

Tender Care Medical Services, Inc.

POLICY & PROCEDURES

Title: Wage & Salary Administration

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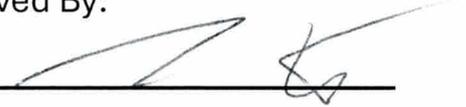
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Revision Date:

Originating Department: Human Resources Approved By:



PURPOSE:

To establish a wage and salary policy that will attract, retain and motivate employees.

Definitions:

Salary Actions:

Includes merit increases, bonus eligibility or design changes, salary adjustments (including promotions, demotions, market adjustments, equity adjustments), new hires, transfers and separations.

Salary Review Date:

The fixed annual month established for annual reviews.

Salary Grades:

Numerical levels that have been given to jobs or job classifications. These levels indicate their relative value within the Company structure. Each grade shall have a minimum, midpoint, and maximum.

Minimum: The lowest rate paid to an employee who meets the minimum job requirements, usually with no prior related experience in the job.

Midpoint/Maximum hiring rate: The midpoint of the wage range is the value set by the Company in its sole discretion, to represent the market median value of this level. Employees who have sufficient years of experience to competently and proficiently handle all aspects of the job will generally be paid near the midpoint of the wage range.

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Maximum/Pay Cap: The maximum of the range is the maximum rate paid for the positions with this level of responsibility.

Benchmark Positions:

Positions common to PPEC industry in general or to a specific labor market which are standard, well-defined jobs used for determining pay comparisons to develop or validate a job- worthy hierarchy. Benchmark jobs may exist in the same configuration outside the Company in similar geographic areas.

POLICY:

The Company's compensation program is intended to incorporate the following philosophies:

Consistency:

All positions are evaluated using the same methodology.

Competitiveness:

Salary ranges are based on competitive pay practices of PPEC providers in each labor market or the market from which employees are attracted. Salary ranges should be reviewed on an annual basis, or at least every two years to ensure continued competitiveness and internal equity.

Development:

The key goal of pay delivery practices is to stimulate employee motivation and promote business development.

Performance:

The business performance of TCMS sites impacts annual compensation programs. Individual employee performance impacts the business performance of TCMS.

Because the safe and efficient provisions of patient care depends on each person's performing his/her duties, the Company has adopted a "pay for performance" compensation philosophy.

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Compliance:

The Company's compensation programs are developed to comply with all applicable laws and regulations, including Equal Employment Opportunity.

SALARY STRUCTURE:

The Corporate Human Resources department shall establish and maintain salary structures which are a sequence of salary grades established as fair and equitable pay for jobs having equivalent or similar internal value or rank. Each position shall be placed in a salary grade established through internal job evaluation and the use of information gained from local competition. An employee's position within this framework will be based upon skills, experience, job knowledge and job performance. Once assigned a grade, a position will remain in that grade unless the position is formally reclassified by the Company's Corporate Human Resources department and approved by the Chief Executive Officer.

To maintain the competitiveness of the salary structure it is recommended it be adjusted annually or every two years.

HIRING RATE:

Candidates who have previous relevant verifiable experience in a position should be given credit for the experience and hired above the minimum rate established for the position. However, no candidate may be offered a starting wage rate that is higher than the midpoint of the range (without the express permission of the Human Resources Director and Chief Executive Officer).

Generally, for each year of verified experience recognized, an increase of 2.0% per year of experience may be added for every year up to the midpoint of the wage range. Credit may be given to an LPN who has converted to a RN at a rate of 1 year's credit for every 2 years of LPN experience. Credit may be given to a CNA who has converted to a RN at a rate of 1 year's credit for every 4 years of CNA experience.

WAGE INCREASES:

The Company's annual compensation budget is intended to cover all salary actions for the fiscal year, including the scheduled annual merit increase and market adjustments. PRN employees are not eligible for merit increases.

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MERIT BASED INCREASES:

Annual wage increases should correspond to each employee's score or rating on his/her annual evaluation.

Employees hired at least 3 months prior to the effective date of annual increases shall be eligible for increases (pro-rated if less than 12 months). Employees with less than 3 months seniority (still in the introductory period) shall not be eligible for an increase until the following year (pro-rated to recognize actual length of employment).

RED CIRCLE COMPENSATION ADJUSTMENTS:

When an employee's wage rate reaches the maximum of the range, the employee's wage must be frozen or "red circled" and may not be increased. Employee's that are "red circled" may receive a lump sum payment of the percent of increase.

Example:

If the employee's evaluation rating equates to a 3.0% increase, they would be eligible for a lump sum payment of 3.0%.

PRN employees are not eligible for red circle compensation adjustments.

Employees who are near the top of their range maximum should have their wages increased up to the range maximum, then be given one-half of the balance of the increase above the top of the range in a lump sum payment.

PROMOTIONS:

Promotions may occur when an employee is advanced to a position that is in a higher salary grade, as a result of a substantial increase in duties and responsibilities and warrants greater compensation. Promotional increases depend on such factors as the length of time since the last salary increase, difference in responsibilities of the new and old positions, and experience and training of the individual versus replacements of the new position.

Promotional Increase Guidelines:

- Up to greater of the minimum of the new salary grade or 3.0% increase for each increase in salary grade, not to exceed the midpoint of the new salary grade. (Exceptions must be approved by the Human Resources Director and the Chief Executive Officer).

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- If appropriate a merit increase may also be added to the promotional increase.

DEMOTIONS:

Demotions may result from events such as involuntary or voluntary reclassifications of positions. When this occurs employees must be moved to the new pay grade, and their base compensation should be adjusted accordingly. Calculate the new wage rate by determining the employee's comparator (current salary or wage comparator divided by the midpoint of the current salary grade and place the employee's new salary or wage at the same comparator in the new lower salary grade.

Where an employee, previously promoted, is returning to a lower job he/she has held previously, calculate where the employee would have been had the promotion had not occurred.

Employees that fail to acquire or maintain the required license or other required credentials within the necessary timeframe will either be terminated or placed in an open position he/she is qualified for and will be as a downward transfer as applicable.

TRANSFERS:

If an employee is reassigned laterally to another position that is in the same salary grade or to a position at another Site, this reassignment/transfer is not considered a promotion and thus a change in compensation is not to occur without approval from the Chief Executive Officer.

TRAINING TIME:

Training time required by the Company is to be integrated as part of a non-exempt (hourly) employee's regular working time.

All training should take place on site and occur within an employee's already scheduled and paid working time. Unpaid meal periods shall not be used for training. No off-site or "off the clock" training time is allowed or reimbursed.

Exempt employees are paid on a salary basis and may train on site at any time.