

DISCIPLINARY STEPS

Should performance, work habits, conduct, or demeanor become unsatisfactory in the judgment of RAILS, based on violations of any RAILS' policies, rules, or regulations, an employee may be subject to disciplinary actions as follows:

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| 1. First Offense | Verbal Warning |
| 2. Second Offense | Written Warning |
| 3. Third Offense | Disciplinary Suspension/Final Written Warning |
| 4. Fourth Offense | Discharge |

All actions above will be documented in writing.

With respect to disciplinary steps, particularly for a third or fourth offense, RAILS will consider the length of time over which the violations occurred as well as their severity. If the first or second offenses occurred more than three years prior to the most recent offense, RAILS will begin a new set of actions.

RAILS is not required to go through the entire disciplinary action process. Discipline may begin at any step, including immediate discharge (especially during the early stages of employment), dependent upon the severity of the incident. The progressive disciplinary steps and the failure to follow the steps in every situation do not in any way create a contractual right to continued employment.

Sometimes, RAILS will find it necessary to investigate the infraction for which an employee may face discharge. In this case, RAILS may suspend the employee, with or without pay, pending the investigation. The objective of this suspension will be to determine if discharge is the proper decision. Following the investigation, if RAILS decides not to discharge the employee, the employee will be reinstated with or without back pay, depending on the circumstances.