

PINNACLE WEST CAPITAL CORP

FORM POS AM

(Post-Effective Amendment to Registration Statement)

Filed 12/17/02

Address	400 NORTH FIFTH STREET MS8695 PHOENIX, AZ 85004
Telephone	602 250 1000
CIK	0000764622
Symbol	PNW
SIC Code	4911 - Electric Services
Industry	Electric Utilities
Sector	Utilities
Fiscal Year	12/31

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Registration No. 33-15190

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

POST-EFFECTIVE AMENDMENT NO. 3
TO

FORM S-3

REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

PINNACLE WEST CAPITAL CORPORATION

(Exact name of Registrant as specified in its charter)

ARIZONA
(State of Incorporation)

86-0512431
(I.R.S. Employer
Identification Number)

400 North Fifth Street
Phoenix, Arizona 85004
(602) 250-1000

(Address, including zip code and telephone number,
including area code, of registrant's
principal executive offices)

MATTHEW P. FEENEY
Snell & Wilmer L.L.P.
One Arizona Center
Phoenix, Arizona 85004
(602) 382-6239

(Name, address, including zip code and telephone number,
including area code, of agent for service)

Approximate date of commencement of proposed sale to the public: From time to time after the effective date of this Registration Statement.

If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box. []

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box. [X]

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act Registration Statement number of the earlier effective registration statement for the same offering. []

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. []

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. []

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, or until this Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

THE INFORMATION IN THIS PROSPECTUS IS NOT COMPLETE AND MAY BE CHANGED. WE MAY NOT SELL THESE SECURITIES UNTIL THE REGISTRATION STATEMENT FILED WITH THE SECURITIES AND EXCHANGE COMMISSION IS EFFECTIVE. THIS PROSPECTUS IS NOT AN OFFER TO SELL THESE SECURITIES AND IS NOT SOLICITING AN OFFER TO BUY THESE SECURITIES IN ANY STATE WHERE AN OFFER OR SALE IS PROHIBITED.

SUBJECT TO COMPLETION, DATED December 17, 2002

Prospectus

**PINNACLE WEST CAPITAL CORPORATION
INVESTORS ADVANTAGE PLAN**

13,000,000 SHARES OF COMMON STOCK
(No Par Value)

The Pinnacle West Capital Corporation Investors Advantage Plan (the "Plan"), is designed to provide our existing and potential investors with a convenient cost-effective way to purchase shares of common stock, no par value ("Common Stock") of Pinnacle West Capital Corporation (the "Company"), and to reinvest all or a portion of the cash dividends paid on the Common Stock to purchase shares of Common Stock.

PARTICIPANTS IN THE PLAN MAY:

- * Reinvest all or a portion of cash dividends paid on Common Stock registered in their names or on Common Stock credited to their Plan accounts in shares of Common Stock.
- * Make an initial investment in Common Stock with a cash payment of at least \$50, and additional optional investments thereafter, up to a maximum of \$150,000 per calendar year, including the initial investment.
- * Receive, upon written request, certificates for whole shares of Common Stock credited to their Plan accounts.
- * Deposit certificates representing Common Stock into the Plan for safekeeping.
- * Sell shares of Common Stock credited to their Plan accounts through the Plan.

Shares of Common Stock will be purchased under the Plan, at our option, from newly issued shares, shares held in our treasury, or shares purchased on the open market. Purchases will be effected through an independent agent appointed by us. The Common Stock is listed on the New York and Pacific Stock Exchanges. The closing price of the Common Stock on December 13, 2002 on the New York Stock Exchange was \$31.88.

The purchase price of newly issued or treasury shares of Common Stock purchased under the Plan for an Investment Date (as defined in the Plan) will be the average of the high and low sales prices of the Common Stock reported on the New York Stock Exchange Composite Tape as published in The Wall Street Journal or, for any day on which there is no such publication, in another generally accepted publication for the first business day of the relevant Investment Period (as defined in the Plan), provided that the New York Stock Exchange is open on such day. The price of shares of Common Stock purchased or sold on the open market will be the weighted average price per share (adjusted for brokerage commissions, any related service charges, and applicable taxes) of the aggregate number of shares purchased or sold, respectively, on the open market during the relevant Investment Period. We will pay the costs of administration of the Plan, except that Plan participants will bear the cost of brokerage commissions, any related service charges, and applicable taxes relating to shares of Common Stock purchased or sold on the open market.

SEE "RISK FACTORS" BEGINNING ON PAGE 3 OF THIS PROSPECTUS TO READ ABOUT

CERTAIN FACTORS YOU SHOULD CONSIDER.

This Prospectus contains a summary of the material provisions of the Plan and, therefore, this Prospectus should be retained by participants in the Plan for future reference.

Our principal executive offices are located at 400 North Fifth Street, Phoenix, Arizona 85004. Our telephone number is (602) 250-1000.

**THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES
AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS
THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES
COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS
PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A
CRIMINAL OFFENSE.**

The date of this Prospectus is _____.

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RISK FACTORS

Before purchasing our Common Stock you should carefully consider the following risk factors as well as the other information contained in this Prospectus and the information incorporated by reference, including the

information under the heading "Forward-Looking Statements," in order to evaluate an investment in our Common Stock. Although we have tried to discuss key factors in this Prospectus, please be aware that other risks may prove to be important in the future. New risks may emerge at any time and we cannot predict such risks or estimate the extent to which they may affect our financial performance.

IF WE ARE NOT ABLE TO ACCESS CAPITAL AT COMPETITIVE RATES, OUR ABILITY TO IMPLEMENT OUR FINANCIAL STRATEGY WILL BE ADVERSELY AFFECTED.

We rely on access to both short-term money markets and longer-term capital markets as a significant source of liquidity and for capital requirements not satisfied by the cash flow from our operations. We believe that we will maintain sufficient access to these financial markets based upon current credit ratings. However, certain market disruptions or a downgrade of our credit rating may increase our cost of borrowing or adversely affect our ability to access one or more financial markets. Such disruptions could include:

- * an economic downturn;
- * capital market conditions generally;
- * the bankruptcy of an unrelated energy company;
- * market prices for electricity and gas;
- * terrorist attacks or threatened attacks on our facilities or unrelated energy companies; or
- * the overall health of the utility industry.

Changes in economic conditions could result in higher interest rates, which would increase our interest expense on our debt and reduce funds available to us for our current plans. Additionally, an increase in our leverage could adversely affect us by:

- * increasing the cost of future debt financing;
- * increasing our vulnerability to adverse economic and industry conditions;
- * requiring us to dedicate a substantial portion of our cash flow from operations to payments on our debt, which would reduce funds available to us for operations, future business opportunities or other purposes; and
- * placing us at a competitive disadvantage compared to our competitors that have less debt.

See the following two Risk Factors for more information relating to this discussion.

THE CONSTRUCTION COSTS OF THE GENERATION FACILITIES OF PINNACLE WEST ENERGY CORPORATION ("PINNACLE WEST ENERGY") COULD NEGATIVELY IMPACT OUR RESULTS OF OPERATIONS.

Pinnacle West Energy, one of our wholly-owned subsidiaries, has completed or has under construction about 1,790 MW of natural gas-fired generating capacity at an estimated cost of about \$1 billion. In addition, Pinnacle West Energy has begun construction of the 570 MW Silverhawk plant in Nevada at an estimated cost of approximately \$400 million. On November 22, 2002, Pinnacle West Energy announced the decision to cancel Redhawk Units 3 and 4, two 530-megawatt natural gas-fired generators that were scheduled to begin producing electricity by early 2007. As a result of the plant cancellation, we expect to record a charge of approximately \$50 million before income taxes (\$30 million

after-tax or \$0.35 per share) in the fourth quarter of 2002. Pinnacle West Energy's expansion plans will be sized to meet cash flow and market conditions.

Pinnacle West Energy has funded and is currently funding its capital requirements through capital infusions from us. We finance those infusions through debt financings and internally generated cash. We financed Pinnacle West Energy's generation expansion program premised upon Pinnacle West Energy's receipt of the generation assets of Arizona Public Service Company ("APS"), our public utility subsidiary, by the end of 2002, as previously required by the ACC's electric competition rules and the 1999 settlement agreement.

Through early-2004, we will need to refinance or repay approximately \$790 million of debt incurred by us to finance Pinnacle West Energy's construction of generation plants built since 1999 to serve APS customers. In addition, we must finance the ongoing capital expenditures for the Pinnacle West Energy construction program. Failure to refinance or repay a portion of this debt at the subsidiary level could adversely impact our credit ratings.

The ACC's reversal of the generation asset transfer requirement results in Pinnacle West Energy being unable to obtain investment grade credit ratings. This, in turn, precludes Pinnacle West Energy from accessing capital markets to finance its ongoing construction program or to refinance the bridge financing provided by us to fund the construction of Pinnacle West Energy generation assets or from effectively competing in the wholesale markets.

On September 16, 2002, APS filed an application with the ACC requesting the ACC to allow APS to borrow up to \$500 million and to lend the proceeds to Pinnacle West Energy or to us; to guarantee up to \$500 million of Pinnacle West Energy's or our debt, or a combination of both, not to exceed \$500 million in the aggregate. On November 8, 2002, APS filed an interim financing application with the ACC requesting the ACC to permit APS to (a) make short-term advances to Pinnacle West in the form of an inter-affiliate line of credit in the amount of \$125 million or (b) guarantee \$125 million of Pinnacle West's short-term debt. On November 22, 2002, the ACC approved APS' request to make the \$125 million interim loan or guarantee, subject to various conditions, including the ACC examining ways to improve regulatory insulation between APS and its affiliates in the ACC's consideration of APS' \$500 million financing application. On December 13, 2002, the ACC staff filed its testimony in connection with APS' \$500 million financing application and recommended approval of the financing application, subject to certain conditions, including that the APS loan to Pinnacle West Energy be secured by certain Pinnacle West Energy assets and have a maturity date of not more than four years, unless otherwise ordered by the ACC. The ACC staff also recommended that APS not be allowed to pay dividends if, as a result of the payment, APS' common equity ratio would fall below 40%. The ACC hearing on the financing application is scheduled to begin on January 8, 2003. We are unable to predict what actions, if any, the ACC might propose or take in connection with these matters.

Our credit ratings could be adversely affected if APS' \$500 million financing application is not approved by the ACC. On November 4, 2002, Standard and Poor's Corporation lowered our senior unsecured debt rating from "BBB" to "BBB-." On December 4, 2002, Fitch Ratings placed certain of our debt and that of APS on Ratings Watch Negative.

In the event that the ACC does not approve the \$500 million financing application, we believe that we would be able to access the capital markets or take other steps to refinance or repay our outstanding debt and continue to meet our ongoing capital requirements, although there can be no assurance that we would be able to do so and a downgrading of our debt ratings may result. See the preceding and following Risk Factor.

**A SIGNIFICANT REDUCTION IN OUR CREDIT RATINGS COULD MATERIALLY AND
ADVERSELY AFFECT OUR BUSINESS, FINANCIAL CONDITION AND RESULTS OF OPERATIONS.**

We cannot be sure that any of our current ratings will remain in effect for any given period of time, particularly in light of the action recently taken by Fitch (see "Summary - Recent Developments - Change in Credit Ratings" above) or that a rating will not be lowered or withdrawn entirely by a rating agency if, in its judgment, circumstances in the future so warrant. Any downgrade could increase our borrowing costs which would diminish our financial results. We would likely be required to pay a higher interest rate in future financings, and our potential pool of investors and funding sources could decrease. A downgrade could require additional support in the form of letters of credit or cash or other collateral and otherwise have a material adverse effect on our business, financial condition and results of operations. If our short-term ratings were to be lowered, it could limit our access to the commercial paper market. We note

that the ratings from credit agencies are not recommendations to buy, sell or hold our securities and that each rating should be evaluated independently of any other rating. See the preceding two Risk Factors.

DEREGULATION OR RESTRUCTURING OF THE ELECTRIC INDUSTRY MAY RESULT IN INCREASED COMPETITION, WHICH COULD HAVE A SIGNIFICANT ADVERSE IMPACT ON OUR BUSINESS AND OUR FINANCIAL RESULTS.

Retail competition could have a significant adverse financial impact on us due to an impairment of assets, a loss of retail customers, lower profit margins or increased costs of capital. In 1999, the ACC approved rules that provide a framework for the introduction of retail electric competition in Arizona. Under the rules, as modified by a 1999 settlement agreement among APS and various parties, APS was required to transfer all of its competitive electric assets and services to an unaffiliated party or parties or to a separate corporate affiliate or affiliates no later than December 31, 2002. Pursuant to an ACC order dated September 10, 2002, the ACC unilaterally modified the 1999 settlement agreement and directed APS to cancel any plans to divest interests in any of its generating assets. The ACC further established a requirement that APS competitively procure, at a minimum, any power required for its retail customers that APS cannot produce from its existing generating assets. The ACC ordered the ACC staff and interested parties to develop a competitive procurement process by March 1, 2003. These regulatory developments and legal challenges to the rules have raised considerable uncertainty about the status and pace of retail electric competition in Arizona. Although some very limited retail competition existed in APS' service area in 1999 and 2000, there are currently no active retail competitors offering unbundled energy or other utility services to APS' customers. As a result, we cannot predict when, and the extent to which, additional competitors will re-enter APS' service territory. These matters are discussed in detail in the documents filed by us with the Securities and Exchange Commission ("SEC"). See "Where You Can Find More Information" below.

As a result of changes in federal law and regulatory policy, competition in the wholesale electricity market has greatly increased due to a greater participation by traditional electricity suppliers, non-utility generators, independent power producers, and wholesale power marketers and brokers. This increased competition could affect our load forecasts, plans for power supply and wholesale energy sales and related revenues. As a result of the changing regulatory environment and the relatively low barriers to entry, we expect wholesale competition to increase. As competition continues to increase, our financial position and results of operations could be adversely affected.

THE PROCUREMENT OF WHOLESALE POWER BY APS WITHOUT THE ABILITY TO ADJUST

RETAIL RATES COULD HAVE AN ADVERSE IMPACT ON OUR BUSINESS AND FINANCIAL RESULTS.

A 1999 settlement agreement limits APS' ability to change retail rates until at least July 1, 2004, which could have a significant adverse financial impact on us if wholesale power prices significantly exceed the amount included for generation costs in APS' current bundled retail rates. Under the ACC's rules, APS is the "provider of last resort" for standard-offer, full-service customers under rates that have been approved by the ACC. These rates are established until at least July 1, 2004. The 1999 settlement agreement allows APS to seek adjustment of these rates in the event of emergency conditions or circumstances, such as the inability to secure financing on reasonable terms; material changes in APS' cost of service for ACC-regulated services resulting from federal, tribal, state or local laws; regulatory requirements; or judicial decisions, actions or orders. Energy prices in the western wholesale market vary and, during the course of the last two years, have been volatile. At various times, prices in the spot wholesale market have significantly exceeded the amount of generation costs per kilowatt hour (kWh) included in APS' current retail rates. In the event of shortfalls due to unforeseen increases in load demand or generation or transmission outages, APS may need to purchase additional supplemental power in the wholesale spot market. Additionally, the ACC is developing a process by which APS will competitively solicit bids for certain wholesale power requirements in 2003 and subsequent years. The ACC's development of the competitive procurement process will not be completed until at least early 2003, and the final requirements of the process may adversely affect the cost of APS' procurement of wholesale power. In sum, there can be no assurance that APS would be able to fully recover the costs of wholesale power under its present rate structure. Although APS could seek to adjust its rates under the emergency provisions of the settlement agreement discussed above, ACC approval of such an adjustment also cannot be assured.

WE ARE SUBJECT TO COMPLEX GOVERNMENT REGULATION WHICH MAY HAVE A NEGATIVE

IMPACT ON OUR BUSINESS AND OUR RESULTS OF OPERATIONS.

We are, directly and through our subsidiaries, subject to governmental regulation which may have a negative impact on our business and results of operations. We are a "holding company" within the meaning of the Public Utility Holding Company Act ("PUHCA"); however, we are exempt from the provisions of PUHCA by virtue of our filing of an annual exemption statement with the SEC.

APS is subject to comprehensive regulation by several federal, state and local regulatory agencies, which significantly influence its operating environment and may affect its ability to recover costs from utility customers. APS is required to have numerous permits, approvals and certificates from the agencies that regulate APS' business. The Federal Energy Regulatory Commission ("FERC"), the Nuclear Regulatory Commission ("NRC"), the Environmental Protection Agency ("EPA"), and the Arizona Corporation Commission ("ACC") regulate many aspects of our utility operations, including siting and construction of facilities, customer service and the rates that APS can charge customers. We believe the necessary permits, approvals and certificates have been obtained for APS' existing operations. However, we are unable to predict the impact on our business and operating results from the future regulatory activities of any of these agencies. Changes in regulations or the imposition of additional regulations could have an adverse impact on our results of operations.

RECENT EVENTS IN THE ENERGY MARKETS THAT ARE BEYOND OUR CONTROL MAY HAVE

NEGATIVE IMPACTS ON OUR BUSINESS.

As a result of the energy crisis in California during the summer of 2001, the recent volatility of natural gas prices in North America, the filing of bankruptcy by the Enron Corporation, and investigations by governmental authorities into energy trading activities, companies generally in the regulated and unregulated utility businesses have been under an increased amount of public and regulatory scrutiny. The capital markets and ratings agencies also have increased their level of scrutiny. We believe that we are complying with all applicable laws, but it is difficult or impossible to predict or control what effect these or related issues may have on our business or our access to the capital markets.

OUR RESULTS OF OPERATIONS CAN BE ADVERSELY AFFECTED BY Milder WEATHER.

Weather conditions directly influence the demand for electricity and affect the price of energy commodities. Electric power demand is generally a seasonal business. In Arizona, demand for power peaks during the hot summer months, with market prices also peaking at that time. As a result, our overall operating results fluctuate substantially on a seasonal basis. In addition, we have historically sold less power, and consequently earned less income, when weather conditions are milder. As a result, unusually mild weather could diminish our results of operations and harm our financial condition.

THERE ARE INHERENT RISKS IN THE OPERATION OF NUCLEAR FACILITIES, SUCH AS

ENVIRONMENTAL, HEALTH AND FINANCIAL RISKS AND THE RISK OF TERRORIST ATTACK.

Through APS, we have an ownership interest in and operate the Palo Verde Nuclear Generating Station ("Palo Verde"). Palo Verde is subject to environmental, health and financial risks such as the ability to dispose of spent nuclear fuel, the ability to maintain adequate reserves for decommissioning, potential liabilities arising out of the operation of these facilities, and the costs of securing the facilities against possible terrorist attacks. We maintain nuclear decommissioning trust funds and external insurance

coverage to minimize our financial exposure to these risks; however, it is possible that damages could exceed the amount of insurance coverage.

The NRC has broad authority under federal law to impose licensing and safety-related requirements for the operation of nuclear generation facilities. In the event of noncompliance, the NRC has the authority to impose fines or shut down a unit, or both, depending upon its assessment of the severity of the situation, until compliance is achieved. In addition, although we have no reason to anticipate a serious nuclear incident at Palo Verde, if an incident did occur, it could materially and adversely affect our results of operations or financial condition. A major incident at a nuclear facility anywhere in the world could cause the NRC to limit or prohibit the operation or licensing of any domestic nuclear unit.

The operation of Palo Verde requires licenses that need to be periodically renewed and/or extended. We do not anticipate any problems renewing these licenses. However, as a result of potential terrorist threats and increased public scrutiny of utilities, the licensing process could result in increased licensing or compliance costs that are difficult or impossible to predict.

THE USE OF DERIVATIVE CONTRACTS IN THE NORMAL COURSE OF OUR BUSINESS COULD RESULT IN FINANCIAL LOSSES THAT NEGATIVELY IMPACT OUR RESULTS OF OPERATIONS.

Our operations include managing market risks related to commodity prices, changes in interest rates, and investments held by our pension plan and nuclear decommissioning trust funds. We are exposed to the impact of market fluctuations in the price and transportation costs of electricity, natural gas, coal, and emissions allowances and credits. We have established procedures to manage risks associated with these market fluctuations by utilizing various commodity derivatives, including exchange-traded futures and options and over-the-counter forwards, options, and swaps. As part of our overall risk management program, we enter into derivative transactions to hedge purchases and sales of electricity, fuels, and emissions allowances and credits. The changes in market value of such contracts have a high correlation to price changes in the hedged commodity.

We are exposed to losses in the event of nonperformance or nonpayment by counterparties. We use a risk management process to assess and monitor the financial exposure of all counterparties. Despite the fact that the majority of trading counterparties are rated as investment grade by the credit rating agencies, there is still a possibility that one or more of these companies could default, resulting in a material adverse impact on our earnings for a given period.

Changing interest rates will affect interest paid on variable-rate debt and interest earned by our pension plan and nuclear decommissioning trust funds. Our policy is to manage interest rates through the use of a combination of fixed-rate and floating-rate debt. The pension plan and nuclear decommissioning trust funds also have risks associated with changing market values of equity investments. Pension and nuclear decommissioning costs are recovered in regulated electricity prices.

THE UNCERTAIN OUTCOME REGARDING THE CREATION OF REGIONAL TRANSMISSION ORGANIZATIONS, OR RTOS, MAY MATERIALLY IMPACT OUR OPERATIONS, CASH FLOWS OR FINANCIAL POSITION.

In a December 1999 order, the FERC set minimum characteristics and functions that must be met by utilities that participate in RTOs. The characteristics for an acceptable RTO include independence from market participants, operational control over a region large enough to support efficient and nondiscriminatory markets, and exclusive authority to maintain short-term reliability. On October 16, 2001, APS and other owners of electric transmission lines in the Southwest filed with the FERC a request for a declaratory order confirming that their proposal to form WestConnect RTO, LLC would satisfy the FERC's requirements for the formation of an RTO. On October 10, 2002, the FERC issued an order finding that the WestConnect proposal, if modified to address specified issues, could meet the FERC's RTO requirements and provide the basic framework for a standard market design for the southwest. In its order, the FERC also stated that its approval of various WestConnect provisions addressed in the order would not be overturned or affected by the final rule the FERC intends to ultimately adopt in response to its July 31, 2002

Notice of Proposed Rulemaking regarding a standard market design for the electric utility industry. FERC did not address all of the proposed WestConnect provisions in its order and some could still be affected by a final rule in the pending rulemaking proceeding. We cannot currently predict what, if any, impact there may be to the WestConnect proposal or to us if the FERC adopts the proposed rule. On November 12, 2002, APS and the other owners filed a request for rehearing and clarification on portions of the October 10 order.

WE ARE SUBJECT TO NUMEROUS ENVIRONMENTAL LAWS AND REGULATIONS WHICH MAY INCREASE OUR COST OF OPERATIONS, IMPACT OUR BUSINESS PLANS, OR EXPOSE US TO ENVIRONMENTAL LIABILITIES.

We are subject to numerous environmental regulations affecting many aspects of our present and future operations, including air emissions, water quality, wastewater discharges, solid waste, and hazardous waste. These laws and regulations can result in increased capital, operating, and other costs, particularly with regard to enforcement efforts focused on power plant emissions obligations. These laws and regulations generally require us to obtain and comply with a wide variety of environmental licenses, permits, inspections and other approvals. Both public officials and private individuals may seek to enforce applicable environmental laws and regulations. We cannot predict the outcome (financial or operational) of any related litigation that may arise.

In addition, we may be a responsible party for environmental clean up at sites identified by a regulatory body. We cannot predict with certainty the amount and timing of all future expenditures related to environmental matters because of the difficulty of estimating clean-up costs. There is also uncertainty in quantifying liabilities under environmental laws that impose joint and several liability on all potentially responsible parties.

We cannot be sure that existing environmental regulations will not be revised or that new regulations seeking to protect the environment will not be adopted or become applicable to us. Revised or additional regulations that result in increased compliance costs or additional operating restrictions, particularly if those costs are not fully recoverable from APS' customers, could have a material adverse effect on our results of operations.

THE MARKET PRICE OF OUR COMMON STOCK MAY BE VOLATILE.

The market price of our common stock could be subject to significant fluctuations in response to factors such as the following, some of which are beyond our control:

- * variations in our quarterly operating results;
- * operating results that vary from the expectations of management, securities analysts and investors;
- * changes in expectations as to our future financial performance, including financial estimates by securities analysts and investors;
- * developments generally affecting industries in which we operate, particularly the energy distribution and energy generation industries;
- * announcements by us or our competitors of significant contracts, acquisitions, joint marketing relationships, joint ventures or capital commitments;
- * announcements by third parties of significant claims or proceedings against us;
- * favorable or adverse regulatory developments;
- * our dividend policy;

* future sales of our equity or equity-linked securities; and

* general domestic and international economic conditions.

In addition, the stock market in general has experienced extreme volatility that has often been unrelated to the operating performance of a particular company. These broad market fluctuations may adversely affect the market price of our common stock.

As of December 12, 2002, the sales price of our common stock since January 1, 1998 has ranged from a high of \$52.69 on October 3, 2000 to a low of \$21.70 on October 8, 2002.

**OUR STOCK PRICE COULD BE AFFECTED BECAUSE A SUBSTANTIAL NUMBER OF SHARES OF
OUR COMMON STOCK COULD BE AVAILABLE FOR SALE IN THE FUTURE.**

Sales in the public market of a substantial number of shares of common stock could depress the market price of the common stock and could impair our ability to raise capital through the sale of additional equity securities. Because of the number of shares of our common stock that we are authorized to issue under our articles of incorporation, a substantial number of shares of our common stock could be available for future sale.

**OUR CASH FLOW AND ABILITY TO PAY DIVIDENDS LARGELY DEPENDS ON THE
PERFORMANCE OF OUR SUBSIDIARIES.**

We conduct our operations primarily through subsidiaries. Substantially all of our consolidated assets are held by such subsidiaries. Accordingly, our cash flow and our ability to pay dividends on our capital stock are largely dependent upon the earnings of these subsidiaries and the distribution or other payment of such earnings to us in the form of dividends, loans or advances or repayment of loans and advances from us. The subsidiaries are separate and distinct legal entities and have no obligation to pay dividends or to make any funds available for such payment.

The debt agreements of some of our subsidiaries may restrict their ability to pay dividends, make distributions or otherwise transfer funds to us. Section 39(III) of APS' mortgage requires APS to meet a financial covenant before paying common stock dividends. Under this covenant, APS may pay dividends on its common stock if there is a sufficient amount "available" from retained earnings and the excess of cumulative book depreciation (since the mortgage's inception) over mortgage depreciation, which is the cumulative amount of additional property pledged each year to address collateral depreciation. As of December 31, 2001, the amount "available" under the mortgage would have allowed APS to pay approximately \$2.8 billion of dividends compared to APS' current annual common stock dividends of \$170 million. See also a potential dividend restriction proposed by the ACC staff in connection with its testimony in connection with APS' \$500 million financing application as discussed above.

**WE HAVE AND MAY ENTER INTO CREDIT AND OTHER AGREEMENTS FROM TIME TO TIME
THAT RESTRICT OUR ABILITY TO PAY DIVIDENDS.**

Payment of dividends on the common stock may be restricted by loan agreements, indentures and other transactions entered into by us from time to time. As of the date of this prospectus supplement, our bridge facility restricts our ability to pay dividends to dividends paid on our capital stock in the ordinary course and consistent with past practice (including increases in such dividends consistent with past practices). However, if an event of default exists under that facility, we would be prohibited from paying any dividends while the event of default continues.

**CERTAIN PROVISIONS OF OUR ARTICLES OF INCORPORATION AND BYLAWS AND OF ARIZONA LAW MAKE IT DIFFICULT
FOR SHAREHOLDERS TO CHANGE THE COMPOSITION OF OUR BOARD AND MAY DISCOURAGE TAKEOVER ATTEMPTS
THAT COULD BE BENEFICIAL TO US AND OUR SHAREHOLDERS.**

Certain provisions of our articles of incorporation and bylaws and of Arizona law make it difficult for shareholders to change the composition of our board and may discourage unsolicited attempts to acquire us, which could

preclude our shareholders from receiving a change of control premium. These provisions include the following:

- * provisions of our bylaws and Arizona law that restrict our ability to engage in a wide range of "business combination" transactions with an "interested shareholder" (generally, any person who owns 10% or more of our outstanding voting power or any of our affiliates or associates) or any affiliate or associate of an interested shareholder, unless specific conditions are met;
- * anti-greenmail provisions of Arizona law and our bylaws that prohibit us from purchasing shares of our voting stock from beneficial owners of more than 5% of our outstanding shares unless specified conditions are satisfied;
- * provisions of our bylaws and Arizona law that provide that shareholder action may be taken only at an annual or special meeting or by unanimous written consent, and provisions of our bylaws that provide that a special meeting of shareholders may only be called by a majority of our Board of Directors, the Chairman of our Board of Directors, or our President;
- * advance notice procedures for nominating candidates to our Board of Directors or presenting matters at shareholder meetings;
- * provisions of our articles and bylaws that provide for a staggered Board of Directors;
- * provisions of our bylaws that provide that shareholders may only remove a director with or without cause by a super-majority vote at a special meeting of shareholders; and
- * the ability of our Board of Directors to issue additional shares of common stock and shares of preferred stock and to determine the price and, with respect to preferred stock, the other terms, including preferences and voting rights, of those shares without shareholder approval.

In addition, we have adopted a shareholder rights plan that may have the effect of discouraging unsolicited takeover proposals, including takeover proposals that could result in a premium over the market price of our common stock.

While these provisions have the effect of encouraging persons seeking to acquire control of us to negotiate with our Board of Directors, they could enable the board to hinder or frustrate a transaction that some, or a majority, of our shareholders might believe to be in their best interests and, in that case, may prevent or discourage attempts to remove and replace incumbent directors.

ABOUT THIS PROSPECTUS

This Prospectus is part of a registration statement that we filed with the United States Securities and Exchange Commission, or the SEC. You should rely only on the information contained or incorporated by reference in this Prospectus. We have not authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We will not make an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information appearing in this Prospectus is accurate as of the date on its cover. Our business, financial condition, results of operations, and prospects may have changed since that date.

FORWARD-LOOKING STATEMENTS

This Prospectus, and the additional information described under the heading "Where You Can Find More Information" may contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements are subject to risks and uncertainties and are based on the beliefs and assumptions of our management, based on information currently available to our management. When we use words such as "believes," "expects," "anticipates," "intends," "plans," "estimates," "should," or similar expressions, we are making forward-looking statements.

Forward-looking statements are not guarantees of performance. They involve risks, including those described under "Risk Factors" above, uncertainties, and assumptions. Our future results may differ materially from those expressed in these forward-looking statements. Many of the factors that will determine these results are beyond our ability to control or predict. These factors include, but are not limited to:

- * the ongoing restructuring of the electric industry, including the introduction of retail electric competition in Arizona and decisions impacting wholesale competition;
- * the outcome of regulatory and legislative proceedings relating to the restructuring;
- * state and federal regulatory and legislative decisions and actions, including price caps and other market constraints imposed by the FERC;
- * regional economic and market conditions, including the California energy situation and completion of generation construction in the region, which could affect customer growth and the cost of power supplies;
- * the cost of debt and equity capital and access to the capital markets;
- * weather variations affecting local and regional customer energy usage;
- * the effect of conservation programs on energy usage;
- * power plant performance;
- * the successful completion of our generation expansion program;
- * regulatory issues associated with generation expansion, such as permitting and licensing;
- * our ability to compete successfully outside traditional regulated markets (including the wholesale market);
- * our ability to manage our marketing and trading activities and the use of derivative contracts in our business;
- * technological developments in the electric industry;
- * the performance of the stock market, which affects the amount of our required contributions to our pension plan and nuclear decommissioning trust funds;
- * the strength of the real estate market in SunCor Development Company's market areas, which include Arizona, New Mexico and Utah; and
- * other uncertainties, all of which are difficult to predict and many of which are beyond our control.

You are cautioned not to put undue reliance on any forward-looking statements. We claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995 for any forward-looking statements contained in this Prospectus.

WHERE YOU CAN FIND MORE INFORMATION

AVAILABLE INFORMATION

We file annual, quarterly, and current reports, and other information with the SEC. Our SEC filings are available to the public over the Internet at the SEC's web site: <http://www.sec.gov>. You may also read and copy any document we file at the SEC's public reference rooms at 450 Fifth Street NW, Washington, D.C. 20036. You may call the SEC at 1-800-SEC-0330 for further information on the public reference rooms. The Common Stock is listed on the New York and Pacific Stock Exchanges. Reports and other information concerning us can also be inspected and copied at the offices of the New York Stock Exchange at 20 Broad Street, New York, New York 10005, and the Pacific Stock Exchange at 301 Pine Street, San Francisco, California 94104.

INCORPORATION BY REFERENCE

The SEC allows us to incorporate by reference the information we file with them, which means that we can disclose important information to you by referring you to those documents. The information incorporated by reference is considered to be part of this Prospectus, and later information we file with the SEC will automatically update and supersede this information. We incorporate by reference the documents listed below and any future filings we make with the SEC under Sections 13(a), 13(c), 14, or 15(d) of the Securities and Exchange Act of 1934 until all securities are sold under this Prospectus.

1. Annual Report on Form 10-K for the year ended December 31, 2001 (except for Items 6, 7 and 8 which have been revised in the Current Report on Form 8-K dated November 21, 2002);
2. Quarterly Reports on Form 10-Q for the fiscal quarters ended March 31, 2002, June 30, 2002 and September 30, 2002;
3. Current Reports on Form 8-K dated December 14, 2001 and February 8, March 31, April 26, May 22, June 5, June 11, June 30, July 11, July 23, August 13, August 27, September 10, September 30, October 17, November 14, November 15, November 21 and November 22, 2002;
4. Description of (a) the Company's Common Stock included in our Registration Statement on Form 8-B, File No. 1-8962, as filed on July 25, 1985, except for the reference to transfer agents and registrars for the Common Stock contained therein and (b) the Company's Preferred Share Purchase Rights included in our Registration Statement on Form 8-A, File No. 1-8962, as filed on March 31, 1989, a Form 8 Amendment No. 1 thereto as filed on August 29, 1991, and a Form 8 Amendment No. 2 thereto as filed on June 28, 2002.

You may request a copy of these filings and will receive a copy of these filings, at no cost, by writing, telephoning, or contacting us through our website at the following:

Pinnacle West Capital Corporation P. O. Box 52133
Phoenix, Arizona 85072-2133
(602) 250-1000 or (800) 457-2983 toll-free nationwide or online at www.pinnaclewest.com

THE COMPANY

The Company owns all of the outstanding common stock of Arizona Public Service Company ("APS"). APS is an electric utility that provides either retail or wholesale electric service to substantially all of the state of Arizona, with the major exceptions of the Tucson metropolitan area and about one-half of the Phoenix metropolitan area. Electricity is provided through a distribution system owned by APS. APS also generates and, through our marketing and trading division, sells and delivers electricity to wholesale customers in the western United States.

Our other major subsidiaries are:

- * Pinnacle West Energy Corporation, through which we conduct our unregulated electricity generation operations;
- * APS Energy Services, Inc., which provides commodity-related energy services (such as direct access commodity contracts, energy procurement, and energy supply consultation) and energy-related products and services (such as energy master planning, energy use consultation and facility audits, cogeneration analysis and installation, and project management) to commercial, industrial and institutional retail customers in the western United States;
- * SunCor Development Company, a developer of residential, commercial, and industrial real estate projects in Arizona, New Mexico, and Utah; and
- * El Dorado Development Company, an investment firm.

Our marketing and trading division currently sells, into the wholesale market, the APS and Pinnacle West Energy generation output that is not needed for APS' native load, which includes loads for retail customers and traditional cost-of-service wholesale customers. However, the Arizona Corporation Commission has ordered the ACC staff and interested parties to develop a competitive procurement process by March 1, 2003 by which APS will competitively procure, at a minimum, any power needed for its retail customers that it cannot produce from its existing generation assets. For purposes of this competitive procurement process, Pinnacle West Energy generation assets are not counted as APS generation assets. The ACC staff report proposing a competitive procurement process provides that Pinnacle West Energy would be able to bid in connection with any such competitive procurement by APS.

DESCRIPTION OF THE PLAN

The following questions and answers describe the provisions of the Pinnacle West Capital Corporation Investors Advantage Plan (the "Plan"). For convenience of reference, the definitions of certain key terms are included below:

DEFINITIONS

Administrator -	Pinnacle West Capital Corporation (the "Company" or "Pinnacle West"). See also "Plan Administrator."
Automatic Investment Form -	Documentation that the Administrator shall require to be completed and received if participant elects to make an initial cash investment, or authorize automatic monthly investments, to be deducted directly from a U.S. checking, savings, or credit union account which is a member of the Automated Clearing House ("ACH") network.
Cash Investment -	A payment made subsequent to enrollment in the Plan. The maximum aggregate Cash Investment (including the Initial Cash Investment) is \$150,000 per account per calendar year.
Cash Investment Form -	Documentation prepared by the Administrator that may be utilized by a participant when making an optional cash investment.
Company -	Pinnacle West Capital Corporation.
Direct Deposit Form -	Documentation that the Administrator shall require to be completed and received if participant elects to have dividends deposited directly to a financial institution which is a member of the ACH network.
Dividend Payment Date -	The date determined by the Company's Board of Directors on which Common Stock dividends are payable. These dates are normally the first day of March, June, September, and December.
Dividend Record Date -	Generally the first business day of the month immediately preceding the Dividend Payment Date.

Eligible Investor -	An investor who makes an Initial Cash Investment of at least \$50 or a Shareholder of Record.
Enrollment Forms -	Forms available through the Company that the investor must complete to be able to participate in the Plan.
Ex-Dividend Date -	A date prior to the Dividend Record Date, based on industry regulations, necessary to allow for the settlement of traded securities by the Dividend Record Date.
Initial Cash Investment -	A payment made to the Company to purchase shares of Common Stock to open a Plan account. The minimum Initial Cash Investment is \$50.
Investment Date -	The date on which the purchase price for all shares of Common Stock to be purchased has been determined. The purchased shares are credited to a participant's account on the Investment Date.
Investment Period -	The period during which Common Stock is purchased. An Investment Period will occur approximately every 5 business days. Except that an Investment Period which would normally begin on a Dividend Record Date will be postponed until the second business day after the Dividend Record Date.
Investment Statement -	A statement sent to a participant after an Investment Period in which the participant's account had investment activity. The Investment Statement includes the purchase price and number of shares of Common Stock purchased.
Plan -	Pinnacle West Capital Corporation Investors Advantage Plan.
Plan Administrator -	Pinnacle West Capital Corporation (the "Company").
Plan History Statement -	A statement sent to a participant upon withdrawal (including by way of the sale of shares or the issuance of a certificate for shares) of all or a portion of shares from the participant's account.
Shareholder of Record -	An investor whose shares are registered on the books of the Company.

PURPOSE OF THE PLAN

1. WHAT IS THE PURPOSE OF THE PLAN?

The purpose of the Plan is to promote long-term stock ownership among existing shareholders and new investors by providing a convenient and cost effective method to purchase shares of Common Stock with Cash Investments (including an Initial Cash Investment) or reinvested dividends.

ADVANTAGES AND DISADVANTAGES OF THE PLAN

2. WHAT ARE THE ADVANTAGES AND DISADVANTAGES OF THE PLAN?

THE PLAN OFFERS INVESTORS THE FOLLOWING ADVANTAGES:

A. DIRECT PURCHASE OF STOCK - Persons not presently owning shares of Common Stock may become shareholders by making an Initial Cash Investment of at least \$50 (but not more than \$150,000 per account per calendar year). See Question 5. Participants may invest additional funds to purchase shares of Common Stock at any time. The maximum annual Cash Investment (including the Initial Cash Investment) is \$150,000 per account.

B. CERTIFICATE SAFEKEEPING - Participants may deposit their Common Stock certificates with the Administrator, whether or not the Common Stock represented by such certificates was purchased through the Plan, and have their ownership maintained on the Company's records in their Plan account. This convenience is provided at no cost to the participant and eliminates the possibility of loss, inadvertent destruction, or theft of certificates. Also, because shares deposited for safekeeping are treated in the same manner as shares purchased through the Plan, they may be transferred or sold through the Plan. See Question 31.

C. REINVESTMENT OF DIVIDENDS - All or a portion of Common Stock dividends may be reinvested to purchase additional shares of Common Stock. See Questions 7 through 11.

D. SIMPLIFIED RECORDKEEPING - An Investment Statement will be mailed to participants after any investment activity. The statement is cumulative, providing year-to-date Plan account activity. A Plan History Statement will be sent when shares are sold, transferred or otherwise withdrawn from the Plan. See Questions 34 and 37.

E. REDUCED BROKER COMMISSIONS - The broker commissions negotiated by the company for buying or selling shares are typically substantially less than those paid by individual investors for this service. No commissions are paid for newly issued shares or for treasury shares. See Questions 27 and 33.

F. TRANSFER OF SHARES - Participants may transfer shares held in their Plan account to another individual's account at no cost. The normal transfer requirements will apply. See Questions 30 and 43.

G. FULL INVESTMENT OF FUNDS - The full amount of reinvested dividends and Cash Investments can be invested because the Plan permits fractional shares to be credited to Plan accounts. Dividends are paid on fractional shares as well as on whole shares. See Question 28.

H. SELL STOCK - Participants may sell shares held in their Plan account through the Plan. See Questions 32 and 33.

PLAN PARTICIPATION PRESENTS INVESTORS WITH THE FOLLOWING DISADVANTAGES:

A. NO INTEREST ON FUNDS PENDING INVESTMENT - No interest is paid on dividends or Cash Investments held pending investment or reinvestment. See Question 19.

B. DELAY IN DETERMINING PURCHASE PRICE - The number of shares purchased for an investor's Plan account will not be determined until all shares for the relevant Investment Period have been purchased. Therefore, investors will not know the number of shares purchased or the purchase price until the Investment Date. See Questions 25 through 29.

C. RETURN OF CASH INVESTMENTS - Cash Investments (including Initial Cash Investments) sent to the Plan Administrator will not be returned to the investor unless a written request is received by the Plan Administrator at least 2 business days prior to the first day of the Investment Period. See Question 19.

D. PERIODIC DELAYS FOR ISSUING CERTIFICATES OR SELLING SHARES - Requests for termination of account by issuance of certificates or the sale of shares from a Plan account will be delayed during the dividend processing period. This is a 13-15 business day period which begins on the Ex-Dividend Date. See Questions 30, 33, and 34.

E. BROKER COMMISSIONS - While the broker commissions negotiated by the Plan Administrator for buying or selling stock are typically less than those paid by individual investors for this service, certain investors may be able to negotiate lower commissions on an individual basis. Also, the commissions negotiated by the Plan Administrator may change from time to time. See Questions 27 and 33.

F. PRICE OF SHARES - Plan participants can not designate a specific price at which to sell or purchase Common Stock. Requests for the sale of Plan shares are accumulated and the Plan Administrator places a market order with the appointed agent. Similarly, a market order is placed with the independent agent to purchase stock with all funds available for investment. See Questions 24, 27, and 32.

PLAN ADMINISTRATION

3. WHO ADMINISTERS THE PLAN?

The Company administers the Plan. Administration duties include recordkeeping, sending periodic statements of account, and holding shares purchased through the Plan or otherwise deposited for safekeeping. See Question 31. Such shares will be registered in the name of, and held by, the Company as Plan Administrator.

Written communications about the Plan should be directed to:

Pinnacle West Capital Corporation
Shareholder Department
P.O. Box 52133
Phoenix, AZ 85072-2133

E-mail communications should be directed to: shareholderdept@pinnaclewest.com.

When writing, please include a day-time telephone number or e-mail address to expedite our reply.

The nationwide toll-free Shareholder Department telephone number is 800-457-2983.

PARTICIPATION IN THE PLAN

4. WHO IS ELIGIBLE TO PARTICIPATE IN THE PLAN?

Any interested investor making an Initial Cash Investment of at least \$50 and all Common Stock Shareholders of Record are eligible to participate. Citizens or residents of a country other than the United States or its territories and

possessions should determine whether they are subject to any governmental regulations prohibiting or restricting participation in the Plan, and must provide evidence satisfactory to the Administrator that their participation will not violate any such regulations, before enrolling in the Plan.

Beneficial owners of Common Stock whose shares are held in a name other than their own (for example, a bank, broker, or trustee) may participate in the Plan with respect to such shares by transferring those shares into their own name. Once the shares are registered on the books of the Company, the investor is eligible to enroll in the Plan.

5. HOW DOES AN ELIGIBLE INVESTOR ENROLL IN THE PLAN?

After reviewing the Plan Prospectus, Eligible Investors may join the Plan by completing and submitting an Enrollment Form to the Company. New investors must also submit an Initial Cash Investment of at least \$50 (but not more than \$150,000).

Once enrolled in the Plan, Eligible Investors will remain enrolled until they discontinue their participation or the Plan is terminated. See Question 34, 35, and 41.

6. WHEN MAY AN ELIGIBLE INVESTOR JOIN THE PLAN?

An Eligible Investor may join the Plan at any time by completing and returning an Enrollment Form.

PARTICIPATION OPTIONS

7. WHAT PARTICIPATION OPTIONS ARE AVAILABLE IN THE PLAN?

On the Enrollment Form, the investor is offered the following participation options:

- Full Dividend Reinvestment
- Partial Dividend Reinvestment or
- Cash Investment Only

8. HOW DOES THE "FULL DIVIDEND REINVESTMENT" OPTION OF THE PLAN WORK?

Participants enrolling in the Full Dividend Reinvestment option will have dividends earned on all Common Stock, both in their Plan account and of record, reinvested to purchase additional shares of Common Stock. The reinvestment of dividends will commence with the first dividend to which the participant is entitled payable after the next Dividend Record Date following enrollment. A participant may also make Cash Investments of up to \$150,000 per account annually to purchase Common Stock.

9. HOW DOES THE "PARTIAL DIVIDEND REINVESTMENT" OPTION OF THE PLAN WORK?

Participants enrolling in the Partial Dividend Reinvestment option may designate a specific number of shares on which they wish to receive cash dividends, with dividends on the balance of shares being reinvested to purchase Common Stock. Participants may also elect to receive cash dividends on shares they hold in certificated form, with dividends on shares held in their Plan account being reinvested. The reinvestment of dividends will commence with the first dividend to which the participant is entitled payable after the next Dividend Record Date following enrollment. In addition, a participant may make Cash Investments of up to \$150,000 per account annually to purchase Common Stock.

If a participant has elected this option and subsequently directs that a portion of his shares are to be sold, transferred, or withdrawn, unless the participant otherwise directs, all shares on which a participant receives reinvested dividends will be sold, transferred, or withdrawn prior to the sale, transfer, or withdrawal of any shares on which a participant receives cash dividends.

10. HOW DOES THE "CASH INVESTMENT ONLY" OPTION OF THE PLAN WORK?

Participants enrolling in the Cash Investment Only option may make Cash Investments of up to \$150,000 per account annually. The Cash Investment will purchase additional shares of Common Stock. Dividends earned on all Common Stock, both in the Plan account and of record, will be paid directly to the investor either by check or direct deposit at the election of the shareholder. Dividends paid by check will be mailed to the shareholder's address of record.

Shareholders electing to have dividends deposited to a financial institution account must complete and submit a "Direct Deposit Authorization" form and deposit slip to the Administrator. The financial institution must be a member of the Automated Clearing House ("ACH").

NOTE: IF PARTICIPANTS DO NOT INDICATE A PARTICIPATION OPTION ON THE ENROLLMENT FORM, THEIR ACCOUNT WILL AUTOMATICALLY BE ENROLLED INTO THE "FULL DIVIDEND REINVESTMENT" OPTION.

11. MAY PARTICIPANTS CHANGE THEIR PARTICIPATION OPTION?

Yes. The participation option may be changed by completing and submitting a new Enrollment Form to the Company. The change will be effective as of the next Dividend Record Date following receipt of the new Enrollment Form.

12. MAY THE COMPANY RESTRICT PARTICIPATION IN THE PLAN?

Yes. The Company reserves the right to restrict participation in the Plan if it believes that such participation may be contrary to the general purpose of the Plan (see Question 1) or in violation of applicable law.

INITIAL CASH INVESTMENTS AND CASH INVESTMENTS

13. WHO IS ELIGIBLE TO MAKE CASH INVESTMENTS?

Any Shareholder of Record who has submitted an Enrollment Form is eligible to make Cash Investments regardless of the participation option chosen, subject to the maximum contribution. See Question 16.

14. WHO IS ELIGIBLE TO MAKE AN INITIAL CASH INVESTMENT?

Any interested investor may submit an Enrollment Form and make an Initial Cash Investment, subject to the minimum and maximum contributions. See Question 16.

15. HOW ARE INITIAL CASH INVESTMENTS AND CASH INVESTMENTS MADE?

Initial Cash Investments and Cash Investments may be made by check, money order or electronic funds transfer (as described below), payable through a U.S. bank or other financial institution, in U.S. dollars, to Pinnacle West Capital Corporation. **CASH AND THIRD-PARTY CHECKS WILL NOT BE ACCEPTED.** Initial Cash Investments must be accompanied by a completed Enrollment Form; an Enrollment Form or a Cash Investment Form should accompany Cash Investments to ensure credit to the proper account.

Initial Cash Investments made by electronic funds transfer require that the participant authorize the Administrator to deduct a specified amount from a U.S. checking, savings, or credit union account which is a member of the ACH network. The participant must complete and forward an Automatic Investment Form to the Administrator to authorize such investment. Regardless of when the Automatic Investment Form is forwarded to the Administrator, Initial Cash Investment amounts will only be deducted from the participant's account once a month, on or around the 10th day of the month. Generally, the funds will be invested during the first Investment Period following the 10th day of the month. See Question 17.

Automatic Cash Investments made by electric funds transfer may be made monthly by completing and forwarding an Automatic Investment Form to the Administrator, authorizing the deduction of a set amount from a U.S. checking, savings, or credit union account which is a member of the ACH network. Regardless of when the Automatic Investment Form is forwarded to the Administrator, Automatic Cash Investment amounts will only be deducted from the participant's account once a month, on or around the 10th day of the month. Generally, the funds will be invested during the first investment period following the 10th day of each month. See Question 17.

16. IS THERE A MINIMUM AND MAXIMUM CASH INVESTMENT?

Yes. The minimum Initial Cash Investment is \$50. Subsequent Cash Investments may be any amount. The maximum aggregate Cash Investment (including the Initial Cash Investment) is \$150,000 per account per calendar year.

17. WHEN WILL A PARTICIPANT'S INITIAL CASH INVESTMENT OR CASH INVESTMENT BE INVESTED?

Initial Cash Investments and Cash Investments made by check or money order will be invested during the next scheduled Investment Period except when the first day of the investment period occurs on a Dividend Record Date. In Dividend Record Date months (February, May, August, and November), if the first regularly scheduled Investment Period would normally begin on the Dividend Record Date, the Investment Period will be delayed until the second business day. Funds are considered to be received when delivered, either by postal service, by electronic delivery or in person, during Company business hours to the Company's corporate headquarters (see "Shareholder Information" below for address).

Deduction of funds related to Initial Cash Investments and Cash Investments by electronic funds deduction will only occur once a month, on or about the 10th day of the month, and such funds will be invested in shares of Common Stock during the next succeeding Investment Period. In the future the Company may implement more frequent electronic funds deduction dates.

If the Plan Administrator does not receive credit for a cash payment because of insufficient funds or incorrect ACH draft information, the requested purchase will be deemed void. Any shares credited will be immediately removed from the participant's account. The Plan Administrator will be entitled to sell those shares to satisfy any uncollected amounts and if the net proceeds of the sale of such shares are insufficient to satisfy the balance of such uncollected amounts, the Plan Administrator will be entitled to sell additional shares from the participant's account to satisfy the uncollected balance. In addition, an "insufficient funds" fee of \$20 will be charged. The Administrator may place a hold on the account until this fee is paid, or may sell shares from the account to pay this fee.

18. WHEN WILL SHARES PURCHASED WITH INITIAL CASH INVESTMENTS OR CASH INVESTMENTS BE ENTITLED TO RECEIVE DIVIDENDS?

Shares purchased with an Initial Cash Investment or Cash Investment will be entitled to dividends if the shares were credited to the participant's account as of a date preceding the Dividend Record Date for payment of a dividend.

19. MAY A PARTICIPANT REQUEST THAT AN INITIAL CASH INVESTMENT OR CASH INVESTMENT BE RETURNED?

Yes. A participant may request the return of an Initial Cash Investment or Cash Investment. The funds will be returned if the request is received at least 2 business days prior to the next scheduled Investment Period. However, no refund of a check or money order will be made until the Administrator has collected the funds from those instruments.

NOTE: INTEREST IS NOT PAID ON FUNDS HELD PENDING INVESTMENT.

REINVESTMENT OF DIVIDENDS

20. IS THERE A MINIMUM OR MAXIMUM AMOUNT FOR REINVESTED DIVIDENDS?

No. Dividends designated for reinvestment through the Plan are not subject to a minimum or maximum.

21. WHEN WILL A PARTICIPANT'S DIVIDENDS BE REINVESTED?

A participant's dividends will be reinvested during the first Investment Period of the month in which the dividend is payable.

22. WHEN WILL SHARES PURCHASED WITH REINVESTED DIVIDENDS BE ENTITLED TO RECEIVE DIVIDENDS?

Shares purchased with reinvested dividends will be entitled to dividends on the Dividend Payment Date following the purchase of such shares.

PURCHASES

23. WHAT IS THE SOURCE OF COMMON STOCK PURCHASED THROUGH THE PLAN?

Common Stock purchased through the Plan will be purchased, at the discretion of the Company and in accordance with applicable law, either on the open market or directly from the Company or through a combination of the foregoing. Shares purchased from the Company may be either authorized but unissued shares or shares held in the treasury of the Company.

24. HOW IS COMMON STOCK PURCHASED ON THE OPEN MARKET?

Common Stock will be purchased through an independent agent appointed by the Company. The independent agent will have full discretion in all matters related to such purchases, including the day and time of purchase, price paid, number of shares purchased, and the markets or persons through whom the purchases are made.

25. WHEN ARE SHARES PURCHASED FOR THE PLAN?

Purchases of shares on the open market may begin on the first day of the relevant Investment Period and will be completed no later than 30 days thereafter. Dividends not invested in Common Stock within 30 days of the Dividend Payment Date and Cash Investments not invested in Common Stock within 35 days of receipt will be promptly returned to participants.

Shares purchased from the Company (newly issued Common Stock or treasury stock) will be acquired as of the first day of the relevant Investment Period, provided that the New York Stock Exchange is open on such day. See Question 26.

26. WHEN WILL SHARES BE CREDITED TO A PARTICIPANT'S ACCOUNT?

Participants' shares will be credited to their Plan accounts on the Investment Date and are considered to be owned by the participant on that day.

If the Investment Date falls on a date when the New York Stock Exchange is closed, the first day immediately succeeding such day on which the New York Stock Exchange is open will be the Investment Date.

27. HOW IS THE PURCHASE PRICE OF THE COMMON STOCK DETERMINED?

The purchase price of Common Stock purchased on the open market will be the weighted average price, including broker commissions, related service charges, and applicable taxes, of all shares purchased during the Investment Period.

The purchase price of Common Stock purchased from the Company (newly issued Common Stock or treasury stock) will be the average of the high and low prices of the Common Stock reported on the New York Stock Exchange Composite Tape as published in The Wall Street Journal or, for any day on which there is no such publication, in another generally accepted publication for the first business day of the relevant Investment Period, provided that the New York Stock Exchange is open on such day.

If the stock is purchased both on the open market and through the Company, the purchase price will be the weighted average price of such shares in accordance with the foregoing two paragraphs.

28. HOW MANY SHARES OF COMMON STOCK WILL BE PURCHASED FOR A PARTICIPANT?

The number of shares purchased for a participant will be equal to the participant's Cash Investments received for the Investment Period plus dividends available for reinvestment divided by the purchase price of the shares. The participant's account will be credited with the whole and fractional shares on the Investment Date.

29. CAN A PARTICIPANT REQUEST THE PURCHASE OF A SPECIFIC NUMBER OF SHARES?

No. Since the purchase price of the Common Stock cannot be calculated until the Common Stock is purchased, a participant may not request the purchase of a specific number of shares.

CERTIFICATES

30. WILL CERTIFICATES BE ISSUED FOR SHARES PURCHASED THROUGH THE PLAN?

No. The certificates for shares purchased through the Plan are registered in the name of the Company as Plan Administrator. A certificate will be issued to participants only upon request.

Participants requesting the issuance of a certificate for their Plan shares should submit the request in writing to the Plan Administrator, specifying the number of shares to be issued. Certificates will generally be issued within 5 days following the receipt of the request. However, requests received during the dividend processing period will be delayed. See Question 2, "Disadvantages of the Plan - D." Certificates cannot be issued for fractional shares.

The certificate will be issued in the name(s) of the participant(s). Requests to issue a certificate into another registration must meet the requirements for transfer of stock. See Question 43.

See Question 9 for information relating to the certification of only a portion of a participant's Plan shares when the participant has elected the Partial Dividend Reinvestment option for his or her shares.

SAFEKEEPING OF CERTIFICATES

31. CAN CERTIFICATES BE RETURNED TO THE COMPANY TO BE HELD IN THE PARTICIPANT'S PLAN ACCOUNT?

Yes. Certificates for Common Stock may be returned to the Plan Administrator to take advantage of the safekeeping feature of the Plan. **THE CERTIFICATES SHOULD NOT BE ENDORSED AND REGISTERED MAIL IS RECOMMENDED.** The certificates should be submitted with a letter to the Plan Administrator directing the Plan Administrator to deposit the shares represented by such certificates into the Plan account of the participant. Alternatively, the certificates can be submitted with a new Enrollment Form with the share safekeeping option checked thereon. Investors may submit certificates for safekeeping upon initial enrollment in the Plan or at any time while participating in the Plan.

NOTE: COMMON STOCK SURRENDERED FOR SAFEKEEPING WILL BE TREATED AS SHARES PURCHASED THROUGH THE PLAN.

SALE OF SHARES

32. HOW MAY PARTICIPANTS SELL THEIR PLAN SHARES?

Participants may sell their Plan shares by submitting a written request to the Plan Administrator. The request should indicate the number of shares to be sold and must be signed by ALL account owners. The Administrator may also allow certain instructions to be communicated by telephone or e-mail as agreed to by the Administrator and the participant. Shares acquired through and held in the Plan, as well as shares surrendered for safekeeping, may be sold in this manner. A request to sell shares is irrevocable after it is received by the Company.

The Company's appointed agent will have full discretion in all matters related to the sale, including the time of sale, sale price, and the markets or persons through whom the shares are sold. Participants cannot specify a price at which to sell their stock.

Shares held outside the Plan may not be sold through the Plan.

See Question 9 for information relating to the sale of only a portion of a participant's Plan shares when the participant has elected the Partial Dividend Reinvestment option for his or her shares.

33. WHEN WILL PLAN SHARES BE SOLD?

Plan shares will generally be sold within 5 business days following receipt of the sale request. However, sale requests received during the dividend processing period will be delayed until the dividend processing period is completed. See Question 2, "Disadvantages of the Plan - D."

A check will be issued for the proceeds of the sale minus a \$5.00 service fee, the broker commissions and related service charges, and applicable taxes, and will be made payable to the registered account owners only.

TERMINATION OF PLAN PARTICIPATION

34. HOW MAY A PARTICIPANT TERMINATE PARTICIPATION IN THE PLAN?

Participants may terminate participation in the Plan either by selling all the shares in their Plan account, by requesting a certificate issued for a specific number of whole shares in their Plan account and selling the balance of shares, or by requesting transfer of a specific number of whole shares to a book-entry (DRS) account and selling the balance of shares. See Questions 30, 32, and 33. Certificates cannot be issued for fractional shares; fractional shares must be sold when terminating participation.

Plan participants must notify the Company in writing of their intention to terminate participation in the Plan, have all account owners sign the request, and indicate whether they wish to receive a stock certificate, sell their shares, or maintain a book-entry (DRS) account.

Participants terminating their Plan participation will receive a Plan History Statement detailing the account history. **THIS STATEMENT SHOULD BE RETAINED FOR TAX PURPOSES.**

Cash Investments received prior to the request to terminate Plan participation will be invested during the next Investment Period unless the participant timely requests the return of that Cash Investment. See Question 19.

The termination of Plan participation will be delayed if the request is received during the dividend processing period. See Question 2, "Disadvantages of the Plan - D."

35. MAY THE COMPANY TERMINATE A PARTICIPANT'S PLAN PARTICIPATION?

Yes. If a participant does not maintain at least one whole share of Common Stock in the Plan account or does not own any Common Stock of record for which cash dividends are designated for reinvestment pursuant to the Plan, the participant's participation may be terminated by the Company upon written notice to the participant. A participant whose participation has been terminated will receive a check for the cash value of any fractional share in the Plan account less applicable fees and taxes.

In addition, the Company may terminate a participant's participation in the Plan if it believes that such participation may be contrary to the general purpose of the Plan (see Question 1) or in violation of applicable law. The participant will receive a certificate for whole shares and a check for the cash value of the fractional share in the Plan account.

SERVICE FEES

36. WHAT FEES ARE ASSOCIATED WITH PARTICIPATION IN THE PLAN?

The fees associated with participation in the Plan are:

Investment fee Broker commissions and applicable taxes Sales fee \$5.00 plus broker commission and applicable taxes

All other administrative costs are borne by the Company.

REPORTS TO PARTICIPANTS

37. WHAT REPORTS ARE SENT TO PARTICIPANTS?

Plan participants will receive an Investment Statement when an investment occurs in their Plan account, which will provide detailed account information for the current calendar year. This statement should be retained for tax purposes.

Participants who have sold, transferred, or withdrawn shares from their Plan accounts will receive a Plan History Statement detailing the account history. This statement should be retained for tax purposes.

Plan participants will also receive copies of all shareholder communications such as quarterly reports, annual reports, and notices of shareholder meetings and proxy materials.

Plan participants will receive an IRS Form 1099-DIV showing total dividends reported to the Internal Revenue Service which were paid to the participant both on shares of record and Plan account shares. An IRS form 1099-B will be provided for reporting the proceeds from the sale of shares through the Plan. See Question 45 for further information regarding tax reporting.

OTHER INFORMATION

38. WHAT HAPPENS IF THE COMPANY DECLARES A DIVIDEND PAYABLE IN COMMON STOCK OR A STOCK SPLIT?

Any dividends in the form of shares of Common Stock and any shares resulting from a Common Stock split on shares held in a participant's Plan account will be credited to the participant's Plan account.

39. HOW WILL A PARTICIPANT'S SHARES BE VOTED AT MEETINGS OF SHAREHOLDERS?

Participants in the Plan will receive a proxy statement and a proxy card representing Plan account shares as well as any Common Stock held of record. The

participant's shares will be voted in accordance with the instructions indicated on the proxy card. Shares for which a proxy is not received will not be voted.

40. WHAT IS THE RESPONSIBILITY OF THE COMPANY AND ITS AGENTS UNDER THE PLAN?

Neither the Company, in its individual capacity or as Administrator, nor any independent agent appointed by the Company pursuant to the Plan will be liable for any act done in good faith or for any good faith omission to act with respect to the Plan, including, without limitation, any claim of liability arising out of failure to terminate a participant's account upon such participant's death prior to receipt of notice in writing of such death or with respect to the prices or times at which, or sources from which, shares are purchased or sold for participants, or with respect to any fluctuation in market value before or after any purchase or sale of shares.

PARTICIPANTS MUST RECOGNIZE THAT THE COMPANY CANNOT ASSURE THEM A PROFIT, OR PROTECT THEM AGAINST LOSSES, ON SHARES PURCHASED PURSUANT TO THE PLAN. THE MARKET PRICE OF COMMON STOCK CAN FLUCTUATE SUBSTANTIALLY. PARTICIPANTS ACCEPT THE RISKS AS WELL AS THE BENEFITS OF THE PLAN.

41. MAY THE PLAN BE CHANGED OR DISCONTINUED?

Yes. The Company reserves the right to suspend, modify, or terminate the Plan at any time, although shareholder response is expected to justify continuing the Plan indefinitely. As a result, the Company may register additional shares from time to time. Any suspension, modification, or termination of the Plan will be communicated by the Company to all Plan participants.

42. MAY COMMON STOCK HELD IN A PLAN ACCOUNT BE PLEDGED AS COLLATERAL?

No. Common Stock held in a Plan account may not be pledged as collateral. Participants wishing to use their Common Stock as collateral must have certificates issued for the shares. The certificates can then be delivered for collateral.

43. MAY COMMON STOCK HELD IN A PLAN ACCOUNT BE TRANSFERRED OR ASSIGNED TO ANOTHER PERSON?

Yes. A participant may transfer or assign Plan shares to another person or entity by meeting the requirements for transfer of stock. Requests for stock transfer requirements should be sent to:

Pinnacle West Capital Corporation
Stock Transfer Department
P.O. Box 52134
Phoenix, AZ 85072-2134

E-mail communications should be directed to: shareholderdept@pinnaclewest.com.

When writing, please include a day-time telephone number or e-mail address to expedite our reply.

The nationwide toll-free Shareholder Department telephone number is 800-457-2983.

See Question 9 for information relating to the transfer of only a portion of a participant's Plan shares when the participant has elected the Partial Dividend Reinvestment option for his or her shares.

44. HOW MAY INSTRUCTIONS BE GIVEN TO THE ADMINISTRATOR?

Any instructions may be submitted in writing to the Administrator at the address noted in the response to Question 43. The Administrator may also allow certain instructions to be communicated by telephone or e-mail as agreed to by the Administrator and the participant. You may contact us at 800-457-2983 or by e-mail at shareholderdept@pinnaclewest.com for more information.

FEDERAL INCOME TAX INFORMATION

45. WHAT ARE THE FEDERAL INCOME TAX CONSEQUENCES OF PLAN PARTICIPATION?

The Company believes the following is an accurate summary of the federal tax consequences of participation in the Plan. **YOU ARE ADVISED TO CONSULT YOUR TAX OR FINANCIAL ADVISOR WITH RESPECT TO FEDERAL, STATE, LOCAL, AND OTHER TAX LAWS WHICH APPLY TO YOUR SPECIFIC SITUATION.**

In general, the dividends paid on Common Stock whether the shares are held in certificate form by the shareholder or held by the Company in book-entry or through the Plan, are considered taxable income, whether received in cash or reinvested through the Plan. The information return sent to you and the IRS at year-end will provide the information required to complete your income tax returns.

The tax basis of shares acquired through the reinvestment of dividends will be equal to the value of dividends reinvested. The tax basis of shares purchased with Cash Investments will be equal to the amount of such investments.

Upon the sale of either a portion or all of shares from the Plan, a participant may recognize a capital gain or loss based on the difference between the sales proceeds and the tax basis of the shares sold, including any fractional shares.

For participants who are subject to U.S. withholding tax, backup withholding, or foreign taxes, the Company will withhold the required taxes from the gross dividends or proceeds from the sale of shares. The dividends or proceeds received by the participant, or dividends reinvested on behalf of the participant, will be net of the required taxes.

APPLICATION OF PROCEEDS

The Company intends to use the proceeds from the issuance of any newly issued or treasury shares of Common Stock pursuant to the Plan to fund the activities of its subsidiaries (APS and its subsidiaries; SunCor Development Company and its subsidiaries; El Dorado Investment Company; Pinnacle West Energy Corporation; and APS Energy Services Company, Inc.) and for general corporate purposes.

EXPERTS

The financial statements and the related financial statement schedule incorporated in this prospectus by reference from the Company's Current Report on Form 8-K dated November 21, 2002 have been audited by Deloitte & Touche LLP, independent auditors, as stated in their report (which report expresses an unqualified opinion and includes an explanatory paragraph relating to the change in 2001 in the method of accounting for derivatives hedging activities in order to comply with the provisions of Statement of Financial Accounting Standards No. 133), which is incorporated herein by reference, and have been so incorporated in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

LEGAL OPINIONS

The validity of the Common Stock offered hereby has been passed upon for the Company by Snell & Wilmer L.L.P, One Arizona Center, Phoenix, Arizona 85004.

SHAREHOLDER INFORMATION

Pinnacle West Capital Corporation

Corporate Headquarters: 400 North 5th Street
Phoenix, AZ 85004

Mailing Address: P.O. Box 52133
Phoenix, AZ 85072-2133

Telephone Numbers: 602-250-1000 In Phoenix
800-457-2983 Nationwide Toll-free

E-Mail Address: shareholderdept@pinnaclewest.com

Web Site: www.pinnaclewest.com

Shareholder Account Information

- Stock Transfer Requirements: P.O. Box 52134
Phoenix, AZ 85072-2134

- Plan and Account Information: P.O. Box 52133
Phoenix, AZ 85072-2133
<http://www.pinnaclewest.com>

Stock Listing Information

- Ticker Symbol: PNW on the New York and Pacific Stock
Exchanges

- Financial Listings: PinWst

Utility Investors Association

The Arizona Utility Investors Association
represents the interests of utility
investors throughout the state of
Arizona. If interested, send your name
and address to:

Arizona Utility Investors Association
P.O. Box 34805
Phoenix, AZ 85067

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No person has been authorized to give any information or to make any representation not contained in this Prospectus and, if given or made, such information or representation must not be relied upon as having been authorized by the Company. This Prospectus does not constitute an offer to sell, or a solicitation of any offer to buy, any of the securities offered hereby in any jurisdiction to any person to whom it is unlawful to make such offer in such jurisdiction.

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[LOGO]
PINNACLE WEST CAPITAL CORPORATION

INVESTORS ADVANTAGE PLAN

13,000,000 Shares of
Common Stock
(No Par Value)

PROSPECTUS

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PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 15. INDEMNIFICATION OF DIRECTORS AND OFFICERS.

The law of Arizona permits extensive indemnification of present and former directors, officers, employees or agents of an Arizona corporation, whether or not authority for such indemnification is contained in the indemnifying corporation's articles of incorporation or bylaws. Section 7.01 of the Company's bylaws provides that the Company shall indemnify present and former directors and officers to the fullest extent permitted by Arizona law.

Under the Arizona Business Corporation Act (the "ABCA"), in order for a corporation to indemnify a director or officer, a majority of the corporation's disinterested directors, independent legal counsel, or the shareholders must find that the conduct of the individual to be indemnified was in good faith and that the individual reasonably believed that the conduct was in the corporation's best interests (in the case of conduct of an "official capacity" with the corporation) or that the conduct was at least not opposed to the corporation's best interests (in all other cases). In the case of any criminal proceeding, the finding must be to the effect that the individual had no reasonable cause to believe the conduct was unlawful. Indemnification is permitted with respect to expenses, judgments, fines, and amounts paid in settlement by such individuals.

Indemnification under the ABCA is permissive, except in the event of a successful defense, in which case a director or officer must be indemnified against reasonable expenses, including attorneys' fees, incurred in connection with the proceeding. In addition, the ABCA requires Arizona corporations to indemnify any "outside director" (a director who is not an officer, employee, or holder of five percent or more of any class of the corporation's stock) against liability unless (i) the corporation's articles of incorporation limit such indemnification, (ii) the outside director is adjudged liable in a proceeding charging improper personal benefit to the director, or (iii) a court determines, before payment to the outside director, that the director failed to meet the standards of conduct described in the preceding paragraph. A court may also order that an individual be indemnified if the court finds that the individual is fairly and reasonably entitled to indemnification in light of all of the relevant circumstances, whether or not the individual has met the standards of conduct in this and the preceding paragraph.

Insurance is maintained on a regular basis (and not specifically in connection with this Prospectus) against liabilities arising on the part of directors and officers out of their performance in such capacities or arising on the part of the Company out of its foregoing indemnification provisions, subject to certain exclusions and to the policy limits.

ITEM 16. LIST OF EXHIBITS.

EXHIBIT NO. -----	DESCRIPTION -----
4.1	Bylaws, amended as of September 18, 2002
4.2	Articles of Incorporation, restated as of July 29, 1988 (Incorporated by reference to Exhibit 19.1 to the Company's September 1988 Form 10-Q Report, File No. 1-8962)
4.3	Amended and Restated Pinnacle West Capital Corporation Investors Advantage Plan
5.1	Opinion of Snell & Wilmer L.L.P.
23.3	Consent of Deloitte & Touche LLP
23.4	Consent of Snell & Wilmer L.L.P. (included in Exhibit 5.1)

ITEM 17. UNDERTAKINGS.

The undersigned Registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:

(i) To include any Prospectus required by section 10(a)(3) of the Securities Act of 1933;

(ii) To reflect in the Prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of Prospectus filed with the Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than a 20 percent change in the maximum aggregate offering price set forth in the "Calculation of Registration Fee" table in the effective registration statement; and

(iii) To include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement; provided, however, that paragraphs (1)(i) and (1)(ii) do not apply only if the registration statement is on Form S-3 or Form S-8 and if the information required to be included in a post-effective amendment by those paragraphs is contained in periodic reports filed with or furnished to the Commission by the registrant pursuant to Section 13 or Section 15(d) of the Securities Exchange Act of 1934 that are incorporated by reference in the registration statement.

(2) That, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the

offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

(4) That, for purposes of determining any liability under the Securities Act of 1933, each filing of the registrant's annual report pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (and, where applicable, each filing of an employee benefit plan's annual report pursuant to Section 15(d) of the Securities Exchange Act of 1934) that is incorporated by reference in the registration statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(5) Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

(6) For purposes of determining any liability under the Securities Act of 1933, the information omitted from the form of Prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of Prospectus filed by the registrant pursuant to Rule 424(b) (1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

(7) For the purpose of determining any liability under the Securities Act of 1933, each post-effective amendment that contains a form of Prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-3 and has duly caused this amendment to the registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Phoenix, State of Arizona, on the 17 day of December, 2002.

PINNACLE WEST CAPITAL CORPORATION

By: /s/ William J. Post

William J. Post
Chairman of the Board of Directors
and Chief Executive Officer

Pursuant to the requirements of the Securities Act of 1933, this registration statement has been signed by the following persons in the capacities and on the dates indicated.

<i>SIGNATURE</i> -----	<i>TITLE</i> -----	<i>DATE</i> -----
/s/ William J. Post ----- (William J. Post, Chairman of the Board of Directors and Chief Executive Officer)	Principal Executive Officer and Director	December 17, 2002
/s/ Jack E. Davis ----- (Jack E. Davis, President)	President, Principal Accounting Officer and Director	December 17, 2002
/s/ Donald E. Brandt ----- (Donald E. Brandt, Chief Financial Officer)	Principal Financial Officer	December 17, 2002
/s/ Edward N. Basha, Jr. ----- (Edward N. Basha, Jr.)	Director	December 17, 2002
/s/ Michael L. Gallagher ----- (Michael L. Gallagher)	Director	December 17, 2002
/s/ Pamela Grant ----- (Pamela Grant)	Director	December 17, 2002
/s/ Roy A. Herberger, Jr. ----- (Roy A. Herberger, Jr.)	Director	December 17, 2002
/s/ Martha O. Hesse ----- (Martha O. Hesse)	Director	December 17, 2002

<i>/s/ William S. Jamieson, Jr.</i> ----- <i>(William S. Jamieson, Jr.)</i>	<i>Director</i>	<i>December 17, 2002</i>
----- <i>(Humberto S. Lopez)</i>	<i>Director</i>	
<i>/s/ Robert G. Matlock</i> ----- <i>(Robert G. Matlock)</i>	<i>Director</i>	<i>December 17, 2002</i>
<i>/s/ Kathryn L. Munro</i> ----- <i>(Kathryn L. Munro)</i>	<i>Director</i>	<i>December 17, 2002</i>
<i>/s/ Bruce J. Nordstrom</i> ----- <i>(Bruce J. Nordstrom)</i>	<i>Director</i>	<i>December 17, 2002</i>
<i>/s/ William L. Stewart</i> ----- <i>(William L. Stewart)</i>	<i>Director</i>	<i>December 17, 2002</i>

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

EXHIBITS TO

POST-EFFECTIVE AMENDMENT NO. 3

TO

FORM S-3

REGISTRATION STATEMENT

Under

THE SECURITIES ACT OF 1933

PINNACLE WEST CAPITAL CORPORATION

(Exact name of registrant as specified in its charter)

INDEX TO EXHIBITS

EXHIBIT NO. -----	DESCRIPTION -----
4.1	Bylaws, amended as of September 18, 2002
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23.3	Consent of Deloitte & Touche LLP
23.4	Consent of Snell & Wilmer L.L.P. (included in Exhibit 5.1)

BYLAWS

OF

PINNACLE WEST CAPITAL CORPORATION
(AMENDED AS OF SEPTEMBER 18, 2002)

I. REFERENCES; SENIORITY

1.01. REFERENCES. Any reference herein made to law will be deemed to refer to the law of the State of Arizona, including any applicable provision or provisions of Chapters 1-17 and Chapter 23 of Title 10, Arizona Revised Statutes (or its successor), as at any given time in effect. Any reference herein made to the Articles will be deemed to refer to the applicable provision or provisions of the Articles of Incorporation of the Company, and all amendments thereto, as at any given time on file with the Arizona Corporation Commission (this reference to that Commission being intended to include any successor to the incorporating and related functions being performed by that Commission at the date of the initial adoption of these Bylaws).

1.02. SENIORITY. Except as indicated in Part X of these Bylaws, the law and the Articles (in that order of precedence) will in all respects be considered senior and superior to these Bylaws, with any inconsistency to be resolved in favor of the law and the Articles (in that order of precedence), and with these Bylaws to be deemed automatically amended from time to time to eliminate any such inconsistency which may then exist.

1.03. SHAREHOLDERS OF RECORD. Except as otherwise required by law and subject to any procedure established by the Company pursuant to Arizona Revised Statutes Section 10-723 (or any comparable successor provision), the word "SHAREHOLDER" as used herein shall mean one who is a holder of record of shares in the Company.

II. SHAREHOLDERS MEETINGS

2.01. ANNUAL MEETINGS. An annual meeting of shareholders shall be held for the election of directors at such date, time and place, either within or without the State of Arizona, as may be designated by resolution of the Board of Directors from time to time. Any other proper business may be transacted at the annual meeting. A special meeting may be called and held in lieu of an annual meeting pursuant to the provisions of Section 2.02 below, and the same proceedings (including the election of directors) may be conducted thereat as at a regular meeting. Any director elected at any annual meeting, or special meeting in lieu of an annual meeting, will continue in office until the election of his or her successor, subject to his or her (a) earlier resignation pursuant to Section 6.01 below, (b) removal pursuant to Section 3.13 below, or (c) death or disqualification.

2.02. SPECIAL MEETINGS. Except as otherwise required by law, special meetings of the shareholders may be held whenever and wherever called by the Chairman of the Board, the President, or a majority of the Board of Directors, but such special meetings may not be called by any other person or persons. Business transacted at any special meeting of shareholders shall be limited to the purposes stated in the notice.

2.03. NOTICE. Notice of any meeting of the shareholders will be given as provided by law to each shareholder entitled to vote at such meeting and, if required by law, to each other shareholder of the Company. Any such notice may be waived as provided by law.

2.04. RIGHT TO VOTE. For each meeting of the shareholders, the Board of Directors will fix in advance a record date as contemplated by law, and the shares of stock and the shareholders "ENTITLED TO VOTE" (as that or any similar term is herein used) at any meeting of the shareholders will be determined as of the applicable record date. The Secretary (or in his or her absence an Assistant Secretary) will see to the making and production of any record of shareholders entitled to vote or otherwise entitled to notice of shareholders meetings, in either case which is required by law. Any voting entitlement may be exercised through proxy, or in such other manner as specifically provided by law, in accordance with the applicable law. In the event of contest, the burden of proving the validity of any undated or irrevocable proxy will rest with the person seeking to exercise the same. A telegram, cablegram, or facsimile appearing to have been transmitted by a shareholder (or by his or her duly authorized attorney-in-fact) or other means of voting by telephone or electronic transmission may be accepted as a sufficiently written and executed proxy if otherwise permitted by law.

2.05. NOTICE OF SHAREHOLDER BUSINESS AND NOMINATIONS.

(a) Annual Meetings of Shareholders. (1) Nominations of persons for election to the Board of Directors of the Company and the proposal of business to be considered by the shareholders may be made at an annual meeting of shareholders only (i) pursuant to the Company's notice of meeting (or any supplement thereto), (ii) by or at the direction of the Board of Directors or (iii) by any shareholder of the Company who was a shareholder at the time the respective notice provided for in this Section 2.05 is delivered to the Secretary of the Company, who is entitled to vote at the meeting and who complies with the notice procedures set forth in this Section 2.05.

(2) For nominations or other business to be properly brought before an annual meeting by a shareholder pursuant to clause (iii) of paragraph (a)(1) of this Section 2.05, the shareholder must have given timely notice thereof in writing to the Secretary of the Company and any such proposed business other than the nominations of persons for election to the Board of Directors must constitute a proper matter for shareholder action. To be timely, a shareholder notice shall be delivered to the Secretary at the principal executive offices of the Company not later than the close of business (a) with respect to business to be brought before the meeting, on the ninetieth day or not earlier than the close of business on the one hundred twentieth day prior to the first anniversary of the preceding year's annual meeting (provided, however, that in the event that the date of the annual meeting has been changed by more than thirty days from such anniversary date, notice by the shareholder must be so delivered not later than the close of business on the tenth day following the day on which public announcement of the date of such meeting was mailed or public disclosure of the annual meeting was made,

whichever first occurs), and (b) with respect to nominations of persons to be elected to the Board of Directors, the one-hundred and eightieth day prior to the date of the meeting at which the election is to occur. In no event shall the public announcement of an adjournment or postponement of an annual meeting commence a new time period (or extend any time period) for the giving of a shareholder's notice as described above. Such shareholder's notice shall set forth: (a) as to each person whom the shareholder proposes to nominate for election as a director, all information relating to such person that is required to be disclosed in solicitations of proxies for election of directors in an election contest, or is otherwise required, in each case pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended (the "EXCHANGE ACT"), and Rule 14a-11 thereunder (and such person's written consent to being named in the proxy statement as a nominee and to serving as a director if elected);

(b) as to any other business that the shareholder proposes to bring before the meeting, a brief description of the business desired to be brought before the meeting, the text of the proposal or business (including the text of any resolutions proposed for consideration and, in the event that such business includes a proposal to amend the Bylaws of the Company, the language for the proposed amendment), the reasons for conducting such business at the meeting, and any material interest in such business of such shareholder and the beneficial owner, if any, on whose behalf the proposal is made; and (c) as to the shareholder giving the notice and the beneficial owner, if any, on whose behalf the nomination or proposal is made, (i) the name and address of such shareholder, as they appear on the Company's books, and of such beneficial owner, (ii) the class and number of shares of capital stock of the Company that are owned beneficially and of record by such shareholder and such beneficial owner, (iii) a representation that the shareholder is a holder of record of stock of the Company entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to propose such business or nomination, and (iv) a representation whether the shareholder or the beneficial owner, if any, intends or is part of a group that intends (a) to deliver a proxy statement and/or form of proxy to holders of at least the percentage of the Company's outstanding capital stock required to approve or adopt the proposal or elect the nominee and/or (b) otherwise to solicit proxies from shareholders in support of such proposal or nomination. The Company may require any proposed nominee to furnish such other information as it may reasonably require to determine the eligibility of such proposed nominee to serve as a director of the Company.

(b) Special Meetings of Shareholders. Only such business shall be conducted at a special meeting of shareholders as shall have been brought before the meeting pursuant to the Company's notice of meeting.

(c) General. (1) Only such persons who are nominated in accordance with the procedures set forth in this Section 2.05 shall be eligible to be elected at an annual or special meeting of shareholders of the Company to serve as directors and only such business shall be conducted at a meeting of shareholders as shall have been brought before the meeting in accordance with the procedures set forth in this Section 2.05. Except as otherwise provided by law, the Chairman of the meeting shall have the power and duty (a) to determine whether a nomination or any business proposed to be brought before the meeting was made or proposed, as the case may be, in accordance with the procedures set forth in this Section 2.05 (including whether the shareholder or beneficial owner, if any, on whose behalf the nomination or proposal is made solicited (or is part of a group that solicited) or did not so solicit, as the case may be, proxies in support of such shareholder's nominee or proposal in compliance with such shareholder's representation as required by clause (a)(2)(c)(iv) of this Section 2.05) and (b) if any proposed nomination or business was not made or proposed in compliance with this Section 2.05, to declare that such nomination shall be disregarded or that such proposed business shall not be transacted.

(2) For purposes of this Section 2.05, "PUBLIC ANNOUNCEMENT" shall mean disclosure in a press release reported by the Dow Jones News Service, Associated Press or comparable national news service or in a document publicly filed by the Company with the Securities and Exchange Commission pursuant to Section 13, 14 or 15(d) of the Exchange Act.

(3) Notwithstanding the foregoing provisions of this Section 2.05, a shareholder shall also comply with all applicable requirements of the Exchange Act and the rules and regulations thereunder with respect to the matters set forth in this Section 2.05. Nothing in this Section 2.05 shall be deemed to affect any rights (a) of shareholders to request inclusion of proposals in the Company's proxy statement pursuant to Rule 14a-8 of the Exchange Act or (b) of the holders of any series of Preferred Stock to elect directors pursuant to any applicable provisions of the Articles.

2.06. RIGHT TO ATTEND. Except only to the extent of persons designated by the Board of Directors or the Chairman of the meeting to assist in the conduct of the meeting (as referred to in Sections 2.08 and 2.09 below) and except as otherwise permitted by the Board or such Chairman, the persons entitled to attend any meeting of shareholders may be confined to (i) shareholders entitled to vote thereat and other shareholders entitled to notice of the meeting and (ii) the persons upon whom proxies valid for purposes of the meeting have been conferred or their duly appointed substitutes (if the related proxies confer a power of substitution); provided, however, that the Board of Directors or the Chairman of the meeting may establish rules limiting the number of persons referred to in clause (ii) as being entitled to attend on behalf of any shareholder so as to preclude such an excessively large representation of such shareholder at the meeting as, in the judgment of the Board or such Chairman, would be unfair to other shareholders represented at the meeting or be unduly disruptive of the orderly conduct of business at such meeting (whether such

representation would result from fragmentation of the aggregate number of shares held by such shareholder for the purpose of conferring proxies, from the naming of an excessively large proxy delegation by such shareholder or from employment of any other device). A person otherwise entitled to attend any such meeting will cease to be so entitled if, in the judgment of the Chairman of the meeting, such person engages thereat in disorderly conduct impeding the proper conduct of the meeting in the interests of all shareholders as a group.

2.07. QUORUM. Except as otherwise provided by law, the Articles or these Bylaws, at each meeting of shareholders the presence in person or by proxy of the holders of a majority in voting power of the outstanding shares of stock entitled to vote at the meeting shall be necessary and sufficient to constitute a quorum.

2.08. ELECTION INSPECTORS. The Board of Directors, in advance of any shareholders meeting may appoint an election inspector or inspectors to act at such meeting (and any adjournment thereof). If an election inspector or inspectors are not so appointed, the Chairman of the meeting may or, upon the request of any person entitled to vote at the meeting will, make such appointment. If any person appointed as an inspector fails to appear or to act, a substitute may be appointed by the Chairman of the meeting. If appointed, the election inspector or inspectors (acting through a majority of them if there be more than one) will determine the number of shares outstanding, the authenticity, validity and effect of proxies, the credentials of persons purporting to be shareholders or persons named or referred to in proxies, and the number of shares represented at the meeting in person and by proxy; they will receive and count votes, ballots and consents and announce the results thereof; they will hear and determine all challenges and questions pertaining to proxies and voting; and, in general, they will perform such acts as may be proper to conduct elections and voting with complete fairness to all shareholders. No such election inspector need be a shareholder of the Company.

2.09. ORGANIZATION AND CONDUCT OF MEETINGS. Each shareholders meeting will be called to order and thereafter chaired by the Chairman of the Board if there then is one; or, if not, or if the Chairman of the Board is absent or so requests, then by the President; or if both the Chairman of the Board and the President are unavailable, then by such other officer of the Company or such shareholder as may be appointed by the Board of Directors. The Secretary (or in his or her absence an Assistant Secretary) of the Company will act as secretary of each shareholders meeting; if neither the Secretary nor an Assistant Secretary is in attendance, the Chairman of the meeting may appoint any person (whether a shareholder or not) to act as secretary thereat. After calling a meeting to order, the Chairman thereof may require the registration of all shareholders intending to vote in person, and the filing of all proxies, with the election inspector or inspectors, if one or more have been appointed (or, if not, with the secretary of the meeting). After the announced time for such filing of proxies has ended, no further proxies or changes, substitutions or revocations of proxies will be accepted. If directors are to be elected, a tabulation of the proxies so filed will, if any person entitled to vote in such election so requests, be announced at the meeting (or adjournment thereof) prior to the closing of the election polls.

Absent a showing of bad faith on his or her part, the Chairman of a meeting will, among other things, have absolute authority to determine the order of business to be conducted at such meeting and to establish rules for, and appoint

personnel to assist in, preserving the orderly conduct of the business of the meeting (including any informal, or question and answer, portions thereof). Rules, regulations or procedures regarding the conduct of the business of a meeting, whether adopted by the Board of Directors or prescribed by the Chairman of the meeting, may include, without limitation, the following: (i) the establishment of an agenda or order of business for the meeting; (ii) rules and procedures for maintaining order at the meeting and the safety of those present; (iii) limitations on attendance at or participation in the meeting to shareholders of record of the Company, their duly authorized and constituted proxies (subject to Section 2.06) or such other persons as the Chairman of the meeting shall determine; (iv) restrictions on entry to the meeting after the time fixed for the commencement thereof; and (v) limitations on the time allotted to questions or comments by participants. Unless and to the extent determined by the Board of Directors or the Chairman of the meeting, meetings of shareholders shall not be required to be held in accordance with the rules of parliamentary procedure. Any informational or other informal session of shareholders conducted under the auspices of the Company after the conclusion of or otherwise in conjunction with any formal business meeting of the shareholders will be chaired by the same person who chairs the formal meeting, and the foregoing authority on his or her part will extend to the conduct of such informal session.

2.10. VOTING. The number of shares voted on any matter submitted to the shareholders which is required to constitute their action thereon or approval thereof will be determined in accordance with applicable law, the Articles, and these Bylaws, if applicable. No ballot or change of vote will be accepted after the polls have been declared closed following the ending of the announced time for voting.

2.11. SHAREHOLDER APPROVAL OR RATIFICATION. The Board of Directors may submit any contract or act for approval or ratification at any duly constituted meeting of the shareholders, the notice of which either includes mention of the proposed submittal or is waived as provided in Section 2.03 above. Except as otherwise required by law (e.g., Arizona Revised Statutes Section 10-863), if any contract or act so submitted is approved or ratified by a majority of the votes cast thereon at such meeting, the same will be valid and as binding upon the Company and all of its shareholders as it would be if approved and ratified by each and every shareholder of the Company.

2.12. CONTROL SHARE ACT. The provisions of Section 10-2721 through and including Section 10-2727 of the Arizona Revised Statutes shall not apply to the Company.

2.13. ADJOURNMENTS. Any meeting of shareholders, annual or special, may adjourn from time to time to reconvene at the same or some other place, and notice need not be given of any such adjourned meeting if the time and place thereof are announced at the meeting at which the adjournment is taken. At the adjourned meeting the Company may transact any business that might have been transacted at the original meeting. If the adjournment is for more than one hundred and twenty days, or if after the adjournment a new record date is fixed for the adjourned meeting, notice of the adjourned meeting shall be given to each shareholder of record entitled to vote at the meeting.

III. BOARD OF DIRECTORS

3.01. MEMBERSHIP. The Board of Directors of the corporation shall consist of not less than nine (9) nor more than twenty-one (21) shareholders of the Company or of any parent corporation thereof (except that it shall not be a requirement that any member of the initial Board of Directors be a shareholder of the Company or of any parent corporation thereof), and shall be divided into three classes in the manner provided in the Articles (Art. Fifth). The Board will have the exclusive power to increase or decrease its size within such limits. Any vacancy occurring in the Board, whether by reason of death, resignation, disqualification or otherwise, may be filled by the directors as contemplated by law and as provided in the Articles (Art. Fifth). Any such increase in the size of the Board, and the filling of any vacancy created thereby, will require action by a majority of the whole membership of the Board as comprised immediately before such increase.

3.02. QUALIFICATIONS. In order to qualify as a director, a person must be the owner of one or more shares of the capital stock of the Company or of any parent corporation thereof at the time of assuming office (except as may otherwise be provided in these Bylaws or in the Articles) and for so long thereafter as such person remains in office. A person will cease to qualify as a director if he or she (i) is in good faith determined by a majority of the other directors then in office to be physically or mentally incapable of competent performance as a director for a period, starting with inception of the incapacity, that has extended or is likely to extend for more than six months or (ii) has failed to attend six successive regular meetings of the Board (as determined in accordance with Section 3.03 below) unless and to the extent such failure is waived by a majority of the other directors then in office; however, disqualification pursuant to clause (i) or (ii) of this sentence will not preclude the subsequent election or appointment of such person as a director by the shareholders or the Board if a majority of the directors in office immediately prior to the submission of such person for election or appointment shall determine that his or her prior incapacity or principal reason for prior non-attendance no longer exists. A person will not qualify for election or appointment as a director, whether initially or on re-election and whether by the shareholders at their annual meeting or by the Board of Directors as contemplated in Section 3.01 above, if such person's 70th birthday occurs on or has occurred before the date of such election, appointment or re-election. A person who has been a full-time employee of the Company within twelve months prior to the date of any election will not qualify for election as a director on that date unless he or she then remains a full-time employee of the Company or unless the Board of Directors specifically authorizes the election of such person (but it is not intended that any such authorization will extend a person's service on the Board beyond the age limitation set out in the preceding sentence). A person who has qualified by age or employment status for his or her most recent election as a director may serve throughout the term for which such person was elected, notwithstanding the occurrence of his or her 70th birthday or cessation of full-time employment by the Company between the date of such election and the end of such term, subject, however, to his or her otherwise remaining qualified for such office.

3.03. REGULAR MEETINGS. A regular annual meeting of the directors is to be held as soon as practicable after the adjournment of each annual shareholders meeting either at the place of the shareholders meeting or at such other place as the directors elected at the shareholders meeting may have been informed of at or before the time of their election. Regular meetings, other than the annual

ones, may be held at such intervals at such places and at such times as the Board of Directors may provide.

3.04. SPECIAL MEETINGS. Special meetings of the Board of Directors may be held whenever and wherever called for by the Chairman of the Board, the President or the number of directors which would be required to constitute a quorum.

3.05. NOTICE. No notice need be given of regular meetings of the Board of Directors. Notice of the time and place (but not necessarily the purpose or all of the purposes) of any special meeting will be given to each director in person or by telephone, or via mail, telegram, facsimile, or other electronic transmission addressed in the manner appearing on the Company's records. Notice to any director of any such special meeting will be deemed given sufficiently in advance when (i) if given by mail, the same is deposited in the United States mail at least four days before the meeting date, with postage thereon prepaid, (ii) if given by telegram, the same is delivered to the telegraph office for fast transmittal at least 48 hours prior to the convening of the meeting, (iii) if given by facsimile or other electronic transmission, the same is received by the director or an adult member of his or her office staff or household, at least 24 hours prior to the convening of the meeting, or (iv) if personally delivered or given by telephone, the same is handed, or the substance thereof is communicated over the telephone to the director or to an adult member of his or her office staff or household, at least 24 hours prior to the convening of the meeting. Any such notice may be waived as provided by law. No call or notice of a meeting of directors will be necessary if each of them waives the same in writing or by attendance. Any meeting, once properly called and noticed (or as to which call and notice have been waived as aforesaid) and at which a quorum is formed, may be adjourned to another time and place by a majority of those in attendance.

3.06. QUORUM; VOTING. A quorum for the transaction of business at any meeting or adjourned meeting of the directors will consist of a majority of those then in office. Any matter submitted to a meeting of the directors will be resolved by a majority of the votes cast thereon, except as otherwise required by these Bylaws (ss.ss. 3.01 and 3.02 above and ss. 3.07 below), by law or by any applicable Article. However, in case of an equality of votes, the Chairman of the meeting will have a second or deciding vote. Where action by a majority of the whole membership is required, such requirement will be deemed to relate to a majority of the directors in office at the time the action is taken. In computing any such majority, whether for purposes of determining the presence of a quorum or the adequacy of the vote on any proposed action, any unfilled vacancies at the time existing in the membership of the Board will be excluded from the computation.

3.07. EXECUTIVE COMMITTEE. The Board of Directors may, by resolution adopted by a majority of the whole Board, name three or more of its members as an Executive Committee. Such Executive Committee will have and may exercise the powers of the Board of Directors in the management of the business and affairs of the Company while the Board is not in session, except only as precluded by law or where action other than by a majority of the votes cast is required by these Bylaws, or the law (all as referred to in Section 3.06 above), and subject to such limitations as may be included in any applicable resolution passed by a majority of the whole membership of the Board. A majority of those named to the Executive Committee will constitute a quorum.

3.08. OTHER COMMITTEES. The Board of Directors may designate one or more additional committees, each committee to consist of one or more of the directors of the Company. The Board of Directors may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. Any such committee, to the extent permitted by law and to the extent provided in the resolution of the Board of Directors, shall have and may exercise all the powers and authority of the Board of Directors in the management of the business and affairs of the Company, and may authorize the seal of the Company to be affixed to all papers that may require it.

3.09. COMMITTEE FUNCTIONING. Notice requirements and related waiver provisions for meetings of the Executive Committee and other committees of the Board will be the same as those set forth in Section 3.05 above for meetings of the Board of Directors. Except as provided in the next two succeeding sentences, a majority of those named to the Executive Committee or any other committee of the Board will constitute a quorum at any meeting thereof (with the effect of departure of committee members from a meeting and the computation of a majority of committee members to be in accordance with the applicable policies of Section 3.06 above), and any matter submitted to a meeting of any such committee will be resolved by a majority of the votes cast thereon. No distinction will be made among ex-officio or other members of any such committee for quorum, voting or other purposes, except that the membership of any committee (including the Executive Committee), in performing any function vested in it as herein contemplated, may be deemed to exclude any officer or employee of the Company, in either case, or other person having a direct or indirect personal interest in any proposed exercise of such function, whose exclusion for that purpose is deemed appropriate by a majority of the other members of such committee proposing to perform such function. All committees are to keep regular minutes of the transactions of their meetings.

3.10. ACTION BY TELEPHONE OR CONSENT. Any meeting of the Board or any committee thereof may be held by conference telephone or similar communications equipment as permitted by law, in which case any required notice of such meeting may generally describe the arrangements (rather than the place) for the holding thereof, and all other provisions herein contained or referred to will apply to such meeting as though it were physically held at a single place. Action may also be taken by the Board or any committee thereof without a meeting if the members thereof consent in writing thereto as contemplated by law.

3.11. PRESUMPTION OF ASSENT. A director of the Company who is present at a meeting of the Board of Directors, or of any committee when corporate action is taken is deemed to have assented to the action taken unless either (i) the director objects at the beginning of the meeting or promptly on the director's arrival to holding it or transacting business at the meeting; (ii) the director's dissent or abstention from the action taken is entered in the minutes of the meeting; or (iii) the director delivers written notice of the director's dissent or abstention to the presiding officer of the meeting before its adjournment or to the Company before 5:00 P.M. on the next business day after the meeting. The right of dissent or abstention is not available to a director who votes in favor of the action taken.

3.12. COMPENSATION. By resolution of the Board, the directors may be paid their expenses, if any, of attendance at each meeting of the Board of Directors, or of any committee, and may be paid a fixed sum for attendance at each such meeting and/or a stated salary as a director or committee member. No such

payment will preclude any director from serving the Company in any other capacity and receiving compensation therefor.

3.13. REMOVAL. Any director or the entire Board of Directors may be removed with or without cause, only at a special meeting of shareholders called for that purpose, by the affirmative vote of sixty-six and two-thirds percent (66 2/3%) of the issued and outstanding shares of stock then entitled to vote on the election of directors, except that if less than the entire Board of Directors is to be removed, no one of the directors may be removed if the votes cast against the director's removal would be sufficient to elect the director if then cumulatively voted at an election for the class of directors of which the director is a part.

IV. OFFICERS - GENERAL

4.01. ELECTIONS AND APPOINTMENTS. The directors may elect or appoint one or more of the officers of the Company contemplated in Part V below. Any such election or appointment will regularly take place at the annual meeting of the directors, but elections of officers may be held at any other meeting of the Board. A person elected or appointed to any office will continue to hold that office until the election or appointment of his or her successor, subject to action earlier taken pursuant to Section 4.04 or 6.01 below. Any person may hold more than one office.

4.02. ADDITIONAL APPOINTMENTS. In addition to the officers contemplated in Part V below, the Board of Directors may create other corporate positions, and appoint persons thereto, with such authority to perform such duties as may be prescribed from time to time by the Board of Directors, by the President or by the superior officer of any person so appointed. Notwithstanding such additional appointments, only those persons whose offices are described in Part V are to be considered an officer of the Company unless the resolution or other Board action appointing such person expressly states that such person is to be considered an officer of the Company. Each of such persons (in the order designated by the Board or the superior officer of such person) will be vested with all of the powers and charged with all of the duties of his or her superior officer in the event of such superior officer's absence or disability.

4.03. BONDS AND OTHER REQUIREMENTS. The Board of Directors may require any officer or other appointee to give bond to the Company (with sufficient surety, and conditioned upon the faithful performance of the duties of his or her office or position) and to comply with such other conditions as may from time to time be required of him or her by the Board.

4.04. REMOVAL OR DELEGATION. Provided that a majority of the whole membership thereof concurs therein, the Board of Directors may remove any officer of the Company as provided by law and declare his or her office or offices vacant or abolished or, in the case of the absence or disability of any officer or for any other reason considered sufficient, may temporarily delegate his or her powers and duties to any other officer or to any director. Similar action may be taken by the Board of Directors in regard to appointees designated pursuant to Section 4.02 above.

4.05. SALARIES. Officer salaries may from time to time be fixed by the Board of Directors or (except as to his or her own) be left to the discretion of the Chief Executive Officer or the President. No officer will be prevented from

receiving a salary by reason of the fact that he or she is also a director of the Company.

V. SPECIFIC OFFICERS, FUNCTIONS AND POWERS

5.01. **CHAIRMAN OF THE BOARD.** The Board of Directors may elect a Chairman to serve as a general executive officer of the Company and, if specifically designated as such by the Board, as the Chief Executive Officer of the Company. If elected, the Chairman will preside at all meetings of the directors and be vested with such other powers and duties as the Board may from time to time delegate to him or her.

5.02. **CHIEF EXECUTIVE OFFICER.** Subject to the control of the Board of Directors exercised as hereinafter provided, the Chief Executive Officer of the Company will supervise its business and affairs and the performance of their respective duties by all other officers, by appointees designated pursuant to

Section 4.02 above, and by such additional appointees to such additional positions (corporate, divisional or otherwise) as the Chief Executive Officer may designate, with authority on his or her part to delegate the foregoing duty of supervision to such extent and to such person or persons as may be determined by the Chief Executive Officer. Except as otherwise indicated from time to time by resolution of the Board of Directors, its management of the business and affairs of the Company will be implemented through the office of the Chief Executive Officer.

5.03. **PRESIDENT AND VICE PRESIDENTS.** Unless specified to the contrary by resolution of the Board of Directors, the President will be the Chief Executive Officer of the Company. In addition to the supervisory functions above set forth on the part of the Chief Executive Officer or in lieu thereof if a contrary specification is made by the Board relative to the Chief Executive Officer, the President will be vested with such powers and duties as the Board may from time to time designate. Vice Presidents may be elected by the Board of Directors to perform such duties as may be designated by the Board or be assigned or delegated to them by their respective superior officers. The Board may identify (i) one or more Vice Presidents as "Executive" or "Senior" Vice Presidents and (ii) the President or any Vice President as "General Manager" of the Company and the title of any Vice President may include words indicative of his or her particular area of responsibility and authority. Vice Presidents will succeed to the responsibilities and authority of the President, in the event of his or her absence or disability, in the order consistent with their respective titles or regular duties or as specifically designated by the Board of Directors.

5.04. **TREASURER AND SECRETARY.** The Treasurer and Secretary each will perform all such duties normally associated with his or her office (including, in the case of the Secretary, the giving of notice and the preparation and retention of minutes of corporate proceedings and the custody of corporate records and the seal of the Company) as are not assigned to a Vice President of the Company, along with such other duties as may be designated by the Board or be assigned or delegated to them by their respective superior officers. The Board may appoint one or more Assistant Treasurers or Assistant Secretaries, each of whom (in the order designated by the Board or their respective superior officers) will be vested with all of the powers and charged with all of the duties of the Treasurer or the Secretary (as the case may be) in the event of his or her absence or disability.

5.05. SPECIFIC POWERS. Except as may otherwise be specifically provided in a resolution of the Board of Directors, any of the officers referred to in this Part V will be a proper officer to authenticate records of the Company and to sign on behalf of the Company any deed, bill of sale, assignment, option, mortgage, pledge, note, bond, debenture, evidence of indebtedness, application, consent (to service of process or otherwise), agreement, indenture or other instrument of importance to the Company. Any such officer may represent the Company at any meeting of the shareholders or members of any corporation, association, partnership, joint venture or other entity in which this Company then has an interest, and may vote such interest in person or by proxy appointed by him or her, provided that the Board of Directors may from time to time confer the foregoing authority upon any other person or persons.

VI. RESIGNATIONS AND VACANCIES

6.01. RESIGNATIONS. Any director, committee member or officer may resign from his or her office at any time by written notice as specified in accordance with Arizona Revised Statutes Sections 10-807 and 10-843. The acceptance of a resignation will not be required to make it effective.

6.02. VACANCIES. If the office of any director, committee member or officer becomes vacant by reason of his or her death, resignation, disqualification, removal or otherwise, the Board of Directors may choose a successor to hold office for the unexpired term.

VII. INDEMNIFICATION AND RATIFICATION

7.01. INDEMNIFICATION. In order to induce qualified persons to serve the Company (and any other corporation, joint venture, partnership, trust or other enterprise at the request of the Company) as directors and officers, the Company shall indemnify any and all of its directors and officers, or former directors and officers to the fullest extent permitted by applicable law as it presently exists or may hereafter be amended.

7.02. RATIFICATION; SPECIAL COMMITTEE. Any transaction involving the Company, any of its subsidiary corporations or any of its directors, officers, employees or agents which at any time is questioned in any manner or context (including a shareholders derivative suit), on the ground of lack of authority, conflict of interest, misleading or omitted statement of fact or law, nondisclosure, miscomputation, improper principles or practices of accounting, inadequate records, defective or irregular execution or any similar ground, may be investigated and/or ratified (before or after judgment), or an election may be made not to institute or pursue a claim or legal proceedings on account thereof or to accept or approve a negotiated settlement with respect thereto (before or after the institution of legal proceedings), by the Board of Directors or by a special committee thereof comprised of one or more disinterested directors (that is, a director or directors who did not participate in the questioned transaction with actual knowledge of the questioned aspect or aspects thereof). Such a special committee may be validly formed and fully empowered to act, in accordance with the purposes and duties assigned thereto, by resolution or resolutions of the Board of Directors, notwithstanding (i) the inclusion of Board members who are not disinterested as aforesaid among those who form a quorum at the meeting or meetings at which one or more members of such special committee are elected or appointed to the Board or to such special committee or at which such committee is formed or empowered,

or their inclusion among the directors who vote upon or otherwise participate in taking any of the foregoing actions, or (ii) the taking of any of such actions by the disinterested members of the Board (or a majority of such members) whose number is not sufficient to constitute a quorum or a majority of the membership of the full Board. Any such special committee so comprised will, to the full extent consistent with its purposes and duties as expressed in such resolution or resolutions, have all of the authority and powers of the full Board and its Executive Committee (the same as though it were the full Board and/or its Executive Committee in carrying out such purposes and duties) and will function in accordance with Section 3.09 above. No other provisions of these Bylaws which may at any time appear to conflict with any provisions of this Section 7.02, and no defect or irregularity in the formation, empowering or functioning of any such special committee, will serve to impede, impair or bring into question any action taken or purported to be taken by such committee or the validity of any such action. Any ratification of a transaction pursuant to this Section 7.02 will have the same force and effect as if the transaction has been duly authorized originally. Any such ratification, and any election made pursuant to this Section 7.02 with respect to claims, legal proceedings or settlements, will be binding upon the Company and its shareholders and will constitute a bar to any claim or the execution of any judgment in respect of the transaction involved in such ratification or election.

VIII. SEAL

8.01. FORM THEREOF. The seal of the Company will have inscribed thereon the name of the Company, the state and year of its incorporation and the words "SEAL".

IX. STOCK CERTIFICATES

9.01. FORM THEREOF. Each certificate representing stock of the Company will be in such form conforming to law as may from time to time be approved by the Board of Directors, and will bear the manual facsimile signatures and seal of the Company as required or permitted by law.

9.02. OWNERSHIP. The Company will be entitled to treat the registered owner of any share as the absolute owner thereof and accordingly, will not be bound to recognize any beneficial, equitable or other claim to, or interest in, such share on the part of any other person, whether or not it has notice thereof, except as may expressly be provided by Chapter 8 of Title 47, Arizona Revised Statutes (or its successor), as at the time in effect, or other applicable law.

9.03. TRANSFERS. Transfer of stock will be made on the books of the Company only upon surrender of the certificate therefor, duly endorsed by an appropriate person, with such assurance of the genuineness and effectiveness of the endorsement as the Company may require, all as contemplated by Chapter 8 of Title 47, Arizona Revised Statutes (or its successor), as at the time in effect, and/or upon submission of any affidavit, other document or notice which the Company considers necessary.

9.04. LOST CERTIFICATES. In the event of the loss, theft or destruction of any certificate representing capital stock of this Company, the Company may issue (or, in the case of any such stock as to which a transfer agent and/or registrar have been appointed, may direct such transfer agent and/or registrar to countersign, register and issue) a replacement certificate in lieu of that

alleged to be lost, stolen or destroyed, and cause the same to be delivered to the owner of the stock represented thereby, provided that the owner shall have submitted such evidence showing the circumstances of the alleged loss, theft or destruction, and his or her ownership of the certificate as the Company considers satisfactory, together with any other factors which the Company considers pertinent, and further provided that an indemnity agreement and/or indemnity bond shall have been provided in form and amount satisfactory to the Company and to its transfer agent and/or registrar, if applicable.

X. EMERGENCY BYLAWS

10.01. **EMERGENCY CONDITIONS.** The emergency Bylaws provided in this Part X will be as effective in the event of an emergency as prescribed in Arizona Revised Statutes Section 10-207.D. To the extent not inconsistent with the provisions of this Part X, these Bylaws will remain in effect during such emergency and upon its termination these emergency Bylaws will cease to be operative.

10.02. **BOARD MEETINGS.** During any such emergency, a meeting of the Board of Directors or any of its committees may be called by any officer or director of the Company. Notice of the time and place of the meeting will be given by the person calling the same to those of the directors whom it may be feasible to reach by any available means of communication. Such notice will be given so much in advance of the meeting as circumstances permit in the judgment of the person calling the same. At any Board or committee meeting held during any such emergency, a quorum will consist of a majority of those who could reasonably be expected to attend the meeting if they were willing to do so, but in no event more than a majority of those to whom notice of such meeting is required to have been given as above provided.

10.03. **CERTAIN ACTIONS.** The Board of Directors, either before or during any such emergency, may provide and from time to time modify lines of succession in the event that during such an emergency any or all officers, appointees, employees or agents of the Company are for any reason rendered incapable of discharging their duties. The Board, either before or during any such emergency, may, effective in the emergency, change the head office or designate several alternative head offices of the Company, or authorize the officers to do so.

10.04. **LIABILITY.** No director, officer, appointee, employee or agent acting in accordance with these emergency Bylaws will be liable except for willful misconduct.

10.05. **MODIFICATIONS.** These emergency Bylaws will be subject to repeal or change by further action of the Board of Directors, but no such repeal or change will modify the provisions of Section 10.04 with respect to action taken prior to the time of such repeal or change. Any amendment of these emergency Bylaws may make any further or different provisions that may be practical and necessary for the circumstances of the emergency.

XI. DIVIDENDS

11.01. **DECLARATION.** Subject to such restrictions or requirements as may be imposed by law or the Company's Articles or as may otherwise be binding upon the Company, the Board of Directors may from time to time declare dividends on stock of the Company outstanding on the dates of record fixed by the Board, to be paid

in cash, in property or in shares of the Company's stock on or as of such payment or distribution dates as the Board may prescribe.

XII. BUSINESS COMBINATIONS

12.01. DEFINITIONS. In these Bylaws, the following definitions shall apply:

1. "Affiliate" means a person that directly or indirectly controls, is controlled by, or is under common control with a specified person.
2. "Announcement date," when used in reference to any business combination, means the date of the first public announcement of the final, definitive proposal for the business combination.
3. "Associate," when used to indicate a relationship with any person, means any of the following:
 - (a) Any corporation or organization of which the person is an officer, director, or partnership or is, directly or indirectly, the beneficial owner of ten percent (10%) or more of any class or series of shares entitled to vote or other equity interest;
 - (b) Any trust or estate in which the person has a substantial beneficial interest or as to which the person serves as trustee or personal representative or in a similar fiduciary capacity; or
 - (c) Any relative or spouse of the person, or any relative of the spouse, residing in the home of the person.
4. "Beneficial owner," when used with respect to shares or other securities, includes any person who, directly or indirectly through any agreement, arrangement, relationship, understanding, or otherwise, whether or not in writing, has or shares the power to vote, or direct the voting of the shares or securities or has or shares the power to dispose of or direct the disposition of the shares or securities, except that:
 - (a) A person is not deemed the beneficial owner of shares or securities tendered pursuant to a tender or exchange offer made by the person or any of the person's affiliates or associates until the tendered shares or securities are accepted for purchase or exchange; and
 - (b) A person is not deemed the beneficial owner of shares or securities with respect to which the person has the power to vote or direct the voting arising solely from a revocable proxy given in response to a proxy solicitation required to be made and made in accordance with the applicable rules and regulations under the Securities Exchange Act of 1934, as amended, and is not then reportable under that act on a Schedule 13D or comparable report.

5. "Beneficial ownership" includes the right to acquire shares or securities through the exercise of options, warrants, or rights, the conversion of convertible securities, or otherwise. The shares or securities subject to the options, warrants, rights, or conversion privileges held by a person are deemed to be outstanding for the purpose of computing the percentage of outstanding shares or securities of the class or series owned by the person but are not deemed to be outstanding for the purpose of computing the percentage of the class or series owned by any other person. A person is deemed the beneficial owner of shares and securities beneficially owned by the spouse of the person or any relative of the spouse residing in the home of the person, any trust or estate in which the person owns ten percent (10%) or more of the total beneficial interest or serves as trustee or personal representative, any corporation or entity in which the person owns ten percent (10%) or more of the equity and any affiliate of the person.

6. "Business combination," when used in reference to the Company and any interested shareholder of the Company, means any of the following:

(a) Any merger or consolidation of the Company or any subsidiary of the Company with either:

(i) The interested shareholder; or

(ii) Any other domestic or foreign corporation, whether or not itself an interested shareholder of the Company, that is, or after the merger would be, an affiliate or associate of the interested shareholder, except that the foregoing does not include the merger of a wholly-owned subsidiary of the Company into the Company or the merger of two or more wholly-owned subsidiaries of the Company.

(b) Any exchange, pursuant to a plan of exchange under the laws of the State of Arizona or a comparable statute of any other state or jurisdiction, of shares of the Company or any subsidiary of the Company for shares of either:

(i) The interested shareholder; or

(ii) Any other domestic or foreign corporation, whether or not itself an interested shareholder of the Company, that is, or after the exchange would be, an affiliate or associate of the interested shareholder.

(c) Any sale, lease, exchange, mortgage, pledge, transfer, or other disposition, in a single transaction or a series of transactions, to or with the interested shareholder or any affiliate or associate of the interested shareholder, of

assets of the Company or any subsidiary of the Company to which any of the following applies:

- (i) Has an aggregate market value equal to ten percent (10%) or more of the aggregate market value of all the assets, determined on a consolidated basis, of the Company.
- (ii) Has an aggregate market value equal to ten percent (10%) or more of the aggregate market value of all the outstanding shares of the Company.
- (iii) Represents ten percent (10%) or more of the earning power or net income, determined on a consolidated basis, of the Company.
- (d) The issuance or transfer by the Company or any subsidiary of the Company, in a single transaction or a series of transactions, of any shares of the Company or any subsidiary of the Company that have an aggregate market value equal to five percent (5%) or more of the aggregate market value of all the outstanding shares of the Company to the interested shareholder or any affiliate or associate of the interested shareholder, except pursuant to the exercise of warrants or rights to purchase shares offered or a dividend or distribution paid or made pro rata to all shareholders of the Company.
- (e) The adoption of any plan or proposal for the liquidation or dissolution of the Company, or any reincorporation of the Company in another state or jurisdiction, proposed by, on behalf of, or pursuant to any agreement, arrangement, or understanding, whether or not in writing, with the interested shareholder or any affiliate or associate of the interested shareholder.
- (f) Any reclassification of securities, including any share dividend or split, reverse share split, or other distribution of shares in respect of shares, recapitalization of the Company, merger or consolidation of the Company with any subsidiary of the Company exchange of shares of the Company with any subsidiary of the Company or other transaction, whether or not with or into or otherwise involving the interested shareholder, proposed by, on behalf of, or pursuant to any agreement, arrangement, or understanding, whether or not in writing, with the interested shareholder or any affiliate or associate of the interested shareholder that has the effect, directly or indirectly, of increasing the proportionate share of the outstanding shares of any class or series of shares entitled to vote, or securities that are exchangeable for or convertible into or that carry a right to acquire shares entitled to vote, of the Company or any subsidiary of the

Company that is, directly or indirectly, owned by the interested shareholder or any affiliate or associate of the interested shareholder, except as a result of immaterial changes due to fractional share adjustments.

(g) Any receipt by the interested shareholder or any affiliate or associate of the interested shareholder of the benefit, directly or indirectly, except proportionately as a shareholder of the Company, of any loans, advances, guarantees, pledges, or other financial assistance or any tax credits or other tax advantages provided by or through the Company or any subsidiary of the Company (other than expense account advances made in the ordinary course of business).

7. "Consummation date," with respect to any business combination, means the date of consummation of the business combination or, in the case of a business combination as to which a shareholder vote is taken, the later of:

(i) The business day before the vote; or

(ii) Twenty (20) days before the date of consummation of the business combination.

8. "Control," "controlling," "controlled by" or "under common control with" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a person, whether through the ownership of voting securities, by contract, or otherwise. A person's beneficial ownership of ten percent (10%) or more of the voting power of the Company's outstanding shares entitled to vote in the election of directors creates a presumption that the person has control of the Company. A person is not considered to have control of the Company if the person holds voting power, in good faith and not for the purpose of avoiding any provision of law as an agent, bank, broker, nominee, custodian, or trustee for one or more beneficial owners who do not individually or as a group have control of the Company.

9. "Interested shareholder," when used in reference to the Company means any person, other than the Company or any subsidiary of the Company, that is either:

(a) The beneficial owner, directly or indirectly, of ten percent (10%) or more of the voting power of the outstanding shares entitled to vote of the Company; or

(b) An affiliate or associate of the Company.

10. "Interested shares" means the shares of the Company with respect to which any of the following persons may exercise or direct the exercise of voting power in the election of directors of the Company:

- (a) An interested shareholder;
- (b) Any officer of the Company; or
- (c) Any director of the Company.

11. "Market value," when used in reference to shares or property of the Company, means the following:

(a) In the case of shares, the highest closing sale price during the thirty (30) day period immediately preceding the date in question of a share on the composite tape for New York Stock Exchange listed shares or, if the shares are not quoted on the composite tape or not listed on the New York Stock Exchange, on the principal United States securities exchange registered under the Securities Exchange Act of 1934, as amended, on which the share are listed or, if the shares are not listed on any such exchange, on the National Association of Securities Dealers, Inc. Automated Quotations National Market System or, if the shares are not quoted on the National Association of Securities Dealers, Inc. Automated Quotations National Market System, the highest closing bid quotation during the thirty (30) day period preceding the date in question of a share on the National Association of Securities Dealers, Inc. Automated Quotations System or any system then in use or, if no such quotation is available, the fair market value on the date in question of a share as determined in good faith by the Board of the Company, subject to arbitration.

(b) In the case of property other than cash or shares, the fair market value of the property on the date in question as determined in good faith by the Board of the Company, subject to arbitration.

12. "Person" means any natural person, partnership, corporation, group, association, venture, firm, or other entity (other than the Company, any subsidiary of the Company, or a trustee or fiduciary holding stock for the benefit of the employees of the Company or its subsidiaries or any one of its subsidiaries, pursuant to one or more employee benefit plans). If two or more persons act as a partnership, limited partnership, syndicate, or other group pursuant to any agreement, arrangement, relationship, understanding, or otherwise, whether or not in writing, for the purposes of acquiring, owning, or voting shares of the Company, all members of the partnership, syndicate, or other group shall be deemed a person. Person does not include a licensed broker, dealer, or underwriter that purchases shares of the Company

solely for purposes of resale to the public that is not acting in concert with an interested shareholder.

13. "Share acquisition date," with respect to any person and the Company, means the date that the person first becomes an interested shareholder of the Company.

12.02. BUSINESS COMBINATION WITH INTERESTED SHAREHOLDERS; APPROVED BY DIRECTORS.

1. Except as set forth in these Bylaws, the Company may not engage in any business combination or vote, consent or otherwise act to authorize a subsidiary of the Company to engage in any business combination with respect to, proposed by, or on behalf of, or pursuant to any agreement, arrangement or understanding, whether or not in writing, with any interested shareholder of the Company or any affiliate or associate of the interested shareholder for a period of three (3) years after the interested shareholder's share acquisition date, unless the business combination or the acquisition of shares made by the interested shareholder on the interested shareholder's share acquisition date is approved by a committee of the Board of Directors of the Company before the interested shareholder's share acquisition date. The committee shall be formed in accordance with subsection 4 of this Section 12.02.

2. If a good faith definitive proposal regarding a business combination is made in writing to the Board of Directors of the Company, a committee of the Board formed in accordance with subsection 4 of this Section 12.02 shall consider and take action on the proposal and respond in writing within forty-five (45) days after receipt of the proposal by the Company, setting forth its decision regarding the proposal.

3. If a good faith definitive proposal to acquire shares is made in writing to the Board of Directors of the Company, a committee of the Board of Directors formed in accordance with subsection 4 of this Section 12.02 shall consider and take action on the proposal. Unless the committee responds affirmatively in writing within forty-five (45) days after receipt of the proposal by the Company, the committee shall be considered to have disapproved the share acquisition.

4. When a business combination or acquisition of shares is proposed pursuant to this Section 12.02, the Board of Directors shall promptly form a committee composed of all of the Board's disinterested Directors. The committee shall take action on the proposal by the affirmative vote of a simple majority of the committee members. The committee is not subject to any direction or control by the Board with respect to the committee's consideration of or any action concerning a business combination or acquisition of shares pursuant to this Section 12.02. A committee formed pursuant to this subsection shall be composed of one or more members. Only disinterested Directors may be members

of a committee formed pursuant to this subsection. However, if the Board of Directors has no disinterested Directors, the Board shall select three or more disinterested persons to be committee members. For purposes of this subsection, a Director or person is disinterested if the Director or person is not an interested shareholder or an affiliate thereof or a present or former officer or employee of the Company or an affiliate or associate of the Company.

12.03. Requirements after Three Years. Except for the provisions of Sections 12.02 and 12.04, the Company may not engage at any time in any business combination or vote, consent, or otherwise act to authorize a subsidiary of the Company to engage in any business combination with respect to, proposed by, on behalf of, or pursuant to any agreement, arrangement, or understanding, whether or not in writing, with an interested shareholder of the Company or any affiliate or associate of the interested shareholder other than a business combination meeting all the requirements of this Article XII, the Articles, and the requirements specified in any of the following:

1. A business combination with respect to which the consummation date is no less than three years after the share acquisition date, approved by the Board of Directors of the Company before the interested shareholder's share acquisition date, or as to which the acquisition of shares made by the interested shareholder on the interested shareholder's acquisition date had been approved by the Board of Directors before the interested shareholder's share acquisition date.

2. A business combination approved by the affirmative vote of the holders of a majority of the outstanding shares entitled to vote not beneficially owned by the interested shareholder proposing the business combination or any affiliate or associate of the interested shareholder proposing the business combination at a meeting called for that purpose no earlier than three years after the interested shareholder's share acquisition date.

3. A business combination, with respect to which the consummation date is no earlier than three years after the interested shareholder's share acquisition date, that meets all of the following conditions:

(a) The aggregate amount of the cash and the market value as of the consummation date of consideration other than cash to be received per share by holders of outstanding common shares of the Company in the business combination is at least equal to the higher of the following:

(i) The highest per share price paid by the interested shareholder, at a time when the interested shareholder was the beneficial owner, directly or indirectly, of five percent (5%) or more of the outstanding shares entitled to vote of the Company, for any common shares of the same class or series acquired by it within the

three (3) year period immediately before the announcement date with respect to the business combination or within the three (3) year period immediately before, or in, the transaction in which the interested shareholder became an interested shareholder, whichever is higher, plus, in either case, interest compounded annually from the earliest date on which the highest per share acquisition price was paid through the consummation date at the rate for one year United States treasury obligations from time to time in effect less the aggregate amount of any cash dividends paid, and the market value of any dividends paid other than in cash, per common share since the earliest date, up to the amount of the interest.

(ii) The market value per common share on the announcement date with respect to the business combination or on the interested shareholder's share acquisition date, whichever is higher, plus interest compounded annually from that date through the consummation date at the rate for one year United States treasury obligations from time to time in effect less the aggregate amount of any cash dividends paid and the market value of any dividends paid other than in cash, per common share since that date, up to the amount of the interest.

(b) The aggregate amount of the cash and the market value as of the consummation date of consideration other than cash to be received per share by holders of outstanding shares of any class or series of shares, other than common shares, of the Company in the business combination is at least equal to the highest of the following, whether or not the interested shareholder has previously acquired any shares of the class or series:

(i) The highest per share price paid by the interested shareholder, at a time when the interested shareholder was the beneficial owner, directly or indirectly, of five percent (5%) or more of the outstanding shares entitled to vote of the Company, for any shares of the class or series acquired by it within the three (3) year period immediately before the announcement date with respect to the business combination or within the three (3) year period immediately before, or in, the transaction in which the interested shareholder became an interested shareholder, whichever is higher, plus, in either case, interest compounded annually from the

earliest date on which the highest per share acquisition price was paid through the consummation date at the rate for one year United States treasury obligations from time to time in effect less the aggregate amount of any cash dividends paid and the market value of any dividends paid other than in cash, per share of the class or series since such earliest date, up to the amount of the interest.

(ii) The highest preferential amount per share to which the holders of shares of the class or series are entitled in the event of any voluntary liquidation, dissolution, or winding up of the Company, plus the aggregate amount of any unpaid dividends declared or due as to which the holders are entitled before payment of dividends on some other class or series of shares, unless the aggregate amount of the dividends is included in the preferential amount.

(iii) The market value per share of the class or series on the announcement date with respect to the business combination or on the interested shareholder's share acquisition date, whichever is higher, plus interest compounded annually from that date through the consummation date at the rate for one year United States treasury obligations from time to time in effect less the aggregate amount of any cash dividends paid and the market value of any dividends paid other than in cash, per share of the class or series since that date, up to the amount of the interest.

(c) The consideration to be received by holders of a particular class or series of outstanding shares, including common shares, of the Company in the business combination is in cash or in the same form as the interested shareholder has used to acquire the largest number of shares of the class or series of shares previously acquired by it and the consideration is distributed promptly.

(d) The holders of all outstanding shares of the Company not beneficially owned by the interested shareholder immediately before the consummation date with respect to the business combination are entitled to receive in the business

combination cash or other consideration for the shares in compliance with subdivisions (a), (b) and (c).

(e) After the interested shareholder's share acquisition date and before the consummation date with respect to the business combination, the interested shareholder has not become the beneficial owner of any additional shares entitled to vote of the Company except:

(i) As part of the transaction that resulted in the interested shareholder becoming an interested shareholder;

(ii) By virtue of proportionate share splits, share dividends, or other distributions of shares in respect of shares not constituting a business combination;

(iii) Through a business combination meeting all of the conditions of Section 12.02 and this paragraph; or

(iv) Through purchase by the interested shareholder at any price that, if the price had been paid in an otherwise permissible business combination the announcement date and consummation date of which were the date of the purchase, would have satisfied the requirements of subdivisions (a), (b) and (c) of this Section.

12.04. APPLICATION. This Article XII does not apply to any business combination of the Company with an interested shareholder of the Company who became an interested shareholder inadvertently, if the interested shareholder both:

1. As soon as practicable, divests itself of a sufficient amount of the shares entitled to vote of the Company so that it no longer is the beneficial owner, directly or indirectly, of ten percent (10%) or more of the outstanding shares entitled to vote of the Company.

2. Would not at any time within the three (3) year period preceding the announcement date with respect to the business combination have been an interested shareholder except for the inadvertent acquisition.

XIII. LIMITATION ON SHARE REPURCHASES

13.01. LIMITATION ON SHARE REPURCHASES. The Company shall not, directly or indirectly, purchase or agree to purchase any shares entitled to vote from a person, or two or more persons who act as a partnership, limited partnership, syndicate or other group pursuant to any agreement, arrangement, relationship, understanding or otherwise, whether or not in writing, for the purpose of

acquiring, owning or voting shares of the Company who beneficially owns more than five per cent (5%) of the voting stock of the Company for more than the "average market price" of the shares if the shares have been beneficially owned by the person or persons for less than three (3) years, unless the purchase or agreement to purchase is approved at a meeting of shareholders by the affirmative vote of the holders of a majority of the voting stock entitled to vote and not beneficially owned by such person or persons from whom the proposed repurchase is to be made or the Company makes an offer, of at least equal value per share, to all holders of shares of such class or series and to all holders of any class or series into which the shares may be converted.

13.02. DEFINITIONS. For the purposes of this Article, "AVERAGE MARKET PRICE" means the average closing sale price during the thirty trading days immediately preceding the purchase of the shares in question, or if the person or persons have commenced a tender offer or have announced an intention to seek control of the Company, during the thirty trading days preceding the earlier of the commencement of the tender offer or the making of the announcement, of a share on the composite tape for New York Stock Exchange listed shares or, if the shares are not quoted on the composite tape or not listed on the New York Stock Exchange, on the principal United States securities exchange registered under the Securities Exchange Act of 1934, as amended, on which the shares are listed or, if the shares are not listed on any such exchange, on the National Association of Securities Dealers, Inc. Automated Quotations National Market System or, if the shares are not quoted on the National Association of Securities Dealers, Inc. Automated Quotations National Market System, the average closing bid quotation, during the thirty trading days preceding the purchase of the shares in questions of a share on the National Association of Securities Dealers, Inc. Automated Quotations System or any system then in use, or if the person or persons have commenced a tender offer or have announced an intention to seek control of the issuing public corporation, during the thirty trading days preceding the earlier of the commencement of the tender offer or the making of the announcement, except that if no quotation is available the average market price is the fair market value on the date of purchase of the shares in question of a share as determined in good faith by the Board of Directors of the Company.

XIV. AMENDMENTS

14.01. AMENDMENT OF ARTICLES AND BYLAWS. Notwithstanding any other provision of these Bylaws, Article Fifth of the Articles (Restated As of July 29, 1988) and Sections 2.02, 3.01, and 3.13 and Articles XII, XIII, and XIV of these Bylaws shall not be altered, amended, supplemented, repealed, or temporarily or permanently suspended, in whole or in part, or replacement Bylaw provisions adopted without: (I) the affirmative vote of a majority of the directors then in office; or (ii) the affirmative vote of seventy-five percent (75%) or more of the outstanding shares of the Company entitled to vote generally.

CERTIFICATE

I, FAYE WIDENMANN, Vice President and Secretary of Pinnacle West Capital Corporation, an Arizona corporation, do HEREBY CERTIFY that the foregoing is a true and correct copy of the Company's Bylaws, as amended, and that they are in full force and effect as of the date hereof.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the seal of the corporation this 18th day of September 2002.

FAYE WIDENMANN
FAYE WIDENMANN
Vice President and Secretary

EXHIBIT 4.3

AMENDED AND RESTATED PINNACLE WEST CAPITAL CORPORATION

INVESTORS ADVANTAGE PLAN

Pinnacle West Capital Corporation, an Arizona corporation (the "Company"), hereby amends and restates, as of October 23, 2002, its Stock Purchase and Dividend Reinvestment Plan, as previously amended (the "DRIP"), in its entirety to establish the following Pinnacle West Capital Corporation Investors Advantage Plan (the "Plan"):

RECITALS:

WHEREAS, the DRIP has been in existence since 1977; and

WHEREAS, the Company desires to amend and restate the DRIP to include other stock purchase opportunities and services in an effort to enhance its attractiveness to investors in the Company's common stock, without par value (the "Common Stock"); and

WHEREAS, the purpose of the Plan is to provide interested investors and holders of certain securities of the Company and its subsidiaries with a convenient and economical means of increasing their investment in the Company through (i) regular investment of cash dividends paid on such securities, (ii) optional cash investments, and/or (iii) initial cash investments;

NOW, THEREFORE:

ARTICLE 1

DEFINITIONS

The terms defined in this Article I shall, for all purposes of this Plan, have the following respective meanings:

ACCOUNT

The term "Account" shall mean, as to any Participant, the account maintained by the Administrator evidencing (i) the shares (and/or fraction of a share) of Common Stock (a) purchased through the Plan and/or (b) deposited by such Participant into the Plan pursuant to Section 4.1 hereof and credited to such Participant; (ii) any dividends in the form of shares of Common Stock and any shares resulting from a Common Stock split on such shares, and (iii) cash held in the Plan pending investment in Common Stock for such Participant.

ACCOUNT SHARES

The term "Account Shares" shall mean all shares (and/or fraction of a share) of Common Stock credited to the Account of a Participant by the Administrator, which shall include shares deposited into the Plan pursuant to Section 4.1 hereof.

ADMINISTRATOR

The term "Administrator" shall mean the individual (who may be an employee of the Company), bank, trust company, or other entity (including the Company) appointed from time to time by the Company to act as Administrator hereunder.

AUTOMATIC INVESTMENT FORM

The term "Automatic Investment Form" shall mean documentation that the Administrator shall require to be completed and received if Participant elects to make an initial cash investment, or authorize automatic monthly investments, to be deducted directly from a U.S. checking, savings, or credit union account which is a member of the Automated Clearing House ("ACH") network.

CASH INVESTMENT FORM

The term "Cash Investment Form" shall mean documentation prepared by the Administrator that may be utilized by a Participant when making an optional cash investment pursuant to Section 2.4 hereof.

COMMON STOCK

As defined in the Recitals.

COMPANY

As defined in the introduction to the Recitals.

COMPANY SHARE PURCHASE PRICE

The term "Company Share Purchase Price," when used with respect to newly issued shares of Common Stock, or shares of Common Stock held in the Company's treasury, shall mean the average of the high and low sales prices of Common Stock on a given trading day as reported on the New York Stock Exchange Composite Tape and published in The Wall Street Journal, or, for any day on which there is no such publication, as published in any other generally accepted publication designated by the Independent Agent. In the absence of knowledge of inaccuracy, the Independent Agent may rely upon such prices as published in The Wall Street Journal or such other publication. In the event no trading is so reported for a trading day, the Company Share Purchase Price for such shares may be determined by the Independent Agent on the basis of such market quotations as it deems appropriate.

DIRECT DEPOSIT AUTHORIZATION FORM

The term "Direct Deposit Authorization Form" shall mean documentation that the Administrator shall require to be completed and received if Participant elects to have Dividends deposited directly to a financial institution which is a member of the ACH network.

DIVIDEND

The term "Dividend" shall mean cash dividends paid on Reinvestment Eligible Securities.

DIVIDEND PAYMENT DATE

The term "Dividend Payment Date" shall mean a date on which a cash dividend on shares of Common Stock is paid.

DIVIDEND PROCESSING PERIOD

The term "Dividend Processing Period" shall mean a 13-15 business day period which begins on the Ex-Dividend Date.

DIVIDEND RECORD DATE

The term "Dividend Record Date" shall mean the date fixed for the determination of shareholders of record who will be entitled to receive a Dividend payable on a Dividend Payment Date.

DRIP

As defined in the introduction to the Recitals.

ELIGIBLE SECURITIES

The term "Eligible Securities" shall mean those securities of the Company and its subsidiaries, whether issued prior to, on, or after the date hereof, set forth in Section 6.1 hereof, and such other securities of the Company and its subsidiaries as the Company may designate, in its sole discretion, pursuant to Section 6.2 hereof.

ENROLLMENT FORMS

The term "Enrollment Forms" shall mean the documentation that the Administrator shall require to be completed and received (subject to Section 2.1 hereof with respect to automatic enrollment of DRIP Participants) prior to an investor's enrollment in the Plan pursuant to Section 2.1 hereof, a Participant's changing his/her options under the Plan pursuant to Section 7.1 hereof, or, at the option of a Participant as described in Section 4.1 hereof, a Participant's depositing shares of Common Stock into the Plan pursuant to Section 4.1 hereof. An Enrollment Form may also be used by the Administrator for other purposes as described herein or as determined by the Administrator from time to time.

EXCHANGE ACT

The term "Exchange Act" shall mean the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder.

EX-DIVIDEND DATE

The term "Ex-Dividend Date" shall mean a date prior to the Dividend Record Date, based on industry regulations, necessary to allow for the settlement of traded securities by the Dividend Record Date.

FOREIGN PERSON

The term "Foreign Person" shall mean a Person that is a citizen or resident of, or is organized or incorporated under, or has its principal place of business in, a country other than the United States, its territories, and possessions.

INDEPENDENT AGENT

The term "Independent Agent" shall mean an agent independent of the Company who satisfies applicable legal requirements (including without limitation the requirements of Rule 10b-6 and Rule 10b-18 promulgated under the Exchange Act) and who has been selected by the Company, pursuant to Section 10.6 hereof, to serve as an Independent Agent for purposes of making purchases and sales of Common Stock under the Plan.

INITIAL ENROLLMENT FORM

The term "Initial Enrollment Form" shall mean the specific type of Enrollment Form (defined above) required for all new investors in the Plan who are not existing shareholders.

INVESTMENT DATE

The term "Investment Date" shall mean the date on which the purchase price for all shares of Common Stock to be purchased during an Investment Period has been determined. If shares are purchased from the Company pursuant to Section 3.3 hereof, the Investment Date will be the first day of the relevant Investment Period. If the Investment Date would otherwise fall on a day on which the New York Stock Exchange is not open, the first day immediately succeeding such day on which the New York Stock Exchange is open will be the Investment Date.

INVESTMENT PERIOD

The term "Investment Period" shall mean the period during which Common Stock is purchased. An Investment Period will occur approximately every 5 business days, except that an Investment Period which would normally begin on a Dividend Record Date will be postponed until the second business day following the Dividend Record Date.

INVESTMENT STATEMENT

The term "Investment Statement" shall mean a written statement prepared by the Administrator and sent to a Participant after an Investment Period in which the Participant's Account had investment activity, or otherwise as the Administrator shall determine to be appropriate or as provided in this Plan, which statement reflects (i) the purchase price and number of Account Shares purchased for or credited to the Participant's Account for such

Investment Period, (ii) the total number of Account Shares credited to the Participant's Account at the date of such statement, and (iii) such additional information regarding the Participant's Account as the Administrator may determine to be pertinent to the Participant.

MARKET SHARE PURCHASE PRICE

The term "Market Share Purchase Price," when used with respect to shares of Common Stock purchased in the open market, shall mean the weighted average purchase price per share (including brokerage commissions, any related service charges, and applicable taxes) of the aggregate number of shares purchased in the open market for an Investment Date.

MARKET SHARE SALES PRICE

The term "Market Share Sales Price," when used with respect to shares of Common Stock sold under the Plan, shall mean the weighted average sales price per share (less brokerage commissions, any related service charges, and applicable taxes) of the aggregate number of shares sold in the open market for the relevant period.

MAXIMUM AMOUNT

As defined in Section 2.4 hereof.

PARTICIPANT

As defined in Section 2.1 hereof.

PERSON

The term "Person" shall mean any individual, corporation, partnership, limited liability company, joint venture, association, joint-stock company, trust, estate, or unincorporated organization.

PLAN

As defined in the introduction to the Recitals.

PLAN HISTORY STATEMENT

The term "Plan History Statement" shall mean a written statement prepared by the Administrator and sent to each Participant upon withdrawal of any or all Account Shares upon the issuance of a certificate therefor or upon the sale of any or all Account Shares from the Participant's Account, or otherwise as the Administrator shall determine to be appropriate or as provided in this Plan, which statement reflects (i) the number of Account Shares so withdrawn and certificated, (ii) the number of Account Shares so sold, (iii) the number of Account Shares, if any, remaining in the Participant's Account at the date of such statement, and (iv) such additional information regarding the Participant's Account as the Administrator may determine to be pertinent to the Participant.

REINVESTMENT ELIGIBLE SECURITIES

The term "Reinvestment Eligible Securities" shall mean (i) those Eligible Securities of which a Participant is the record or registered holder and on which such Participant has elected to have all or a portion of the Dividends paid reinvested in Common Stock and (ii) a Participant's Account Shares except for Account Shares as to which the Participant has elected not to have Dividends reinvested in Common Stock and has notified the Administrator by delivery of a completed Enrollment Form of such election.

SALES/TRANSFER REQUEST FORM

The term "Sales/Transfer Request Form" shall mean the documentation that the Administrator may require to be completed and received prior to a Participant's (i) sale of Account Shares pursuant to Section 5.1 hereof, (ii) gift or transfer of Account Shares pursuant to Section 5.2 hereof, and (iii) termination of participation in the Plan pursuant to Section 7.2 hereof.

A pronoun or adjective in the masculine gender includes the feminine gender, and the singular includes the plural, unless the context clearly indicates otherwise.

ARTICLE II

PARTICIPATION

Section 2.1 PARTICIPATION. Any Person, whether or not a record holder of Common Stock, may elect to participate in the Plan; PROVIDED, HOWEVER, that if such Person is a Foreign Person, he must provide evidence satisfactory to the Administrator that his/her participation in the Plan would not violate local laws applicable to the Company, the Plan, or such Foreign Person.

An election by a Person to participate in the Plan shall be made by completing and returning to the Administrator an Enrollment Form, or an Initial Enrollment Form, and, subject to the last two paragraphs of this Section 2.1 below, (i) electing to have Dividends on Eligible Securities of which such Person is the record holder invested in Common Stock pursuant to Section 2.2 hereof, (ii) depositing certificates representing Common Stock of which such person is the record holder into the Plan pursuant to Section 4.1 hereof, or (iii) making an initial cash investment pursuant to Section 2.3 hereof.

Any Person who has met such requirements and has made and not revoked such election is herein referred to as a "Participant." Notwithstanding the foregoing, each participant in the DRIP on the date of effectiveness hereof is automatically a Participant without submitting a new Enrollment Form; provided, however, that any such Participant who wishes to change his/her current participation in any way must submit a new Enrollment Form to the Administrator. A Participant may elect to participate in any or all of the forms of investment provided in Sections 2.2 through 2.4 hereof and to utilize the Plan's safekeeping services provided in Section 4.1 hereof by submitting an Enrollment Form designating such election to the Administrator; provided, however, that, alternatively, a Participant may elect to make optional cash investments

pursuant to Section 2.4 hereof by submitting to the Administrator a completed optional Cash Investment Form in lieu of an Enrollment Form

The Company reserves the right to restrict participation in this Plan if it believes that such participation may be contrary to the general intent of this Plan or in violation of applicable law.

Section 2.2 DIVIDEND REINVESTMENT. A Participant may elect any of the Full Dividend Reinvestment, Partial Dividend Reinvestment, and Cash Only Investment options described in Subsections 2.2.1, 2.2.2, and 2.2.3 hereof.

Subsection 2.2.1 FULL DIVIDEND REINVESTMENT. Participants enrolling in the "Full Dividend Reinvestment" option will have Dividends earned on all Common Stock, both in their Plan Accounts and held of record by such Participants, reinvested in shares (and/or a fraction of a share) of Common Stock to be credited to their Accounts in lieu of receiving such Dividends directly.

Subsection 2.2.2 PARTIAL DIVIDEND REINVESTMENT. Participants enrolling in the "Partial Dividend Reinvestment" option will have Dividends on a designated number of shares of Reinvestment Eligible Securities held of record or in their Plan Accounts paid directly to the Participant in the manner otherwise associated with payment of Dividends, with the balance being reinvested in shares (and/or a fraction of a share) of Common Stock to be credited to their Accounts in lieu of receiving such Dividends directly.

Subsection 2.2.3 CASH INVESTMENT ONLY. Participants enrolling in the "Cash Investment Only" option may make cash investments pursuant to Sections 2.3 and 2.4 hereof. Dividends on Eligible Securities held by such Participants of record or in their Plan Accounts will not be reinvested. Such Dividends will be paid directly to Participant either by check or direct deposit, at the election of the Participant.

Subsection 2.2.4 NO OPTION CHOSEN. If Participants do not indicate a participation option as described in Subsections 2.2.1, 2.2.2, and 2.2.3 hereof on their Enrollment Forms, except as otherwise provided for DRIP participants in Section 2.1 hereof, such Participants will be deemed to have elected the Full Dividend Reinvestment option described in Subsection 2.2.1 hereof.

Section 2.3 INITIAL CASH INVESTMENT. A Person who is not already a Common Stock shareholder of record may become a Participant by returning to the Administrator a completed Initial Enrollment Form, accompanied by an initial cash payment of at least \$50, by check, money order, or electronic funds transfer, payable through a U.S. bank or other U.S. financial institution, in U.S. dollars, to Pinnacle West Capital Corporation, to be invested in Common Stock pursuant to Subsections 3.3.2 or 3.4.2 hereof. Initial cash investments may be made by electronic funds transfer by completing and forwarding an Automatic Investment Form to the Administrator authorizing the deduction of a set amount.

Section 2.4 OPTIONAL CASH INVESTMENTS. A Participant may elect to make cash payments at any time or from time to time to the Plan, in any amount, by check, money order, or electronic funds transfer, payable through a U.S. bank or other U.S. financial institution, in U.S. dollars, to Pinnacle West Capital

Corporation, for investment in Common Stock pursuant to Subsections 3.3.2 or 3.4.2 hereof; provided, however, that a Participant may not invest more than \$150,000 in aggregate amount in any calendar year (the "Maximum Amount") and provided further that any such payment must be accompanied by a new Enrollment Form or a Cash Investment Form. For purposes of determining whether the Maximum Amount has been reached, initial cash investments made pursuant to Section 2.3 hereof shall be counted as optional cash investment, and Dividends reinvested pursuant to Section 2.2.1 or 2.2.2 shall not be counted as optional cash investments. Automatic cash investments may be made monthly by completing and forwarding an Automatic Investment Form to the Administrator, authorizing the deduction of a set amount.

ARTICLE III

DIVIDEND REINVESTMENT AND STOCK PURCHASE

Section 3.1 **DIVIDEND REINVESTMENT.** Dividends as to which reinvestment has been elected by a Participant shall be paid to the Administrator or its nominee on behalf of such Participant. Dividends shall be reinvested, at the Company's election, subject to Section 10.7 hereof, in either (i) newly issued shares of Common Stock or shares of Common Stock held in the Company's treasury purchased from the Company or (ii) shares of Common Stock purchased in the open market.

Section 3.2 **INVESTMENT OF OPTIONAL CASH PAYMENTS AND INITIAL CASH PAYMENTS.** Any optional cash investments and initial cash investments may be made by either (a) check or money order received by the Administrator from a Participant and as to which no request for return has been received at least two business days prior to the next scheduled Investment Period, or (b) electronic funds deduction, which deduction, regardless of when the Participant completes and forwards his/her Automatic Investment Form to the Company, will occur only once a month, on or about the 10th day of each month, unless and until the Company implements more frequent electronic funds deductions dates. Such optional cash investments and initial cash investments will be invested during the next Investment Period following the receipt or event specified in (a) or (b) above, in either (i) newly issued shares of Common Stock or shares of Common Stock held in the Company's treasury purchased from the Company or (ii) shares of Common Stock purchased in the open market.

Section 3.3 **INVESTMENT AND REINVESTMENT IN NEWLY ISSUED OR TREASURY SHARES.** Dividend reinvestment in newly issued shares of Common Stock or shares of Common Stock held in the Company's treasury shall be governed by Subsection 3.3.1 hereof. Any optional cash investments and/or initial cash investments to be invested in either newly issued shares of Common Stock or shares of Common Stock held in the Company's treasury will be governed by Subsection 3.3.2 hereof.

Subsection 3.3.1 **DIVIDEND REINVESTMENT.** As soon as practicable following an Investment Date with respect to which the Company elects to issue new shares of Common Stock or sell shares of Common Stock held in the Company's treasury to the Plan in order to effect the reinvestment of Dividends, the Company shall issue to the Administrator upon the Company's receipt of the funds described in Subsection 3.3.3(a) below, for crediting by the Administrator to

the Account of a Participant as of such Investment Date, shares (and/or fraction of a share rounded to three decimal places or other fraction determined from time to time by the Administrator) of Common Stock as provided in Subsection 3.3.3 below. Such shares shall be issued or sold to, and registered in the name of, the Administrator or its nominee as custodian for such Participant. No interest shall be paid on Dividends held pending reinvestment pursuant to this Subsection 3.3.1.

Subsection 3.3.2 CASH INVESTMENTS. As soon as practicable following an Investment Date with respect to which the Company elects to issue new shares of Common Stock or sell shares of Common Stock held in the Company's treasury to the Plan in order to effect the investment of optional cash investments and/or initial cash investments, the Company shall issue to the Administrator upon the Company's receipt of the funds described in Subsection 3.3.3(b) below, for crediting by the Administrator to the Account of a Participant as of such Investment Date, shares (and/or fraction of a share rounded to three decimal places or other fraction determined from time to time by the Administrator) of Common Stock as provided in Subsection 3.3.3 below. Such shares shall be issued or sold to, and registered in the name of, the Administrator or its nominee as custodian for such Participant. No interest shall be paid on cash investments held pending investment pursuant to this Subsection 3.3.2.

Subsection 3.3.3 NUMBER OF SHARES TO BE ISSUED. If shares are to be issued or sold pursuant to Subsections 3.3.1 or 3.3.2 above, the number of shares (and/or fraction of a share rounded to three decimal places or other fraction determined from time to time by the Administrator) of Common Stock that will be credited to the account of a Participant as of an Investment Date will be equal to (a) the amount of any Dividends paid to the Administrator on behalf of such Participant since the preceding Investment Date plus (b) the amount of any optional cash investments and/or initial cash investment received by the Administrator from such Participant at least two business days prior to the next scheduled Investment Period and not previously invested, subject to the provisions of Section 3.6 hereof, divided by (c) the Company Share Purchase Price on such Investment Date.

Section 3.4 INVESTMENT AND REINVESTMENT IN SHARES PURCHASED IN THE OPEN MARKET. Dividend reinvestment in shares of Common Stock purchased in the open market shall be governed by Subsection 3.4.1 hereof. Any optional cash investments and/or initial cash investments to be invested in shares of Common Stock purchased in the open market shall be governed by Subsection 3.4.2 hereof.

Subsection 3.4.1 DIVIDEND REINVESTMENT. During an Investment Period with respect to which the Company elects to effect reinvestment of Dividends in shares of Common Stock purchased in the open market, the Administrator shall (if it is an Independent Agent), or shall cause an Independent Agent to, apply the amount of any Dividends paid to the Administrator on behalf of a Participant since the preceding Investment Date to the purchase of shares (and/or fraction of a share rounded to three decimal places or other fraction determined from time to time by the Administrator) of Common Stock in the open market as provided in Subsection 3.4.3 below. Such shares shall be registered in the name of the Administrator or its nominee as custodian for such Participant. No interest shall be paid on Dividends held pending reinvestment pursuant to this Subsection 3.4.1.

Subsection 3.4.2 CASH INVESTMENTS. During an Investment Period with respect to which the Company elects to effect the investment of optional cash investments and/or initial cash investments in shares of Common Stock purchased in the open market, the Administrator shall cause an Independent Agent to purchase for crediting by the Administrator to the Account of a Participant a number of shares (and/or fraction of a share rounded to three decimal places or other fraction determined from time to time by the Administrator) of Common Stock in the open market as provided in Section 3.4.3 below. Such shares shall be registered in the name of the Administrator or its nominee as custodian for such Participant. No interest shall be paid on cash investments held pending investment pursuant to this Subsection 3.4.2.

Subsection 3.4.3 NUMBER OF SHARES TO BE PURCHASED AND OTHER MATTERS. Purchases in the open market pursuant to Subsection 3.4.1 and Subsection 3.4.2 hereof may begin on the first day of the applicable Investment Period and shall be completed no later than 30 days from such date, unless completion at a later date is necessary or advisable under applicable law, including without limitation any federal securities laws. Open market purchases pursuant to Subsection 3.4.1 and Subsection 3.4.2 hereof may be made on any securities exchange on which the Common Stock is traded, in the over-the-counter market or by negotiated transactions, and may be upon such terms and subject to such conditions with respect to price and delivery to which the Independent Agent may agree. With regard to open market purchases of shares of Common Stock pursuant to Subsection 3.4.1 and Subsection 3.4.2 hereof, none of the Company, the Administrator, or any Participant shall have any authority or power to direct the time or price at which shares of Common Stock may be purchased, the markets on which such shares are to be purchased (including on any securities exchange, in the over the counter market, or in negotiated transactions), or the selection of the broker or dealer (other than the Independent Agent) through or from whom purchases may be made, except that the timing of such purchases must be made in accordance with the terms and conditions of the Plan. For the purpose of making, or causing to be made, purchases of shares of Common Stock pursuant to Subsection 3.4.1 and Subsection 3.4.2 hereof, and sales of Account Shares pursuant to Section 5.1 hereof, the Administrator may authorize the Independent Agent to commingle each Participant's funds with those of all other Participants and to offset purchases of shares of Common Stock against sales of shares of Common Stock to be made for Participants, resulting in a net purchase or a net sale of shares. The number of shares (and/or fraction of a share rounded to three decimal places or other fraction determined from time to time by the Administrator) of Common Stock that shall be credited to a Participant's Account with respect to and as of an Investment Date pursuant to Subsection 3.4.1 and Subsection 3.4.2 shall be equal to (a) the amount of any Dividends paid to the Administrator on behalf of such Participant since the preceding Investment Date plus (b) the amount of any optional cash investments and/or initial cash investment received by the Administrator from such Participant at least two business days prior to the next scheduled Investment Period and not previously invested, subject to the provisions of Section 3.6 hereof, divided by (c) the Market Share Purchase Price with respect to such Investment Date.

Section 3.5 REQUEST TO STOP INVESTMENT. If a written request to stop investment of optional cash investments and/or an initial cash investment is received by the Administrator from a Participant at least two business days prior to the next scheduled Investment Period during which investment of such cash investments would be effected pursuant to the provisions of this Plan, such optional cash investments and/or initial cash investment shall not be invested in Common Stock and shall be returned to such Participant. If such a request is not received by the Administrator by such time, such optional cash investments

or initial cash investment shall be invested in shares of Common Stock for such Participant's Account.

Section 3.6 RETURN OF UNINVESTED MONIES. Any Dividends to be reinvested in shares of Common Stock pursuant to Subsection 3.3.1 or Subsection 3.4.1 hereof and not reinvested in shares of Common Stock within 30 days of the applicable Dividend Payment Date shall be promptly returned to the Participant at his/her address of record by First Class Mail. Any optional cash investments and initial cash investments to be invested in shares of Common Stock pursuant to Subsection 3.3.2 or Subsection 3.4.2 hereof and not invested in shares of Common Stock within 35 days of receipt by the Administrator or the Company shall be promptly returned to the Participant at his/her address of record by First Class Mail.

Section 3.7 UNCOLLECTIBLE FUNDS. If the Administrator does not receive credit for a cash payment because of insufficient funds or incorrect ACH draft information, the requested purchase will be deemed void. Any shares credited will be immediately removed from the Participant's Account. The Administrator will be entitled to sell those shares to satisfy any uncollected amounts, and if the net proceeds of the sale of such shares are not sufficient to satisfy the balance of such uncollected amounts, the Administrator may sell additional shares from the Participant's Account to satisfy the uncollected balance. In addition, an "insufficient funds" fee of \$20.00 will be charged to the Participant. The Administrator may place a hold on the Account until this fee is paid, or may sell shares from the Account to pay this fee.

ARTICLE IV

SAFEKEEPING SERVICES FOR DEPOSITED COMMON STOCK

Section 4.1 DEPOSITED COMMON STOCK. A Participant may elect to have certificates representing shares of Common Stock of which the Participant is the record holder deposited into the Plan by delivering such certificates to the Administrator, along with either (i) an Enrollment Form with the certificate safekeeping option checked thereon or (ii) a letter with respect to such certificates directing the Administrator to deposit the shares represented by such certificates into the Plan Account of the Participant. Shares of Common Stock so deposited shall be transferred into the name of the Administrator or its nominee and credited to the depositing Participant's Account. Shares of Common Stock deposited into the Plan pursuant to this Section 4.1 shall be treated as shares purchased pursuant to the Plan.

Section 4.2 WITHDRAWAL OF COMMON STOCK DEPOSITED PURSUANT TO SECTION

4.1. Shares of Common Stock deposited pursuant to Section 4.1 hereof may be withdrawn from the Plan pursuant to Section 8.1 hereof.

ARTICLE V

SALE OF ACCOUNT SHARES; GIFT OR TRANSFER OF ACCOUNT SHARES

Section 5.1 SALE OF ACCOUNT SHARES. A Participant may request, at any time, that all or a portion of his/her whole Account Shares be sold by delivering to the Administrator a completed Sale/Transfer Request Form or other written instructions to that effect. The Administrator shall forward such sale instructions to the Independent Agent as soon as practicable after receipt

thereof. The Independent Agent shall make such sales as soon as practicable (in accordance with any applicable stock transfer requirements and federal and state securities laws) after processing such sale instructions. As soon as practicable following the receipt of proceeds from such sale, the Administrator shall mail by First Class Mail to such Participant at his/her address of record a check in an amount equal to (a) the Market Share Sales Price multiplied by (b) the number of his/her Account Shares sold, minus a \$5.00 service fee.

With regard to open market sales of Account Shares pursuant to this

Section 5.1, none of the Company, the Administrator or any Participant shall have any authority or power to direct the time or price at which shares of Common Stock may be sold, the markets on which such shares are to be sold (including on any securities exchange, in the over-the-counter market, or in negotiated transactions), or the selection of the broker or dealer (other than the Independent Agent) through or from whom sales may be made, except that the timing of such sales must be made in accordance with the terms and conditions of the Plan.

Section 5.2 GIFT OR TRANSFER OF ACCOUNT SHARES. A Participant may elect to transfer (whether by gift, private sale, or otherwise) ownership of all or a portion of his/her Account Shares to the Account of another Participant or establish an Account for a Person not already a Participant by delivering to the Administrator a completed Sale/Transfer Request Form to that effect and a stock assignment (stock power) acceptable to the Administrator along with such other documentation as may be required by the Administrator. If the transferee is not already a Participant, the Administrator will require the completion and delivery of an Enrollment Form for the transferee prior to the transfer. No fraction of a share of Common Stock credited to the transferor's Account shall be transferred unless the transferor's entire Account is transferred.

Account Shares transferred in accordance with the preceding paragraph shall continue to be registered in the name of the Administrator as custodian and shall be credited to the transferee's Account. Unless otherwise requested by a transferee who is already a Participant on a completed Enrollment Form, the reinvestment of Dividends on such transferred Account Shares in shares of Common Stock under the Plan shall be made in proportion to the reinvestment level (i.e., full, partial or none) of the transferee's other Account Shares. Unless otherwise requested by the transferor, the Administrator shall deliver an Investment Statement to such transferee showing the transfer of such Account Shares into his/her Account. The transferor may request that the Administrator deliver such Investment Statement to the transferor for personal delivery to the transferee and/or the transferor may request that the Administrator deliver to such transferee a gift certificate. The transferor may request that the Administrator send the gift certificate directly to such transferee with the first Investment Statement following such transfer, or request that the Administrator deliver such gift certificate to the transferor for personal delivery to the transferee. The Administrator shall comply with any such request of a transferor relating to Investment Statements and/or gift certificates as soon as practicable following receipt of such request.

Section 5.3 REINVESTMENT OF DIVIDENDS ON REMAINING ACCOUNT SHARES. If only a portion of a Participant's Account Shares are Reinvestment Eligible Securities and the Participant elects to (i) sell a portion of his/her Account Shares pursuant to Section 5.1 hereof, (ii) transfer a portion of his/her Account Shares pursuant to Section 5.2 hereof, or (iii) withdraw a portion of

his/her Account Shares pursuant to Section 8.1 hereof, all of the Account Shares which are Reinvestment Eligible Securities shall be sold, transferred, or withdrawn, as the case may be, before any Account Shares which are not Reinvestment Eligible Securities are sold, transferred, or withdrawn unless the Participant gives specific instructions to the contrary in connection with such sale, transfer, or withdrawal of Account Shares.

ARTICLE VI

ELIGIBLE SECURITIES

Section 6.1 ELIGIBLE SECURITIES. The Common Stock of the Company and its subsidiaries shall be Eligible Securities.

Section 6.2 ADDITIONAL ELIGIBLE SECURITIES. The Company may from time to time or at any time designate other securities of the Company and its subsidiaries as Eligible Securities by notifying the Administrator in writing of the designation of such securities as Eligible Securities.

ARTICLE VII

TREATMENT OF ACCOUNTS

Section 7.1 CHANGING PLAN OPTIONS. A Participant may elect to change his/her Plan options, including changing the reinvestment levels (I.E., Full Dividend Reinvestment, Partial Dividend Reinvestment, or Cash Investment Only) of Dividends on Reinvestment Eligible Securities by delivering to the Administrator a new Enrollment Form to that effect. To be effective with respect to any Dividend Payment Date, the Enrollment Form with respect to such Reinvestment Eligible Securities must be received by the Administrator prior to the Dividend Record Date relating to such Dividend Payment Date. If the Enrollment Form is not received by the Administrator by such time, such instructions shall not become effective until after such Dividend Payment Date. The shares of Common Stock purchased from the reinvestment of such Dividend shall be credited to the Participant's Account. After the Administrator's receipt of effective option changing instructions, Dividends on Reinvestment Eligible Securities as to which the reinvestment election has been revoked will be paid directly to the Participant in the manner otherwise associated with the payment of Dividends.

Section 7.2 RIGHT OF TERMINATION OF PARTICIPATION. If a Participant's Sale/Transfer Request Form or other written instructions acceptable to the Administrator indicates the Participant's desire to terminate his/her participation in the Plan, within 30 days of the receipt of such request, the Administrator shall either mail certificates representing all whole Account Shares, if any, by First Class Mail to the Participant at his/her address of record, pursuant to Section 8.1 hereof, along with a check for the cash value of any fraction of a share of Common Stock credited to his/her Account, or shall cause the Account Shares to be sold, or gifted or transferred pursuant to Sections 5.1 or 5.2, respectively, in any such case, as shall have been directed by the Participant.

Section 7.3 STOCK SPLITS, STOCK DIVIDENDS AND RIGHTS OFFERINGS. Any shares or other securities representing stock splits or other noncash distributions on Account Shares shall be credited to such Participant's Account.

Stock splits, combinations, recapitalizations and similar events affecting the Common Stock shall, as to shares credited to Accounts of Participants, be credited to such Accounts on a pro rata basis.

In the event of a rights offering, a Participant shall receive rights based upon the total number of whole shares of Common Stock credited to his/her Account.

Section 7.4 SHAREHOLDER MATERIALS; VOTING RIGHTS. The Administrator shall send or forward to each Participant all applicable proxy solicitation materials and other shareholder materials or consent solicitation materials. Participants shall have the exclusive right to exercise all voting rights respecting Account Shares credited to their respective Accounts. A Participant may vote all of his/her Account Shares in person or by proxy. A Participant's proxy card shall include all his/her Account Shares and shares of Common Stock of which he is the record holder. Account Shares shall not be voted unless a Participant or his/her proxy votes them. Fractions of shares of Common Stock shall be voted.

Solicitation of the exercise of Participants' voting rights by the management of the Company and others under a proxy or consent provision applicable to all holders of Common Stock shall be permitted. Solicitation of the exercise of Participants' tender or exchange offer rights by management of the Company and others shall also be permitted. The Administrator shall notify the Participants of each occasion for the exercise of their voting rights or rights with respect to a tender offer or exchange offer within a reasonable time before such rights are to be exercised. Such notification shall include all information distributed to the shareholders of the Company by the Company regarding the exercise of such rights.

Section 7.5 INVESTMENT AND PLAN HISTORY. As soon as practicable after each Investment Period, the Administrator shall send an Investment Statement to each Participant for whom Dividends were reinvested or shares of Common Stock were purchased or who deposited Common Stock into the Plan pursuant to Section 4.1 hereof during such Investment Period. Additionally, the Administrator shall send a Plan History Statement to each Participant following a sale, transfer, or withdrawal of Account Shares by a Participant.

ARTICLE VIII

CERTIFICATES AND FRACTIONS OF SHARES

Section 8.1 CERTIFICATES. A Participant, at any time or from time to time, may request in writing to receive a certificate for all or a portion of his/her whole Account Shares and the Administrator shall, as soon as practicable after receipt of such written request, mail such certificate by First Class Mail to such Participant at his/her address of record; PROVIDED, HOWEVER, that upon the mailing of such certificate the shares of Common Stock represented by such certificate shall no longer be Account Shares but shall remain Reinvestment Eligible Securities (except to the extent such Participant has elected not to have Dividends on such Account Shares reinvested in Common Stock).

Section 8.2 FRACTIONAL SHARE. Fractions of shares of Common Stock shall be credited to Accounts as provided in Article III HEREOF; PROVIDED, however, that no certificate for a fraction of a share shall be distributed to any Participant at any time; and provided, further, that the Company shall issue

and sell only whole shares of Common Stock to the Administrator in respect of Dividends reinvested in, and purchases made by the Administrator hereunder of, newly issued shares or shares of Common Stock held in the Company's treasury.

ARTICLE IX

CONCERNING THE PLAN

Section 9.1 **SUSPENSION, MODIFICATION, AND TERMINATION.** The Company may at any time and from time to time, at its sole option, suspend, modify, amend, or terminate the Plan, in whole, in part or in respect of Participants in one or more jurisdictions; provided, however, no such amendment shall decrease the Account of any Participant or result in a distribution to the Company of any amount credited to the Account of any Participant. Upon complete termination of the Plan, the Accounts of all Participants (or in the case of partial termination of the Plan, the Accounts of all affected Participants) shall be treated as if each such Participant had elected to terminate his/her participation in the Plan pursuant to Section 7.2 hereof. The Administrator shall promptly send each affected Participant notice of such suspension, modification or termination.

Section 9.2 **RULES AND REGULATIONS.** The Company may from time to time adopt such administrative rules and regulations concerning the Plan as it deems necessary or desirable for the administration of the Plan. The Company shall have the power and authority to interpret the terms and the provisions of the Plan and shall interpret and construe the Plan and reconcile any inconsistency or supply any omitted detail in a manner consistent with the general terms of the Plan and applicable law.

Section 9.3 **COSTS.** All costs of administration of the Plan shall be paid by the Company; provided, however, that any brokerage commissions, service charges, or applicable taxes incurred in connection with open market purchases and sales of shares of Common Stock made under the Plan shall be borne by the Participants. In addition, Participants will be responsible for a \$5.00 service fee on all sales transactions, as set forth in Section 5.1, and will be subject to an insufficient funds fee as described in Section 3.7.

Section 9.4 **TERMINATION OF A PARTICIPANT.** If a Participant does not have at least one whole Account Share or own or hold any other Common Stock of record for which Dividends are designated for reinvestment pursuant to this Plan, the Participant's participation in the Plan may be terminated by the Company, in its sole discretion, after written notice is mailed to such Participant at his/her address of record. Additionally, the Company, in its sole discretion, may terminate any Participant's participation in the Plan after written notice mailed in advance to such Participant at his/her address of record, if the Company believes that such Participant's participation may be contrary to the general intent of the Plan or in violation of applicable law. Upon such termination, the Account of such Participant shall be treated as if he had elected to terminate his/her participation in the Plan pursuant to Section 7.2 hereof.

ARTICLE X

ADMINISTRATION OF THE PLAN

Section 10.1 SELECTION OF AN ADMINISTRATOR. The Administrator shall be appointed by the Company. The Administrator's appointment to serve as such may be revoked by the Company at any time. The Administrator may resign at any time upon reasonable notice to the Company. In the event that no Administrator is appointed, the Company shall be deemed to be the Administrator for purposes of the Plan. The Company shall be the initial Administrator.

Section 10.2 COMPENSATION. The officers of the Company shall make such arrangements regarding compensation, reimbursement of expenses and indemnification of the Administrator and any Independent Agent as they from time to time deem reasonable and appropriate.

Section 10.3 AUTHORITY AND DUTIES OF ADMINISTRATOR. The Administrator shall have the authority to undertake any act necessary to fulfill its duties as set forth in the various provisions of the Plan. Upon receipt, the Administrator shall deposit all Dividends, optional cash investments and initial cash investments in the Trust Account. The Administrator shall maintain appropriate records of the Accounts of Participants.

Section 10.4 LIABILITY OF THE COMPANY, THE ADMINISTRATOR AND ANY INDEPENDENT AGENT. The Company, the Administrator, and any Independent Agent shall not be liable for any act done in good faith, or for the good faith omission to act in administering or performing their duties with respect to the Plan, including, without limitation, any claim of liability arising out of failure to terminate a Participant's Account upon such Participant's death prior to receipt of notice in writing of such death, or with respect to the prices at which shares are purchased or sold for a Participant's Account and the times when such purchases and sales are made, or with respect to any loss or fluctuation in the market value after the purchase or sale of such shares.

Section 10.5 RECORDS AND REPORTS. The Administrator shall keep appropriate records concerning the Plan, Accounts of Participants, purchases and sales of Common Stock made under the Plan, and Participants' addresses of record and shall send shareholder materials and statements to each Participant in accordance with the provisions of Sections 7.4 and 7.5 hereof.

Section 10.6 SELECTION OF INDEPENDENT AGENT. Any Independent Agent serving in such capacity pursuant to the Plan shall be selected by the Company, and the Administrator and the Company, or either of them, shall, subject to the provisions hereof, make such arrangements and enter into such agreements with the Independent Agent in connection with the activities contemplated by the Plan as the Administrator and the Company, or either of them, deem reasonable and appropriate.

Section 10.7 SOURCE OF SHARES OF COMMON STOCK. The Company shall not change the source of shares of Common Stock purchased by Participants in the Plan (I.E., either (i) newly issued shares of Common Stock or shares of Common Stock held in the Company's treasury purchased from the Company or (ii) shares of Common Stock purchased in the open market) more than once in any 12-month

period. At any time that the source of shares of Common Stock purchased in the Plan are shares purchased in the open market, the Company shall not exercise its right to change the source of shares absent a determination by the Company's Board of Directors or Finance Committee of the Board of Directors that the Company has a need to raise additional capital or there is another compelling reason for a change; provided, however, that, if necessary and requested by the Independent Agent at any time, the Company may settle fractional shares with treasury stock even if otherwise shares are being purchased on the open market.

ARTICLE XI

MISCELLANEOUS PROVISIONS

Section 11.1 **CONTROLLING LAW.** This Plan shall be construed, regulated and administered under the laws of the State of Arizona.

Section 11.2 **ACCEPTANCE OF TERMS AND CONDITIONS OF PLAN BY PARTICIPANTS.** Each Participant, by completing an Enrollment Form and as a condition of participation herein, for himself, his/her heirs, executors, administrators, legal representatives and assigns, approves and agrees to be bound by the provisions of this Plan and any subsequent amendments hereto, and all actions of the Company and the Administrator hereunder.

Section 11.3 **RECEIPT BY ADMINISTRATOR.** Monies, Enrollment Forms, and other forms and communications will be considered to be received when delivered, either by postal service or in person, during business hours of the Company or the Administrator, as the case may be, to the Company's or Administrator's corporate headquarters.

EXHIBIT 5.1

December 17, 2002

Pinnacle West Capital Corporation
400 North Fifth Street
Phoenix, Arizona 85004

Ladies and Gentlemen:

Reference is made to the Post-Effective Amendment No. 3 (the "Post Effective Amendment") to the Registration Statement on Form S-3 No. 33-15190 (as so amended, the "Registration Statement") relating to the Pinnacle West Capital Corporation Investors Advantage Plan (the "Plan") to be filed by you on December 17, 2002, with the Securities and Exchange Commission (the "SEC") under the Securities Act of 1933, as amended.

We have examined originals or copies, certified or otherwise identified to our satisfaction, of such corporate records, agreements, and other instruments, certificates, orders, opinions, correspondence with public officials, certificates provided by your officers and representatives, and other documents, as we have deemed necessary or advisable for the purposes of rendering the opinions set forth herein.

Based upon the foregoing, it is our opinion that:

1. All requisite action, other than any action on the part of the proposed offerees, to make valid each of the proposed transactions will have been taken when (i) the Post-Effective Amendment shall have become effective, and (ii) you shall have complied with state securities or "blue sky" laws with respect to the offer and sale of the shares of common stock, no par value (the "Common Stock") registered pursuant to the Registration Statement.
2. Upon completion of the foregoing steps, the Common Stock, when (i) the same shall have been issued, sold, and delivered, and (ii) the purchase price therefor has been paid to you, each as contemplated in the Post-Effective Amendment and in any additional post-effective amendment to the Registration Statement, will be validly issued, fully paid and non-assessable.

Consent is hereby given to the use of this opinion as part of the Post-Effective Amendment and to the use of our name whenever it appears in the Post-Effective Amendment and the related prospectus.

Very truly yours,

SNELL & WILMER L.L.P.

SNELL & WILMER L.L.P.

EXHIBIT 23.3

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in this Post-Effective Amendment No. 3 to Registration Statement No. 33-15190 of Pinnacle West Capital Corporation on Form S-3 of our report dated February 8, 2002 (March 22, 2002, as to Note 18 and November 21, 2002 as to Note 19) (which report expresses an unqualified opinion and includes an explanatory paragraph relating to the change in 2001 in the method of accounting for derivatives and hedging activities in order to comply with the provisions of Statement of Financial Accounting Standards No. 133), appearing in the Current Report on Form 8-K (dated November 21, 2002) of Pinnacle West Capital Corporation, and to the reference to us under the heading "Experts" in the Prospectus, which is part of such Registration Statement.

DELOITTE & TOUCHE LLP

DELOITTE & TOUCHE LLP

Phoenix, Arizona

December 12, 2002

End of Filing

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