
OPERATING AGREEMENT

of

**PUBLIC RADIO CAPITAL STATIONS LLC,
a Colorado limited liability company**

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A COLORADO LIMITED LIABILITY COMPANY**

THIS OPERATING AGREEMENT (this "Agreement") of **PUBLIC RADIO CAPITAL STATIONS LLC** (formerly known as Public Radio Capital Holdings LLC), a limited liability company (the "Company"), organized pursuant to the Colorado Limited Liability Company Act and all amendments thereto (the "Act"), is made and adopted as of the 5th day of July, 2007, by Public Radio Capital, a Colorado nonprofit corporation ("PRC"), as the sole Member of the Company (the "Member"), and the Company.

WITNESSETH:

IT IS AGREED, in consideration of the mutual promises, covenants and agreements contained herein, as follows:

ARTICLE I

FORMATION OF THE COMPANY

Section 1.01. Formation. The Company is organized pursuant to the provisions of the Act and pursuant to the Articles of Organization filed on July 5, 2007 with the Colorado Secretary of State. The rights and liabilities of the Member shall be determined pursuant to the Act and this Agreement. To the extent that the rights or obligations of any Member are different, by reason of any provision of this Agreement, than they would be in the absence of such provision, this Agreement shall, to the extent permitted by the Act, control.

Section 1.02. Conflict between Articles of Organization and this Agreement. If there is any conflict between the terms and provisions of the Articles of Organization and this Agreement, the terms and provisions of the Articles of Organization shall control.

Section 1.03. Purpose. The Company is organized and operated exclusively for purposes described in Section 501(c)(3) of the Internal Revenue Code. The specific activities of the Company shall be advancing the educational and cultural objectives of the public broadcasting system and the interests of the listening public by owning and operating noncommercial educational broadcast stations and assisting public broadcasters with gaining access to capital on an affordable basis when they need to move quickly on radio acquisitions, arranging tax-exempt and taxable financings for station purchases and investing directly in public radio stations to promote independent, plural and local public media ownership across the United States and engaging in all activities that may further and are consistent with such objectives and purposes. The Company is organized to serve and benefit a public interest. The Company shall not operate and shall carry on no activities in a manner that would not further the foregoing exempt purpose or in a manner that could cause the recognition of unrelated business taxable income by the Member. The Company and the Member hereby acknowledge and agree that the accomplishment of the charitable purpose set forth herein shall be of paramount importance and to the extent that any conflict shall arise between the accomplishment of such

purpose and the duty of any person to maximize the profit or other pecuniary interest of the Member, the former shall take precedence.

ARTICLE II

CAPITAL CONTRIBUTIONS

Section 2.01. Contributions. The name, capital contributions and percentage interests of the Member are as listed on Exhibit A attached hereto, as the same may be amended from time to time.

Section 2.02. Additional Capital Contributions. No Member shall be required to make additional capital contributions. A Member may make additional capital contributions to the Company.

Section 2.03. Loans. The Company may, and with the consent of the Member, borrow money from the Member or third party upon such terms and conditions as the Member may determine.

Section 2.04. Capital Accounts. In the event that there shall be more than one member of the Company, the Member shall establish separate capital accounts and allocations for all such members of the Company in accordance with applicable law.

ARTICLE III

ALLOCATION OF PROFIT AND LOSS; DISTRIBUTIONS

Section 3.01. Allocations. So long as there shall be a single member of the Company, all income, gains, losses, credits and deductions shall be reported by the Member as if such Member had directly realized such income, losses or items thereof. Any net cash flow from operations of the Company shall be distributed to the Member within thirty (30) days of receipt thereof by the Company.

ARTICLE IV

MANAGEMENT BY MEMBER

Section 4.01. Management. The business and affairs of the Company shall be managed by the Member in furtherance of the Company's charitable objectives and purposes. Notwithstanding the foregoing, PRC, so long as PRC shall be the Member, shall direct, manage and control the business of the Company to the best of its ability and shall have full and complete authority, power and discretion to manage and control the business, affairs and properties of the Company, to make all decisions regarding those matters and to perform any and all other acts or activities customary or incident to the management of the Company's business and objectives, subject only to the limitations set forth in Section 1.03 hereof.

Section 4.02. Officers. PRC may appoint a representative or such other officers or agents as it may deem necessary for the operation and management of the Company, with such

powers, rights, duties and responsibilities as may be determined by PRC. Any of the positions, or functions of those positions may be held by the same person. Any such representative or an officer need not be a Member or an employee of the Member. All representatives, officers and agents shall be natural persons. Each representative or officer shall hold office for a term of one (1) year until the annual meeting of Members following his or her election or until his or her successor shall have been elected and qualified unless such officer shall earlier resign or be removed at the discretion of the Member.

Section 4.03. Certain Powers of the Member. Without limiting the generality of Sections 1.03 and 4.01, but subject to the provisions of Section 4.04, the Member or such representatives or officers to whom the Member delegates such authority, shall have the power and authority, on behalf of the Company, to do all things necessary or convenient to carry out the business and affairs of the Company, including, but not limited to, those listed below:

(a) acquire property from such persons and on such terms as the Member may determine;

(b) negotiate and execute all instruments and documents, including without limitation, checks, drafts, notes and other negotiable instruments, mortgages and deeds of trust, loan agreements, financing agreements, security agreements, financing statements, documents providing for the acquisition, mortgaging or disposition of personal or real property owned or to be owned by the Company, assignments, bills of sale, leases, investment management agreements, partnership agreements, limited liability company operating agreements for other limited liability companies, and any other instruments or documents necessary or desirable, in the opinion of the Member, to the business of the Company;

(c) protect and preserve the title and interest of the Company with respect to the assets of the Company, to collect all amounts due to the Company, and otherwise to enforce all rights of the Company, and in connection therewith, to retain counsel and institute such suits or proceedings, in the name and on behalf of the Company, or, if the Member shall so determine, in the name of the Member;

(d) dispose of the Property and the Company's assets on such terms as the Member may determine;

(e) borrow money for the Company from such persons and on such terms as the Member may determine, including but not limited to banks, other lending institutions, the Member or affiliates of the Member, and in connection therewith, hypothecate, encumber and grant security interests in its real or personal property and assets of the Company to secure repayment of borrowed sums;

(f) purchase liability or other insurance to protect the assets of the Company and the Company's business, including but not limited to insurance to protect the Member and/or employees of the Company against liability, to the extent permitted by law, for acts or omissions in their capacities as the Member and/or employees;

(g) open and maintain Company accounts with any bank or savings and loan association in the United States insured by the Federal Deposit Insurance Corporation or the Savings Association Insurance Fund and to designate and change signatories on such accounts;

(h) invest any Company funds temporarily (by way of example, but not limitation) in time deposits, short-term deposits, short-term governmental obligations, commercial paper or other investments, and may designate any bank, trust company, brokerage firm or investment advisor to manage the investment of the assets of the Company;

(i) employ accountants, legal counsel and other professionals to perform services for the Company, and expend Company funds to compensate them;

(j) enter into other agreements on behalf of the Company, with any other person or entity for any purpose that the Member determine to be in furtherance of the business of the Company, in such forms as the Member may approve;

(k) declare and pay Distributions to the Member in accordance with this Agreement;

(l) make capital expenditures necessary or desirable to the business of the Company; and

(m) do and perform such other acts as the Member may determine to be necessary or appropriate to the conduct of the Company's business.

Unless authorized to do so by this Agreement or by the Member, no attorney-in-fact, employee or other agent of the Company shall have any power or authority to bind the Company in any way, to pledge its credit or to render it liable pecuniarily for any purpose.

Section 4.04. General Restrictions on Authority.

(a) No officer or any Member shall have the authority to do any of the following without the consent of PRC, so long as PRC shall be a Member:

(i) Cause the Company to take voluntarily any action that would necessarily result in the Company's becoming a debtor in a proceeding under any chapter of the federal Bankruptcy Code, as amended from time to time;

(ii) Amend this Operating Agreement or the Articles;

(iii) Cause the Company to incur extraordinary indebtedness outside of the ordinary course of business in any single transaction or series of related transactions; or

(iv) Approve the merger, exchange or consolidation of the Company with any organization that is not an affiliate of the Company.

Section 4.05. No Lobbying. No substantial part of the activities of the Company shall be the carrying on of propaganda, or otherwise attempting to influence legislation, and the Company shall not participate in, or intervene in (including the publishing or distribution of statements) any political campaign on behalf of or in opposition to any candidate for public office. Notwithstanding any other provision of this Agreement, the Company shall not carry on any other activities not permitted to be carried by an entity exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code, or corresponding section of successor thereto.

Section 4.06. Certificate of Member. Any person dealing with the Company or the Member may rely upon a certificate or written consent signed by the Member with respect to one or more of the following:

- (a) the identity of any representative, officer or Member hereof;
- (b) the existence or non-existence of any fact or facts which constitute a condition precedent to acts by the Member or in any other manner germane to the affairs of the Company;
- (c) the persons who are authorized to execute and deliver any instrument or document of the Company; or
- (d) any act or failure to act by the Company or as to any other matter whatsoever involving the Company or any Member.

Section 4.07. Non-Liability of Members and Officers. Each Member, representative and officer shall perform his or her duties as Members, representatives and officers in good faith, in a manner he or she reasonably believes to be in the best interests of the Company, and with such care as an ordinarily prudent person in a like position would use under similar circumstances. A Member, representative or officer who so performs his or her duties as a Member, representative or officer shall have no liability by reason of being or having been a Member, representative or officer of the Company. No Member, representative or officer in any way guarantees the return of any Member's Contribution or a profit for any Member from the operations of the Company. No Member, representative or officer shall be liable to the Company or to any Member for any loss or damage sustained by the Company or any Member, unless the loss or damage is the result of fraud, gross negligence, willful misconduct, knowing violation of law, willful breach of this Agreement or a knowing breach of fiduciary duty by the Member, representative or officer. In discharging his or her duties, a Member, representative and officer shall be protected in relying in good faith on the records required to be maintained under applicable law and upon such information, opinions, reports or statements by any of the other Members, representative, officer, or agents, or by any other person, as to matters the Member or officer reasonably believes are within such person's professional or expert competence, including information, opinions, reports or statements as to the value and amount of the assets, liabilities, profits or losses of the Company or any other facts pertinent to whether Distributions to Members may properly be paid.

Section 4.08. Indemnification. The Company shall indemnify the Member, officer, employee and agent as provided under applicable law, including § 7-80-410, C.R.S., for any act or omission performed or omitted in good faith and in a manner believed by them to be within the scope of the authority granted to them by this Agreement and in the best interests of the Company; *provided, however*, that such act or omission did not constitute fraud, gross negligence or willful misconduct.

Section 4.09. Method of Giving Consent. Any consent required by this Agreement may be given by a written consent given by the Member at or prior to the doing of the act or thing for which the consent may be required.

Section 4.10. Transfer of Membership Interest. After the filing of the Company's articles of organization, the interest of the Member may be assigned only upon (i) the written consent of the Member, and (ii) the receipt by the Member of an opinion of counsel to the effect that the transfer, if effective, would not cause the Member to fail to be characterized as an entity exempt from tax under Section 501(c)(3) of the Internal Revenue Code, as amended.

ARTICLE V

TAXES

Section 5.01. Elections. The Member may make any tax elections for the Company allowed under the Code or the tax laws of any state or other jurisdiction having taxing jurisdiction over the Company.

Section 5.02. Tax Matters Partners. The Member shall serve as the tax matters partner of the Company pursuant to Section 6231(a)(7) of the Code.

Section 5.03. Fiscal Year. In the event the Company is required to elect a taxable year, such year shall be determined under the principles of Section 706 of the Code. The fiscal year of the Company for tax purposes shall end on December 31 of each year unless the provisions of Section 706 of the Code require otherwise.

ARTICLE VI

DISSOLUTION AND WINDING UP

Section 6.01. Dissolution. The Company shall be dissolved and its affairs wound up, upon the first of the following events to occur:

- (a) The occurrence of an involuntary dissociation with respect to a Member who is the sole Member of the Company.
- (b) The unanimous written consent of all of the Members; or
- (c) The sale of all or substantially all of the assets of the Company.

Section 6.02. Effect of Dissolution. Upon dissolution, the Company shall cease carrying on as distinguished from the winding up of the Company business in which event the Company is not terminated, but continues until the winding up of the affairs of the Company is completed and the Certificate of Dissolution has been filed with the Secretary of State. In the process of winding up the business of the Company, if PRC shall be a Member at the time of Dissolution, the Company shall first offer to PRC the opportunity to buy, at a price equal to their fair market value, the assets of the Company.

Section 6.03. Distribution of Assets on Dissolution. Upon the winding up of the Company, the Distribution of the Company property and assets shall be made in accordance with capital account balances and:

(a) The same shall take into account all capital account adjustments for the Company's taxable year in which the liquidation occurs; and

(b) Liquidation proceeds shall be paid within sixty (60) days of the end of the Company's taxable year or, if later, within ninety (90) days after the date of liquidation.

Section 6.04. Winding Up and Certificate of Dissolution. The winding up of the Company shall be completed when all debts, liabilities and obligations of the Company have been paid and discharged or reasonably adequate provision therefor has been made, and there has been a distribution of all of the remaining property and assets of the Company to the Members in accordance with Section 6.04. Upon the completion of winding up of the Company, a certificate of dissolution shall be delivered to the Secretary of State for filing. The certificate of dissolution shall set forth the information required by the Act.

ARTICLE VII MISCELLANEOUS PROVISIONS

Section 7.01. Inurement. This Agreement shall be binding upon the parties hereto and its successors, and assigns, and each person entering into this Agreement acknowledges that this Agreement constitutes the sole and complete representation made regarding the Company, its purpose and business, and that no oral or written representations or warranties of any kind or nature have been made regarding the proposed investments, nor any promises, guarantees, or representations regarding income or profit to be derived from any future investments.

Section 7.02. No Partnership Intended for Nontax Purposes. The Member has formed the Company under the Act, and, except for federal income tax purposes, expressly does not intend hereby to form a partnership under either the Colorado Uniform Partnership Act nor the Colorado Uniform Limited Partnership Act. The Member does not intend to be a partner as to any third party.

Section 7.03. Rights of Creditors and Third Parties under Agreement. This Agreement is entered into among the Company and the Members for the exclusive benefit of the Company and its Members, and their permitted successors and assignees. This Agreement is expressly not intended for the benefit of any creditor of the Company or any other person. Except and only to the extent provided by applicable statute, no such creditor or third party shall

have any rights under this Agreement or any agreement between the Company and the Member with respect to any contribution or otherwise.

Section 7.04 Modification. This Agreement may be modified from time to time as necessary only by the written agreement of the Company, acting through the vote or consent of and its Member.

Section 7.05 Severability. The provisions of this Agreement are severable and separate, and if one or more is void or voidable by statute or rule of law, the remaining provisions shall be severed therefrom and shall remain in full force and effect.

Section 7.06 Governing Law. This Agreement and its terms are to be construed according to the laws of the State of Colorado.

Section 7.07 Counterparts. This Agreement may be executed in one or more counterparts and all counterparts so executed shall constitute one Agreement binding on all the parties hereto, notwithstanding that all of the parties are not a signatory to the same counterpart.


Section 7.08. Changes in Applicable Law. In the event that the requirements of applicable federal and state laws and regulations that relate to the ownership and operation of the Company are materially altered, or are reinterpreted by a competent tribunal or regulatory board or agency, so as to have a material adverse impact on the rights or interests of the Member, the Members will have the right to amend or modify any affected provisions of this Agreement.

IN WITNESS WHEREOF, this document has been duly executed as of this 5th day of July, 2007.

COMPANY:

PUBLIC RADIO CAPITAL STATIONS LLC

By: PUBLIC RADIO CAPITAL

By: 

Marc Hand, Authorized Representative

MEMBER:

PUBLIC RADIO CAPITAL

By: 

Susan Harmon, Managing Director

EXHIBIT A

CAPITAL CONTRIBUTIONS AND MEMBERSHIP INTERESTS OF MEMBER

Member	Capital Contribution	Membership Interest
PRC	\$100	100%

SUBSCRIPTION AGREEMENT
AND
LETTER OF INVESTMENT INTENT

Public Radio Capital Stations LLC
c/o Public Radio Capital
4600 East Oxford Place
Denver, Colorado 80113

Greetings:

The undersigned tenders this subscription and agrees to contribute \$100 (the "Contribution") to Public Radio Capital Stations LLC (formerly known as Public Radio Capital Holdings LLC), a Colorado limited liability company (the "Company"), upon the terms and conditions set forth below. The undersigned understands that the Company may reject the Contribution for any reason, and that the Company will promptly return the Contribution in the event this subscription is rejected. By execution below, the undersigned acknowledges that the Company is relying upon the accuracy and completeness of the representations contained herein in complying with its obligations under the applicable securities laws.

Included with this Subscription Agreement and Letter of Investment Intent is a copy of the Operating Agreement of the Company, dated July 5, 2007 (the "Operating Agreement").

The undersigned acknowledges and represents to the Company as follows:

(1) The undersigned represents and warrants that the undersigned is a Colorado nonprofit corporation and that the Contribution is being made by the undersigned in the undersigned's name solely for the undersigned's own beneficial interest and not as nominee for, or on behalf of, or for the beneficial interest of, or with the intention to transfer to, any other person, trust or organization.

(2) In connection with this transaction, the undersigned hereby represents and warrants that the undersigned is making the Contribution for investment and not with a view to the resale or distribution thereof.

(3) The undersigned agrees that the undersigned will not transfer its interest in the Company in violation of the provisions of the Operating Agreement in the absence of an effective registration statement relating thereto under the Securities Act of 1933, as amended, or an opinion of counsel satisfactory to the Company and its counsel that such registration under said Act is not required in connection with such transfer.

(4) The undersigned acknowledges that the Contribution and the interest in the Company represented thereby is subject to restrictions on its transfer, as set forth in the

Operating Agreement, and the undersigned agrees to observe and be bound by all such restrictions. The undersigned further agrees that the Company may endorse any certificate representing the interest with an appropriate legend relating to the foregoing.

(5) Prior to making the Contribution, the undersigned has made an investigation of the Company and its business and has made available to the undersigned all information with respect thereto which the undersigned needed to make an informed decision to make the Contribution. The undersigned possesses experience and sophistication as an investor which are adequate for the evaluation of the merits and risks of making the Contribution.

(6) The undersigned recognizes that the Company is a newly-formed company and has no prior operating history, and that making the Contribution as an investment involves a high degree of risk.

(7) The undersigned understands the following concerning the Contribution:

(a) That the transactions relating to the Contribution have not been registered under the Securities Act of 1933 or any state securities laws;

(b) That the undersigned cannot sell its interest in the Company unless the transaction is registered under the Securities Act of 1933, as amended and applicable state securities laws, or pursuant to an exemption from such registration requirements;

(c) That the undersigned must bear the economic risk of this investment for an indefinite period of time because the transactions relating to the Contribution have not been registered under the Securities Act of 1933, as amended or any state securities laws, and, therefore, cannot be sold unless subsequently registered or unless exemptions from such registration requirements are available; and

(d) That even if sale of its interest in the Company is permitted, a purchaser cannot become a member of the Company without the consent of all other members, which they have no obligation to give;


(8) The undersigned agrees to be bound by the provisions of the Operating Agreement and the undersigned will perform all obligations thereunder relating to members of the Company.

(9) The representations, warranties, and agreements made herein by the undersigned are made and given to induce the Company to accept the Contribution from the undersigned.

Dated as of this 5th day of July, 2007.

Very truly yours,

PUBLIC RADIO CAPITAL


By: 
Susan Harmon, Managing Director

Address: Public Radio Capital
4600 East Oxford Place
Denver, Colorado 80113

EIN: 84-1558401

Accepted:

PUBLIC RADIO CAPITAL STATIONS LLC

By 
Marc Hand, Authorized Representative

PUBLIC RADIO CAPITAL STATIONS LLC

FIRST WRITTEN CONSENT OF THE SOLE MEMBER IN LIEU OF ORGANIZATIONAL MEETING

July 5, 2007

The undersigned, being the sole member of Public Radio Capital Stations LLC (formerly known as Public Radio Capital Holdings LLC), a Colorado limited liability company (the "Company"), does hereby consent to, adopt and approve the following resolutions and declare them to be in full force and effect as if adopted at an organizational meeting of the sole member of the Company held on July 5, 2007.

ARTICLES OF ORGANIZATION

RESOLVED, that the Articles of Organization of the Company (the "Articles of Organization") that were filed with the Secretary of State of the State of Colorado on July 5, 2007 be, and hereby are, adopted and approved, and that said Articles of Organization be placed in the records of the Company.

OPERATING AGREEMENT

RESOLVED, that the Operating Agreement of the Company effective as of July 5, 2007 (the "Operating Agreement"), in the form reviewed by the sole member of the Company and attached hereto as Exhibit A, be, and hereby is, approved and adopted as the Operating Agreement of the Company.

MEMBERSHIP CERTIFICATE

RESOLVED, that the form of membership certificate, in the form reviewed by the sole member of the Company, be, and hereby is, ratified, approved and adopted as the form of membership certificate of the Company.

PAYMENT OF ORGANIZATIONAL EXPENSES

RESOLVED, that the Company is hereby authorized, empowered and directed to pay all fees and expenses reasonably necessary for the organization of the Company and to reimburse those persons who have advanced said fees and expenses on behalf of the Company.

ACCEPTANCE OF MEMBER'S SUBSCRIPTION AGREEMENT

RESOLVED, that the subscription agreement of the following corporation, in the form reviewed by the sole member, to purchase an interest in the Company set forth opposite such corporation's name for the consideration indicated, be, and hereby is, accepted; and

FURTHER RESOLVED, that of the total amount of the consideration paid by such corporation shall be deemed a capital contribution to the Company in exchange for an interest in the Company:

Name of Member	Total Amount of Contribution	Type of Consideration	Percentage Ownership
Public Radio Capital	\$100.00	Cash	100%

FISCAL YEAR

RESOLVED, that the fiscal year of the Company shall be from January 1 to December 31.

APPOINTMENT OF OFFICER

RESOLVED, that Marc Hand and Susan Harmon are hereby appointed as the authorized representatives of the Company, to serve until the next annual meeting of the sole member or until their successors are duly appointed and qualified by the Member.

RESOLVED FURTHER, that the Company hereby delegates the power and authority to Marc Hand and Susan Harmon, as authorized representatives of the Company, to do all things necessary or convenient to carry out the business affairs of the Company as set forth in Section 4.03 of the Operating Agreement.


PRIOR ACTS

RESOLVED, that all actions taken on behalf of the Company prior to the date of this unanimous written consent of the sole member of the Company are, and each of them hereby is, ratified, confirmed and approved in all respects.

IN WITNESS WHEREOF, the undersigned, being the sole member of the Company, hereby unanimously consents to and evidences its approval of the actions set forth above as of the date first written above.

APPROVED AND SIGNED:

PUBLIC RADIO CAPITAL

By 
Susan Harmon, Managing Director

Being the sole member of the Company