

**DATE:** March 19, 2026

**TO:** Regional Transportation Commission

**FROM:** RTC Staff

**RE:** Authority to Form a 501(c)(4) Social Welfare Non-Profit Corporation as a Subsidiary Entity to Provide Rail Services and Serve as the Common Carrier for All or Most of the Santa Cruz Branch Rail Line

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**RECOMMENDATIONS**

Staff recommends that the Regional Transportation Commission (RTC) adopt a Resolution (Attachment 1) approving all documentation necessary to form the non-profit corporation, approving the structure and content of draft bylaws (Exhibit A to Attachment 1), and authorizing the Executive Director to:

1. Form a 501(c)(4) social welfare non-profit corporation as a subsidiary entity to the RTC to provide rail services and serve as the designated operating or non-operating common carrier for all or most of the Santa Cruz Branch Rail Line;
  2. Execute incorporation documentation on behalf of the RTC and the subsidiary;
  3. File final documentation and make minor non-substantive edits as necessary for filing.
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**BACKGROUND**

The Santa Cruz County Regional Transportation Commission (RTC) purchased the 32-mile Santa Cruz Branch Rail Line (SCBRL) from Union Pacific (UP) in 2012 to support multi-modal transportation options in Santa Cruz County, including future inner-city passenger rail and a multi-use trail in the right-of-way. The RTC purchased the SCBRL corridor and all rail assets, which were in poor condition due to declining use and neglected maintenance, while the freight easement and common carrier status were retained by Union Pacific. As a condition of the grant funding used for the

acquisition the RTC committed to maintaining freight service as long as required by the Surface Transportation Board (STB).

The common carrier obligation has been transferred during the ACL term to two subsequent railways while under RTC ownership. The current operator, Saint Paul and Pacific Railroad (SPPR), a subsidiary of Progressive Rail Incorporated (PGR), entered into an Administrative, Coordination, and License (ACL) agreement with the RTC in 2018. SPPR provides limited freight operations in Watsonville for three customers over approximately the first three miles of the SCBRL, between the Pajaro/Watsonville Junction and Lee Road. There are no freight customers north of Watsonville, and most of the SCBRL is inoperable to heavy freight due to the poor condition of the railroad infrastructure, with repair costs exceeding available funding into the foreseeable future. The only other active rail use on the SCBRL is recreational rail service operated by Roaring Camp on 0.4 miles of track near the Santa Cruz Beach Boardwalk.

In February 2026, after years-long contract disputes with Progressive Rail, the Commission terminated the ACL Agreement and authorized staff to take necessary steps to become the common carrier of the SCBRL. Becoming the common carrier will allow the RTC to have full control over the right-of-way and advance priority transportation projects such as the Zero Emission Passenger Rail and Trail (ZEPRT) Project in the long-term and the Coastal Rail Trail in the near-term. Becoming common carrier was a recommendation from the ZEPRT Project Concept report, **accepted** by the RTC at its December 4, 2025 RTC meeting, to advance rail projects for the SCBRL by having full right-of-way control and being in a better position to secure future rail funding and manage the SCBRL.

At the March 5, 2026 RTC Meeting, the Commission authorized the Executive Director to prepare documents for Commission consideration that would form an RTC subsidiary entity to serve as the non-operating common carrier for all or a portion of the line. RTC is authorized to establish a subsidiary entity under Government Code Sections 29535 and 67941, which grants the RTC broad authority to oversee rail projects and services in any manner that facilitates travel, enter into contracts, and conduct activities necessary to fulfill its responsibilities as a regional transportation planning agency. Establishing a subsidiary will limit liability exposure to the RTC and separate railway labor requirements from RTC labor policy.

## **DISCUSSION**

The documents and resolution presented to the Commission today will authorize the RTC to form a 501(c)(4) social welfare non-profit corporation

as a subsidiary entity to RTC and to advance the region's vision for implementation of transportation projects along the RTC-owned branch line, specifically, the coastal rail trail implemented in the near-term and zero emission passenger rail in the long-term, while preserving the SCBRL's availability for current and future freight rail operations once portions of the bridge and rail infrastructure are repaired so as to allow safe freight rail operations.

### Subsidiary Name

As discussed in the March 5, 2026, Commission staff report, the RTC must establish a name for the subsidiary entity and include it in the Final Articles of Incorporation and bylaws for the new non-profit corporation. Staff released a short public survey to gather the community's preferences for the name of the subsidiary. The community was asked to rank preferences for the first part of the name:

- Watsonville-Santa Cruz; or
- Santa Cruz County.

The options for the second part of the name :

- Regional Rail;
- Coastal Rail; and
- Rail Authority.

Survey results and a recommended name will be presented as Attachment 2 after the survey closes on March 16, 2026.

### Statement of Purpose

The RTC must also set forth a Statement of Purpose for the non-profit corporation. The Statement of Purpose is as follows:

The general purpose of this corporation is to operate as a 501(c)(4) social welfare non-profit corporation established on behalf of the Santa Cruz Regional Transportation Commission (SCCRTC) to provide rail services for the SCCRTC by serving as the operating or non-operating common carrier of the Santa Cruz Branch Rail Line to facilitate and provide passenger rail and freight rail services for the benefit of the public and to manage, operate, maintain, and improve the rail property as necessary.

In addition to the general powers authorized for 501(c)(4) corporations, such as to enter into contracts, retain staff and consultants, identify the

principal place of business, prepare financial reports and audits, the Bylaws will include authority to:

- A. Contract with the RTC for administrative services to negotiate, amend, administer, manage, and terminate agreements related to freight easements, rail property, and rail assets, facilities, and infrastructure, including but not limited to operator agreements, crossing agreements, right-of-entry agreements, leases, maintenance of way contracts, and other agreements to achieve the purposes of the non-profit corporation;
- B. Assist the SCCRTC in implementing the Zero Emission Passenger Rail and Trail (ZEPRT) Project and other rail and multi-modal trail projects within the Santa Cruz Branch e Rail Line right-of-way;
- C. Comply with Surface Transportation Board requirements, federal railroad laws, federal railroad employment retirement laws, and other applicable federal and state regulations;
- D. Perform all lawful acts in order to implement passenger and freight rail;
- E. Contract with other rail operators;
- F. Borrow money and incur indebtedness on the Corporation's behalf and cause to be executed and delivered for the Corporation's purposes, in the corporate name, promissory notes, bonds, debentures, deeds of trust, mortgages, pledges, hypothecations, and other evidence of debt and securities;
- G. Enter into cooperative agreements with the RTC;
- H. Prepare annual budgets for review by the RTC and make expenditures consistent with approved budgets;
- I. File and respond to and defend litigation;
- J. Obtain insurance as required by any agreements or determined appropriate by the Board of Directors; and,
- K. Accept and convey real property interests including land and easement conveyances, leases, licenses, encroachment permits and right-of-entry agreements.

Non-Profit Corporation Board of Directors

The Board of Directors of the non-profit corporation will be comprised of the duly appointed RTC Commissioners and the Board will meet regularly to achieve its objectives. The meetings of the Board and any committees created by the Board shall comply with the Brown Act and Board Members

and designated consultants including RTC staff will be subject to California conflict of interest laws in the same manner as currently apply to the RTC.

Non-Profit Establishment Documentation

Upon adoption of the Resolution (Attachment 1) authorizing formation of the subsidiary, the RTC will file on its behalf the following documentation to establish the subsidiary within the State of California and notify the U.S. Department of Treasury, Internal Revenue Service (IRS):

1. **Articles of Incorporation.** The RTC will prepare and file Articles of Incorporation (Exhibit B to Attachment 1) for the subsidiary as a California Nonprofit Mutual Benefit Corporation with the California Secretary of State (SOS) and pay a \$30 fee on behalf of the subsidiary. The filing of the Articles of Incorporation is completed through an online application process, and the substance of the application is set forth in Attachment 1.
2. **Employer Identification Number.** The RTC will apply for an Employer Identification Number (EIN) with the IRS to open a bank account. There is no fee to apply.
3. **Bank Account.** The new non-profit corporation will establish a bank account upon receiving an EIN from the IRS.
4. **Notice of Intent to Operate.** The RTC will file a Notice of Intent to Operate under Section 501(c)(4) (IRS Form 8976) with the IRS and pay a \$50 fee within 60 days of establishing the subsidiary.
5. **Registry of Charitable Trusts.** The new non-profit corporation will also register with the California Attorney General Office's Registry of Charitable Trusts (Form CT-1) and pay a fee of \$50 within 30 days of first receiving RTC funding. The form includes uploading completed California SOS and IRS documents, a list of officers, and a description of organization activities, etc.
6. **Statement of Information.** Within 90 days of incorporation, a Statement of Information (Form SI-100) will be submitted with a \$20 fee. The form must be filed biannually thereafter. The form includes the non-profit corporation name, office of the corporation, mailing address, list of officers, agent to accept service of process, etc.

Documentation to establish the subsidiary entity as a 501(c)(4) non-profit corporation will be filed before the first meeting of the Board of Directors, tentatively scheduled to be held on April 2, 2026.

### Bylaws

The new non-profit corporation will consider and adopt its bylaws (Attachment 1, Exhibit A) for operation at the first meeting of the Board of Directors, scheduled to be held on April 2, 2026.

### Agreement with RTC

The RTC will provide staff services to the non-profit corporation through a future cooperative agreement between the two entities, **anticipated to be recommended for approval this spring**. RTC will provide initial funding for new non-profit corporation and staff will provide administrative services to negotiate, amend, administer, manage, and terminate agreements related to freight easement, rail property, and rail assets, facilities, and infrastructure, including but not limited to operator agreements, crossing agreements, right-of-entry agreements, leases, maintenance of way contracts, and other agreements to achieve the purposes. RTC will provide initial and ongoing funding for the non-profit organization for any costs in excess of revenues generated from operations on the SCBRL. The cooperative agreement will include provisions regarding funding by RTC and reimbursement provisions as well as transfer of assets to RTC in the event of dissolution of new non-profit corporation.

These actions will form the non-profit corporation to develop transportation solutions along the RTC-owned SCBRL, protecting the public interest, preserve existing and future rail use on the SCBRL, and protect the RTC from liability and risks associated with railway operations.

To memorialize this action, **staff recommends the Commission adopt a Resolution (Attachment 1) approving all final documentation necessary to form the non-profit corporation, approving the structure and content of draft bylaws, and authorizing the Executive Director to (1) Form a 501(c)(4) social welfare non-profit corporation as a subsidiary entity to RTC to provide rail services and serve as the designated operating or non-operating common carrier for all or most of the Santa Cruz Branch Rail Line; (2) Execute incorporation documentation on behalf of the RTC and the subsidiary; and (3) File final documentation and to make minor non-substantive edits as necessary for filing.**

### **FISCAL IMPACT**

Filing fees for creation of a subsidiary will be funded through the RTC's Rail budget. Sufficient funding exists in the current fiscal year budget for these

expenditures. Expenditures and labor costs for the subsidiary will be funded through rail revenue. Any net earnings for subsidiary would be used for the purposes of the organization, providing passenger rail and freight services and for recreational purposes including continued recreational rail use by Roaring Camp's Beach Train, amongst potential others.

## **SUMMARY**

The RTC is forming a 501(c)(4) social welfare non-profit corporation as a subsidiary entity to become the operating or non-operating common carrier for the SCBRL to advance transportation solutions along the branch line, protect the public's interest, preserve existing freight in Watsonville, and continue recreational rail use by Roaring Camp. The non-profit corporation will be comprised by the RTC Board of Directors and have administrative duties fulfilled by RTC staff and contracted parties. Establishing the non-profit corporation requires adoption of bylaws to be presented at the first subsidiary entity of the new Board at the meeting on April 2, 2026, and filing of several formation documents before such time.

## **ATTACHMENTS**

1. Resolution
  - a. Bylaws
  - b. Articles of Incorporation Submission Document
2. Staff Recommendation for Subsidiary Name

**RESOLUTION NO.**

Adopted by the Santa Cruz County Regional Transportation Commission  
on the date of March 19, 2026  
on the motion of Commissioner  
duly seconded by Commissioner

A RESOLUTION AUTHORIZING FORMATION OF A 501(C)(4) SOCIAL WELFARE ORGANIZATION AS A SUBSIDIARY TO PROVIDE RAILWAY SERVICES AND SERVE AS THE DESIGNATED COMMON CARRIER FOR THE SANTA CRUZ BRANCH RAIL LINE, ADOPTION OF ALL FINAL DOCUMENTATION NECESSARY TO FORM THE SUBSIDIARY, AND FOR THE EXECUTIVE DIRECTOR TO EXECUTE INCORPORATION DOCUMENTATION ON BEHALF OF RTC AND THE SUBSIDIARY

WHEREAS, the Santa Cruz County Regional Transportation Commission (RTC) purchased the Santa Cruz Branch Rail Line (SCBRL) in October 2012 to advance multi-modal transportation options;

WHEREAS, the RTC anticipates advancing the regional vision for the implementation of the Coastal Rail Trail in the near-term and Zero Emission Passenger Rail and Trail (ZEPRT) project in the long-term, while preserving existing freight and excursion rail service on the SCBRL and the ability for future passenger and freight rail services when necessary funding becomes available;

WHEREAS, the RTC is authorized to establish a subsidiary entity under Government Code Sections 29535 and 67941, which grant RTC broad authority to oversee rail projects and services in any manner that facilitates travel, enter into contracts, and conduct other activities necessary to fulfill its responsibilities as a regional transportation planning agency;

WHEREAS, the subsidiary entity would be a 501(c)(4) social welfare organization and California Non-Profit Mutual Benefit Corporation providing social welfare benefits including rail services for the RTC as the common carrier (either operating and/or non-operating) on the SCBRL to facilitate and provide passenger rail and freight rail services for the benefit of the public and provide functions to manage, operate, maintain and improve the SCBRL rail property as necessary;

WHEREAS, the non-profit corporation would be authorized to conduct all activities, including as provided in Corporations Code Section 7140 and Title 26, USC, Section 501(c)(4) to promote social welfare, including rail infrastructure operation, maintenance and enhancement in Santa Cruz

County, and direct net earnings exclusively to advance the social welfare of the communities served by the RTC, including but not limited to activities supporting transportation, rail operations, infrastructure maintenance, public mobility, environmental stewardship, and other public purposes consistent with operation, maintenance, preservation, or enhancement of the SCBRL;

WHEREAS, formation of the non-profit corporation requires numerous incorporation documents, including, but not limited to, the name of the corporation, Articles of Incorporation, Bylaws, and various additional filings to be executed and filed with the California Secretary of State and the U.S. Department of Treasury, Internal Revenue Service;

WHEREAS, staff has released a short public survey to gain input on the community's preferences for the name of the non-profit corporation with the results to be shared with a formal name recommendation by staff after the survey closes on Monday, March 16, 2026;

WHEREAS, on March 5, 2026, the RTC adopted Resolution No. 39-26 authorizing the Executive Director to take necessary administrative steps to form an entity as a non-profit corporation, with the Board of Directors being the RTC Commissioners, to serve as the designated common carrier and to present to the Commission final documents for adoption at a subsequent meeting;

WHEREAS, staff and counsel have drafted the Bylaws (Exhibit A), Articles of Incorporation (Exhibit B), and additional filings and are prepared to execute and file final documentation before the first meeting of the subsidiary's Board of Directors scheduled for April 2, 2026;

THEREFORE, BE IT RESOLVED BY THE SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION THAT:

1. The RTC authorizes formation of a 501(c)(4) social welfare organization as a subsidiary to provide railway services and serve as the designated common carrier for the Santa Cruz Branch Rail Line;
2. The RTC adopts all required documentation necessary to form the subsidiary 501(c)(4) corporation;
3. The Executive Director is authorized to prepare and execute incorporation documentation on behalf of the RTC and the subsidiary; and
4. The Executive Director and General Counsel are authorized to prepare and file final versions of these documents and to make minor non-substantive edits to the documents necessary for submission of a complete packet of documents to establish the new 501(c)(4) corporation.

AYES: COMMISSIONERS

NOES: COMMISSIONERS

ABSTAIN: COMMISSIONERS

ATTEST:

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Eduardo Montesino, Chair

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Sarah Christensen, Secretary

Exhibits:

- a) Bylaws
- b) Articles of Incorporation Submission Document

**Bylaws of**  
**RAILROAD CORPORATION**  
**A California Nonprofit Mutual Benefit Corporation**

**ARTICLE I**  
**NAME AND PRINCIPAL OFFICE**

The name of the corporation is **RAILROAD CORPORATION** (“ACRONYM”). The principal office for the transaction of the affairs and activities of this corporation shall be located in the County of Santa Cruz. The Board of Directors may change the location of the principal office.

**ARTICLE II**  
**PURPOSE**

**Section 1: General Purpose.** The purpose of this corporation is to operate as a 501(c)(4) social welfare non-profit corporation established on behalf of the Santa Cruz County Regional Transportation Commission (SCCRTC) to provide rail services for the SCCRTC by serving as the operating or non-operating common carrier of the Santa Cruz Branch Rail Line to facilitate and provide passenger rail and freight rail services for the benefit of the public and provide functions to manage, operate, maintain, and improve the rail property as necessary.

**Section 2: Specific Purposes.** The corporation is authorized to conduct all activities, including as provided in California Corporations Code Section 7140 and Title 26 United States Code Section 501(c)(4), necessary or convenient to accomplish the foregoing general purpose and the following specific purposes:

- A. Promote social welfare, including rail infrastructure operation, maintenance, and enhancement in Santa Cruz County.
- B. Direct net earnings exclusively to to advance the social welfare of the communities served by SCCRTC, including but not limited to activities supporting transportation, rail operations, infrastructure maintenance, public mobility, environmental stewardship, and other public purposes consistent with operation, maintenance, preservation, or enhancement of the Santa Cruz Branch Rail Line.
- C. Serve as an operating or non-operating common carrier for passenger and freight rail on the Santa Cruz Branch Line;
- D. Assist the SCCRTC in implementing the Zero Emission Passenger Rail and Trail (ZEPRT) Project and other rail projects;

**ARTICLE III  
LIMITATIONS**

This Corporation is not organized, nor shall it be operated, for pecuniary gain or profit, and it does not contemplate the distribution of gains, profits or dividends to its Directors and officers and is organized solely for the promotion of social welfare. No part of the profits or net income of this Corporation shall ever inure to the benefit of any director, officer or to any individual. Upon the dissolution or winding up of the Corporation, after payment of, or provision for payment of, all debts and liabilities of this Corporation, the remaining assets shall be distributed to SCCRTC or a nonprofit fund, foundation or corporation so that the original purposes can be carried out, as nearly as possible.

**ARTICLE IV  
MEMBERS**

**Section 1: Definitions.** This corporation shall have no members within the meaning of the California Nonprofit Corporation Law, pursuant to Corporation Code §7332(a).

**ARTICLE V  
DIRECTORS**

**Section 1: Number.** The corporation shall have twelve (12) Directors. Each Director shall have one vote.

**Section 2: Tenure.** Each director of the corporation shall serve in that role during the time that Director serves as a SCCRTC Commissioner.

**Section 3: Criteria.** Each SCCRTC Commission Member shall be eligible to and shall serve as a Director only during their term as an SCCRTC Commissioner. No other person may serve as a Director. Each Director may have one alternate who shall be the person designated as Alternate Commissioner for the SCCRTC Commissioner.

**Section 4: Initial Appointment.** The initial members of the Board of Directors shall be appointed by the incorporator of the corporation. The initial members of the Board of Directors shall be the currently appointed Commissioners for the SCCRTC.

**Section 5: Reserved.**

**Section 6: Powers.** Subject to the provisions and limitations of the California Nonprofit Mutual Benefit Corporation Law and any other applicable laws, and subject to any limitations of the Articles of Incorporation and these Bylaws, the corporation's activities and affairs shall be managed, and all corporate powers shall be exercised by, or under the

direction of, the Board.

**Section 7: Specific Powers.** Without prejudice to the general powers set forth in Articles II, Section 2 and V, Section 6 of these Bylaws, but subject to the same limitations, the Board shall have the power to do the following:

- A. Appoint and remove, at the pleasure of the Board, all corporate officers, agents, consultants, and employees; prescribe powers and duties for them as are consistent with the law, the Articles of Incorporation, and these bylaws; fix their compensation; and require from them security for faithful service.
- B. Change the principal office or the principal business office in the County of Santa Cruz from one location to another; cause the corporation to be qualified to conduct its activities in any other state, territory, dependency, or country; conduct its activities in or outside California; and designate a place in the County of Santa Cruz for holding any meeting of Directors.
- C. Contract with SCCRTC for administrative services to negotiate, amend, administer, manage, and terminate agreements related to freight easement, rail property, and rail assets, facilities, and infrastructure, including but not limited to operator agreements, crossing agreements, right-of-entry agreements, leases, maintenance of way contracts, and other agreements to achieve the purposes of [RAILROAD CORPORATION];
- D. Assist the SCCRTC in implementing the Zero Emission Passenger Rail and Trail (ZEPRT) Project and other rail and multi-modal trail projects within the Santa Cruz Branch Line Rail right-of-way.
- E. Comply with Surface Transportation Board requirements, federal railroad laws, federal railroad employment retirement laws, and other applicable federal and state regulations;
- F. Perform all other acts and exercise all lawful powers in order to implement passenger and freight rail; .
- G. Contract with other rail operators;
- H. Borrow money and incur indebtedness on the Corporation's behalf and cause to be executed and delivered for the Corporation's purposes, in the corporate name, promissory notes, bonds, debentures, deeds of trust, mortgages, pledges, hypothecations, and other evidence of debt and securities;
- I. Enter into cooperative agreements with SCCRTC;
- J. Prepare annual budgets for review by SCCRTC and make expenditures consistent with approved budgets;
- K. File and respond to litigation;
- L. Obtain insurance as required by any agreements or determined appropriate by the Board; and,
- M. Accept and convey real property interests including land and easement conveyances, leases, licenses, encroachment permits and right-of-entry agreements.

**Section 8: Occurrence of Vacancies.** A vacancy or vacancies on the Board shall occur in the event of:

- A. The death, removal or resignation of any Director; or
- B. The declaration by resolution of the Board of a vacancy in the office of a Director who has been convicted of a felony, declared of unsound mind by a court order, or found by final order or judgment of any court to have breached a duty arising under Corporations Code §7238 or other applicable laws; or
- C. The end of Director's service as a SCCRTC Commissioner or Commission Alternate; or, A Board member no longer being authorized to represent the jurisdiction they were appointed to represent; or

**Section 9: Reserved.**

**Section 10: Compensation and Reimbursement.** Directors shall serve as volunteers and shall not be compensated. Directors may be reimbursed for expenses, as the Board may establish by resolution to be just and reasonable to the Corporation at the time that the resolution is adopted.

**Section 11: Duties.** Each Director shall perform the duties of a Director, including duties as a member of any committees on which the Director serves, in good faith, in a manner such Director believes to be in the best interests of the Corporation, and with such care, including reasonable inquiry, as an ordinarily prudent person in a like position would use under similar circumstances. In performing the duties of a Director, a Director shall be able to rely on information, opinions, reports, or statements, including financial statements and other financial data, prepared or presented by:

- A. One or more officers, employees or consultants of the Corporation whom the Director believes to be reliable and competent on the matters presented;
- B. Counsel, independent accountants, or other persons as to matters which the Directors believes to be within such person's professional or expert competence;
- C. A committee of the board on which the Director does not serve, as to matters within its designated authority, which committee the Director believes to merit confidences, so long as in any such case the Director acts in good faith, after reasonable inquiry, when the need therefore if indicated by the circumstances and without knowledge that would cause such reliance to be unwarranted; or
- D. A person who performs the duties of Director in accordance with this section shall have no liability based on any alleged failure to discharge the person's obligations as Director.

**Section 12: Conflicts of Interest.** Directors shall be subject to all conflict-of-interest requirements under the California Political Reform Act, Government Code Section 1090

et. seq. and other applicable California laws related to potential conflicts of interest for public officials of transportation agencies and authorities.

**ARTICLE VI  
MEETINGS**

**Section 1: Annual Meeting.** The annual meeting of the Corporation shall be held at such time in the first quarter of the fiscal year as the Board may fix from time to time. At the annual meeting, the Chairperson, Vice-Chair, and Secretary of the Board shall be elected and other business may be transacted, subject to the provisions of these Bylaws. Notice of the annual meeting shall be made in compliance with the Ralph M. Brown Act (Government Code Section 54950 et seq. Each notice shall state the general business to be transacted, and the day, time and place of the meeting.

**Section 2: Board of Directors Regular Meetings.** The Board shall meet quarterly on dates agreed upon by the Board. Notice of regular meetings shall be posted made in compliance with the requirements of the Ralph M. Brown Act. Each such notice shall state the general business to be transacted, and the day, time and place of the meeting. Business may be transacted at any regular meeting of the Board in accordance with the requirements of the Ralph M. Brown Act.

**Section 3: Board of Directors Special Meetings.** Special meetings of the Board may be called by the Chairperson of the Board or any three Directors. Notice of special meetings shall be given to each Director stating the time, place, and business to be discussed at least twenty-four hours before the time of the meeting specified in the notice. Notice shall be delivered to the Board personally or by any other means pursuant to Government Code §54956. Notice shall also be posted at least twenty-four hours prior to the meeting in a publicly accessible location in accordance with the requirements of the Ralph M. Brown Act.

**Section 4: Notice of Meetings.** Notice of all meetings will be given in accordance with the provisions of the Ralph M. Brown Act, Government Code §54950 et. seq. and posted at standard locations for posting of SCCRTC notices. The noticing provisions in these Bylaws shall be subject to revised terms of the Ralph M. Brown Act as such revisions may occur in the future.

**Section 5: Place of Meetings.** All meetings of the Corporation shall be held at such location in the County of Santa Cruz as may be determined by the Board.

**Section 6: Telephonic or Video Appearance.** Teleconferencing or video appearance, as authorized by §54953 of the Ralph M. Brown Act may be used for all purposes in connection with meetings. All votes taken during a teleconferenced or videoconference meeting shall

be by roll call. If teleconferencing is used, the Board shall post agenda at all teleconference locations and conduct teleconference meetings in a manner that protects that statutory and constitutional rights of the parties or the public appearing before the Board. Each teleconference location shall be identified in the notice and agenda of the meeting, and each teleconference location shall be accessible to the public. Consistent with Government Code §54953, individual Directors may participate remotely under “just cause” or “emergency circumstances,” without the requirement to make their teleconference location public, provided that all procedural requirements of §54953 are followed, including limitations on frequency of remote participation, disclosure of circumstances, two-way audiovisual participation, and public access. During the teleconference, at least a quorum of the members of the Board shall participate from locations with the boundaries of Santa Cruz County. The agenda shall provide an opportunity for members of the public to address the legislative body directly pursuant to §54954.3 at each teleconference location.

**Section 7: Quorum.** At any meeting of the Board, a majority of the members of the Board shall constitute a quorum. If less than a quorum is present at a meeting, a majority of the Directors present or the Clerk of the Board may adjourn the meeting from time to time without further notice other than announcement at the meeting, until a quorum shall be present. There shall be no voting by proxies or voting by absentia.

**ARTICLE VII  
OFFICERS**

**Section 1: Offices Held.** The officers of the corporation shall be a Chairperson, a Vice-Chairperson, a Secretary, and such other officers as the Board may from time to time designate. All officers shall be members of the Board. Any number of offices may be held by the same person. The officers of the Corporation shall also serve on the executive committee of the corporation.

**Section 2: Election of Officers.** The officers of this corporation shall be chosen annually by the Board and shall serve at the pleasure of the Board.

**Section 3: Term of Office for Officers.** All officers shall be elected for a term of one year or until their successors are elected and qualified.

**Section 4: Appointment of Other Officers.** The Board may appoint and authorize the Chairperson or another officer to appoint any other officers that the Corporation may require. Each appointed officer shall have the title and authority, hold office for the period, and perform the duties specified in these Bylaws or established by the Board.

**Section 5: Removal of Officers.** The Board may remove any officer with or without cause.

**Section 6: Resignation of Officers.** Any officer may resign at any time by giving written notice to the Board. The resignation shall take effect on the date the notice is received or at any later time specified in the notice. Unless otherwise specified in the notice, the resignation need not be accepted to be effective.

**Section 7: Vacancies in Office.** A vacancy in any office because of death, resignation, removal, disqualification, or any other cause shall be filled in the manner prescribed by these Bylaws for normal appointments to that office. However, vacancies need not be filled on an annual basis.

**Section 8: Responsibilities of Chairperson.** The Chairperson shall preside at all meetings and have such other powers and duties as the Board or these Bylaws may require.

**Section 9: Responsibilities of Vice-Chairperson.** The Vice-Chairperson shall assume the duties of the Chairperson in his or her absence, and shall have such other powers and duties as the Board or these Bylaws may require.

**Section 10: Responsibilities of Secretary.** The Secretary of the Corporation shall have the following responsibilities:

- A. The Secretary shall keep or cause to be kept, at the Corporation's principal office or such other place as the Board may direct, a book of minutes of all meetings, proceedings, and actions of the Board, and of committees of the Board. The minutes of meetings shall include the time and place that the meeting was held; whether the meeting was annual, general, or special, and if special, how authorized; the notice given; and the names of persons present at Board and committee meetings.
- B. The Secretary shall keep or cause to be kept, at the Corporation's principal office, a copy of the Articles of Incorporation and Bylaws, as amended to date.
- C. The Secretary shall give, or cause to be given, notice of all meetings that these Bylaws require to be given. The Secretary shall keep the corporate seal, if any, in safe custody and shall have such other powers and perform such other duties as the Board or the Bylaws may require.
- D. The Secretary shall maintain, or cause to be maintained, the Corporation's records in accordance with the requirements of the California Public Records Act, Government Code §6250 et seq.
- E. The duties set forth hereinabove for the Secretary may be completed with assistance from the Clerk of the Board.

**Section 11: Responsibilities of Treasurer.** The Treasurer of the Corporation, as designated by the Board, shall have the following responsibilities:

- A. The Treasurer shall keep and maintain, or cause to be kept and maintained, adequate and correct books and accounts of the corporation's properties and transactions. The Treasurer shall send or cause to be given to the Directors such financial statements and reports as are required to be given by law, by these Bylaws, or by the Board. The books of account shall be open to inspection by any Director at all reasonable times.
- B. The Treasurer shall deposit, or cause to be deposited, all money and other valuables in the name and to the credit of the corporation with such depositories as the Board may designate; shall disburse the corporation's funds as the Board may order; shall render to the Board, when requested, an account of all transactions as Treasurer and of the financial condition of the corporation; and have such other powers and perform such other duties as the Board or these Bylaws may require.

**Section 12: Prohibition on Contracts with Directors.** No Director of this Corporation nor any other corporation, firm, association, or other entity in which one or more of this Corporation's Directors are directors or have a material financial interest, shall be interested, directly or indirectly, in any contract or transaction with this Corporation.

## **ARTICLE VIII COMMITTEES**

**Section 1: Establishment.** The Board, upon recommendation from the Chairperson, and approval by a majority of the Directors then in office, may create one or more committees, each consisting of two or more Directors but less than a quorum, to serve at the pleasure of the Board. The Board, upon and following a recommendation by the Chairperson, may appoint one or more Directors as alternate members of such committee, who may replace any absent member at any meeting.

**Section 2: Executive Committee.** Pursuant to Article VII of these Bylaws, the Board shall appoint two or more Directors of the Corporation to serve as the executive committee of the Board. All actions of the executive committee shall be reported to and ratified by the Board at the next duly scheduled Board meeting.

**Section 3: Reserved.**

**Section 4: Meetings and Actions of Committees.** Meetings and actions of committees shall be governed by, held, and taken under the provisions of these Bylaws concerning meetings and other Board actions, except that the time for general meetings of committees and calling of special meetings of committees may be set either by Board resolution, or if none, by resolution of the committee. Notice of committee meetings will be given in

accordance with the provisions of the Ralph M. Brown Act. Minutes of each meeting shall be kept and shall be filed with the corporate records, and in accordance with the provisions of the California Public Records Act. The Board may adopt rules for governance of any committee as long as the rules are consistent with these Bylaws. If the Board has not adopted rules, the committee may do so.

**ARTICLE IX  
INDEMNIFICATION AND INSURANCE**

**Section 1: Indemnification.**

- A. To the fullest extent permitted by law, this Corporation shall indemnify its directors and officers, and may indemnify employees, consultants and other persons described in the Corporations Code, including persons formerly occupying such positions, against all expenses, judgments, fines, settlements and other amounts actually and reasonably incurred by them in connection with any "proceeding," as that term is used in the Corporations Code, and including an action by or in the right of the Corporation, by reason of the fact that the person is or was a person described in the Corporations Code. "Expenses," as used in these Bylaws, shall have the same meaning as in the Corporations Code.
- B. To the fullest extent permitted by law including California Corporations Code Section 7237, this Corporation shall indemnify, defend (with counsel acceptable to the SCCRTC), and hold harmless SCCRTC and its elected and appointed officers, officials, employees, agents, contractors and consultants (collectively, the "SCCRTC Indemnitees") from and against any and all liability, loss, damage, claims, expenses and costs (including, without limitation, attorneys' fees and costs of litigation) (collectively, "Liability") of every nature arising out of or in connection with work performed for SCCRTC under the Cooperative Agreement between SCCRTC and the Board
- C. On written request to the Board by any person seeking indemnification under the Corporations Code, the Board shall promptly decide under that code whether the applicable standard of conduct set forth has been met, and if so the Board shall authorize indemnification.
- D. To the fullest extent permitted by law and except as otherwise determined by the Board in a specific instance, expenses incurred by a person seeking indemnification under these Bylaws in defending any proceeding covered by these Bylaws shall be advanced by the Corporation before final disposition of the proceeding, on receipt by the Corporation of an undertaking by or on behalf of that person that the advance will be repaid unless it is ultimately found that the person is entitled to be indemnified by the Corporation for those expenses.

**Section 2: Insurance.** This Corporation shall have the right, and shall use its best efforts,

to purchase and maintain insurance to the full extent permitted by law on behalf of its officers, Directors, employees, consultants and other agents, to cover any liability asserted against or incurred by any officer, director, employee, or agent in such capacity or arising from the officer's, Director's, employee's, or agent's status as such. In addition, this Corporation shall procure insurance as required in the Cooperative Agreement between SCCRTC and this Corporation.

**ARTICLE X  
RECORDS**

**Section 1: Maintenance.** This Corporation shall keep all of the following records, either in written form or in any other form capable of being converted into clearly legible tangible form or in any combination of the two:

- A. Adequate and correct books and records of account; and
- B. Minutes of the proceedings of its board and committees.

**Section 2: Inspection by Directors.** Every Director shall have the absolute right, at any reasonable time, to inspect the Corporation's books, records, and documents of every kind, and to inspect the physical properties of the Corporation. The inspection may be made in person or by the Director's agent or attorney. The right of inspection includes the right to copy and make extracts of books, records, and documents of every kind.

**Section 3: Articles and Bylaws.** This Corporation shall keep, at its principal office, the original or a copy of the Articles of Incorporation and Bylaws, as amended to the current date.

**Section 4: Annual Reports.** The Secretary of the corporation shall prepare and submit, or cause to be prepared and submitted, the following annual reports. The Secretary shall keep, or cause to be kept, copies of all annual reports with the corporation's records.

- A. Annual Report. The annual report shall be prepared within 120 days after the end of the Corporation's fiscal year. This section shall not apply if the Corporation receives less than \$10,000 in gross revenues or receipts during the fiscal year. The report shall contain the following information in appropriate detail:
  - a. A balance sheet as of the end of the fiscal year, an income statement, and statement of cashflows for the fiscal year, accompanied by an independent accountant's report, or if none, by the certificate of an authorized officer of the Corporation that they were prepared without audit from the Corporation's books and records; and
  - b. Any other information required by these Bylaws or the Board.

**Section 5: Annual Statement.** As part of the annual report, or as a separate document if no annual report is issued, the Corporation shall annually prepare and furnish to its Directors a statement of any transaction or indemnification of the kinds in subparagraph B below within 120 days after the end of the Corporation's fiscal year.

- A. The statement shall include:
  - a. A brief description of the transaction;
  - b. The names of interested persons involved and their relationship to the Corporation;
  - c. The nature of interested persons in the transaction;
  - d. The amount of the interested persons' interest, except that in a partnership in which such person is a partner, only the partnership interest need be stated.
- B. Transactions included in the statement shall be those transactions:
  - a. To which the Corporation was a party; and,
  - b. Which involved more than \$10,000 or was one of a number of such transactions with the same person involving, in the aggregate, more than \$10,000.

**ARTICLE XI  
OPERATIONS AND ADMINISTRATION**

**Section 1: Fiscal Year.** The fiscal year of the Corporation shall begin on July 1 and end on June 30 of each year.

**Section 2: Funds.** All funds of the Corporation shall be deposited in such banks, trust companies, or other reliable depositories as the Board from time to time may determine. Deposit balances shall not exceed the Federal Deposit Insurance Corporation insured limit. All checks, drafts, endorsements, notes and evidence of indebtedness of the corporation shall be signed by such officers or agents of the Corporation and in such manner as the Board may determine from time to time. Endorsements for deposits to the credit of the Corporation shall be made in such manner as the Board may determine from time to time.

**Section 3: Contracts.** The Chairperson or any other officer or agent specifically authorized by the Board may, in the name of and on behalf of the Corporation, enter into those contracts or execute and deliver those instruments that are specifically authorized by the Board. Without the express and specific authorization of the Board, no officer or agent may enter into any contract or execution or deliver any instrument in the name of or on behalf of the Corporation.

**Section 4: Brown Act Compliance.** The Board will comply with the provisions of Government Code §54950 through and including §54961. To the extent that any

provisions of these Bylaws are inconsistent with the Ralph M. Brown Act, the provisions of said Act shall prevail. In the event the Corporation does not meet the requirements of Government Code §54952(c), then the Board will not endeavor to meet the requirements of the Brown Act.

**ARTICLE XII  
AMENDMENT**

Except as otherwise provided herein, and subject to the power of Directors to amend or repeal the Bylaws, these Bylaws may be altered, amended or repealed. Bylaws may be adopted by an affirmative vote of a majority of the Directors present at any regular or special meeting, a quorum being assembled, provided that written notice of such meeting, setting forth in detail the proposed revision(s) and explanation(s) therefore, be given not less than 7 days prior to such meeting.

**Articles of Incorporation - CA Nonprofit Corporation - Mutual Benefit Application**

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**Submitter Information**

*The fields below are optional. If entered, the information may be used for contact related to this submission.*

Name Sarah Christensen  
Email Address schristensen@scrtc.org  
Phone Number (831) 460-3200  
Extension 202

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**Corporation Name**

*The proposed name will appear on the record of California Secretary of State exactly as entered. bizfile Online performs a preliminary name check for exact name matches. Once submitted, a final name review determination will be performed.*

A previously reserved name will be used for this filing.\* No

Corporation Name\* RAILROAD CORPORATION  
Confirm Corporation Name\* RAILROAD CORPORATION

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**Initial Street Address of Principal Office of Corporation**

*Must be a physical street address; a PO BOX cannot be used.*

Address\* 1101 Pacific Ave.  
STE/APT/FL Suite 250  
City\* Santa Cruz  
State\* CA  
ZIP Code\* 95060  
Country\* United States

**Initial Mailing Address of Corporation**

*This address will be used for mailing purposes and may be a PO BOX.*

Address\* 1101 Pacific Ave.

STE/APT/FL Suite 250  
City\* Santa Cruz  
State\* CA  
ZIP Code\* 95060  
Country\* United States  
Attention **RAILROAD CORPORATION**

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**Agent for Service of Process**

*An Agent for Service of Process is responsible for accepting legal documents (e.g. service of process, lawsuits, other types of legal notices, etc.) on behalf of your Entity. Select either an Individual or California Registered Corporate Agent (1505).*

Select an Agent Type\* Individual

First Name Sarah

Middle/Initial E

Last Name\* Christensen

Suffix Ms.

Address\* 1101 Pacific Ave.

STE/APT/FL Suite 250

City\* Santa Cruz

State\* CA

ZIP Code\* 95060

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**Purpose Statement**

This corporation is a Nonprofit **Mutual Benefit Corporation** organized under the Nonprofit Mutual Benefit Corporation Law. The purpose of this corporation is to engage in any lawful act or activity other than credit union business, for which a corporation may be organized under such law.

**Tax Exemption Status**

Do you intend to apply for tax exemption?\* No

**Additional Statements**

Does the corporation have a specific purpose?\*

Yes

The specific purpose of this corporation is to\*

The purpose of this corporation is to operate as a 501(c)(4) social welfare non-profit corporation established on behalf of the Santa Cruz Regional Transportation Commission (SCCRTC) to provide rail services for the SCCRTC by serving as the operating or non-operating common carrier of the Santa Cruz Branch Rail Line to facilitate and provide passenger rail and freight rail services for the benefit of the public and provide functions to manage, operate, maintain, and improve the rail property as necessary. In addition, the corporation is authorized to conduct all activities, including as provided in California Corporations Code Section 7140 and Title 26 USC Section 501(c)(4).

Notwithstanding any of the above statements of purpose and powers, this corporation shall not, except to an insubstantial degree, engage in any activities or exercise any powers that are not in furtherance of the specific purpose of this corporation.

**File Date**

*The File Date will be the date the submission is received by the Secretary of State in fileable order and will become the effective date. However, you may specify a Future File Date not to exceed 90 calendar days in the future.*

Select a Filing Date Option\*

Current Date (Most Common) - Document is immediately reviewed and filed.

Future File Date\*

**MM/DD/YYYY**

*Note: All submissions and file dates are subject to review and approval by the Secretary of State.*

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**Attachments**

*Attachments are optional. All attachments should be one-sided, legible, and clearly marked as an attachment, noting which section the attached information relates to for this filing. If there are no attachments to this filing, click Next Step.*

Upload PDF Attachment(s)

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**Review and Signature**

*Review your submission below to confirm the information is exactly as it is to appear on the records of the California Secretary of State.*

**Electronic Signature**

*Only one incorporator is required. If there are multiple incorporators, use the Send for Signatures function.*

Signature Options\*

One Signature

I declare that I am the person who executed this instrument, which execution is my act and deed.\*

Signature\*

Sarah E Kim (Christensen)

Date\*

MM/DD/YYYY

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**Processing Fee Information**

*All fees are required at the time of submission.*

**Processing Fee: \$30.00**

You can go to My Work Queue to monitor the status of your filing. Once your filing is processed, you can go to My Work Queue to view and print your document(s).

All fees must be paid by Visa or Mastercard.



Note: California nonprofit corporations are not automatically exempt from paying California franchise tax or income tax each year. Most corporations must pay a **minimum tax of \$800** to the California Franchise Tax Board each year. For more information, go to <https://www.ftb.ca.gov>.

**Certified Copy**

I would like to receive a certified copy of this filing (\$5.00).

**Service Option**

Select one: Standard, Expedited or Same Day Service (see descriptions below)\* Standard

*Select standard or expedited processing.*

24-Hour Expedited Service - \$350.00: Filing response guaranteed within 24 hours (e.g., submitted Wednesday at 11:00 a.m., filing confirmation or filing response available Thursday by 11:00 a.m.)

Same Day Service - \$750.00: Filing response guaranteed by 4:00 p.m. the same day. Note: The document must be received by the Secretary of State by 9:30 a.m., and a filing confirmation or filing response will be available the same day by 4:00 p.m.

**NOTE:** For Same Day and Expedited Services, the service fee applies only to a single filing submission. Payment for these Services is not a guarantee of approval, nor will it be applied to resubmissions. If you require Same Day or Expedited Services for a resubmission, a new service fee will be required when resubmitting.

For current processing times, go to <https://www.sos.ca.gov/business-programs/business-entities/processing-dates>.

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Click **File Online** below to pay for your filing with a Visa or Mastercard.

This document requires review by the Secretary of State's office for statutory adherence prior to acceptance. Once your payment is submitted, the filing will be forwarded for review.

You can go to My Work Queue to monitor the status of your filing. Once your filing is processed, you can go to My Work Queue to view and print your document(s).

**Staff Recommendation for Subsidiary Name**

The community preferred "Santa Cruz County" at 69.66% over "Watsonville-Santa Cruz" at 30.34% for the first part of the name. The community preferred "Coastal Rail" at 50.33% followed by "Rail Authority" at 30.07% and "Regional Rail" at 19.61%. Therefore, **staff recommends naming the subsidiary Santa Cruz County Coastal Rail.**