	21.0%	\$ 265,388	21.0%
State tax provision (1), net of federal benefit	96,800	5.1%	96,155	7.6%
Non-deductible expenses	12,920	0.7%	15,096	1.2%
Changes in unrecognized benefit	-	-%	-	-%
Valuation allowance	-	-%	-	-%
Tax credits	-	-%	-	-%
Other items	(483)	0.0%	3,483	0.3%
Income tax provision	<u>\$ 507,144</u>	<u>26.8%</u>	<u>\$ 380,122</u>	<u>30.1%</u>

(1) The state and local jurisdiction that contributes to the majority (greater than 50%) of the tax effect in this category is California.

The amount of cash income taxes paid by the Company, net of refunds received, were as follows:

	December 31, 2025	December 31, 2024
Federal, net	\$ 393,000	\$ 450,000
State, net (California)	175,468	163,000
Income taxes paid, net	<u>\$ 568,468</u>	<u>\$ 613,000</u>

NOTE 6 – LEASES

The Company rents office space at 19800 MacArthur Boulevard, Suites 306 & 307, in Irvine, California. This lease was to expire as of March 31, 2026, but was renewed on December 10, 2025, for an additional 12 months, with a new expiration of March 31, 2027. The lease provides 320 square feet of office space for the executive team and a shared office space for key employees to use as needed. All other employees will continue to work remotely.

Lease expenses were \$50,491 and \$47,079 during the years ended December 31, 2025 and 2024, respectively.

NOTE 7 – ACCRUED EXPENSES

As of December 31, 2025 and 2024, accrued expenses consisted of the following:

	2025	2024
Salaries and wages	\$ 28,431	\$ 130,960
Compensated absences	82,416	193,525
Legal fees	-	2,964
Accounting fees	100	64,183
Sales commissions	13,793	19,558
Other	2,287	11,783
Total	\$ 127,027	\$ 422,973

NOTE 8 – INSURANCE FINANCING AGREEMENT

The Company entered into an insurance policy finance arrangement for business insurance coverage effective May 2024. The agreement matured in March 2025 and had monthly payments of principal and interest of approximately \$12,276 with interest at 9.3%.

NOTE 9 – EQUITY INCENTIVE AWARDS

2018 Plan

The Pacific Health Care Organization 2018 Equity Incentive Plan (the “2018 Plan”) became effective on April 6, 2018. The 2018 Plan permits the granting of 8,000,000 shares of Common Stock (as adjusted to reflect the four-shares-for-one-share forward split of the company’s common stock that took effect on January 6, 2020). No awards or grants have been awarded or granted under the Plan. The 2018 Plan provides for grants of equity incentive compensation to employees and consultants of the Company and such other individuals the Company reasonably expects to become employees or consultants of the Company. The 2018 Plan allows for awards of (a) incentive stock options, (b) non-qualified stock options, (c) stock appreciation rights, (d) restricted awards, and (e) other equity-based awards. The 2018 Plan will terminate automatically on the tenth anniversary of the 2018 Plan’s Effective Date. The 2018 Plan is currently administered by the full board of directors.

The Company did not award any equity incentive compensation during the years ended December 31, 2025 and 2024.

NOTE 10 – EARNINGS PER SHARE OF COMMON STOCK

The computation of earnings per share of common stock is based on the weighted average number of shares outstanding at the date of these consolidated financial statements. The fully diluted earnings per share includes 16,000 shares of Series A convertible preferred stock, as disclosed in Section M of Note 2.

Basic and Diluted Net Income per share calculation	For the Years Ended December 31,	
	2025	2024
Net Income to common stockholders	\$ 1,387,647	\$ 883,584
Weighted average shares outstanding, basic	12,800,000	12,800,000
Basic Net Income per share	<u>\$ 0.11</u>	<u>\$ 0.07</u>
Weighted average shares outstanding, diluted	12,816,000	12,816,000
Diluted Net Income per share	<u>\$ 0.11</u>	<u>\$ 0.07</u>

For the years ended December 31, 2025 and 2024, there were common stock equivalents related to convertible preferred stock that had a dilutive effect of 16,000 shares.

NOTE 11 – COMMITMENTS AND CONTINGENCIES

From time to time, the Company may become involved in various lawsuits and legal proceedings which arise in the ordinary course of business.

As previously disclosed, on September 16, 2025, the Company's wholly owned subsidiaries, Medex Healthcare, Inc. ("Medex") and Medex Medical Management, Inc. ("MMM"), each filed a lawsuit in the Superior Court of the State of California, County of Orange, against respective defendants David Kim, the former Chief Operating Officer of Medex, and Darshan Patel, the former Director of Medical Management at MMM. The parties have settled all claims asserted in each lawsuit, without admissions of liability by any party, in exchange for a cash payment by each respective defendant of \$15,000, and the lawsuits have been dismissed. Accordingly, no accrual has been recorded as of December 31, 2025.

NOTE 12 – BENEFITS AND OTHER COMPENSATION

The Company offers a 401(k)-profit sharing plan for employees who meet the eligibility requirements. Pursuant to the plan, the Company may make discretionary matching contributions and/or discretionary profit-sharing contributions to the plan. All such contributions must comply with federal pension laws, non-discrimination requirements and the terms of the plan. In determining whether to make a discretionary contribution, the board of directors would evaluate current and prospective costs of such awards to the Company and management's desire to reward and retain employees and attract new employees. To date, the Company has never made matching contributions and/or discretionary profit-sharing contributions to any plan.

NOTE 13 – RELATED PARTY TRANSACTIONS

The Company defines a related party as an individual or entity that has the ability to exercise significant influence over the Company's management or operations. Related parties, include, among others, the Company's principal stockholders, directors, executive officers, and members of their immediate families, as well as entities controlled by, or under common control with, such individuals.

The Company retained Donald P. Balzano, a shareholder owning 6.9% of the Company's common stock, as legal counsel until he passed away in September 2025. Mr. Balzano provided legal guidance and expertise in the workers' compensation industry on behalf of the Company. The fees paid to Mr. Balzano are recorded in Professional Fees on the consolidated statement of operations. For the years ended December 31, 2025 and 2024, respectively, Mr. Balzano earned \$108,108 and \$144,144 related to the retainer agreement.

The Company's former CFO, Kat Kubota, provides financial consulting services for the Company. Kat Kubota is the daughter of Tom Kubota, the Company's CEO, President, Chairman of the board and majority shareholder. Ms. Kubota's consulting arrangement commenced upon her resignation from the CFO position with the Company on March 5, 2024. The fees paid to Ms. Kubota are recorded in Professional Fees on the consolidated income statement. Fees for services not yet billed are included in Accrued Expenses on the consolidated balance sheet, totaling \$100 and \$64,183 at December 31, 2025 and 2024, respectively. For the years ended December 31, 2025 and 2024, Ms. Kubota earned \$415 and \$64,183, respectively, for such services.

The Company's former Vice President, Secretary and board member, Lauren Kubota, resigned from her positions with the Company during the third quarter of 2025. After her resignation, Lauren Kubota provided consulting services for the Company. The consulting arrangement commenced on August 4, 2025 and expired on August 31, 2025. Ms. Kubota earned a total of \$3,768 for such services. Lauren Kubota is the daughter of Tom Kubota, the Company's CEO, President, Chairman of the board and majority shareholder.

NOTE 14 – EMPLOYEE RETENTION CREDIT

The employee retention credit ("ERC"), as originally enacted through the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") on March 27, 2020, is a refundable credit against certain employment taxes equal to 50% of the qualified wages an eligible employer paid to employees from March 17, 2020 to December 31, 2020. The Disaster Tax Relief Act, enacted on December 27, 2020, extended the ERC for qualified wages paid from January 1, 2021 to June 30, 2021, and the credit was increased to 70% of qualified wages an eligible employer paid to employees during the extended period. The American Rescue Plan Act of 2021, enacted on March 11, 2021, further extended the ERC through December 31, 2021. Employers are eligible for the credit if they experienced full or partial suspension or modification of operations during any calendar quarter because of governmental orders due to the pandemic or a significant decline in gross receipts based on a comparison of quarterly revenue results for 2020 and/or 2021 with the comparable quarter in 2019.

In 2023, the Company applied for the ERC through external tax consultants after determining that the Company was eligible for the credit. The Company's ERC application was based on qualified wages paid to employees during periods in 2020 and 2021. The consulting arrangement was structured as a flat fee per employee for which the credit was applied, with payment terms providing that no fees were due until the credit was received from the Internal Revenue Service ("IRS"). Since there are no specific generally accepted accounting principles for for-profit business entities that receive government assistance that is not a loan, an income tax credit, or revenue from a contract with a customer, the Company has elected to apply International Accounting Standard (IAS) 20, "Accounting for Government Grants and Disclosure of Government Assistance," by analogy in accordance with ASC 105-10-05-3. Under IAS 20, government grants should be recognized when there is reasonable assurance that (1) the entity will comply with the conditions attached to the grant, and (2) the grant will be received. Given the unprecedented nature of the program, the Company determined that reasonable assurance was not achieved until the refund was actually received from the IRS.

During fiscal year 2025, the Company received ERC refund checks from the IRS totaling \$488,655, which included interest in the amount of \$68,854. The Company has additional ERC applications pending with the IRS for eligible periods that could result in additional refunds of up to approximately \$202,657. The Company has not recognized any amounts related to these pending applications as the reasonable assurance criteria under IAS 20 have not been met. The Company will recognize any additional ERC refunds when received from the IRS and when reasonable assurance of compliance is achieved. The Company has accounted for the \$419,801 ERC refund as other income for the year ended December 31, 2025. This presentation aligns with IAS 20's principles for government grants that compensate for costs already incurred and expensed in prior periods. Interest income of \$68,854 related to the ERC refund has been recorded separately as interest income. The Company's ERC eligibility remains subject to audit by the IRS for a period of five years from the date of filing. While the Company believes it has substantial support for its ERC claims and eligibility, there can be no assurance that the IRS will not challenge the Company's eligibility or calculations during any future audit process.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, are designed to provide reasonable assurance that information required to be disclosed by a company in the reports it files or submits under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports it files or submits under the Exchange Act is accumulated and communicated to the company's management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure.

Our management, with the participation of our principal executive officer and principal financial officer, evaluated the effectiveness of our disclosure controls and procedures as of the end of the period covered by this annual report. Based on the evaluation of our disclosure controls and procedures as of December 31, 2025, the end of the period covered by this annual report, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures were effective at a reasonable assurance level.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13a-15(f) or 15d-15(f) under the Exchange Act. Management assessed the effectiveness of our internal control over financial reporting based on the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control-Integrated Framework (2013)* to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with US GAAP. Based on this assessment, management has concluded that our internal control over financial reporting is effective as of December 31, 2025, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with US GAAP.

This annual report does not include an attestation report of our registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by our registered public accounting firm pursuant to rules of the SEC that permit us to provide only management's report in this annual report.

Changes in Internal Control Over Financial Reporting

As previously disclosed in the our Quarterly Report on Form 10-Q for the quarter ended March 31, 2025, management identified and remediated certain internal control deficiencies during the first quarter of 2025. The remediation was completed as of March 31, 2025.

There were no changes in our internal control over financial reporting during the quarter ended December 31, 2025 that materially affect, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None of our directors or executive officers adopted, modified or terminated any contract, instruction or written plan for the purchase or sale of our securities that was intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) or any "non-Rule 10b5-1 trading arrangement" as defined in Item 408(c) of Regulation S-K.

There was no information required on Form 8-K during the fourth quarter of fiscal year 2025 that was not reported.

ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The following table sets forth our executive officers and directors, their ages, and all offices and positions they hold with us as of March 17, 2026. There is no agreement or understanding between us or any other person and any director or executive officer pursuant to which he or she was selected as a director or executive officer.

Name	Age	Positions with the Company	Director Since	Executive Officer Since
Tom Kubota	86	Chief Executive Officer, President and Chairman of the Board of Directors ⁽¹⁾	Sept. 2000	Sept. 2000
David Wang	63	Director	Nov. 2007	
Stacy Hadley	58	Director	Nov. 2016	
Günter Soraperra	66	Director	Nov. 2016	
Bruce Everakes	65	Director	Aug. 2025	
Scott Allen	58	Director, Secretary, Treasurer and Controller ⁽²⁾	Aug. 2025	

⁽¹⁾ Tom Kubota is our acting Principal Financial and Accounting Officer until a permanent replacement is hired.

⁽²⁾ Scott Allen was appointed as our Secretary and Treasurer on August 11, 2025.

Tom Kubota. Since 2000, Mr. Kubota has been primarily engaged in the operations of the Company. Mr. Kubota also has over thirty years of experience in the investment banking, securities, and corporate finance field. He held the position of Vice President at Drexel Burnham Lambert; at Stem, Frank, Meyer and Fox; and at Cantor Fitzgerald. Mr. Kubota also founded Nanko Investments, Inc. and Laurkat Inc., in 1996 and 2018, respectively, which specialized in providing capital formation services to high tech and natural resources companies. Mr. Kubota served as president of each firm from the time they were founded until 2019 when he elected to shutter their respective operations. He has expertise in counseling emerging public companies and has previously served as a director of both private and public companies. Mr. Kubota is not currently, nor has he in the past five years been, a nominee or director of any other SEC registrant. Mr. Kubota is qualified to serve on our board of directors due to his experience as the Company’s president and chief executive officer, and his experience in investment banking and corporate finance.

David Wang. Since January 2021, Mr. Wang has been managing a private investment portfolio consisting of stocks, options, and futures. Previously, from 2018 to 2020 he served as the Co-CEO of Hacknowledge, LLC. Hacknowledge shuttered its operations in December 2020, as a result of the impacts of the COVID-19 pandemic on its business. Hacknowledge offered a Managed Detection and Response (MDR) cybersecurity solution. Mr. Wang was responsible for day-to-day operations of Hacknowledge, including business development, marketing, and sales. From late 2013 to 2017, Mr. Wang served as a managing member of Reef Capital Management, LLC, where he managed a fund that was created to generate long-term cash flow to investors by investing primarily in drilling and development of oil projects. Prior to joining Reef Capital Management, Mr. Wang was a consultant to high tech companies, through which he assisted a cloud computing company expand its coverage outside of Asia and assisted a cell phone manufacturer explore a joint venture with a manufacturer in Brazil to build low-cost smart phones and tablets utilizing various government tax incentives. Mr. Wang earned a Bachelor of Science in Computer Science/Mathematics from the University of California, Los Angeles (UCLA) in 1985. He earned a Master of Business Administration degree with an emphasis in Financial and Entrepreneurial Studies from the Anderson School at UCLA in 2000. Mr. Wang is not currently, nor has he in the past five years been, a nominee or director of any other SEC registrant. Mr. Wang is qualified to serve on our board of directors due to his education background, his experience in entrepreneurial business enterprises, his understanding of cybersecurity issues and his favorable history of attracting venture capital funds through his established contacts in the investment banking community.

Stacy Hadley. Mrs. Hadley has over 30 years of accounting and audit experience. She is employed as Chief Financial Officer of Radius Engineering, Inc. Her current responsibilities include overseeing and implementing the Company’s financial management, forecasting, financial reporting, job costing and financial transactions, regulatory compliance, supply chain and facilities management. Mrs. Hadley was a Partner at Now CFO, a provider of outsourced accounting and financial solutions, from September 2015 through March 2021. She was responsible for consulting services in Houston, Texas and Salt Lake City, Utah, overseeing projects, and serving as Controller/CFO for various companies. From November 2014 to September 2015, Mrs. Hadley was employed by Harman International as a Compliance and Financial Consultant where, among other things, she oversaw compliance reporting of four business units and divisional shared services, worked with finance directors to implement and document internal control testing, and documented procedures to ensure adherence with company policies and internal controls. From December 2012 to November 2014, Mrs. Hadley served as the Controller for Dalbo Holdings where she was responsible for general ledger accounting, analyzing and reconciling accounts and records for service lines, verifying revenues, expenses, and other accounting functions. Mrs. Hadley received licensure as a Certified Public Accountant in July 2014. Mrs. Hadley received a Bachelor of Science Degree in Accounting and a Master’s Degree in Accounting from Weber State University, Utah in 2010 and 2012, respectively. During the past five years Mrs. Hadley has not served, and she does not currently serve, as a director of any other SEC registrant or any registered investment company. Mrs. Hadley is qualified to serve on our board of directors due to her years of accounting and auditing experience both with accounting firms, and in-house with several different employers, as well as her educational background and her CPA licensure.

Günter Soraperra. Mr. Soraperra has served as the Chief Executive Officer of Traunkristall Design since 2000. Traunkristall specializes in the design, production, and sale of high-end hand-made crystal products and has business activities in more than 25 countries. Among other things, Mr. Soraperra is responsible for setting strategy and direction, allocation of capital, and overseeing sales and marketing at Traunkristall. Mr. Soraperra received a Master of Business Administration degree from the University of Graz, Austria in 1990. Over the past fifteen years Mr. Soraperra has also served as a Senior Vice President of a private Swiss investment group responsible for coordinating international activities, financing and mergers and acquisitions. He has also served on the advisory boards of various international companies. In the past five years Mr. Soraperra has not served, and he does not currently serve, as a director of any other SEC registrant or any registered investment company. Mr. Soraperra is qualified to serve on our board of directors due to his years of strategy, management, finance, and operational experience.

Bruce Everakes. Mr. Everakes has owned and served as Managing Director for Wolfmark, a manufacturer and importer of apparel and accessories, for over thirty years. In his roles with Wolfmark, Mr. Everakes has been involved in every aspect of its business, including its acquisition of three businesses. Mr. Everakes is a Certified Public Accountant and holds a Bachelor of Science degree in Accountancy and a Master of Science degree in Finance from the University of Illinois at Urbana-Champaign. In determining his qualifications as a candidate, the Board considered Mr. Everakes' thirty years of business ownership and management experience, as well as his educational and Certified Public Accountant background. As of the date of this current report on Form 8-K, Mr. Everakes owns approximately 702,356 shares of common stock of the Company. Mr. Everakes is not currently, nor has he in the past five years been, a nominee or director of any other SEC registrant. There is no arrangement or understanding between Mr. Everakes and any other person pursuant to which he was selected as a director of the Company.

Scott Allen Mr. Allen currently serves as the Company's Contoller, Secretary and Treasurer, and joined the Company in 2013. Mr. Allen has 30 years of accounting experience, including financial analysis, financial statement preparation, regulatory filings, audit engagements, and accounting team leadership. Mr. Allen received a B.A. in Economics from the University of California, San Diego. Prior to becoming the Company's Contoller, Mr. Allen served as the Company's Accounting Manager. Mr. Allen's current responsibilities include overseeing the Company's accounting department, financial reporting and forecasting, financial internal controls procedures, payroll and benefits, and cost controls. Mr. Allen also supports the Company in its evaluations of acquisition opportunities, product line development and regulatory compliance efforts. In determining his qualifications as a candidate, the Board considered Mr. Allen's current leadership in and extensive knowledge of the Company, his thirty years of accounting experience, and educational background. Mr. Allen is not currently, nor has he in the past five years been, a nominee or director of any other SEC registrant. There is no arrangement or understanding between Mr. Allen and any other person pursuant to which he was selected as a director of the Company.

Code of Ethics

Our board of directors has adopted a code of ethics that applies to our principal executive officer, principal financial officer, principal accounting officer or controller and to people performing similar functions. The code of ethics is designed to deter wrongdoing and to promote (i) honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships, (ii) full, fair, accurate, timely and understandable disclosure in reports and documents we file with, or submit to, the SEC and in other public communications we make, (iii) compliance with applicable governmental laws, rules and regulations, (iv) prompt internal reporting of violations of the code, and (v) accountability for adherence to the code. We will provide a copy of our code of ethics, without charge, to any person upon receipt of the written request for such delivered to our corporate headquarters. All such requests should be sent to the care of Pacific Health Care Organization, Inc., Attn: Corporate Secretary, 19800 MacArthur Blvd, Suite 306 & 307, Irvine, CA 92612. A copy of our code of ethics has been posted on our website and may be viewed at www.pacifichealthcareorganization.com. If we make any substantive amendments to, or grant any waivers from, the code of ethics for any officer or director, we will disclose the nature of such amendment or waiver on our website or in a Current Report on Form 8-K.

Insider Trading Policy

We have an Insider Trading Policy governing the purchase, sale, and other dispositions of our securities by our directors, officers, and employees that we believe is reasonably designed to promote compliance with insider trading laws, rules and regulations, and any listing standards applicable to us. The foregoing summary of our Insider Trading Policy is not complete and is qualified in its entirety by reference to the full text of our Insider Trading Policy provided herewith as Exhibit 19.1.

Committees of the Board of Directors

The OTCQB does not require us to have a separately designated standing audit committee, a compensation committee or a nominating and corporate governance committee. Our board of directors has determined that it is in our best interest to have the full board fulfill the functions that would be performed by these committees.

While we do not currently have a standing audit committee, our board of directors believes that were it to establish an audit committee, Mrs. Hadley would qualify as an independent director and possesses the attributes necessary to be considered an “audit committee financial expert” under the rules adopted by the SEC pursuant to the Sarbanes-Oxley Act of 2002.

Procedures for Security Holders to Nominate Candidates to the Board of Directors

There have been no material changes to the procedures by which shareholders may recommend nominees to our board of directors since March 30, 2012, the date we last provided information regarding our director nomination process.

ITEM 11. EXECUTIVE COMPENSATION

The table below summarizes compensation paid to or earned by our named executive officers (“NEOs”) for the years ended December 31, 2025 and 2024. No other executive officer of the Company had total compensation of \$100,000 or more during the year ended December 31, 2025.

Summary Compensation Table

Name and principal position (a)	Year (b)	Salary (\$) (c)	Bonus (\$) (d)	Stock Awards (\$) (e)	Option Awards (\$) (f)	Non-Equity Incentive Plan Compensation (\$) (g)	Non-Qualified Deferred Compensation Earnings (\$) (h)	All Other Compensation (\$) (i)	Total (\$) (j)
Tom Kubota Chief Executive Officer, President, Chairman and Director	2025	\$246,387	\$12,000	\$ -	\$ -	\$ -	\$ -	\$ 32,309 ⁽¹⁾	\$290,696
	2024	\$193,536	\$ 1,000	\$ -	\$ -	\$ -	\$ -	\$ 24,195 ⁽²⁾	\$218,731
Kristina Kubota Chief Financial Officer ⁽³⁾ , Secretary ⁽³⁾ and Director ⁽³⁾	2025	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,015 ⁽⁴⁾	\$ 4,015
	2024	\$ 24,659	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 93,542 ⁽⁵⁾	\$118,201
Lauren Kubota Vice President ⁽⁶⁾ , Secretary ⁽⁶⁾ and Director ⁽⁶⁾	2025	\$ 84,941	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,834 ⁽⁷⁾	\$ 96,775
	2024	\$115,000	\$ 1,000	\$ -	\$ -	\$ -	\$ -	\$ 13,589 ⁽⁸⁾	\$129,589

(1) Reflects health insurance premiums of \$5,689, auto expense of \$19,082, director’s fees of \$4,800, and phone/internet reimbursement of \$2,738.

(2) Reflects health insurance premiums of \$6,722, auto expense of \$6,796, director’s fees of \$7,200, and phone/internet reimbursement of \$3,477.

(3) Kristina Kubota served as our Chief Financial Officer and Secretary during the first two months of fiscal year 2024. She resigned from those positions on March 5, 2024 and resigned from the Board of Directors on August 11, 2025.

(4) Reflects director’s fees of \$3,600 and consultant fees of \$415.

(5) Reflects health insurance premiums of \$1,327, director’s fees and board meeting secretary fees of \$7,550, consultant fees of \$64,183, and phone/internet reimbursement of \$150.

(6) Lauren Kubota was not serving as an executive officer of the Company during the first two months of fiscal year 2024. She served as Vice President from January 3, 2024, until July 31, 2025, and served as Secretary from March 6, 2024, until August 11, 2025. She resigned from the Board of Directors on August 11, 2025.

(7) Reflects health insurance premiums of \$3,066, director’s fees and board meeting secretary fees of \$4,650, consultant fees of \$3,768, and phone/internet reimbursement of \$350.

(8) Reflects health insurance premiums of \$4,739, director’s fees and board meeting secretary fees of \$8,250, and phone/internet reimbursement of \$600.

Narrative Disclosure to Summary Compensation Table

Employment Agreements

We do not have a written employment agreement with Tom Kubota. Our NEOs are or were, as applicable, employed on an at-will basis and we can terminate their employment at any time, with or without cause. After Kristina Kubota's resignation as an employee of the Company on March 5, 2024, we engaged her as a third-party financial consultant under an independent contractor agreement. Pursuant to that independent contractor agreement, Kristina Kubota's services are billed at an hourly rate of \$120.00 and our engagement with her may be terminated at any time by either party with or without cause. After Lauren Kubota's resignation as an employee of the Company on July 31, 2025, we engaged her as a third-party financial consultant under an independent contractor agreement. Pursuant to that independent contractor agreement, Lauren Kubota's services were billed at an hourly rate of \$150.00 and our engagement with her terminated as of August 31, 2025.

Base Salary

Base salary is used to recognize the experience, skills, knowledge, and responsibilities required of our NEOs. The base salary for each NEO is typically set at the time the individual is hired based on the factors discussed in the preceding sentence and the negotiation process between us and the NEO. We also take into consideration the individual's past performance and experience, the expertise we need and local market and labor conditions. Changes to base salary, if any, are determined based on several factors, including evaluation of performance, anticipated financial performance of the Company, economic condition and local market and labor conditions. Mr. Kubota's base salary for 2025 was \$193,536. Ms. L. Kubota's base salary for 2025 was \$115,000, up until her resignation in July 2025. Ms. K. Kubota's base salary for 2024 was \$115,000, up until her resignation in March 2024.

Non-Equity Incentive Compensation

From time to time, we may make cash awards to our employees, including the NEOs. Such awards may be designed to incentivize employees over a specified period pursuant to pre-established, performance-based criteria, the accomplishment of which is substantially uncertain at the time the criteria are established. In the event this type of cash award is made, it would be reflected in the "Summary Compensation Table" under a separate column entitled "Non-equity Incentive Plan Compensation." The criteria for earning non-equity incentive bonuses may be based on corporate financial performance measures that would be developed by our board of directors at the time such non-equity incentive plan is established. Our board has discretion to determine the applicable performance measures and the appropriate weighting of such measures at the time it establishes any non-equity incentive plan. Our board of directors did not establish non-equity incentive compensation plans during the years ended December 31, 2025 or 2024, and no non-equity incentive compensation was awarded during these years. Similarly, as of the date of this annual report, the board of directors has not awarded non-equity incentive compensation to our NEOs, although there is nothing that prohibits the board of directors from doing so at any point during fiscal year 2026.

Bonuses

We may also make cash awards to employees that are not part of any pre-established, performance-based criteria. To the extent awards are made to our NEOs, such awards are reported in the "Summary Compensation Table" in the column entitled "Bonus."

We are under no contractual or other obligation to award cash bonuses. We awarded total aggregate bonuses to our NEOs in the amounts of \$12,000 and \$2,000 during fiscal year 2025 and fiscal year 2024, respectively.

Equity Incentive Compensation

Our equity incentive award program is a vehicle we may use to offer long-term incentives to our employees. From time to time, we may also make equity incentive awards to our NEOs, employees, and consultants in the form of stock options, restricted stock grants or some other form of equity award. Equity incentive awards are reflected in the "Summary Compensation Table" under the columns entitled "Stock Awards" and "Option Awards" as appropriate.

Our board of directors has no obligation to award equity incentive compensation. That does not mean the board of directors may not, as it deems appropriate, award equity incentive compensation when it deems such to be appropriate in the future.

During the years ended December 31, 2025 or 2024, our board of directors awarded no equity incentive compensation to our NEOs. The board of directors has also not awarded equity incentive compensation to our NEOs as of the date of this annual report, although there is nothing that prohibits the board of directors from doing so at any point during the 2026 fiscal year.

Policies and Practices for Granting Certain Equity Awards

We have not granted any equity incentive awards under our equity incentive award program. Our equity incentive award program is administered by our board of directors, who are responsible for the timing and terms of equity awards. We do not follow a predetermined schedule for the granting of equity awards; instead, each grant is considered on a case-by-case basis to align with our strategic objectives and to ensure the competitiveness of our compensation packages. If and when we issue such awards, our board of directors will determine when to grant such awards (for example, whether such awards are granted on a predetermined schedule); whether they take material nonpublic information into account when determining the timing and terms of such an award, and, if so, how they take material nonpublic information into account when determining the timing and terms of such an award. In any event, we will take precautions reasonably designed to ensure we do not time the disclosure of material nonpublic information for the purpose of affecting the value of executive compensation.

As noted above, during fiscal year 2025, no NEOs were awarded stock options or other equity awards.

Benefits and Other Compensation

We currently provide healthcare benefits, including medical, vision and dental insurance, subject to certain deductibles and co-payments to our full-time employees. We also provide for paid time off (“PTO”), which includes vacation, sick leave and other out-of-the-office time and is accrued and paid in accordance with our PTO policy and the Paid Sick Leave laws of California. We may also provide group life and disability insurance to employees who are eligible to participate in such programs.

We offer a 401(k)-profit sharing plan for employees who meet the eligibility requirements. Pursuant to the plan, we may make discretionary matching contributions and/or discretionary profit-sharing contributions to the plan. All such contributions must comply with federal pension laws, non-discrimination requirements and the terms of the plan. In determining whether to make a discretionary contribution, the board of directors would evaluate current and future prospects and management’s desire to reward and retain employees and attract new employees. To date, we have never made matching contributions and/or discretionary profit-sharing contributions to any plan.

Other than the foregoing, we do not offer any retirement or other benefit plans to our employees, including our NEOs; however, our board of directors may adopt plans as it deems to be reasonable under the circumstances.

Our NEOs are entitled to participate, if eligible under such benefit plans, in any insurance programs we offer to our employees, are eligible for PTO and to participate in such other fringe benefit programs as we may make available to our other employees. Non-executive employees can cash out up to 80 hours of PTO per request and executives do not have a cap on the hours of PTO eligible for a cash out. However, we reserve the right to deny or modify the cash out requests.

Non-qualified Deferred Compensation

We offer no defined contribution or other plan that provides for the deferral of compensation on a basis that is not tax-qualified to any of our employees including our NEOs.

Pension Benefits

We offer no pension or other specified retirement payments or benefits, including but not limited to tax-qualified deferred benefit plans and supplemental executive retirement plans to our NEOs.

Termination and Change in Control

We do not have agreements, plans or arrangements, written or unwritten, with any of our NEOs that would provide for payments or other benefits to any of our NEOs following, or in connection with, the resignation, retirement or other termination of any NEO or change in control of the Company or a change in the responsibilities of any NEO following a change in control of the Company.

OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END

As of December 31, 2025, there were no outstanding equity awards held by our NEOs.

None of our NEOs exercised any stock options or had any stock vest related to grants made in connection with their employment during the year ended December 31, 2025.

DIRECTOR COMPENSATION

We offer cash compensation to attract and retain candidates to serve on our board of directors.

Meeting Fees

All directors receive a fee of \$1,200 and the recording secretary receives a fee of \$350 per meeting for each meeting attended either in person or telephonically. Additionally, directors are paid \$1,000 for attendance at annual meetings of stockholders, plus airfare and hotel expenses.

Equity Compensation

We do not currently have a fixed plan for the award of equity compensation to our directors, and we did not award any equity compensation to any of our directors during the year ended December 31, 2025.

Director Compensation Table

The following table sets forth a summary of the compensation we paid to our directors during the year ended December 31, 2025.

Name	Fees Earned or Paid in Cash (\$)	All Other Compensation (\$)	Total (\$)
Tom Kubota	\$ 4,800	\$ 285,896 ⁽¹⁾	\$ 290,696
David Wang	\$ 4,800	\$ -	\$ 4,800
Günter Soraperra	\$ 4,800	\$ -	\$ 4,800
Stacy Hadley	\$ 4,800	\$ -	\$ 4,800
Bruce Everakes	\$ 1,200	\$ -	\$ 1,200
Scott Allen	\$ 1,900 ⁽²⁾	110,388	\$ 112,288
Lauren Kubota	\$ 4,650 ⁽³⁾	\$ 92,125 ⁽⁴⁾	\$ 96,775
Kristina Kubota	\$ 3,600 ⁽³⁾	\$ 415 ⁽⁵⁾	\$ 4,015

- (1) Mr. Kubota is employed as the Company’s Chief Executive Officer and President. For details regarding All Other Compensation paid to Mr. Kubota, see “Summary Compensation Table” in Part III, Item 11 *Executive Compensation* of this annual report.
- (2) Scott Allen was paid additional fees of \$350 for the time he served as Secretary of the board of directors, as well as a discretionary bonus of \$350.
- (3) Lauren Kubota and Kristina Kubota were paid additional fees of \$350 for the times they served as Secretary at each meeting of the board of directors. Both Ms. L Kubota and Ms. K. Kubota resigned as Directors on August 11, 2025.
- (4) During fiscal years 2024 and 2025, Lauren Kubota was an employee of the Company. Lauren Kubota resigned as an employee on July 25, 2025. These amounts reflect her salary and other compensation she received in connection with her employment during fiscal years 2024 and 2025. For more details regarding her compensation, see “Summary Compensation Table” in Part III, Item 11 *Executive Compensation* of this annual report.
- (5) During fiscal year 2024, Kristina Kubota was an employee of the Company. Kristina Kubota resigned as an employee on March 5, 2024. These amounts reflect her salary and other compensation she received in connection with her employment during fiscal year 2024. For more details regarding her compensation, see “Summary Compensation Table” in Part II, Item 11 *Executive Compensation* of this annual report.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The following table sets forth, as of March 17, 2026:

- each person known to us to beneficially own more than 5% of our common stock or Series A convertible preferred stock;
- each of our named executive officers;
- each member of our board of directors; and
- all our directors and executive officers as a group.

On March 17, 2026, there were 12,800,000 shares of common stock issued and outstanding and 16,000 shares of Series A convertible preferred stock issued and outstanding.

Beneficial ownership is determined in accordance with the rules of the SEC. These rules generally attribute beneficial ownership of securities to persons who possess sole or shared voting power or investment power with respect to such securities. Except as otherwise indicated, the persons or entities listed below have sole voting and investment power with respect to all shares of the Company’s common stock and Series A convertible preferred stock beneficially owned by them, except to the extent this power may be shared with a spouse.

Unless otherwise indicated, the address of each person or entity named in the table is 19800 MacArthur Blvd, Suite 306 & 307, Irvine, CA 92612.

Name of Beneficial Owner	Common Stock Beneficially Owned ⁽¹⁾		Series A Convertible Preferred Stock Beneficially Owned ⁽²⁾	
	Number	%	Number	%
Directors and Named Executive Officers:				
Tom Kubota ⁽³⁾	8,410,000	65.7%	16,000	100%
Kristina Kubota ⁽³⁾	8,000	*%	--	--%
Lauren Kubota ⁽³⁾	8,000	*%	--	--%
Stacy Hadley	--	--%	--	--%
Günter Soraperra	--	--%	--	--%
David Wang	--	--%	--	--%
Bruce Everakes	702,356	5.5%	--	--%
Scott Allen	--	--%	--	--%
All directors and executive officers as a group (8 persons)	9,128,356	71.2%	16,000	100%

5% Shareholders:

Donald P. Balzano ⁽⁴⁾ 5422 Michelle Drive Torrance, CA 90503	878,640	6.9%	--	--%
---	---------	------	----	-----

* Less than 1%.

- (1) Excludes shares of common stock that may be deemed to be beneficially owned by such persons due to their beneficial ownership of Series A convertible preferred stock, which are convertible to common stock on a one-share-for-one-share basis at any time at the election of the holder.
- (2) Each share of Series A convertible preferred stock is convertible to common stock on a one-share-for-one-share basis at any time at the election of the holder. Each share of Series A convertible preferred stock entitles its holder to vote together with the common stock as a single class on all matters presented to the Company’s common stockholders for their vote. Each outstanding share of Series A convertible preferred stock votes as 20,000 shares of common stock. The Series A convertible preferred stock ranks in parity with the common stock on a per share basis, not on a per vote basis, as to any dividends, liquidation, dissolution or winding up of the Company.
- (3) Mr. Kubota holds the shares in the Tom Kubota Revocable Trust of 2013 (the “Trust”). Mr. Kubota is the sole Trustee and settlor of the Trust. As such he may be deemed to have voting and/or investment power over the shares held by the Trust and therefore may be deemed to be the beneficial owner of those shares. Kristina Kubota and Lauren Kubota are currently beneficiaries of the Trust. As the Trust is revocable, Mr. Kubota could revoke the Trust or change its beneficiaries at any time. Kristina Kubota and Lauren Kubota have no voting or investment power over the shares held by the Trust. If Mr. Kubota is unable or unwilling to serve in the office of Trustee, the Trust documents currently provide that Kristina Kubota and Lauren Kubota would serve as successor co-trustees of the Trust.
- (4) Mr. Balzano was retained as legal counsel for the Company until he passed away in September 2025.

Equity Compensation Plans

The following table sets forth certain information relating to our 2018 Equity Incentive Plan, as of December 31, 2025:

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	-	\$ -	8,000,000*
Equity compensation plans not approved by security holders	-	\$ -	-
Total	-	\$ -	8,000,000*

* Adjusted to reflect the four-shares-for-one-share forward split of the Company’s common stock that took effect on January 6, 2020.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Except as disclosed in Item 11 *Executive Compensation* and below, during the years ended December 31, 2025 and 2024, we did not engage in transactions with related persons (as defined by Rule 404 of Regulation S-K (*Instructions to Item 404(a)*)) that exceeded the lesser of \$120,000 or 1% of the average of our total assets at year-end for the last two fiscal years in which any such related person had or will have a direct or indirect material interest.

We retained Donald P. Balzano, who is a shareholder owning 6.9% of the Company's common stock, as legal counsel until he passed away in September 2025. Mr. Balzano provided legal guidance and expertise in the workers' compensation industry on our behalf. The fees paid to Mr. Balzano are recorded in Professional Fees on the consolidated statement of operations. The retainer agreement with Mr. Balzano had been in place for approximately 25 years and was inadvertently not previously disclosed. For the years ended December 31, 2025 and 2024, respectively, Mr. Balzano earned \$108,108 and \$144,144 related to the retainer agreement.

Director Independence

The board has determined that as of date of this annual report, Mrs. Hadley, Mr. Soraperra, Mr. Wang, and Mr. Everakes would qualify as "independent directors" as that term is defined in the listing standards of the NYSE American. Such independence definition includes a series of objective tests, including that the director is not an employee of the company and has not engaged in various types of business dealings with the company. In addition, the board of directors has made a subjective determination as to each independent director that no relationships exist which, in the opinion of the board of directors, would interfere with the exercise of independent judgment in fulfilling the responsibilities of a director.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

On November 5, 2024, we engaged Boulay PLLP as our independent registered public accounting firm. Boulay PLLP audited our consolidated financial statements for the fiscal years ended December 31, 2024 and 2025. The following is a summary of fees for professional services billed (or to be billed) to us by Boulay PLLP for fiscal years 2024 and 2025 in each of the following categories:

	Boulay PLLP	
	2025	2024
Audit	\$ 120,000	\$ 91,300
Audit related	-	-
Tax	-	-
All other	-	-
Total	\$ 120,000	\$ 91,300

Audit Fees. Audit fees were for professional services rendered in connection with the audit of the financial statements included in our annual report and review of the financial statements included in our quarterly reports on Form 10-Q and for services normally provided by our independent registered public accounting firm in connection with statutory and regulatory filings or engagements.

Board of Directors Pre-Approval Policies and Procedures. At its regularly scheduled and special meetings, our board of directors, in lieu of an established audit committee, considers and pre-approves any audit and non-audit services to be performed by our independent registered public accounting firm. The board of directors has the authority to grant pre-approvals of non-audit services.

Our full board of directors is responsible for the selection, review, and oversight of our independent registered public accounting firm. The board of directors has not, as of the time of filing this annual report with the SEC, adopted policies and procedures for pre-approving audit or permissible non-audit services performed by our independent registered public accounting firm. Instead, the board of directors as a whole pre-approves all such services, except for services meeting a "de minimis" exception. To qualify for the "de minimis" exception, the aggregate amount of all such non-audit services provided to the Company must constitute no more than 5% of the total amount of revenues paid by us to our independent registered public accounting firm during the fiscal year in which the non-audit services are provided; such services were not recognized by us at the time of the engagement to be non-audit services; and the non-audit services are promptly brought to the attention of the board and approved prior to the completion of the audit by the board or by one or more members of the board to whom authority to grant such approval has been delegated. In the future, our board of directors may approve the services of our independent registered public accounting firm pursuant to pre-approval policies and procedures adopted by the board of directors, or an audit committee if one is standing, provided the policies and procedures are detailed as to the particular service, the board of directors is informed of each service, and such policies and procedures do not include delegation of the board of director's responsibilities to our management.

The board of directors has determined that the provision of services by Boulay PLLP as described above is compatible with maintaining their independence as our independent registered public accounting firm.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) (1) *Financial Statements*

The following financial statements of the registrant are included in response to Item 8 of this annual report :

Report of Independent Registered Public Accounting Firm (Boulay PLLP PCAOB ID: #542)	F-2
Consolidated Balance Sheets as of December 31, 2025 and 2024	F-3
Consolidated Statements of Operations for the years ended December 31, 2025 and 2024	F-4
Consolidated Statements of Stockholders' Equity for the years ended December 31, 2025 and 2024	F-5
Consolidated Statements of Cash Flows for the years ended December 31, 2025 and 2024	F-6
Notes to the Consolidated Financial Statements	F-7

(a) (2) *Financial Statement Schedules*

Schedules are omitted because the required information is either inapplicable or presented in the audited consolidated financial statements or related notes.

(a) (3) Exhibits

Exhibit No.	Exhibit Description
3.1	Articles of Incorporation and Amendments thereto⁽¹⁾
3.2	Bylaws⁽¹⁾
3.3	Bylaws⁽²⁾
3.4	Bylaws⁽³⁾
3.5	Bylaws⁽⁴⁾
3.6	Articles of Amendment to Articles of Incorporation to effect 1 share for 50 shares reverse split⁽⁵⁾
3.7	Articles of Amendment to Articles of Incorporation to effect 2.5 shares for 1 share forward split⁽⁵⁾
3.8	Certificate of Designation of Rights, Privileges and Preferences of Series A Convertible Preferred Stock⁽⁶⁾
3.9	Articles of Amendment to Articles of Incorporation to affect four-shares-for-one-share forward split⁽⁷⁾
3.10	Articles of Amendment to Articles of Incorporation, dated December 27, 2019, including Amended Certification of Designation of Rights, Privileges and Preferences of Series A Convertible Preferred Stock to affect a four-shares-for-one-share forward stock split⁽⁸⁾
10.1	Pacific Health Care Organization, Inc. 2018 Equity Incentive Plan⁽⁹⁾⁺
10.2	Services Agreement, dated January 2, 2024, between the Company and NOW CFO⁽¹⁰⁾
10.3	Independent Consultant Agreement, dated March 5, 2024, between the Company and Kristina Kubota⁽¹¹⁾
10.4	Independent Consultant Agreement, dated May 30, 2024, between the Company and Stacy Hadley⁽¹²⁾
14.1	Code of Ethics⁽¹³⁾
19.1	Insider Trading Policy⁽¹⁴⁾
21.1	List of Subsidiaries*
31.1	Certification of Principal Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002*
31.2	Certification of Principal Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002*
32.1	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002*
101	The following materials from Pacific Health Care Organization, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2025, formatted in XBRL (eXtensible Business Reporting Language): (i) the Consolidated Balance Sheet, (ii) the Consolidated Statements of Operations, (iii) the Consolidated Statements of Stockholders' Equity, (iv) the Consolidated Statements of Cash Flows, and (v) Notes to the Consolidated Financial Statements.*
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

+ Indicates management contract, compensatory plan or arrangement of the Company.

* Filed or furnished herewith, as applicable.

- (1) Incorporated by reference to Registrant's Registration Statement on Form 10-SB as filed with the SEC on September 19, 2002.
- (2) Incorporated by reference to Registrant's Registration Statement on Form 10-SB/A-2 as filed with the SEC on July 13, 2004.
- (3) Incorporated by reference to Registrant's Current Report on Form 8-K as filed with the SEC on February 14, 2018.
- (4) Incorporated by reference to Registrant's Quarterly Report on Form 10-Q as filed with the SEC on July 31, 2025.
- (5) Incorporated by reference to Registrant's Definitive Proxy Statement on Schedule 14A as filed with the SEC on March 13, 2008.
- (6) Incorporated by reference to Registrant's Current Report on Form 8-K as filed with the SEC on November 22, 2016.
- (7) Incorporated by reference to Registrant's Current Report on Form 8-K as filed with the SEC on March 27, 2018.
- (8) Incorporated by reference to Registrant's Current Report on Form 8-K as filed with the SEC on January 2, 2020.
- (9) Incorporated by reference to Registrant's Quarterly Report on Form 10-Q as filed with the SEC on May 15, 2018.
- (10) Incorporated by reference to Registrant's Current Report on Form 8-K as filed with the SEC on January 5, 2024.
- (11) Incorporated by reference to Registrant's Annual Report on Form 10-K as filed with the SEC on April 16, 2024.
- (12) Incorporated by reference to Registrant's Annual Report on Form 10-K as filed with the SEC on March 19, 2025.
- (13) Incorporated by reference to Registrant's Annual Report on Form 10-KSB as filed with the SEC on April 17, 2007.
- (14) Incorporated by reference to Registrant's Annual Report on Form 10-K as filed with the SEC on March 19, 2025.

(b) Exhibits:

See Item 15(a)(3) above.

(c) Financial Statement Schedules: See Item 15(a)(2) above.

ITEM 16. FORM 10-K SUMMARY

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this annual report to be signed on its behalf by the undersigned, thereunto duly authorized.

PACIFIC HEALTH CARE ORGANIZATION, INC.

Date: March 17, 2026

By: /s/ Tom Kubota
Tom Kubota Chief Executive Officer,
President and Chairman of the Board
(Principal Executive, Financial and Accounting Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this annual report has been signed below by the following persons on behalf of the registrant and in the capacities and on the date indicated.

Signatures	Title	Date
<u>/s/ Tom Kubota</u> Tom Kubota	Chief Executive Officer, President and Chairman of the Board	March 17, 2026
<u>/s/ David Wang</u> David Wang	Director	March 17, 2026
<u>/s/ Stacy Hadley</u> Stacy Hadley	Director	March 17, 2026
<u>/s/ Günter Soraperra</u> Günter Soraperra	Director	March 17, 2026
<u>/s/ Bruce Everakes</u> Bruce Everakes	Director	March 17, 2026
<u>/s/ Scott Allen</u> Scott Allen	Director and Controller	March 17, 2026

**LIST OF SUBSIDIARIES OF
PACIFIC HEALTH CARE ORGANIZATION, INC.**

The Company has three wholly owned subsidiaries:

Medex Healthcare, Inc. – a California corporation

Medex Managed Care, Inc. – a Nevada corporation

Medex Medical Management, Inc. – a Nevada corporation

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Tom Kubota, certify that:

1. I have reviewed this Annual Report on Form 10-K of Pacific Health Care Organization, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal controls over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 17, 2026

By: /s/ Tom Kubota
Tom Kubota
Chief Executive Officer

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Tom Kubota, certify that:

1. I have reviewed this Annual Report on Form 10-K of Pacific Health Care Organization, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal controls over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 17, 2026

By: /s/ Tom Kubota
Tom Kubota
Principal Financial Officer

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with this Annual Report on Form 10-K of Pacific Health Care Organization, Inc. (the "Company") for the periods ended December 31, 2025, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Tom Kubota, as Chief Executive Officer and as Principal Financial Officer of the Company, certifies, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of his knowledge:

- (1) The Report fully complies with the requirements of section 13 (a) or 15 (d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Date: March 17, 2026

By: /s/ Tom Kubota
Tom Kubota
Chief Executive Officer and Principal Financial Officer