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AZ CORP COMMISSION
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Mail Station 9708
PO Box 53999
Phoenix, Arizona 85072-3999
Tel 602-250-2661
Jeffrey.Johnson@aps.com

Arizona Corporation Commission
DOCKETED
DEC 29 2011
DOCKETED BY

December 29, 2011

Steve Olea
Arizona Corporation Commission
1200 W. Washington
Phoenix, AZ 85007

RE: Arizona Public Service Company/Pinnacle West Communications With Rate Agencies
Decision No. 70667, Docket No. E-01345A-08-0172

Pursuant to Decision No. 70667, dated December 24, 2008, Arizona Public Service Company ("APS") was ordered to:

"Arizona Public Service Company shall file all currently existing communications within 10 days of the effective date of this Decision and shall file future communication on a monthly basis. The first such monthly report shall be due on February 1, 2009, and the monthly filing shall continue until the conclusion of Arizona Public Service Company's general rate case. Thereafter, Arizona Public Service Company shall make such filings on a six month basis, with the first filing due by January 1, 2010."

Attached please find the APS/Pinnacle West communications with rating agencies from July 1, 2011 through December 28, 2011. This filing contains confidential information and is being provided pursuant to a protective agreement in this matter. If you have any questions regarding this information, please contact Jeff Johnson at (602) 250-2661.

Sincerely,

Leland H Snook for

Jeffrey W. Johnson
JJ/cd

cc: Brian Bozzo (redacted)
Docket Control (redacted)

Rating Agency Communication Log

	Date	Person	APS/PNW Personnel	Subject	Comment
1	7/1/2011	Tony Bettinelli, S&P	Lee Nickloy	Email with S&P liquidity survey updated	Attachment confidential
2	7/1/2011	Tony Bettinelli, S&P	Lee Nickloy	Email regarding liquidity survey update	
3	7/12/2011	Phil Smyth, Fitch	Lee Nickloy	Email requesting a review of numbers in attachment	
4	7/12/2011	Phil Smyth, Fitch	Lee Nickloy	Phone call regarding the ACC's acceptance of APS rate case filing	
5	7/13/2011	Phil Smyth, Fitch	Lee Nickloy	Email regarding review of numbers in attachment #3 above	
6	7/14/2011	Phil Smyth, Fitch	Lee Nickloy	Email regarding review of numbers in attachment #3 above	
7	7/19/2011	Daniel Neama and Phil Smyth, Fitch	Lee Nickloy	Email asking for comments on review of report on APS and PNW	Attachment confidential
8	7/19/2011	Daniel Neama and Phil Smyth, Fitch	Lee Nickloy	Email regarding comments on review of report on APS and PNW	
9	7/19/2011	Daniel Neama and Phil Smyth, Fitch	Lee Nickloy	Email regarding comments on review of report on APS and PNW	
10	7/20/2011	Daniel Neama, Fitch	Lee Nickloy, Pete Ewen	Phone call regarding report on APS and PNW	
11	7/20/2011	Tony Bettinelli, S&P	Investor Relations	Email announcing 2nd quarter earnings and conference call	
12	7/20/2011	Laura Schumacher, Moody's	Investor Relations	Email announcing 2nd quarter earnings and conference call	
13	7/20/2011	Phil Smyth, Fitch	Investor Relations	Email announcing 2nd quarter earnings and conference call	
14	7/21/2011	Daniel Neama, Fitch	Lee Nickloy, Pete Ewen	Email responding thanking for information on phone call regarding report on APS and PNW	

Rating Agency Communication Log

	Date	Person	APS/PNW Personnel	Subject	Comment
1	8/2/2011	Tony Bettinelli, S&P	Investor Relations	Email with Procedural Schedule for the APS General Rate Case	
2	8/2/2011	Phil Smyth, Fitch	Investor Relations	Email with Procedural Schedule for the APS General Rate Case	
3	8/2/2011	Mitchell Moss, Moody's	Investor Relations	Email with Procedural Schedule for the APS General Rate Case	
4	8/2/2011	Tony Bettinelli, S&P	Investor Relations	Email with PNW/APS Second Quarter 2011 Earnings Release	
5	8/2/2011	Phil Smyth, Fitch	Investor Relations	Email with PNW/APS Second Quarter 2011 Earnings Release	
6	8/2/2011	Mitchell Moss, Moody's	Investor Relations	Email with PNW/APS Second Quarter 2011 Earnings Release	
7	8/2/2011	Tony Bettinelli, S&P	Investor Relations	Email with PNW 10Q in PDF format	
8	8/2/2011	Phil Smyth, Fitch	Investor Relations	Email with PNW 10Q in PDF format	
9	8/2/2011	Mitchell Moss, Moody's	Investor Relations	Email with PNW 10Q in PDF format	
10	8/15/2011	Mitchell Moss, Moody's	Karen Dolyniuk	Phone call regarding the potential APS debt deal	
11	8/15/2011	Tony Bettinelli, S&P	Karen Dolyniuk	Phone call regarding the potential APS debt deal	
12	8/15/2011	Phil Smyth, Fitch	Karen Dolyniuk	Phone call regarding the potential APS debt deal	
13	8/16/2011	Phil Smyth, Fitch	Karen Dolyniuk	Phone call regarding the potential APS debt deal	
14	8/17/2011	Tony Bettinelli, S&P	Karen Dolyniuk	Email with Preliminary Prospectus for APS debt deal	Attachment - CONFIDENTIAL
15	8/17/2011	Phil Smyth and Daniel Neama, Fitch	Karen Dolyniuk	Email with Preliminary Prospectus for APS debt deal	Same attachment as #14 above - CONFIDENTIAL
16	8/17/2011	Mitchell Moss, Moody's	Karen Dolyniuk	Email with Preliminary Prospectus for APS debt deal	Same attachment as #14 above - CONFIDENTIAL
17	8/17/2011	Phil Smyth, Fitch	Karen Dolyniuk	Email regarding incorrect email address	
18	8/17/2011	Phil Smyth, Fitch	Karen Dolyniuk	Email regarding incorrect email address	
19	8/18/2011	Mitchell Moss, Moody's	Lee Nickloy	Phone call regarding the potential APS debt deal	
20	8/18/2011	Tony Bettinelli, S&P	Karen Dolyniuk	Email regarding timing of APS debt deal	
21	8/19/2011	Phil Smyth, Fitch	Lee Nickloy	Phone call regarding the potential APS debt deal	
22	8/19/2011	Phil Smyth, Fitch	Rufad Omanovic	Phone call to Fitch regarding ratings letter for APS debt deal	
23	8/19/2011	Phil Smyth, Fitch	Rufad Omanovic	Phone call to Fitch regarding ratings letter for APS debt deal	
24	8/19/2011	Phil Smyth, Daniel Neama Fitch	Lee Nickloy, Rufad Omanovic	Email with draft of Fitch ratings letter for the APS debt deal	Attachment
25	8/22/2011	Mitchell Moss, Moody's	Lee Nickloy	Phone call regarding the potential APS debt deal, and the sale of APSES	
26	8/22/2011	Daniel Neama, Fitch	Lee Nickloy	Phone call regarding the potential APS debt deal	
27	8/22/2011	Tony Bettinelli, S&P	Karen Dolyniuk	Email regarding APS debt deal	
28	8/22/2011	Mitchell Moss, Moody's	Karen Dolyniuk	Email regarding APS debt deal	
29	8/22/2011	Mitchell Moss, Moody's	Karen Dolyniuk	Email regarding APS debt deal	
30	8/22/2011	Tony Bettinelli, S&P	Karen Dolyniuk	Email with Final Preliminary Prospectus for APS debt deal	Attachment
31	8/22/2011	Mitchell Moss, Moody's	Karen Dolyniuk	Email with Final Preliminary Prospectus for APS debt deal	Same attachment as #30 above
32	8/22/2011	Mitchell Moss, Moody's	Karen Dolyniuk	Email regarding APS debt deal	
33	8/22/2011	Tony Bettinelli, S&P	Karen Dolyniuk	Email with Term Sheet for APS debt deal	Attachment
34	8/22/2011	Phil Smyth, Fitch	Rufad Omanovic	Email with Term Sheet for APS debt deal	Same attachement as #33 above

35	8/22/2011	Mitchell Moss, Moody's	Karen Dolyniuk	Email with Term Sheet for APS debt deal	Same attachement as #33 above
36	8/22/2011	Mitchell Moss, Moody's	Karen Dolyniuk	Email regarding APS debt deal	
37	8/22/2011	Mitchell Moss, Moody's	Karen Dolyniuk	Email regarding APS debt deal	
38	8/22/2011	Sean Davy, Moody's	Karen Dolyniuk	Email with Moody's ratings letter for the APS debt deal	Attachment
39	8/22/2011	Tony Bettinelli, S&P	Karen Dolyniuk	Phone call regarding ratings letter for APS debt deal	
40	8/23/2011	Phil Smyth, Fitch	Lee Nickloy	Phone call regarding the sale of APSES	
41	8/23/2011	Tony Bettinelli, S&P	Lee Nickloy	Phone call regarding the sale of APSES	
42	8/23/2011	Tony Bettinelli, Claudia Rodriquez, Achal Maharaj S&P	Lee Nickloy	Email with S&P's ratings letter for the APS debt deal	Attachment
43	8/24/2011	Tony Bettinelli, S&P	Karen Dolyniuk	Email regarding receipt of S&P ratings letter	
44	8/24/2011	Tony Bettinelli, S&P	Investor Relations	Email regarding the sale of APSES	
45	8/24/2011	Mitchell Moss, Moody's	Investor Relations	Email regarding the sale of APSES	
46	8/24/2011	Phil Smyth, Fitch	Investor Relations	Email regarding the sale of APSES	

Rating Agency Communication Log

	Date	Person	APS/PNW Personnel	Subject	Comment
1	9/9/2011	Tony Bettinelli, S&P	Lee Nickloy	Email requesting a call to discuss the power outage on 9/9/11	
2	9/9/2011	Tony Bettinelli, S&P	Lee Nickloy	Email responding to request for a call to discuss the power outage on 9/9/11	
3	9/9/2011	Tony Bettinelli, S&P	Lee Nickloy	Phone call to discuss the power outage on 9/9/11	
4	9/9/2011	Tony Bettinelli, S&P	Lee Nickloy	Email requesting times for a follow up call regarding power outage	
5	9/9/2011	Tony Bettinelli, S&P	Lee Nickloy	Email requesting times for a follow up call regarding power outage	
6	9/9/2011	Tony Bettinelli, S&P	Lee Nickloy	Email requesting times for a follow up call regarding power outage	
7	9/9/2011	Tony Bettinelli, S&P	Lee Nickloy	Email requesting times for a follow up call regarding power outage	
8	9/9/2011	Tony Bettinelli, S&P	Lee Nickloy	Email requesting times for a follow up call regarding power outage	
9	9/9/2011	Tony Bettinelli, S&P	Lee Nickloy, Dave Falck, Jeff Guldner, Daniel Froetscher, Shirley Baum	Phone call to answer questions regarding power outage	
10	9/9/2011	George Slavin, S&P	Lee Nickloy	Email requesting a visit to discuss the overall relationship with PNW and APS	
11	9/9/2011	Tony Bettinelli, S&P	Lee Nickloy	Email identifying the people on the phone call regarding the power outage	
12	9/9/2011	Tony Bettinelli, S&P	Lee Nickloy	Email identifying the people on the phone call regarding the power outage	
13	9/20/2011	George Slavin, S&P	Lee Nickloy, Karen Dolyniuk	Met with George Slavin in Phoenix regarding PNW/APS relationship and other general topics	
14	9/22/2011	George Slavin, S&P	Lee Nickloy	Email thanking Lee for the visit on 9/20 and confirming some Edison Electric Institute (EEI) information	
15	9/22/2011	Tony Bettinelli, S&P	Lee Nickloy, Jeff Guldner	Phone call regarding the AZ Supreme court decision not to hear the RPS case.	

Rating Agency Communication Log

	Date	Person	APS/PNW Personnel	Subject	Comment
1	10/11/2011	George Slavin, S&P	Lee Nickloy	Email regarding a revision to the engagement letter between S&P and Pinnacle West Capital Corp	Attachment - Confidential
2	10/19/2011	Tony Bettinelli, S&P	Investor Relations	Email regarding Pinnacle's dividend declaration and 3rd quarter earnings release conference call and webcast	
3	10/19/2011	Mitchell Moss, Moody's	Investor Relations	Email regarding Pinnacle's dividend declaration and 3rd quarter earnings release conference call and webcast	
4	10/19/2011	Phil Smyth, Fitch	Investor Relations	Email regarding Pinnacle's dividend declaration and 3rd quarter earnings release conference call and webcast	
5	10/25/2011	Mitchell Moss, Moody's	Lee Nickloy	Email forwarding a publication from Moody's on ratings notching	

Rating Agency Communication Log

	Date	Person	APS/PNW Personnel	Subject	Comment
1	10/27/2011	Tony Bettinelli, S&P	Lee Nickloy	Phone call regarding long-term debt balances on 6/30/11 balance sheet and plans to refinance	
2	11/10/2011	Alan Horowitz	Lee Nickloy	Phone message regarding ratings for new PNW and APS credit facilities - sent to Dan Sarti - no communication with Alan from Dan	
3	11/10/2011	Mitchell Moss, Moody's	Lee Nickloy	Email regarding the financing of APS and PNW revolving credit facilities with 8K attached	Attachment
4	11/10/2011	Phil Smyth, Fitch	Lee Nickloy	Email regarding the financing of APS and PNW revolving credit facilities with 8K attached	Same attachment as above
5	11/10/2011	Tony Bettinelli, S&P	Lee Nickloy	Email regarding the financing of APS and PNW revolving credit facilities with 8K attached	Same attachment as #3
6	11/10/2011	Mitchell Moss, Moody's	Lee Nickloy	Email regarding the financing of APS and PNW revolving credit facilities with 8K attached	
7	11/10/2011	Phil Smyth, Fitch	Lee Nickloy	Email regarding refinancing of APS and PNW revolving credit facilities - requesting copies	
8	11/10/2011	Phil Smyth, Fitch	Lee Nickloy	Email regarding the financing of APS and PNW revolving credit facilities	Attachments
9	11/10/2011	Tony Bettinelli, S&P	Lee Nickloy	Email regarding the financing of APS and PNW revolving credit facilities	
10	11/10/2011	Phil Smyth, Fitch	Lee Nickloy	Email regarding the refinancing of APS and PNW revolving credit facilities	
11	11/10/2011	Mitchell Moss, Moody's	Lee Nickloy	Email requesting a copy of the Moody's presentation at EEI	
12	11/10/2011	Mitchell Moss, Moody's	Lee Nickloy	Email requesting a copy of the Moody's presentation at EEI	Attachment
13	11/18/2011	Tony Bettinelli, S&P	Investor Relations	Email regarding the filing of initial written testimony in the rate case	
14	11/18/2011	Mitchell Moss, Moody's	Investor Relations	Email regarding the filing of initial written testimony in the rate case	
15	11/18/2011	Phil Smyth, Fitch	Investor Relations	Email regarding the filing of initial written testimony in the rate case	
16	11/21/2011	Tony Bettinelli, S&P	Lee Nickloy	Email regarding changes within S&P in the process of getting a ratings letter	

Rating Agency Communication Log

	Date	Person	APS/PNW Personnel	Subject	Comment
1	12/7/2011	Tony Bettinelli, S&P	Dan Sarti	Email regarding APS tax exempt bonds	
2	12/8/2011	Tony Bettinelli, S&P	Dan Sarti	Email regarding APS tax exempt bonds	
3	12/13/2011	Mitchell Moss, Moody's	Lee Nickloy	Phone call regarding the settlement process and timing	
4	12/16/2011	Tony Bettinelli, S&P	Dan Sarti/Karen Dolyniuk	Email regarding an APS debt issuance coming up soon	Confidential
5	12/16/2011	Mitchell Moss, Moody's	Dan Sarti/Karen Dolyniuk	Email regarding an APS debt issuance coming up soon	Confidential
6	12/16/2011	Phil Smyth, Fitch	Dan Sarti/Karen Dolyniuk	Email regarding an APS debt issuance coming up soon	Confidential
7	12/16/2011	Mitchell Moss, Moody's	Dan Sarti	Email regarding an APS debt issuance coming up soon	Confidential
8	12/16/2011	Tony Bettinelli, S&P	Dan Sarti	Email regarding an APS debt issuance coming up soon	Confidential
9	12/19/2011	Mitchell Moss, Moody's	Lee Nickloy	Email requesting Lee give him a call regarding the ACC open meeting and the process to follow	
10	12/19/2011	Mitchell Moss, Moody's	Lee Nickloy	Email requesting Lee give him a call regarding the ACC open meeting and the process to follow	
11	12/22/2011	Mitchell Moss, Moody's	Dan Sarti/Karen Dolyniuk	Email with preliminary prospectus for APS debt issuance	Attachment/Confidential
12	12/22/2011	Tony Bettinelli, S&P	Dan Sarti/Karen Dolyniuk	Email with preliminary prospectus for APS debt issuance	Same attachment as above/Confidential
13	12/22/2011	Phil Smyth, Fitch	Dan Sarti/Karen Dolyniuk	Email with preliminary prospectus for APS debt issuance	Same attachment as above/Confidential
14	12/22/2011	Tony Bettinelli, Anne Selting, S&P	Dan Sarti	Email regarding potential APS debt issuance	Confidential
15	12/22/2011	Mitchell Moss, Moody's	Investor Relations	Email regarding modifications to the procedural schedule for the rate case	
16	12/22/2011	Tony Bettinelli, S&P	Investor Relations	Email regarding modifications to the procedural schedule for the rate case	
17	12/22/2011	Phil Smyth, Fitch	Investor Relations	Email regarding modifications to the procedural schedule for the rate case	
18	12/22/2011	Phil Smyth, Dan Neama Fitch	Dan Sarti	Email regarding potential APS debt issuance	Confidential
19	12/23/2011	AJ Sabatelle, Moody's	Dan Sarti	Email regarding APS debt issuance	Confidential
20	12/23/2011	Tony Bettinelli, S&P	Dan Sarti	Email requesting a list of all APS debt outstanding	Confidential
21	12/28/2011	Tony Bettinelli, S&P	Dan Sarti, Karen Dolyniuk	Email with list of all APS outstanding debt	Confidential

Dolyniuk, Karen E

From: Nickloy, Lee R
Sent: Friday, July 22, 2011 2:58 PM
To: Dolyniuk, Karen E
Subject: RE: Rating Agency Communications

Karen,

Will send e-mail communications separately, but here are the telephone communications: On previous log

6/24/11, call with Tony Bettinelli at S&P – he advised they had gone to committee and decided to increase our long-term and short-term ratings by one notch and retain the positive outlook for reasons as outlined in their reports on the upgrade. We also spoke about their focus on liquidity adequacy and their liquidity evaluation methodology.

7/12/11, call from Phil Smyth at Fitch – asked if the ACC has accepted the rate case filing, responded yes, referred to July 1st filing

7/20/11, left message for Dan Naema at Fitch re factual inaccuracies in their reports including number of new commissioners at the ACC, no capex for energy efficiency in our 10-K/10-Q disclosure table and 3.3% rate increase net of fuel bill impact

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From: Dolyniuk, Karen E
Sent: Friday, July 22, 2011 1:26 PM
To: Nickloy, Lee R; Ewen, Peter M
Subject: FW: Rating Agency Communications
Importance: High

Just a reminder to send me all communications by Monday.

Thanks.

Karen E. Dolyniuk, CTP
Manager Treasury Operations
Pinnacle West Capital Corporation
602-250-5630

From: Dolyniuk, Karen E
Sent: Wednesday, July 20, 2011 9:52 AM
To: Hatfield, James R; Nickloy, Lee R; Ewen, Peter M
Subject: Rating Agency Communications
Importance: High

Gentlemen, please send me all communications you have had with the rating agencies since June 24th . This includes emails and phone conversations as well as any information we have provided them. Also, let me know if anything should be considered Confidential.

I would like to have all communications by Monday, July 25th.

Thank you.

Karen E. Dolyniuk, CTP
Manager Treasury Operations
Pinnacle West Capital Corporation
602-250-5630

Dolyniuk, Karen E

From: Nickloy, Lee R
Sent: Friday, July 22, 2011 3:02 PM
To: Dolyniuk, Karen E
Subject: FW: S&P-Liquidity Survey
Attachments: 201103 SP-Liquidity Survey.xlsx

From: Nickloy, Lee R
Sent: Friday, July 01, 2011 2:03 PM
To: 'Bettinelli, Antonio'
Subject: RE: S&P-Liquidity Survey

Tony,

See attached.

Lee

From: Bettinelli, Antonio [mailto:Antonio_Bettinelli@standardandpoors.com]
Sent: Friday, June 17, 2011 1:14 PM
To: Nickloy, Lee R
Subject: S&P-Liquidity Survey

Lee,

I just realized that we need an updated liquidity survey. I have attached completed survey that Jim sent last year. Let me know if you have any questions.

Tony

Tony Bettinelli
Associate Director
Standard & Poor's
U.S. Electric Utilities
Corporate & Government Ratings
One Market, Steuart Tower, 15th Floor, San Francisco, CA 94105
(415) 371-5067
tony_bettinelli@sandp.com

[redacted]

Attachment(s) Intentionally Omitted – Contains Confidential Information

Dolyniuk, Karen E

From: Nickloy, Lee R
Sent: Friday, July 22, 2011 3:02 PM
To: Dolyniuk, Karen E
Subject: FW: S&P-Liquidity Survey

From: Bettinelli, Antonio [mailto:Antonio_Bettinelli@standardandpoors.com]
Sent: Friday, July 01, 2011 2:36 PM
To: Nickloy, Lee R
Subject: RE: S&P-Liquidity Survey

Thanks. Have a nice weekend.

From: Lee.Nickloy@PinnacleWest.com [mailto:Lee.Nickloy@PinnacleWest.com]
Sent: Friday, July 01, 2011 2:03 PM
To: Bettinelli, Antonio
Subject: RE: S&P-Liquidity Survey

Tony,

See attached.

Lee

From: Bettinelli, Antonio [mailto:Antonio_Bettinelli@standardandpoors.com]
Sent: Friday, June 17, 2011 1:14 PM
To: Nickloy, Lee R
Subject: S&P-Liquidity Survey

Lee,

I just realized that we need an updated liquidity survey. I have attached completed survey that Jim sent last year. Let me know if you have any questions.

Tony

Tony Bettinelli
Associate Director
Standard & Poor's
U.S. Electric Utilities
Corporate & Government Ratings
One Market, Steuart Tower, 15th Floor, San Francisco, CA 94105
(415) 371-5067
tony_bettinelli@sandp.com

[redacted]

[redacted]

Dolyniuk, Karen E

From: Nickloy, Lee R
Sent: Friday, July 22, 2011 3:02 PM
To: Dolyniuk, Karen E
Subject: FW: Question
Attachments: pic47845.gif

-----Original Message-----
From: Philip.Smyth@fitchratings.com [mailto:Philip.Smyth@fitchratings.com]
Sent: Tuesday, July 12, 2011 2:06 PM
To: Nickloy, Lee R
Subject: Question

Hi Lee,

Would you please take a look at the numbers below to ensure their accuracy and provide the missing ROEs. Thanks.

Best Regards,

Phil

Philip W. Smyth, CFA
Senior Director
Fitch Ratings
212 908 05310

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[redacted]

	Date Filed	Date Implemented	No. of Mos. From From Filing Date To Effective Change in Rates	Amount Requested	Amount Approved	Pct. Of Amount Requested Auth In Rates	ROE Requested	ROE Authorized
Arizona Public Servic Co.	3/24/2008	1/1/2010	21	448	344	77%	11.50%	11.00%
Arizona Public Servic Co.	11/4/2005	7/1/2007	18	454	321	71%		
Arizona Public Servic Co.	6/27/2003	4/7/2005	21	175	76	43%		

Dolyniuk, Karen E

From: Nickloy, Lee R
Sent: Friday, July 22, 2011 3:02 PM
To: Dolyniuk, Karen E
Subject: FW: Question

-----Original Message-----
From: Nickloy, Lee R
Sent: Wednesday, July 13, 2011 9:46 AM
To: 'Philip.Smyth@fitchratings.com'
Subject: RE: Question

Phil,

For the 2003 case, 11.5% requested, 10.25% allowed. For the 2005 case, 11.5% requested, 10.75% allowed. The other information is correct.

Lee

-----Original Message-----
From: Philip.Smyth@fitchratings.com [mailto:Philip.Smyth@fitchratings.com]
Sent: Tuesday, July 12, 2011 2:06 PM
To: Nickloy, Lee R
Subject: Question

Hi Lee,

Would you please take a look at the numbers below to ensure their accuracy and provide the missing ROEs. Thanks.

Best Regards,

Phil

Philip W. Smyth, CFA
Senior Director
Fitch Ratings
212 908 05310

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[redacted]

[redacted]

Dolyniuk, Karen E

From: Nickloy, Lee R
Sent: Friday, July 22, 2011 3:02 PM
To: Dolyniuk, Karen E
Subject: FW: Question

From: Philip.Smyth@fitchratings.com [mailto:Philip.Smyth@fitchratings.com]
Sent: Thursday, July 14, 2011 8:25 AM
To: Nickloy, Lee R
Subject: RE: Question

Thanks Lee for your timely response.

Sincerely,

Phil

-----<Lee.Nickloy@PinnacleWest.com> wrote: -----

To: <Philip.Smyth@fitchratings.com>
From: <Lee.Nickloy@PinnacleWest.com>
Date: 07/13/2011 12:45PM
Subject: RE: Question

Phil,

For the 2003 case, 11.5% requested, 10.25% allowed. For the 2005 case, 11.5% requeste
10.75% allowed. The other information is correct.

Lee

-----Original Message-----
From: Philip.Smyth@fitchratings.com [mailto:Philip.Smyth@fitchratings.com]
Sent: Tuesday, July 12, 2011 2:06 PM
To: Nickloy, Lee R
Subject: Question

Hi Lee,

Would you please take a look at the numbers below to ensure their accuracy and provide the missing ROEs. Thanks.

Best Regards,

Phil

Philip W. Smyth, CFA
Senior Director
Fitch Ratings
212 908 05310

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[redacted]

[redacted]

[redacted]

Dolyniuk, Karen E

From: Nickloy, Lee R
Sent: Friday, July 22, 2011 3:03 PM
To: Dolyniuk, Karen E
Subject: FW: Please review Pinnacle West Capital Corp. and Arizona Public Service Co. draft Full Rating Reports for factual accuracy
Attachments: PNW_Full_Rating_Report_7.19.2011.PDF; APS_Full_Rating_Report_7.19.2011.PDF

From: Daniel.Neama@fitchratings.com [mailto:Daniel.Neama@fitchratings.com]
Sent: Tuesday, July 19, 2011 8:09 AM
To: Nickloy, Lee R
Cc: Philip.Smyth@fitchratings.com
Subject: Re: Please review Pinnacle West Capital Corp. and Arizona Public Service Co. draft Full Rating Reports for factual accuracy

Good morning Lee,

I hope everything is well. At your convenience, please review the draft Full Rating Reports for Pinnacle West Capital Corp. and Arizona Public Service Co. for comments, factual accuracy and any inadvertent disclosure of any material non-public information. Please call or email me if you notice any discrepancies. I appreciate your attention regarding this matter. Thank you.

Daniel Neama
Associate Director
Fitch Ratings | Global Power
Phone: 1-212-908-0561
Fax: 1-212-635-0469
Email: Daniel.Neama@FitchRatings.com

[redacted]

Attachment(s) Intentionally Omitted – Contains Confidential Information

Dolyniuk, Karen E

From: Nickloy, Lee R
Sent: Tuesday, July 26, 2011 10:53 AM
To: Dolyniuk, Karen E
Subject: RE: Please review Pinnacle West Capital Corp. and Arizona Public Service Co. draft Full Rating Reports for factual accuracy

yes

From: Dolyniuk, Karen E
Sent: Tuesday, July 26, 2011 10:13 AM
To: Nickloy, Lee R
Subject: RE: Please review Pinnacle West Capital Corp. and Arizona Public Service Co. draft Full Rating Reports for factual accuracy

I'm assuming this is also confidential, is that correct?

Karen E. Dolyniuk, CTP
Manager Treasury Operations
Pinnacle West Capital Corporation
602-250-5630

From: Nickloy, Lee R
Sent: Friday, July 22, 2011 3:03 PM
To: Dolyniuk, Karen E
Subject: FW: Please review Pinnacle West Capital Corp. and Arizona Public Service Co. draft Full Rating Reports for factual accuracy

From: Daniel.Neama@fitchratings.com [mailto:Daniel.Neama@fitchratings.com]
Sent: Tuesday, July 19, 2011 8:09 AM
To: Nickloy, Lee R
Cc: Philip.Smyth@fitchratings.com
Subject: Re: Please review Pinnacle West Capital Corp. and Arizona Public Service Co. draft Full Rating Reports for factual accuracy

Good morning Lee,

I hope everything is well. At your convenience, please review the draft Full Rating Reports for Pinnacle West Capital Corp. and Arizona Public Service Co. for comments, factual accuracy and any inadvertent disclosure of any material non-public information. Please call or email me if you notice any discrepancies. I appreciate your attention regarding this matter. Thank you.

Daniel Neama
Associate Director
Fitch Ratings | Global Power
Phone: 1-212-908-0561
Fax: 1-212-635-0469
Email: Daniel.Neama@FitchRatings.com

[redacted]

Dolyniuk, Karen E

From: Nickloy, Lee R
Sent: Friday, July 22, 2011 3:03 PM
To: Dolyniuk, Karen E
Subject: FW: Please review Pinnacle West Capital Corp. and Arizona Public Service Co. draft Full Rating Reports for factual accuracy

From: Nickloy, Lee R
Sent: Tuesday, July 19, 2011 8:40 AM
To: 'daniel.neama@fitchratings.com'
Cc: 'philip.smyth@fitchratings.com'
Subject: Re: Please review Pinnacle West Capital Corp. and Arizona Public Service Co. draft Full Rating Reports for factual accuracy

Dan,

I am out of the office today, but will be back in tomorrow. OK if we respond tomorrow?

From: Daniel.Neama@fitchratings.com [mailto:Daniel.Neama@fitchratings.com]
Sent: Tuesday, July 19, 2011 08:08 AM
To: Nickloy, Lee R
Cc: Philip.Smyth@fitchratings.com <Philip.Smyth@fitchratings.com>
Subject: Re: Please review Pinnacle West Capital Corp. and Arizona Public Service Co. draft Full Rating Reports for factual accuracy

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Daniel Neama
Associate Director
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Phone: 1-212-908-0561
Fax: 1-212-635-0469
Email: Daniel.Neama@FitchRatings.com

[redacted]

[redacted]

Dolyniuk, Karen E

From: Nickloy, Lee R
Sent: Friday, July 22, 2011 3:03 PM
To: Dolyniuk, Karen E
Subject: FW: Please review Pinnacle West Capital Corp. and Arizona Public Service Co. draft Full Rating Reports for factual accuracy

From: Daniel.Neama@fitchratings.com [mailto:Daniel.Neama@fitchratings.com]
Sent: Tuesday, July 19, 2011 8:42 AM
To: Nickloy, Lee R
Cc: Philip.Smyth@fitchratings.com
Subject: Re: Please review Pinnacle West Capital Corp. and Arizona Public Service Co. draft Full Rating Reports for factual accuracy

Yes. That will be ok. Thanks Lee.

Daniel Neama
Associate Director
Fitch Ratings | Global Power
Phone: 1-212-908-0561
Fax: 1-212-635-0469
Email: Daniel.Neama@FitchRatings.com

From: <Lee.Nickloy@PinnacleWest.com>
To: <daniel.neama@fitchratings.com>
Cc <philip.smyth@fitchratings.com>
Date: 07/19/2011 11:40 AM
Subject: Re: Please review Pinnacle West Capital Corp. and Arizona Public Service Co. draft Full Rating Reports for factual accuracy

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Dan,

I am out of the office today, but will be back in tomorrow. OK if we respond tomorrow?

From: Daniel.Neama@fitchratings.com [mailto:Daniel.Neama@fitchratings.com]
Sent: Tuesday, July 19, 2011 08:08 AM
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Subject: Re: Please review Pinnacle West Capital Corp. and Arizona Public Service Co. draft Full Rating Reports for factual accuracy

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Daniel Neama
Associate Director
Fitch Ratings | Global Power
Phone: 1-212-908-0561
Fax: 1-212-635-0469
Email: Daniel.Neama@FitchRatings.com

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

Dolyniuk, Karen E

From: Higuchi, Dene C on behalf of Hickman, Rebecca L
Sent: Wednesday, July 20, 2011 3:08 PM
Subject: PNW: 2nd Quarter 2011 Earnings Release, Conference Call and Webcast Information

Today, we issued a press release announcing our second quarter earnings release date and the access information for our conference call and webcast. The text of the release is below in this message.

As always, if you have any questions about this release or need other information about our company, please contact me or Geoff Wendt (602-250-5643).

Sincerely,
Becky
Rebecca L. Hickman
Director of Investor Relations | Pinnacle West Capital Corporation
Two Arizona Center | 400 North 5th Street | Station 9998 | Phoenix, AZ 85004
Office 602-250-5668 | Fax 602-250-2789 | E-mail rhickman@pinnaclewest.com

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PINNACLE WEST SETS DATE FOR 2011 SECOND-QUARTER RESULTS, WEBCAST AND CONFERENCE CALL

PHOENIX - Pinnacle West Capital Corp. (NYSE: PNW) announced today that it plans to release its second-quarter results before the U.S. financial markets open on Tuesday, August 2, 2011.

That same day at 12:00 noon (ET), the Company also will host a live webcast of management's conference call to discuss the Company's 2011 second-quarter results, as well as recent developments. The webcast can be accessed at pinnaclewest.com/presentations and will be available for replay on the website for 30 days. To access the live conference call by telephone, dial (877) 407-8035 or (201) 689-8035 for international callers. A replay of the call also will be available until 11:59 p.m. (ET), Tuesday, August 9, 2011, by calling (877) 660-6853 in the U.S. and Canada or (201) 678-7415 internationally and entering account number 286, followed by conference ID number 374825.

General Information
Pinnacle West Capital, an energy holding company based in Phoenix, has consolidated assets of about $12.5 billion, more than 6,300 megawatts of generating capacity and about 6,700 employees in Arizona and New Mexico. Through its principal subsidiary, Arizona Public Service, the Company provides retail electricity se: to more than 1.1 million Arizona homes and businesses. For more information about Pinnacle West, visit the Company's website at pinnaclewest.com.

-30-

Dolyniuk, Karen E

From: Nickloy, Lee R
Sent: Friday, July 22, 2011 3:03 PM
To: Dolyniuk, Karen E
Subject: FW: PNW and APS reports

From: Daniel.Neama@fitchratings.com [mailto:Daniel.Neama@fitchratings.com]
Sent: Thursday, July 21, 2011 6:12 AM
To: Nickloy, Lee R; Ewen, Peter M
Subject: Re: PNW and APS reports

Good morning Lee and Peter,

Thanks for the quick turnaround in reviewing the PNW and APS Full Rating reports. Your comments were very helpful. Thanks again.

Daniel Neama
Associate Director
Fitch Ratings | Global Power
Phone: 1-212-908-0561
Fax: 1-212-635-0469
Email: Daniel.Neama@FitchRatings.com

[redacted]

Dolyniuk, Karen E

From: Ewen, Peter M
Sent: Friday, July 22, 2011 2:58 PM
To: Dolyniuk, Karen E
Subject: RE: Rating Agency Communications

Karen,

The only communications I have had were a voicemail I left for Dan Neama at Moody's on Wednesday evening (7/20) and his response which is attached.

Re: PNW and APS reports

Thanks.

From: Dolyniuk, Karen E
Sent: Friday, July 22, 2011 1:26 PM
To: Nickloy, Lee R; Ewen, Peter M
Subject: FW: Rating Agency Communications
Importance: High

Just a reminder to send me all communications by Monday.

Thanks.

Karen E. Dolyniuk, CTP
Manager Treasury Operations
Pinnacle West Capital Corporation
602-250-5630

From: Dolyniuk, Karen E
Sent: Wednesday, July 20, 2011 9:52 AM
To: Hatfield, James R; Nickloy, Lee R; Ewen, Peter M
Subject: Rating Agency Communications
Importance: High

Gentlemen, please send me all communications you have had with the rating agencies since June 24th . This includes emails and phone conversations as well as any information we have provided them. Also, let me know if anything should be considered Confidential.

I would like to have all communications by Monday, July 25th.

Thank you.

Karen E. Dolyniuk, CTP
Manager Treasury Operations
Pinnacle West Capital Corporation
602-250-5630

Dolyniuk, Karen E

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Sent: Thursday, July 21, 2011 6:12 AM
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Daniel Neama
Associate Director
Fitch Ratings | Global Power
Phone: 1-212-908-0561
Fax: 1-212-635-0469
Email: Daniel.Neama@FitchRatings.com

[redacted]

Dolyniuk, Karen E

From: Ewen, Peter M
Sent: Friday, July 22, 2011 2:59 PM
To: Dolyniuk, Karen E
Subject: RE: Rating Agency Communications

Oops. Sorry. Meant Fitch. Was thinking Fitch, wrote Moody's.

From: Ewen, Peter M
Sent: Friday, July 22, 2011 2:58 PM
To: Dolyniuk, Karen E
Subject: RE: Rating Agency Communications

Karen,

The only communications I have had were a voicemail I left for Dan Neama at Moody's on Wednesday evening (7/20) and his response which is attached.

<< Message: Re: PNW and APS reports >>

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I would like to have all communications by Monday, July 25th.

Thank you.

Karen E. Dolyniuk, CTP
Manager Treasury Operations
Pinnacle West Capital Corporation
602-250-5630

Dolyniuk, Karen E

From: Nickloy, Lee R
Sent: Tuesday, August 23, 2011 4:12 PM
To: Dolyniuk, Karen E
Subject: RE: Rating Agency Communications

Karen,

8/23 - Call to Tony Bettinelli at S&P – advised him that we had closed on the sale of APSES

8/18 - Call to Mitchell Moss at Moody's – returning a call he put in to Karen inquiring about the timing of the APS debt issuance

8/22 - Call from Mitchell Moss at Moody's – inquiring about APS debt offering prospectus supplement and sale of APSES

8/19 – Call from Phil Smyth at Fitch – checking on timing/status of APS debt offering and confirming receipt of ratings letter

8/22 – Call to Dan Naema at Fitch – error correction on press release re: new APS debt securities (maturing bonds have a fixed, not variable rate)

8/23 – Call to Phil Smyth at Fitch - advised him that we had closed on the sale of APSES

E-mail communication to follow separately.

Please also provide copies of APS debt offering ratings letters.

thanks

From: Dolyniuk, Karen E
Sent: Wednesday, August 17, 2011 10:47 AM
To: Hatfield, James R; Nickloy, Lee R; Ewen, Peter M
Subject: Rating Agency Communications
Importance: High

Gentlemen, please send me all communications you have had with the rating agencies since July 23rd. This includes emails and phone conversations as well as any information we have provided them. Also, let me know if anything should be considered Confidential.

I would like to have all communications by Tuesday, August 23rd.

Thank you.

Karen E. Dolyniuk, CTP
Manager Treasury Operations
Pinnacle West Capital Corporation
602-250-5630

Dolyniuk, Karen E

From: Higuchi, Dene C on behalf of Hickman, Rebecca L
Sent: Tuesday, August 02, 2011 5:10 AM
Subject: PNW/APS: PROCEDURAL SCHEDULE FOR GENERAL RETAIL RATE CASE

The procedural schedule for Arizona Public Service Company's (APS) pending general retail rate case has been issued by an Arizona Corporation Commission (ACC) administrative law judge. The table below summarizes the key dates:

Summary Procedural Schedule for APS General Retail Rate Case		
Nov. 18, 2011	Fri.	ACC Staff and intervenors' direct testimony due, except cost of service and rate design
Nov. 30, 2011	Wed.	Settlement discussions may begin
Dec. 2, 2011	Fri.	ACC Staff and intervenors' direct testimony due on cost of service and rate design
Dec. 23, 2011	Fri.	Settlement agreement to be filed, if reached
Dec. 23, 2011	Fri.	APS rebuttal testimony due, if no settlement reached
Jan. 11, 2012	Wed.	ACC Staff and intervenors' surrebuttal testimony due, if no settlement reached
Jan. 11, 2012	Wed.	Testimony supporting or opposing settlement due, if settlement reached
Jan. 17, 2012	Tues.	APS rejoinder testimony due, if no settlement reached
Jan. 19, 2012	Thurs.	Hearing to begin

As always, if you have any questions about this schedule or need other information about our company, please contact me or Geoff Wendt (602-250-5643).

Sincerely,
Becky

Rebecca L. Hickman
Director of Investor Relations | Pinnacle West Capital Corporation
Two Arizona Center | 400 North 5th Street | Station 9998 | Phoenix, AZ 85004
Office 602-250-5668 | Fax 602-250-2789 | E-mail rhickman@pinnaclewest.com

Dolyniuk, Karen E

From: Higuchi, Dene C on behalf of Hickman, Rebecca L
Sent: Tuesday, August 02, 2011 5:10 AM
Subject: PNW/APS: Second-Quarter 2011 Earnings Release

This morning, we released our second-quarter 2011 earnings. The text of our earnings release is included below in this message.

For your convenience, we've attached PDF files of our Earnings Release Kit (which contains supplemental information) and the slides we will use during our conference call and web cast. This information is also available on our web site, www.pinnaclewest.com/investors.

Conference Call and Web Cast
Pinnacle West invites interested parties to listen to the live web cast of management's conference call to discuss the Company's 2011 second-quarter results, as well as recent developments, at 12 noon (ET) today, August 2. The webcast can be accessed at pinnaclewest.com/presentations and will be available for replay on the website for 30 days. To access the live conference call by telephone, dial (877) 407-8035 or (201) 689-8035 for international callers. A replay of the call also will be available until 11:59 p.m. (ET), Tuesday, August 9, 2011, by calling (877) 660-6853 in the U.S. and Canada or (201) 678-7415 internationally and entering Account number 286, followed by Conference ID number 374825.

As always, if you have any questions or need information about our company please contact me or Geoff Wendt, (602-250-5643).

Sincerely,

Becky
Rebecca L. Hickman
Director of Investor Relations | Pinnacle West Capital Corporation
400 North 5th Street | Station 9998 | Phoenix, AZ 85004
Office 602-250-5668 | Fax 602-250-2789 | E-mail rhickman@pinnaclewest.com

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PINNACLE WEST REPORTS SECOND-QUARTER RESULTS

- *Unusually mild weather and higher infrastructure-related costs reduced quarter-versus-quarter earnings*
- *Higher retail electricity sales and lower operations and maintenance expenses help offset negative variables*
- *Company revises 2011 earnings guidance*

PHOENIX – Pinnacle West Capital Corp. (NYSE: PNW) today reported consolidated net income attributable to common shareholders of $86.7 million, or $0.79 per diluted share of common stock, for the quarter ended June 30, 2011. This result compares with net income attributable to common shareholders of $114.8 million, or $1.07 per diluted share, for the same quarter in 2010.

Excluding results of discontinued operations, Pinnacle West's consolidated on-going earnings in the 2011 second quarter were $86.0 million, or $0.78 per share, compared with on-going earnings of $88.5 million or $0.82 per share, in the same

period a year ago. On-going earnings for both periods exclude results of discontinued operations primarily related to APS Energy Services, the Company's unregulated energy services subsidiary. A reconciliation of reported earnings to on-going earnings is provided at the end of this release.

"Temperatures significantly below historical averages adversely impacted our second-quarter results, as well as our full-year earnings outlook," said Pinnacle West Chairman, President and Chief Executive Officer Don Brandt. "This quarter's extremely mild weather reduced retail sales, and the trend continued through most of July.

"Operationally, we remain committed to our strategies to create value for customers and investors by maintaining excellence in operations, investing in Arizona's sustainable energy future, cultivating an improving regulatory framework and strengthening our financial profile."

The second-quarter on-going results comparison was impacted negatively by the following factors:

- *Unusually mild weather*, especially in May and June, decreased the quarterly results by $0.02 per share compared to the 2010 second quarter, during which abnormally mild weather adversely affected earnings by $0.15 per share compared with historically normal conditions. In the 2011 second quarter, there were 375 residential cooling-degree days (a proxy for the effects of weather) – 26.8 percent less than normal and 1.6 percent less than the year-ago second quarter.
- *Higher infrastructure-related costs* decreased earnings by $0.07 per share, primarily related to higher property taxes and increased depreciation and amortization.

These factors were offset in part by the following positive items:

- *Lower operations and maintenance expenses*, primarily due to the timing and level of planned maintenance at the Company's fossil-fueled generating plants, improved earnings by $0.03 per share. The variance excludes costs associated with renewable energy, demand-side management and similar regulatory programs, which are offset by comparable amounts of operating revenues.
- *Higher retail customer sales* – excluding the effects of weather variations, but including effects of energy efficiency programs – improved earnings by $0.02 per share. The increase was primarily related to higher electricity consumption by residential customers, reflecting continuing stabilization of the Arizona economy. Total weather-normalized retail electricity sales grew 0.7 percent compared to the same period a year ago. Likewise, Arizona Public Service Co.'s (APS) customer base increased about 0.3 percent over the same timeframe.

APS, the Company's principal subsidiary, reported a 2.8 percent decrease in net income attributable to common shareholder. For the 2011 second-quarter, APS earned $87.7 million compared with income of $90.2 million in the similar 2010 period.

2011 Earnings Outlook

Pinnacle West expects its 2011 consolidated on-going earnings will be in the range of $2.75 to $2.90 per diluted share. The Company lowered its expectations from a range of $3.00 to $3.15 per diluted share primarily because of abnormally mild weather in the first seven months of the year and higher estimated property taxes, partially offset by lower estimated interest expense.

Key factors and assumptions underlying the outlook remain unchanged, except for the following:

- Actual weather for the first seven months of the year and normal weather patterns for the remainder of the year;

- Total electricity gross margin (operating revenues, net of fuel and purchased power expenses, excluding Renewable Energy Surcharge and similar rate adjustors) of about $2.01 billion to $2.06 billion, which was previously expected to be $2.05 billion to $2.10 billion;
- Operating expenses (operations and maintenance, excluding costs for Renewable Energy Standard and similar regulatory programs; depreciation and amortization; and taxes other than income taxes) of about $1.33 billion to $1.36 billion, which were previously expected to be $1.32 billion to $1.35 billion; and
- Interest expense, net of allowances for borrowed and equity funds used during construction, of about $195 million to $205 million, which was previously expected to be $200 million to $210 million.

General Information

Pinnacle West Capital, an energy holding company based in Phoenix, has consolidated assets of about $12.5 billion, more than 6,300 megawatts of generating capacity and about 6,700 employees in Arizona and New Mexico. Through its principal subsidiary, Arizona Public Service, the Company provides retail electricity service to more than 1.1 million Arizona homes and businesses. For more information about Pinnacle West, visit the Company's website at pinnaclewest.com.

Dollar amounts in this news release are after income taxes. Earnings per share amounts are based on average diluted common shares outstanding. For more information on Pinnacle West's operating statistics and earnings, please visit pinnaclewest.com/investors.

PINNACLE WEST CAPITAL CORPORATION
NON-GAAP FINANCIAL MEASURE RECONCILIATION

NET INCOME ATTRIBUTABLE TO COMMON SHAREHOLDERS (GAAP MEASURE) TO ON-GOING EARNINGS (NON-GAAP FINANCIAL MEASURE)

	Three Months Ended June 30, 2011		Three Months Ended June 30, 2010	
	Dollars in Millions	Diluted EPS	Dollars in Millions	Diluted EPS
Net Income Attributable to Common Shareholders	$ 86.7	$ 0.79	$ 114.8	$ 1.07
Adjustment:				
Discontinued operations, primarily related to APS Energy Services	(0.7)	(0.01)	(26.3)	(0.25)
On-going Earnings	$ 86.0	$ 0.78	$ 88.5	$ 0.82

NON-GAAP FINANCIAL INFORMATION

In this press release, we refer to "on-going earnings (loss)." On-going earnings is a "non-GAAP financial measure," as defined in accordance with U.S. Securities and Exchange Commission rules. We believe on-going earnings (loss) provide investors with a useful indicator of our results that is comparable among periods because it excludes the effects of unusual items that may occur on an irregular basis. Investors should note that these non-GAAP financial measures involve judgments by management, including whether an item is classified as an unusual item. We use on-going earnings (loss), or similar concepts, to measure our performance internally in reports for management.

FORWARD-LOOKING STATEMENTS

This press release contains forward-looking statements based on our current expectations, including statements regarding our 2011 earnings outlook. These forward-looking statements are often identified by words such as "estimate," "predict," "may," "believe," "plan," "expect," "require," "intend," "assume" and similar words. Because actual results may differ materially from expectations, we caution readers not to place undue reliance on these statements. A number of factors could cause future results to differ materially from historical results, or from outcomes currently expected or sought by Pinnacle West or APS. These factors include, but are not limited to:

- our ability to achieve timely and adequate rate recovery of our costs, including returns on debt and equity capital;
- our ability to manage capital expenditures and other costs while maintaining reliability and customer service levels;
- variations in demand for electricity, including those due to weather, the general economy, customer and sales growth (or decline), and the effects of energy conservation measures and distributed generation;
- power plant performance and outages;
- volatile fuel and purchased power costs;
- fuel and water supply availability;
- regulatory and judicial decisions, developments and proceedings;
- new legislation or regulation including those relating to greenhouse gas emissions, renewable energy mandates, nuclear plant operations and energy efficiency standards;

- our ability to meet renewable energy requirements and recover related costs;
- risks inherent in the operation of nuclear facilities, including spent fuel disposal uncertainty;
- competition in retail and wholesale power markets;
- the duration and severity of the economic decline in Arizona and current real estate market conditions;
- the cost of debt and equity capital and the ability to access capital markets when required;
- changes to our credit ratings;
- the investment performance of the assets of our nuclear decommissioning trust, pension, and other postretirement benefit plans and the resulting impact on future funding requirements;
- the liquidity of wholesale power markets and the use of derivative contracts in our business;
- potential shortfalls in insurance coverage;
- new accounting requirements or new interpretations of existing requirements;
- generation, transmission and distribution facility and system conditions and operating costs;
- the ability to meet the anticipated future need for additional baseload generation and associated transmission facilities in our region;
- the willingness or ability of our counterparties, power plant participants and power plant land owners to meet contractual or other obligations or extend the rights for continued power plant operations;
- technological developments affecting the electric industry; and
- restrictions on dividends or other provisions in our credit agreements and Arizona Corporation Commission orders.

These and other factors are discussed in Risk Factors described in Item 1A of the Pinnacle West/APS Annual Report on Form 10-K for the fiscal year ended December 31, 2010, and in Part II, Item 1A of the Pinnacle West/APS Quarterly Report on Form 10-Q for the quarter ended June 30, 2011, which readers should review carefully before placing any reliance on our financial statements, disclosures or our earnings outlook. Neither Pinnacle West nor APS assumes any obligation to update these statements, even if our internal estimates change, except as required by law.

# # #

2Q2011_Earnings_ReleaseKit.pdf...

2Q2011_PNW_Earnings_Slides.pdf...

Dolyniuk, Karen E

From: Higuchi, Dene C on behalf of Hickman, Rebecca L
Sent: Tuesday, August 02, 2011 5:10 AM
Subject: PNW/APS: Second-Quarter 2011 Form 10-Q

The PDF file of the combined Pinnacle West and APS second-quarter 2011 Form 10-Q is attached for your use. If you would like to receive a printed copy of the report, please let me know and we will be happy to mail it to you.

As always, if you need information about our company, please contact me or Geoff Wendt, (602-250-5643).

Sincerely,

Becky

Rebecca L. Hickman
Director of Investor Relations | Pinnacle West Capital Corporation
400 North 5th Street | Station 9998 | Phoenix, AZ 85004
Office 602-250-5668 | Fax 602-250-2789 | E-mail rhickman@pinnaclewest.com

PNW 2Q2011 Form 10Q.pdf

Dolyniuk, Karen E

From: Dolyniuk, Karen E
Sent: Wednesday, August 17, 2011 1:13 PM
To: 'Bettinelli, Antonio'
Cc: Nickloy, Lee R
Subject: APS Preliminary Prospectus

Tony, attached is a draft of the preliminary prospectus for the upcoming APS debt deal. Please let Lee or me know if you have any questions or need anything else.

Thank you.

#13538838v6_SW
DMS_ - APS Preli...

Karen E. Dolyniuk, CTP
Manager Treasury Operations
Pinnacle West Capital Corporation
602-250-5630

Attachment(s) Intentionally Omitted – Contains Confidential Information

Dolyniuk, Karen E

From: Dolyniuk, Karen E
Sent: Wednesday, August 17, 2011 1:15 PM
To: 'Philip.Smyth@fitchratings.com'; 'daniel.neams@fitchratings.com'
Cc: Nickloy, Lee R
Subject: APS Preliminary Prospectus

Phil and Daniel, attached is a draft of the preliminary prospectus for the upcoming APS debt deal. Please let Lee or me know if you have any questions or need anything else.

Thank you.

#13538838v6_SW
DMS_ - APS Preli...

Karen E. Dolyniuk, CTP
Manager Treasury Operations
Pinnacle West Capital Corporation
602-250-5630

Dolyniuk, Karen E

From: Dolyniuk, Karen E
Sent: Wednesday, August 17, 2011 1:17 PM
To: 'mitchell.moss@moodys.com'
Cc: Nickloy, Lee R
Subject: APS Preliminary Prospectus

Mitchell, attached is a draft of the preliminary prospectus for the upcoming APS debt deal. Please let Lee or me know if you have any questions or need anything else.

Thank you.

#13538838v6_SW
DMS_ - APS Preli...

Karen E. Dolyniuk, CTP
Manager Treasury Operations
Pinnacle West Capital Corporation
602-250-5630

Dolyniuk, Karen E

From: Philip.Smyth@fitchratings.com
Sent: Wednesday, August 17, 2011 1:21 PM
To: Dolyniuk, Karen E
Subject: Re: APS Preliminary Prospectus

Hi Karen,

Thanks for sending the preliminary prosup. Danny's email address was incorrect in that email. No need to resend, I will see that he gets it.
For future reference, his email address is daniel.neama@fitchratings.com.

Do you know when you will price the deal?

Best Regards,

Phil

Philip W. Smyth, CFA
Senior Director
Fitch Ratings
212 908 0531

From: <Karen.Dolyniuk@pinnaclewest.com>

To: <Philip.Smyth@fitchratings.com>, <daniel.neams@fitchratings.com>

Cc: <Lee.Nickloy@PinnacleWest.com>

Date: 08/17/2011 04:14 PM

Subject: APS Preliminary Prospectus

Phil and Daniel, attached is a draft of the preliminary prospectus for the upcoming APS debt deal. Please let Lee or me know if you have any questions or need anything else.

Thank you.

Karen E. Dolyniuk, CTP
Manager Treasury Operations
Pinnacle West Capital Corporation
602-250-5630

[redacted]

Dolyniuk, Karen E

From: Dolyniuk, Karen E
Sent: Wednesday, August 17, 2011 1:22 PM
To: 'Philip.Smyth@fitchratings.com'
Subject: RE: APS Preliminary Prospectus

I realized after I sent and have already forwarded him the note.

Thanks!

Regarding pricing - not sure yet - tentatively have schedule due diligence on Friday. Either me or Lee will let you know.
Thanks.

Karen E. Dolyniuk, CTP
Manager Treasury Operations
Pinnacle West Capital Corporation
602-250-5630

-----Original Message-----
From: Philip.Smyth@fitchratings.com [mailto:Philip.Smyth@fitchratings.com]
Sent: Wednesday, August 17, 2011 1:21 PM
To: Dolyniuk, Karen E
Subject: Re: APS Preliminary Prospectus

Hi Karen,

Thanks for sending the preliminary prosup. Danny's email address was incorrect in that email. No need to resend, I will see that he gets it.
For future reference, his email address is daniel.neama@fitchratings.com.

Do you know when you will price the deal?

Best Regards,

Phil

Philip W. Smyth, CFA
Senior Director
Fitch Ratings
212 908 0531

From: <Karen.Dolyniuk@pinnaclewest.com>

To: <Philip.Smyth@fitchratings.com>, <daniel.neams@fitchratings.com>

Cc: <Lee.Nickloy@PinnacleWest.com>

Date: 08/17/2011 04:14 PM

Subject: APS Preliminary Prospectus

Phil and Daniel, attached is a draft of the preliminary prospectus for the upcoming APS debt deal. Please let Lee or me know if you have any questions or need anything else.

Thank you.

Karen E. Dolyniuk, CTP
Manager Treasury Operations
Pinnacle West Capital Corporation
602-250-5630

[redacted]

Dolyniuk, Karen E

From: Bettinelli, Antonio [Antonio_Bettinelli@standardandpoors.com]
Sent: Thursday, August 18, 2011 4:56 PM
To: Dolyniuk, Karen E
Subject: RE: APS Preliminary Prospectus

Thanks. When do you expect this to price?

Tony

I did not respond - I was out of the office w/ no access to email
Karen Dolyniuk

From: Karen.Dolyniuk@pinnaclewest.com [mailto:Karen.Dolyniuk@pinnaclewest.com]
Sent: Wednesday, August 17, 2011 1:13 PM
To: Bettinelli, Antonio
Cc: Lee.Nickloy@PinnacleWest.com
Subject: APS Preliminary Prospectus

Tony, attached is a draft of the preliminary prospectus for the upcoming APS debt deal. Please let Lee or me know if you have any questions or need anything else.

Thank you.

Karen E. Dolyniuk, CTP
Manager Treasury Operations
Pinnacle West Capital Corporation
602-250-5630

[redacted] ---

[redacted]

[redacted]

Dolyniuk, Karen E

From: Omanovic, Rufad
Sent: Friday, August 19, 2011 6:18 AM
To: Nickloy, Lee R; Dolyniuk, Karen E; Sarti, Daniel
Subject: Re: Fitch Ratings Letter

We will have their ratings letter for us later this morning.

From: Nickloy, Lee R
Sent: Friday, August 19, 2011 05:30 AM
To: Omanovic, Rufad; Dolyniuk, Karen E; Sarti, Daniel
Subject: RE: Fitch Ratings Letter

I know they were going to do a letter for us but I don't know what the timing on that was. They didn't have to wait until the deal was made public and we have sent docs to them.

thanks

From: Omanovic, Rufad
Sent: Friday, August 19, 2011 5:29 AM
To: Nickloy, Lee R; Dolyniuk, Karen E; Sarti, Daniel
Subject: Re: Fitch Ratings Letter

I am not sure. I'll call Phill Smyth.

From: Nickloy, Lee R
Sent: Friday, August 19, 2011 05:08 AM
To: Dolyniuk, Karen E; Sarti, Daniel; Omanovic, Rufad
Subject: Fitch Ratings Letter

Where are we on this?

Lee R. Nickloy

Vice President and Treasurer

PINNACLE WEST CAPITAL CORPORATION

ARIZONA PUBLIC SERVICE COMPANY

400 North 5th Street, MS 9040

Phoenix, AZ 85004

ph: 602-250-3300

fax: 602-250-2367

Lee.Nickloy@pinnaclewest.com

Dolyniuk, Karen E

From: Omanovic, Rufad
Sent: Friday, August 19, 2011 9:50 AM
To: Nickloy, Lee R; Dolyniuk, Karen E; Sarti, Daniel
Subject: RE: Fitch Ratings Letter

Just received a call from Phill Smyth. He will send the letter this afternoon.

From: Nickloy, Lee R
Sent: Friday, August 19, 2011 05:30
To: Omanovic, Rufad; Dolyniuk, Karen E; Sarti, Daniel
Subject: RE: Fitch Ratings Letter

I know they were going to do a letter for us but I don't know what the timing on that was. They didn't have to wait until the deal was made public and we have sent docs to them.

thanks

From: Omanovic, Rufad
Sent: Friday, August 19, 2011 5:29 AM
To: Nickloy, Lee R; Dolyniuk, Karen E; Sarti, Daniel
Subject: Re: Fitch Ratings Letter

I am not sure. I'll call Phill Smyth.

From: Nickloy, Lee R
Sent: Friday, August 19, 2011 05:08 AM
To: Dolyniuk, Karen E; Sarti, Daniel; Omanovic, Rufad
Subject: Fitch Ratings Letter

Where are we on this?

Lee R. Nickloy

Vice President and Treasurer

PINNACLE WEST CAPITAL CORPORATION

ARIZONA PUBLIC SERVICE COMPANY

400 North 5th Street, MS 9040

Phoenix, AZ 85004

ph: 602-250-3300

fax: 602-250-2367

Lee.Nickloy@pinnaclewest.com

Dolyniuk, Karen E

From: Nickloy, Lee R
Sent: Tuesday, August 23, 2011 4:20 PM
To: Dolyniuk, Karen E
Subject: FW: Rating Letter and Draft Press Release
Attachments: APS_Rating_Letter_8.19.2011.PDF; APS_Draft_Press_Release_8.19.2011.PDF

From: Daniel.Neama@fitchratings.com [mailto:Daniel.Neama@fitchratings.com]
Sent: Friday, August 19, 2011 10:35 AM
To: Nickloy, Lee R; Philip.Smyth@fitchratings.com
Cc: Omanovic, Rufad
Subject: Re: Rating Letter and Draft Press Release

Good morning Lee,

I have attached the draft press release and rating letter for Arizona Public Service Company's issuance of Senior Unsecured notes. I will also be sending you a copy of the rating letter by mail. Please review the draft press release for factual accuracy and any inadvertent disclosure of material non-public information. If you have any further questions feel free to contact me directly at 1-212-908-0561.

Thanks.

Daniel Neama
Associate Director
Fitch Ratings | Global Power
Phone: 1-212-908-0561
Fax: 1-212-635-0469
Email: Daniel.Neama@FitchRatings.com

[redacted]

[redacted]

FitchRatings

One State Street Plaza
New York, NY 10004

T 212 908 0500 / 800 75 FITCH
www.fitchratings.com

Mr. Lee R. Nickloy,
Vice President and Treasurer
Pinnacle West Capital Corp.
400 N. 5th Street, MS 9040
Phoenix, Arizona 85004

August 19, 2011

Dear Mr. Nickloy,

Re: Arizona Public Service Company's Senior Unsecured Notes

Fitch (see definition below) assigns a 'BBB' rating to the issuance referenced above, subject to receipt of final documents. The Rating Outlook is Stable.

In issuing and maintaining its ratings, Fitch relies on factual information it receives from issuers and underwriters and from other sources Fitch believes to be credible. Fitch conducts a reasonable investigation of the factual information relied upon by it in accordance with its ratings methodology, and obtains reasonable verification of that information from independent sources, to the extent such sources are available for a given security or in a given jurisdiction.

The manner of Fitch's factual investigation and the scope of the third-party verification it obtains will vary depending on the nature of the rated security and its issuer, the requirements and practices in the jurisdiction in which the rated security is offered and sold and/or the issuer is located, the availability and nature of relevant public information, access to the management of the issuer and its advisers, the availability of pre-existing third-party verifications such as audit reports, agreed-upon procedures letters, appraisals, actuarial reports, engineering reports, legal opinions and other reports provided by third parties, the availability of independent and competent third-party verification sources with respect to the particular security or in the particular jurisdiction of the issuer, and a variety of other factors.

Users of Fitch's ratings should understand that neither an enhanced factual investigation nor any third-party verification can ensure that all of the information Fitch relies on in connection with a rating will be accurate and complete. Ultimately, the issuer and its advisers are responsible for the accuracy of the information they provide to Fitch and to the market in offering documents and other reports. In issuing its ratings Fitch must rely on the work of experts, including independent auditors with respect to financial statements and attorneys with respect to legal and tax matters. Further, ratings are inherently forward-looking and embody assumptions and predictions about future events that by their nature cannot be verified as facts. As a result, despite any verification of current facts, ratings can be affected by future events or conditions that were not anticipated at the time a rating was issued or affirmed.

Fitch seeks to continuously improve its ratings criteria and methodologies, and periodically updates the descriptions on its website of its criteria and methodologies for securities of a given type. The criteria and methodology used to determine a rating action are those in effect at the time the rating action is taken, which for public ratings is the date of the related rating action commentary. Each rating action commentary provides information about the criteria and methodology used to arrive at the stated rating, which may differ from the general criteria and methodology for the applicable security type posted on the website at a given time. For this reason, you should always consult the applicable rating action commentary for the most accurate information on the basis of any given public rating.

FitchRatings

Ratings are based on established criteria and methodologies that Fitch is continuously evaluating and updating. Therefore, ratings are the collective work product of Fitch and no individual, or group of individuals, is solely responsible for a rating. All Fitch reports have shared authorship. Individuals identified in a Fitch report were involved in, but are not solely responsible for, the opinions stated therein. The individuals are named for contact purposes only.

Ratings are not a recommendation or suggestion, directly or indirectly, to you or any other person, to buy, sell, make or hold any investment, loan or security or to undertake any investment strategy with respect to any investment, loan or security or any issuer. Ratings do not comment on the adequacy of market price, the suitability of any investment, loan or security for a particular investor (including without limitation, any accounting and/or regulatory treatment), or the tax-exempt nature or taxability of payments made in respect of any investment, loan or security. Fitch is not your advisor, nor is Fitch providing to you or any other party any financial advice, or any legal, auditing, accounting, appraisal, valuation or actuarial services. A rating should not be viewed as a replacement for such advice or services.

The assignment of a rating by Fitch does not constitute consent by Fitch to the use of its name as an expert in connection with any registration statement or other filings under US, UK or any other relevant securities laws. Fitch does not consent to the inclusion of its ratings nor this letter communicating our rating action in any offering document.

It is important that you promptly provide us with all information that may be material to the ratings so that our ratings continue to be appropriate. Ratings may be raised, lowered, withdrawn, or placed on Rating Watch due to changes in, additions to, accuracy of or the inadequacy of information or for any other reason Fitch deems sufficient.

Nothing in this letter is intended to or should be construed as creating a fiduciary relationship between Fitch and you or between Fitch and any user of the ratings.

In this letter, "**Fitch**" means Fitch, Inc. and Fitch Ratings Ltd and any subsidiary of either of them together with any successor in interest to any such person.

We are pleased to have had the opportunity to be of service to you. If we can be of further assistance, please contact Philip W. Smyth, CFA at (212)-908-0531 or Daniel Neama at (212)-908-0561.

Sincerely,

Fitch

By:

Philip W. Smyth, CFA
Senior Director

Fitch Rates Arizona Public Service Co.'s $300MM 5.25% Senior Unsecured Bonds 'BBB'; Outlook Stable

Fitch Ratings-New York- August 2011: Fitch Ratings has assigned a 'BBB' rating to Arizona Public Service Company's (APS; Issuer Default Rating(IDR):'BBB-')$300 million 5.25% coupon senior unsecured bonds ,due Aug. xx, 2041. Proceeds will be used, along with cash on hand, to retire $400 million of variable rate senior unsecured debt upon its maturity October 15, 2011. The Rating Outlook for APS is Stable.

The APS ratings and Stable Rating Outlook consider the balanced Arizona Corporation Commission (ACC) final order issued December 2009 in the utilty' 2008 general rate case (GRC). More importantly, the ratings and outlook also assume a balanced outcome in its pending GRC that will allow the company to earn a reasonable return on equity and support credit metrics consistent with the 'BBB' rating category.

The ratings also consider APS' solid liquidity position, manageable debt maturities, and the financial support from its corporate parent, Pinnacle West Capital Corp. (PNW, IDR:'BBB-'), including anticipated equity infusions agreed to in APS' settlement in its 2008 GRC.

For the latest 12 months ended June 30, 2011 (LTM), APS' funds from operations(FFO)coverage ratio was 4.5 times. Fitch estimates APS' FFO coverage ratios in both 2011 and 2012 will approximate 5.0x. These credit metrics are consistent with APS' current ratings. An adverse outcome in APS's pending 2010 GRC resulting in meaningfully weaker coverage ratios is a primary concern for APS investors and would result in future credit rating downgrades. APS's notice of intent was accepted by the ACC in June 2011 and a final order in the 2010 GRC is expected in the second half of 2012.

Contact:

Primary Analyst:
Daniel Neama
Associate Director
+1-212-908-0561

Fitch, Inc.
One State Street Plaza
New York, NY 10004

Secondary Analyst:
Philip W. Smyth, CFA
Senior Director
+1-212-908-0531

Committee Chairperson
Glen Grabelsky
Managing Director
+1-212-908-0577

Applicable Criteria and Related Research:
--'Corporate Rating Methodology', Aug. 12, 2011;
--' Recovery Ratings and Notching Criteria for Utilities', Aug. 12, 2011.

Dolyniuk, Karen E

From: Dolyniuk, Karen E
Sent: Monday, August 22, 2011 8:34 AM
To: 'Bettinelli, Antonio'
Subject: APS Bonds

Good morning Tony – just wanted to let you know the bonds are in the market this morning. Once we are done I will forward the term sheet. We went out with an issue size of $250M with the expectation we will increase that to $300M.

Thanks.

Karen E. Dolyniuk, CTP
Manager Treasury Operations
Pinnacle West Capital Corporation
602-250-5630

Dolyniuk, Karen E

From: Dolyniuk, Karen E
Sent: Monday, August 22, 2011 8:38 AM
To: 'mitchell.moss@moodys.com'
Subject: APS Bonds

Good morning Mitchell – just wanted to let you know the APS bond deal is in the market as of this morning. We went out with $250M in bonds with the expectation we will grow that to $300M. I will forward the term sheet when it is available. At what point can you issue a ratings letter?

Karen E. Dolyniuk, CTP
Manager Treasury Operations
Pinnacle West Capital Corporation
602-250-5630

Dolyniuk, Karen E

From: Moss, Mitchell [Mitchell.Moss@moodys.com]
Sent: Monday, August 22, 2011 8:49 AM
To: Dolyniuk, Karen E
Subject: RE: APS Bonds

Karen

Is there any updated documentation on the bond deal?

Mitchell

From: Karen.Dolyniuk@pinnaclewest.com [mailto:Karen.Dolyniuk@pinnaclewest.com]
Sent: Monday, August 22, 2011 11:38 AM
To: Moss, Mitchell
Subject: APS Bonds

Good morning Mitchell – just wanted to let you know the APS bond deal is in the market as of this morning. We went out with $250M in bonds with the expectation we will grow that to $300M. I will forward the term sheet when it is available. At what point can you issue a ratings letter?

Karen E. Dolyniuk, CTP
Manager Treasury Operations
Pinnacle West Capital Corporation
602-250-5630

[redacted] ---

[redacted]

[redacted]

Dolyniuk, Karen E

From: Dolyniuk, Karen E
Sent: Monday, August 22, 2011 8:56 AM
To: 'Bettinelli, Antonio'
Subject: Final Draft Prospectus

Tony, here is the final draft prospectus we filed with the SEC.

3463015_13201T02
_CNB.PDF

Karen E. Dolyniuk, CTP
Manager Treasury Operations
Pinnacle West Capital Corporation
602-250-5630

Attachment(s) Intentionally Omitted – Contains Confidential Information

Dolyniuk, Karen E

From: Dolyniuk, Karen E
Sent: Monday, August 22, 2011 8:56 AM
To: 'mitchell.moss@moodys.com'
Subject: Final Preliminary Prospectus

Mitchell, this is what I have to date.

3463015_13201T02
_CNB.PDF

Karen E. Dolyniuk, CTP
Manager Treasury Operations
Pinnacle West Capital Corporation
602-250-5630

Dolyniuk, Karen E

From: Moss, Mitchell [Mitchell.Moss@moodys.com]
Sent: Monday, August 22, 2011 8:58 AM
To: Dolyniuk, Karen E
Subject: RE: Final Preliminary Prospectus

thanks

From: Karen.Dolyniuk@pinnaclewest.com [mailto:Karen.Dolyniuk@pinnaclewest.com]
Sent: Monday, August 22, 2011 11:56 AM
To: Moss, Mitchell
Subject: Final Preliminary Prospectus

Mitchell, this is what I have to date.

Karen E. Dolyniuk, CTP
Manager Treasury Operations
Pinnacle West Capital Corporation
602-250-5630

[redacted] ---

[redacted]

[redacted]

Dolyniuk, Karen E

From: Dolyniuk, Karen E
Sent: Monday, August 22, 2011 11:20 AM
To: 'Bettinelli, Antonio'
Subject: APS Term Sheet

Hi Tony! Here is the final term sheet for the APS deal. When can we expect a ratings letter? Please let me know what else you need from us.

Thank you!

Term Sheet.pdf

Karen E. Dolyniuk, CTP
Manager Treasury Operations
Pinnacle West Capital Corporation
602-250-5630

Filed under Rule 433
File No. 333-158779-01

Final Term Sheet

August 22, 2011

Issuer:	Arizona Public Service Company
Security:	$300,000,000 5.05% Notes due 2041
Maturity:	September 1, 2041
Interest rate:	5.05%
Yield to maturity:	5.094%
Spread:	+170 basis points
Benchmark treasury security:	4.375% due May 15, 2041
Benchmark treasury yield:	3.394%
Optional redemption:	Make-whole call at any time prior to March 1, 2041 at Treasury rate plus 25 basis points and, thereafter, at par
Interest payment dates:	March 1 and September 1
First interest payment date:	March 1, 2012
Public offering price:	99.326% per note
Trade date:	August 22, 2011
Settlement date:	August 25, 2011 (T+3)
Expected Ratings:	Baa2 / BBB / BBB (Moody's / S&P / Fitch) **Note:** A securities rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time.
Joint Book-Running Managers:	Deutsche Bank Securities Inc. J.P. Morgan Securities LLC UBS Securities LLC Wells Fargo Securities, LLC
Co-Managers:	Samuel A. Ramirez & Company, Inc. SL Hare Capital, Inc. The Williams Capital Group, L.P.
CUSIP/ISIN:	040555CM4 / US040555CM49

Arizona Public Service Company has filed a registration statement (including a prospectus) with the Securities and Exchange Commission ("SEC") for the offering to which this communication relates. Before you invest, you should read the prospectus in that registration statement and other documents Arizona Public Service Company has filed with the SEC for more complete information about Arizona Public Service Company and this offering. You may get these documents for free by visiting EDGAR on the SEC website at www.sec.gov. Alternatively, Arizona Public Service Company, any underwriter or any dealer participating in the offering will arrange to send you the prospectus if you request it by calling Deutsche Bank Securities Inc. toll-free at (800) 503-4611, J.P. Morgan Securities LLC collect at (212) 834-4533, UBS Securities LLC toll-free at (877) 827-6444, ext. 561-3884 or Wells Fargo Securities, LLC toll-free at (800) 326-5897.

Any disclaimers or other notices that may appear below are not applicable to this communication and should be disregarded. Such disclaimers were automatically generated as a result of this communication being sent via email or another communication system.

Dolyniuk, Karen E

From: Omanovic, Rufad
Sent: Monday, August 22, 2011 11:21 AM
To: philip.smyth@fitchratings.com
Cc: Nickloy, Lee R; Dolyniuk, Karen E; Sarti, Daniel
Subject: APS Term Sheet

Term Sheet.pdf

Dolyniuk, Karen E

From: Dolyniuk, Karen E
Sent: Monday, August 22, 2011 11:21 AM
To: 'mitchell.moss@moodys.com'
Subject: APS Term Sheet

Mitchell, attached is the term sheet for the APS bond transaction. Please let me know what else you need from me. When can we expect a ratings letter?

Thanks!

Term Sheet.pdf

Karen E. Dolyniuk, CTP
Manager Treasury Operations
Pinnacle West Capital Corporation
602-250-5630

Dolyniuk, Karen E

From: Moss, Mitchell [Mitchell.Moss@moodys.com]
Sent: Monday, August 22, 2011 11:24 AM
To: Dolyniuk, Karen E
Subject: RE: APS Term Sheet

Thanks Karen. I put the request in to have the rating letter generated. It should get turned around soon.

Mitchell

From: Karen.Dolyniuk@pinnaclewest.com [mailto:Karen.Dolyniuk@pinnaclewest.com]
Sent: Monday, August 22, 2011 2:21 PM
To: Moss, Mitchell
Subject: APS Term Sheet

Mitchell, attached is the term sheet for the APS bond transaction. Please let me know what else you need from me. When can we expect a ratings letter?

Thanks!

Karen E. Dolyniuk, CTP
Manager Treasury Operations
Pinnacle West Capital Corporation
602-250-5630

[redacted]

[redacted]

[redacted]

Dolyniuk, Karen E

From: Dolyniuk, Karen E
Sent: Monday, August 22, 2011 11:24 AM
To: 'Moss, Mitchell'
Subject: RE: APS Term Sheet

Thank you!

Karen E. Dolyniuk, CTP
Manager Treasury Operations
Pinnacle West Capital Corporation
602-250-5630

From: Moss, Mitchell [mailto:Mitchell.Moss@moodys.com]
Sent: Monday, August 22, 2011 11:24 AM
To: Dolyniuk, Karen E
Subject: RE: APS Term Sheet

Thanks Karen. I put the request in to have the rating letter generated. It should get turned around soon.

Mitchell

From: Karen.Dolyniuk@pinnaclewest.com [mailto:Karen.Dolyniuk@pinnaclewest.com]
Sent: Monday, August 22, 2011 2:21 PM
To: Moss, Mitchell
Subject: APS Term Sheet

Mitchell, attached is the term sheet for the APS bond transaction. Please let me know what else you need from me. When can we expect a ratings letter?

Thanks!

Karen E. Dolyniuk, CTP
Manager Treasury Operations
Pinnacle West Capital Corporation
602-250-5630

[redacted]

[redacted]

Dolyniuk, Karen E

From: Davy, Sean [Sean.Davy@moodys.com]
Sent: Monday, August 22, 2011 3:02 PM
To: Dolyniuk, Karen E
Subject: Requested Rating Letter
Attachments: TakedownRatingLetter-USD300M fixed rate 5.05 due 9.1.2041.pdf

Dear Ms. Dolyniuk,

Please see the attached rating letter as per your request. Feel free to contact me with any questions.

Kind Regards,
Sean

Sean Davy
Financial Data Associate
E/MTN Desk
Global Middle Office
212.553.3688 tel

Moody's Shared Services
7 World Trade Center
250 Greenwich Street
New York, NY 10007
www.moodys.com

[redacted]

Attachment(s) Intentionally Omitted – Contains Confidential Information

Dolyniuk, Karen E

From: Nickloy, Lee R
Sent: Tuesday, August 23, 2011 4:20 PM
To: Dolyniuk, Karen E
Subject: FW: Rating Letter
Attachments: T&C.pdf; Pinnacle West Capital_RL_2011August23.pdf

From: Rodriguez, Claudia [mailto:claudia_rodriguez@standardandpoors.com]
Sent: Tuesday, August 23, 2011 1:23 PM
To: Nickloy, Lee R
Cc: Bettinelli, Antonio; Maharaj, Achal
Subject: Rating Letter

Attached please find the rating letter for Pinnacle West Capital per your request.
Please do not hesitate to call if you have any questions.

Thanks

Claudia

[redacted]

STANDARD
&POOR'S

Standard & Poor's

55 Water Street
New York, NY 10041
212 438 2000 Tel
212 438 5075 Fax

August 23, 2011

Mr. Lee R. Nickloy
Vice President and Treasurer
Pinnacle West Capital Corp.
400 North 5th Street, MS 9040
Phoenix, AZ 85004

Re: Arizona Public Service Company
$300,000,000 5.05% Notes due 2041

Dear Mr. Nickloy:

Pursuant to your request for a rating on the above-referenced securities, Standard & Poor's Ratings Services ("Ratings Services") has assigned an issue credit rating of "BBB".

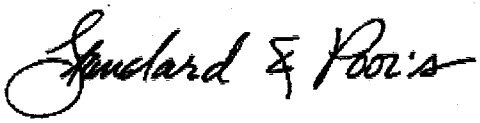
This letter constitutes Ratings Services' permission for you to disseminate the above-assigned rating to interested parties in accordance with applicable laws and regulations. Any dissemination on any Website by you or your agents shall include the full analysis for the rating, including any updates, where applicable.

To maintain the rating, Ratings Services must receive all information as indicated in the applicable Terms and Conditions. You understand that Ratings Services relies on you and your agents and advisors for the accuracy, timeliness and completeness of the information submitted in connection with the rating and the continued flow of material information as part of the surveillance process. Please send all information via electronic delivery to: Antonio Bettinelli. If SEC rule 17g-5 is applicable, you may post such information on the appropriate website. For any information not available in electronic format or posted on the applicable website, please send hard copies to: Standard & Poor's Ratings Services, 55 Water Street, 39th floor, New York, New York 10041-0003, Attention: Antonio Bettinelli.

The rating is subject to the Terms and Conditions attached to the Engagement Letter applicable to the rating. In the absence of such Engagement Letter and Terms and Conditions, the rating is subject to the attached Terms and Conditions. The applicable Terms and Conditions are incorporated herein by reference.

Ratings Services is pleased to have the opportunity to provide its rating opinion. For more information please visit our website at www.standardandpoors.com. If you have any questions, please contact us. Thank you for choosing Ratings Services.

Sincerely yours,



Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business

Analytical Contact:
Name: Antonio Bettinelli
Telephone #: 415-371-5067

STANDARD
&POOR'S

Standard & Poor's Ratings Services
Terms and Conditions Applicable To Ratings

You understand and agree that:

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All Rating Actions in Ratings Services' Sole Discretion. Ratings Services may assign, raise, lower, suspend, place on CreditWatch, or withdraw a rating, and assign or revise an Outlook, at any time, in Ratings Services' sole discretion. Ratings Services may take any of the foregoing actions notwithstanding any request for a confidential or private rating or a withdrawal of a rating, or termination of this Agreement. Ratings Services will not convert a public rating to a confidential or private rating, or a private rating to a confidential rating.

Publication. Ratings Services reserves the right to use, publish, disseminate, or license others to use, publish or disseminate the rating provided hereunder and any analytical reports, including the rationale for the rating, unless you specifically request in connection with the initial rating that the rating be assigned and maintained on a confidential or private basis. If, however, a confidential or private rating or the existence of a confidential or private rating subsequently becomes public through disclosure other than by an act of Ratings Services or its affiliates, Ratings Services reserves the right to treat the rating as a public rating, including, without limitation, publishing the rating and any related analytical reports. Any analytical reports published by Ratings Services are not issued by or on behalf of you or at your request. Notwithstanding anything to the contrary herein, Ratings Services reserves the right to use, publish, disseminate or license others to use, publish or disseminate analytical reports with respect to public ratings that have been withdrawn, regardless of the reason for such withdrawal. Ratings Services may publish explanations of Ratings Services' ratings criteria from time to time and nothing in this Agreement shall be construed as limiting Ratings Services' ability to modify or refine its ratings criteria at any time as Ratings Services deems appropriate.

Information to be Provided by You. For so long as this agreement is in effect, in connection with the rating provided hereunder, you warrant that you will provide, or cause to be provided, as promptly as practicable, to Ratings Services all information requested by Ratings Services in accordance with its applicable published ratings criteria. The rating, and the maintenance of the rating, may be affected by Ratings Services' opinion of the information received from you or your agents or advisors. Except for "Excluded Information", as defined below, you further warrant that all information provided to Ratings Services by you or your agents or advisors regarding the rating or, if applicable, surveillance of the rating, as of the date such information is provided, contains no untrue statement of material fact and does not omit a material fact necessary in order to make such information, in light of the circumstances in which it was provided, not misleading. Excluded Information means information you cause to be provided by your agents or advisors pursuant to the first sentence of this paragraph with respect to which the agent or advisor has agreed in a writing provided to Ratings Services to make the warranties in this paragraph and to be liable to Ratings Services for breaches of such warranties to the same extent as if you provided the information

directly to Ratings Services hereunder. A material breach of the warranties in this paragraph shall constitute a material breach of this Agreement. To the extent permitted by applicable law, you will be liable to Rating Services and its affiliates for all losses, damages, liabilities, judgments, costs, charges and expenses (including reasonable attorneys' fees) ("Losses") (x) actually incurred and directly resulting from a material breach of the warranties in this paragraph, as finally determined by a court of competent jurisdiction in a proceeding in which you are a party, or (y) actually incurred and directly resulting from a claim that the provision by you or your agents or advisors of information to Ratings Services hereunder infringes or violates the intellectual property rights of a third party as finally determined by a court of competent jurisdiction in a proceeding in which you are a party, except in either case, to the extent such Losses are finally determined by a court of competent jurisdiction in a proceeding in which you are a party to result from gross negligence, intentional wrongdoing or willful misconduct of Ratings Services. For the avoidance of doubt, Losses may include Losses actually incurred by Ratings Services in a prior proceeding to the extent they arise from claims asserted by a third party against Ratings Services and are finally determined by a court of competent jurisdiction to have been the direct result of a material breach of the warranties in this paragraph, as set forth in clause (x) above.

Confidential Information. For purposes of this Agreement, "Confidential Information" shall mean verbal or written information that you or your agents or advisors have provided to Ratings Services and, in a specific and particularized manner, have marked or otherwise indicated in writing (either prior to or promptly following such disclosure) that such information is "Confidential." Notwithstanding the foregoing, information disclosed by you or your agents or advisors to Ratings Services shall not be deemed to be Confidential Information, and Ratings Services shall have no obligation to treat such information as Confidential Information, if such information (i) was known by Ratings Services or its affiliates at the time of such disclosure and was not known by Ratings Services to be subject to a prohibition on disclosure, (ii) was known to the public at the time of such disclosure, (iii) becomes known to the public (other than by an act of Ratings Services or its affiliates) subsequent to such disclosure, (iv) is disclosed to Ratings Services or its affiliates by a third party subsequent to such disclosure and Ratings Services reasonably believes that such third party's disclosure to Ratings Services or its affiliates was not prohibited, (v) is developed independently by Ratings Services or its affiliates without reference to the Confidential Information, (vi) is approved in writing by you for public disclosure, or (vii) is required by law or regulation to be disclosed by Ratings Services or its affiliates. Ratings Services is aware that U.S. and state securities laws may impose restrictions on trading in securities when in possession of material, non-public information and has adopted securities trading and communication policies to that effect.

Ratings Services' Use of Information. Except as otherwise provided herein, Ratings Services shall not disclose Confidential Information to third parties. Ratings Services may (i) use Confidential Information to assign, raise, lower, suspend, place on CreditWatch, or withdraw a rating, and assign or revise an Outlook, and (ii) share Confidential Information with its affiliates engaged in the ratings business who are bound by appropriate confidentiality obligations; in each case, subject to the restrictions contained herein, Ratings Services and such affiliates may publish information derived from Confidential Information. Ratings Services may also use, and share Confidential Information with any of its affiliates or agents engaged in the ratings or other financial services businesses who are bound by appropriate confidentiality obligations ("Relevant Affiliates and Agents"), for modelling, benchmarking and research purposes; in each case, subject to the restrictions herein, Ratings Services and such affiliates may publish information derived from Confidential Information. With respect to structured finance ratings not maintained on a confidential or private basis, Ratings Services may publish data aggregated from Confidential Information, excluding data that is specific to and identifies individual debtors ("Relevant Data"), and share such Confidential Information with any of its Relevant Affiliates and Agents for general market dissemination of Relevant Data; you confirm that, to the best of your knowledge, such publication would not breach any confidentiality obligations you may have toward third parties. Ratings Services will comply with all applicable U.S. and state laws, rules and regulations protecting personally-identifiable information and the privacy rights of individuals. Ratings Services acknowledges that you may be entitled to seek specific performance and injunctive or other equitable relief as a remedy for Ratings Services' disclosure of Confidential Information in violation of this Agreement. Ratings Services and its affiliates reserve the right to use, publish, disseminate, or license others to use, publish or disseminate any non-Confidential Information provided by you, your agents or advisors.

Ratings Services Not an Expert, Underwriter or Seller under Securities Laws. Ratings Services has not consented to and will not consent to being named an "expert" or any similar designation under any applicable securities laws or other regulatory guidance, rules or recommendations, including without limitation, Section 7 of the U.S. Securities Act of 1933. Ratings Services is not an "underwriter" or "seller" as those terms are defined under applicable securities laws or other regulatory guidance, rules or recommendations, including without limitation Sections 11 and 12(a)(2) of the U.S. Securities Act of 1933. Rating Services has not performed the role or tasks associated with an "underwriter" or "seller" under the United States federal securities laws or other regulatory guidance, rules or recommendations in connection with this engagement.

Office of Foreign Assets Control. As of the date of this Agreement, (a) neither you nor the issuer (if you are not the issuer) or any of your or the issuer's subsidiaries, or any director or corporate officer of any of the foregoing entities, is the subject of any U.S. sanctions administered by the Office of Foreign Assets Control of the U.S. Department of the Treasury ("OFAC Sanctions"), (b) neither you nor the issuer (if you are not the issuer) is 50% or more owned or controlled, directly or indirectly, by any person or entity ("parent") that is the subject of OFAC Sanctions, and (c) to the best of your knowledge, no entity 50% or more owned or controlled by a direct or indirect parent of you or the issuer (if you are not the issuer) is the subject of OFAC sanctions. For so long as this Agreement is in effect, you will promptly notify Ratings Services if any of these circumstances change.

Ratings Services' Use of Confidential and Private Ratings. Ratings Services may use confidential and private ratings in its analysis of the debt issued by collateralized debt obligation (CDO) and other investment vehicles. Ratings Services may disclose a confidential or private rating as a confidential credit estimate or assessment to the managers of CDO and similar investment vehicles. Ratings Services may permit CDO managers to use and disseminate credit estimates or assessments on a limited basis and subject to various restrictions; however, Ratings Services cannot control any such use or dissemination.

Entire Agreement. Nothing in this Agreement shall prevent you, the issuer (if you are not the issuer) or Ratings Services from acting in accordance with applicable laws and regulations. Subject to the prior sentence, this Agreement, including any amendment made in accordance with the provisions hereof, constitutes the complete and entire agreement between the parties on all matters regarding the rating provided hereunder. The terms of this Agreement supersede any other terms and conditions relating to information provided to Ratings Services by you or your agents and advisors hereunder, including without limitation, terms and conditions found on, or applicable to, websites or other means through which you or your agents and advisors make such information available to Ratings Services, regardless if such terms and conditions are entered into before or after the date of this Agreement. Such terms and conditions shall be null and void as to Ratings Services.

Limitation on Damages. Ratings Services does not and cannot guarantee the accuracy, completeness, or timeliness of the information relied on in connection with a rating or the results obtained from the use of such information. RATINGS SERVICES GIVES NO EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE. Ratings Services, its affiliates or third party providers, or any of their officers, directors, shareholders, employees or agents shall not be liable to you, your affiliates or any person asserting claims on your behalf, directly or indirectly, for any inaccuracies, errors, or omissions, in each case regardless of cause, actions, damages (consequential, special, indirect, incidental, punitive, compensatory, exemplary or otherwise), claims, liabilities, costs, expenses, legal fees or losses (including, without limitation, lost income or lost profits and opportunity costs) in any way arising out of or relating to the rating provided hereunder or the related analytic services even if advised of the possibility of such damages or other amounts except to the extent such damages or other amounts are finally determined by a court of competent jurisdiction in a proceeding in which you and Ratings Services are parties to result from gross negligence, intentional wrongdoing or willful misconduct of Ratings Services. In furtherance and not in limitation of the foregoing, Ratings Services will not be liable to you, your affiliates or any person asserting claims on your behalf in respect of any decisions alleged to be made by any person based on anything that may be perceived as advice or recommendations. In the event that Ratings Services is nevertheless held liable to you, your affiliates, or any person asserting claims on your behalf for monetary damages under this Agreement, in no event shall Ratings Services be liable in an aggregate amount in excess of seven times the aggregate fees paid to Ratings Services for the rating giving rise to the cause of action, up to a maximum of US$5,000,000 except to the extent such monetary

damages directly result from Ratings Services' intentional wrongdoing or willful misconduct. The provisions of this paragraph shall apply regardless of the form of action, damage, claim, liability, cost, expense, or loss, whether in contract, statute, tort (including, without limitation, negligence), or otherwise. Neither party waives any protections, privileges, or defenses it may have under law, including but not limited to, the First Amendment of the Constitution of the United States of America.

Termination of Agreement. This Agreement may be terminated by either party at any time upon written notice to the other party. Except where expressly limited to the term of this Agreement, these Terms and Conditions shall survive the termination of this Agreement.

No Third–Party Beneficiaries. Nothing in this Agreement, or the rating when issued, is intended or should be construed as creating any rights on behalf of any third parties, including, without limitation, any recipient of the rating. No person is intended as a third party beneficiary of this Agreement or of the rating when issued.

Binding Effect. This Agreement shall be binding on, and inure to the benefit of, the parties hereto and their successors and assigns.

Severability. In the event that any term or provision of this Agreement shall be held to be invalid, void, or unenforceable, then the remainder of this Agreement shall not be affected, impaired, or invalidated, and each such term and provision shall be valid and enforceable to the fullest extent permitted by law.

Amendments. This Agreement may not be amended or superseded except by a writing that specifically refers to this Agreement and is executed manually or electronically by authorized representatives of both parties.

Governing Law. This Agreement and the rating letter shall be governed by the internal laws of the State of New York. The parties irrevocably agree that the state and federal courts of New York located in the County of New York shall be the exclusive forums for any dispute arising out of or relating to this Agreement and the parties hereby consent to the personal jurisdiction of such courts.

Dolyniuk, Karen E

From: Bettinelli, Antonio [Antonio_Bettinelli@standardandpoors.com]
Sent: Wednesday, August 24, 2011 10:53 AM
To: Dolyniuk, Karen E
Subject: RE: APS Term Sheet

The letter was sent to Lee. Just wanted to make sure you got it. Please let me know.

Tony Bettinelli
Associate Director
Standard & Poor's
U.S. Electric Utilities
Corporate & Government Ratings
One Market, Steuart Tower, 15th Floor, San Francisco, CA 94105
(415) 371-5067
tony_bettinelli@sandp.com

From: Karen.Dolyniuk@pinnaclewest.com [mailto:Karen.Dolyniuk@pinnaclewest.com]
Sent: Monday, August 22, 2011 11:20 AM
To: Bettinelli, Antonio
Subject: APS Term Sheet

Hi Tony! Here is the final term sheet for the APS deal. When can we expect a ratings letter? Please let me know what else you need from us.

Thank you!

Karen E. Dolyniuk, CTP
Manager Treasury Operations
Pinnacle West Capital Corporation
602-250-5630

[redacted]

[redacted]

[redacted]

Dolyniuk, Karen E

From: Higuchi, Dene C on behalf of Hickman, Rebecca L
Sent: Wednesday, August 24, 2011 1:55 PM
Subject: PNW: SALE OF ENERGY SERVICES SUBSIDIARY

Pinnacle West recently closed the sale of its unregulated energy services subsidiary, APS Energy Services Company to Ameresco, Inc. The sale demonstrates our continued streamlining and focus on our core, regulated electric utility business. We will record an after-tax gain on the transaction in the third quarter. As disclosed in our second quarter Form 10-Q, APS Energy Services was classified as a discontinued operation as of June 30, 2011.

As always, if you have any questions about this announcement or need other information about our company, please contact me or Geoff Wendt (602-250-5643).

Thanks ~

Becky

Rebecca L. Hickman
Director of Investor Relations | Pinnacle West Capital Corporation
Two Arizona Center | 400 North 5th Street | Station 9998 | Phoenix, AZ 85004
Office 602-250-5668 | Fax 602-250-2789 | E-mail rhickman@pinnaclewest.com

Dolyniuk, Karen E

From: Nickloy, Lee R
Sent: Tuesday, September 27, 2011 12:41 PM
To: Dolyniuk, Karen E
Subject: RE: Rating Agency Communications

Karen,

9/9/11, call from Tony Bettinelli at S&P inquiring into outage, asked if system has been restored and are customers back on, asked about cause (we are investigating) asked about potential liability for APS

9/9/11, follow-up call with Tony Bettinelli (with Dave Falck, Jeff Guldner, Daniel Froetscher and Shirley Baum) to address S&P's questions around potential liability, contractual arrangements and review, insurance coverage, regulatory (i.e. NERC, FERC, Cal ISO) inquiries

9/20/11, meeting with George Slavin in Phoenix (S&P business contact, and including Karen Dolyniuk), industry discussion, Dodd Frank act, he is contact for fee arrangements

9/22/11, call with Tony Bettinelli at S&P (with Jeff Guldner), asking about AZ Supreme court not hearing RPS case, Court of Appeals decision is final re ACC jurisdiction over these matters

Will send any e-mail communication separately

From: Dolyniuk, Karen E
Sent: Friday, September 23, 2011 12:55 PM
To: Hatfield, James R; Nickloy, Lee R; Ewen, Peter M
Subject: Rating Agency Communications
Importance: High

Gentlemen, please send me all communications you have had with the rating agencies since August 25th. This includes emails and phone conversations as well as any information we have provided them. Also, let me know if anything should be considered Confidential.

I would like to have all communications by Tuesday, September ~~26th~~. 27th

Thank you.

Karen E. Dolyniuk, CTP
Manager Treasury Operations
Pinnacle West Capital Corporation
602-250-5630

Dolyniuk, Karen E

From: Nickloy, Lee R
Sent: Tuesday, September 27, 2011 12:45 PM
To: Dolyniuk, Karen E
Subject: FW: Outage

From: Bettinelli, Antonio [mailto:Antonio_Bettinelli@standardandpoors.com]
Sent: Friday, September 09, 2011 7:17 AM
To: Nickloy, Lee R
Subject: Outage

Lee,

I would like to speak with someone at APS this morning regarding the outage. Let me know what works.

Tony

[redacted]

Dolyniuk, Karen E

From: Nickloy, Lee R
Sent: Tuesday, September 27, 2011 12:46 PM
To: Dolyniuk, Karen E
Subject: FW: Outage

From: Nickloy, Lee R
Sent: Friday, September 09, 2011 7:20 AM
To: 'Bettinelli, Antonio'
Subject: RE: Outage

Tony,

Just tried to call you but it went to voicemail. I'm in the office.

Lee

From: Bettinelli, Antonio [mailto:Antonio_Bettinelli@standardandpoors.com]
Sent: Friday, September 09, 2011 7:17 AM
To: Nickloy, Lee R
Subject: Outage

Lee,

I would like to speak with someone at APS this morning regarding the outage. Let me know what works.

Tony

[redacted]

Dolyniuk, Karen E

From: Nickloy, Lee R
Sent: Tuesday, September 27, 2011 12:46 PM
To: Dolyniuk, Karen E
Subject: FW: Availability

From: Nickloy, Lee R
Sent: Friday, September 09, 2011 9:05 AM
To: 'Bettinelli, Antonio'
Subject: Availability

Tony,

Can you give me a few times this afternoon, say from 1:00 on, that would work for you for the follow-up call we discussed? I'm coordinating on my end as well with a couple of others.

thanks

Lee R. Nickloy
Vice President and Treasurer
PINNACLE WEST CAPITAL CORPORATION
ARIZONA PUBLIC SERVICE COMPANY
400 North 5th Street, MS 9040
Phoenix, AZ 85004
ph: 602-250-3300
Lee.Nickloy@pinnaclewest.com

Dolyniuk, Karen E

From: Nickloy, Lee R
Sent: Tuesday, September 27, 2011 12:46 PM
To: Dolyniuk, Karen E
Subject: FW: Availability

From: Bettinelli, Antonio [mailto:Antonio_Bettinelli@standardandpoors.com]
Sent: Friday, September 09, 2011 9:42 AM
To: Nickloy, Lee R
Subject: RE: Availability

I am available at 1:30 Pacific and 2:00. Let me know. The call should be short. Thanks.

From: Lee.Nickloy@PinnacleWest.com [mailto:Lee.Nickloy@PinnacleWest.com]
Sent: Friday, September 09, 2011 9:05 AM
To: Bettinelli, Antonio
Subject: Availability

Tony,

Can you give me a few times this afternoon, say from 1:00 on, that would work for you for the follow-up call we discussed? I'm coordinating on my end as well with a couple of others.

thanks

Lee R. Nickloy
Vice President and Treasurer
PINNACLE WEST CAPITAL CORPORATION
ARIZONA PUBLIC SERVICE COMPANY
400 North 5th Street, MS 9040
Phoenix, AZ 85004
ph: 602-250-3300
Lee.Nickloy@pinnaclewest.com

[redacted]

[redacted]

Dolyniuk, Karen E

From: Nickloy, Lee R
Sent: Tuesday, September 27, 2011 12:46 PM
To: Dolyniuk, Karen E
Subject: FW: Availability

From: Nickloy, Lee R
Sent: Friday, September 09, 2011 10:06 AM
To: 'Bettinelli, Antonio'
Subject: RE: Availability

Tony,

I am trying for 2:00 but will come back to you to confirm.

Lee

From: Bettinelli, Antonio [mailto:Antonio_Bettinelli@standardandpoors.com]
Sent: Friday, September 09, 2011 9:42 AM
To: Nickloy, Lee R
Subject: RE: Availability

I am available at 1:30 Pacific and 2:00. Let me know. The call should be short. Thanks.

From: Lee.Nickloy@PinnacleWest.com [mailto:Lee.Nickloy@PinnacleWest.com]
Sent: Friday, September 09, 2011 9:05 AM
To: Bettinelli, Antonio
Subject: Availability

Tony,

Can you give me a few times this afternoon, say from 1:00 on, that would work for you for the follow-up call we discussed? I'm coordinating on my end as well with a couple of others.

thanks

Lee R. Nickloy
Vice President and Treasurer
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ARIZONA PUBLIC SERVICE COMPANY
400 North 5th Street, MS 9040
Phoenix, AZ 85004
ph: 602-250-3300
Lee.Nickloy@pinnaclewest.com

[redacted]

Dolyniuk, Karen E

From: Nickloy, Lee R
Sent: Tuesday, September 27, 2011 12:46 PM
To: Dolyniuk, Karen E
Subject: FW: Availability

From: Nickloy, Lee R
Sent: Friday, September 09, 2011 10:17 AM
To: 'Bettinelli, Antonio'
Subject: RE: Availability

Tony,

2:00 does work for us. If OK with you, we will just call your office number.

Lee

From: Bettinelli, Antonio [mailto:Antonio_Bettinelli@standardandpoors.com]
Sent: Friday, September 09, 2011 9:42 AM
To: Nickloy, Lee R
Subject: RE: Availability

I am available at 1:30 Pacific and 2:00. Let me know. The call should be short. Thanks.

From: Lee.Nickloy@PinnacleWest.com [mailto:Lee.Nickloy@PinnacleWest.com]
Sent: Friday, September 09, 2011 9:05 AM
To: Bettinelli, Antonio
Subject: Availability

Tony,

Can you give me a few times this afternoon, say from 1:00 on, that would work for you for the follow-up call we discussed? I'm coordinating on my end as well with a couple of others.

thanks

Lee R. Nickloy
Vice President and Treasurer
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ARIZONA PUBLIC SERVICE COMPANY
400 North 5th Street, MS 9040
Phoenix, AZ 85004
ph: 602-250-3300
Lee.Nickloy@pinnaclewest.com

[redacted]

Dolyniuk, Karen E

From: Nickloy, Lee R
Sent: Tuesday, September 27, 2011 12:46 PM
To: Dolyniuk, Karen E
Subject: FW: Availability

From: Bettinelli, Antonio [mailto:Antonio_Bettinelli@standardandpoors.com]
Sent: Friday, September 09, 2011 10:18 AM
To: Nickloy, Lee R
Subject: RE: Availability

Yes, please do. Thanks.

From: Lee.Nickloy@PinnacleWest.com [mailto:Lee.Nickloy@PinnacleWest.com]
Sent: Friday, September 09, 2011 10:17 AM
To: Bettinelli, Antonio
Subject: RE: Availability

Tony,

2:00 does work for us. If OK with you, we will just call your office number.

Lee

From: Bettinelli, Antonio [mailto:Antonio_Bettinelli@standardandpoors.com]
Sent: Friday, September 09, 2011 9:42 AM
To: Nickloy, Lee R
Subject: RE: Availability

I am available at 1:30 Pacific and 2:00. Let me know. The call should be short. Thanks.

From: Lee.Nickloy@PinnacleWest.com [mailto:Lee.Nickloy@PinnacleWest.com]
Sent: Friday, September 09, 2011 9:05 AM
To: Bettinelli, Antonio
Subject: Availability

Tony,

Can you give me a few times this afternoon, say from 1:00 on, that would work for you for the follow-up call we discussed? I'm coordinating on my end as well with a couple of others.

thanks

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ARIZONA PUBLIC SERVICE COMPANY
400 North 5th Street, MS 9040

Phoenix, AZ 85004
ph: 602-250-3300
Lee.Nickloy@pinnaclewest.com

[redacted]

Dolyniuk, Karen E

From: Nickloy, Lee R
Sent: Tuesday, September 27, 2011 12:46 PM
To: Dolyniuk, Karen E
Subject: FW: Standard & Poor's

From: Slavin, George [mailto:george_slavin@standardandpoors.com]
Sent: Friday, September 09, 2011 11:11 AM
To: Nickloy, Lee R
Subject: Standard & Poor's

Dear Lee:

I hope all is well. I would like to follow up on the promise I made when we spoke at EEI to visit. It is hard to believe November is almost here again. Would you have time for a brief meeting at some point over the next couple of weeks? I would like to review the state of the Pinnacle's relationship with S&P. It is something I should be doing regularly with all our key issuers.

Thank you for checking your calendar.

Best regards,

George

George J. Slavin
Director
Client Business Management
Standard & Poor's
55 Water Street
New York, NY 10041
212-438-2629 Tel
212-438-2154 Fax

S&P maintains a separation of commercial & analytical activities. Please note that our analysts are not permitted to engage in discussions about fees. Any questions about fees or other commercial matters should be directed to your Client Business Manager.

[redacted]

Dolyniuk, Karen E

From: Nickloy, Lee R
Sent: Tuesday, September 27, 2011 12:47 PM
To: Dolyniuk, Karen E
Subject: FW: Call Attendees

From: Nickloy, Lee R
Sent: Friday, September 09, 2011 2:47 PM
To: 'Bettinelli, Antonio'
Subject: Call Attendees

Tony,

On the call with me this afternoon were:

David Falck – Executive Vice President and General Counsel
Daniel Froetscher – Vice President Energy Delivery
Jeff Guldner – Vice President Rates and Regulation
Shirley Baum – Associate General Counsel

Lee

Lee R. Nickloy
Vice President and Treasurer
PINNACLE WEST CAPITAL CORPORATION
ARIZONA PUBLIC SERVICE COMPANY
400 North 5th Street, MS 9040
Phoenix, AZ 85004
ph: 602-250-3300
Lee.Nickloy@pinnaclewest.com

Dolyniuk, Karen E

From: Nickloy, Lee R
Sent: Tuesday, September 27, 2011 12:47 PM
To: Dolyniuk, Karen E
Subject: FW: Call Attendees

From: Bettinelli, Antonio [mailto:Antonio_Bettinelli@standardandpoors.com]
Sent: Friday, September 09, 2011 3:00 PM
To: Nickloy, Lee R
Subject: RE: Call Attendees

Thanks!

From: Lee.Nickloy@PinnacleWest.com [mailto:Lee.Nickloy@PinnacleWest.com]
Sent: Friday, September 09, 2011 2:47 PM
To: Bettinelli, Antonio
Subject: Call Attendees

Tony,

On the call with me this afternoon were:

David Falck – Executive Vice President and General Counsel
Daniel Froetscher – Vice President Energy Delivery
Jeff Guldner – Vice President Rates and Regulation
Shirley Baum – Associate General Counsel

Lee

Lee R. Nickloy
Vice President and Treasurer
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400 North 5th Street, MS 9040
Phoenix, AZ 85004
ph: 602-250-3300
Lee.Nickloy@pinnaclewest.com

[redacted]

[redacted]

[redacted]

Dolyniuk, Karen E

From: Nickloy, Lee R
Sent: Tuesday, September 27, 2011 12:47 PM
To: Dolyniuk, Karen E
Subject: FW: Standard & Poor's

From: Slavin, George [mailto:george_slavin@standardandpoors.com]
Sent: Thursday, September 22, 2011 12:37 PM
To: Nickloy, Lee R
Subject: Standard & Poor's

Dear Lee:

Thank you again for your kind hospitality. I very much appreciated the opportunity to review your S&P relationship with you and Karen. I was happy to hear your positive comments.

I confirmed with the analytical team that we are hosting the Monday luncheon at EEI. You should get your invitation within the next week. We look forward to seeing you in Orlando. I was also told that the Treasurers Task Force is scheduled to meet with the rating agencies on Sunday afternoon at the start of the conference.

George

George J. Slavin
Director
Client Business Management
Standard & Poor's
55 Water Street
New York, NY 10041
212-438-2629 Tel
212-438-2154 Fax

S&P maintains a separation of commercial & analytical activities. Please note that our analysts are not permitted to engage in discussions about fees. Any questions about fees or other commercial matters should be directed to your Client Business Manager.

[redacted]

Dolyniuk, Karen E

From: Nickloy, Lee R
Sent: Tuesday, September 27, 2011 12:48 PM
To: Nickloy, Lee R; Dolyniuk, Karen E
Subject: RE: Rating Agency Communications

Karen,

For the 9/20 meeting with George Slaving please also indicate as a topic of conversation a relationship review

---

From: Nickloy, Lee R
Sent: Tuesday, September 27, 2011 12:41 PM
To: Dolyniuk, Karen E
Subject: RE: Rating Agency Communications

Karen,

9/9/11, call from Tony Bettinelli at S&P inquiring into outage, asked if system has been restored and are customers back on, asked about cause (we are investigating) asked about potential liability for APS

9/9/11, follow-up call with Tony Bettinelli (with Dave Falck, Jeff Guldner, Daniel Froetscher and Shirley Baum) to address S&P's questions around potential liability, contractual arrangements and review, insurance coverage, regulatory (i.e. NERC, FERC, Cal ISO) inquiries

9/20/11, meeting with George Slavin in Phoenix (S&P business contact, and including Karen Dolyniuk), industry discussion, Dodd Frank act, he is contact for fee arrangements

9/22/11, call with Tony Bettinelli at S&P (with Jeff Guldner), asking about AZ Supreme court not hearing RPS case, Court of Appeals decision is final re ACC jurisdiction over these matters

Will send any e-mail communication separately

From: Dolyniuk, Karen E
Sent: Friday, September 23, 2011 12:55 PM
To: Hatfield, James R; Nickloy, Lee R; Ewen, Peter M
Subject: Rating Agency Communications
Importance: High

Gentlemen, please send me all communications you have had with the rating agencies since August 25th. This includes emails and phone conversations as well as any information we have provided them. Also, let me know if anything should be considered Confidential.

I would like to have all communications by Tuesday, September 26th.

Thank you.

Karen E. Dolyniuk, CTP

Manager Treasury Operations
Pinnacle West Capital Corporation
602-250-5630

Dolyniuk, Karen E

From: Nickloy, Lee R
Sent: Monday, October 24, 2011 7:39 AM
To: Dolyniuk, Karen E
Subject: FW: Standard & Poor's
Attachments: Pinnacle West change to eng ltr Mr 2010.pdf; Pinnacle West replacement eng ltr Oct 10 2011 .pdf

From: Slavin, George [mailto:george_slavin@standardandpoors.com]
Sent: Tuesday, October 11, 2011 10:27 AM
To: Nickloy, Lee R
Subject: Standard & Poor's

Lee:

Thank you again for the opportunity to visit. I mentioned our initiative to insure that we have engagement letters for all our issuer relationships. As you will note, James McGill came back with one request on the original letter (enclosed). I was finally able to get approval to insert the "reasonable" modifier regarding the potential legal expenses. I am not able to include it in the next sentence which addresses "time and charges". I enclose an updated letter for your review.

On another topic, the Utility team hosted an Investor Roundtable a couple of weeks ago. These buy side analysts seemed to focus on two general points for the industry – "what is the impact of post Fukushima costs and where do the issuers stand on Pension expenses".

George

George J. Slavin
Director
Client Business Management
Standard & Poor's
55 Water Street
New York, NY 10041
212-438-2629 Tel
212-438-2154 Fax

S&P maintains a separation of commercial & analytical activities. Please note that our analysts are not permitted to engage in discussions about fees. Any questions about fees or other commercial matters should be directed to your Client Business Manager.

[redacted]

Attachment(s) Intentionally Omitted – Contains Confidential Information

Dolyniuk, Karen E

From: Higuchi, Dene C on behalf of Hickman, Rebecca L
Sent: Wednesday, October 19, 2011 2:44 PM
Subject: PNW: Dividend Declaration and Earnings Conference Call/Webcast

Today, we issued a press release announcing our latest dividend declaration and our 2011 third-quarter earnings release conference call and webcast. The text of the release is included below in this message.

As always, if you need any information about our company, please contact me or Geoff Wendt (602-250-5643).

Becky

Rebecca L. Hickman
Director of Investor Relations | Pinnacle West Capital Corporation
Two Arizona Center | 400 North 5th Street | Station 9998 | Phoenix, AZ 85004
Office 602-250-5668 | Fax 602-250-2789 | E-mail rhickman@pinnaclewest.com

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PINNACLE WEST DECLARES QUARTERLY DIVIDEND,
ANNOUNCES 2011 THIRD-QUARTER CONFERENCE CALL

PHOENIX – Pinnacle West Capital Corporation's (NYSE: PNW) Board of Directors today declared a quarterly dividend of $0.525 per share of common stock, payable on December 1, 2011, to shareholders of record on November 1, 2011.

In addition, Pinnacle West plans to release its 2011 third-quarter results on Tuesday, November 1, 2011. That same day at 12 noon (ET), the Company invites interested parties to listen to a live webcast of management's conference call to discuss results and recent developments.

The webcast can be accessed at pinnaclewest.com/presentations and will be available for replay on the website for 30 days. To access the live conference call by telephone, dial (877) 407-8035 or (201) 689-8035 for international callers. A replay of the call also will be available until 11:59 p.m. (ET), Tuesday, November 8, 2011, by calling (877) 660-6853 in the U.S. and Canada or (201) 612-7415 internationally and entering account number 286, followed by conference ID number 380937.

Pinnacle West Capital, an energy holding company based in Phoenix, has consolidated assets of about $12.5 billion, more than 6,300 megawatts of generating capacity and about 6,700 employees in Arizona and New Mexico. Through its principal subsidiary, Arizona Public Service, the Company provides retail electricity service to more than 1.1 million Arizona homes and businesses. For more information about Pinnacle West, visit the Company's website at pinnaclewest.com.

Dolyniuk, Karen E

From: Nickloy, Lee R
Sent: Tuesday, October 25, 2011 7:35 AM
To: Dolyniuk, Karen E
Subject: FW: Moody's Special Comment: Ratings Notching
Attachments: Moody's Special Comment Utility Notching 2011-10-24.pdf

From: Moss, Mitchell [mailto:Mitchell.Moss@moodys.com]
Sent: Tuesday, October 25, 2011 7:28 AM
To: Nickloy, Lee R
Subject: Moody's Special Comment: Ratings Notching

Lee,

Attached is a special comment I just published discussing ratings notching in the utility sector. Please contact me if you would like to discuss it further.

Mitchell

<<Moody's Special Comment Utility Notching 2011-10-24.pdf>>

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[redacted]

MOODY'S
INVESTORS SERVICE

SPECIAL COMMENT

Wider Rating Differentials Seen for a Number of U.S. Utility and Parent Companies

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PARENT HOLDING COMPANY LEVERAGE DRIVES NOTCHING RELATIONSHIP 3
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» contacts continued on the last page

A review of a large sample of Moody's-rated U.S. utility holding companies reveals a meaningful number of companies with wider notching – the difference in credit ratings – between the parent companies and their utility subsidiaries due to parent company debt. The ratings for most parent holding companies are one notch below their largest regulated operating subsidiary or subsidiaries, reflecting structural subordination.

We are seeing more examples of wider differences, which is notable primarily because larger parent holding companies tend to manage their utility subsidiaries as a system so the ratings range tends to be narrow.

In this special comment, we offer some observations on the rating relationships of numerous issuer families within the rated utility universe and highlight several examples of rating-notching outcomes. A snapshot of current conditions includes the following:

» The difference in ratings can widen – with the subsidiary higher than the parent – from one to at least two rating levels when parent leverage exceeds 25% to 30% of consolidated debt or non-utility operations represent a meaningful proportion of future earnings.

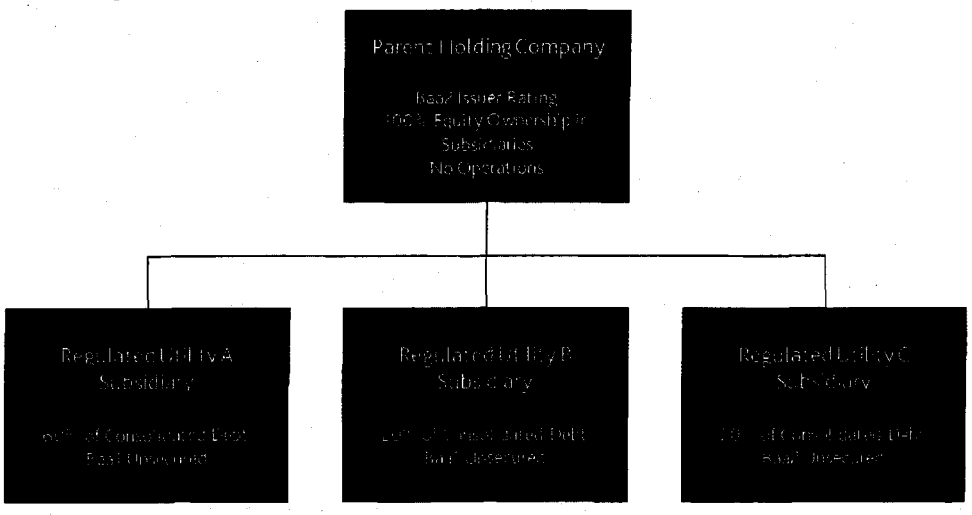
» If the leverage of the parent reaches well above 30%, the ratings of the utility subsidiaries can often be lowered since the higher parent debt load typically impacts the credit quality of the utility subsidiary.

» Strong ring-fence provisions can help insulate a parent from its subsidiary or a subsidiary from its parent. The stronger the ring-fence, the wider the notching potential.

Overview

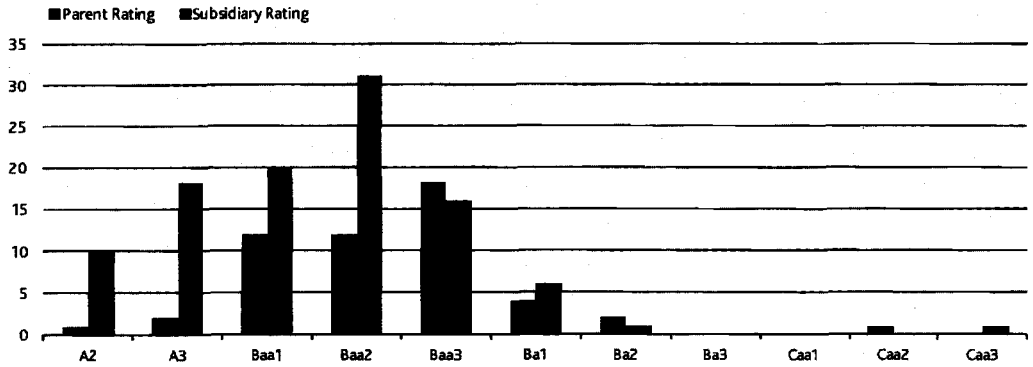
U.S. utility corporate structures often finance across multiple legal entities within a single consolidated organization, including the parent holding company. This is because the parent holding company tends to operate their multiple utility subsidiaries as a system. As a result, the individual issuer ratings tend to converge on each other. Wider notching within a family might exist where regulatory insulation protects lower-risk regulated utilities from their higher-risk unregulated affiliates.

FIGURE 1
Illustrative Organization Chart



In the table below, we show the ratings distribution (on a Long-Term Issuer Rating, senior unsecured or Corporate Family Rating basis) for 50 parent utility holding companies and their subsidiaries[1].

FIGURE 2
Parent and Subsidiary Unsecured Rating Distribution



[1] A list of the parent utility holding companies is included as Appendix A.

Single Notching

For the vast majority of U.S. utilities, there is generally a 1-notch rating differential between the subsidiary and parent, primarily reflecting structural subordination. In the figure below, we highlight selected issuers where a single notch rating relationship exists. Collectively, this group of companies has modest holding company debt and minimal non-utility operations.

FIGURE 3
Selected Issuers with Single Notching between Parent and Subsidiaries

Parent Company	Unsecured / Issuer Rating	Primary Utility Subsidiaries	Unsecured / Issuer Rating	Notching	Parent Debt as a % of Consolidated as of 12/31/10
Consolidated Edison, Inc.	Baa1	Consolidated Edison of New York/Orange & Rockland	A3/Baa1	1	3%
PG&E Corp	Baa1	Pacific Gas & Electric Co.	A3	1	3%
AEP	Baa2	SWEPCO; CS; IMP; App Power	Baa2	0	4%
Pinnacle West Capital Corp.	Baa3	Arizona Public Service Co.	Baa2	1	5%
NV Energy	Ba2	Nevada Power Co.; Sierra Pacific Power Co.	Ba1	1	10%
Northeast Utilities	Baa2	Connecticut Light & Power; PSNH	Baa1	1	11%
UniSource Energy Corp.	Ba1	Tucson Electric Power Co.	Baa3	1	13%
Great Plains Energy Inc.	Baa3	Kansas City Power & Light Co.	Baa2	1	13%
Xcel Energy	Baa1	NSPM/PSCo	A3/Baa1	1/0	15%

Parent Holding Company Leverage Drives Notching Relationship

The amount of parent holding company leverage as a percentage of total consolidated leverage is one of the key drivers behind the rating relationship between the parent and the operating utility subsidiary. Once the amount of parent holding company debt rises to the 25% or higher level, the probability of wider notching increases.

However, this is not always the case, and we continue to evaluate individual issuer credits based on their specific facts and circumstances. In the following table, we highlight several issuers where the notching between the parent holding company and subsidiary remain close. When the amount of parent holding company leverage as a percentage of total consolidated leverage starts to rise into the high 20% range, our rating committee discussions begin to have more serious deliberations about widening the notching.

FIGURE 4
Select Single Notching Parents with Moderate Leverage

Issuer Parent	Unsec / Issuer Rating	Significant Opcos	Op Co Unsec / Issuer Rating	Difference	Parent Debt as a % of Consolidated as of 12/31/10	Approx unreg % of Operations
Edison International	Baa2	SCE	Baa2	0	3%	0-20%
Exelon Corp	Baa1	ExGen; PECO	A3	1	10%	>60%
DTE Energy	Baa2	DECO, MichCon	Baa1	1	15%	0-20%
CenterPoint Energy	Baa3	CenterPoint Energy Resources; Centerpoint Energy Houston	Baa2	1	16%	0-20%
FirstEnergy	Baa3	JCP&L; Ohio Ed; MetEd; Penelec	Baa2	1	18%	20-40%
PPL Corp	Baa3	PPL EU; LG&E; KU; Supply	Baa2	1	21%	20-40%
Iberdrola USA	Baa3	NYSEG	Baa2	1	21%	0-20%
Wisconsin Energy Corp.	A3	Wisconsin Electric Power Co.	A2	1	23%	0-20%
SCANA	Baa3	South Carolina Electric & Gas	Baa2	1	23%	0-20%
Entergy Corp	Baa3	EGSL; ELA; EAR	Baa2	1	24%	20-40%
MidAmerican Energy Holdings	Baa1	PacifiCorp, MidAmerican Energy	Baa1/A2	0/2	29%	0-20%
UIL Holdings	Baa3	United Illuminating	Baa2	1	30%	0-20%
American Water Works Company	Baa2	New Jersey-American Water Company; Pennsylvania-American Water Company	Baa1	1	64%	0-20%

A more complicated analysis occurs when there are multiple subsidiaries under the same parent holding company. Large parents such as American Electric Power Company, Inc. (AEP), FirstEnergy Corporation, and The Southern Company each own numerous operating company subsidiaries. The interdependence of operations and management's approach to operating the subsidiaries as a single system, help converge the ratings to within a notch or two of each issuer.

For example, AEP, whose senior unsecured debt is rated Baa2, owns subsidiaries with ratings as high as A3 (Columbus Southern Power) and as low as Baa3 (southwestern Electric Power), for a relatively wide range of 3-notches. Because the subsidiaries operate as a system, we expect these ratings to converge around the upper end of the Baa rating category. To that end, Columbus Southern Power will trend down upon completion of its merger with affiliate Ohio Power (Baa1 senior unsecured stable). Meanwhile, Southwestern Electric Power is expected to eventually produce stronger standalone credit metrics, once its construction program is completed.

Intercompany Debt Evaluated at Both the Parent and Subsidiary

Intercompany debt can impact the capital structure of holding companies and utility subsidiaries. A few entities, including American Water Capital Corporation, issue long-term debt at the parent level for the utility subsidiaries. Adjusting for intercompany debt, parent leverage can significantly change the leverage mix. American Water Capital has $3.6 billion of debt outstanding at the parent, representing 64% of consolidated debt. However, the utility subsidiaries recognize $2.2 billion of the parent debt on their balance sheet as intercompany debt, thereby reducing parent company debt to 24% of consolidated. Because the majority of the intercompany debt is being used for the utilities' operations and the utilities are able to recover the debt costs in rates, narrower notching between the parent and its subsidiaries is warranted.

High Holding Company Leverage Results in Multiple Notches

Wider notching between the parent holding company rating and primary utility subsidiaries can occur when holding company debt as a percentage of total consolidated debt rises above the 25% level. Many issuers that engaged in strategic activities a decade ago still struggle with this "legacy" debt, even if non-core businesses have been divested.

These companies may have reduced the company's overall business risk but the net, after-tax proceeds were not sufficient to eliminate parent holding company debt. In addition, some management chose even more credit unfriendly activities, where proceeds were used for share buybacks.

FIGURE 5

Illustrative Org Chart of Notching with Leverage

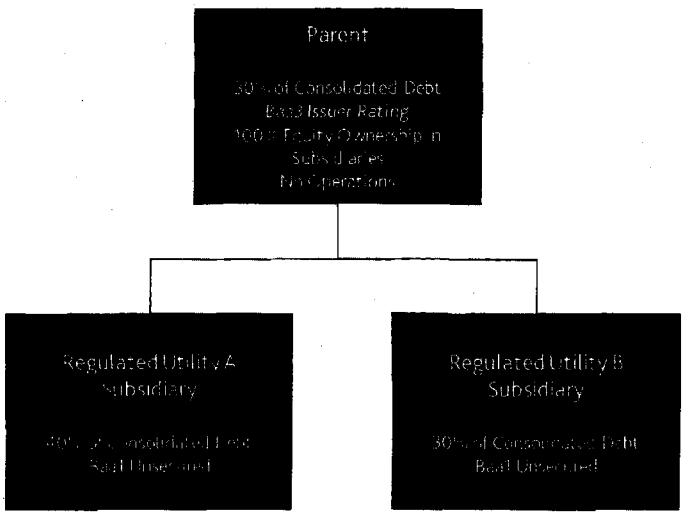


FIGURE 6

Selected Parent Issuers with Multiple Notches

Parent Company	Unsecured/Issuer Rating	Primary Utility Subsidiary	Unsecured/Issuer Rating	Notching	Parent Debt as a % of Consolidated as of 12/31/10
FortisBC Holdings Inc.	Baa2	FortisBC Energy	A3	2	15%
Puget Energy, Inc.	Ba1	Puget Sound Energy	Baa2	2	28%
Integrys Energy	Baa1	Wisconsin Public Service	A2	2	31%
CMS Energy	Ba1	Consumers Energy	Baa2	2	32%
DPL Inc	Baa1	Dayton Power & Light	A2	2	33%
Progress Energy, Inc.	Baa2	Progress Energy Carolinas / Progress Energy Florida	A3/Baa1	2	33%
IPALCO	Ba1 (sec)	Indianapolis Power & Light	Baa2 (unsec)	2	45%
ITC Holdings	Baa2	multiple transmission companies	A3	2	58%
Duquesne Light Holdings	Ba1	Duquesne Light Company	Baa2	2	70%
				Average	**38%**

Financing decisions impact credit quality across the corporate structure

Often, the ratings of the subsidiary influence the rating at the parent, but parent leverage can also have an impact on the subsidiary. The financing plan associated with AES Corporation's recently proposed acquisition of DPL Inc. is a good example.

Today, DPL Inc.'s senior unsecured rating is Baa1, two notches below the A2 Issuer Rating of its primary subsidiary, Dayton Power & Light Company (DP&L). The difference in ratings reflects the high leverage at the parent, as a consolidated debt as of year-end 2010.

In April 2011, AES announced an agreement to acquire DPL for $3.5 billion in cash consideration. The acquisition is expected to close by the first quarter of 2012 and AES intends to fund part of the transaction by adding approximately $1.2 billion of debt to the DPL parent company. DP&L's operations are not expected to be directly impacted by the acquisition. On a pro-forma basis, debt at DPL parent would represent approximately two thirds of consolidated debt. At the time of the announcement, Moody's placed the ratings at DPL and DP&L under review for downgrade and subsequently, a rating committee determined that DPL's unsecured rating would likely be lowered to Baa1 upon completion of the acquisition, [illegible] increased leverage. Due to the increased operational risk of the DPL corporate entity and [illegible] DP&L is almost the sole cash flow generator for DPL, we determined that the Issuer Rating of DP&L would likely be lowered to Baa2 upon acquisition completion, maintaining the two-notch rating differential that exists today.

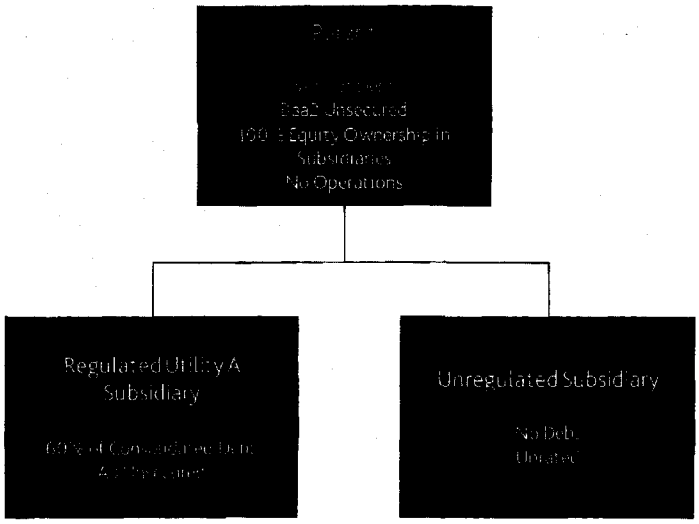
The parents of Duquesne Light Company and Puget Sound Energy also went through leveraged acquisitions which increased parent debt and led to the parents being rated below investment grade. However, at the time of the acquisitions, the utility subsidiaries had unsecured ratings of Baa2 and Baa3, respectively, and were not lowered further due to the leveraged acquisition. Both holding companies are currently rated non-investment grade.

Additional Notching Primarily Related to Unregulated Operations

Generally, consolidated entities with a higher business risk profile also have higher levels of debt at the parent. This is mainly due to the use of significant leverage to finance unregulated investments. Also, several of the companies have relatively profitable unregulated businesses which were retained through the "Back to Basics" years.

FIGURE 7

Illustrative Org Chart of Notching Due to Leverage and Unregulated Operations



We observe that when unregulated business activities represent a meaningful proportion of expected future operating earnings, cash flow, or investments, the parent's rating can be notched wider from the primary operating subsidiaries.

FIGURE 8

Selected Parent Issuers With Multiple Notches and Significant Unregulated Operations

Issuer Parent	Unsec / Issuer Rating	Significant Utility Subsidiaries	Unregulated Business	Op Co Unsec/ Issuer Rating	Difference	Parent Debt as a % of Consolidated as of 12/31/10	Approx unreg % of Operations
Edison International	Baa2	Southern California Edison	Unregulated Generation	A3	2	3%	0-20%
OGE Energy	Baa1	Oklahoma Gas & Electric	Midstream Gas	A2	2	10%	20-40%
PNM Resources	Ba2	Public Service Co of NM, TNMP	Energy Marketing, Unregulated Generation	Baa3	2	13%	20-40%
Duke Energy, Inc.	Baa2	Duke Energy Carolinas, Duke Energy Indiana, Duke Energy Ohio	Unregulated Generation	A3/Baa1	2/1	17%	20-40%
TECO Energy	Baa3	Tampa Electric	Coal Mining	Baa1	2	34%	20-40%
Sempra Energy	Baa1	San Diego G&E, SoCalGas	Pipelines, Unregulated Generation	A2	2	34%	20-40%
Dominion Resources	Baa2	VEPCO	Unregulated Generation	A3	2	59%	20-40%
Otter Tail Corporation	Ba1	Otter Tail Power	Multi-Industrial	A3	4	34%	40-60%
NextEra Energy, Inc.	Baa1	Florida Power & Light	Unregulated Generation, Renewables	A2	2	65%	40-60%
Energy Future Holdings Corp	Caa2	Oncor Electric Delivery	Unregulated Generation	Baa3	8	15%	>60%
					Average	**31%**	**20-40%**

* The hypothetical Baa3 unsecured rating is based on a standard two-notch rating differential between secured and unsecured ratings

Energy Future Holdings (EFH), Edison International (EIX) and NextEra Energy (NEE), are special cases as all have significant debt at their generation subsidiaries. For EFH, incorporating parent debt plus debt at Texas Competitive Electric Holdings, the merchant generation subsidiary, represents about 87% of consolidated debt including Oncor. In addition, EFH's credit rating is also significantly wider than the Oncor T&D business due to low near- and medium-term power prices in ERCOT increasing credit risks. Oncor Electric Delivery Company's senior secured rating is Baa1. Oncor does not have a senior unsecured rating or a Long-Term Issuer Rating, but if it did, we believe it would have the same 2-notch rating differential between secured and unsecured as the rest of the utility sector, implying a Baa3 hypothetical senior unsecured rating. This rating is a full 8 notches higher than its parent, Energy Future Holdings Corp., and reflects a strong suite of ring-fence provisions designed to insulate Oncor from its financially distressed affiliate (and parent).

In the case of EIX, there was approximately $15.4 billion of adjusted debt and lease obligations at 12/31/2010. Of this amount, only $400 million represents debt at the EIX holding company level. However, the unregulated generation subsidiary, Edison Mission Energy (EME) had approximately $7.4 billion of long-term debt and lease obligations, while Southern California Edison Company (SCE), the utility, had about $7.6 billion of long-term funded debt. Moody's rates SCE's senior unsecured debt at A3, which is two notches above the Baa2 senior unsecured rating assigned to EIX reflecting structural subordination and EIX's continuing ownership of EME. By contrast, Moody's rates EME's Corporate Family Rating at B3 and its senior unsecured debt at Caa1 (negative outlook). The ratings reflect the standalone leverage, weakened operating margins and environmental related challenges affecting this unregulated power company. SCE's ability to make dividend payments to EIX is constrained by state regulatory requirements allowing SCE to make distributions to EIX as long as the common equity component of SCE's capital structure remains at or above the 48% authorized level on a 13-month weighted average basis. For these collective reasons, there is an unusually wide 9-notch rating differential across the EIX family if one compares the senior unsecured rating of SCE to EME's CFR.

NEE has approximately $8 billion of debt outstanding at Capital Holdings, the parent's financing arm, representing about 40% of consolidated debt. An additional $5 billion of debt is characterized as limited-recourse debt under NextEra Energy Resources, which provides financing to its unregulated generation investments. The combined $13 billion of debt represents approximately 65% of consolidated debt. Though Resources' debt may not be directly guaranteed, much of it is tied to NEE and Capital Holdings in some way, either through sponsorship of the underlying projects, a guarantee of production tax credits on wind projects or through cash traps at projects that are tied to rating levels of NEE or Capital Holdings.

Strong Ring-fencing provides Widest Notching Observations

Issuer families with subsidiaries that have a strong suite of ring-fence provisions often have the widest rating differences within the corporate structure. These provisions are typically used to insulate a subsidiary from its parent or affiliate, such as with Oncor Electric Delivery or Baltimore Gas and Electric, or they can insulate a parent from a subsidiary. In some cases, there are no formal ring-fence provisions, but good insulation still exists, such as the case with EIX and its subsidiaries, EME and SCE.

Some of the principal issues to consider when evaluation the strength of ring-fence provisions include:

» Corporate separateness – Do the corporate documents and governance structure provide the requisite elements of separateness between the ring-fenced and non-ring-fenced affiliated members

of the issuer families that sufficiently minimize the risk of substantive consolidation in a bankruptcy scenario? In the case of Oncor and EFH, the answer to this question is yes, for the most part. Oncor has steadily established a degree of separateness from its 80% majority parent, EFH. But the separateness is not pure, as Oncor still relies on EFH for certain shared services, primarily related to tax and accounting matters.

» Operating independence – Does the corporate governance structure provide management and operating independence between affiliated issuer families? Despite the lack of formal structures, EIX operates its EME and SCE subsidiaries on a standalone basis, with separate and distinct management teams, strong evidence of independence between affiliates and no evidence of guarantees or indirect support agreements.

» Financing restrictions – Are there covenant requirements for the subsidiary which limit the level of dividends that can be upstreamed to the parent?

» Absence of cross-guarantees and other support obligations – Does the ring-fenced entity have any obligations, contractual or implied, that would require it to provide credit support or other forms of financial assistance to the non-ring-fenced affiliated issuer entities? Has it made affirmative, public statements in this regard that will forestall reliance by creditors of the non-ring-fenced entities on the credit of the ring-fenced entity?

» Arm's length transactions – Do the corporate governance documents require that all material transactions between the ring-fenced and non-ring-fenced affiliates be on an arm's length basis? In the case of Dynegy, where there are structures in place calling for arm's length business dealings, we ignore the ring-fence benefits because the businesses that Dynegy attempts to ring-fence are clearly integrated from an operational and strategic perspective.

» Minimal risk of voluntary bankruptcy filing – Do the corporate governance documents establish, under applicable corporate law, a process for filing voluntary petitions in bankruptcy that is based on the interests of the ring-fenced entity and its creditors rather than those of its equity holders? For example in Oncor's case, Delaware law allows the company to explicitly favor the creditors' interest in considering a bankruptcy filing, allows granting a veto right to the independent director in deciding to file, and establishes strong protections against the potential dissolution of the ring-fenced limited liability company.

Appendix A: Issuers Included in Analysis

Issuer	Corporate Family, Issuer or Unsecured Rating
Allegheny Energy, Inc.	Baa3
Alliant Energy Corporation	Baa1
Ameren Corporation	Baa3
American Electric Power Company,	Baa2
Black Hills Corporation	Baa3
CenterPoint Energy, Inc.	Baa3
Cleco Corporation	Baa3
CMS Energy Corporation	Ba1
Consolidated Edison, Inc.	Baa1
Constellation Energy Group, Inc.	Baa3
Dominion Resources Inc.	Baa2
DPL Inc.	Baa1
DTE Energy Company	Baa2
Duke Energy Corporation	Baa2
Duquesne Light Holdings, Inc.	Ba1
Edison International	Baa2
Energy Future Holdings Corp.*	Caa2
Entergy Corporation	Baa3
Exelon Corporation	Baa1
FirstEnergy Corp.	Baa3
Great Plains Energy Incorporated	Baa3
Hawaiian Electric Industries	Baa2
Iberdrola USA	Baa3
IDACORP, Inc.	Baa2
Integrys Energy Group, Inc.	Baa1
MidAmerican Energy Holdings Co.	Baa1
NextEra Energy, Inc.	Baa1
NiSource Inc.	Baa3
Northeast Utilities	Baa2
NSTAR	A2
NV Energy Inc.	Ba2
OGE Energy Corp.	Baa1
Pepco Holdings, Inc.	Baa3
PG&E Corporation	Baa1
Pinnacle West Capital	Baa3
PNM Resources, Inc.	Ba2
PPL Corporation	Baa3
Progress Energy, Inc.	Baa2
Public Service Enterprise Group	Baa2

Issuer	Corporate Family, Issuer or Unsecured Rating
Puget Energy, Inc.	Ba1
SCANA Corporation	Baa3
Sempra Energy	Baa1
Southern Company (The)	Baa1
TECO Energy, Inc.	Baa3
UIL Holdings Corporation	Baa3
UniSource Energy Corporation	Ba1
Vectren Utility Holdings, Inc.	A3
Westar Energy, Inc.	Baa3
Wisconsin Energy Corporation	A3
Xcel Energy Inc.	Baa1

Moody's Related Research

Industry Outlooks:

» Six-Month Update: U.S. Regulated Utilities - Stable Outlook But Financial Policy Revisions Increasingly Necessary to Maintain Ratings Amid Persistent Longer-Term Uncertainty, July 2011 (134002)

» Annual Outlook: U.S. Power Companies - Regulation Provides Stability As Risks Mount, January 2011 (129930)

Special Comments:

» U.S. Natural Gas Transportation: Low Prices Pose Little Trouble for Midwest Natural Gas Companies, May 2011 (133445)

» U.S. Investor-Owned Utilities: Bonus Depreciation Provides Material Near-Term Benefit For The Sector But Raises Longer-Term Questions, February 2011 (131078)

» Investment-Grade, Unregulated Power: Not Immune to Rating Pressures, November 2010 (128985)

» Regulatory Frameworks – Ratings and Credit Quality for Investor-Owned Utilities, June 2010 (125664)

» Cost Recovery Provisions Key to U.S. Investor Owned Utility Ratings and Credit Quality, June 2010 (122230)

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» contacts continued from page 1

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MOODY'S
INVESTORS SERVICE

Dolyniuk, Karen E

From: Nickloy, Lee R
Sent: Friday, December 02, 2011 11:33 AM
To: Dolyniuk, Karen E
Subject: RE: Rating Agency Communications

10/27/11, call from Tony Bettinelli (S&P): discussion/inquiry about components of $900MM of long-term debt current maturities on 6/30/11 balance sheet and our plans to fund/refi those

11/10/11, voicemail message from Alan Horowitz (Moody's): inquiring about ratings for new PNW and APS credit facilities, forwarded message to Dan Sarti for handling

Will forward e-mails separately

From: Dolyniuk, Karen E
Sent: Friday, December 02, 2011 9:37 AM
To: Hatfield, James R; Nickloy, Lee R; Ewen, Peter M
Subject: Rating Agency Communications
Importance: High

Gentlemen, please send me all communications you have had with the rating agencies since October 26th. This includes emails and phone conversations as well as any information we have provided them. Also, let me know if anything should be considered Confidential.

I would like to have all communications by tomorrow, Tuesday, December 6th.

Thank you.

Karen E. Dolyniuk, CTP
Manager Treasury Operations
Pinnacle West Capital Corporation
602-250-5630

Dolyniuk, Karen E

From: Nickloy, Lee R
Sent: Friday, December 02, 2011 11:33 AM
To: Dolyniuk, Karen E
Subject: FW: Refinancing of PNW and APS Credit Facilities

From: Nickloy, Lee R
Sent: Thursday, November 10, 2011 8:21 AM
To: 'Mitchell F. Moss'
Subject: Refinancing of PNW and APS Credit Facilities

Mitchell,

Last Friday, Nov. 4th, PNW and APS closed on the refinancing of their respective $200MM and $500MM revolving credit facilities which would have matured in February 2012. The new facilities have a 5-year tenor and will mature in November 2016. We were also able to achieve more attractive pricing with the new facilities saving us about $2MM per year in commitment fees. Further details are provided for in the 8-K we filed which is attached, but certainly if you have any questions please let me know.

Lee

110411 PNW APS 8-K.docx

Lee R. Nickloy
Vice President and Treasurer
PINNACLE WEST CAPITAL CORPORATION
ARIZONA PUBLIC SERVICE COMPANY
400 North 5th Street, MS 9040
Phoenix, AZ 85004
ph: 602-250-3300
Lee.Nickloy@pinnaclewest.com

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): November 4, 2011

Commission File Number	Exact Name of Registrant as Specified in Charter; State of Incorporation; Address and Telephone Number	IRS Employer Identification Number
1-8962	Pinnacle West Capital Corporation (an Arizona corporation) 400 North Fifth Street, P.O. Box 53999 Phoenix, AZ 85072-3999 (602) 250-1000	86-0512431
1-4473	Arizona Public Service Company (an Arizona corporation) 400 North Fifth Street, P.O. Box 53999 Phoenix, AZ 85072-3999 (602) 250-1000	86-0011170

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

This combined Form 8-K is separately filed or furnished by Pinnacle West Capital Corporation and Arizona Public Service Company. Each registrant is filing or furnishing on its own behalf all of the information contained in this Form 8-K that relates to such registrant and, where required, its subsidiaries. Except as stated in the preceding sentence, neither registrant is filing or furnishing any information that does not relate to such registrant, and therefore makes no representation as to any such information.

Item 1.01. Entry into a Material Definitive Agreement.

Item 1.02. Termination of a Material Definitive Agreement.

Item 2.03. Creation of a Direct Financial Obligation or an Obligation under an Off-Balance Sheet Arrangement of a Registrant.

Pinnacle West Capital Corporation ("Pinnacle West") Facility

On November 4, 2011, Pinnacle West entered into a five-year unsecured revolving credit facility with Barclays Bank PLC, as Agent and Issuing Bank, The Royal Bank of Scotland plc and Wells Fargo Bank, National Association, as Co-Syndication Agents and Issuing Banks, Bank of America, N.A. and Credit Suisse AG, Cayman Islands Branch, as Co-Documentation Agents, and the lender parties thereto, allowing Pinnacle West to borrow, repay and reborrow, from time to time, up to $200 million through November 4, 2016. On November 4, 2011, Pinnacle West terminated its prior $200 million unsecured revolving credit facility with Bank of America, N.A., as Agent and Issuing Bank, Wells Fargo Bank, National Association, as Co-Syndication Agent and Issuing Bank, Barclays Capital and Credit Suisse, Cayman Islands Branch, as Co-Syndication Agents, and the lender parties thereto, which was replaced by the new facility. The prior credit facility would have expired on February 12, 2013. Pinnacle West will use the new facility for general corporate purposes, including as a standby facility to support commercial paper issuances. The facility can also be used for letters of credit.

Borrowings under the facility will bear interest based on Pinnacle West's then-current senior unsecured debt ratings or, if no senior unsecured debt is outstanding at the time of determination, the rating for Pinnacle West's bank credit facilities.

Borrowings under the facility are conditioned on Pinnacle West's ability to make certain representations at the time each borrowing is made, except for representations concerning no material adverse effect and certain litigation matters, which were made only at the time the facility was entered into. The facility includes customary covenants, including requirements that Pinnacle West maintain ownership of a specified percentage of the outstanding capital stock of Arizona Public Service Company ("APS"), maintain a consolidated debt-to-capitalization ratio no greater than a prescribed level and comply with certain lien restrictions. The facility also includes customary events of default, including a cross default provision and a change of control provision. If an event of default occurs, lenders holding a specified percentage of the commitments, or the agent with such lenders' consent, may terminate the obligations of the lenders to make loans under the facility and the obligations of the issuing banks to issue letters of credit and may declare the obligations outstanding under the facility to be due and payable.

Pinnacle West and its affiliates maintain normal banking and other relationships with the agents and various other lenders in the new facility and/or their affiliates and in the prior $200 million credit facility that has been terminated.

APS Facility

On November 4, 2011, APS entered into a five-year unsecured revolving credit facility with Barclays Bank PLC, as Agent and Issuing Bank, The Royal Bank of Scotland plc and Wells Fargo Bank, National Association, as Co-Syndication Agents and Issuing Banks, Bank of America, N.A. and Credit Suisse AG, Cayman Islands Branch, as Co-Documentation Agents, and the lender parties thereto, allowing APS to borrow, repay and reborrow, from time to time, up to $500 million through November 4, 2016. On November 4, 2011, APS terminated its prior $500 million unsecured revolving credit facility

with Wells Fargo Bank, National Association, as Agent and Issuing Bank, Bank of America, N.A., as Co-Syndication Agent and Issuing Bank, Barclays Capital and Credit Suisse, Cayman Islands Branch, as Co-Syndication Agents, and the lender parties thereto, which was replaced by the new facility. The prior credit facility would have expired on February 12, 2013. APS will use the new facility for general corporate purposes, including as a standby facility to support commercial paper issuances. The facility can also be used for letters of credit.

Borrowings under the facility will bear interest based on APS's then-current senior unsecured debt ratings.

Borrowings under the facility are conditioned on APS's ability to make certain representations at the time each borrowing is made, except for representations concerning no material adverse effect and certain litigation matters, which were made only at the time the facility was entered into. The facility includes customary covenants, including that APS maintain a consolidated debt-to-capitalization ratio no greater than a prescribed level and comply with certain lien restrictions. The facility also includes customary events of default, including a cross default provision and a change of control provision relating to Pinnacle West, the parent company of APS. If an event of default occurs, lenders holding a specified percentage of the commitments, or the agent with such lenders' consent, may terminate the obligations of the lenders to make loans under the facility and the obligations of the issuing banks to issue letters of credit and may declare the obligations outstanding under the facility to be due and payable.

APS and its affiliates maintain normal banking and other relationships with the agents and various other lenders in the new facility and/or their affiliates and in the prior $500 million credit facility that has been terminated.

Item 7.01. Regulation FD Disclosure.

Investor and Analyst Meeting

Pinnacle West is participating in the Edison Electric Institute Financial Conference on November 6, 2011 through November 9, 2011. We will be meeting with members of the investment community during the conference and we will be utilizing slide handouts during those meetings. Copies of the handouts are attached hereto as Exhibit 99.1.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits

Exhibit No.	Registrant(s)	Description
99.1	Pinnacle West APS	Pinnacle West handouts for use at the Edison Electric Institute Financial Conference.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, each registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

PINNACLE WEST CAPITAL CORPORATION
(Registrant)

Dated: November 4, 2011

By: /s/ James R. Hatfield
James R. Hatfield
Senior Vice President and Chief Financial Officer

ARIZONA PUBLIC SERVICE COMPANY
(Registrant)

Dated: November 4, 2011

By: /s/ James R. Hatfield
James R. Hatfield
Senior Vice President and Chief Financial Officer

Dolyniuk, Karen E

From: Nickloy, Lee R
Sent: Friday, December 02, 2011 11:34 AM
To: Dolyniuk, Karen E
Subject: FW: Refinancing of PNW and APS Credit Facilities

From: Nickloy, Lee R
Sent: Thursday, November 10, 2011 8:22 AM
To: 'Philip.Smyth@fitchratings.com'
Subject: Refinancing of PNW and APS Credit Facilities

Phil,

Last Friday, Nov. 4th, PNW and APS closed on the refinancing of their respective $200MM and $500MM revolving credit facilities which would have matured in February 2012. The new facilities have a 5-year tenor and will mature in November 2016. We were also able to achieve more attractive pricing with the new facilities saving us about $2MM per year in commitment fees. Further details are provided for in the 8-K we filed which is attached, but certainly if you have any questions please let me know.

Lee

110411 PNW APS 8-K.docx

Lee R. Nickloy
Vice President and Treasurer
PINNACLE WEST CAPITAL CORPORATION
ARIZONA PUBLIC SERVICE COMPANY
400 North 5th Street, MS 9040
Phoenix, AZ 85004
ph: 602-250-3300
Lee.Nickloy@pinnaclewest.com

Dolyniuk, Karen E

From: Nickloy, Lee R
Sent: Friday, December 02, 2011 11:33 AM
To: Dolyniuk, Karen E
Subject: FW: Refinancing of PNW and APS Credit Facilities

From: Nickloy, Lee R
Sent: Thursday, November 10, 2011 8:22 AM
To: 'Bettinelli, Antonio'
Subject: Refinancing of PNW and APS Credit Facilities

Tony,

Last Friday, Nov. 4th, PNW and APS closed on the refinancing of their respective $200MM and $500MM revolving credit facilities which would have matured in February 2012. The new facilities have a 5-year tenor and will mature in November 2016. We were also able to achieve more attractive pricing with the new facilities saving us about $2MM per year in commitment fees. Further details are provided for in the 8-K we filed which is attached, but certainly if you have any questions please let me know.

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ARIZONA PUBLIC SERVICE COMPANY
400 North 5th Street, MS 9040
Phoenix, AZ 85004
ph: 602-250-3300
Lee.Nickloy@pinnaclewest.com

Dolyniuk, Karen E

From: Nickloy, Lee R
Sent: Friday, December 02, 2011 11:34 AM
To: Dolyniuk, Karen E
Subject: FW: Refinancing of PNW and APS Credit Facilities

From: Moss, Mitchell [mailto:Mitchell.Moss@moodys.com]
Sent: Thursday, November 10, 2011 8:29 AM
To: Nickloy, Lee R
Subject: RE: Refinancing of PNW and APS Credit Facilities

Thanks Lee

From: Lee.Nickloy@PinnacleWest.com [mailto:Lee.Nickloy@PinnacleWest.com]
Sent: Thursday, November 10, 2011 10:21 AM
To: Moss, Mitchell
Subject: Refinancing of PNW and APS Credit Facilities

Mitchell,

Last Friday, Nov. 4th, PNW and APS closed on the refinancing of their respective $200MM and $500MM revolving credit facilities which would have matured in February 2012. The new facilities have a 5-year tenor and will mature in November 2016. We were also able to achieve more attractive pricing with the new facilities saving us about $2MM per year in commitment fees. Further details are provided for in the 8-K we filed which is attached, but certainly if you have any questions please let me know.

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Phoenix, AZ 85004
ph: 602-250-3300
Lee.Nickloy@pinnaclewest.com

[redacted]

[redacted]

Dolyniuk, Karen E

From: Nickloy, Lee R
Sent: Friday, December 02, 2011 11:34 AM
To: Dolyniuk, Karen E
Subject: FW: Refinancing of PNW and APS Credit Facilities

-----Original Message-----
From: Philip.Smyth@fitchratings.com [mailto:Philip.Smyth@fitchratings.com]
Sent: Thursday, November 10, 2011 8:35 AM
To: Nickloy, Lee R
Subject: Re: Refinancing of PNW and APS Credit Facilities

Thanks, Lee!

I hope you had a good EEI. Please be kind enough to send me the respective credit agreements for PNW and APS at your convenience.

Best Regards,

Phil

Philip W. Smyth, CFA
Senior Director
Fitch Ratings
212 908 0531

From: <Lee.Nickloy@PinnacleWest.com>

To: <Philip.Smyth@fitchratings.com>

Date: 11/10/2011 10:22 AM

Subject: Refinancing of PNW and APS Credit Facilities

Phil,

Last Friday, Nov. 4th, PNW and APS closed on the refinancing of their respective $200MM and $500MM revolving credit facilities which would have matured in February 2012. The new facilities have a 5-year tenor and will mature in November 2016. We were also able to achieve more attractive pricing with the new facilities saving us about $2MM per year in commitment fees. Further details are provided for in the 8-K we filed which is attached, but certainly if you have any questions please let me know.

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Phoenix, AZ 85004
ph: 602-250-3300
Lee.Nickloy@pinnaclewest.com

[redacted]

[redacted]

Dolyniuk, Karen E

From: Nickloy, Lee R
Sent: Friday, December 02, 2011 11:34 AM
To: Dolyniuk, Karen E
Subject: FW: Refinancing of PNW and APS Credit Facilities
Attachments: EXECUTION COPY - PNW Credit Agreement.pdf; EXECUTION COPY - APS Credit Agreement.pdf

-----Original Message-----
From: Nickloy, Lee R
Sent: Thursday, November 10, 2011 10:22 AM
To: 'Philip.Smyth@fitchratings.com'
Subject: RE: Refinancing of PNW and APS Credit Facilities

Phil,

I was only in over the weekend for the Treasurers Meeting and meetings with some bankers so it was a brief EEI for me, but glad I had a chance to say hello.

The credit agreements are attached.

Lee

-----Original Message-----
From: Philip.Smyth@fitchratings.com [mailto:Philip.Smyth@fitchratings.com]
Sent: Thursday, November 10, 2011 8:35 AM
To: Nickloy, Lee R
Subject: Re: Refinancing of PNW and APS Credit Facilities

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Best Regards,

Phil

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Senior Director
Fitch Ratings
212 908 0531

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To: <Philip.Smyth@fitchratings.com>

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Vice President and Treasurer
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ARIZONA PUBLIC SERVICE COMPANY
400 North 5th Street, MS 9040
Phoenix, AZ 85004
ph: 602-250-3300
Lee.Nickloy@pinnaclewest.com

[redacted]

[redacted]

EXECUTION COPY

U.S. $200,000,000
FIVE-YEAR CREDIT AGREEMENT
Dated as of November 4, 2011

among

PINNACLE WEST CAPITAL CORPORATION,
as Borrower,

THE LENDERS PARTY HERETO,

BARCLAYS BANK PLC,
as Agent and Issuing Bank,

THE ROYAL BANK OF SCOTLAND plc
and
WELLS FARGO BANK, NATIONAL ASSOCIATION,
as Co-Syndication Agents,

THE ROYAL BANK OF SCOTLAND plc
and
WELLS FARGO BANK, NATIONAL ASSOCIATION,
as Issuing Banks,

BANK OF AMERICA, N.A.
and
CREDIT SUISSE AG, CAYMAN ISLANDS BRANCH,
as Co-Documentation Agents,

BARCLAYS CAPITAL
RBS SECURITIES INC.
WELLS FARGO SECURITIES, LLC
MERRILL LYNCH, PIERCE, FENNER & SMITH INCORPORATED
and
CREDIT SUISSE SECURITIES (USA) LLC,
as Joint Lead Arrangers

and

BARCLAYS CAPITAL
RBS SECURITIES INC.
and
WELLS FARGO SECURITIES, LLC,
as Joint Book Runners

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Exhibit A Form of Note
Exhibit B Form of Notice of Borrowing
Exhibit C Form of Assignment and Assumption

FIVE-YEAR CREDIT AGREEMENT

Dated as of November 4, 2011

PINNACLE WEST CAPITAL CORPORATION, an Arizona corporation (the "Borrower"), the banks, financial institutions and other institutional lenders (the "Initial Lenders") and initial issuing banks (the "Initial Issuing Banks") listed on the signature pages hereof, the other Lenders (as hereinafter defined), BARCLAYS BANK PLC, as Agent for the Lenders (as hereinafter defined), THE ROYAL BANK OF SCOTLAND plc and WELLS FARGO BANK, NATIONAL ASSOCIATION, as Co-Syndication Agents and BANK OF AMERICA, N.A. and CREDIT SUISSE AG, CAYMAN ISLANDS BRANCH, as Co-Documentation Agents, agree as follows:

The Borrower has requested that the Lenders provide a revolving credit facility for the purposes set forth herein, and the Lenders are willing to do so on the terms and conditions set forth herein.

In consideration of the mutual covenants and agreements herein contained, the parties hereto covenant and agree as follows:

ARTICLE I

DEFINITIONS AND ACCOUNTING TERMS

Section 1.01 Certain Defined Terms. As used in this Agreement, the following terms shall have the following meanings:

"Administrative Questionnaire" means an Administrative Questionnaire in a form supplied by the Agent.

"Advance" means a Revolving Advance or a Swingline Advance.

"Affected Lender" means any Lender, as reasonably determined by the Agent or if the Agent is the Affected Lender, by the Required Lenders, that (a) has failed to (i) fund all or any portion of any Revolving Advance within three (3) Business Days of the date such Revolving Advances were required to be funded hereunder unless such Lender notifies the Agent and the Borrower in writing that such failure is the result of such Lender's determination that one or more conditions precedent to funding (each of which conditions precedent, together with any applicable default, shall be specifically identified in writing) has not been satisfied, or (ii) pay to the Agent, any Issuing Bank, the Swingline Lender, if any, or any other Lender any other amount required to be paid by it hereunder (including in respect of its participation in Letters of Credit and funding obligations in respect of Swingline Advances) within three (3) Business Days of the date when due, (b) has notified the Borrower, the Agent, any Issuing Bank or any Lender in writing of its intention not to fund any Revolving Advance or any of its other funding obligations under this Agreement, (c) has failed, within three Business Days after written request by the Agent, or if the Agent is the Affected Lender, by the Required Lenders, to confirm that it will comply with the terms of this Agreement relating to its obligations to fund prospective

Revolving Advances and other funding obligations under this Agreement or (d) shall (or whose parent company shall) generally not pay its debts as such debts become due, or shall admit in writing its inability to pay its debts generally, or shall make a general assignment for the benefit of creditors; or shall have had any proceeding instituted by or against such Lender (or its parent company) seeking to adjudicate it as bankrupt or insolvent, or seeking liquidation, winding up, reorganization, arrangement, adjustment, protection, relief, or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors, or seeking the entry of an order for relief or the appointment of a receiver, trustee, administrator, assignee for the benefit of creditors or similar Person charged with reorganization or liquidation of its business or custodian for it or for any substantial part of its property and, in the case of any such proceeding instituted against it (but not instituted by it), either such proceeding shall remain undismissed or unstayed for a period of 30 days, or any of the actions sought in such proceeding (including, without limitation, the entry of an order for relief against, or the appointment of a receiver, trustee, administrator, assignee for the benefit of creditors or similar Person charged with reorganization or liquidation of its business or custodian for, it or for any substantial part of its property) shall occur, or shall take (or whose parent company shall take) any corporate action to authorize any of the actions set forth above in this subsection (e), provided that a Lender shall not be deemed to be an Affected Lender solely by virtue of the ownership or acquisition of any equity interest in any Lender or any Person that directly or indirectly controls such Lender by a Governmental Authority or an instrumentality thereof.

"Affiliate" means, as to any Person, any other Person that, directly or indirectly, controls, is controlled by or is under common control with such Person or is a director or officer of such Person. For purposes of this definition, the term "control" (including the terms "controlling", "controlled by" and "under common control with") of a Person means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of Voting Stock, by contract or otherwise.

"Agent" means Barclays Bank in its capacity as administrative agent under any of the Loan Documents, or any successor administrative agent.

"Agent's Account" means the account of the Agent designated on Schedule 8.02 under the heading "Agent's Account" or such other account as the Agent may designate to the Lenders and the Borrower from time to time.

"Agent's Office" means the Agent's address and, as appropriate, the Agent's Account, or such other address or account as the Agent may from time to time notify to the Borrower and the Lenders.

"Applicable Lending Office" means, with respect to each Lender, such Lender's Domestic Lending Office in the case of a Base Rate Advance and such Lender's Eurodollar Lending Office in the case of a Eurodollar Rate Advance.

"Applicable Rate" means, from time to time, the following percentages per annum determined by reference to the Public Debt Rating as set forth below:

Public Debt Rating S&P/Moody's	Eurodollar Rate Advances	Base Rate Advances	Commitment Fee
Level 1 ≥ A-/A3	1.125%	0.125%	0.125%
[redacted]			
Level 3 < Level 2 but ≥ BBB/Baa2	1.500%	0.500%	0.225%
[redacted]			
Level 5 < Level 4 but ≥ BB+/Ba1	2.000%	1.000%	0.375%
Level 6 < Level 5	2.250%	1.250%	0.500%

"Approved Fund" means any Fund that is administered or managed by (a) a Lender, (b) an Affiliate of a Lender or (c) an entity or an Affiliate of any entity that administers or manages a Lender.

"APS" means Arizona Public Service Company, an Arizona corporation.

"Arrangers" means, collectively, Barclays Capital, the investment banking division of Barclays Bank PLC, RBS Securities Inc., Wells Fargo Securities, LLC, Merrill Lynch, Pierce, Fenner & Smith Incorporated, and Credit Suisse Securities (USA) LLC.

"Assignment and Assumption" means an assignment and assumption entered into by a Lender and an Eligible Assignee, and accepted by the Agent, in substantially the form of Exhibit C hereto.

"Assuming Lender" has the meaning specified in Section 2.18(d).

"Assumption Agreement" has the meaning specified in Section 2.18(d)(ii).

"Authorized Officer" means the chairman of the board, chief executive officer, chief operating officer, chief financial officer, chief accounting officer, president, any vice president, treasurer, controller or any assistant treasurer of the Borrower.

"Available Amount" of any Letter of Credit means, at any time, the maximum amount available to be drawn under such Letter of Credit at such time (assuming compliance at such time with all conditions to drawing).

"Barclays Bank" means Barclays Bank PLC.

"Base Rate" means for any day a fluctuating rate per annum equal to the highest of:

(a) the rate of interest in effect for such day as publicly announced from time to time by the Agent as its "prime rate";

(b) the Federal Funds Rate plus 0.50%; and

(c) an amount equal to (i) the Eurodollar Rate for a one month Interest Period on such day (or if such day is not a Business Day, the immediately preceding Business Day) plus (ii) 1%.

"Prime rate" means the rate of interest in effect for such day as publicly announced from time to time by the Agent as its "prime rate." The "prime rate" is a rate set by the Agent based upon various factors including the Agent's costs and desired return, general economic conditions and other factors, and is used as a reference point for pricing some loans, which may be priced at, above, or below such announced rate. Any change in the "prime rate" announced by the Agent shall take effect at the opening of business on the day specified in the public announcement of such change.

"Base Rate Advance" means a Revolving Advance that bears interest as provided in Section 2.07(a)(i).

"Borrower" has the meaning given to such term in the introductory paragraph hereof.

"Borrower Information" has the meaning specified in Section 8.08.

"Borrowing" means (a) a borrowing consisting of simultaneous Revolving Advances of the same Type made by each of the Lenders pursuant to Section 2.01(a) or (b) Swingline Advances.

"Business Day" means a day of the year on which banks are not required or authorized by Law to close in New York City or Phoenix, Arizona and, if the applicable Business Day relates to any Advance in which interest is calculated by reference to the Eurodollar Rate, on which dealings are carried on in the London interbank market.

"Capital Lease Obligations" means as to any Person, the obligations of such Person to pay rent or other amounts under a lease of (or other agreement conveying the right to use) real and/or personal property, which obligations are required to be classified and accounted for as a capital lease on the balance sheet of such Person under GAAP and, for the purposes of this Agreement, the amount of such obligations shall be the capitalized amount thereof, determined in accordance with GAAP.

"Change in Law" means the occurrence, after the date of this Agreement, of any of the following: (a) the adoption of any Law, (b) any change in any Law or in the administration, interpretation or application thereof by any Governmental Authority or (c) the making or issuance of any request, guideline or directive (whether or not having the force of law) by any Governmental Authority; provided, however, that notwithstanding anything herein to the contrary, (i) the Dodd-Frank Wall Street Reform and Consumer Protection Act and all requests,

rules, guidelines, requirements and directives thereunder, issued in connection therewith or in implementation thereof, and (ii) all requests, rules, guidelines, requirements and directives promulgated by the Bank for International Settlements, the Basel Committee on Banking Supervision (or any successor or similar authority) or the United States or foreign regulatory authorities, in each case pursuant to Basel III, shall in each case be deemed to a "Change in Law" regardless of the date enacted, adopted, issued or implemented.

"Commitment" means a Revolving Credit Commitment or a Letter of Credit Commitment.

"Commitment Date" has the meaning specified in Section 2.18(b).

"Commitment Increase" has the meaning specified in Section 2.18(a).

"Consolidated" refers to the consolidation of accounts in accordance with GAAP.

"Consolidated Indebtedness" means, at any date, the Indebtedness of the Borrower and its Consolidated Subsidiaries determined on a Consolidated basis as of such date; provided, however, that so long as the creditors of the VIE Lessor Trusts have no recourse to the assets of APS, "Consolidated Indebtedness" shall not include any Indebtedness or other obligations of the VIE Lessor Trusts.

"Consolidated Net Worth" means, at any date, the sum as of such date of (a) the par value (or value stated on the books of the Borrower) of all classes of capital stock of the Borrower and its Subsidiaries, excluding the Borrower's capital stock owned by the Borrower and/or its Subsidiaries, *plus* (or *minus* in the case of a surplus deficit) (b) the amount of the Consolidated surplus, whether capital or earned, of the Borrower, determined in accordance with GAAP as of the end of the most recent calendar month (excluding the effect on the Borrower's accumulated other comprehensive income/loss of the ongoing application of Accounting Standards Codification Topic 815).

"Consolidated Subsidiary" means, at any date, any Subsidiary or other entity the accounts of which would be Consolidated with those of the Borrower on its Consolidated financial statements if such financial statements were prepared as of such date; provided that in no event will Consolidated Subsidiaries include the VIE Lessor Trusts.

"Convert", "Conversion" and "Converted" each refers to a conversion of Revolving Advances of one Type into Revolving Advances of the other Type pursuant to Section 2.08, Section 2.09 or Section 2.12.

"Credit Extension" means each of the following: (a) a Borrowing and (b) the issuance of a Letter of Credit.

"Debtor Relief Laws" means the Bankruptcy Code of the United States of America, and all other liquidation, conservatorship, bankruptcy, assignment for the benefit of creditors, moratorium, rearrangement, receivership, insolvency, reorganization, or similar debtor relief Laws of the United States of America or other applicable jurisdictions from time to time in effect and affecting the rights of creditors generally.

"Default" means any Event of Default or any event that would constitute an Event of Default but for the requirement that notice be given or time elapse or both.

"Dollars" or "$" means dollars of the United States of America.

"Domestic Lending Office" means, with respect to any Lender, the office of such Lender described as such in such Lender's Administrative Questionnaire, or such other office or offices as a Lender may from time to time notify the Borrower and the Agent.

"Effective Date" has the meaning specified in Section 3.01.

"Eligible Assignee" means any Person that meets the requirements to be an assignee under Section 8.07(b)(iii), (v) and (vi) (subject to such consents, if any, as may be required under Section 8.07(b)(iii)).

"Environmental Action" means any action, suit, demand, demand letter, claim, notice of non-compliance or violation, notice of liability or potential liability, investigation, proceeding, consent order or consent agreement relating in any way to any Environmental Law, Environmental Permit or Hazardous Materials or arising from alleged injury or threat of injury to health, safety or the environment and relating to any Environmental Law, including, without limitation, (a) by any Governmental Authority for enforcement, cleanup, removal, response, remedial or other actions or damages and (b) by any Governmental Authority or any third party for damages, contribution, indemnification, cost recovery, compensation or injunctive relief.

"Environmental Law" means any federal, state, local or foreign statute, law, ordinance, rule, regulation, code, order, judgment, decree or judicial or agency interpretation, policy or guidance relating to pollution or protection of the environment, natural resources or, to the extent relating to exposure to Hazardous Materials, human health or safety, including, without limitation, those relating to the use, handling, transportation, treatment, storage, disposal, release or discharge of Hazardous Materials.

"Environmental Permit" means any permit, approval, identification number, license or other authorization required under any Environmental Law.

"ERISA" means the Employee Retirement Income Security Act of 1974.

"ERISA Affiliate" means any trade or business (whether or not incorporated) under common control with the Borrower within the meaning of Section 414(b) or (c) of the Internal Revenue Code (and Sections 414(m) and (o) of the Internal Revenue Code for purposes of provisions relating to Section 412 of the Internal Revenue Code).

"ERISA Event" means (a) a Reportable Event with respect to a Pension Plan; (b) a withdrawal by the Borrower or any ERISA Affiliate from a Pension Plan subject to Section 4063 of ERISA during a plan year in which it was a substantial employer (as defined in Section 4001(a)(2) of ERISA) or a cessation of operations that is treated as such a withdrawal under Section 4062(e) of ERISA; (c) a complete or partial withdrawal by the Borrower or any ERISA Affiliate from a Multiemployer Plan or notification that a Multiemployer Plan is in reorganization; (d) the filing of a notice of intent to terminate, the treatment of a Plan amendment

as a termination under Section 4041 or 4041A of ERISA, or the commencement of proceedings by the PBGC to terminate a Pension Plan or Multiemployer Plan; (e) an event or condition which constitutes grounds under Section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Pension Plan or Multiemployer Plan; or (f) the imposition of any liability under Title IV of ERISA, other than for PBGC premiums due but not delinquent under Section 4007 of ERISA, upon the Borrower or any ERISA Affiliate.

"Eurodollar Lending Office" means, with respect to any Lender, the office of such Lender described as such in such Lender's Administrative Questionnaire, or such other office or offices as a Lender may from time to time notify the Borrower and the Agent.

"Eurodollar Rate" means:

(a) for any Interest Period with respect to a Eurodollar Rate Advance, the rate per annum equal to the British Bankers Association LIBOR Rate ("BBA LIBOR"), as published by Reuters (or other commercially available source providing quotations of BBA LIBOR as designated by the Agent from time to time) at approximately 11:00 a.m., London time, two Business Days prior to the commencement of such Interest Period, for Dollar deposits (for delivery on the first day of such Interest Period) with a term equivalent to such Interest Period. If such rate is not available at such time for any reason, then the "Eurodollar Rate" for such Interest Period shall be the rate per annum determined by the Agent to be the rate at which deposits in dollars for delivery on the first day of such Interest Period in same day funds in the approximate amount of the Eurodollar Rate Advance being made, continued or converted by the Agent and with a term equivalent to such Interest Period would be offered by the Agent to major banks in the London interbank eurodollar market at their request at approximately 11:00 a.m. (London time) two Business Days prior to the commencement of such Interest Period; and

(b) for any interest rate calculation with respect to a Base Rate Advance, the rate per annum equal to (i) BBA LIBOR, at approximately 11:00 a.m. two Business Days prior to, London time on the date of determination (provided that if such day is not a Business Day in London, the next preceding Business Day in London) for Dollar deposits being delivered in the London interbank market for a term of one month commencing that day or (ii) if such published rate is not available at such time for any reason, the rate determined by the Agent to be the rate at which deposits in Dollars for delivery on the date of determination in same day funds in the approximate amount of the Base Rate Advance being made, continued or converted by the Agent and with a term equal to one month would be offered by the Agent's London Branch to major banks in the London interbank Eurodollar market at their request at the date and time of determination.

"Eurodollar Rate Advance" means a Revolving Advance that bears interest at a rate based on the Eurodollar Rate (other than a Base Rate Advance bearing interest at a rate based on the Eurodollar Rate).

"Events of Default" has the meaning specified in Section 6.01.

"Excluded Taxes" means, with respect to the Agent, any Lender, any Issuing Bank or any other recipient of any payment to be made by or on account of any obligation of the Borrower

hereunder, (a) taxes imposed on or measured by its overall net income (however denominated), and franchise taxes imposed on it (in lieu of net income taxes), by the United States of America or the jurisdiction (or any political subdivision thereof) under the Laws of which such recipient is organized or does business or in which its principal office is located or, in the case of any Lender, in which its Applicable Lending Office is located, (b) any branch profits taxes imposed by the United States of America or any similar tax imposed by any other jurisdiction in which the Borrower is located, (c) any backup withholding tax that is required by the Internal Revenue Code to be withheld from amounts payable to a Lender that has failed to comply with clause (A) of Section 2.14(e)(ii), (d) in the case of a Foreign Lender (other than as agreed to between any assignee and the Borrower pursuant to a request by the Borrower under Section 2.20), any United States of America withholding tax that (i) is required to be imposed on amounts payable to such Foreign Lender pursuant to the Laws in force at the time such Foreign Lender becomes a party hereto (or designates a new Applicable Lending Office) or (ii) is attributable to such Foreign Lender's failure or inability (other than as a result of a Change in Law) to comply with clause (B) of Section 2.14(e)(ii), except to the extent that such Foreign Lender (or its assignor, if any) was entitled, at the time of designation of a new Applicable Lending Office (or assignment), to receive additional amounts from the Borrower with respect to such withholding tax pursuant to Section 2.14(a)(i) or (ii) and (v) any United States withholding tax imposed by FATCA.

"FATCA" means Section 1471 through 1474 of the Internal Revenue Code, as of the date of this Agreement, and any regulations or official interpretations thereof.

"Federal Funds Rate" means, for any day, the rate per annum equal to the weighted average of the rates on overnight federal funds transactions with members of the Federal Reserve System arranged by federal funds brokers on such day, as published by the Federal Reserve Bank of New York on the Business Day next succeeding such day; provided that (a) if such day is not a Business Day, the Federal Funds Rate for such day shall be such rate on such transactions on the next preceding Business Day as so published on the next succeeding Business Day, (b) if no such rate is so published on such next succeeding Business Day, the Federal Funds Rate for such day shall be the average rate (rounded upward, if necessary, to a whole multiple of 1/100 of 1%) charged to the Agent on such day on such transactions as determined by the Agent, and (c) solely for purposes for determining the Money Market Rate, any such other publication or means of determining the rate for federal funds as agreed to between the Borrower and Swingline Lender.

"Fee Letters" means (a) each of the following letters to the Borrower dated October 11, 2011: (i) the letter from Barclays Capital, RBS Securities Inc. and Wells Fargo Securities, LLC, (ii) the letter from Merrill Lynch, Pierce, Fenner & Smith Incorporated and Credit Suisse Securities (USA) LLC, and (iii) the agent fee letter from Barclays Bank PLC, as Agent, each relating to certain fees payable by the Borrower to such parties in respect of the transactions contemplated by this Agreement and (b) any letter between the Borrower and any Issuing Bank other than an Initial Issuing Bank relating to certain fees payable to such Issuing Bank in its capacity as such, each as amended, modified, restated or supplemented from time to time.

"Foreign Lender" means any Lender that is organized under the Laws of a jurisdiction other than that in which the Borrower is resident for tax purposes (including such a Lender when acting in the capacity of an Issuing Bank or a Swingline Lender). For purposes of this definition,

the United States of America, each State thereof and the District of Columbia shall be deemed to constitute a single jurisdiction.

"Four Corners Acquisition" means the acquisition by APS from Southern California Edison Company ("SCE") of SCE's interests in Units 4 and 5 of the Four Corners Power Plant near Farmington, New Mexico, pursuant to the Purchase and Sale Agreement, dated as of November 8, 2010, by and between SCE and APS.

"Fund" means any Person (other than a natural person) that is (or will be) engaged in making, purchasing, holding or otherwise investing in commercial loans and similar extensions of credit in the ordinary course of its business.

"GAAP" has the meaning specified in Section 1.03.

"Governmental Authority" means the government of the United States of America or any other nation, or of any political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government (including any supra-national bodies such as the European Union or the European Central Bank).

"Guarantee" means as to any Person, any obligation, contingent or otherwise, of such Person directly or indirectly guaranteeing any Indebtedness of any other Person or in any manner providing for the payment of any Indebtedness of any other Person or otherwise protecting the holder of such Indebtedness against loss (whether by virtue of partnership arrangements, agreements to keep well, to purchase assets, goods, securities or services, or to take-or-pay or otherwise), provided that the term "Guarantee" shall not include endorsements for collection or deposit in the ordinary course of business. The term "Guarantee" used as a verb has a corresponding meaning.

"Hazardous Materials" means (a) petroleum and petroleum products, byproducts or breakdown products, radioactive materials, asbestos-containing materials, polychlorinated biphenyls and radon gas and (b) any other chemicals, materials or substances designated, classified or regulated as hazardous or toxic or as a pollutant or contaminant under any Environmental Law.

"Hedge Agreement" means any interest rate swap, cap or collar agreement, interest rate future or option contract, currency swap agreement, currency future or option contract, commodity future or option contract, commodity forward contract or other similar agreement.

"Increase Date" has the meaning specified in Section 2.18(a).

"Increasing Lender" has the meaning specified in Section 2.18(b).

"Indebtedness" means as to any Person at any date (without duplication): (a) indebtedness created, issued, incurred or assumed by such Person for borrowed money or evidenced by bonds, debentures, notes or similar instruments; (b) all obligations of such Person to pay the deferred purchase price of property or services, excluding, however, trade accounts

payable (other than for borrowed money) arising in, and accrued expenses incurred in, the ordinary course of business of such Person so long as such trade accounts payable are paid within 180 days (unless subject to a good faith dispute) of the date incurred; (c) all Indebtedness secured by a lien on any asset of such Person, to the extent such Indebtedness has been assumed by, or is a recourse obligation of, such Person; (d) all Guarantees by such Person; (e) all Capital Lease Obligations of such Person; and (f) the amount of all reimbursement obligations of such Person (whether contingent or otherwise) in respect of letters of credit, bankers' acceptances, surety or other bonds and similar instruments in support of Indebtedness.

"Indemnified Taxes" means Taxes other than Excluded Taxes.

"Initial Issuing Banks" has the meaning given to such term in the introductory paragraph hereof.

"Initial Lenders" has the meaning given to such term in the introductory paragraph hereof.

"Interest Period" means, for each Eurodollar Rate Advance comprising part of the same Borrowing, the period commencing on the date such Eurodollar Rate Advance is disbursed or the date of the Conversion of any Base Rate Advance into such Eurodollar Rate Advance and ending on the last day of the period selected by the Borrower pursuant to the provisions below and, thereafter, each subsequent period commencing on the last day of the immediately preceding Interest Period and ending on the last day of the period selected by the Borrower pursuant to the provisions below. The duration of each such Interest Period shall be one, two, three or six months, as the Borrower may, upon notice received by the Agent not later than 12:00 noon on the third Business Day prior to the first day of such Interest Period, select; provided, however, that:

(a) the Borrower may not select any Interest Period that ends after the Termination Date;

(b) Interest Periods commencing on the same date for Eurodollar Rate Advances comprising part of the same Borrowing shall be of the same duration;

(c) whenever the last day of any Interest Period would otherwise occur on a day other than a Business Day, the last day of such Interest Period shall be extended to occur on the next succeeding Business Day, provided, however, that, if such extension would cause the last day of such Interest Period to occur in the next following calendar month, the last day of such Interest Period shall occur on the next preceding Business Day; and

(d) whenever the first day of any Interest Period occurs on a day of an initial calendar month for which there is no numerically corresponding day in the calendar month that succeeds such initial calendar month by the number of months equal to the number of months in such Interest Period, such Interest Period shall end on the last Business Day of such succeeding calendar month.

"Internal Revenue Code" means the Internal Revenue Code of 1986, as amended from time to time, and the regulations promulgated and rulings issued thereunder.

"ISP" means, with respect to any Letter of Credit, the "International Standby Practices 1998" published by the Institute of International Banking Law & Practice, Inc. (or such later version thereof as may be in effect at the time of issuance).

"Issuing Bank" means the Initial Issuing Banks or any other Lender approved by the Borrower that may agree to issue Letters of Credit pursuant to an Assignment and Assumption or other agreement in form satisfactory to the Borrower and the Agent, so long as such Lender expressly agrees to perform in accordance with their terms all of the obligations that by the terms of this Agreement are required to be performed by it as an Issuing Bank and notifies the Agent of its Applicable Lending Office (which information shall be recorded by the Agent in the Register), for so long as such Initial Issuing Bank or Lender, as the case may be, shall have a Letter of Credit Commitment.

"L/C Advance" means, with respect to each Lender, such Lender's funding of its participation in any L/C Borrowing in accordance with its Ratable Share.

"L/C Borrowing" means an extension of credit resulting from a drawing under any Letter of Credit which has not been reimbursed on the date when made nor refinanced as a Base Rate Advance.

"L/C Cash Deposit Account" means an interest bearing cash deposit account to be established and maintained by the Agent, over which the Agent shall have sole dominion and control, upon terms as may be satisfactory to the Agent.

"L/C Obligations" means, as at any date of determination, the aggregate Available Amount of all outstanding Letters of Credit plus the aggregate of all Unreimbursed Amounts, including all L/C Borrowings. For all purposes of this Agreement, if on any date of determination a Letter of Credit has expired by its terms but any amount may still be drawn thereunder by reason of the operation of Rule 3.14 of the ISP, such Letter of Credit shall be deemed to be "outstanding" in the amount so remaining available to be drawn.

"L/C Related Documents" means with respect to any Letter of Credit, the Letter of Credit Application, and any other document, agreement and instrument entered into by any Issuing Bank and the Borrower or in favor of any Issuing Bank and relating to such Letter of Credit.

"Laws" means, collectively, all international, foreign, Federal, state and local statutes, treaties, rules, guidelines, regulations, ordinances, codes and administrative or judicial precedents or authorities, including the interpretation or administration thereof by any Governmental Authority charged with the enforcement, interpretation or administration thereof, and all applicable administrative orders, directed duties, licenses, authorizations and permits of, and agreements with, any Governmental Authority.

"Lenders" means the Initial Lenders, each Issuing Bank, the Swingline Lender, if any, each Assuming Lender that shall become a party hereto pursuant to Section 2.18 and each Person that shall become a party hereto pursuant to Section 8.07.

"Letter of Credit" has the meaning specified in Section 2.01(b).

"Letter of Credit Application" means an application and agreement for the issuance or amendment of a Letter of Credit in the form from time to time in use by any Issuing Bank.

"Letter of Credit Commitment" means, with respect to each Issuing Bank, the obligation of such Issuing Bank to issue Letters of Credit for the account of the Borrower from time to time in an aggregate amount equal to (a) for each of the Initial Issuing Banks, $30,000,000 and (b) for any other Issuing Bank, as separately agreed to by such Issuing Bank and the Borrower. The Letter of Credit Commitment is part of, and not in addition to, the Revolving Credit Commitments.

"Letter of Credit Expiration Date" means the day that is five Business Days prior to the Termination Date.

"Lien" means any mortgage, pledge, hypothecation, assignment, deposit arrangement, encumbrance, lien (statutory or otherwise), charge or other security interest or preferential arrangement that has the practical effect of creating a security interest, including, without limitation, the lien or retained security title of a conditional vendor and any easement, right of way or other encumbrance on title to real property, and any capital lease having substantially the same economic effect as any of the foregoing.

"Loan Documents" mean this Agreement, each Note, each L/C Related Document and the Fee Letters.

"Material Adverse Effect" means a material adverse effect on (a) the financial condition, operations, business or property of the Borrower and its Subsidiaries (excluding SunCor Development Company and its Subsidiaries) taken as a whole, (b) the rights and remedies of the Agent or any Lender under this Agreement or any Note or (c) the ability of the Borrower to perform its obligations under this Agreement or any Note.

"Material Subsidiary" means APS, at any time, and each other Subsidiary of the Borrower (excluding SunCor Development Company and its Subsidiaries) which as of such time meets the definition of a "significant subsidiary" included as of the date hereof in Regulation S-X of the Securities and Exchange Commission or whose assets at such time exceed 10% of the assets of the Borrower and the Subsidiaries (on a consolidated basis).

"Money Market Rate" means (a) the Federal Funds Rate plus (b) the Applicable Rate for Eurodollar Rate Advances.

"Money Market Rate Advance" means a Swingline Advance that bears interest at a rate based on the Money Market Rate.

"Moody's" means Moody's Investors Service, Inc.

"Multiemployer Plan" means any employee benefit plan of the type described in Section 4001(a)(3) of ERISA, to which the Borrower or any ERISA Affiliate makes or is

obligated to make contributions, or during the preceding five plan years, has made or been obligated to make contributions.

"Note" means a promissory note of the Borrower payable to the order of any Lender, delivered pursuant to a request made under Section 2.16 in substantially the form of Exhibit A hereto.

"Notice of Borrowing" has the meaning specified in Section 2.02(a).

"Obligations" means all advances to, and debts, liabilities, obligations, covenants and duties of, the Borrower arising under any Loan Document or otherwise with respect to any Revolving Advance, Swingline Advance or Letter of Credit, whether direct or indirect (including those acquired by assumption), absolute or contingent, due or to become due, now existing or hereafter arising and including interest and fees that accrue under any Loan Document after the commencement by or against the Borrower of any proceeding under any Debtor Relief Laws naming such Person as the debtor in such proceeding, regardless of whether such interest and fees are allowed claims in such proceeding.

"Other Taxes" means all present or future stamp or documentary taxes or any other excise or property taxes, charges or similar levies arising from any payment made hereunder or under any other Loan Document or from the execution, delivery or enforcement of, or otherwise with respect to, this Agreement or any other Loan Document.

"PBGC" means the Pension Benefit Guaranty Corporation.

"Pension Plan" means any "employee pension benefit plan" (as such term is defined in Section 3(2) of ERISA), other than a Multiemployer Plan, that is subject to Title IV of ERISA and is sponsored or maintained by the Borrower or any ERISA Affiliate or to which the Borrower or any ERISA Affiliate contributes or has an obligation to contribute, or in the case of a multiple employer or other plan described in Section 4064(a) of ERISA, has made contributions at any time during the immediately preceding five plan years.

"Person" means an individual, partnership, corporation (including a business trust), joint stock company, trust, unincorporated association, joint venture, limited liability company or other entity, or a government or any political subdivision or agency thereof.

"Plan" means any "employee benefit plan" (as such term is defined in Section 3(3) of ERISA) established by the Borrower or, with respect to any such plan that is subject to Section 412 of the Internal Revenue Code or Title IV of ERISA, any ERISA Affiliate.

"Public Debt Rating" means, as of any date, the rating that has been most recently announced by either S&P or Moody's, as the case may be, applicable to any outstanding class of non-credit enhanced long-term senior unsecured debt issued by, or, if no such senior unsecured debt is outstanding at the time of determination, such rating for bank credit facilities for, the Borrower or, if any such rating agency shall have issued more than one such rating, the lowest such rating issued by such rating agency. For purposes of the foregoing, (a) if only one of S&P and Moody's shall have in effect a Public Debt Rating, the Applicable Rate shall be determined by reference to the available rating; (b) if neither S&P nor Moody's shall have in effect a Public

Debt Rating, the Applicable Rate will be set in accordance with Level 6 under the definition of "Applicable Rate"; (c) if the ratings established by S&P and Moody's shall fall within different levels, the Applicable Rate shall be based upon the higher rating unless such ratings differ by two or more levels, in which case the applicable level will be deemed to be one level below the higher of such levels; (d) if any rating established by S&P or Moody's shall be changed (other than as a result of a change in the basis on which ratings are established), such change shall be effective as of the date on which such change is first announced publicly by the rating agency making such change; and (e) if S&P or Moody's shall change the basis on which ratings are established, each reference to the Public Debt Rating announced by S&P or Moody's, as the case may be, shall refer to the then equivalent rating by S&P or Moody's, as the case may be.

"PVNGS" means the Palo Verde Nuclear Generating Station.

"Ratable Share" of any amount means, with respect to any Lender at any time but subject to the provisions of Section 2.19, the product of such amount times a fraction the numerator of which is the amount of such Lender's Revolving Credit Commitment at such time (or, if the Revolving Credit Commitments shall have been terminated pursuant to Section 2.05 or 6.01, such Lender's Revolving Credit Commitment as in effect immediately prior to such termination) and the denominator of which is the aggregate amount of all Revolving Credit Commitments at such time (or, if the Revolving Credit Commitments shall have been terminated pursuant to Section 2.05 or 6.01, the aggregate amount of all Revolving Credit Commitments as in effect immediately prior to such termination).

"Register" has the meaning specified in Section 8.07(c).

"Related Parties" means, with respect to any Person, such Person's Affiliates and the partners, directors, officers, employees, agents, trustees and advisors of such Person and of such Person's Affiliates.

"Reportable Event" means any of the events set forth in Section 4043(c) of ERISA, other than events for which the 30-day notice period has been waived under the final regulations issued under Section 4043, as in effect as of the date of this Agreement (the "Section 4043 Regulations"). Any changes made to the Section 4043 Regulations that become effective after the Effective Date shall have no impact on the definition of Reportable Event as used herein unless otherwise amended by the Borrower and the Required Lenders.

"Required Lenders" means, at any time, but subject to Section 2.19, Lenders holding in the aggregate more than 50% of (a) the Revolving Credit Commitments or (b) if the Revolving Credit Commitments have been terminated, the Total Outstandings.

"Revolving Advance" means an advance by a Lender to the Borrower as part of a Borrowing, including a Base Rate Advance made pursuant to Section 2.03(c), but excluding any L/C Advance made as part of an L/C Borrowing and any Swingline Advance, and refers to a Base Rate Advance or a Eurodollar Rate Advance (each of which shall be a Type of Revolving Advance).

"Revolving Credit Commitment" means, as to any Lender, its obligation to (a) make Revolving Advances to the Borrower pursuant to Section 2.01 and 2.03(c), (b) purchase

participations in L/C Obligations and (c) make Revolving Advances pursuant to Section 2.03A(c) for the purpose of repaying Swingline Advances, in an aggregate principal amount at any one time outstanding not to exceed the amount set forth opposite such Lender's name on Schedule 1.01 under the column "Revolving Credit Commitment" or if such Lender has become a Lender hereunder pursuant to an Assumption Agreement or if such Lender has entered into any Assignment and Assumption, the amount set forth for such Lender in the Register, in each case as such amount may be reduced pursuant to Section 2.05 or increased pursuant to Section 2.18.

"S&P" means Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc.

"Sale Leaseback Obligation Bonds" means PVNGS II Funding Corp.'s (a) 8.00% Secured Lease Obligation Bonds, Series 1993, due 2015; (b) any other bonds issued by or on behalf of the Borrower in connection with a sale/leaseback transaction; and (c) any refinancing or refunding of the obligations specified in subclauses (a) and (b) above.

"SEC Reports" means the Borrower's (i) Form 10-K Report for the year ended December 31, 2010, (ii) Form 10-Q Reports for the quarters ended March 31, 2011, June 30, 2011, and September 30, 2011, (iii) Form 8-K Reports filed on February 18, February 22, February 25, April 22, May 24, June 1, June 28, July 1, and August 24 of 2011.

"Subsidiary" of any Person means any corporation, partnership, joint venture, limited liability company, trust or estate of which (or in which) more than 50% of (a) the issued and outstanding Voting Stock, (b) the interest in the capital or profits of such limited liability company, partnership or joint venture or (c) the beneficial interest in such trust or estate, is at the time directly or indirectly owned or controlled by such Person, by such Person and one or more of its other Subsidiaries or by one or more of such Person's other Subsidiaries; provided that in no event will Subsidiaries include the VIE Lessor Trusts.

"Swingline Advance" means an advance made by the Swingline Lender, if any, to the Borrower pursuant to Section 2.03A.

"Swingline Eurodollar Rate Advance" means a Swingline Advance that bears interest at a rate equivalent to (a) clause (b) under the definition of Eurodollar Rate, plus (b) the Applicable Rate for Eurodollar Rate Advances.

"Swingline Exposure" means, at any time, the aggregate principal amount of all Swingline Advances outstanding at such time. The Swingline Exposure of any Lender shall be its Ratable Share of the total Swingline Exposure at such time.

"Swingline Lender" means, upon notice to the Agent by such Lender and the Borrower, any Lender approved by the Borrower and the Agent from time to time that may agree to fund Swingline Advances.

"Taxes" means all present or future taxes, levies, imposts, duties, deductions, withholdings (including backup withholding), assessments, fees or other charges imposed by any Governmental Authority, including any interest, additions to tax or penalties applicable thereto.

"Termination Date" means the earlier of (a) November 4, 2016 and (b) the date of termination in whole of the Commitments pursuant to Section 2.05 or 6.01.

"Total Outstandings" means the sum of (a) the aggregate principal amount of all Revolving Advances plus (b) all L/C Obligations outstanding plus (c) the aggregate Swingline Exposure.

"Type" means a Base Rate Advance or a Eurodollar Rate Advance.

"Unreimbursed Amount" has the meaning specified in Section 2.03(c)(i).

"Unissued Letter of Credit Commitment" means, with respect to any Issuing Bank, the obligation of such Issuing Bank to issue Letters of Credit for the account of the Borrower in an amount equal to the excess of (a) the amount of its Letter of Credit Commitment over (b) the aggregate Available Amount of all Letters of Credit issued by such Issuing Bank.

"Unused Commitment" means, with respect to each Lender at any time, (a) such Lender's Revolving Credit Commitment at such time minus (b) the sum of (i) the aggregate principal amount of all Revolving Advances made by such Lender (in its capacity as a Lender) and outstanding at such time and (ii) such Lender's Ratable Share of the aggregate L/C Obligations and, other than for the purposes of calculation of the commitment fees, such Lender's Ratable Share of the aggregate Swingline Exposure outstanding at such time.

"VIE Lessor Trusts" means the three (3) separate variable-interest entity lessor trusts that purchased from, and leased back to, APS certain interests in the PVNGS Unit 2 and related common facilities, as described in Note 9 of Notes to Condensed Consolidated Financial Statements in APS' Quarterly Report on Form 10-Q for the quarter ended March 31, 2010.

"Voting Stock" means capital stock issued by a corporation, or equivalent interests in any other Person, the holders of which are ordinarily, in the absence of contingencies, entitled to vote for the election of directors (or persons performing similar functions) of such Person, even if the right so to vote has been suspended by the happening of such a contingency.

Section 1.02 Other Interpretive Provisions. With reference to this Agreement and each other Loan Document, unless otherwise specified herein or in such other Loan Document:

(a) The definitions of terms herein shall apply equally to the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words "include," "includes" and "including" shall be deemed to be followed by the phrase "without limitation." The word "will" shall be construed to have the same meaning and effect as the word "shall." Unless the context requires otherwise, (i) any definition of or reference to any agreement, instrument or other document shall be construed as referring to such agreement, instrument or other document as from time to time amended, supplemented or otherwise modified (subject to any restrictions on such amendments, supplements or modifications set forth herein or in any other Loan Document), (ii) any reference herein to any Person shall be construed to include such Person's permitted successors and permitted assigns, (iii) the words "herein," "hereof" and "hereunder," and words of similar import when used in any Loan Document, shall be construed to refer to

such Loan Document in its entirety and not to any particular provision thereof, (iv) all references in a Loan Document to Articles, Sections, Exhibits and Schedules shall be construed to refer to Articles and Sections of, and Exhibits and Schedules to, the Loan Document in which such references appear, (v) any reference to any law shall include all statutory and regulatory provisions consolidating, amending, replacing or interpreting such law and any reference to any law or regulation shall, unless otherwise specified, refer to such law or regulation as amended, modified or supplemented from time to time, and (vi) the words "asset" and "property" shall be construed to have the same meaning and effect and to refer to any and all tangible and intangible assets and properties, including cash, securities, accounts and contract rights.

(b) In the computation of periods of time from a specified date to a later specified date, the word "from" means "from and including;" the words "to" and "until" each mean "to but excluding;" and the word "through" means "to and including."

(c) Section headings herein and in the other Loan Documents are included for convenience of reference only and shall not affect the interpretation of this Agreement or any other Loan Document.

Section 1.03 Accounting Terms. Unless otherwise specified herein, all accounting terms used herein shall be interpreted, all accounting determinations hereunder shall be made, and all financial statements required to be delivered hereunder shall be prepared, in accordance with generally accepted accounting principles as in effect from time to time, applied on a basis consistent (except for changes concurred in by the Borrower's independent public accountants) with the most recent audited Consolidated financial statements of the Borrower delivered to the Agent ("GAAP"). If at any time any change in GAAP or in the interpretation thereof would affect the computation of any financial ratio or requirement set forth in any Loan Document, and either the Borrower or the Required Lenders shall so request, the Agent, the Lenders and the Borrower shall negotiate in good faith to amend such ratio or requirement to preserve the original intent thereof in light of such change in GAAP or in the interpretation thereof (subject to the approval of the Required Lenders); provided that, unless and until so amended, such ratio or requirement shall continue to be computed in accordance with GAAP prior to such change therein.

Section 1.04 Rounding. Any financial ratios required to be maintained by the Borrower pursuant to this Agreement shall be calculated by dividing the appropriate component by the other component, carrying the result to one place more than the number of places by which such ratio is expressed herein and rounding the result up or down to the nearest number (with a rounding-up if there is no nearest number).

Section 1.05 Times of Day. Unless otherwise specified, all references herein to times of day shall be references to Eastern time (daylight or standard, as applicable).

ARTICLE II

AMOUNTS AND TERMS OF THE ADVANCES AND LETTERS OF CREDIT

Section 2.01 The Revolving Advances and Letters of Credit.

(a) The Revolving Advances. Each Lender severally agrees, on the terms and conditions hereinafter set forth, to make Revolving Advances in Dollars to the Borrower from time to time on any Business Day during the period from the Effective Date until the Termination Date in an amount not to exceed such Lender's Unused Commitment. Each Borrowing (other than a Swingline Advance) shall be in an aggregate amount of $5,000,000 or an integral multiple of $1,000,000 in excess thereof and shall consist of Revolving Advances of the same Type made on the same day by the Lenders ratably according to their respective Revolving Credit Commitments. Within the limits of each Lender's Revolving Credit Commitment, and subject to the other terms and conditions hereof, the Borrower may borrow under this Section 2.01(a), prepay pursuant to Section 2.10 and reborrow under this Section 2.01(a). Any Swingline Advance shall be made and repaid in accordance with the procedures set forth in Section 2.03A.

(b) Letters of Credit. Each Issuing Bank agrees, on the terms and conditions hereinafter set forth, in reliance upon the agreements of the other Lenders set forth in this Agreement, to issue standby letters of credit (each a "Letter of Credit") for the account of the Borrower from time to time on any Business Day during the period from the Effective Date until 30 days before the Termination Date in an aggregate Available Amount for all Letters of Credit issued by each Issuing Bank not to exceed at any time such Issuing Bank's Letter of Credit Commitment, provided that after giving effect to the issuance of any Letter of Credit, (i) the Total Outstandings shall not exceed the aggregate Revolving Credit Commitments and (ii) each Lender's Ratable Share of the Total Outstandings shall not exceed such Lender's Revolving Credit Commitment. No Letter of Credit shall have an expiration date (including all rights of the Borrower or the beneficiary to require renewal) later than the Letter of Credit Expiration Date. Within the limits referred to above, the Borrower may from time to time request the issuance of Letters of Credit under this Section 2.01(b). The terms "issue", "issued", "issuance" and all similar terms, when applied to a Letter of Credit, shall include any renewal, extension or amendment thereof.

Section 2.02 Making the Revolving Advances.

(a) Except as otherwise provided in Section 2.03(c), each Borrowing (other than a Swingline Advance) shall be made on notice, given not later than (x) 12:00 noon on the third Business Day prior to the date of the proposed Borrowing in the case of a Borrowing consisting of Eurodollar Rate Advances or (y) 12:00 noon on the date of the proposed Borrowing in the case of a Borrowing consisting of Base Rate Advances, by the Borrower to the Agent, which shall give to each Lender prompt notice thereof by facsimile. Each such notice of a Borrowing (a "Notice of Borrowing") shall be in writing or by facsimile in substantially the form of Exhibit B hereto, specifying therein the requested (i) date of such Borrowing, (ii) Type of Revolving Advances comprising such Borrowing, (iii) aggregate amount of such Borrowing, and (iv) in the

case of a Borrowing consisting of Eurodollar Rate Advances, initial Interest Period for each such Revolving Advance. Each Lender shall, in the case of a Borrowing consisting of Base Rate Advances, before 2:00 p.m. on the date of such Borrowing, and in the case of a Borrowing consisting of Eurodollar Rate Advances, before 11:00 a.m. on date of such Borrowing, make available for the account of its Applicable Lending Office to the Agent at the Agent's Account, in same day funds, such Lender's Ratable Share of such Borrowing. After the Agent's receipt of such funds and upon fulfillment of the applicable conditions set forth in Article III, the Agent will make such funds available to the Borrower at the Agent's address referred to in Section 8.02 or as requested by the Borrower in the applicable Notice of Borrowing.

(b) Anything in subsection (a) above to the contrary notwithstanding, (i) the Borrower may not select Eurodollar Rate Advances for any Borrowing if the aggregate amount of such Borrowing is less than $5,000,000 or if the obligation of the Lenders to make Eurodollar Rate Advances shall then be suspended pursuant to Section 2.08 or 2.12 and (ii) at no time shall there be more than fifteen different Interest Periods outstanding for Eurodollar Rate Advances.

(c) Each Notice of Borrowing shall be irrevocable and binding on the Borrower. In the case of any Borrowing that the related Notice of Borrowing specifies is to be comprised of Eurodollar Rate Advances, the Borrower shall indemnify each Lender against any loss, cost or expense reasonably incurred by such Lender as a result of any failure to fulfill on or before the date specified in such Notice of Borrowing for such Borrowing the applicable conditions set forth in Article III, including, without limitation, any loss (excluding loss of anticipated profits), cost or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired by such Lender to fund the Revolving Advance to be made by such Lender as part of such Borrowing when such Revolving Advance, as a result of such failure, is not made on such date.

(d) Unless the Agent shall have received notice from a Lender prior to the time of the applicable Borrowing that such Lender will not make available to the Agent such Lender's Ratable Share of such Borrowing, the Agent may assume that such Lender has made such portion available to the Agent on the date of such Borrowing in accordance with subsection (a) of this Section 2.02 and the Agent may, in reliance upon such assumption, make available to the Borrower on such date a corresponding amount. If and to the extent that such Lender shall not have so made such Ratable Share available to the Agent, such Lender and the Borrower severally agree to repay to the Agent within one Business Day after demand for such Lender and within three Business Days after demand for the Borrower such corresponding amount together with interest thereon, for each day from the date such amount is made available to the Borrower until the date such amount is repaid to the Agent, at (i) in the case of the Borrower, the interest rate applicable at the time to Revolving Advances comprising such Borrowing and (ii) in the case of such Lender, the Federal Funds Rate. If the Borrower and such Lender shall pay such interest to the Agent for the same or an overlapping period, the Agent shall promptly remit to the Borrower the amount of such interest paid by the Borrower for such period. If such Lender shall repay to the Agent such corresponding amount, such amount so repaid shall constitute such Lender's Revolving Advance as part of such Borrowing for purposes of this Agreement.

(e) The failure of any Lender to make the Revolving Advance to be made by it as part of any Borrowing shall not relieve any other Lender of its obligation, if any, hereunder to make

its Revolving Advance on the date of such Borrowing, but no Lender shall be responsible for the failure of any other Lender to make the Revolving Advance to be made by such other Lender on the date of any Borrowing.

Section 2.03 Letters of Credit.

(a) General.

(i) No Issuing Bank shall issue any Letter of Credit, if the expiry date of such requested Letter of Credit would occur after the Letter of Credit Expiration Date, unless all the Lenders have approved such expiry date.

(ii) No Issuing Bank shall be under any obligation to issue any Letter of Credit if:

(A) any order, judgment or decree of any Governmental Authority or arbitrator shall by its terms purport to enjoin or restrain such Issuing Bank from issuing such Letter of Credit, or any Law applicable to such Issuing Bank or any request or directive (whether or not having the force of law) from any Governmental Authority with jurisdiction over such Issuing Bank shall prohibit, or request that such Issuing Bank refrain from, the issuance of letters of credit generally or such Letter of Credit in particular or shall impose upon such Issuing Bank with respect to such Letter of Credit any restriction, reserve or capital requirement (for which such Issuing Bank is not otherwise compensated hereunder) not in effect on the Effective Date, or shall impose upon such Issuing Bank any unreimbursed loss, cost or expense which was not applicable on the Effective Date and which, in each such case, such Issuing Bank in good faith deems material to it;

(B) except as otherwise agreed by the Borrower and such Issuing Bank, such Letter of Credit is in an initial stated amount less than $350,000;

(C) such Letter of Credit is to be denominated in a currency other than Dollars;

(D) such Letter of Credit contains any provisions for automatic reinstatement of the stated amount after any drawing thereunder;

(E) subject to Section 2.03(b)(iii), the expiry date of such requested Letter of Credit would occur more than twelve months after the date of issuance or last extension; or

(F) any Lender is at such time an Affected Lender hereunder, unless the applicable Issuing Bank is satisfied that the related exposure will be 100% covered by the Commitments of the non-Affected Lenders or, if not so covered, until such Issuing Bank has entered into arrangements satisfactory to it in its sole discretion with the Borrower or such Affected Lender to eliminate such Issuing Bank's risk with respect to such Affected Lender, and participating interests in

any such newly issued Letter of Credit shall be allocated among non-Affected Lenders in a manner consistent with Section 2.19(c)(i) (and Affected Lenders shall not participate therein);

(iii) No Issuing Bank shall amend any Letter of Credit if such Issuing Bank would not be permitted at such time to issue such Letter of Credit in its amended form under the terms hereof.

(iv) No Issuing Bank shall be under any obligation to amend any Letter of Credit if (A) such Issuing Bank would have no obligation at such time to issue such Letter of Credit in its amended form under the terms hereof, or (B) the beneficiary of such Letter of Credit does not accept the proposed amendment to such Letter of Credit.

(b) Procedures for Issuance and Amendment of Letters of Credit; Auto-Extension Letters of Credit.

(i) Each Letter of Credit shall be issued or amended, as the case may be, upon the request of the Borrower delivered to the applicable Issuing Bank (with a copy to the Agent) in the form of a Letter of Credit Application, appropriately completed and signed by an Authorized Officer of the Borrower. Such Letter of Credit Application must be received by such Issuing Bank and the Agent not later than 11:00 a.m. at least two Business Days (or such later date and time as the Agent and such Issuing Bank may agree in a particular instance in their sole discretion) prior to the proposed issuance date or date of amendment, as the case may be. In the case of a request for an initial issuance of a Letter of Credit, such Letter of Credit Application shall specify in form and detail satisfactory to the applicable Issuing Bank: (A) the proposed issuance date of the requested Letter of Credit (which shall be a Business Day); (B) the amount thereof; (C) the expiry date thereof; (D) the name and address of the beneficiary thereof; (E) the documents to be presented by such beneficiary in case of any drawing thereunder; (F) the full text of any certificate to be presented by such beneficiary in case of any drawing thereunder; (G) the purpose and nature of the requested Letter of Credit; and (H) such other matters as such Issuing Bank may require. In the case of a request for an amendment of any outstanding Letter of Credit, such Letter of Credit Application shall specify in form and detail satisfactory to the applicable Issuing Bank (A) the Letter of Credit to be amended; (B) the proposed date of amendment thereof (which shall be a Business Day); (C) the nature of the proposed amendment; and (D) such other matters as such Issuing Bank may require. Additionally, the Borrower shall furnish to the applicable Issuing Bank and the Agent such other documents and information pertaining to such requested Letter of Credit issuance or amendment, including any L/C Related Documents, as the applicable Issuing Bank or the Agent may require. In the event and to the extent that the provisions of any Letter of Credit Application or other L/C Related Document shall conflict with this Agreement, the provisions of this Agreement shall govern. Without limitation of the immediately preceding sentence, no such Letter of Credit Application or other L/C Related Document may impose any additional conditions on the issuance or maintenance of a Letter of Credit, any additional default provisions, collateral requirements or other obligations of the Borrower to any Issuing Bank, other than as stated in this Agreement.

(ii) Promptly after receipt of any Letter of Credit Application, the applicable Issuing Bank will confirm with the Agent (by telephone or in writing) that the Agent has received a copy of such Letter of Credit Application from the Borrower and, if not, such Issuing Bank will provide the Agent with a copy thereof. Unless the applicable Issuing Bank has received written notice from the Required Lenders, the Agent or the Borrower, at least one Business Day prior to the requested date of issuance or amendment of the applicable Letter of Credit, that one or more applicable conditions contained in Article III shall not then be satisfied, then, subject to the terms and conditions hereof, such Issuing Bank shall, on the requested date, issue a Letter of Credit for the account of the Borrower or enter into the applicable amendment, as the case may be, in each case in accordance with such Issuing Bank's usual and customary business practices. Immediately upon the issuance of each Letter of Credit, each Lender shall be deemed to, and hereby irrevocably and unconditionally agrees to, purchase from such Issuing Bank a risk participation in such Letter of Credit in an amount equal to the product of such Lender's Ratable Share times the amount of such Letter of Credit.

(iii) If the Borrower so requests in any applicable Letter of Credit Application, the applicable Issuing Bank may, in its sole and absolute discretion, agree to issue a Letter of Credit that has automatic extension provisions (each, an "Auto-Extension Letter of Credit"); provided that any such Auto-Extension Letter of Credit must permit such Issuing Bank to prevent any such extension at least once in each twelve-month period (commencing with the date of issuance of such Letter of Credit) by giving prior notice to the beneficiary thereof not later than a day (the "Non-Extension Notice Date") in each such twelve-month period to be agreed upon at the time such Letter of Credit is issued. Unless otherwise directed by the applicable Issuing Bank, the Borrower shall not be required to make a specific request to the applicable Issuing Bank for any such extension. Once an Auto-Extension Letter of Credit has been issued, the Lenders shall be deemed to have authorized (but may not require) the applicable Issuing Bank to permit the extension of such Letter of Credit at any time to an expiry date not later than the Letter of Credit Expiration Date; provided, however, that the applicable Issuing Bank shall not permit any such extension (or may issue a Notice of Non-Extension) if (A) such Issuing Bank has determined that it would not be permitted at such time to issue such Letter of Credit in its revised form (as extended) by reason of the provisions of clause (i) of Section 2.03(a) (or would have no obligation to issue such Letter of Credit by reason of the provisions of clause (ii) of Section 2.03(a)), or (B) it has received notice (which may be by telephone or in writing) on or before the day that is seven Business Days before the Non-Extension Notice Date (1) from the Agent that the Required Lenders have elected not to permit such extension pursuant to Section 6.02 or (2) from the Agent, the Required Lenders or the Borrower that one or more of the applicable conditions specified in Section 3.02 is not then satisfied, and in each such case directing such Issuing Bank not to permit such extension.

(iv) Promptly after its delivery of any Letter of Credit or any amendment to a Letter of Credit to an advising bank with respect thereto or to the beneficiary thereof, the applicable Issuing Bank will also deliver to the Borrower and the Agent a true and complete copy of such Letter of Credit or amendment.

(c) Drawings and Reimbursements; Funding of Participations.

(i) Subject to the provisions below, not later than 2:30 p.m. on the date (the "Honor Date") that any Issuing Bank makes any payment on a drawing on any Letter of Credit, if the Borrower shall have received notice of such payment prior to 11:30 a.m. on such date, or, if such notice has not been received by the Borrower prior to such time on such date, then not later than 2:30 p.m. on the next Business Day, the Borrower shall reimburse such Issuing Bank through the Agent in an amount equal to the amount of such drawing together with interest thereon. If the Borrower fails to so reimburse such Issuing Bank by such time, unless the Borrower shall have advised the Agent that it does not meet the conditions specified in clause (B) below, the Agent shall promptly notify each Lender of the Honor Date, the amount of the unreimbursed drawing (the "Unreimbursed Amount"), and the amount of such Lender's Ratable Share thereof. In such event, the Borrower shall be deemed to have requested a Base Rate Advance to be disbursed on the Honor Date in an amount equal to the Unreimbursed Amount, without regard to the minimum and multiples specified in Section 2.01(a) or the delivery of a Notice of Borrowing but subject to (A) the amount of the aggregate Unused Commitments and (B) no Event of Default having occurred and be continuing, or resulting therefrom and, to the extent so financed, the Borrower's obligation to satisfy the reimbursement obligation created by such payment by the Issuing Bank on the Honor Date shall be discharged and replaced by the resulting Base Rate Advance. Any notice given by any Issuing Bank or the Agent pursuant to this Section 2.03(c)(i) may be given by telephone if immediately confirmed in writing; provided that the lack of such an immediate confirmation shall not affect the conclusiveness or binding effect of such notice.

(ii) Each Lender shall upon any notice pursuant to Section 2.03(c)(i) make funds available to the Agent for the account of the applicable Issuing Bank at the Agent's Office in an amount equal to its Ratable Share of the Unreimbursed Amount not later than 4:00 p.m. on the Business Day specified in such notice by the Agent, whereupon, subject to the provisions of Section 2.03(c)(iii), each Lender that so makes funds available shall be deemed to have made a Base Rate Advance to the Borrower in such amount. The Agent shall remit the funds so received to the applicable Issuing Bank.

(iii) With respect to any Unreimbursed Amount that is not fully refinanced by a Base Rate Advance because any of the conditions set forth in clauses (A), (B) or (C) of Section 2.03(c)(i) cannot be satisfied or for any other reason, then not later than 2:30 p.m. on the next Business Day after the day notice of the drawing is given to the Borrower, in the case of a failure to meet any such condition, or in any other case, after notice of the event resulting in the outstanding Unreimbursed Amount, the Borrower shall reimburse such Issuing Bank through the Agent in an amount equal to the amount of such outstanding Unreimbursed Amount with interest thereon. If the Borrower fails to so reimburse such Issuing Bank by such time, the Borrower shall be deemed to have incurred from the applicable Issuing Bank an L/C Borrowing in the amount of the Unreimbursed Amount that is not so refinanced, which L/C Borrowing shall be due and payable on demand (together with interest) and shall bear interest at the Base Rate in effect from time to time plus the Applicable Rate for Base Rate Advances in effect from time to time plus 2% per annum. In such event, each Lender's payment to the Agent for

the account of the applicable Issuing Bank pursuant to Section 2.03(c)(ii) shall be deemed payment in respect of its participation in such L/C Borrowing and shall constitute an L/C Advance from such Lender in satisfaction of its participation obligation under this Section 2.03.

(iv) Until each Lender funds its Base Rate Advance or L/C Advance pursuant to this Section 2.03(c) to reimburse the applicable Issuing Bank for any amount drawn under any Letter of Credit, interest in respect of such Lender's Ratable Share of such amount shall be solely for the account of the applicable Issuing Bank.

(v) Each Lender's obligation to make Base Rate Advances or L/C Advances to reimburse the applicable Issuing Bank for amounts drawn under Letters of Credit, as contemplated by this Section 2.03(c), shall be absolute and unconditional and shall not be affected by any circumstance, including (A) any setoff, counterclaim, recoupment, defense or other right which such Lender may have against such Issuing Bank, the Borrower or any other Person for any reason whatsoever; (B) the occurrence or continuance of a Default, or (C) any other occurrence, event or condition, whether or not similar to any of the foregoing; provided, however, that each Lender's obligation to make Base Rate Advances pursuant to this Section 2.03(c) is subject to the conditions set forth in Section 2.03(c)(i). No such making of an L/C Advance shall relieve or otherwise impair the obligation of the Borrower to reimburse the applicable Issuing Bank for the amount of any payment made by such Issuing Bank under any Letter of Credit, together with interest as provided herein.

(vi) If any Lender fails to make available to the Agent for the account of the applicable Issuing Bank any amount required to be paid by such Lender pursuant to the foregoing provisions of this Section 2.03(c) by the time specified in Section 2.03(c)(ii), such Issuing Bank shall be entitled to recover from such Lender (acting through the Agent), on demand, such amount with interest thereon for the period from the date such payment is required to the date on which such payment is immediately available to such Issuing Bank at a rate per annum equal to the greater of the Federal Funds Rate and a rate determined by such Issuing Bank in accordance with banking industry rules on interbank compensation, plus any administrative, processing or similar fees customarily charged by such Issuing Bank in connection with the foregoing. If such Lender pays such amount (with interest and fees as aforesaid), the amount so paid shall constitute such Lender's Base Rate Advance included in the relevant Borrowing or L/C Advance in respect of the relevant L/C Borrowing, as the case may be. A certificate of the applicable Issuing Bank submitted to any Lender (through the Agent) with respect to any amounts owing under this clause (vi) shall be conclusive absent manifest error.

(d) Repayment of Participations.

(i) At any time after the applicable Issuing Bank has made a payment under any Letter of Credit and has received from any Lender such Lender's L/C Advance in respect of such payment in accordance with Section 2.03(c), if the Agent receives for the account of such Issuing Bank any payment in respect of the related Unreimbursed Amount or interest thereon (whether directly from the Borrower or otherwise, including

proceeds of Cash Collateral (as defined in Section 2.03(h)) applied thereto by the Agent), the Agent will distribute to such Lender its Ratable Share thereof in the same funds as those received by the Agent.

(ii) If any payment received by the Agent for the account of the applicable Issuing Bank pursuant to Section 2.03(c)(i) is required to be returned under any of the circumstances described in Section 8.12 (including pursuant to any settlement entered into by such Issuing Bank in its discretion), each Lender shall pay to the Agent for the account of such Issuing Bank its Ratable Share thereof on demand of the Agent, plus interest thereon from the date of such demand to the date such amount is returned by such Lender, at a rate per annum equal to the Federal Funds Rate from time to time in effect. The obligations of the Lenders under this clause shall survive the payment in full of the Obligations and the termination of this Agreement.

(e) Failure to Make Revolving Advances. The failure of any Lender to make the Revolving Advance to be made by it on the date specified in Section 2.03(c) or any L/C Advance shall not relieve any other Lender of its obligation hereunder to make its Revolving Advance or L/C Advance, as the case may be, to be made by such other Lender on such date.

(f) Obligations Absolute. The obligation of the Borrower to reimburse the applicable Issuing Bank for each drawing under each Letter of Credit and to repay each L/C Borrowing shall be absolute, unconditional and irrevocable, and shall be paid strictly in accordance with the terms of this Agreement under all circumstances, including the following:

(i) any lack of validity or enforceability of such Letter of Credit, this Agreement, or any other Loan Document;

(ii) the existence of any claim, counterclaim, setoff, defense or other right that the Borrower may have at any time against any beneficiary or any transferee of such Letter of Credit (or any Person for whom any such beneficiary or any such transferee may be acting), any Issuing Bank or any other Person, whether in connection with this Agreement, the transactions contemplated hereby or by such Letter of Credit or any agreement or instrument relating thereto, or any unrelated transaction;

(iii) any draft, demand, certificate or other document presented under such Letter of Credit proving to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect; or any loss or delay in the transmission or otherwise of any document required in order to make a drawing under such Letter of Credit;

(iv) any payment by the applicable Issuing Bank under such Letter of Credit against presentation of a draft or certificate that does not strictly comply with the terms of such Letter of Credit; or any payment made by the applicable Issuing Bank under such Letter of Credit to any Person purporting to be a trustee in bankruptcy, debtor-in-possession, assignee for the benefit of creditors, liquidator, receiver or other representative of or successor to any beneficiary or any transferee of such Letter of

Credit, including any arising in connection with any proceeding under any Debtor Relief Law; or

(v) any other circumstance or happening whatsoever, whether or not similar to any of the foregoing, including any other circumstance that might otherwise constitute a defense available to, or a discharge of, the Borrower.

provided, however, that nothing in this Section 2.03(f) shall limit the rights of the Borrower under Section 2.03(g).

The Borrower shall promptly examine a copy of each Letter of Credit and each amendment thereto that is delivered to it and, in the event of any claim of noncompliance with the Borrower's instructions or other irregularity that is known to the Borrower in connection with any draw under such Letter of Credit of which the Borrower has reasonable notice, the Borrower will immediately notify the applicable Issuing Bank. To the extent allowed by applicable Law, Borrower shall be conclusively deemed to have waived any such claim against the applicable Issuing Bank and its correspondents unless such notice is given as aforesaid. Nothing herein shall require the Borrower to make any determination as to whether the drawing is in accordance with the requirements of the Letter of Credit, provided that the Borrower may waive any discrepancies in the drawing on any such Letter of Credit.

(g) Role of Issuing Bank. Each Lender and the Borrower agree that, in paying any drawing under a Letter of Credit, the applicable Issuing Bank shall not have any responsibility to obtain any document (other than any sight draft, certificates and documents expressly required by the Letter of Credit) or to ascertain or inquire as to the validity or accuracy of any such document or the authority of the Person executing or delivering any such document. None of the applicable Issuing Bank, the Agent, any of their respective Related Parties nor any correspondent, participant or assignee of such Issuing Bank shall be liable to any Lender for (i) any action taken or omitted in connection herewith at the request or with the approval of the Lenders or the Required Lenders, as applicable; (ii) any action taken or omitted in the absence of gross negligence or willful misconduct; or (iii) the due execution, effectiveness, validity or enforceability of any document or instrument related to any Letter of Credit or L/C Related Document. The Borrower hereby assumes all risks of the acts or omissions of any beneficiary or transferee with respect to its use of any Letter of Credit; provided, however, that this assumption is not intended to, and shall not, preclude the Borrower's pursuing such rights and remedies as it may have against the beneficiary or transferee at Law or under any other agreement. None of the applicable Issuing Bank, the Agent, any of their respective Related Parties nor any correspondent, participant or assignee of such Issuing Bank shall be liable or responsible for any of the matters described in clauses (i) through (v) of Section 2.03(f); provided, however, that anything in such clauses to the contrary notwithstanding, the Borrower may have a claim against the applicable Issuing Bank, and such Issuing Bank may be liable to the Borrower, to the extent, but only to the extent, of any direct, as opposed to consequential or exemplary, damages suffered by the Borrower which the Borrower proves were caused by such Issuing Bank's willful misconduct or gross negligence or such Issuing Bank's willful failure to pay under any Letter of Credit after the presentation to it by the beneficiary of a sight draft and certificate(s) strictly complying with the terms and conditions of a Letter of Credit. In furtherance and not in limitation of the foregoing, the applicable Issuing Bank may accept documents that appear on its

face to be in order, without responsibility for further investigation, regardless of any notice or information to the contrary, and such Issuing Bank shall not be responsible for the validity or sufficiency of any instrument transferring or assigning or purporting to transfer or assign a Letter of Credit or the rights or benefits thereunder or proceeds thereof, in whole or in part, which may prove to be invalid or ineffective for any reason.

(h) Cash Collateral. Upon the request of the Agent, if, as of the Letter of Credit Expiration Date, any L/C Obligation for any reason remains outstanding, the Borrower shall, in each case, immediately Cash Collateralize the then outstanding L/C Obligations. Section 6.02 sets forth certain additional requirements to deliver Cash Collateral hereunder. For purposes of this Section 2.03, Section 2.19(c)(ii) and Section 6.02, "Cash Collateralize" means to pledge and deposit with or deliver to the Agent, for the benefit of the Issuing Banks and the Lenders, as collateral for the L/C Obligations, cash or deposit account balances pursuant to documentation in form and substance satisfactory to the Agent and each Issuing Bank (which documents are hereby consented to by the Lenders). Derivatives of such term have corresponding meanings. The Borrower hereby grants to the Agent, for the benefit of the Issuing Banks and the Lenders, a security interest in all such cash, deposit accounts and all balances therein and all proceeds of the foregoing. Cash Collateral shall be maintained in blocked, non-interest bearing deposit accounts with the Agent.

(i) Applicability of ISP. Unless otherwise expressly agreed by the applicable Issuing Bank and the Borrower when a Letter of Credit is issued, the rules of the ISP shall apply to each standby Letter of Credit.

(j) Letter of Credit Reports. Each Issuing Bank shall furnish (A) to the Agent on the first Business Day of each month a written report summarizing issuance and expiration dates of Letters of Credit issued by such Issuing Bank during the preceding month and drawings during such month under all such Letters of Credit and (B) to the Agent on the first Business Day of each calendar quarter a written report setting forth the average daily aggregate Available Amount during the preceding calendar quarter of all Letters of Credit issued by such Issuing Bank.

(k) Interim Interest. Except as provided in Section 2.03(c)(ii) with respect to Unreimbursed Amounts refinanced as Base Rate Advances and Section 2.03(c)(iii) with respect to L/C Borrowings, unless the Borrower shall reimburse each payment by an Issuing Bank pursuant to a Letter of Credit in full on the Honor Date, the Unreimbursed Amount thereof shall bear interest, for each day from and including the Honor Date to but excluding the date that the Borrower reimburses such Issuing Bank for the Unreimbursed Amount in full, at the rate per annum equal to (i) the Base Rate in effect from time to time plus the Applicable Rate for Base Rate Advances in effect from time to time, to but excluding the next Business Day after the Honor Date and (ii) from and including the next Business Day after the Honor Date, the Base Rate in effect from time to time plus the Applicable Rate for Base Rate Advances in effect from time to time plus 2% per annum.

Section 2.03A Swingline Advances.

(a) Amount of Swingline Advances. Subject to the terms and conditions set forth herein, the Swingline Lender will make Swingline Advances in Dollars to the Borrower from

time to time during the period from the Effective Date until the Termination Date, in an aggregate principal amount at any time outstanding that will not result in (i) the aggregate principal amount of all outstanding Swingline Advances exceeding $25,000,000 (or such lesser amount as agreed between the Borrower and the Swingline Lender) or (ii) the Total Outstandings exceeding the aggregate Revolving Credit Commitment. Each Swingline Advance shall be in an aggregate amount of $500,000 or an integral multiple of $100,000 in excess thereof or such greater amounts as agreed between the Borrower and the Swingline Lender. Within the foregoing limits and subject to the terms and conditions set forth herein, the Borrower may borrow, prepay and reborrow Swingline Advances. The Swingline Lender shall be under no obligation to make a Swingline Advance if any Lender is at such time an Affected Lender hereunder, unless the Swingline Lender is satisfied that the related exposure will be 100% covered by the Commitments of the non-Affected Lenders or, if not so covered, until the Swingline Lender has entered into arrangements satisfactory to it in its sole discretion with the Borrower or such Affected Lender to eliminate the Swingline Lender's risk with respect to such Affected Lender, and participating interests in any such newly made Swingline Advance shall be allocated among non-Affected Lenders in a manner consistent with Section 2.19(c)(i) (and Affected Lenders shall not participate therein).

(b) Borrowing Notice and Making of Swingline Advances. To request a Swingline Advance, the Borrower shall notify the Swingline Lender and the Agent of such request by telephone (confirmed by facsimile), not later than 2:00 p.m. (or such later time as the Swingline Lender may determine in its sole discretion), on the day of such Swingline Advance. Each such notice shall be irrevocable and shall specify the requested date (which shall be a Business Day) and amount of the requested Swingline Advance. The Swingline Lender shall promptly notify the Borrower and the Agent (and the Agent shall promptly notify each Lender) and the Swingline Lender shall make each Swingline Advance available to the Borrower by 2:30 p.m. (or such later time as may be agreed by the Swingline Lender and the Borrower) on the requested date of such Swingline Advance in a manner agreed upon by the Borrower and the Swingline Lender. Each Swingline Advance shall bear interest at the Base Rate, or, at the option of the Borrower and subject to prior agreement between the Borrower and the Swingline Lender, shall be a Swingline Eurodollar Rate Advance or a Money Market Rate Advance.

(c) Repayment of Swingline Advances. Each Swingline Advance shall be paid in full by the Borrower on the earlier of (x) on or before the fourteenth (14th) Business Day after the date such Swingline Advance was made by the Swingline Lender or (y) the Termination Date. A Swingline Advance may not be repaid with the proceeds from another Swingline Advance. In addition, the Swingline Lender (i) may at any time in its sole discretion with respect to any outstanding Swingline Advance, or (ii) shall, on the fourteenth (14th) Business Day after the date any Swingline Advance is made and which has not been otherwise repaid, require each Lender (including the Swingline Lender) to make a Revolving Advance in the amount of such Lender's Ratable Share of such Swingline Advance (including, without limitation, any interest accrued and unpaid thereon), for the purpose of repaying such Swingline Advance. Not later than 2:00 p.m. on the date of any notice received pursuant to this Section 2.03A(c), each Lender shall make available to the Agent its required Revolving Advance, in immediately available funds in the same manner as provided in Section 2.02(a) with respect to Revolving Advances made by such Lender. Revolving Advances made pursuant to this Section 2.03A(c) shall initially be Base Rate Advances and thereafter may be continued as Base Rate Advances or converted into Eurodollar

Rate Advances in the manner provided in Section 2.09 and subject to the other conditions and limitations set forth in this Article II. Each Lender's obligation to make Revolving Advances pursuant to this Section 2.03A(c) to repay Swingline Advances shall be unconditional, continuing, irrevocable and absolute and shall not be affected by any circumstances, including, without limitation, (a) any set-off, counterclaim, recoupment, defense or other right which such Lender may have against the Agent, the Swingline Lender or any other Person, (b) the occurrence or continuance of a Default or an Event of Default, (c) any adverse change in the condition (financial or otherwise) of the Borrower, or (d) any other circumstance, happening or event whatsoever. In the event that any Lender fails to make payment to the Agent of any amount due under this Section 2.03A(c), the Agent shall be entitled to receive, retain and apply against such obligation the principal and interest otherwise payable to such Lender hereunder until the Agent receives such payment from such Lender or such obligation is otherwise fully satisfied. In addition to the foregoing, if for any reason any Lender fails to make payment to the Agent of any amount due under this Section 2.03A(c), such Lender shall be deemed, at the option of the Agent, to have unconditionally and irrevocably purchased from the Swingline Lender without recourse or warranty, an undivided interest and participation in the applicable Swingline Advance in the amount of such Revolving Advance, and such interest and participation may be recovered from such Lender together with interest thereon at the Federal Funds Rate for each day during the period commencing on the date of demand and ending on the date such amount is received.

(d) Swingline Advances Reports. The Swingline Lender shall furnish to the Agent on each Business Day a written report summarizing outstanding Swingline Advances made by the Swingline Lender and the due date for the repayment of such Swingline Advances; provided that if no Swingline Advances are outstanding, no such report shall be required to be delivered.

(e) Successor Swingline Lender. Subject to the appointment and acceptance of a successor Swingline Lender as provided in this paragraph, the Borrower may, upon not less than ten (10) Business Days prior notice to the Agent and the Lenders, replace the existing Swingline Lender with the consent of the Agent (which consent shall not unreasonably be withheld). Upon the acceptance of its appointment as Swingline Lender hereunder by a successor, such successor shall succeed to and become vested with all the rights, powers, privileges and duties of the replaced Swingline Lender, and the replaced Swingline Lender shall be discharged from its duties and obligations hereunder. The fees payable by the Borrower to a successor Swingline Lender shall be as agreed between the Borrower and such successor. After the Swingline Lender's replacement hereunder, the provisions of this Article and Section 8.04 shall continue in effect for its benefit in respect of any actions taken or omitted to be taken by it while it was acting as Swingline Lender.

Section 2.04 Fees.

(a) Commitment Fee. The Borrower agrees to pay to the Agent for the account of each Lender a commitment fee on such Lender's Unused Commitment (provided that, for the avoidance of doubt, and without duplication, such Lender's Unused Commitment shall be calculated exclusive of such Lender's Swingline Exposure and, if such Lender is the Swingline Lender, without giving effect to the Swingline Advances, and in no event shall the aggregate of such commitment fees exceed an amount calculated based on the product of (a) the aggregate

Revolving Credit Commitments minus the aggregate principal amount of all Revolving Advances and aggregate L/C Obligations and (b) the Applicable Rate for commitment fees) from the Effective Date in the case of each Initial Lender and from the effective date specified in the Assumption Agreement or in the Assignment and Assumption pursuant to which it became a Lender in the case of each other Lender until the Termination Date at a rate per annum equal to the Applicable Rate for commitment fees in effect from time to time, payable in arrears quarterly on the last day of each March, June, September and December, commencing December 31, 2011, and on the Termination Date, provided that no commitment fee shall accrue with respect to the Unused Commitment of an Affected Lender so long as such Lender shall be an Affected Lender.

(b) Letter of Credit Fees.

(i) The Borrower shall pay to the Agent for the account of each Lender a commission on such Lender's Ratable Share of the average daily aggregate Available Amount of all Letters of Credit outstanding from time to time at a rate per annum equal to the Applicable Rate for Eurodollar Rate Advances in effect from time to time, during such calendar quarter, payable in arrears quarterly on the last day of each March, June, September and December, commencing with the quarter ended December 31, 2011, and on the Termination Date; provided that the Applicable Rate for Eurodollar Rate Advances shall be 2% above such Applicable Rate in effect upon the occurrence and during the continuation of an Event of Default if the Borrower is required to pay default interest pursuant to Section 2.07(b).

(ii) The Borrower shall pay to each Issuing Bank, for its own account, a fronting fee with respect to each Letter of Credit issued by such Issuing Bank, payable in the amounts and at the times specified in the applicable Fee Letter between the Borrower and such Issuing Bank, and such other commissions, issuance fees, transfer fees and other fees and charges in connection with the issuance or administration of each Letter of Credit as the Borrower and such Issuing Bank shall agree promptly following receipt of an invoice therefor.

(c) Agent's Fees. The Borrower shall pay to the Agent for its own account such fees as are agreed between the Borrower and the Agent pursuant to the Fee Letter between the Borrower and the Agent.

Section 2.05 Optional Termination or Reduction of the Commitments.

(a) The Borrower shall have the right, upon at least three Business Days' notice to the Agent, to terminate in whole or permanently reduce ratably in part the Unused Commitments or the Unissued Letter of Credit Commitments, provided that each partial reduction shall be in the aggregate amount of $10,000,000 or an integral multiple of $1,000,000 in excess thereof.

(b) So long as no Default or Event of Default shall be continuing, the Borrower shall have the right, at any time, upon at least ten Business Days' notice to an Affected Lender (with a copy to the Agent), to terminate in whole such Lender's Revolving Credit Commitment and, if applicable, its Letter of Credit Commitment, without affecting the Commitments of any other

Lender. Such termination shall be effective, (x) with respect to such Lender's Unused Commitment, on the date set forth in such notice, provided, however, that such date shall be no earlier than ten Business Days after receipt of such notice and (y) with respect to each Revolving Advance outstanding to such Lender, in the case of Base Rate Advances, on the date set forth in such notice and, in the case of Eurodollar Rate Advances, on the last day of the then current Interest Period relating to such Revolving Advance. Upon termination of a Lender's Commitments under this Section 2.05(b), the Borrower will pay or cause to be paid all principal of, and interest accrued to the date of such payment on, Revolving Advances (and if such Lender is the Swingline Lender, the Swingline Advances) owing to such Lender and, subject to Section 2.19, pay any accrued commitment fees or Letter of Credit fees payable to such Lender pursuant to the provisions of Section 2.04, and all other amounts payable to such Lender hereunder (including, but not limited to, any increased costs or other amounts owing under Section 2.11 and any indemnification for Taxes under Section 2.14); and, if such Lender is an Issuing Bank, shall pay to such Issuing Bank for deposit in an escrow account an amount equal to the Available Amount of all Letters of Credit issued by such Issuing Bank, whereupon all Letters of Credit issued by such Issuing Bank shall be deemed to have been issued outside of this Agreement on a bilateral basis and shall cease for all purposes to constitute a Letter of Credit issued under this Agreement, and upon such payments, except as otherwise provided below, the obligations of such Lender hereunder shall, by the provisions hereof, be released and discharged; provided, however, that (i) such Lender's rights under Sections 2.11, 2.14 and 8.04, and, in the case of an Issuing Bank, Section 8.04(c), and its obligations under Section 8.04 and 8.08, in each case in accordance with the terms thereof, shall survive such release and discharge as to matters occurring prior to such date and (ii) such escrow agreement shall be in a form reasonably agreed to by the Borrower and such Issuing Bank, but in no event shall either the Borrower or such Issuing Bank require any waivers, covenants, events of default or other provisions that are more restrictive than or inconsistent with the provisions of this Agreement. Subject to Section 2.18, the aggregate amount of the Commitments of the Lenders once reduced pursuant to this Section 2.05(b) may not be reinstated. The termination of the Commitments of an Affected Lender pursuant to this Section 2.05(b) will not be deemed to be a waiver of any right that the Borrower, the Agent, any Issuing Bank, the Swingline Lender or any other Lender may have against the Affected Lender that arose prior to the date of such termination. Upon any such termination, the Ratable Share of each remaining Lender will be revised.

Section 2.06 Repayment of Advances. The Borrower shall repay to the Agent for the ratable account of the Lenders on the Termination Date the aggregate principal amount of the Revolving Advances made by such Lender and then outstanding. The Borrower shall repay Swingline Advances in accordance with Section 2.03A(c).

Section 2.07 Interest on Advances.

(a) Scheduled Interest. The Borrower shall pay interest on the unpaid principal amount of each Advance owing to each Lender (including the Swingline Lender) from the date of such Advance until such principal amount shall be paid in full, at the following rates per annum:

(i) Base Rate Advances. During such periods as such Revolving Advance is a Base Rate Advance, a rate per annum equal at all times to the sum of (x) the Base Rate

in effect from time to time plus (y) the Applicable Rate for Base Rate Advances in effect from time to time, payable in arrears quarterly on the last day of each March, June, September and December during such periods and on the date such Base Rate Advance shall be Converted or paid in full.

(ii) Eurodollar Rate Advances. During such periods as such Revolving Advance is a Eurodollar Rate Advance, a rate per annum equal at all times during each Interest Period for such Revolving Advance to the sum of (x) the Eurodollar Rate for such Interest Period for such Revolving Advance plus (y) the Applicable Rate for Eurodollar Rate Advances in effect from time to time, payable in arrears on the last day of such Interest Period and, if such Interest Period has a duration of more than three months, on each day that occurs during such Interest Period every three months from the first day of such Interest Period and on the date such Eurodollar Rate Advance shall be Converted or paid in full.

(iii) Swingline Advances. During such period as such Swingline Advance remains outstanding, the Base Rate or, as agreed to by the Swingline Lender and the Borrower, the Money Market Rate or the Eurodollar Rate, payable on the date such Swingline Advance is required to be repaid.

(b) Default Interest. Upon the occurrence and during the continuance of an Event of Default under Section 6.01(a), the Agent may, and upon the request of the Required Lenders shall, require the Borrower to pay interest ("Default Interest") on (i) the unpaid principal amount of each Advance owing to each Lender, payable in arrears on the dates referred to in clause (a)(i), (a)(ii) or (a)(iii) above, at a rate per annum equal at all times to 2% per annum above the rate per annum required to be paid on such Advance pursuant to clause (a)(i), (a)(ii) or (a)(iii) above and (ii) to the fullest extent permitted by Law, the amount of any interest, fee or other amount payable hereunder that is not paid when due, from the date such amount shall be due until such amount shall be paid in full, payable in arrears on the date such amount shall be paid in full and on demand, at a rate per annum equal at all times to 2% per annum above the rate per annum required to be paid on Base Rate Advances pursuant to clause (a)(i) above, provided, however, that following acceleration of the Advances pursuant to Section 6.01, Default Interest shall accrue and be payable hereunder whether or not previously required by the Agent.

(c) Interest Rate Limitation. Nothing contained in this Agreement or in any other Loan Document shall be deemed to establish or require the payment of interest to any Lender at a rate in excess of the maximum rate permitted by applicable Law. If the amount of interest payable for the account of any Lender on any interest payment date would exceed the maximum amount permitted by applicable Law to be charged by such Lender, the amount of interest payable for its account on such interest payment date shall be automatically reduced to such maximum permissible amount. In the event of any such reduction affecting any Lender, if from time to time thereafter the amount of interest payable for the account of such Lender on any interest payment date would be less than the maximum amount permitted by applicable Law to be charged by such Lender, then the amount of interest payable for its account on such subsequent interest payment date shall be automatically increased to such maximum permissible amount, provided that at no time shall the aggregate amount by which interest paid for the account of any Lender has been increased pursuant to this sentence exceed the aggregate amount

by which interest paid for its account has theretofore been reduced pursuant to the previous sentence.

Section 2.08 Interest Rate Determination.

(a) The Agent shall give prompt notice to the Borrower and the Lenders of the applicable interest rate determined by the Agent for purposes of Section 2.07(a).

(b) If the Required Lenders determine that for any reason in connection with any request for a Eurodollar Rate Advance or a Conversion to or continuation thereof that (a) Dollar deposits are not being offered to banks in the London interbank eurodollar market for the applicable amount and Interest Period of such Eurodollar Rate Advance, (b) adequate and reasonable means do not exist for determining the Eurodollar Rate for any requested Interest Period with respect to a proposed Eurodollar Rate Advance, or (c) the Eurodollar Rate for any requested Interest Period with respect to a proposed Eurodollar Rate Advance does not adequately and fairly reflect the cost to such Lenders of funding such Revolving Advance, the Agent will promptly so notify the Borrower and each Lender, whereupon each Eurodollar Rate Advance will automatically on the last day of the then existing Interest Period therefor Convert into a Base Rate Advance. Thereafter, the obligation of the Lenders to make or maintain Eurodollar Rate Advances shall be suspended until the Agent (upon the instruction of the Required Lenders) revokes such notice. Upon receipt of such notice, the Borrower may revoke any pending request for a Borrowing of, Conversion to or continuation of Eurodollar Rate Advances or, failing that, will be deemed to have Converted such request into a request for a Base Rate Advance in the amount specified therein.

(c) If the Borrower shall fail to select the duration of any Interest Period for any Eurodollar Rate Advances in accordance with the provisions contained in the definition of "Interest Period" in Section 1.01, the Agent will forthwith so notify the Borrower and the Lenders and such Revolving Advances will automatically, on the last day of the then existing Interest Period therefor, Convert into Base Rate Advances.

(d) On the date on which the aggregate unpaid principal amount of Eurodollar Rate Advances comprising any Borrowing shall be reduced, by payment or prepayment or otherwise, to less than $5,000,000, such Revolving Advances shall automatically Convert into Base Rate Advances.

(e) Upon the occurrence and during the continuance of any Event of Default,

(i) with respect to Eurodollar Rate Advances, each such Revolving Advance will automatically, on the last day of the then existing Interest Period therefor, Convert into a Base Rate Advance (or if such Revolving Advance is then a Base Rate Advance, will continue as a Base Rate Advance); and

(ii) the obligation of the Lenders to make Eurodollar Rate Advances or to Convert Revolving Advances into Eurodollar Rate Advances shall be suspended until the Agent shall notify the Borrower and the Lenders that the circumstances causing such suspension no longer exist.

Section 2.09 Optional Conversion of Revolving Advances. The Borrower may on any Business Day, upon notice given to the Agent not later than 12:00 noon on the third Business Day prior to the date of the proposed Conversion and subject to the provisions of Sections 2.08 and 2.12, Convert all Revolving Advances of one Type comprising the same Borrowing into Revolving Advances of the other Type; provided, however, that (a) any Conversion of Eurodollar Rate Advances into Base Rate Advances shall be made only on the last day of an Interest Period for such Eurodollar Rate Advances, (b) any Conversion of Base Rate Advances into Eurodollar Rate Advances shall be in an amount not less than the minimum amount specified in Section 2.02(b), (c) no Conversion of any Revolving Advances shall result in more separate Borrowings than permitted under Section 2.02(b) and (d) no Swingline Advances may be converted. Each such notice of a Conversion shall, within the restrictions specified above, specify (i) the date of such Conversion, (ii) the Revolving Advances to be Converted, and (iii) if such Conversion is into Eurodollar Rate Advances, the duration of the initial Interest Period for each such Revolving Advance. Each notice of Conversion shall be irrevocable and binding on the Borrower.

Section 2.10 Prepayments of Advances.

(a) Optional. At any time and from time to time, the Borrower shall have the right to prepay any Advance, in whole or in part, without premium or penalty (except as provided in clause (y) below), upon notice at least two Business Days' prior to the date of such prepayment, in the case of Eurodollar Rate Advances, and not later than 11:00 a.m. on the date of such prepayment in the case of Base Rate Advances and Swingline Advances, to the Agent (and, in the case of prepayment a Swingline Advance, the Swingline Lender) specifying the proposed date of such prepayment and the aggregate principal amount and Type of the Advance to be prepaid (and, in the case of Eurodollar Rate Advances, the Interest Period of the Borrowing pursuant to which made); provided, however, that (x) each partial prepayment shall be in an aggregate principal amount of $5,000,000 or an integral multiple of $1,000,000 in excess thereof, and shall be accompanied by accrued interest to the date of prepayment on the principal amount prepaid, and (y) in the event of any such prepayment of a Eurodollar Rate Advance, the Borrower shall be obligated to reimburse the Lenders in respect thereof pursuant to Section 8.04(e).

(b) Mandatory.

(i) The Borrower shall prepay the aggregate principal amount of the Advances, together with accrued interest to the date of prepayment on the principal amount prepaid, without requirement of demand therefor, or shall pay or prepay any other Indebtedness then outstanding at any time, when and to the extent required to comply with applicable Laws of any Governmental Authority or applicable resolutions of the Board of Directors of the Borrower.

(ii) If for any reason the Total Outstandings at any time exceed the aggregate Revolving Credit Commitments then in effect, the Borrower shall, within one Business Day after notice thereof, prepay Advances and/or Cash Collateralize the L/C Obligations in an aggregate amount equal to such excess; provided, however, that the Borrower shall not be required to Cash Collateralize the L/C Obligations pursuant to this Section 2.10(b)

unless, after the prepayment in full of the Advances, the Total Outstandings exceed the aggregate Revolving Credit Commitments then in effect.

Section 2.11 Increased Costs.

(a) Increased Costs Generally. If any Change in Law shall:

(i) impose, modify or deem applicable any reserve, special deposit, compulsory loan, insurance charge or similar requirement against assets of, deposits with or for the account of, or credit extended or participated in by, any Lender (except any reserve requirement contemplated by Section 2.11(e)) or any Issuing Bank; or

(ii) impose on any Lender or any Issuing Bank or the London interbank market any other condition, cost or expense affecting this Agreement or Eurodollar Rate Advances made by such Lender or any Letter of Credit or participation therein;

and the result of any of the foregoing shall be to increase the cost to such Lender of making or maintaining any Eurodollar Rate Advance (or of maintaining its obligation to make any such Revolving Advance), or to increase the cost to such Lender or such Issuing Bank of participating in, issuing or maintaining any Letter of Credit (or of maintaining its obligation to participate in or to issue any Letter of Credit), or to reduce the amount of any sum received or receivable by such Lender or such Issuing Bank hereunder (whether of principal, interest or any other amount) then, upon request of such Lender or such Issuing Bank, the Borrower will pay to such Lender or such Issuing Bank, as the case may be, such additional amount or amounts as will compensate such Lender or such Issuing Bank, as the case may be, for such additional costs incurred or reduction suffered.

(b) Capital Requirements. If any Lender or any Issuing Bank determines that any Change in Law affecting such Lender or such Issuing Bank or any Applicable Lending Office of such Lender or such Lender's or such Issuing Bank's holding company, if any, regarding capital requirements has or would have the effect of reducing the rate of return on such Lender's or such Issuing Bank's capital or on the capital of such Lender's or such Issuing Bank's holding company, if any, as a consequence of this Agreement, the Commitments of such Lender or the Advances made by, or participations in Letters of Credit held by, such Lender, or the Letters of Credit issued by such Issuing Bank, to a level below that which such Lender or such Issuing Bank or such Lender's or such Issuing Bank's holding company could have achieved but for such Change in Law (taking into consideration such Lender's or such Issuing Bank's policies and the policies of such Lender's or such Issuing Bank's holding company with respect to capital adequacy), then from time to time the Borrower will pay to such Lender or such Issuing Bank, as the case may be, such additional amount or amounts as will compensate such Lender or such Issuing Bank or such Lender's or such Issuing Bank's holding company for any such reduction suffered.

(c) Certificates for Reimbursement. A certificate of a Lender or an Issuing Bank setting forth the amount or amounts necessary to compensate such Lender or such Issuing Bank or its holding company, as the case may be, as specified in subsection (a) or (b) of this Section and delivered to the Borrower shall be conclusive and binding upon all parties absent manifest

error. The Borrower shall pay such Lender or such Issuing Bank, as the case may be, the amount shown as due on any such certificate within 30 days after receipt thereof.

(d) Delay in Requests. Failure or delay on the part of any Lender or any Issuing Bank to demand compensation pursuant to the foregoing provisions of this Section shall not constitute a waiver of such Lender's or such Issuing Bank's right to demand such compensation, provided that the Borrower shall not be required to compensate a Lender or an Issuing Bank pursuant to the foregoing provisions of this Section for any increased costs incurred or reductions suffered more than three months prior to the date that such Lender or such Issuing Bank, as the case may be, notifies the Borrower of the Change in Law giving rise to such increased costs or reductions and of such Lender's or such Issuing Bank's intention to claim compensation therefor (except that, if the Change in Law giving rise to such increased costs or reductions is retroactive, then the three-month period referred to above shall be extended to include the period of retroactive effect thereof).

(e) Reserves on Eurodollar Rate Advances. The Borrower shall pay to each Lender, as long as such Lender shall be required to maintain reserves with respect to liabilities or assets consisting of or including Eurocurrency funds or deposits (currently known as "Eurocurrency liabilities"), additional interest on the unpaid principal amount of each Eurodollar Rate Advance equal to the actual costs of such reserves allocated to such Revolving Advance by such Lender (as determined by such Lender in good faith, which determination shall be conclusive absent manifest error), which shall be due and payable on each date on which interest is payable on such Eurodollar Rate Advance, provided the Borrower shall have received at least 30 days' prior notice (with a copy to the Agent) of such additional interest from such Lender. If a Lender fails to give notice 30 days prior to the relevant interest payment date, such additional interest shall be due and payable 30 days from receipt of such notice.

Section 2.12 Illegality. If any Lender shall have determined in good faith that the introduction of or any change in any applicable Law or in the interpretation or administration thereof by any Governmental Authority charged with the interpretation or administration thereof, or compliance with any guideline or request from any such Governmental Authority (whether or not having the force of law), for any Lender or its Applicable Lending Office to make, maintain or fund Eurodollar Rate Advances, or to determine or charge interest rates based upon the Eurodollar Rate, or any Governmental Authority has imposed material restrictions on the authority of such Lender to purchase or sell, or to take deposits of, Dollars in the London interbank market, then, on notice thereof by such Lender to the Borrower through the Agent, any obligation of such Lender to make or continue Eurodollar Rate Advances or to convert Base Rate Advances to Eurodollar Rate Advances shall be suspended until such Lender notifies the Agent and the Borrower that the circumstances giving rise to such determination no longer exist. Upon receipt of such notice, the Borrower shall, upon demand from such Lender (with a copy to the Agent), prepay or, if applicable, convert all Eurodollar Rate Advances of such Lender to Base Rate Advances, either on the last day of the Interest Period therefor, if such Lender may lawfully continue to maintain such Eurodollar Rate Advances to such day, or immediately, if such Lender may not lawfully continue to maintain such Eurodollar Rate Advances. Upon any such prepayment or conversion, the Borrower shall also pay accrued interest on the amount so prepaid or converted.

Section 2.13 Payments and Computations.

(a) All payments to be made by the Borrower shall be made without condition or deduction for any counterclaim, defense, recoupment or setoff. The Borrower shall make each payment hereunder not later than 1:00 p.m. on the day when due in U.S. dollars to the Agent at the Agent's Account in same day funds. The Agent will promptly thereafter cause to be distributed like funds relating to the payment of principal, interest, fees or commissions ratably (other than amounts payable pursuant to Section 2.05(b), 2.11, 2.12, 2.14, 2.20 or 8.04(e)) to the Lenders for the account of their respective Applicable Lending Offices, and like funds relating to the payment of any other amount payable to any Lender to such Lender for the account of its Applicable Lending Office, in each case to be applied in accordance with the terms of this Agreement. Upon any Assuming Lender becoming a Lender hereunder as a result of a Commitment Increase pursuant to Section 2.18, and upon the Agent's receipt of such Lender's Assumption Agreement and recording of the information contained therein in the Register, from and after the applicable Increase Date, the Agent shall make all payments hereunder and under any Notes issued in connection therewith in respect of the interest assumed thereby to the Assuming Lender. Upon its acceptance of an Assignment and Assumption and recording of the information contained therein in the Register pursuant to Section 8.07(c), from and after the effective date specified in such Assignment and Assumption, the Agent shall make all payments hereunder and under the Notes in respect of the interest assigned thereby to the Lender assignee thereunder, and the parties to such Assignment and Assumption shall make all appropriate adjustments in such payments for periods prior to such effective date directly between themselves.

(b) All computations of interest based on (i) the Prime rate (as defined in the definition of "Base Rate" in Section 1.01) shall be made by the Agent on the basis of a year of 365 or 366 days, as the case may be and (ii) the Federal Funds Rate, the Eurodollar Rate and of fees and Letter of Credit commissions shall be made by the Agent on the basis of a year of 360 days, in each case for the actual number of days (including the first day but excluding the last day) occurring in the period for which such interest, fees or commissions are payable. Interest on Swingline Advances shall be calculated on the basis of a year of 360 days or such other basis agreed to by the Swingline Lender and the Borrower, in each case for the actual number of days (including the first day but excluding the last day) occurring in the period for which such interest is payable. Each determination by the Agent of an interest rate hereunder shall be conclusive and binding for all purposes, absent manifest error.

(c) Whenever any payment hereunder or under the Notes shall be stated to be due on a day other than a Business Day, such payment shall be made on the next succeeding Business Day, and such extension of time shall in such case be included in the computation of payment of interest, fees or commissions, as the case may be; provided, however, that, if such extension would cause payment of interest on or principal of Eurodollar Rate Advances to be made in the next following calendar month, such payment shall be made on the next preceding Business Day.

(d) Unless the Agent shall have received notice from the Borrower prior to the date on which any payment is due to the Lenders hereunder that the Borrower will not make such payment in full, the Agent may assume that the Borrower has made such payment in full to the Agent on such date and the Agent may, in reliance upon such assumption, cause to be distributed

to each Lender on such due date an amount equal to the amount then due such Lender. If and to the extent the Borrower shall not have so made such payment in full to the Agent, each Lender shall repay to the Agent forthwith on demand such amount distributed to such Lender together with interest thereon, for each day from the date such amount is distributed to such Lender until the date such Lender repays such amount to the Agent, at the Federal Funds Rate.

Section 2.14 Taxes.

(a) Payments Free of Taxes; Obligation to Withhold; Payments on Account of Taxes.

(i) Any and all payments by or on account of any obligation of the Borrower hereunder or under any other Loan Document shall to the extent permitted by applicable Laws be made free and clear of and without reduction or withholding for any Taxes. If, however, applicable Laws require the Borrower or the Agent to withhold or deduct any Tax, such Tax shall be withheld or deducted in accordance with such Laws as determined by the Borrower or the Agent, as the case may be, upon the basis of the information and documentation to be delivered pursuant to subsection (e) below.

(ii) If the Borrower or the Agent shall be required by the Internal Revenue Code to withhold or deduct any Taxes, including both United States of America Federal backup withholding and withholding taxes, from any payment, then (A) the Agent shall withhold or make such deductions as are determined by the Agent to be required based upon the information and documentation it has received pursuant to subsection (e) below, (B) the Agent shall timely pay the full amount withheld or deducted to the relevant Governmental Authority in accordance with the Internal Revenue Code, and (C) to the extent that the withholding or deduction is made on account of Indemnified Taxes or Other Taxes, the sum payable by the Borrower shall be increased as necessary so that after any required withholding or the making of all required deductions (including deductions applicable to additional sums payable under this Section) the Agent, Lender or Issuing Bank, as the case may be, receives an amount equal to the sum it would have received had no such withholding or deduction been made.

(b) Payment of Other Taxes by the Borrower. Without limiting the provisions of subsection (a) above, the Borrower shall timely pay any Other Taxes to the relevant Governmental Authority in accordance with applicable Laws.

(c) Tax Indemnifications.

(i) Without limiting the provisions of subsection (a) or (b) above, the Borrower shall, and does hereby, indemnify the Agent, each Lender and each Issuing Bank, and shall make payment in respect thereof within 30 days after written demand therefor, for the full amount of any Indemnified Taxes or Other Taxes (including Indemnified Taxes or Other Taxes imposed or asserted on or attributable to amounts payable under this Section) withheld or deducted by the Borrower or the Agent or paid by the Agent, such Lender or such Issuing Bank, as the case may be, and any penalties, interest and reasonable expenses arising therefrom or with respect thereto, whether or not such Indemnified Taxes or Other Taxes were correctly or legally imposed or asserted by

the relevant Governmental Authority. The Borrower shall also, and does hereby, indemnify the Agent, and shall make payment in respect thereof within 10 days after demand therefor, for any amount which a Lender or an Issuing Bank for any reason fails to pay indefeasibly to the Agent as required by clause (ii) of this subsection. A certificate as to the amount of any such payment or liability delivered to the Borrower by a Lender or an Issuing Bank (with a copy to the Agent), or by the Agent on its own behalf or on behalf of a Lender or an Issuing Bank, shall be conclusive absent manifest error.

(ii) Without limiting the provisions of subsection (a) or (b) above, each Lender and each Issuing Bank shall, and does hereby, indemnify the Borrower and the Agent, and shall make payment in respect thereof within 30 days after demand therefor, against any and all Taxes and any and all related losses, claims, liabilities, penalties, interest and expenses (including the fees, charges and disbursements of any counsel for the Borrower or the Agent) incurred by or asserted against the Borrower or the Agent by any Governmental Authority as a result of the failure by such Lender or such Issuing Bank, as the case may be, to deliver, or as a result of the inaccuracy, inadequacy or deficiency of, any documentation required to be delivered by such Lender or such Issuing Bank, as the case may be, to the Borrower or the Agent pursuant to subsection (e). Each Lender and each Issuing Bank hereby authorizes the Agent to set off and apply any and all amounts at any time owing to such Lender or such Issuing Bank, as the case may be, under this Agreement or any other Loan Document against any amount due to the Agent under this clause (ii). The agreements in this clause (ii) shall survive the resignation and/or replacement of the Agent, any assignment of rights by, or the replacement of, a Lender or an Issuing Bank, the termination of the Commitments and the repayment, satisfaction or discharge of all other Obligations.

(d) Evidence of Payments. Upon request by the Borrower or the Agent, as the case may be, after any payment of Taxes by the Borrower or by the Agent to a Governmental Authority as provided in this 2.14, the Borrower shall deliver to the Agent or the Agent shall deliver to the Borrower, as the case may be, the original or a certified copy of a receipt issued by such Governmental Authority evidencing such payment, a copy of any return required by Laws to report such payment or other evidence of such payment reasonably satisfactory to the Borrower or the Agent, as the case may be.

(e) Status of Lenders; Tax Documentation.

(i) Each Lender shall deliver to the Borrower and to the Agent, at the time or times prescribed by applicable Laws or when reasonably requested by the Borrower or the Agent, such properly completed and executed documentation prescribed by applicable Laws or by the taxing authorities of any jurisdiction and such other reasonably requested information as will permit the Borrower or the Agent, as the case may be, to determine (A) whether or not payments made hereunder or under any other Loan Document are subject to Taxes, (B) if applicable, the required rate of withholding or deduction, and (C) such Lender's entitlement to any available exemption from, or reduction of, applicable Taxes in respect of all payments to be made to such Lender by the Borrower pursuant to this Agreement or otherwise to establish such Lender's status for withholding tax purposes in the applicable jurisdiction.

(ii) Without limiting the generality of the foregoing, if the Borrower is resident for tax purposes in the United States of America,

(A) any Lender that is a "United States person" within the meaning of Section 7701(a)(30) of the Internal Revenue Code shall deliver to the Borrower and the Agent executed originals of Internal Revenue Service Form W-9 or such other documentation or information prescribed by applicable Laws or reasonably requested by the Borrower or the Agent as will enable the Borrower or the Agent, as the case may be, to determine whether or not such Lender is subject to backup withholding or information reporting requirements; and

(B) each Foreign Lender that is entitled under the Internal Revenue Code or any applicable treaty to an exemption from or reduction of withholding tax with respect to payments hereunder or under any other Loan Document shall deliver to the Borrower and the Agent (in such number of copies as shall be requested by the recipient) on or prior to the date on which such Foreign Lender becomes a Lender under this Agreement (and from time to time thereafter upon the request of the Borrower or the Agent, but only if such Foreign Lender is legally entitled to do so), whichever of the following is applicable:

(1) executed originals of Internal Revenue Service Form W-8BEN claiming eligibility for benefits of an income tax treaty to which the United States of America is a party,

(2) executed originals of Internal Revenue Service Form W-8ECI,

(3) executed originals of Internal Revenue Service Form W-8IMY and all required supporting documentation,

(4) in the case of a Foreign Lender claiming the benefits of the exemption for portfolio interest under section 881(c) of the Internal Revenue Code, (x) a certificate to the effect that such Foreign Lender is not (A) a "bank" within the meaning of section 881(c)(3)(A) of the Internal Revenue Code, (B) a "10 percent shareholder" of the Borrower within the meaning of section 881(c)(3)(B) of the Internal Revenue Code, or (C) a "controlled foreign corporation" described in section 881(c)(3)(C) of the Internal Revenue Code and (y) executed originals of Internal Revenue Service Form W-8BEN, or

(5) executed originals of any other form prescribed by applicable Laws as a basis for claiming exemption from or a reduction in United States of America Federal withholding tax together with such supplementary documentation as may be prescribed by applicable Laws to permit the Borrower or the Agent to determine the withholding or deduction required to be made.

(iii) Each Lender shall promptly (A) notify the Borrower and the Agent of any change in circumstances which would modify or render invalid any claimed exemption or reduction, and (B) take such steps as shall not be materially disadvantageous to it, in the reasonable judgment of such Lender, and as may be reasonably necessary (including the re-designation of its Applicable Lending Office) to avoid any requirement of applicable Laws of any jurisdiction that the Borrower or the Agent make any withholding or deduction for taxes from amounts payable to such Lender.

(iv) if a payment made to a Lender under any Loan Document would be subject to U.S. federal withholding Tax imposed by FATCA if such Lender were to fail to comply with the applicable reporting requirements of FATCA (including those contained in Section 1471(b) or 1472(b) of the Internal Revenue Code, as applicable), such Lender shall deliver to each of the Borrower and the Agent at the time or times prescribed by law and at such time or times reasonably requested by the Borrower or the Agent such documentation prescribed by applicable law (including as prescribed by Section 1471(b)(3)(C)(i) of the Internal Revenue Code) and such additional documentation reasonably requested by the Borrower or the Agent as may be necessary for the Borrower and the Agent to comply with their obligations under FATCA and to determine that such Lender has complied with such Lender's obligations under FATCA or to determine the amount to deduct and withhold from such payment. Solely for purposes of this clause (iv), "FATCA" shall include any amendments made to FATCA after the date of this Agreement.

(f) Treatment of Certain Refunds. Unless required by applicable Laws, at no time shall the Agent have any obligation to file for or otherwise pursue on behalf of a Lender or an Issuing Bank, or have any obligation to pay to any Lender or any Issuing Bank, any refund of Taxes withheld or deducted from funds paid for the account of such Lender or such Issuing Bank, as the case may be. If the Agent, any Lender or any Issuing Bank determines, in its sole discretion, that it has received a refund of any Taxes or Other Taxes as to which it has been indemnified by the Borrower or with respect to which the Borrower has paid additional amounts pursuant to this Section, it shall pay to the Borrower an amount equal to such refund (but only to the extent of indemnity payments made, or additional amounts paid, by the Borrower under this Section with respect to the Taxes or Other Taxes giving rise to such refund), net of all reasonable out-of-pocket expenses incurred by the Agent, such Lender or such Issuing Bank, as the case may be, and without interest (other than any interest paid by the relevant Governmental Authority with respect to such refund), provided that the Borrower, upon the request of the Agent, such Lender or such Issuing Bank, agrees to repay the amount paid over to the Borrower (plus any penalties, interest or other charges imposed by the relevant Governmental Authority) to the Agent, such Lender or such Issuing Bank in the event the Agent, such Lender or such Issuing Bank is required to repay such refund to such Governmental Authority. This subsection shall not be construed to require the Agent, any Lender or any Issuing Bank to make available its tax returns (or any other information relating to its taxes that it deems confidential) to the Borrower or any other Person.

(g) Payments. Failure or delay on the part of the Agent, any Lender or any Issuing Bank to demand compensation pursuant to the foregoing provisions of this Section 2.14 shall not constitute a waiver of the Agent's, such Lender's or such Issuing Bank's right to demand such

compensation, provided that the Borrower shall not be required to compensate the Agent, a Lender or an Issuing Bank pursuant to the foregoing provisions of this Section 2.14 for any Indemnified Taxes or Other Taxes imposed or asserted by the relevant Governmental Authority more than three months prior to the date that the Agent, such Lender or such Issuing Bank, as the case may be, claims compensation with respect thereto (except that, if a Change in Law giving rise to such Indemnified Taxes or Other Taxes is retroactive, then the three-month period referred to above shall be extended to include the period of retroactive effect thereof).

(h) Each of the Agent, any Issuing Bank or any Lender agrees to cooperate with any reasonable request made by the Borrower in respect of a claim of a refund in respect of Indemnified Taxes as to which it has been indemnified by the Borrower or with respect to which the Borrower has paid additional amounts pursuant to this Section 2.14 if (i) the Borrower has agreed in writing to pay all of the Agent's or such Issuing Bank's or such Lender's reasonable out-of-pocket costs and expenses relating to such claim, (ii) the Agent or such Issuing Bank or such Lender determines, in its good faith judgment, that it would not be disadvantaged, unduly burdened or prejudiced as a result of such claim and (iii) the Borrower furnishes, upon request of the Agent, or such Issuing Bank or such Lender, an opinion of tax counsel (such opinion, which can be reasoned, and such counsel to be reasonably acceptable to such Lender, or such Issuing Bank or the Agent) that the Borrower is likely to receive a refund or credit.

Section 2.15 Sharing of Payments, Etc. If any Lender shall obtain any payment (whether voluntary, involuntary, through the exercise of any right of set-off, or otherwise) on account of the Advances or L/C Advances owing to it (other than pursuant to Section 2.05(b), 2.11, 2.12, 2.14, 2.20 or 8.04(e) or any payment obtained by a Lender as consideration for the assignment of or sale of a participation in any of its Advances or participations in Letters of Credit to any assignee or participant, other than to the Borrower or any Subsidiary thereof if permitted hereby (as to which the provisions of this Section 2.15 shall apply) in excess of its Ratable Share of payments on account of the Advances obtained by all the Lenders, such Lender shall forthwith purchase from the other Lenders (for cash at face value) such participations in the Advances owing to them as shall be necessary to cause such purchasing Lender to share the excess payment ratably with each of them; provided, however, that if all or any portion of such excess payment is thereafter recovered from such purchasing Lender, such purchase from each Lender shall be rescinded and such Lender shall repay to the purchasing Lender the purchase price to the extent of such recovery together with an amount equal to such Lender's Ratable Share (according to the proportion of (i) the amount of such Lender's required repayment to (ii) the total amount so recovered from the purchasing Lender) of any interest or other amount paid or payable by the purchasing Lender in respect of the total amount so recovered. The Borrower agrees that any Lender so purchasing a participation from another Lender pursuant to this Section 2.15 may, to the fullest extent permitted by Law, exercise all its rights of payment (including the right of set-off) with respect to such participation as fully as if such Lender were the direct creditor of the Borrower in the amount of such participation.

Section 2.16 Evidence of Debt.

(a) Each Lender shall maintain in accordance with its usual practice an account or accounts evidencing the indebtedness of the Borrower to such Lender resulting from each Advance owing to such Lender from time to time, including the amounts of principal and interest

payable and paid to such Lender from time to time hereunder in respect of Advances. The Borrower agrees that upon notice by any Lender (including the Swingline Lender) to the Borrower (with a copy of such notice to the Agent) to the effect that a Note is required or appropriate in order for such Lender to evidence (whether for purposes of pledge, enforcement or otherwise) the Advances owing to, or to be made by, such Lender, the Borrower shall promptly execute and deliver to such Lender a Note payable to the order of such Lender in a principal amount up to the Revolving Credit Commitment of such Lender.

(b) The Register maintained by the Agent pursuant to Section 8.07(c) shall include a control account, and a subsidiary account for each Lender, in which accounts (taken together) shall be recorded (i) the date and amount of each Borrowing made hereunder, the Type of Advances comprising such Borrowing and, if appropriate, the Interest Period applicable thereto, (ii) the terms of each Assumption Agreement and each Assignment and Assumption delivered to and accepted by it, (iii) the amount of any principal or interest due and payable or to become due and payable from the Borrower to each Lender hereunder and (iv) the amount of any sum received by the Agent from the Borrower hereunder and each Lender's share thereof.

(c) Entries made in good faith by the Agent in the Register pursuant to subsection (b) above, and by each Lender in its account or accounts pursuant to subsection (a) above, shall be prima facie evidence of the amount of principal and interest due and payable or to become due and payable from the Borrower to, in the case of the Register, each Lender and, in the case of such account or accounts, such Lender, under this Agreement, absent manifest error; provided, however, that the failure of the Agent or such Lender to make an entry, or any finding that an entry is incorrect, in the Register or such account or accounts shall not limit or otherwise affect the obligations of the Borrower under this Agreement.

Section 2.17 Use of Proceeds. The proceeds of the Advances shall be available (and the Borrower agrees that it shall use such proceeds) solely to refinance Indebtedness of the Borrower from time to time and for other general corporate purposes of the Borrower.

Section 2.18 Increase in the Aggregate Revolving Credit Commitments.

(a) The Borrower may, at any time prior to the Termination Date, by notice to the Agent, request that the aggregate amount of the Revolving Credit Commitments be increased by an amount of $10,000,000 or an integral multiple thereof (each a "Commitment Increase") to be effective as of a date that is at least 90 days prior to the Termination Date (the "Increase Date") as specified in the related notice to the Agent; provided, however that (i) in no event shall the aggregate amount of the Revolving Credit Commitments at any time exceed $300,000,000 or the aggregate amount of Commitment Increases exceed $100,000,000 and (ii) on the date of any request by the Borrower for a Commitment Increase and on the related Increase Date, the applicable conditions set forth in this Section 2.18 shall be satisfied.

(b) The Agent shall promptly notify the Lenders of a request by the Borrower for a Commitment Increase, which notice shall include (i) the proposed amount of such requested Commitment Increase, (ii) the proposed Increase Date and (iii) the date by which Lenders wishing to participate in the Commitment Increase must commit to an increase in the amount of their respective Revolving Credit Commitments (the "Commitment Date"). Each Lender that is

willing to participate in such requested Commitment Increase (each an "Increasing Lender") shall, in its sole discretion, give written notice to the Agent on or prior to the Commitment Date of the amount by which it is willing to increase its Revolving Credit Commitment. If the Lenders notify the Agent that they are willing to increase the amount of their respective Revolving Credit Commitments by an aggregate amount that exceeds the amount of the requested Commitment Increase, the requested Commitment Increase shall be allocated among the Lenders willing to participate therein in such amounts as are agreed between the Borrower and the Agent. Each Increasing Lender shall be subject to such applicable consents, if any, as may be required under Section 8.07(b)(iii).

(c) Promptly following each Commitment Date, the Agent shall notify the Borrower as to the amount, if any, by which the Lenders are willing to participate in the requested Commitment Increase. If the aggregate amount by which the Lenders are willing to participate in any requested Commitment Increase on any such Commitment Date is less than the requested Commitment Increase, then the Borrower may extend offers to one or more Eligible Assignees to participate in any portion of the requested Commitment Increase that has not been committed to by the Lenders as of the applicable Commitment Date; provided, however, that the Revolving Credit Commitment of each such Eligible Assignee shall be in an amount of not less than $10,000,000.

(d) On each Increase Date, each Eligible Assignee that accepts an offer to participate in a requested Commitment Increase in accordance with Section 2.18(b) (each such Eligible Assignee, an "Assuming Lender") shall become a Lender party to this Agreement as of such Increase Date and the Revolving Credit Commitment of each Increasing Lender for such requested Commitment Increase shall be so increased by the amount by which the Increasing Lender agreed to increase its Revolving Credit Commitment (or by the amount allocated to such Lender pursuant to the last sentence of Section 2.18(b)) as of such Increase Date; provided, however, that the Agent shall have received on or before such Increase Date the following, each dated such date:

(i) (A) certified copies of resolutions of the Board of Directors of the Borrower approving the Commitment Increase and the corresponding modifications to this Agreement, (B) an opinion of counsel for the Borrower (which may be in-house counsel), in form and substance reasonably acceptable to the Required Lenders and (C) a certificate from a duly authorized officer of the Borrower, stating that the conditions set forth in Section 3.02(a) and (b) are satisfied;

(ii) an assumption agreement from each Assuming Lender, if any, in form and substance satisfactory to the Borrower and the Agent (each an "Assumption Agreement"), duly executed by such Assuming Lender, the Agent, the Borrower and each other Person required to consent thereto, as applicable under Section 8.07(b)(iii); and

(iii) confirmation from each Increasing Lender of the increase in the amount of its Revolving Credit Commitment in a writing satisfactory to the Borrower and the Agent.

On each Increase Date, upon fulfillment of the conditions set forth in the immediately preceding sentence of this Section 2.18(d), the Agent shall notify the Lenders (including, without limitation, each Assuming Lender) and the Borrower, on or before 1:00 p.m., by telecopier, of the occurrence of the Commitment Increase to be effected on such Increase Date and shall record in the Register the relevant information with respect to each Increasing Lender and each Assuming Lender on such date. Each Increasing Lender and each Assuming Lender shall, before 2:00 p.m. on the Increase Date, make available for the account of its Applicable Lending Office to the Agent at the Agent's Account, in same day funds, in the case of such Assuming Lender, an amount equal to such Assuming Lender's Ratable Share of the Borrowings then outstanding (calculated based on its Revolving Credit Commitment as a percentage of the aggregate Revolving Credit Commitments outstanding after giving effect to the relevant Commitment Increase) and, in the case of such Increasing Lender, an amount equal to the excess of (i) such Increasing Lender's Ratable Share of the Borrowings then outstanding (calculated based on its Revolving Credit Commitment as a percentage of the aggregate Revolving Credit Commitments outstanding after giving effect to the relevant Commitment Increase) over (ii) such Increasing Lender's Ratable Share of the Borrowings then outstanding (calculated based on its Revolving Credit Commitment (without giving effect to the relevant Commitment Increase) as a percentage of the aggregate Revolving Credit Commitments (without giving effect to the relevant Commitment Increase). After the Agent's receipt of such funds from each such Increasing Lender and each such Assuming Lender, the Agent will promptly thereafter cause to be distributed like funds to the other Lenders for the account of their respective Applicable Lending Offices in an amount to each other Lender such that the aggregate amount of the outstanding Advances owing to each Lender after giving effect to such distribution equals such Lender's Ratable Share of the Borrowings then outstanding (calculated based on its Revolving Credit Commitment as a percentage of the aggregate Revolving Credit Commitments outstanding after giving effect to the relevant Commitment Increase).

Section 2.19 Affected Lenders. Notwithstanding any provision of this Agreement to the contrary, if any Lender becomes an Affected Lender, then the following provisions shall apply for so long as such Lender is an Affected Lender:

(a) fees shall cease to accrue on the Unused Commitment of such Affected Lender pursuant to Section 2.04(a);

(b) the Revolving Credit Commitment and Advances of such Affected Lender shall not be included in determining whether the Required Lenders have taken or may take any action hereunder (including any consent to any amendment or waiver pursuant to Section 8.01), other than any waiver, amendment or modification requiring the consent of all Lenders or of each Lender affected;

(c) if (x) there shall be any Available Amount under any outstanding Letter of Credit or (y) any Swingline Exposure shall exist during any time a Lender is an Affected Lender, then:

(i) so long as no Default or Event of Default has occurred and is continuing, all or any part of the Available Amount of all such Letters of Credit and Swingline Exposure shall be reallocated among the non-Affected Lenders in accordance with their respective Ratable Shares (disregarding any Affected Lender's Revolving Credit

Commitment) but only to the extent that with respect to each non-Affected Lender the sum of (A) the aggregate principal amount of all Revolving Advances made by such non-Affected Lender (in its capacity as a Lender) and outstanding at such time plus (B) such non-Affected Lender's Ratable Share (after giving effect to the reallocation contemplated in this Section 2.19(c)(i)) of the outstanding L/C Obligations plus (C) such non-Affected Lender's Ratable Share (after giving effect to the reallocation contemplated in this Section 2.19(c)(i)) of the outstanding Swingline Exposure, does not exceed such non-Affected Lender's Revolving Credit Commitment;

(ii) if the reallocation described in clause (i) above cannot, or can only partially, be effected, the Borrower shall within one (1) Business Day following notice by the Agent (x) first, prepay such unallocable Swingline Exposure and (y) second, Cash Collateralize for the benefit of the applicable Issuing Bank only the Borrower's obligations corresponding to such Affected Lender's Ratable Share of the Available Amount of outstanding Letters of Credit (after giving effect to any partial reallocation pursuant to clause (i) above) (the "Affected Lender Share") in accordance with the procedures set forth in Section 2.03(h) for so long as such there shall be any Available Amount of outstanding Letters of Credit;

(iii) if the Ratable Share of the Available Amount of outstanding Letters of Credit and the Swingline Exposure of the non-Affected Lenders is reallocated pursuant to this Section 2.19(c), then the fees payable to the Lenders pursuant to Section 2.04(a) and Section 2.04(b) shall be adjusted in accordance with such non-Affected Lenders' Ratable Shares;

(iv) if any Affected Lender Share is not reallocated pursuant to clause (i) above and if the Borrower fails to Cash Collateralize any portion of such Affected Lender Share pursuant to clause (ii) above, then, without prejudice to any rights or remedies of any Issuing Bank or any Lender hereunder, the fee payable under Section 2.04(b) with respect to such Affected Lender Share shall be payable to the Issuing Bank until such Affected Lender Share is reallocated; and

(v) if the Borrower Cash Collateralizes any portion of any Affected Lender Share pursuant to clause (ii) above, the Borrower shall not be required to pay any fees to such Affected Lender pursuant to Section 2.04(b)(i) or the applicable Issuing Bank pursuant to Section 2.04(b)(ii) (solely with respect to any fronting fee) with respect to such Affected Lender's Affected Lender Share during the period such Affected Lender's Affected Lender Share is Cash Collateralized;

(d) to the extent the Agent receives any payments or other amounts for the account of an Affected Lender under this Agreement, such Affected Lender shall be deemed to have requested that the Agent use such payment or other amount to fulfill such Affected Lender's previously unsatisfied obligations to fund a Revolving Advance under Section 2.03(c) or Section 2.03A(c) or L/C Advance or any other unfunded payment obligation of such Affected Lender under this Agreement; and

(e) for the avoidance of doubt, the Borrower, each Issuing Bank, the Swingline Lender, the Agent and each other Lender shall retain and reserve its other rights and remedies respecting each Affected Lender.

In the event that the Agent, the Borrower, the Swingline Lender and the Issuing Banks each agrees that an Affected Lender has adequately remedied all matters that caused such Lender to be an Affected Lender, then the Ratable Shares of the Lenders shall be readjusted to reflect the inclusion of such Lender's Revolving Credit Commitment and on such date such Lender shall purchase at par such of the Revolving Advances of the other Lenders as the Agent shall determine may be necessary in order for such Lender to hold such Revolving Advances in accordance with its Ratable Share. In addition, at such time as the Affected Lender is replaced by another Lender pursuant to Section 2.20, the Ratable Shares of the Lenders will be readjusted to reflect the inclusion of the replacing Lender's Commitment in accordance with Section 2.20. In either such case, this Section 2.19 will no longer apply.

Section 2.20 Replacement of Lenders. If any Lender requests compensation under Section 2.11, or if the Borrower is required to pay any additional amount to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 2.14, or if any Lender is an Affected Lender, then the Borrower may, at its sole expense and effort, upon notice to such Lender and the Agent, require such Lender to assign and delegate, without recourse (in accordance with and subject to the restrictions contained in, and consents required by, Section 8.07), all of its interests, rights and obligations under this Agreement and the related Loan Documents to one or more assignees that shall assume such obligations (which any such assignee may be another Lender, if a Lender accepts such assignment), provided that:

(a) the Borrower shall have paid to the Agent the assignment fee specified in Section 8.07(b);

(b) such Lender shall have received payment of an amount equal to the outstanding principal of its Revolving Advances and L/C Advances, accrued interest thereon, accrued fees and all other amounts payable to it hereunder and under the other Loan Documents (including any amounts under Section 8.04(e)) from the assignee (to the extent of such outstanding principal and accrued interest and fees) or the Borrower (in the case of all other amounts);

(c) in the case of any such assignment resulting from a claim for compensation under Section 2.11 or payments required to be made pursuant to Section 2.14, such assignment will result in a reduction in such compensation or payments thereafter; and

(d) such assignment does not conflict with applicable Laws.

A Lender shall not be required to make any such assignment or delegation if, prior thereto, as a result of a waiver by such Lender or otherwise, the circumstances entitling the Borrower to require such assignment and delegation cease to apply.

ARTICLE III

CONDITIONS PRECEDENT

Section 3.01 Conditions Precedent to Effectiveness . This Agreement shall become effective on and as of the first date (the "Effective Date") on which the following conditions precedent have been satisfied:

(a) The Lenders shall have been given such access to the management, records, books of account, contracts and properties of the Borrower and its Subsidiaries as they shall have requested.

(b) The Borrower shall have paid all accrued fees and agreed expenses of the Agent, the Arrangers and the Lenders and the reasonable accrued fees and expenses of counsel to the Agent that have been invoiced at least one Business Day prior to the Effective Date.

(c) On the Effective Date, the following statements shall be true and the Agent shall have received a certificate signed by a duly authorized officer of the Borrower, dated the Effective Date, stating that:

(i) The representations and warranties contained in Section 4.01 are true and correct on and as of the Effective Date, and

(ii) No event has occurred and is continuing that constitutes a Default.

(d) The Agent shall have received on or before the Effective Date the following, each dated such day, in form and substance satisfactory to the Agent and the Lenders:

(i) Receipt by the Agent of executed counterparts of this Agreement properly executed by a duly authorized officer of the Borrower and by each Lender.

(ii) The Notes, payable to the order of the Lenders to the extent requested by any Lender pursuant to Section 2.16.

(iii) The articles of incorporation of the Borrower certified to be true and complete as of a recent date by the appropriate governmental authority of the state or other jurisdiction of its incorporation and certified by a secretary, assistant secretary or associate secretary of the Borrower to be true and correct as of the Effective Date.

(iv) The bylaws of the Borrower certified by a secretary, assistant secretary or associate secretary of the Borrower to be true and correct as of the Effective Date.

(v) Certified copies of the resolutions of the Board of Directors of the Borrower approving this Agreement and the Notes, and of all documents evidencing other necessary corporate action and governmental approvals, if any, with respect to this Agreement and the Notes.

(vi) A certificate of the secretary, assistant secretary or associate secretary of the Borrower certifying the names and true signatures of the officers of the Borrower authorized to sign this Agreement and the Notes and the other documents to be delivered hereunder.

(vii) A certificate as of a recent date from the Borrower's state of incorporation evidencing that the Borrower is in good standing in its state of organization or formation.

(viii) A favorable opinion of counsel for the Borrower, in form and substance reasonably acceptable to the Lenders.

(ix) A favorable opinion of Sidley Austin LLP, counsel for the Agent, in form and substance reasonably acceptable to the Lenders.

(e) Concurrently with or before the Effective Date, (i) all principal, interest and other amounts outstanding under the Borrower's existing Three–Year Credit Agreement dated as of February 12, 2010 (the "Existing Senior Credit Agreement") shall be repaid and satisfied in full, (ii) all commitments to extend credit under the Existing Senior Credit Agreement shall be terminated and (iii) any letters of credit outstanding under the Existing Senior Credit Agreement shall have been terminated, canceled, transferred or replaced; and the Agent shall have received evidence of the foregoing satisfactory to it, including an escrow agreement or payoff letter executed by the lenders or the agent under the Existing Senior Credit Agreement if applicable.

(f) The Agent shall have received evidence satisfactory to it of the refinancing of that certain $500,000,000 Three-Year Credit Agreement dated as of February 12, 2010 by and among Arizona Public Service Company, as borrower, the lenders from time to time, parties thereto and Bank of America, N.A., as administrative agent, on terms and conditions reasonably acceptable to the Agent.

Section 3.02 Conditions Precedent to Each Credit Extension and Commitment Increase. The obligation of each Lender to make an Advance (other than an L/C Advance or an Advance made pursuant to Section 2.03(c) or Section 2.03A(c)) on the occasion of each Borrowing, the obligation of each Issuing Bank to issue a Letter of Credit, and each Commitment Increase shall be subject to the conditions precedent that the Effective Date shall have occurred and on the date of such Borrowing or such issuance (as the case may be), or the applicable Increase Date, the following statements shall be true (and each of the giving of the applicable Notice of Borrowing or request for issuance and the acceptance by the Borrower of the proceeds of such Borrowing shall constitute a representation and warranty by the Borrower that on the date of such Borrowing or date of such issuance such statements are true):the representations and warranties contained in Section 4.01 (other than Section 4.01(k), and in the case of a Borrowing or issuance of a Letter of Credit, Section 4.01(e)(ii) and 4.01(f)(ii)) are correct on and as of such date, before and after giving effect to such Borrowing or issuance of a Letter of Credit, or such Commitment Increase and to the application of the proceeds therefrom, as though made on and as of such date; and

(b) no event has occurred and is continuing, or would result from such Borrowing or issuance of a Letter of Credit, or such Commitment Increase or from the application of the proceeds therefrom, that constitutes a Default.

Each request for Credit Extension (which shall not include a Conversion or a continuation of Eurodollar Rate Advances) submitted by the Borrower shall be deemed to be a representation and warranty that the conditions specified in Sections 3.02(a) and (b) have been satisfied on and as of the date of the applicable Credit Extension.

Section 3.03 Determinations Under Section 3.01. For purposes of determining compliance with the conditions specified in Section 3.01 and the satisfaction of each Lender with respect to letters delivered to it from the Borrower as set forth in Sections 4.01(a), 4.01(e) and 4.01(f), each Lender that has signed this Agreement shall be deemed to have consented to, approved or accepted or to be satisfied with each document or other matter required thereunder to be consented to or approved by or acceptable or satisfactory to the Lenders unless an officer of the Agent responsible for the transactions contemplated by this Agreement shall have received notice from such Lender prior to the date that the Borrower designates as the proposed Effective Date, specifying its objection thereto. The Agent shall promptly notify the Lenders and the Borrower of the occurrence of the Effective Date.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES

Section 4.01 Representations and Warranties of the Borrower. The Borrower represents and warrants as follows:

(a) Each of the Borrower and each Material Subsidiary: (i) is a corporation or other entity duly organized and validly existing under the Laws of the jurisdiction of its incorporation or organization; (ii) has all requisite corporate or if the Material Subsidiary is not a corporation, other comparable power necessary to own its assets and carry on its business as presently conducted; (iii) has all governmental licenses, authorizations, consents and approvals necessary to own its assets and carry on its business as presently conducted, if the failure to have any such license, authorization, consent or approval is reasonably likely to have a Material Adverse Effect and except as disclosed to the Agent in the SEC Reports or by means of a letter from the Borrower to the Lenders (such letter, if any, to be delivered to the Agent for prompt distribution to the Lenders) delivered prior to the execution and delivery of this Agreement (which, in each case, shall be satisfactory to each Lender in its sole discretion) and except that (A) APS from time to time may make minor extensions of its lines, plants, services or systems prior to the time a related franchise, certificate of convenience and necessity, license or permit is procured, (B) from time to time communities served by APS may become incorporated and considerable time may elapse before such a franchise is procured, (C) certain such franchises may have expired prior to the renegotiation thereof, (D) certain minor defects and exceptions may exist which, individually and in the aggregate, are not material and (E) certain franchises, certificates, licenses and permits may not be specific as to their geographical scope); and (iv) is qualified to do business in all jurisdictions in which the nature of the business conducted by it makes such

qualification necessary and where failure so to qualify is reasonably likely to have a Material Adverse Effect.

(b) The execution, delivery and performance by the Borrower of this Agreement and the other Loan Documents, and the consummation of the transactions contemplated hereby and thereby, are within the Borrower's corporate powers, have been duly authorized by all necessary corporate action, and do not or did not (i) contravene the Borrower's articles of incorporation or by-laws, (ii) contravene any Law, decree, writ, injunction or determination of any Governmental Authority, in each case applicable to or binding upon the Borrower or any of its properties, (iii) contravene any contractual restriction binding on or affecting the Borrower or (iv) cause the creation or imposition of any Lien upon the assets of the Borrower or any Material Subsidiary, except for Liens created under this Agreement and except where such contravention or creation or imposition of such Lien is not reasonably likely to have a Material Adverse Effect.

(c) No authorization or approval or other action by, and no notice to or filing with, any Governmental Authority is required for the due execution, delivery and performance by the Borrower of this Agreement or the Notes to be delivered by it.

(d) This Agreement has been, and each of the other Loan Documents upon execution and delivery will have been, duly executed and delivered by the Borrower. This Agreement is, and each of the other Loan Documents upon execution and delivery will be, the legal, valid and binding obligation of the Borrower enforceable against the Borrower in accordance with their respective terms, subject, however, to the application by a court of general principles of equity and to the effect of any applicable bankruptcy, insolvency, reorganization, moratorium or similar Laws affecting creditors' rights generally.

(e) (i) The Consolidated balance sheet of the Borrower as of December 31, 2010, and the related Consolidated statements of income and cash flows of the Borrower for the fiscal year then ended, accompanied by an opinion thereon of Deloitte & Touche LLP, independent registered public accountants, and the Consolidated balance sheet of the Borrower as of September 30, 2011, and the related Consolidated statements of income and cash flows of the Borrower for the nine months then ended, duly certified by the chief financial officer of the Borrower, copies of which have been furnished to the Agent, fairly present in all material respects, subject, in the case of said balance sheet as of September 30, 2011, and said statements of income and cash flows for the nine months then ended, to year-end audit adjustments, the Consolidated financial condition of the Borrower as at such dates and the Consolidated results of the operations of the Borrower for the periods ended on such dates, all in accordance with GAAP (except as disclosed therein). (ii) Except as disclosed to the Agent in the SEC Reports or by means of a letter from the Borrower to the Lenders (such letter, if any, to be delivered to the Agent for prompt distribution to the Lenders) delivered prior to the execution and delivery of this Agreement (which, in each case, shall be satisfactory to each Lender in its sole discretion), since December 31, 2010, there has been no Material Adverse Effect.

(f) There is no pending or, to the knowledge of an Authorized Officer of the Borrower, threatened action, suit, investigation, litigation or proceeding, including, without limitation, any Environmental Action, affecting the Borrower or any of its Subsidiaries before any court, governmental agency or arbitrator that (i) purports to affect the legality, validity or

enforceability of this Agreement or any other Loan Document or the consummation of the transactions contemplated hereby or (ii) would be reasonably likely to have a Material Adverse Effect (except as disclosed to the Agent in the SEC Reports or by means of a letter from the Borrower to the Lenders (such letter, if any, to be delivered to the Agent for prompt distribution to the Lenders) delivered prior to the execution and delivery of this Agreement (which, in each case, shall be satisfactory to each Lender in its sole discretion)) and there has been no adverse change in the status, or financial effect on the Borrower or any of its Subsidiaries, of such disclosed litigation that would be reasonably likely to have a Material Adverse Effect.

(g) No proceeds of any Advance will be used to acquire any equity security not issued by the Borrower of a class that is registered pursuant to Section 12 of the Securities Exchange Act of 1934.

(h) The Borrower is not engaged in the business of extending credit for the purpose of purchasing or carrying margin stock (within the meaning of Regulation U issued by the Board of Governors of the Federal Reserve System), and no proceeds of any Advance will be used to purchase or carry any margin stock or to extend credit to others for the purpose of purchasing or carrying any margin stock, in any case in violation of Regulation U. After application of the proceeds of any Advance, not more than 25% of the value of the assets subject to any restriction under this Agreement on the right to sell, pledge, transfer, or otherwise dispose of such assets is represented by margin stock.

(i) The Borrower and its Subsidiaries have filed all United States of America Federal income tax returns and all other material tax returns which are required to be filed by them and have paid all taxes due pursuant to such returns or pursuant to any assessment received by the Borrower or any of its Subsidiaries, except to the extent that (i) such taxes are being contested in good faith and by appropriate proceedings and that appropriate reserves for the payment thereof have been maintained by the Borrower and its Subsidiaries in accordance with GAAP or (ii) the failure to make such filings or such payments is not reasonably likely to have a Material Adverse Effect. The charges, accruals and reserves on the books of the Borrower and its Material Subsidiaries as set forth in the most recent financial statements of the Borrower delivered to the Agent pursuant to Section 4.01(e) or Section 5.01(h)(i) or (ii) hereof in respect of taxes and other governmental charges are, in the opinion of the Borrower, adequate.

(j) Set forth on Schedule 4.01(j) hereto (as such schedule may be modified from time to time by the Borrower by written notice to the Agent) is a complete and accurate list of all the Material Subsidiaries of the Borrower.

(k) Set forth on Schedule 4.01(k) hereto is a complete and accurate list identifying any Indebtedness of the Borrower outstanding in a principal amount equal to or exceeding $5,000,000 and which is not described in the financial statements referred to in Section 4.01(e).

(l) The Borrower is not an "investment company", or a company "controlled" by an "investment company", within the meaning of the Investment Company Act of 1940, as amended.

(m) No report, certificate or other written information furnished by the Borrower or any of its Subsidiaries to any Agent or any Lender in connection with the transactions contemplated hereby and the negotiation of this Agreement or delivered hereunder or any other Loan Document (as modified or supplemented by other information so furnished) at the time so furnished, when taken together as a whole with all such written information so furnished, contains an untrue statement of a material fact or omits to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading, except as would not reasonably be expected to result in a Material Adverse Effect; provided that with respect to any projected financial information, forecasts, estimates or forward-looking information, the Borrower represents only that such information and materials have been prepared in good faith on the basis of assumptions believed to be reasonable at the time of preparation of such forecasts, and no representation or warranty is made as to the actual attainability of any such projections, forecasts, estimates or forward-looking information.

ARTICLE V

COVENANTS OF THE BORROWER

Section 5.01 Affirmative Covenants. So long as any Advance shall remain unpaid, any Letter of Credit shall remain outstanding or any Lender shall have any Commitment hereunder, the Borrower shall:

(a) Compliance with Laws, Etc. (i) Comply, and cause each of its Material Subsidiaries to comply, in all material respects, with all applicable Laws of Governmental Authorities, such compliance to include, without limitation, compliance with ERISA and Environmental Laws, unless the failure to so comply is not reasonably likely to have a Material Adverse Effect and (ii) comply at all times with all Laws, orders, decrees, writs, injunctions or determinations of any Governmental Authority relating to the incurrence or maintenance of Indebtedness by the Borrower, unless the failure to so comply is not reasonably likely to have a Material Adverse Effect.

(b) Payment of Taxes, Etc. Pay and discharge, and cause each of its Subsidiaries to pay and discharge, before the same shall become delinquent, all taxes, assessments and governmental charges or levies imposed upon it or upon its property; provided, however, that neither the Borrower nor any of its Subsidiaries shall be required to pay or discharge any such tax, assessment, charge or levy (i) that is being contested in good faith and by proper proceedings and as to which appropriate reserves are being maintained in accordance with GAAP or (ii) if the failure to pay such tax, assessment, charge or levy is not reasonably likely to have a Material Adverse Effect.

(c) Maintenance of Insurance. Maintain, and cause each of its Material Subsidiaries to maintain, insurance with responsible and reputable insurance companies or associations in such amounts and covering such risks as is usually carried by companies engaged in similar businesses and owning similar properties in the same general areas in which the Borrower or such Subsidiary operates; provided, however, that the Borrower and its Subsidiaries may self-insure to the same extent as other companies engaged in similar businesses and owning similar

properties in the same general areas in which the Borrower or such Subsidiary operates and to the extent consistent with prudent business practice.

(d) Preservation of Corporate Existence, Etc. Preserve and maintain, and cause each of its Material Subsidiaries to preserve and maintain, its corporate existence, rights (charter and statutory) and franchises (other than "franchises" as described in Arizona Revised Statutes, Section 40-283 or any successor provision) reasonably necessary in the normal conduct of its business, if the failure to maintain such rights or privileges is reasonably likely to have a Material Adverse Effect, and, in the case of APS, will cause APS to use its commercially reasonable efforts to preserve and maintain such franchises reasonably necessary in the normal conduct of its business, except that (i) APS from time to time may make minor extensions of its lines, plants, services or systems prior to the time a related franchise, certificate of convenience and necessity, license or permit is procured, (ii) from time to time communities served by APS may become incorporated and considerable time may elapse before such a franchise is procured, (iii) certain such franchises may have expired prior to the renegotiation thereof, (iv) certain minor defects and exceptions may exist which, individually and in the aggregate, are not material and (v) certain franchises, certificates, licenses and permits may not be specific as to their geographical scope; provided, however, that the Borrower and its Subsidiaries may consummate any merger or consolidation permitted under Section 5.02(b).

(e) Visitation Rights. At any reasonable time and from time to time, permit and cause each of its Subsidiaries to permit the Agent or any of the Lenders or any agents or representatives thereof, to examine and make copies of and abstracts from the records and books of account of, and visit the properties of, the Borrower and any of its Subsidiaries, and to discuss the affairs, finances and accounts of the Borrower and any of its Subsidiaries with any of their officers or directors; provided, however, that the Borrower and its Subsidiaries reserve the right to restrict access to any of its properties in accordance with reasonably adopted procedures relating to safety and security; and provided further that the costs and expenses incurred by such Lender or agents or representatives in connection with any such examinations, copies, abstracts, visits or discussions shall be, upon the occurrence and during the continuation of a Default, for the account of the Borrower and, in all other circumstances, for the account of such Lender.

(f) Keeping of Books. Keep, and cause each of its Material Subsidiaries to keep, proper books of record and account, in which full and correct entries shall be made of all financial transactions and the assets and business of the Borrower and each such Subsidiary in a manner that permits the preparation of financial statements in accordance with GAAP.

(g) Maintenance of Properties, Etc. Keep, and cause each Material Subsidiary to keep, all property useful and necessary in its business in good working order and condition (ordinary wear and tear excepted), if the failure to do so is reasonably likely to have a Material Adverse Effect, it being understood that this covenant relates only to the working order and condition of such properties and shall not be construed as a covenant not to dispose of properties.

(h) Reporting Requirements. Furnish to the Agent:

(i) as soon as available and in any event within 50 days after the end of each of the first three fiscal quarters of each fiscal year of the Borrower, (A) for each such

fiscal quarter of the Borrower, Consolidated statements of income and cash flows of the Borrower for such fiscal quarter setting forth in each case in comparative form the corresponding figures for the corresponding fiscal quarter in the preceding fiscal year and (B) for the period commencing at the end of the previous fiscal year and ending with the end of each fiscal quarter, Consolidated statements of income and cash flows of the Borrower for such period setting forth in each case in comparative form the corresponding figures for the corresponding period in the preceding fiscal year; provided that so long as the Borrower remains subject to the reporting requirements of the Securities Exchange Act of 1934, as amended, the Borrower may provide, in satisfaction of the requirements of this first sentence of this Section 5.01(h)(i), its report on Form 10-Q for such fiscal quarter. Each set of financial statements provided under this Section 5.01(h)(i) shall be accompanied by a certificate of an Authorized Officer, which certificate shall state that said Consolidated financial statements fairly present in all material respects the Consolidated financial condition and results of operations of the Borrower in accordance with GAAP (except as disclosed therein) as at the end of, and for, such period (subject to normal year-end audit adjustments) and shall set forth reasonably detailed calculations demonstrating compliance with Section 5.03;

(ii) as soon as available and in any event within 90 days after the end of each fiscal year of the Borrower, audited Consolidated statements of income and cash flows of the Borrower for such year and the related Consolidated balance sheet of the Borrower as at the end of such year, setting forth in each case in comparative form the corresponding figures for the preceding fiscal year; provided that, so long as the Borrower remains subject to the reporting requirements of the Securities Exchange Act of 1934, as amended, the Borrower may provide, in satisfaction of the requirements of this first sentence of this Section 5.01(h)(ii), its report on Form 10-K for such fiscal year. Each set of financial statements provided pursuant to this Section 5.01(h)(ii) shall be accompanied by (A) an opinion thereon of independent certified public accountants of recognized national standing, which opinion shall state that said Consolidated financial statements fairly present in all material respects the Consolidated financial condition and results of operations of the Borrower as at the end of, and for, such fiscal year, in accordance with GAAP (except as disclosed therein) and (B) a certificate of an Authorized Officer, which certificate shall set forth reasonably detailed calculations demonstrating compliance with Section 5.03;

(iii) as soon as possible and in any event within five days after any Authorized Officer of the Borrower knows of the occurrence of each Default continuing on the date of such statement, a statement of an Authorized Officer of the Borrower setting forth details of such Default and the action that the Borrower has taken and proposes to take with respect thereto;

(iv) promptly after the sending or filing thereof, copies of all reports and registration statements (other than exhibits thereto and registration statements on Form S-8 or its equivalent) that the Borrower or any Subsidiary files with the Securities and Exchange Commission;

(v) promptly after an Authorized Officer becomes aware of the commencement thereof, notice of all actions and proceedings before any court, governmental agency or arbitrator affecting the Borrower or any of its Subsidiaries of the type described in Section 4.01(f), except with respect to any matter referred to in Section 4.01(f)(ii), to the extent disclosed in a report on Form 8-K, Form 10-Q or Form 10-K of the Borrower;

(vi) promptly after an Authorized Officer becomes aware of the occurrence thereof, notice of any change by Moody's or S&P of their respective Public Debt Rating or of the cessation (or subsequent commencement) by Moody's or S&P of publication of their respective Public Debt Rating;

(vii) promptly after the occurrence of any ERISA Event, together with (x) a written statement of an Authorized Officer of the Borrower specifying the details of such ERISA Event and the action that the Borrower has taken and proposes to take with respect thereto, (y) a copy of any notice with respect to such ERISA Event that may be required to be filed with the PBGC and (z) a copy of any notice delivered by the PBGC to the Borrower or an ERISA Affiliate with respect to such ERISA Event; and

(viii) such other information respecting the Borrower or any of its Subsidiaries as any Lender through the Agent may from time to time reasonably request.

Information required to be delivered pursuant to Sections 5.01(h)(i), (ii) and (iv) above shall be deemed to have been delivered on the date on which the Borrower provides notice to the Agent that such information has been posted on the Borrower's website on the Internet at www.pinnaclewest.com, at sec.gov/edaux/searches.htm or at another website identified in such notice and accessible by the Lenders without charge; provided that (i) such notice may be included in a certificate delivered pursuant to Section 5.01(h)(i) or (ii) and (ii) the Borrower shall deliver paper copies of the information referred to in Section 5.01(h)(i), (ii), and (iv) to any Lender which requests such delivery.

(i) Change in Nature of Business. Conduct directly or through its Subsidiaries the same general type of business conducted by the Borrower and its Material Subsidiaries on the date hereof.

Section 5.02 Negative Covenants. So long as any Advance shall remain unpaid, any Letter of Credit shall remain outstanding or any Lender shall have any Commitment hereunder, the Borrower shall not:

(a) Liens, Etc. Directly or indirectly create, incur, assume or permit to exist any Lien securing Indebtedness for borrowed money on or with respect to any property or asset (including, without limitation, the capital stock of APS) of the Borrower, whether now owned or held or hereafter acquired (unless it makes, or causes to be made, effective provision whereby the Obligations will be equally and ratably secured with any and all other obligations thereby secured so long as such other Indebtedness shall be so secured, such security to be pursuant to an agreement reasonably satisfactory to the Required Lenders); provided, however, that this Section 5.02(a) shall not apply to Liens securing Indebtedness for borrowed money (other than

Indebtedness for borrowed money secured by the capital stock of APS) which do not in the aggregate exceed at any time outstanding the principal amount of $50,000,000.

(b) Mergers, Etc. Merge or consolidate with or into any Person, or permit any of its Material Subsidiaries to do so, except that (i) any Material Subsidiary of the Borrower may merge or consolidate with or into any other Material Subsidiary of the Borrower, (ii) any Subsidiary of the Borrower may merge into the Borrower or any Material Subsidiary of the Borrower and (iii) the Borrower or any Material Subsidiary may merge with any other Person so long as the Borrower or such Material Subsidiary is the surviving corporation, provided, in each case, that no Default shall have occurred and be continuing at the time of such proposed transaction or would result therefrom.

(c) Sales, Etc. of Assets. Sell, lease, transfer or otherwise dispose of, or permit any of its Material Subsidiaries to sell, lease, transfer or otherwise dispose of, any assets, or grant any option or other right to purchase, lease or otherwise acquire any assets to any Person other than the Borrower or any Subsidiary of the Borrower, except (i) dispositions in the ordinary course of business, including, without limitation, sales or other dispositions of electricity and related and ancillary services, other commodities, emissions credits and similar mechanisms for reducing pollution, and damaged, obsolete, worn out or surplus property no longer required or useful in the business or operations of the Borrower or any of its Subsidiaries, (ii) sale or other disposition of patents, copyrights, trademarks or other intellectual property that are, in the Borrower's reasonable judgment, no longer economically practicable to maintain or necessary in the conduct of the business of the Borrower or its Subsidiaries and any license or sublicense of intellectual property that does not interfere with the business of the Borrower or any Material Subsidiary, (iii) in a transaction authorized by subsection (b) of this Section, (iv) individual dispositions occurring in the ordinary course of business which involve assets with a book value not exceeding $5,000,000, (v) sales, leases, transfers or dispositions of assets during the term of this Agreement having an aggregate book value not to exceed 30% of the total of all assets properly appearing on the most recent balance sheet of the Borrower provided pursuant to Section 4.01(e)(i) or 5.01(h)(ii) hereof, (vi) at any time following the consummation of the Four Corners Acquisition and the closure by APS of Units 1, 2 and 3 of the Four Corners Power Plant near Farmington, New Mexico, as described in the SEC Reports, disposition of all or any portion of APS' interests in such Units 1, 2 and 3, and (vii) any Lien permitted under Section 5.02(a).

(d) Ownership of APS. Except to the extent permitted under Section 5.02(b), the Borrower will at all times continue to own directly or indirectly at least 80% of the outstanding capital stock of APS.

Section 5.03 Financial Covenant. So long as any Advance shall remain unpaid, any Letter of Credit shall remain outstanding or any Lender shall have any Commitment hereunder, the Borrower will maintain a ratio of (a) Consolidated Indebtedness to (b) the sum of Consolidated Indebtedness plus Consolidated Net Worth of not greater than 0.65 to 1.0.

ARTICLE VI

EVENTS OF DEFAULT

Section 6.01 Events of Default. If any of the following events ("Events of Default") shall occur and be continuing:

(a) The Borrower shall fail to pay when due (i) any principal of any Advance, (ii) any drawing under any Letter of Credit, or (iii) any interest on any Advance or any other fees or other amounts payable under this Agreement or any other Loan Documents, and (in the case of this clause (iii) only), such failure shall continue for a period of three Business Days; or

(b) Any representation or warranty made by the Borrower herein or by the Borrower (or any of its officers) in any certificate or other document delivered in connection with this Agreement or any other Loan Document shall prove to have been incorrect in any material respect when made or deemed made or furnished; or

(c) (i) The Borrower shall fail to perform or observe any term, covenant or agreement contained in Section 5.01(d) (as to the corporate existence of the Borrower), (h)(iii) or (h)(vi), 5.02 or 5.03, or (ii) the Borrower shall fail to perform or observe any other term, covenant or agreement contained in Section 5.01(e) if such failure shall remain unremedied for 15 days after written notice thereof shall have been given to the Borrower by the Agent or any Lender or (iii) the Borrower shall fail to perform or observe any other term, covenant or agreement contained in this Agreement or any other Loan Document on its part to be performed or observed if such failure shall remain unremedied for 30 days after written notice thereof shall have been given to the Borrower by the Agent or any Lender; or

(d) (i) The Borrower or any of its Material Subsidiaries shall fail to pay (A) any principal of or premium or interest on any Indebtedness that is outstanding in a principal amount of at least $35,000,000 in the aggregate (but excluding Indebtedness outstanding hereunder), or (B) an amount, or post collateral as contractually required in an amount, of at least $35,000,000 in respect of any Hedge Agreement, of the Borrower or such Material Subsidiary (as the case may be), in each case, when the same becomes due and payable (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise), and such failure shall continue after the applicable grace period, if any, specified in the agreement or instrument relating to such Indebtedness or Hedge Agreement; or (ii) any event of default shall exist under any agreement or instrument relating to any such Indebtedness and shall continue after the applicable grace period, if any, specified in such agreement or instrument, if the effect of such event is to accelerate, or to permit the acceleration of, the maturity of such Indebtedness; or

(e) The Borrower or any of its Material Subsidiaries shall fail to pay any principal of or premium or interest in respect of any operating lease in respect of which the payment obligations of the Borrower have a present value of at least $35,000,000, when the same becomes due and payable (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise), and such failure shall continue after the applicable grace period, if any, specified in such operating lease, if the effect of such failure is to terminate, or to permit the termination of, such operating lease; or

(f) The Borrower or any of its Material Subsidiaries shall generally not pay its debts as such debts become due, or shall admit in writing its inability to pay its debts generally, or shall make a general assignment for the benefit of creditors; or any proceeding shall be instituted by or against the Borrower or any of its Material Subsidiaries seeking to adjudicate it a bankrupt or insolvent, or seeking liquidation, winding up, reorganization, arrangement, adjustment, protection, relief, or composition of it or its debts under any Debtor Relief Law, or seeking the entry of an order for relief or the appointment of a receiver, trustee, custodian or other similar official for it or for any substantial part of its property and, in the case of any such proceeding instituted against it (but not instituted by it), either such proceeding shall remain undismissed or unstayed for a period of 60 days, or any of the actions sought in such proceeding (including, without limitation, the entry of an order for relief against, or the appointment of a receiver, trustee, custodian or other similar official for, it or for any substantial part of its property) shall occur; or the Borrower or any of its Material Subsidiaries shall take any corporate action to authorize any of the actions set forth above in this subsection (f); or

(g) Judgments or orders for the payment of money that exceeds any applicable insurance coverage (the insurer of which shall be rated at least "A" by A.M. Best Company) by more than $35,000,000 in the aggregate shall be rendered against the Borrower or any Material Subsidiary and such judgments or orders shall continue unsatisfied or unstayed for a period of 45 days; or

(h) (i) any "person" or "group" (as such terms are used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, but excluding any employee benefit plan of such person or its subsidiaries, and any person or entity acting in its capacity as trustee, agent or other fiduciary or administrator of any such plan) becomes the "beneficial owner" (as defined in Rules 13d-3 and 13d-5 under the Securities Exchange Act of 1934), directly or indirectly, of 30% or more of the equity securities of the Borrower entitled to vote for members of the board of directors of the Borrower; or (ii) during any period of 24 consecutive months, a majority of the members of the board of directors of the Borrower cease (other than due to death or disability) to be composed of individuals (A) who were members of that board on the first day of such period, (B) whose election or nomination to that board was approved by individuals referred to in clause (A) above constituting at the time of such election or nomination at least a majority of that board or (C) whose election or nomination to that board was approved by individuals referred to in clauses (A) and (B) above constituting at the time of such election or nomination at least a majority of that board; or

(i) (i) An ERISA Event occurs with respect to a Pension Plan or Multiemployer Plan which has resulted or could reasonably be expected to result in liability of the Borrower under Title IV of ERISA to the Pension Plan, Multiemployer Plan or the PBGC in an aggregate amount in excess of $35,000,000, or (ii) the Borrower or any ERISA Affiliate fails to pay when due, after the expiration of any applicable grace period, any installment payment with respect to its withdrawal liability under Section 4201 of ERISA under a Multiemployer Plan in an aggregate amount in excess of $35,000,000;

then, and in any such event, the Agent shall at the request, or may with the consent, of the Required Lenders, by notice to the Borrower, (i) declare the obligation of each Lender to make Advances (other than L/C Advances) and of the Issuing Banks to issue Letters of Credit to be

terminated, whereupon the same shall forthwith terminate, (ii) declare the Advances, all interest thereon and all other amounts payable under this Agreement to be forthwith due and payable, whereupon the Advances, all such interest and all such amounts shall become and be forthwith due and payable, without presentment, demand, protest or further notice of any kind, all of which are hereby expressly waived by the Borrower; provided, however, that in the event of an actual or deemed entry of an order for relief with respect to the Borrower under the Bankruptcy Code of the United States of America, (A) the obligation of each Lender to make Advances (other than L/C Advances) and of the Issuing Banks to issue Letters of Credit shall automatically be terminated and (B) the Advances, all such interest and all such amounts shall automatically become and be due and payable, without presentment, demand, protest or any notice of any kind, all of which are hereby expressly waived by the Borrower and (iii) exercise all rights and remedies available to it under this Agreement, the other Loan Documents and applicable Law.

Section 6.02 Actions in Respect of Letters of Credit upon Default. If any Event of Default shall have occurred and be continuing, the Agent may with the consent, or shall at the request, of the Required Lenders, irrespective of whether it is taking any of the actions described in Section 6.01 or otherwise, (a) make demand upon the Borrower to, and forthwith upon such demand the Borrower will Cash Collateralize the aggregate Available Amount of all Letters of Credit then outstanding (whether or not any beneficiary under any Letter of Credit shall have drawn or be entitled at such time to draw thereunder) or (b) make such other arrangements in respect of the outstanding Letters of Credit as shall be acceptable to the Required Lenders, provided, however, that in the event of an actual or deemed entry of an order for relief with respect to the Borrower under the Bankruptcy Code of the United States of America, the Borrower will Cash Collateralize the aggregate Available Amount of all Letters of Credit then outstanding, without presentment, demand, protest or any notice of any kind, all of which are hereby expressly waived by the Borrower. If at any time the Agent determines that any funds held in the L/C Cash Deposit Account are subject to any right or interest of any Person other than the Agent, the Issuing Banks and the Lenders or that the total amount of such funds is less than the aggregate Available Amount of all Letters of Credit, the Borrower will, forthwith upon demand by the Agent, pay to the Agent, as additional funds to be deposited and held in the L/C Cash Deposit Account, an amount equal to the excess of (a) such aggregate Available Amount over (b) the total amount of funds, if any, then held in the L/C Cash Deposit Account that are free and clear of any such right and interest. Upon the drawing of any Letter of Credit, to the extent funds are on deposit in the L/C Cash Deposit Account, such funds shall be applied to reimburse the Issuing Banks to the extent permitted by applicable Law, or each Lender to the extent such Lender has funded a Revolving Advance in respect of such Letter of Credit. The Borrower hereby grants to the Agent, for the benefit of the Issuing Banks and the Lenders, a Lien upon and security interest in the L/C Cash Deposit Account and all amounts held therein from time to time as security for the L/C Obligations, and for application to the Borrower's reimbursement obligations as and when the same shall arise. The Agent shall have exclusive dominion and control, including the exclusive right of withdrawal, over such account. After all such Letters of Credit shall have expired or been fully drawn upon and all other obligations of the Borrower hereunder and under the other Loan Documents shall have been paid in full, the balance, if any, in such L/C Cash Deposit Account shall be promptly returned to the Borrower.

ARTICLE VII

THE AGENT

Section 7.01 Appointment and Authority. Each of the Lenders (for purposes of this Article, references to the Lenders shall also mean the Issuing Banks) hereby irrevocably appoints Barclays Bank to act on its behalf as the Agent hereunder and under the other Loan Documents and authorizes the Agent to take such actions on its behalf and to exercise such powers as are delegated to the Agent by the terms hereof or thereof, together with such actions and powers as are reasonably incidental thereto. Except as set forth in Section 7.06, the provisions of this Article are solely for the benefit of the Agent and the Lenders, and neither the Borrower nor any of its Affiliates shall have rights as a third party beneficiary of any of such provisions.

Section 7.02 Rights as a Lender. The Person serving as the Agent hereunder shall have the same rights and powers in its capacity as a Lender as any other Lender and may exercise the same as though it were not the Agent and the term "Lender" or "Lenders" shall, unless otherwise expressly indicated or unless the context otherwise requires, include the Person serving as the Agent hereunder in its individual capacity. Such Person and its Affiliates may accept deposits from, lend money to, act as the financial advisor or in any other advisory capacity for and generally engage in any kind of business with the Borrower or any Subsidiary or other Affiliate thereof as if such Person were not the Agent hereunder and without any duty to account therefor to the Lenders.

Section 7.03 Exculpatory Provisions. The Agent shall not have any duties or obligations except those expressly set forth herein and in the other Loan Documents. Without limiting the generality of the foregoing, the Agent:

(a) shall not be subject to any fiduciary or other implied duties, regardless of whether a Default has occurred and is continuing;

(b) shall not have any duty to take any discretionary action or exercise any discretionary powers, except discretionary rights and powers expressly contemplated hereby or by the other Loan Documents that the Agent is required to exercise as directed in writing by the Required Lenders (or such other number or percentage of the Lenders as shall be expressly provided for herein), provided that the Agent shall not be required to take any action that, in its opinion or the opinion of its counsel, may expose the Agent to liability or that is contrary to any Loan Document or applicable Law; and

(c) shall not, except as expressly set forth herein and in the other Loan Documents, have any duty to disclose, and shall not be liable for the failure to disclose, any information relating to the Borrower or any of its Affiliates that is communicated to or obtained by the Person serving as the Agent or any of its Affiliates in any capacity.

The Agent shall not be liable for any action taken or not taken by it (i) with the consent or at the request of the Required Lenders (or such other number or percentage of the Lenders as shall be necessary, or as the Agent shall believe in good faith shall be necessary, under the circumstances as provided in Section 6.01 and 8.01) or (ii) in the absence of its own gross

negligence or willful misconduct. The Agent shall be deemed not to have knowledge of any Default unless and until notice describing such Default is given to the Agent by the Borrower or a Lender.

The Agent shall not be responsible for or have any duty to ascertain or inquire into (i) any statement, warranty or representation made in or in connection with this Agreement or any other Loan Document, (ii) the contents of any certificate, report or other document delivered hereunder or thereunder or in connection herewith or therewith, (iii) the performance or observance of any of the covenants, agreements or other terms or conditions set forth herein or therein or the occurrence of any Default, (iv) the validity, enforceability, effectiveness or genuineness of this Agreement, any other Loan Document or any other agreement, instrument or document or (v) the satisfaction of any condition set forth in Article III or elsewhere herein, other than to confirm receipt of items expressly required to be delivered to the Agent.

Section 7.04 Reliance by Agent. The Agent shall be entitled to rely upon, and shall not incur any liability for relying upon, any notice, request, certificate, consent, statement, instrument, document or other writing (including any electronic message, internet or intranet website posting or other distribution) believed by it to be genuine and to have been signed, sent or otherwise authenticated by the proper Person. The Agent also may rely upon any statement made to it orally or by telephone and believed by it to have been made by the proper Person, and shall not incur any liability for relying thereon. In determining compliance with any condition hereunder to the making of any Advance, or the issuance of a Letter of Credit, that by its terms must be fulfilled to the satisfaction of a Lender or an Issuing Bank, the Agent may presume that such condition is satisfactory to such Lender or such Issuing Bank unless the Agent shall have received notice to the contrary from such Lender or such Issuing Bank prior to the making of such Advance or the issuance of such Letter of Credit. The Agent may consult with legal counsel (who may be counsel for the Borrower), independent accountants and other experts selected by it, and shall not be liable for any action taken or not taken by it in good faith in accordance with the advice of any such counsel, accountants or experts.

Section 7.05 Delegation of Duties. The Agent may perform any and all of its duties and exercise its rights and powers hereunder or under any other Loan Document by or through any one or more sub-agents appointed by the Agent. The Agent and any such sub-agent may perform any and all of its duties and exercise its rights and powers by or through their respective Related Parties. The exculpatory provisions of this Article shall apply to any such sub-agent and to the Related Parties of the Agent and any such sub-agent, and shall apply to their respective activities in connection with the syndication of the credit facilities provided for herein as well as activities as Agent.

Section 7.06 Resignation of Agent. The Agent may at any time give notice of its resignation to the Lenders and the Borrower. Upon receipt of any such notice of resignation, the Required Lenders shall have the right, with the consent of the Borrower so long as no Event of Default has occurred and is continuing, to appoint a successor, which shall be a bank with an office in the United States of America, or an Affiliate of any such bank with an office in the United States of America. If no such successor shall have been so appointed by the Required Lenders and shall have accepted such appointment within 45 days after the retiring Agent gives notice of its resignation, then the retiring Agent may, on behalf of the Lenders, appoint a

successor Agent meeting the qualifications set forth above; provided that if the Agent shall notify the Borrower and the Lenders that no qualifying Person has accepted such appointment, then such resignation shall nonetheless become effective in accordance with such notice and (1) the retiring Agent shall be discharged from its duties and obligations hereunder and under the other Loan Documents (except that in the case of any collateral security held by the Agent on behalf of the Lenders under any of the Loan Documents, the retiring Agent shall continue to hold such collateral security until such time as a successor Agent is appointed) and (2) all payments, communications and determinations provided to be made by, to or through the Agent shall instead be made by or to each Lender directly, until such time as the Required Lenders appoint a successor Agent as provided for above in this Section. Upon the acceptance of a successor's appointment as Agent hereunder, such successor shall succeed to and become vested with all of the rights, powers, privileges and duties of the retiring (or retired) Agent, and the retiring Agent shall be discharged from all of its duties and obligations hereunder or under the other Loan Documents (if not already discharged therefrom as provided above in this Section). The fees payable by the Borrower to a successor Agent shall be as agreed between the Borrower and such successor. After the retiring Agent's resignation hereunder and under the other Loan Documents, the provisions of this Article and Section 8.04 shall continue in effect for the benefit of such retiring Agent, its sub-agents and their respective Related Parties in respect of any actions taken or omitted to be taken by any of them while the retiring Agent was acting as Agent.

Section 7.07 Non-Reliance on Agent and Other Lenders. Each Lender acknowledges that it has, independently and without reliance upon the Agent or any other Lender or any of their Related Parties and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Lender also acknowledges that it will, independently and without reliance upon the Agent or any other Lender or any of their Related Parties and based on such documents and information as it shall from time to time deem appropriate, continue to make its own decisions in taking or not taking action under or based upon this Agreement, any other Loan Document or any related agreement or any document furnished hereunder or thereunder.

Section 7.08 No Other Duties, Etc. Anything herein to the contrary notwithstanding, none of the Arrangers, Syndication Agents, Documentation Agents or other agents listed on the cover page hereof shall have any powers, duties or responsibilities under this Agreement or any of the other Loan Documents, except in its capacity, as applicable, as the Agent or a Lender hereunder.

Section 7.09 Issuing Banks. Each Issuing Bank shall act on behalf of the Lenders with respect to any Letters of Credit issued by it and the documents associated therewith, and each Issuing Bank shall have all of the benefits and immunities provided in this Article VII (other than Section 7.02) to the same extent as such provisions apply to the Agent.

ARTICLE VIII

MISCELLANEOUS

Section 8.01 Amendments, Etc. No amendment or waiver of any provision of this Agreement or any other Loan Document, nor consent to any departure by the Borrower therefrom, shall in any event be effective unless the same shall be in writing and signed by the Required Lenders, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given; provided, however, that no amendment, waiver or consent shall

(a) unless agreed to by each Lender directly affected thereby, (i) reduce or forgive the principal amount of any Advance or the Borrower's obligations to reimburse any drawing on a Letter of Credit, reduce the rate of or forgive any interest thereon (provided that only the consent of the Required Lenders shall be required to waive the applicability of any post-default increase in interest rates), or reduce or forgive any fees hereunder (other than fees payable to the Agent, the Arrangers, any Issuing Bank or the Swingline Lender, if any, for their own respective accounts), (ii) extend the final scheduled maturity date or any other scheduled date for the payment of any principal of or interest on any Advance, extend the time of payment of any obligation of the Borrower to reimburse any drawing on any Letter of Credit or any interest thereon, extend the expiry date of any Letter of Credit beyond the Letter of Credit Expiration Date, or extend the time of payment of any fees hereunder (other than fees payable to the Agent, the Arrangers, any Issuing Bank or the Swingline Lender, if any, for their own respective accounts), or (iii) increase any Revolving Credit Commitment of any such Lender over the amount thereof in effect or extend the maturity thereof (it being understood that a waiver of any condition precedent set forth in Section 3.02 or of any Default, if agreed to by the Required Lenders or all Lenders (as may be required hereunder with respect to such waiver), shall not constitute such an increase);

(b) unless agreed to by all of the Lenders, (i) reduce the percentage of the aggregate Revolving Credit Commitments or of the aggregate unpaid principal amount of the Advances, or the number or percentage of Lenders, that shall be required for the Lenders or any of them to take or approve, or direct the Agent to take, any action hereunder or under any other Loan Document (including as set forth in the definition of "Required Lenders"), (ii) change any other provision of this Agreement or any of the other Loan Documents requiring, by its terms, the consent or approval of all the Lenders for such amendment, modification, waiver, discharge, termination or consent, or (iii) change or waive any provision of Section 2.15, any other provision of this Agreement or any other Loan Document requiring pro rata treatment of any Lenders, or this Section 8.01 or Section 2.19(b); and

(c) unless agreed to by the Issuing Banks, the Swingline Lender, if any, or the Agent in addition to the Lenders required as provided hereinabove to take such action, affect the respective rights or obligations of the Issuing Banks, the Swingline Lender, if any, or the Agent, as applicable, hereunder or under any of the other Loan Documents.

(d) Notwithstanding the foregoing, this Agreement may be amended (or amended and restated) pursuant to an increase in the Revolving Credit Commitment pursuant to Section 2.18 with only the consents prescribed by such Section.

Section 8.02 Notices, Etc.

(a) All notices and other communications provided for hereunder shall be either (x) in writing (including facsimile communication) and mailed, faxed or delivered or (y) as and to the extent set forth in Sections 8.02(b) and (c) and in the proviso to this Section 8.02(a), if to the Borrower, at the address specified on Schedule 8.02; if to any Lender, at its Domestic Lending Office; if to the Agent, at the address specified on Schedule 8.02; if to the Swingline Lender, at the address specified by the Swingline Lender to the Borrower and the Agent, and if to any Issuing Bank, at the address specified on Schedule 8.02 or, as to the Borrower or the Agent, at such other address as shall be designated by such party in a written notice to the other parties and, as to each other party, at such other address as shall be designated by such party in a written notice to the Borrower and the Agent. All such notices and communications shall, when mailed or faxed, be effective when deposited in the mails or faxed, respectively, except that notices and communications to the Agent pursuant to Article II, III or VII shall not be effective until received by the Agent. Delivery by facsimile of an executed counterpart of any amendment or waiver of any provision of this Agreement or the Notes or of any Exhibit hereto to be executed and delivered hereunder shall be effective as delivery of a manually executed counterpart thereof. Notices delivered through electronic communications to the extent provided in subsection (b) below, shall be effective as provided in such subsection (b). Upon request of the Borrower, the Agent will provide to the Borrower (i) copies of each Administrative Questionnaire or (ii) the address of each Lender.

(b) Notices and other communications to the Lenders, the Agent and the Issuing Banks hereunder may be delivered or furnished by electronic communication (including e-mail and Internet or intranet websites) pursuant to procedures approved by the Agent and agreed to by the Borrower, provided that the foregoing shall not apply to notices to any Lender or the Issuing Banks pursuant to Article II if such Lender or the Issuing Banks, as applicable, has notified the Agent and the Borrower that it is incapable of receiving notices under such Article by electronic communication. The Agent or the Borrower may, in its discretion, agree to accept notices and other communications to it hereunder by electronic communications pursuant to procedures approved by it, provided that approval of such procedures may be limited to particular notices or communications. Unless the Agent and the Borrower otherwise agree, (i) notices and other communications sent to an e-mail address shall be deemed received upon the sender's receipt of an acknowledgement from the intended recipient (such as by the "return receipt requested" function, as available, return e-mail or other written acknowledgement), provided that if such notice or other communication is not sent during the normal business hours of the recipient, such notice or communication shall be deemed to have been sent at the opening of business on the next business day for the recipient, and (ii) notices or communications posted to an Internet or intranet website shall be deemed received upon the deemed receipt by the intended recipient at its e-mail address as described in the foregoing clause (i) of notification that such notice or communication is available and identifying the website address therefor.

(c) The Borrower agrees that the Agent may make materials delivered to the Agent pursuant to Sections 5.01(h)(i), (ii) and (iv), as well as any other written information, documents, instruments and other material relating to the Borrower or any of its Subsidiaries and relating to this Agreement, the Notes or the transactions contemplated hereby, or any other materials or matters relating to this Agreement, the Notes or any of the transactions contemplated hereby (collectively, the "Communications") available to the Lenders by posting such notices on Intralinks or a substantially similar electronic system (the "Platform"). The Borrower acknowledges that (i) the distribution of material through an electronic medium is not necessarily secure and that there are confidentiality and other risks associated with such distribution, (ii) the Platform is provided "as is" and "as available" and (iii) neither the Agent nor any of its Affiliates warrants the accuracy, adequacy or completeness of the Communications or the Platform and each expressly disclaims liability for errors or omissions in the Communications or the Platform. No warranty of any kind, express, implied or statutory, including, without limitation, any warranty of merchantability, fitness for a particular purpose, non-infringement of third party rights or freedom from viruses or other code defects, is made by the Agent or any of its Affiliates in connection with the Platform.

(d) Each Lender agrees that notice to it (as provided in the next sentence) (a "Notice") specifying that any Communications have been posted to the Platform shall constitute effective delivery of such information, documents or other materials to such Lender for purposes of this Agreement; provided that if requested by any Lender the Agent shall deliver a copy of the Communications to such Lender by e-mail, facsimile or mail. Each Lender agrees (i) to notify the Agent in writing of such Lender's e-mail address to which a Notice may be sent by electronic transmission (including by electronic communication) on or before the date such Lender becomes a party to this Agreement (and from time to time thereafter to ensure that the Agent has on record an effective e-mail address for such Lender) and (ii) that any Notice may be sent to such e-mail address.

(e) The Borrower hereby acknowledges that certain of the Lenders may be "public-side" Lenders (*i.e.,* Lenders that do not wish to receive material non-public information with respect to the Borrower or its securities) (each, a "Public Lender"). The Borrower hereby agrees that (w) all Communications that are to be made available to Public Lenders shall be clearly and conspicuously marked "PUBLIC" which shall mean that the word "PUBLIC" shall appear prominently on the first page thereof; (x) by marking Communications "PUBLIC," the Borrower shall be deemed to have authorized the Agent, the Arranger and the Lenders to treat such Communications as not containing any material non-public information with respect to the Borrower or its securities for purposes of United States of America federal and state securities laws; (y) all Communications marked "PUBLIC" are permitted to be made available through a portion of the Platform designated as "Public Investor;" and (z) the Agent and the Arranger shall be entitled to treat any Communications that are not marked "PUBLIC" as being suitable only for posting on a portion of the Platform not marked as "Public Investor." Notwithstanding the foregoing, the Borrower shall be under no obligation to mark any Communications "PUBLIC." Notwithstanding anything to the contrary herein, the Borrower and the Agent need not provide to any Public Lender any information, notice, or other document hereunder that is not public information, including without limitation, the Notice of Borrowing and any notice of Default.

Section 8.03 No Waiver; Cumulative Remedies; Enforcement. No failure by any Lender, any Issuing Bank or the Agent to exercise, and no delay by any such Person in exercising, any right, remedy, power or privilege hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege. The rights, remedies, powers and privileges herein provided are cumulative and not exclusive of any rights, remedies, powers and privileges provided by Law.

Notwithstanding anything to the contrary contained herein or in any other Loan Document, the authority to enforce rights and remedies hereunder and under the other Loan Documents against the Borrower shall be vested exclusively in, and all actions and proceedings at Law in connection with such enforcement shall be instituted and maintained exclusively by, the Agent in accordance with Article VI for the benefit of all the Lenders and the Issuing Banks; provided, however, that the foregoing shall not prohibit (a) the Agent from exercising on its own behalf the rights and remedies that inure to its benefit (solely in its capacity as Agent) hereunder and under the other Loan Documents, (b) any Issuing Bank from exercising the rights and remedies that inure to its benefit (solely in its capacity as an Issuing Bank) hereunder and under the other Loan Documents, (c) any Lender from exercising setoff rights in accordance with Section 8.05 (subject to the terms of Section 2.15), or (d) any Lender from filing proofs of claim or appearing and filing pleadings on its own behalf during the pendency of a proceeding relative to the Borrower under any Debtor Relief Law; and provided, further, that if at any time there is no Person acting as Agent hereunder and under the other Loan Documents, then (i) the Required Lenders shall have the rights otherwise ascribed to the Agent pursuant to Article VI and (ii) in addition to the matters set forth in clauses (b), (c) and (d) of the preceding proviso and subject to Section 2.15, any Lender may, with the consent of the Required Lenders, enforce any rights and remedies available to it and as authorized by the Required Lenders.

Section 8.04 Costs and Expenses; Indemnity; Damage Waiver.

(a) The Borrower agrees to pay on demand all costs and expenses of the Agent in connection with the administration, modification and amendment of this Agreement, the Notes and the other Loan Documents to be delivered hereunder, including, without limitation, the reasonable fees and expenses of counsel for the Agent with respect thereto and with respect to advising the Agent as to its rights and responsibilities under this Agreement. The Borrower further agrees to pay on demand all costs and expenses of the Agent and the Lenders, if any (including, without limitation, reasonable counsel fees and expenses), in connection with the enforcement (whether through negotiations, legal proceedings or otherwise) of this Agreement, the Notes and the other Loan Documents to be delivered hereunder, including, without limitation, reasonable fees and expenses of counsel for the Agent and each Lender in connection with the enforcement of rights under this Section 8.04(a).

(b) The Borrower agrees to indemnify and hold harmless the Agent (and any sub-agent thereof), each Lender, and each Related Party of any of the foregoing (each, an "Indemnified Party") from and against any and all claims, damages, losses, liabilities and expenses (including, without limitation, reasonable fees and expenses of counsel) incurred by or asserted or awarded against any Indemnified Party, in each case arising out of or in connection with or by reason of (including, without limitation, in connection with any investigation,

litigation or proceeding or preparation of a defense in connection therewith, whether based on contract, tort or any other theory,) (i) the Notes, this Agreement, any of the transactions contemplated herein or the actual or proposed use of the proceeds of any Advance or Letter of Credit (including any refusal by any Issuing Bank to honor a demand for payment under a Letter of Credit if the documents presented in connection with such demand do not strictly comply with the terms of such Letter of Credit), or (ii) the actual or alleged presence of Hazardous Materials on any property of the Borrower or any of its Subsidiaries or any Environmental Action relating in any way to the Borrower or any of its Subsidiaries, provided that such indemnity shall not, as to any Indemnified Party, be available to the extent (a) such fees and expenses are expressly stated in this Agreement to be payable by the Indemnified Party, included expenses payable under Section 2.14, Section 5.01(e) and Section 8.07(b) or (b) such claim, damage, loss, liability or expense is found in a final, non-appealable judgment by a court of competent jurisdiction to have resulted from such Indemnified Party's gross negligence, willful misconduct or material breach of its obligations under this Agreement, in which case any fees and expenses previously paid or advanced by the Borrower to such Indemnified Party in respect of such indemnified obligation will be returned by such Indemnified Party. In the case of an investigation, litigation or other proceeding to which the indemnity in this Section 8.04(b) applies, such indemnity shall be effective whether or not such investigation, litigation or proceeding is brought by the Borrower, its directors, equityholders or creditors or an Indemnified Party or any other Person, whether or not any Indemnified Party is otherwise a party thereto, and whether or not the transactions contemplated hereby are consummated, provided that if the Borrower and such Indemnified Party are adverse parties in any such litigation or proceeding, and the Borrower prevails in a final, non-appealable judgment by a court of competent jurisdiction, any fees or expenses previously paid or advanced by the Borrower to such Indemnified Party pursuant to this Section 8.04(b) will be returned by such Indemnified Party.

(c) To the extent that the Borrower for any reason fails to indefeasibly pay any amount required under subsection (a) or (b) of this Section to be paid by it to the Agent (or any sub-agent thereof), any Issuing Bank or any Related Party of any of the foregoing (and without limiting its obligation to do so), each Lender severally agrees to pay to the Agent (or any such sub-agent), such Issuing Bank or such Related Party, as the case may be, such Lender's Ratable Share (determined as of the time that the applicable unreimbursed expense or indemnity payment is sought) of such unpaid amount, provided that the unreimbursed expense or indemnified loss, claim, damage, liability or related expense, as the case may be, was incurred by or asserted against the Agent (or any such sub-agent) or such Issuing Bank in its capacity as such, or against any Related Party of any of the foregoing acting for the Agent (or any such sub-agent) or such Issuing Bank in connection with such capacity.

(d) Without limiting the rights of indemnification set forth in this Agreement with respect to liabilities asserted by third parties, each party hereto also agrees not to assert any claim for special, indirect, consequential or punitive damages against the other parties hereto, or any Related Person any party hereto, on any theory of liability, arising out of or otherwise relating to the Notes, this Agreement, any of the transactions contemplated herein or the actual or proposed use of the proceeds of the Advances or the Letters of Credit. No Indemnified Party shall be liable for any damages arising from the use by unintended recipients of any information or other materials distributed by it through telecommunications, electronic or other information transmission systems (including Intralinks, SyndTrak or similar systems) in connection with this

Agreement or the other Loan Documents, provided that such indemnity shall not, as to any Indemnified Party, be available to the extent such damages are found in a final, non-appealable judgment by a court of competent jurisdiction to have resulted from such Indemnified Party's gross negligence or willful misconduct.

(e) If any payment of principal of, or Conversion of, any Eurodollar Rate Advance is made by the Borrower to or for the account of a Lender other than on the last day of the Interest Period for such Revolving Advance, as a result of a payment or Conversion pursuant to Section 2.08(d) or (e), 2.10 or 2.12, acceleration of the maturity of the Revolving Advances pursuant to Section 6.01 or for any other reason, or by an Eligible Assignee to a Lender other than on the last day of the Interest Period for such Revolving Advance upon an assignment of rights and obligations under this Agreement pursuant to Section 8.07 as a result of a demand by the Borrower pursuant to Section 8.07(a), the Borrower shall, upon demand by such Lender (with a copy of such demand to the Agent), pay to the Agent for the account of such Lender any amounts required to compensate such Lender for any additional losses, costs or expenses that it may reasonably incur as a result of such payment or Conversion, including, without limitation, any loss (excluding loss of anticipated profits), cost or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired by any Lender to fund or maintain such Revolving Advance.

(f) Without prejudice to the survival of any other agreement of the Borrower hereunder, the agreements and obligations of the Borrower contained in Sections 2.11, 2.14 and 8.04 shall survive the payment in full of principal, interest and all other amounts payable hereunder and under the Notes.

Section 8.05 Right of Set-off. Upon (i) the occurrence and during the continuance of any Event of Default and (ii) the making of the request or the granting of the consent specified by Section 6.01 to authorize the Agent to declare the Advances due and payable pursuant to the provisions of Section 6.01, each Lender, each Issuing Bank and each of their respective Affiliates is hereby authorized at any time and from time to time, to the fullest extent permitted by Law, to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other indebtedness at any time owing by such Lender, such Issuing Bank or any such Affiliate to or for the credit or the account of the Borrower against any and all of the obligations of the Borrower now or hereafter existing under this Agreement or any other Loan Document to such Lender or Issuing Bank, whether or not such Lender or Issuing Bank shall have made any demand under this Agreement or such Note and although such obligations may be contingent or unmatured or are owed to a branch or office of such Lender or such Issuing Bank different from the branch or office holding such deposit or obligated on such indebtedness. Each Lender and each Issuing Bank agrees promptly to notify the Borrower after any such set-off and application, provided that the failure to give such notice shall not affect the validity of such set-off and application. The rights of each Lender and each Issuing Bank under this Section are in addition to other rights and remedies (including, without limitation, other rights of set-off) that such Lender may have.

Section 8.06 Binding Effect. Except as provided in Section 3.01, this Agreement shall become effective when it shall have been executed by the Borrower and the Agent and when the Agent shall have been notified by each Initial Lender that such Initial Lender has executed it and

thereafter shall be binding upon and inure to the benefit of the Borrower, the Agent and each Lender and their respective successors and assigns, except that the Borrower shall not have the right to assign its rights hereunder or any interest herein without the prior written consent of the Lenders.

Section 8.07 Successors and Assigns.

(a) The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns permitted hereby, except that the Borrower may not assign or otherwise transfer any of its rights or obligations hereunder without the prior written consent of the Agent and each Lender (and any purported assignment or transfer without such consent shall be null and void) and no Lender may assign or otherwise transfer any of its rights or obligations hereunder except (i) to an assignee in accordance with the provisions of subsection (b) of this Section, (ii) by way of participation in accordance with the provisions of subsection (d) of this Section, or (iii) by way of pledge or assignment of a security interest subject to the restrictions of subsection (f) of this Section. Nothing in this Agreement, expressed or implied, shall be construed to confer upon any Person (other than the parties hereto, their respective successors and assigns permitted hereby, Participants to the extent provided in subsection (d) of this Section and, to the extent expressly contemplated hereby, the Related Parties of each of the Agent, the Issuing Banks and the Lenders) any legal or equitable right, remedy or claim under or by reason of this Agreement.

(b) Any Lender may at any time assign to one or more assignees all or a portion of its rights and obligations under this Agreement (including all or a portion of its Revolving Credit Commitment, Swingline Exposure and the Revolving Advances (including for purposes of this subsection (b), participations in L/C Obligations) at the time owing to it); provided that any such assignment shall be subject to the following conditions:

(i) Minimum Amounts.

(A) in the case of an assignment of the entire remaining amount of the assigning Lender's Revolving Credit Commitment and the Revolving Advances at the time owing to it or in the case of an assignment to a Lender, no minimum amount need be assigned; and

(B) in any case not described in subsection (b)(i)(A) of this Section, the aggregate amount of the Revolving Credit Commitment (which for this purpose includes Revolving Advances outstanding thereunder) or, if the Revolving Credit Commitment is not then in effect, the principal outstanding balance of the Revolving Advances of the assigning Lender subject to each such assignment, determined as of the date the Assignment and Assumption with respect to which such assignment is delivered to the Agent or, if "Trade Date" is specified in the Assignment and Assumption, as of the Trade Date, shall not be less than $5,000,000 unless each of the Agent and, so long as no Event of Default has occurred and is continuing, the Borrower otherwise consents (each such consent not to be unreasonably withheld or delayed).

(ii) Proportionate Amounts. Each partial assignment shall be made as an assignment of a proportionate part of all the assigning Lender's rights and obligations under this Agreement with respect to the Revolving Advances, L/C Obligations, Swingline Exposure or the Revolving Credit Commitment assigned, and each such assignment shall be of a constant, and not a varying, percentage of all rights and obligations under this Agreement;

(iii) Required Consents. No consent shall be required for any assignment except to the extent required by subsection (b)(i)(B) of this Section and, in addition:

(A) the consent of the Borrower (such consent not to be unreasonably withheld or delayed; provided that the Borrower shall be deemed to have consented to any such assignment unless it shall object thereto by written notice to the Agent within ten (10) Business Days after having received notice thereof) shall be required unless (1) an Event of Default has occurred and is continuing at the time of such assignment or (2) such assignment is to a Lender, an Affiliate of a Lender or an Approved Fund;

(B) the consent of the Agent (such consent not to be unreasonably withheld or delayed) shall be required if such assignment is to a Person that is not a Lender, an Affiliate of a Lender or an Approved Fund with respect to such Lender;

(C) the consent of each Issuing Bank (such consent not to be unreasonably withheld or delayed) shall be required for any assignment that increases the obligation of the assignee to participate in exposure under one or more Letters of Credit (whether or not then outstanding); and

(D) the consent of the Swingline Lender, if any, (such consent not to be unreasonably withheld or delayed) shall be required for any assignment that increases the obligation of the assignee to participate in exposure under Swingline Advances (whether or not then outstanding).

(iv) Assignment and Assumption. The parties to each assignment shall execute and deliver to the Agent an Assignment and Assumption, together with a processing and recordation fee in the amount of $3,500; provided, however, that no such fee shall be payable in the case of an assignment made at the request of the Borrower to an existing Lender. The assignee, if it is not a Lender, shall deliver to the Agent an Administrative Questionnaire.

(v) No Assignment to Borrower. No such assignment shall be made to the Borrower or any of the Borrower's Affiliates or Subsidiaries.

(vi) No Assignment to Natural Persons. No such assignment shall be made to a natural person.

Subject to acceptance and recording thereof by the Agent pursuant to subsection (c) of this Section and notice thereof to the Borrower, from and after the effective date specified in

each Assignment and Assumption, the assignee thereunder shall be a party to this Agreement and, to the extent of the interest assigned by such Assignment and Assumption, have the rights and obligations of a Lender under this Agreement, and the assigning Lender thereunder shall, to the extent of the interest assigned by such Assignment and Assumption, be released from its obligations under this Agreement (and, in the case of an Assignment and Assumption covering all of the assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto) but shall continue to be entitled to the benefits of Sections 2.11, 2.14 and 8.04 with respect to facts and circumstances occurring prior to the effective date of such assignment. Upon request, the Borrower (at its expense) shall execute and deliver a Note to the assignee Lender. Any assignment or transfer by a Lender of rights or obligations under this Agreement that does not comply with this subsection shall be treated for purposes of this Agreement as a sale by such Lender of a participation in such rights and obligations in accordance with subsection (d) of this Section.

(c) Register. The Agent shall maintain at the Agent's Office a copy of each Assignment and Assumption delivered to it and a register for the recordation of the names and addresses of the Lenders, and the Revolving Credit Commitments of, and principal amounts of the Advances and L/C Obligations owing to, each Lender pursuant to the terms hereof from time to time (the "Register"). The entries in the Register shall be conclusive, absent manifest error, and the Borrower, the Agent and the Lenders may treat each Person whose name is recorded in the Register pursuant to the terms hereof as a Lender hereunder for all purposes of this Agreement, notwithstanding notice to the contrary. The Register shall be available for inspection by the Borrower and any Lender, at any reasonable time and from time to time upon reasonable prior notice.

(d) Participations. Any Lender may at any time, without the consent of, or notice to, the Borrower or the Agent, sell participations to any Person (other than a natural person or the Borrower or any of the Borrower's Affiliates or Subsidiaries) (each, a "Participant") in all or a portion of such Lender's rights and/or obligations under this Agreement (including all or a portion of its Revolving Credit Commitment, Swingline Exposure and/or the Revolving Advances (including such Lender's participations in L/C Obligations) owing to it); provided that (i) such Lender's obligations under this Agreement shall remain unchanged, (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations, (iii) the Borrower, the Agent, the Lenders and the Issuing Banks shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement and (iv) no participant under any such participation shall have any right to approve any amendment or waiver of any provision of this Agreement or any Note, or any consent to any departure by the Borrower therefrom, except to the extent that such amendment, waiver or consent would reduce the principal of, or interest on, any Obligations or any fees or other amounts payable hereunder, in each case to the extent subject to such participation, or postpone any date fixed for any payment of principal of, or interest on, any Obligations or any fees or other amounts payable hereunder, in each case to the extent subject to such participation.

Any agreement or instrument pursuant to which a Lender sells such a participation shall provide that such Lender shall retain the sole right to enforce this Agreement and to approve any amendment, modification or waiver of any provision of this Agreement; provided that such agreement or instrument may provide that such Lender will not, without the consent of the

Participant, agree to any amendment, waiver or other modification addressing the matters set forth in clause (iv) above to the extent subject to such participation. Subject to subsection (e) of this Section, the Borrower agrees that each Participant shall be entitled to the benefits of Sections 2.11, 2.14 and 8.04(e) to the same extent as if it were a Lender and had acquired its interest by assignment pursuant to subsection (b) of this Section. To the extent permitted by Law, each Participant also shall be entitled to the benefits of Section 8.05 as though it were a Lender, provided such Participant agrees to be subject to Section 2.15 as though it were a Lender.

(e) Limitations upon Participant Rights. A Participant shall not be entitled to receive any greater payment under Section 2.11 or 2.14 than the applicable Lender would have been entitled to receive with respect to the participation sold to such Participant, unless the sale of the participation to such Participant is made with the Borrower's prior written consent. A Participant that would be a Foreign Lender if it were a Lender shall not be entitled to the benefits of Section 2.14 unless the Borrower is notified of the participation sold to such Participant and such Participant agrees, for the benefit of the Borrower, to comply with Section 2.14(e) as though it were a Lender.

(f) Certain Pledges. Any Lender may at any time pledge or assign a security interest in all or any portion of its rights under this Agreement (including under its Note, if any) to secure obligations of such Lender, including any pledge or assignment to secure obligations to a Federal Reserve Bank or other central banking authority; provided that no such pledge or assignment shall release such Lender from any of its obligations hereunder or substitute any such pledgee or assignee for such Lender as a party hereto.

(g) Resignation as an Issuing Bank after Assignment. Notwithstanding anything to the contrary contained herein, if at any time any Issuing Bank assigns all of its Revolving Credit Commitment and Revolving Advances pursuant to subsection (b) above, such Issuing Bank may, upon 30 days' notice to the Borrower and the Lenders, resign as an Issuing Bank. If any Issuing Bank resigns, it shall retain all the rights, powers, privileges and duties of an Issuing Bank hereunder with respect to all Letters of Credit outstanding as of the effective date of its resignation as an Issuing Bank and all L/C Obligations with respect thereto (including the right to require the Lenders to make Base Rate Advances or fund risk participations in Unreimbursed Amounts pursuant to Section 2.03(c)).

(h) The words "execution," "signed," "signature," and words of like import in any Assignment and Assumption shall be deemed to include electronic signatures or the keeping of records in electronic form, each of which shall be of the same legal effect, validity or enforceability as a manually executed signature or the use of a paper-based recordkeeping system, as the case may be, to the extent and as provided for in any applicable Law, including the Federal Electronic Signatures in Global and National Commerce Act, the New York State Electronic Signatures and Records Act, or any other similar state Laws based on the Uniform Electronic Transactions Act.

Section 8.08 Confidentiality. Neither the Agent nor any Lender may disclose to any Person any confidential, proprietary or non-public information of the Borrower furnished to the Agent or the Lenders by the Borrower (such information being referred to collectively herein as the "Borrower Information"), except that each of the Agent and each of the Lenders may disclose

Borrower Information (i) to its and its affiliates' employees, officers, directors, agents and advisors having a need to know in connection with this Agreement (it being understood that the Persons to whom such disclosure is made will be informed of the confidential nature of such Borrower Information and instructed to keep such Borrower Information confidential on substantially the same terms as provided herein), (ii) to the extent requested by any regulatory authority, (iii) to the extent required by applicable Laws or regulations or by any subpoena or similar legal process, (iv) to any other party to this Agreement, (v) in connection with the exercise of any remedies hereunder or any suit, action or proceeding relating to this Agreement or the enforcement of rights hereunder, (vi) subject to an agreement containing provisions substantially the same as those of this Section 8.08, (A) to any assignee or participant or prospective assignee or participant, (B) any direct, indirect, actual or prospective counterparty (and its advisor) to any swap, derivative or securitization transaction related to the obligations under this Agreement and (C) to any credit insurance provider relating to the Borrower and its Obligations, (vii) to the extent such Borrower Information (A) is or becomes generally available to the public on a non-confidential basis other than as a result of a breach of this Section 8.08 by the Agent or such Lender or their Related Parties, or (B) is or becomes available to the Agent or such Lender on a nonconfidential basis from a source other than the Borrower (provided that the source of such information was not known by the recipient after inquiry to be bound by a confidentiality agreement with or other contractual, legal or fiduciary obligation of confidentiality to the Borrower or any other Person with respect to such information) and (viii) with the consent of the Borrower. The obligations under this Section 8.08 shall survive for two calendar years after the date of the termination of this Agreement.

Section 8.09 Governing Law. This Agreement and the Notes shall be governed by, and construed in accordance with, the Laws of the State of New York (including Sections 5-1401 and 5-1402 of the General Obligations Law but otherwise without regard to conflict of law principles).

Section 8.10 Counterparts; Integration; Effectiveness. This Agreement may be executed in counterparts (and by different parties hereto in different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. This Agreement and the other Loan Documents constitute the entire contract among the parties relating to the subject matter hereof and supersede any and all previous agreements and understandings, oral or written, relating to the subject matter hereof. Except as provided in Section 3.01, this Agreement shall become effective when it shall have been executed by the Agent and when the Agent shall have received counterparts hereof that, when taken together, bear the signatures of each of the other parties hereto. Delivery of an executed counterpart of a signature page of this Agreement by telecopy or other electronic imaging means shall be effective as delivery of a manually executed counterpart of this Agreement.

Section 8.11 Jurisdiction, Etc.

(a) Each of the parties hereto hereby submits to the exclusive jurisdiction of any New York State court or federal court of the United States of America sitting in the Borough of Manhattan in New York City, and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Agreement or the other Loan Documents, or for recognition or enforcement of any judgment, and each of the parties hereto hereby agrees that all

claims in respect of any such action or proceeding may be heard and determined in any such New York State court or, to the extent permitted by Law, in such federal court. Nothing in this Agreement shall affect any right that any party may otherwise have to bring any action or proceeding relating to this Agreement or the Notes in the courts of any jurisdiction.

(b) Each of the parties hereto irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection that it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Agreement or the Notes in any New York State or federal court. Each of the parties hereto hereby irrevocably waives, to the fullest extent permitted by Law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

Section 8.12 Payments Set Aside. To the extent that any payment by or on behalf of the Borrower is made to the Agent, any Issuing Bank or any Lender, or the Agent, any Issuing Bank or any Lender exercises its right of setoff, and such payment or the proceeds of such setoff or any part thereof is subsequently invalidated, declared to be fraudulent or preferential, set aside or required (including pursuant to any settlement entered into by the Agent, such Issuing Bank or such Lender in its discretion) to be repaid to a trustee, receiver or any other party, in connection with any proceeding under any Debtor Relief Law or otherwise, then (a) to the extent of such recovery, the obligation or part thereof originally intended to be satisfied shall be revived and continued in full force and effect as if such payment had not been made or such setoff had not occurred, and (b) each Lender and each Issuing Bank severally agrees to pay to the Agent upon demand its applicable share (without duplication) of any amount so recovered from or repaid by the Agent, plus interest thereon from the date of such demand to the date such payment is made at a rate per annum equal to the Federal Funds Rate from time to time in effect. The obligations of the Lenders and the Issuing Banks under clause (b) of the preceding sentence shall survive the payment in full of the Obligations and the termination of this Agreement.

Section 8.13 Patriot Act. Each Lender hereby notifies the Borrower that pursuant to the requirements of the USA Patriot Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)) (the "Act"), it is required to obtain, verify and record information that identifies each borrower, guarantor or grantor (the "Loan Parties"), which information includes the name and address of each Loan Party and other information that will allow such Lender to identify such Loan Party in accordance with the Act. The Borrower shall provide, to the extent commercially reasonable, such information and take such actions as are reasonably requested by the Agent or any Lender in order to assist the Agent and such Lender in maintaining compliance with the Act.

Section 8.14 Waiver of Jury Trial. EACH OF THE BORROWER, THE AGENT AND THE LENDERS HEREBY IRREVOCABLY WAIVES ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM (WHETHER BASED ON CONTRACT, TORT OR OTHERWISE) ARISING OUT OF OR RELATING TO THIS AGREEMENT, THE NOTES OR ANY OTHER LOAN DOCUMENT OR THE ACTIONS OF THE BORROWER, THE AGENT OR ANY LENDER IN THE NEGOTIATION, ADMINISTRATION, PERFORMANCE OR ENFORCEMENT THEREOF.

Section 8.15 No Advisory or Fiduciary Responsibility. In connection with all aspects of each transaction contemplated hereby, the Borrower acknowledges and agrees that: (i) the

credit facilities provided for hereunder and any related arranging or other services in connection therewith (including in connection with any amendment, waiver or other modification hereof or of any other Loan Document) are an arm's-length commercial transaction between the Borrower, on the one hand, and the Agent, each of the Lenders and each of the Arrangers, on the other hand, and the Borrower is capable of evaluating and understanding and understands and accepts the terms, risks and conditions of the transactions contemplated hereby and by the other Loan Documents (including any amendment, waiver or other modification hereof or thereof); (ii) in connection with the process leading to such transaction, each of the Agent, the Lenders and the Arrangers is and has been acting solely as a principal and is not the financial advisor, agent or fiduciary, for the Borrower or any of its Affiliates, stockholders, creditors or employees or any other Person; (iii) neither the Agent nor any Lender or Arranger has assumed or will assume an advisory, agency or fiduciary responsibility in favor of the Borrower with respect to any of the transactions contemplated hereby or the process leading thereto, including with respect to any amendment, waiver or other modification hereof or of any other Loan Document (irrespective of whether the Agent or any Lender or Arranger has advised or is currently advising the Borrower or any of its Affiliates on other matters) and neither the Agent nor any Lender or Arranger has any obligation to the Borrower with respect to the transactions contemplated hereby except those obligations expressly set forth herein and in the other Loan Documents; (iv) the Agent, each of the Lenders and the Arrangers and their respective Affiliates may be engaged in a broad range of transactions that involve interests that differ from those of the Borrower and its Affiliates, and neither the Agent nor any Lender or Arranger has any obligation to disclose any of such interests by virtue of any advisory, agency or fiduciary relationship; and (v) the Agent and each Lender and Arranger have not provided and will not provide any legal, accounting, regulatory or tax advice with respect to any of the transactions contemplated hereby (including any amendment, waiver or other modification hereof or of any other Loan Document) and the Borrower has consulted its own legal, accounting, regulatory and tax advisors to the extent it has deemed appropriate. The Borrower hereby waives and releases, to the fullest extent permitted by Law, any claims that it may have against the Agent and each Lender and Arranger with respect to any breach or alleged breach of agency or fiduciary duty in connection with the Loan Documents.

Section 8.16 Survival of Representations and Warranties. All representations and warranties made hereunder and in any other Loan Document or other document delivered pursuant hereto or thereto or in connection herewith or therewith shall survive the execution and delivery hereof and thereof. Such representations and warranties have been or will be relied upon by the Agent and each Lender, regardless of any investigation made by the Agent or any Lender or on their behalf, and shall continue in full force and effect as long as any Advance or any other Obligation hereunder shall remain unpaid or unsatisfied or any Letter of Credit shall remain outstanding.

Section 8.17 Severability. If any provision of this Agreement or the other Loan Documents is held to be illegal, invalid or unenforceable, (a) the legality, validity and enforceability of the remaining provisions of this Agreement and the other Loan Documents shall not be affected or impaired thereby and (b) the parties shall endeavor in good faith negotiations to replace the illegal, invalid or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the illegal, invalid or unenforceable provisions. The invalidity of a provision in a particular jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their respective officers thereunto duly authorized, as of the date first above written.

PINNACLE WEST CAPITAL CORPORATION

By _____

Name: Lee R. Nichloy
Title: Vice President + Treasurer

Signature Page to PNW Credit Agreement

BARCLAYS BANK PLC,
as Agent, an Issuing Bank and a Lender

By: Ann E. Sutton
Name: Ann E. Sutton
Title: Director

Signature Page to PNW Credit Agreement

THE ROYAL BANK OF SCOTLAND PLC,
as a Lender and an Issuing Bank

By: _____
Name: Tyler J. McCarthy
Title: Director

Signature Page to PNW Credit Agreement

WELLS FARGO BANK, NATIONAL ASSOCIATION, as a Lender and an Issuing Bank

By: _____
Name: Yann Blindert
Title: Director

Signature Page to PNW Credit Agreement

BANK OF AMERICA, N.A., as a Lender

By: _____

Name: Patrick Martin
Title: Director

Signature Page to PNW Credit Agreement

CREDIT SUISSE AG CAYMAN ISLANDS BRANCH, as a Lender

By: _____
Name: Shaheen Malik
Title: Vice President

By: _____
Name: Rahul Parmar
Title: Associate

Signature Page to PNW Credit Agreement

THE BANK OF NEW YORK MELLON,
as a Lender

By: Mark W Rogers
Name: Mark W. Rogers
Title: Vice President

Signature Page to PNW Credit Agreement

BANK OF THE WEST, as a Lender

By: _____
Name: Joshua R. Shade
Title: Vice President

Signature Page to PNW Credit Agreement

BNP PARIBAS, as a Lender

By: _____
Name: Francis DeLaney
Title: Managing Director

By: _____
Name: Pasquale Perraglia
Title: Vice President

Signature Page to PNW Credit Agreement

CITIBANK, N.A., as a Lender

By: _____
Name: Devin Moore
Title: Vice President

Signature Page to PNW Credit Agreement

DEUTSCHE BANK AG NEW YORK BRANCH, as a Lender

By: _____
Name: Ming Chu
Title: Vice President

By: _____
Name: Edward D Herko
Title: Director

Signature Page to PNW Credit Agreement

JPMORGAN CHASE BANK, N.A.,
as a Lender

By: Nancy R. Barwig
Name: Nancy R. Barwig
Title: Credit Executive

Signature Page to PNW Credit Agreement

KEYBANK NATIONAL ASSOCIATION,
as a Lender

By: _____
Name: Keven D. Smith
Title: Senior Vice President

Signature Page to PNW Credit Agreement

UNION BANK, N.A., as a Lender

By: _____
Name: Efrain Soto
Title: Vice President

Signature Page to PNW Credit Agreement

SCOTIABANC INC.,
as a Lender

By: _____
Name: J.F. Todd
Title: Managing Director

Signature Page to PNW Credit Agreement

SUNTRUST BANK, as a Lender

By: _____
Name: Andrew Johnson
Title: Director

Signature Page to PNW Credit Agreement

UBS LOAN FINANCE LLC, as a Lender

By: _____
Name: Irja R. Otsa
Title: Associate Director

By: _____
Name: Joselin Fernandes
Title: Associate Director

Signature Page to PNW Credit Agreement

U.S. BANK NATIONAL ASSOCIATION,
as a Lender

By: _____
Name: Raymond J. Palmer
Title: Senior Vice President

Signature Page to PNW Credit Agreement

CANADIAN IMPERIAL BANK OF COMMERCE, NEW YORK AGENCY,
as a Lender

By: _____
Name: Robert Casey, Jr.
Title: Executive Director

By: _____
Name: Michael Gewirtz
Title: Executive Director

Signature Page to PNW Credit Agreement

COMERICA BANK, as a Lender

By: _____
Name: Fatima Arshad
Title: Vice President

Signature Page to PNW Credit Agreement

NATIONAL BANK OF ARIZONA,
as a Lender

By: _____
Name: Abran Villegas
Title: Vice President

Signature Page to PNW Credit Agreement

THE NORTHERN TRUST COMPANY,
as a Lender

By: _____
Name: John Lascody
Title: Second Vice President

Signature Page to PNW Credit Agreement

UMB BANK ARIZONA, N.A.,
as a Lender

By: _____
Name: Kyle McMillian
Title: AVP/Commercial Banking Officer

Signature Page to PNW Credit Agreement

SCHEDULE 1.01
COMMITMENTS AND RATABLE SHARES

Bank	Revolving Credit Commitment	Ratable Share
Barclays Bank PLC	$14,400,000.00	7.200000000%
The Royal Bank of Scotland plc	$14,400,000.00	7.200000000%
Wells Fargo Bank, National Association	$14,400,000.00	7.200000000%
Bank of America, N.A.	$14,400,000.00	7.200000000%
Credit Suisse AG, Cayman Islands Branch	$14,400,000.00	7.200000000%
The Bank of New York Mellon	$9,428,571.43	4.714285715%
Bank of the West	$6,600,000.00	3.300000000%
BNP Paribas	$2,828,571.40	1.414285700%
Citibank, N.A.	$9,428,571.43	4.714285715%
Deutsche Bank AG New York Branch	$9,428,571.43	4.714285715%
JPMorgan Chase Bank, N.A.	$9,428,571.43	4.714285715%
KeyBank National Association	$9,428,571.43	4.714285715%
Union Bank, N.A.	$9,428,571.43	4.714285715%
Scotiabanc Inc.	$9,428,571.43	4.714285715%
SunTrust Bank	$9,428,571.43	4.714285715%
UBS Loan Finance LLC	$9,428,571.43	4.714285715%
U.S. Bank National Association	$9,428,571.43	4.714285715%
Canadian Imperial Bank of Commerce, New York Agency	$4,857,142.86	2.428571430%
Comerica Bank	$4,857,142.86	2.428571430%
National Bank of Arizona	$4,857,142.86	2.428571430%
The Northern Trust Company	$4,857,142.86	2.428571430%
UMB Bank Arizona, N.A.	$4,857,142.86	2.428571430%
TOTAL	$200,000,000.00	100.000000000%

SCHEDULE 4.01(j)
SUBSIDIARIES

Arizona Public Service Company

SCHEDULE 4.01(k)
EXISTING INDEBTEDNESS

None.

SCHEDULE 8.02
CERTAIN ADDRESSES FOR NOTICES

BORROWER:

Pinnacle West Capital Corporation
400 North 5th Street
Mail Station 9040
Phoenix, AZ 85004
Attention: Treasurer
Telephone: (602) 250-3300
Telecopier: (602) 250-3902
Electronic lee.nickloy@pinnaclewest.com

AGENT:

Agent's Office
(for payments and Requests for Credit Extensions):

Barclays Bank PLC
1301 6th Avenue, 9th floor
New York, NY 10019
Attention: Joe Tricamo
Telephone: (212) 320-7564
Email: joe.tricamo@barcap.com

with copies to:

Barclays Bank PLC
745 Seventh Avenue
New York, NY 10019
Attention: Alicia Borys
Facsimile: (212) 526-5115
Telephone: (212) 526-4291
Email: Alicia.borys@barcap.com

Barclays Bank PLC
745 Seventh Avenue
New York, NY 10019
Attention: Vanessa A. Kurbatskiy
Facsimile: (212) 526-5115
Telephone: (212) 526-2799
Email: Vanessa.kurbatskiy@barcap.com

Agent's Account/Barclays Bank Agency Service Wiring Information

Barclays Bank PLC
New York, New York
ABA: 026002574
Account Number: 050-01910-4

Account Name: Clad Control Account
Ref: Arizona Public Service

Other Notices as Agent:

Barclays Bank PLC
745 Seventh Avenue
New York, NY 10019
Attention: Alicia Borys
Facsimile: (212) 526-5115
Telephone: (212) 526-4291
Email: Alicia.borys@barcap.com

Barclays Bank PLC
745 Seventh Avenue
New York, NY 10019
Attention: Vanessa A. Kurbatskiy
Facsimile: (212) 526-5115
Telephone: (212) 526-2799
Email: Vanessa.kurbatskiy@barcap.com

ISSUING BANKS:

Barclays Bank PLC

Barclays Bank PLC
200 Park Avenue
New York, NY 10166
Attn. Letters of Credit / Dawn Townsend
Facsimile (212) 412-5011
Telephone (201) 499-2081
Email xraletterofcredit@baclayscapital.com

The Royal Bank of Scotland plc

The Royal Bank of Scotland plc
600 Washington Boulevard
Stamford, CT 06901
Attention: Richard Emmich
Facsimile: (203) 873-3569
Telephone: (203) 897-7619
Email: richard.emmich@rbs.com

and

Attention: Marchette Major
Facsimile: (203) 873-3569
Telephone: (203) 897-7638
Email: marchette.major@rbs.com

Wells Fargo Bank, National Association

Wells Fargo Bank, National Association
Corporate Banking - Utility and Power Group
1300 SW 5th Avenue, 7th Floor
Mail Code: MAC P6101-076
Portland, OR 97201
Attention: Yann Blindert
Telephone: (503) 886-2215
Facsimile: (503) 886-2211
E-mail: yann.blindert@wellsfargo.com

EXHIBIT A — FORM OF
PROMISSORY NOTE

_____, 20__

FOR VALUE RECEIVED, the undersigned, PINNACLE WEST CAPITAL CORPORATION, an Arizona corporation (the "Borrower"), hereby promises to pay to the order of _____ or its registered assigns (the "Lender"), in accordance with the provisions of the Credit Agreement (as hereinafter defined), the principal amount of each Advance from time to time made by the Lender to the Borrower pursuant to the Five-Year Credit Agreement dated as of November 4, 2011 among the Borrower, the Lender and certain other lenders parties thereto, Barclays Bank PLC, as Agent for the Lender and such other lenders, and the issuing banks and other agents party thereto (as amended or modified from time to time, the "Credit Agreement"; the terms defined therein being used herein as therein defined) outstanding on such date.

The Borrower promises to pay interest on the unpaid principal amount of each Advance from the date of such Advance until such principal amount is paid in full, at such interest rates, and payable at such times, as are specified in the Credit Agreement.

Both principal and interest are payable in lawful money of the United States of America to the Agent for the account of the Lender in same day funds at the address and account specified on Schedule 8.02. Each Advance owing to the Lender by the Borrower pursuant to the Credit Agreement, and all payments made on account of principal thereof, shall be recorded by the Lender and, prior to any transfer hereof, endorsed on the grid attached hereto which is part of this Promissory Note.

This Promissory Note is one of the Notes referred to in, and is entitled to the benefits of, the Credit Agreement. The Credit Agreement, among other things, (i) provides for the making of Advances by the Lender to the Borrower from time to time in an aggregate amount not to exceed at any time the Lender's Unused Commitment, the indebtedness of the Borrower resulting from each such Advance being evidenced by this Promissory Note and (ii) contains provisions for acceleration of the maturity hereof upon the happening of certain stated events and also for prepayments on account of principal hereof prior to the maturity hereof upon the terms and conditions therein specified.

THIS PROMISSORY NOTE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

PINNACLE WEST CAPITAL CORPORATION

By _____
Name: _____
Title: _____

ADVANCES AND PAYMENTS OF PRINCIPAL

Date	Amount of Advance	Amount of Principal Paid or Prepaid	Unpaid Principal Balance	Notation Made By

EXHIBIT B — FORM OF NOTICE OF BORROWING

Barclays Bank PLC, as Agent
for the Lenders parties
to the Credit Agreement
referred to below

Attention: Bank Loan Syndications Department

[Date]

Ladies and Gentlemen:

The undersigned, Pinnacle West Capital Corporation, refers to the Five-Year Credit Agreement, dated as of November 4, 2011 (as amended or modified from time to time, the "Credit Agreement", the terms defined therein being used herein as therein defined), among the undersigned, certain Lenders parties thereto, Barclays Bank PLC, as Agent for said Lenders and the Issuing Banks and other agents party thereto, and hereby gives you notice, irrevocably, pursuant to Section 2.02 of the Credit Agreement that the undersigned hereby requests a Borrowing under the Credit Agreement, and in that connection sets forth below the information relating to such Borrowing (the "Proposed Borrowing") as required by Section 2.02(a) of the Credit Agreement:

(i) The Business Day of the Proposed Borrowing is _____, 20___.
(ii) The Type of Revolving Advances comprising the Proposed Borrowing is [Base Rate Advances] [Eurodollar Rate Advances].
(iii) The aggregate amount of the Proposed Borrowing is $_____.
[(iv) The initial Interest Period for each Eurodollar Rate Advance made as part of the Proposed Borrowing is ___month[s].]

The undersigned hereby certifies that the following statements are true on the date hereof, and will be true on the date of the Proposed Borrowing:

(A) the representations and warranties contained in Section 4.01 (other than Sections 4.01(k), 4.01(e)(ii) and 4.01(f)(ii)) of the Credit Agreement are correct, before and after giving effect to the Proposed Borrowing and to the application of the proceeds therefrom, as though made on and as of such date;

(B) no event has occurred and is continuing, or would result from such Proposed Borrowing or from the application of the proceeds therefrom, that constitutes a Default; and

(C) before and after giving effect to the Proposed Borrowing and to the application of the proceeds therefrom, as though made on and as of such date, the Indebtedness of the Borrower does not exceed that permitted by (i) applicable resolutions of the Board of Directors of the Borrower or (ii) applicable Laws of any Governmental Authority.

Very truly yours,

PINNACLE WEST CAPITAL CORPORATION

By _____

Name: _____

Title: _____

EXHIBIT C — FORM OF ASSIGNMENT AND ASSUMPTION

This Assignment and Assumption (the "Assignment and Assumption") is dated as of the Effective Date set forth below and is entered into by and between **[Insert name of Assignor]** (the "Assignor") and **[Insert name of Assignee]** (the "Assignee"). Capitalized terms used but not defined herein shall have the meanings given to them in the Credit Agreement identified below (as amended, the "Credit Agreement"), receipt of a copy of which is hereby acknowledged by the Assignee. Annex 1 attached hereto (the "Standard Terms and Conditions") is hereby agreed to and incorporated herein by reference and made a part of this Assignment and Assumption as if set forth herein in full.

For an agreed consideration, the Assignor hereby irrevocably sells and assigns to the Assignee, and the Assignee hereby irrevocably purchases and assumes from the Assignor, subject to and in accordance with the Standard Terms and Conditions and the Credit Agreement, as of the Effective Date referred to below (i) all of the Assignor's rights and obligations in its capacity as a Lender under the Credit Agreement and any other documents or instruments delivered pursuant thereto to the extent related to the amount and percentage interest identified below of all of such outstanding rights and obligations of the Assignor under the respective facilities identified below (including without limitation any letters of credit, guarantees, and swingline loans included in such facilities) and (ii) to the extent permitted to be assigned under applicable Law, all claims, suits, causes of action and any other right of the Assignor (in its capacity as a Lender) against any Person, whether known or unknown, arising under or in connection with the Credit Agreement, any other documents or instruments delivered pursuant thereto or the loan transactions governed thereby or in any way based on or related to any of the foregoing, including, but not limited to, contract claims, tort claims, malpractice claims, statutory claims and all other claims at Law or in equity related to the rights and obligations sold and assigned pursuant to clause (i) above (the rights and obligations sold and assigned pursuant to clauses (i) and (ii) above being referred to herein collectively as, the "Assigned Interest"). Each such sale and assignment is without recourse to the Assignor and, except as expressly provided in this Assignment and Assumption, without representation or warranty by the Assignor. Assignee shall deliver (if it is not already a Lender) to the Agent an Administrative Questionnaire.

1. Assignor: _____
2. Assignee: _____
   [and is an Affiliate of [identify Bank][1]]
3. Borrower: Pinnacle West Capital Corporation
4. Agent: Barclays Bank PLC, as the administrative agent under the Credit Agreement
5. Credit Agreement: The Five-Year Credit Agreement dated as of November 4, 2011, by and among the Borrower, the Lenders party thereto, the Agent and the Issuing Banks and other agents party thereto.
6. Assigned Interest:

[1] Select as applicable.

Aggregate Amount of Commitment for all Lenders	Amount of Commitment Assigned	Percentage Assigned of Commitment[2]	CUSIP Number
$_____	$_____	_____%	

[7. Trade Date:][3]
Effective Date: ___, 20___**[TO BE INSERTED BY AGENT AND WHICH SHALL BE THE EFFECTIVE DATE OF RECORDATION OF TRANSFER IN THE REGISTER THEREFOR.]**
The terms set forth in this Assignment and Assumption are hereby agreed to:

ASSIGNOR
[NAME OF ASSIGNOR]

By _____
Name: _____
Title: _____

ASSIGNEE
[NAME OF ASSIGNEE]

By _____
Name: _____
Title: _____

[Consented to and][4] Accepted:
BARCLAYS BANK PLC, as Agent

By _____
Name:
Title:

[Consented to:][5]
[BARCLAYS BANK PLC, as Issuing Bank]

By _____
Name:
Title:

[THE ROYAL BANK OF SCOTLAND plc, as Issuing Bank]

---

[2] Set forth, to at least 9 decimals, as a percentage of the Commitment of all Banks thereunder.
[3] To be completed if the Assignor and the Assignee intend that the minimum assignment amount is to be determined as of the Trade Date.
[4] To be added only if the consent of the Agent is required by the terms of the Credit Agreement.
[5] To be added only if the consent of the Borrowers and/or other parties (e.g. Issuing Bank) is required by the terms of the Credit Agreement.

By _____
Name:
Title:

[WELLS FARGO BANK, NATIONAL ASSOCIATION, as Issuing Bank]

By _____
Name:
Title:

PINNACLE WEST CAPITAL CORPORATION

By _____
Name:
Title:

ANNEX 1 TO ASSIGNMENT AND ASSUMPTION
STANDARD TERMS AND CONDITIONS FOR ASSIGNMENT AND ASSUMPTION

1. Representations and Warranties.

1.1 Assignor. The Assignor (a) represents and warrants that (i) it is the legal and beneficial owner of the Assigned Interest, (ii) the Assigned Interest is free and clear of any lien, encumbrance or other adverse claim and (iii) it has full power and authority, and has taken all action necessary, to execute and deliver this Assignment and Assumption and to consummate the transactions contemplated hereby; and (b) assumes no responsibility with respect to (i) any statements, warranties or representations made in or in connection with the Credit Agreement or any other Loan Document, (ii) the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Loan Documents, (iii) the financial condition of the Borrower, any of its Subsidiaries or Affiliates or any other Person obligated in respect of any Loan Document or (iv) the performance or observance by the Borrower of any of its obligations under any Loan Document.

1.2 Assignee. The Assignee (a) represents and warrants that (i) it has full power and authority, and has taken all action necessary, to execute and deliver this Assignment and Assumption and to consummate the transactions contemplated hereby and to become a Lender under the Credit Agreement, (ii) it meets all the requirements to be an Eligible Assignee under Section 8.07 of the Credit Agreement (subject to such consents, if any, as may be required under Section 8.07 of the Credit Agreement), (iii) from and after the Effective Date, it shall be bound by the provisions of the Credit Agreement as a Lender thereunder and, to the extent of the Assigned Interest, shall have the obligations of a Lender thereunder, (iv) it is sophisticated with respect to decisions to acquire assets of the type represented by the Assigned Interest and either it, or the Person exercising discretion in making its decision to acquire the Assigned Interest, is experienced in acquiring assets of such type, (v) it has received a copy of the Credit Agreement, and has received or has been accorded the opportunity to receive copies of the most recent financial statements referred to in Section 4.01(e) or delivered pursuant to Section 5.01(h), as applicable, thereof, as applicable, and such other documents and information as it deems appropriate to make its own credit analysis and decision to enter into this Assignment and Assumption and to purchase the Assigned Interest, (vi) it has, independently and without reliance upon the Agent, the Assignor or any other Lender and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Assignment and Assumption and to purchase the Assigned Interest, and (vi) if it is a foreign lender, attached to the Assignment and Assumption is any documentation required to be delivered by it pursuant to the terms of the Credit Agreement, duly completed and executed by the Assignee; and (b) agrees that (i) it will, independently and without reliance on the Agent, the Assignor or any other Lender, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Loan Documents, and (ii) it will perform in accordance with their terms all of the obligations which by the terms of the Loan Documents are required to be performed by it as a Lender.

2. Payments. From and after the Effective Date, the Agent shall make all payments in respect of the Assigned Interest (including payments of principal, interest, fees and other

amounts) to the Assignor for amounts which have accrued to but excluding the Effective Date and to the Assignee for amounts which have accrued from and after the Effective Date.

3. General Provisions. This Assignment and Assumption shall be binding upon, and inure to the benefit of, the parties hereto and their respective successors and assigns. This Assignment and Assumption may be executed in any number of counterparts, which together shall constitute one instrument. Delivery of an executed counterpart of a signature page of this Assignment and Assumption by facsimile shall be effective as delivery of a manually executed counterpart of this Assignment and Assumption. This Assignment and Assumption shall be governed by, and construed in accordance with, the Law of the State of New York.

EXECUTION COPY

U.S. $500,000,000
FIVE-YEAR CREDIT AGREEMENT
Dated as of November 4, 2011

among

ARIZONA PUBLIC SERVICE COMPANY,
as Borrower,

THE LENDERS PARTY HERETO,

BARCLAYS BANK PLC,
as Agent and Issuing Bank,

THE ROYAL BANK OF SCOTLAND plc
and
WELLS FARGO BANK, NATIONAL ASSOCIATION,
as Co-Syndication Agents,

THE ROYAL BANK OF SCOTLAND plc
and
WELLS FARGO BANK, NATIONAL ASSOCIATION,
as Issuing Banks,

BANK OF AMERICA, N.A.
and
CREDIT SUISSE AG, CAYMAN ISLANDS BRANCH,
as Co-Documentation Agents,

BARCLAYS CAPITAL
RBS SECURITIES INC.
WELLS FARGO SECURITIES, LLC
MERRILL LYNCH, PIERCE, FENNER & SMITH INCORPORATED
and
CREDIT SUISSE SECURITIES (USA) LLC,
as Joint Lead Arrangers

and

BARCLAYS CAPITAL
RBS SECURITIES INC.
and
WELLS FARGO SECURITIES, LLC,
as Joint Book Runners

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FIVE-YEAR CREDIT AGREEMENT

Dated as of November 4, 2011

ARIZONA PUBLIC SERVICE COMPANY, an Arizona corporation (the "Borrower"), the banks, financial institutions and other institutional lenders (the "Initial Lenders") and initial issuing banks (the "Initial Issuing Banks") listed on the signature pages hereof, the other Lenders (as hereinafter defined), BARCLAYS BANK PLC, as Agent for the Lenders (as hereinafter defined), THE ROYAL BANK OF SCOTLAND plc and WELLS FARGO BANK, NATIONAL ASSOCIATION, as Co-Syndication Agents and BANK OF AMERICA, N.A. and CREDIT SUISSE AG, CAYMAN ISLANDS BRANCH, as Co-Documentation Agents, agree as follows:

The Borrower has requested that the Lenders provide a revolving credit facility for the purposes set forth herein, and the Lenders are willing to do so on the terms and conditions set forth herein.

In consideration of the mutual covenants and agreements herein contained, the parties hereto covenant and agree as follows:

ARTICLE I

DEFINITIONS AND ACCOUNTING TERMS

Section 1.01 Certain Defined Terms. As used in this Agreement, the following terms shall have the following meanings:

"2007 Order" means Decision No. 69947, dated October 30, 2007, of the Arizona Corporation Commission.

"Administrative Questionnaire" means an Administrative Questionnaire in a form supplied by the Agent.

"Advance" means a Revolving Advance or a Swingline Advance.

"Affected Lender" means any Lender, as reasonably determined by the Agent or if the Agent is the Affected Lender, by the Required Lenders, that (a) has failed to (i) fund all or any portion of any Revolving Advance within three (3) Business Days of the date such Revolving Advances were required to be funded hereunder unless such Lender notifies the Agent and the Borrower in writing that such failure is the result of such Lender's determination that one or more conditions precedent to funding (each of which conditions precedent, together with any applicable default, shall be specifically identified in writing) has not been satisfied, or (ii) pay to the Agent, any Issuing Bank, the Swingline Lender, if any, or any other Lender any other amount required to be paid by it hereunder (including in respect of its participation in Letters of Credit and funding obligations in respect of Swingline Advances) within three (3) Business Days of the date when due, (b) has notified the Borrower, the Agent, any Issuing Bank or any Lender in writing of its intention not to fund any Revolving Advance or any of its other funding obligations under this Agreement, (c) has failed, within three Business Days after written request by the

Agent, or if the Agent is the Affected Lender, by the Required Lenders, to confirm that it will comply with the terms of this Agreement relating to its obligations to fund prospective Revolving Advances and other funding obligations under this Agreement or (d) shall (or whose parent company shall) generally not pay its debts as such debts become due, or shall admit in writing its inability to pay its debts generally, or shall make a general assignment for the benefit of creditors; or shall have had any proceeding instituted by or against such Lender (or its parent company) seeking to adjudicate it as bankrupt or insolvent, or seeking liquidation, winding up, reorganization, arrangement, adjustment, protection, relief, or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors, or seeking the entry of an order for relief or the appointment of a receiver, trustee, administrator, assignee for the benefit of creditors or similar Person charged with reorganization or liquidation of its business or custodian for it or for any substantial part of its property and, in the case of any such proceeding instituted against it (but not instituted by it), either such proceeding shall remain undismissed or unstayed for a period of 30 days, or any of the actions sought in such proceeding (including, without limitation, the entry of an order for relief against, or the appointment of a receiver, trustee, administrator, assignee for the benefit of creditors or similar Person charged with reorganization or liquidation of its business or custodian for, it or for any substantial part of its property) shall occur, or shall take (or whose parent company shall take) any corporate action to authorize any of the actions set forth above in this subsection (e), provided that a Lender shall not be deemed to be an Affected Lender solely by virtue of the ownership or acquisition of any equity interest in any Lender or any Person that directly or indirectly controls such Lender by a Governmental Authority or an instrumentality thereof.

"Affiliate" means, as to any Person, any other Person that, directly or indirectly, controls, is controlled by or is under common control with such Person or is a director or officer of such Person. For purposes of this definition, the term "control" (including the terms "controlling", "controlled by" and "under common control with") of a Person means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of Voting Stock, by contract or otherwise.

"Agent" means Barclays Bank in its capacity as administrative agent under any of the Loan Documents, or any successor administrative agent.

"Agent's Account" means the account of the Agent designated on Schedule 8.02 under the heading "Agent's Account" or such other account as the Agent may designate to the Lenders and the Borrower from time to time.

"Agent's Office" means the Agent's address and, as appropriate, the Agent's Account, or such other address or account as the Agent may from time to time notify to the Borrower and the Lenders.

"Applicable Lending Office" means, with respect to each Lender, such Lender's Domestic Lending Office in the case of a Base Rate Advance and such Lender's Eurodollar Lending Office in the case of a Eurodollar Rate Advance.

"Applicable Rate" means, from time to time, the following percentages per annum determined by reference to the Public Debt Rating as set forth below:

Public Debt Rating S&P/Moody's	Eurodollar Rate Advances	Base Rate Advances	Commitment Fee
[redacted]			
Level 2 < Level 1 but ≥ A-/A3	1.125%	0.125%	0.125%
[redacted]			
Level 4 < Level 3 but ≥ BBB/Baa2	1.500%	0.500%	0.225%
[redacted]			
Level 6 < Level 5	2.000%	1.000%	0.375%

"Approved Fund" means any Fund that is administered or managed by (a) a Lender, (b) an Affiliate of a Lender or (c) an entity or an Affiliate of any entity that administers or manages a Lender.

"Arrangers" means, collectively, Barclays Capital, the investment banking division of Barclays Bank PLC, RBS Securities Inc., Wells Fargo Securities, LLC, Merrill Lynch, Pierce, Fenner & Smith Incorporated, and Credit Suisse Securities (USA) LLC.

"Assignment and Assumption" means an assignment and assumption entered into by a Lender and an Eligible Assignee, and accepted by the Agent, in substantially the form of Exhibit C hereto.

"Assuming Lender" has the meaning specified in Section 2.18(d).

"Assumption Agreement" has the meaning specified in Section 2.18(d)(ii).

"Authorized Officer" means the chairman of the board, chief executive officer, chief operating officer, chief financial officer, chief accounting officer, president, any vice president, treasurer, controller or any assistant treasurer of the Borrower.

"Available Amount" of any Letter of Credit means, at any time, the maximum amount available to be drawn under such Letter of Credit at such time (assuming compliance at such time with all conditions to drawing).

"Barclays Bank" means Barclays Bank PLC.

"Base Rate" means for any day a fluctuating rate per annum equal to the highest of:

(a) the rate of interest in effect for such day as publicly announced from time to time by the Agent as its "prime rate";

(b) the Federal Funds Rate plus 0.50%; and

(c) an amount equal to (i) the Eurodollar Rate for a one month Interest Period on such day (or if such day is not a Business Day, the immediately preceding Business Day) plus (ii) 1%.

"Prime rate" means the rate of interest in effect for such day as publicly announced from time to time by the Agent as its "prime rate." The "prime rate" is a rate set by the Agent based upon various factors including the Agent's costs and desired return, general economic conditions and other factors, and is used as a reference point for pricing some loans, which may be priced at, above, or below such announced rate. Any change in the "prime rate" announced by the Agent shall take effect at the opening of business on the day specified in the public announcement of such change.

"Base Rate Advance" means a Revolving Advance that bears interest as provided in Section 2.07(a)(i).

"Borrower" has the meaning given to such term in the introductory paragraph hereof.

"Borrower Information" has the meaning specified in Section 8.08.

"Borrowing" means (a) a borrowing consisting of simultaneous Revolving Advances of the same Type made by each of the Lenders pursuant to Section 2.01(a) or (b) Swingline Advances.

"Business Day" means a day of the year on which banks are not required or authorized by Law to close in New York City or Phoenix, Arizona and, if the applicable Business Day relates to any Advance in which interest is calculated by reference to the Eurodollar Rate, on which dealings are carried on in the London interbank market.

"Capital Lease Obligations" means as to any Person, the obligations of such Person to pay rent or other amounts under a lease of (or other agreement conveying the right to use) real and/or personal property, which obligations are required to be classified and accounted for as a capital lease on the balance sheet of such Person under GAAP and, for the purposes of this Agreement, the amount of such obligations shall be the capitalized amount thereof, determined in accordance with GAAP.

"Change in Law" means the occurrence, after the date of this Agreement, of any of the following: (a) the adoption of any Law, (b) any change in any Law or in the administration, interpretation or application thereof by any Governmental Authority or (c) the making or issuance of any request, guideline or directive (whether or not having the force of law) by any Governmental Authority; provided, however, that notwithstanding anything herein to the contrary, (i) the Dodd-Frank Wall Street Reform and Consumer Protection Act and all requests, rules, guidelines, requirements and directives thereunder, issued in connection therewith or in implementation thereof, and (ii) all requests, rules, guidelines, requirements and directives

promulgated by the Bank for International Settlements, the Basel Committee on Banking Supervision (or any successor or similar authority) or the United States or foreign regulatory authorities, in each case pursuant to Basel III, shall in each case be deemed to a "Change in Law" regardless of the date enacted, adopted, issued or implemented.

"Commitment" means a Revolving Credit Commitment or a Letter of Credit Commitment.

"Commitment Date" has the meaning specified in Section 2.18(b).

"Commitment Increase" has the meaning specified in Section 2.18(a).

"Consolidated" refers to the consolidation of accounts in accordance with GAAP.

"Consolidated Indebtedness" means, at any date, the Indebtedness of the Borrower and its Consolidated Subsidiaries determined on a Consolidated basis as of such date; provided, however, that so long as the creditors of the VIE Lessor Trusts have no recourse to the assets of the Borrower, "Consolidated Indebtedness" shall not include any Indebtedness or other obligations of the VIE Lessor Trusts.

"Consolidated Net Worth" means, at any date, the sum as of such date of (a) the par value (or value stated on the books of the Borrower) of all classes of capital stock of the Borrower and its Subsidiaries, excluding the Borrower's capital stock owned by the Borrower and/or its Subsidiaries, *plus* (or *minus* in the case of a surplus deficit) (b) the amount of the Consolidated surplus, whether capital or earned, of the Borrower, determined in accordance with GAAP as of the end of the most recent calendar month (excluding the effect on the Borrower's accumulated other comprehensive income/loss of the ongoing application of Accounting Standards Codification Topic 815).

"Consolidated Subsidiary" means, at any date, any Subsidiary or other entity the accounts of which would be Consolidated with those of the Borrower on its Consolidated financial statements if such financial statements were prepared as of such date; provided that in no event will Consolidated Subsidiaries include the VIE Lessor Trusts.

"Convert", "Conversion" and "Converted" each refers to a conversion of Revolving Advances of one Type into Revolving Advances of the other Type pursuant to Section 2.08, Section 2.09 or Section 2.12.

"Credit Extension" means each of the following: (a) a Borrowing and (b) the issuance of a Letter of Credit.

"Debtor Relief Laws" means the Bankruptcy Code of the United States of America, and all other liquidation, conservatorship, bankruptcy, assignment for the benefit of creditors, moratorium, rearrangement, receivership, insolvency, reorganization, or similar debtor relief Laws of the United States of America or other applicable jurisdictions from time to time in effect and affecting the rights of creditors generally.

"Default" means any Event of Default or any event that would constitute an Event of Default but for the requirement that notice be given or time elapse or both.

"Dollars" or "$" means dollars of the United States of America.

"Domestic Lending Office" means, with respect to any Lender, the office of such Lender described as such in such Lender's Administrative Questionnaire, or such other office or offices as a Lender may from time to time notify the Borrower and the Agent.

"Effective Date" has the meaning specified in Section 3.01.

"Eligible Assignee" means any Person that meets the requirements to be an assignee under Section 8.07(b)(iii), (v) and (vi) (subject to such consents, if any, as may be required under Section 8.07(b)(iii)).

"Environmental Action" means any action, suit, demand, demand letter, claim, notice of non-compliance or violation, notice of liability or potential liability, investigation, proceeding, consent order or consent agreement relating in any way to any Environmental Law, Environmental Permit or Hazardous Materials or arising from alleged injury or threat of injury to health, safety or the environment and relating to any Environmental Law, including, without limitation, (a) by any Governmental Authority for enforcement, cleanup, removal, response, remedial or other actions or damages and (b) by any Governmental Authority or any third party for damages, contribution, indemnification, cost recovery, compensation or injunctive relief.

"Environmental Law" means any federal, state, local or foreign statute, law, ordinance, rule, regulation, code, order, judgment, decree or judicial or agency interpretation, policy or guidance relating to pollution or protection of the environment, natural resources or, to the extent relating to exposure to Hazardous Materials, human health or safety, including, without limitation, those relating to the use, handling, transportation, treatment, storage, disposal, release or discharge of Hazardous Materials.

"Environmental Permit" means any permit, approval, identification number, license or other authorization required under any Environmental Law.

"ERISA" means the Employee Retirement Income Security Act of 1974.

"ERISA Affiliate" means any trade or business (whether or not incorporated) under common control with the Borrower within the meaning of Section 414(b) or (c) of the Internal Revenue Code (and Sections 414(m) and (o) of the Internal Revenue Code for purposes of provisions relating to Section 412 of the Internal Revenue Code).

"ERISA Event" means (a) a Reportable Event with respect to a Pension Plan; (b) a withdrawal by the Borrower or any ERISA Affiliate from a Pension Plan subject to Section 4063 of ERISA during a plan year in which it was a substantial employer (as defined in Section 4001(a)(2) of ERISA) or a cessation of operations that is treated as such a withdrawal under Section 4062(e) of ERISA; (c) a complete or partial withdrawal by the Borrower or any ERISA Affiliate from a Multiemployer Plan or notification that a Multiemployer Plan is in reorganization; (d) the filing of a notice of intent to terminate, the treatment of a Plan amendment

as a termination under Section 4041 or 4041A of ERISA, or the commencement of proceedings by the PBGC to terminate a Pension Plan or Multiemployer Plan; (e) an event or condition which constitutes grounds under Section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Pension Plan or Multiemployer Plan; or (f) the imposition of any liability under Title IV of ERISA, other than for PBGC premiums due but not delinquent under Section 4007 of ERISA, upon the Borrower or any ERISA Affiliate.

"Eurodollar Lending Office" means, with respect to any Lender, the office of such Lender described as such in such Lender's Administrative Questionnaire, or such other office or offices as a Lender may from time to time notify the Borrower and the Agent.

"Eurodollar Rate" means:

(a) for any Interest Period with respect to a Eurodollar Rate Advance, the rate per annum equal to the British Bankers Association LIBOR Rate ("BBA LIBOR"), as published by Reuters (or other commercially available source providing quotations of BBA LIBOR as designated by the Agent from time to time) at approximately 11:00 a.m., London time, two Business Days prior to the commencement of such Interest Period, for Dollar deposits (for delivery on the first day of such Interest Period) with a term equivalent to such Interest Period. If such rate is not available at such time for any reason, then the "Eurodollar Rate" for such Interest Period shall be the rate per annum determined by the Agent to be the rate at which deposits in dollars for delivery on the first day of such Interest Period in same day funds in the approximate amount of the Eurodollar Rate Advance being made, continued or converted by the Agent and with a term equivalent to such Interest Period would be offered by the Agent to major banks in the London interbank eurodollar market at their request at approximately 11:00 a.m. (London time) two Business Days prior to the commencement of such Interest Period; and

(b) for any interest rate calculation with respect to a Base Rate Advance, the rate per annum equal to (i) BBA LIBOR, at approximately 11:00 a.m. two Business Days prior to, London time on the date of determination (provided that if such day is not a Business Day in London, the next preceding Business Day in London) for Dollar deposits being delivered in the London interbank market for a term of one month commencing that day or (ii) if such published rate is not available at such time for any reason, the rate determined by the Agent to be the rate at which deposits in Dollars for delivery on the date of determination in same day funds in the approximate amount of the Base Rate Advance being made, continued or converted by the Agent and with a term equal to one month would be offered by the Agent's London Branch to major banks in the London interbank Eurodollar market at their request at the date and time of determination.

"Eurodollar Rate Advance" means a Revolving Advance that bears interest at a rate based on the Eurodollar Rate (other than a Base Rate Advance bearing interest at a rate based on the Eurodollar Rate).

"Events of Default" has the meaning specified in Section 6.01.

"Excluded Taxes" means, with respect to the Agent, any Lender, any Issuing Bank or any other recipient of any payment to be made by or on account of any obligation of the Borrower

hereunder, (a) taxes imposed on or measured by its overall net income (however denominated), and franchise taxes imposed on it (in lieu of net income taxes), by the United States of America or the jurisdiction (or any political subdivision thereof) under the Laws of which such recipient is organized or does business or in which its principal office is located or, in the case of any Lender, in which its Applicable Lending Office is located, (b) any branch profits taxes imposed by the United States of America or any similar tax imposed by any other jurisdiction in which the Borrower is located, (c) any backup withholding tax that is required by the Internal Revenue Code to be withheld from amounts payable to a Lender that has failed to comply with clause (A) of Section 2.14(e)(ii), (d) in the case of a Foreign Lender (other than as agreed to between any assignee and the Borrower pursuant to a request by the Borrower under Section 2.20), any United States of America withholding tax that (i) is required to be imposed on amounts payable to such Foreign Lender pursuant to the Laws in force at the time such Foreign Lender becomes a party hereto (or designates a new Applicable Lending Office) or (ii) is attributable to such Foreign Lender's failure or inability (other than as a result of a Change in Law) to comply with clause (B) of Section 2.14(e)(ii), except to the extent that such Foreign Lender (or its assignor, if any) was entitled, at the time of designation of a new Applicable Lending Office (or assignment), to receive additional amounts from the Borrower with respect to such withholding tax pursuant to Section 2.14(a)(i) or (ii) and (v) any United States withholding tax imposed by FATCA.

"FATCA" means Section 1471 through 1474 of the Internal Revenue Code, as of the date of this Agreement, and any regulations or official interpretations thereof.

"Federal Funds Rate" means, for any day, the rate per annum equal to the weighted average of the rates on overnight federal funds transactions with members of the Federal Reserve System arranged by federal funds brokers on such day, as published by the Federal Reserve Bank of New York on the Business Day next succeeding such day; provided that (a) if such day is not a Business Day, the Federal Funds Rate for such day shall be such rate on such transactions on the next preceding Business Day as so published on the next succeeding Business Day, (b) if no such rate is so published on such next succeeding Business Day, the Federal Funds Rate for such day shall be the average rate (rounded upward, if necessary, to a whole multiple of 1/100 of 1%) charged to the Agent on such day on such transactions as determined by the Agent, and (c) solely for purposes for determining the Money Market Rate, any such other publication or means of determining the rate for federal funds as agreed to between the Borrower and Swingline Lender.

"Fee Letters" means (a) each of the following letters to the Borrower dated October 11, 2011: (i) the letter from Barclays Capital, RBS Securities Inc. and Wells Fargo Securities, LLC, (ii) the letter from Merrill Lynch, Pierce, Fenner & Smith Incorporated and Credit Suisse Securities (USA) LLC, and (iii) the agent fee letter from Barclays Bank PLC, as Agent, each relating to certain fees payable by the Borrower to such parties in respect of the transactions contemplated by this Agreement and (b) any letter between the Borrower and any Issuing Bank other than an Initial Issuing Bank relating to certain fees payable to such Issuing Bank in its capacity as such, each as amended, modified, restated or supplemented from time to time.

"Foreign Lender" means any Lender that is organized under the Laws of a jurisdiction other than that in which the Borrower is resident for tax purposes (including such a Lender when acting in the capacity of an Issuing Bank or a Swingline Lender). For purposes of this definition,

the United States of America, each State thereof and the District of Columbia shall be deemed to constitute a single jurisdiction.

"Four Corners Acquisition" means the acquisition by the Borrower from Southern California Edison Company ("SCE") of SCE's interests in Units 4 and 5 of the Four Corners Power Plant near Farmington, New Mexico, pursuant to the Purchase and Sale Agreement, dated as of November 8, 2010, by and between SCE and the Borrower.

"Fund" means any Person (other than a natural person) that is (or will be) engaged in making, purchasing, holding or otherwise investing in commercial loans and similar extensions of credit in the ordinary course of its business.

"GAAP" has the meaning specified in Section 1.03.

"Governmental Authority" means the government of the United States of America or any other nation, or of any political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government (including any supra-national bodies such as the European Union or the European Central Bank).

"Guarantee" means as to any Person, any obligation, contingent or otherwise, of such Person directly or indirectly guaranteeing any Indebtedness of any other Person or in any manner providing for the payment of any Indebtedness of any other Person or otherwise protecting the holder of such Indebtedness against loss (whether by virtue of partnership arrangements, agreements to keep well, to purchase assets, goods, securities or services, or to take-or-pay or otherwise), provided that the term "Guarantee" shall not include endorsements for collection or deposit in the ordinary course of business. The term "Guarantee" used as a verb has a corresponding meaning.

"Hazardous Materials" means (a) petroleum and petroleum products, byproducts or breakdown products, radioactive materials, asbestos-containing materials, polychlorinated biphenyls and radon gas and (b) any other chemicals, materials or substances designated, classified or regulated as hazardous or toxic or as a pollutant or contaminant under any Environmental Law.

"Hedge Agreement" means any interest rate swap, cap or collar agreement, interest rate future or option contract, currency swap agreement, currency future or option contract, commodity future or option contract, commodity forward contract or other similar agreement.

"Increase Date" has the meaning specified in Section 2.18(a).

"Increasing Lender" has the meaning specified in Section 2.18(b).

"Indebtedness" means as to any Person at any date (without duplication): (a) indebtedness created, issued, incurred or assumed by such Person for borrowed money or evidenced by bonds, debentures, notes or similar instruments; (b) all obligations of such Person to pay the deferred purchase price of property or services, excluding, however, trade accounts

payable (other than for borrowed money) arising in, and accrued expenses incurred in, the ordinary course of business of such Person so long as such trade accounts payable are paid within 180 days (unless subject to a good faith dispute) of the date incurred; (c) all Indebtedness secured by a lien on any asset of such Person, to the extent such Indebtedness has been assumed by; or is a recourse obligation of, such Person; (d) all Guarantees by such Person; (e) all Capital Lease Obligations of such Person; and (f) the amount of all reimbursement obligations of such Person (whether contingent or otherwise) in respect of letters of credit, bankers' acceptances, surety or other bonds and similar instruments in support of Indebtedness.

"Indemnified Taxes" means Taxes other than Excluded Taxes.

"Initial Issuing Banks" has the meaning given to such term in the introductory paragraph hereof.

"Initial Lenders" has the meaning given to such term in the introductory paragraph hereof.

"Interest Period" means, for each Eurodollar Rate Advance comprising part of the same Borrowing, the period commencing on the date such Eurodollar Rate Advance is disbursed or the date of the Conversion of any Base Rate Advance into such Eurodollar Rate Advance and ending on the last day of the period selected by the Borrower pursuant to the provisions below and, thereafter, each subsequent period commencing on the last day of the immediately preceding Interest Period and ending on the last day of the period selected by the Borrower pursuant to the provisions below. The duration of each such Interest Period shall be one, two, three or six months, as the Borrower may, upon notice received by the Agent not later than 12:00 noon on the third Business Day prior to the first day of such Interest Period, select; provided, however, that:

(a) the Borrower may not select any Interest Period that ends after the Termination Date;

(b) Interest Periods commencing on the same date for Eurodollar Rate Advances comprising part of the same Borrowing shall be of the same duration;

(c) whenever the last day of any Interest Period would otherwise occur on a day other than a Business Day, the last day of such Interest Period shall be extended to occur on the next succeeding Business Day, provided, however, that, if such extension would cause the last day of such Interest Period to occur in the next following calendar month, the last day of such Interest Period shall occur on the next preceding Business Day; and

(d) whenever the first day of any Interest Period occurs on a day of an initial calendar month for which there is no numerically corresponding day in the calendar month that succeeds such initial calendar month by the number of months equal to the number of months in such Interest Period, such Interest Period shall end on the last Business Day of such succeeding calendar month.

"Internal Revenue Code" means the Internal Revenue Code of 1986, as amended from time to time, and the regulations promulgated and rulings issued thereunder.

"ISP" means, with respect to any Letter of Credit, the "International Standby Practices 1998" published by the Institute of International Banking Law & Practice, Inc. (or such later version thereof as may be in effect at the time of issuance).

"Issuing Bank" means the Initial Issuing Banks or any other Lender approved by the Borrower that may agree to issue Letters of Credit pursuant to an Assignment and Assumption or other agreement in form satisfactory to the Borrower and the Agent, so long as such Lender expressly agrees to perform in accordance with their terms all of the obligations that by the terms of this Agreement are required to be performed by it as an Issuing Bank and notifies the Agent of its Applicable Lending Office (which information shall be recorded by the Agent in the Register), for so long as such Initial Issuing Bank or Lender, as the case may be, shall have a Letter of Credit Commitment.

"L/C Advance" means, with respect to each Lender, such Lender's funding of its participation in any L/C Borrowing in accordance with its Ratable Share.

"L/C Borrowing" means an extension of credit resulting from a drawing under any Letter of Credit which has not been reimbursed on the date when made nor refinanced as a Base Rate Advance.

"L/C Cash Deposit Account" means an interest bearing cash deposit account to be established and maintained by the Agent, over which the Agent shall have sole dominion and control, upon terms as may be satisfactory to the Agent.

"L/C Obligations" means, as at any date of determination, the aggregate Available Amount of all outstanding Letters of Credit plus the aggregate of all Unreimbursed Amounts, including all L/C Borrowings. For all purposes of this Agreement, if on any date of determination a Letter of Credit has expired by its terms but any amount may still be drawn thereunder by reason of the operation of Rule 3.14 of the ISP, such Letter of Credit shall be deemed to be "outstanding" in the amount so remaining available to be drawn.

"L/C Related Documents" means with respect to any Letter of Credit, the Letter of Credit Application, and any other document, agreement and instrument entered into by any Issuing Bank and the Borrower or in favor of any Issuing Bank and relating to such Letter of Credit.

"Laws" means, collectively, all international, foreign, Federal, state and local statutes, treaties, rules, guidelines, regulations, ordinances, codes and administrative or judicial precedents or authorities, including the interpretation or administration thereof by any Governmental Authority charged with the enforcement, interpretation or administration thereof, and all applicable administrative orders, directed duties, licenses, authorizations and permits of, and agreements with, any Governmental Authority.

"Lenders" means the Initial Lenders, each Issuing Bank, the Swingline Lender, if any, each Assuming Lender that shall become a party hereto pursuant to Section 2.18 and each Person that shall become a party hereto pursuant to Section 8.07.

"Letter of Credit" has the meaning specified in Section 2.01(b).

"Letter of Credit Application" means an application and agreement for the issuance or amendment of a Letter of Credit in the form from time to time in use by any Issuing Bank.

"Letter of Credit Commitment" means, with respect to each Issuing Bank, the obligation of such Issuing Bank to issue Letters of Credit for the account of the Borrower from time to time in an aggregate amount equal to (a) for each of the Initial Issuing Banks, $80,000,000 and (b) for any other Issuing Bank, as separately agreed to by such Issuing Bank and the Borrower. The Letter of Credit Commitment is part of, and not in addition to, the Revolving Credit Commitments.

"Letter of Credit Expiration Date" means the day that is five Business Days prior to the Termination Date.

"Lien" means any mortgage, pledge, hypothecation, assignment, deposit arrangement, encumbrance, lien (statutory or otherwise), charge or other security interest or preferential arrangement that has the practical effect of creating a security interest, including, without limitation, the lien or retained security title of a conditional vendor and any easement, right of way or other encumbrance on title to real property, and any capital lease having substantially the same economic effect as any of the foregoing.

"Loan Documents" mean this Agreement, each Note, each L/C Related Document and the Fee Letters.

"Material Adverse Effect" means a material adverse effect on (a) the financial condition, operations, business or property of the Borrower and its Subsidiaries taken as a whole, (b) the rights and remedies of the Agent or any Lender under this Agreement or any Note or (c) the ability of the Borrower to perform its obligations under this Agreement or any Note.

"Material Subsidiary" means, at any time, a Subsidiary of the Borrower which as of such time meets the definition of a "significant subsidiary" included as of the date hereof in Regulation S-X of the Securities and Exchange Commission or whose assets at such time exceed 10% of the assets of the Borrower and the Subsidiaries (on a consolidated basis).

"Money Market Rate" means (a) the Federal Funds Rate plus (b) the Applicable Rate for Eurodollar Rate Advances.

"Money Market Rate Advance" means a Swingline Advance that bears interest at a rate based on the Money Market Rate.

"Moody's" means Moody's Investors Service, Inc.

"Multiemployer Plan" means any employee benefit plan of the type described in Section 4001(a)(3) of ERISA, to which the Borrower or any ERISA Affiliate makes or is obligated to make contributions, or during the preceding five plan years, has made or been obligated to make contributions.

"Note" means a promissory note of the Borrower payable to the order of any Lender, delivered pursuant to a request made under Section 2.16 in substantially the form of Exhibit A hereto.

"Notice of Borrowing" has the meaning specified in Section 2.02(a).

"Obligations" means all advances to, and debts, liabilities, obligations, covenants and duties of, the Borrower arising under any Loan Document or otherwise with respect to any Revolving Advance, Swingline Advance or Letter of Credit, whether direct or indirect (including those acquired by assumption), absolute or contingent, due or to become due, now existing or hereafter arising and including interest and fees that accrue under any Loan Document after the commencement by or against the Borrower of any proceeding under any Debtor Relief Laws naming such Person as the debtor in such proceeding, regardless of whether such interest and fees are allowed claims in such proceeding.

"Other Taxes" means all present or future stamp or documentary taxes or any other excise or property taxes, charges or similar levies arising from any payment made hereunder or under any other Loan Document or from the execution, delivery or enforcement of, or otherwise with respect to, this Agreement or any other Loan Document.

"PBGC" means the Pension Benefit Guaranty Corporation.

"Pension Plan" means any "employee pension benefit plan" (as such term is defined in Section 3(2) of ERISA), other than a Multiemployer Plan, that is subject to Title IV of ERISA and is sponsored or maintained by the Borrower or any ERISA Affiliate or to which the Borrower or any ERISA Affiliate contributes or has an obligation to contribute, or in the case of a multiple employer or other plan described in Section 4064(a) of ERISA, has made contributions at any time during the immediately preceding five plan years.

"Permitted Lien" of the Borrower or any Material Subsidiary means any of the following:

(i) Liens for taxes, assessments or other governmental charges or levies not at the time delinquent or thereafter payable without penalty or being contested in good faith by appropriate proceedings and for which adequate reserves in accordance with GAAP shall have been made;

(ii) Liens imposed by or arising by operation of law, such as Liens of carriers, warehousemen, mechanics, materialmen and landlords incurred in the ordinary course of business, including, without limitation, landlord's liens arising under Arizona Law under leases entered into by the Borrower in the 1986 sale and leaseback transactions with respect to PVNGS Unit 2 and securing the payment of rent under such leases, in each case, for sums not overdue for a period of more than 30 days or being contested in good faith by appropriate proceedings and for which adequate reserves in accordance with GAAP shall have been made;

(iii) Liens incurred in the ordinary course of business in connection with worker's compensation, unemployment insurance or other forms of governmental insurance or benefits or other similar statutory obligations;

(iv) Liens to secure obligations on surety or appeal bonds;

(v) Liens on cash deposits in the nature of a right of setoff, banker's lien, counterclaim or netting of cash amounts owed arising in the ordinary course of business on deposit accounts, commodity accounts or securities accounts;

(vi) easements, restrictions, reservations, licenses, covenants, and other defects of title that are not, in the aggregate, materially adverse to the use of such property for the purpose for which it is used;

(vii) Liens securing claims against or other obligations of any Person other than the Borrower or any Subsidiary of the Borrower neither assumed nor guaranteed by the Borrower or any Subsidiary of the Borrower nor on which the Borrower or any Subsidiary of the Borrower customarily pays interest, existing upon real estate or rights in or relating to real estate acquired by the Borrower or any Subsidiary of the Borrower for use in the operation of the business of the Borrower or any Subsidiary of the Borrower, including, without limitation, for the generation, transmission or distribution of electric energy, transportation, telephonic, telegraphic, radio, wireless or other electronic communication or any other purpose;

(viii) rights reserved to or vested in and Liens on assets arising out of obligations or duties to any municipality or public authority with respect to any right, power, franchise, grant, license or permit, or by any provision of Law;

(ix) rights reserved to or vested in others to take or receive any part of the power pursuant to firm power commitment contracts, purchased power contracts, tolling agreements and similar agreements, coal, gas, oil or other minerals, timber or other products generated, developed, manufactured or produced by, or grown on, or acquired with, any property of the Borrower;

(x) rights reserved to or vested in any municipality or public authority to control or regulate any property of the Borrower, or to use such property in a manner that does not materially impair the use of such property for the purposes for which it is held by the Borrower;

(xi) security interests granted in favor of the lessors in the Borrower's Decommissioning Trust Agreement (PVNGS Unit 2) dated as of January 31, 1992 (such agreement, as amended or otherwise modified from time to time, being the "Unit 2 Trust Agreement") entered into in connection with the PVNGS Unit 2 sale leaseback transaction to secure the Borrower's obligations in respect of the decommissioning of PVNGS Unit 2 or related facilities;

(xii) Liens that may exist with respect to the Unit 2 Trust Agreement (other than as described in paragraph (xi) above) or with respect to either of the Borrower's Decommissioning Trust Agreement (PVNGS Unit 1) or Decommissioning Trust Agreement (PVNGS Unit 3), each dated as of July 1, 1991, as amended or otherwise modified from time to time, relating to the Borrower's obligation to set aside funds for the decommissioning and retirement from service of such Units;

(xiii) pledges of pollution control bonds and related rights to secure the Borrower's reimbursement obligations in respect of letters of credit, bond insurance, and other credit or liquidity enhancements supporting pollution control bond transactions, provided that such pollution control bonds are not secured by any other assets of the Borrower or any Material Subsidiary;

(xiv) rights and interests of Persons other than the Borrower or any Material Subsidiary (including, without limitation, acquisition rights), related obligations of the Borrower or any Material Subsidiary and restrictions on it or its property arising out of contracts, agreements and other instruments to which the Borrower or any Material Subsidiary is a party that relate to the common ownership or joint use of property or other use of property for the benefit of one or more third parties or that allow a third party to purchase property of the Borrower or any Material Subsidiary and all Liens on the interests of Persons other than the Borrower or any Material Subsidiary in such property;

(xv) transfers of operational or other control of facilities to a regional transmission organization or other similar body and Liens on such facilities to cover expenses, fees and other costs of such an organization or body;

(xvi) Liens established on specified bank accounts of the Borrower to secure the Borrower's reimbursement obligations in respect of letters of credit supporting commercial paper issued by the Borrower and similar arrangements for collateral security with respect to refinancings or replacements of the same;

(xvii) rights of transmission users or any regional transmission organizations or similar entities in transmission facilities;

(xviii) Liens on property of the Borrower sold in a transaction permitted by Section 5.02(a) to another Person pursuant to a conditional sales agreement where the Borrower retains title;

(xix) Liens created under this Agreement;

(xx) Liens on cash or cash equivalents not to exceed $200,000,000 (A) deposited in margin accounts with or on behalf of futures contract brokers or paid over to other contract counterparties or (B) pledged or deposited as collateral to a contract counterparty to secure obligations with respect to (1) contracts (other than for Indebtedness) for commercial and trading activities in the ordinary course of business for the purchase, transmission, distribution, sale, storage, lease or hedge of any energy or energy related commodity or (2) Hedge Agreements;

(xxi) Liens granted on cash or cash equivalents to defease Indebtedness of the Borrower or any of its Subsidiaries;

(xxii) Liens granted on cash or cash equivalents constituting proceeds from any sale or disposition of assets that is not prohibited by Section 5.02(c) deposited in escrow accounts or otherwise withheld or set aside to secure obligations of the Borrower or any Subsidiary providing for indemnification, adjustment of purchase price or any similar

obligations, in each case, in an amount not to exceed the amount of gross proceeds received by the Borrower or any Subsidiary in connection with such sale or disposition;

(xxiii) Liens, deposits and similar arrangements to secure the performance of bids, tenders or contracts (other than contracts for borrowed money), public or statutory obligations, performance bonds and other obligations of a like nature incurred in the ordinary course of business by the Borrower or any of its Subsidiaries;

(xxiv) rights of lessees arising under leases entered into by the Borrower or any of its Subsidiaries as lessor, in the ordinary course of business;

(xxv) any Liens on or reservations with respect to governmental and other licenses, permits, franchises, consents and allowances;

(xxvi) Liens on property which is the subject of a Capital Lease Obligation designating the Borrower or any of its Subsidiaries as lessee and all right, title and interest of the Borrower or any of its Subsidiaries in and to such property and in, to and under such lease agreement, whether or not such lease agreement is intended as a security;

(xxvii) licenses of intellectual property entered into in the ordinary course of business;

(xxviii) Liens solely on any cash earnest money deposits made by the Borrower or any of its Subsidiaries in connection with any letter of intent or purchase agreement permitted hereunder;

(xxix) deposits or funds established for the removal from service of operating facilities and coal mines and related facilities or other similar facilities used in connection therewith; and

(xxx) Liens on cash deposits used to secure letters of credit under defaulting lender provisions in credit or reimbursement facilities;

provided, however, that no Lien in favor of the PBGC shall, in any event, be a Permitted Lien.

"Person" means an individual, partnership, corporation (including a business trust), joint stock company, trust, unincorporated association, joint venture, limited liability company or other entity, or a government or any political subdivision or agency thereof.

"Plan" means any "employee benefit plan" (as such term is defined in Section 3(3) of ERISA) established by the Borrower or, with respect to any such plan that is subject to Section 412 of the Internal Revenue Code or Title IV of ERISA, any ERISA Affiliate.

"Public Debt Rating" means, as of any date, the rating that has been most recently announced by either S&P or Moody's, as the case may be, for any class of non-credit enhanced long-term senior unsecured debt issued by the Borrower or, if any such rating agency shall have

issued more than one such rating, the lowest such rating issued by such rating agency. For purposes of the foregoing, (a) if only one of S&P and Moody's shall have in effect a Public Debt Rating, the Applicable Rate shall be determined by reference to the available rating; (b) if neither S&P nor Moody's shall have in effect a Public Debt Rating, the Applicable Rate will be set in accordance with Level 6 under the definition of "Applicable Rate"; (c) if the ratings established by S&P and Moody's shall fall within different levels, the Applicable Rate shall be based upon the higher rating unless such ratings differ by two or more levels, in which case the applicable level will be deemed to be one level below the higher of such levels; (d) if any rating established by S&P or Moody's shall be changed (other than as a result of a change in the basis on which ratings are established), such change shall be effective as of the date on which such change is first announced publicly by the rating agency making such change; and (e) if S&P or Moody's shall change the basis on which ratings are established, each reference to the Public Debt Rating announced by S&P or Moody's, as the case may be, shall refer to the then equivalent rating by S&P or Moody's, as the case may be.

"PVNGS" means the Palo Verde Nuclear Generating Station.

"PWCC" means Pinnacle West Capital Corporation, an Arizona corporation.

"Ratable Share" of any amount means, with respect to any Lender at any time but subject to the provisions of Section 2.19, the product of such amount times a fraction the numerator of which is the amount of such Lender's Revolving Credit Commitment at such time (or, if the Revolving Credit Commitments shall have been terminated pursuant to Section 2.05 or 6.01, such Lender's Revolving Credit Commitment as in effect immediately prior to such termination) and the denominator of which is the aggregate amount of all Revolving Credit Commitments at such time (or, if the Revolving Credit Commitments shall have been terminated pursuant to Section 2.05 or 6.01, the aggregate amount of all Revolving Credit Commitments as in effect immediately prior to such termination).

"Register" has the meaning specified in Section 8.07(c).

"Related Parties" means, with respect to any Person, such Person's Affiliates and the partners, directors, officers, employees, agents, trustees and advisors of such Person and of such Person's Affiliates.

"Reportable Event" means any of the events set forth in Section 4043(c) of ERISA, other than events for which the 30-day notice period has been waived under the final regulations issued under Section 4043, as in effect as of the date of this Agreement (the "Section 4043 Regulations"). Any changes made to the Section 4043 Regulations that become effective after the Effective Date shall have no impact on the definition of Reportable Event as used herein unless otherwise amended by the Borrower and the Required Lenders.

"Required Lenders" means, at any time, but subject to Section 2.19, Lenders holding in the aggregate more than 50% of (a) the Revolving Credit Commitments or (b) if the Revolving Credit Commitments have been terminated, the Total Outstandings.

"Revolving Advance" means an advance by a Lender to the Borrower as part of a Borrowing, including a Base Rate Advance made pursuant to Section 2.03(c), but excluding any

L/C Advance made as part of an L/C Borrowing and any Swingline Advance, and refers to a Base Rate Advance or a Eurodollar Rate Advance (each of which shall be a Type of Revolving Advance).

"Revolving Credit Commitment" means, as to any Lender, its obligation to (a) make Revolving Advances to the Borrower pursuant to Section 2.01 and 2.03(c), (b) purchase participations in L/C Obligations and (c) make Revolving Advances pursuant to Section 2.03A(c) for the purpose of repaying Swingline Advances, in an aggregate principal amount at any one time outstanding not to exceed the amount set forth opposite such Lender's name on Schedule 1.01 under the column "Revolving Credit Commitment" or if such Lender has become a Lender hereunder pursuant to an Assumption Agreement or if such Lender has entered into any Assignment and Assumption, the amount set forth for such Lender in the Register, in each case as such amount may be reduced pursuant to Section 2.05 or increased pursuant to Section 2.18.

"S&P" means Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc.

"Sale Leaseback Obligation Bonds" means PVNGS II Funding Corp.'s (a) 8.00% Secured Lease Obligation Bonds, Series 1993, due 2015; (b) any other bonds issued by or on behalf of the Borrower in connection with a sale/leaseback transaction; and (c) any refinancing or refunding of the obligations specified in subclauses (a) and (b) above.

"SEC Reports" means the Borrower's (i) Form 10-K Report for the year ended December 31, 2010, (ii) Form 10-Q Reports for the quarters ended March 31, 2011, June 30, 2011, and September 30, 2011, (iii) Form 8-K Reports filed on February 18, February 22, April 22, June 1, and August 24 of 2011.

"Subsequent Order" means any decision, order or ruling of the Arizona Corporation Commission issued after the Effective Date relating to the incurrence or maintenance of Indebtedness by the Borrower and that amends, supersedes or otherwise modifies the 2007 Order or any successor decision, order or ruling.

"Subsidiary" of any Person means any corporation, partnership, joint venture, limited liability company, trust or estate of which (or in which) more than 50% of (a) the issued and outstanding Voting Stock, (b) the interest in the capital or profits of such limited liability company, partnership or joint venture or (c) the beneficial interest in such trust or estate, is at the time directly or indirectly owned or controlled by such Person, by such Person and one or more of its other Subsidiaries or by one or more of such Person's other Subsidiaries; provided that in no event will Subsidiaries include the VIE Lessor Trusts.

"Swingline Advance" means an advance made by the Swingline Lender, if any, to the Borrower pursuant to Section 2.03A.

"Swingline Eurodollar Rate Advance" means a Swingline Advance that bears interest at a rate equivalent to (a) clause (b) under the definition of Eurodollar Rate, plus (b) the Applicable Rate for Eurodollar Rate Advances.

"Swingline Exposure" means, at any time, the aggregate principal amount of all Swingline Advances outstanding at such time. The Swingline Exposure of any Lender shall be its Ratable Share of the total Swingline Exposure at such time.

"Swingline Lender" means, upon notice to the Agent by such Lender and the Borrower, any Lender approved by the Borrower and the Agent from time to time that may agree to fund Swingline Advances.

"Taxes" means all present or future taxes, levies, imposts, duties, deductions, withholdings (including backup withholding), assessments, fees or other charges imposed by any Governmental Authority, including any interest, additions to tax or penalties applicable thereto.

"Termination Date" means the earlier of (a) November 4, 2016 and (b) the date of termination in whole of the Commitments pursuant to Section 2.05 or 6.01.

"Total Outstandings" means the sum of (a) the aggregate principal amount of all Revolving Advances plus (b) all L/C Obligations outstanding plus (c) the aggregate Swingline Exposure.

"Type" means a Base Rate Advance or a Eurodollar Rate Advance.

"Unreimbursed Amount" has the meaning specified in Section 2.03(c)(i).

"Unissued Letter of Credit Commitment" means, with respect to any Issuing Bank, the obligation of such Issuing Bank to issue Letters of Credit for the account of the Borrower in an amount equal to the excess of (a) the amount of its Letter of Credit Commitment over (b) the aggregate Available Amount of all Letters of Credit issued by such Issuing Bank.

"Unused Commitment" means, with respect to each Lender at any time, (a) such Lender's Revolving Credit Commitment at such time minus (b) the sum of (i) the aggregate principal amount of all Revolving Advances made by such Lender (in its capacity as a Lender) and outstanding at such time and (ii) such Lender's Ratable Share of the aggregate L/C Obligations and, other than for the purposes of calculation of the commitment fees, such Lender's Ratable Share of the aggregate Swingline Exposure outstanding at such time.

"VIE Lessor Trusts" means the three (3) separate variable-interest entity lessor trusts that purchased from, and leased back to, the Borrower certain interests in the PVNGS Unit 2 and related common facilities, as described in Note 9 of Notes to Condensed Consolidated Financial Statements in the Borrower's Quarterly Report on Form 10-Q for the quarter ended March 31, 2010.

"Voting Stock" means capital stock issued by a corporation, or equivalent interests in any other Person, the holders of which are ordinarily, in the absence of contingencies, entitled to vote for the election of directors (or persons performing similar functions) of such Person, even if the right so to vote has been suspended by the happening of such a contingency.

Section 1.02 Other Interpretive Provisions. With reference to this Agreement and each other Loan Document, unless otherwise specified herein or in such other Loan Document:

(a) The definitions of terms herein shall apply equally to the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words "include," "includes" and "including" shall be deemed to be followed by the phrase "without limitation." The word "will" shall be construed to have the same meaning and effect as the word "shall." Unless the context requires otherwise, (i) any definition of or reference to any agreement, instrument or other document shall be construed as referring to such agreement, instrument or other document as from time to time amended, supplemented or otherwise modified (subject to any restrictions on such amendments, supplements or modifications set forth herein or in any other Loan Document), (ii) any reference herein to any Person shall be construed to include such Person's permitted successors and permitted assigns, (iii) the words "herein," "hereof" and "hereunder," and words of similar import when used in any Loan Document, shall be construed to refer to such Loan Document in its entirety and not to any particular provision thereof, (iv) all references in a Loan Document to Articles, Sections, Exhibits and Schedules shall be construed to refer to Articles and Sections of, and Exhibits and Schedules to, the Loan Document in which such references appear, (v) any reference to any law shall include all statutory and regulatory provisions consolidating, amending, replacing or interpreting such law and any reference to any law or regulation shall, unless otherwise specified, refer to such law or regulation as amended, modified or supplemented from time to time, and (vi) the words "asset" and "property" shall be construed to have the same meaning and effect and to refer to any and all tangible and intangible assets and properties, including cash, securities, accounts and contract rights.

(b) In the computation of periods of time from a specified date to a later specified date, the word "from" means "from and including;" the words "to" and "until" each mean "to but excluding;" and the word "through" means "to and including."

(c) Section headings herein and in the other Loan Documents are included for convenience of reference only and shall not affect the interpretation of this Agreement or any other Loan Document.

Section 1.03 Accounting Terms. Unless otherwise specified herein, all accounting terms used herein shall be interpreted, all accounting determinations hereunder shall be made, and all financial statements required to be delivered hereunder shall be prepared, in accordance with generally accepted accounting principles as in effect from time to time, applied on a basis consistent (except for changes concurred in by the Borrower's independent public accountants) with the most recent audited Consolidated financial statements of the Borrower delivered to the Agent ("GAAP"). If at any time any change in GAAP or in the interpretation thereof would affect the computation of any financial ratio or requirement set forth in any Loan Document, and either the Borrower or the Required Lenders shall so request, the Agent, the Lenders and the Borrower shall negotiate in good faith to amend such ratio or requirement to preserve the original intent thereof in light of such change in GAAP or in the interpretation thereof (subject to the approval of the Required Lenders); provided that, unless and until so amended, such ratio or requirement shall continue to be computed in accordance with GAAP prior to such change therein.

Section 1.04 Rounding. Any financial ratios required to be maintained by the Borrower pursuant to this Agreement shall be calculated by dividing the appropriate component by the

other component, carrying the result to one place more than the number of places by which such ratio is expressed herein and rounding the result up or down to the nearest number (with a rounding-up if there is no nearest number).

Section 1.05 Times of Day. Unless otherwise specified, all references herein to times of day shall be references to Eastern time (daylight or standard, as applicable).

ARTICLE II

AMOUNTS AND TERMS OF THE ADVANCES AND LETTERS OF CREDIT

Section 2.01 The Revolving Advances and Letters of Credit.

(a) The Revolving Advances. Each Lender severally agrees, on the terms and conditions hereinafter set forth, to make Revolving Advances in Dollars to the Borrower from time to time on any Business Day during the period from the Effective Date until the Termination Date in an amount not to exceed such Lender's Unused Commitment. Each Borrowing (other than a Swingline Advance) shall be in an aggregate amount of $5,000,000 or an integral multiple of $1,000,000 in excess thereof and shall consist of Revolving Advances of the same Type made on the same day by the Lenders ratably according to their respective Revolving Credit Commitments. Within the limits of each Lender's Revolving Credit Commitment, and subject to the other terms and conditions hereof, the Borrower may borrow under this Section 2.01(a), prepay pursuant to Section 2.10 and reborrow under this Section 2.01(a). Any Swingline Advance shall be made and repaid in accordance with the procedures set forth in Section 2.03A.

(b) Letters of Credit. Each Issuing Bank agrees, on the terms and conditions hereinafter set forth, in reliance upon the agreements of the other Lenders set forth in this Agreement, to issue standby letters of credit (each a "Letter of Credit") for the account of the Borrower from time to time on any Business Day during the period from the Effective Date until 30 days before the Termination Date in an aggregate Available Amount for all Letters of Credit issued by each Issuing Bank not to exceed at any time such Issuing Bank's Letter of Credit Commitment, provided that after giving effect to the issuance of any Letter of Credit, (i) the Total Outstandings shall not exceed the aggregate Revolving Credit Commitments and (ii) each Lender's Ratable Share of the Total Outstandings shall not exceed such Lender's Revolving Credit Commitment. No Letter of Credit shall have an expiration date (including all rights of the Borrower or the beneficiary to require renewal) later than the Letter of Credit Expiration Date. Within the limits referred to above, the Borrower may from time to time request the issuance of Letters of Credit under this Section 2.01(b). The terms "issue", "issued", "issuance" and all similar terms, when applied to a Letter of Credit, shall include any renewal, extension or amendment thereof.

Section 2.02 Making the Revolving Advances.

(a) Except as otherwise provided in Section 2.03(c), each Borrowing (other than a Swingline Advance) shall be made on notice, given not later than (x) 12:00 noon on the third

Business Day prior to the date of the proposed Borrowing in the case of a Borrowing consisting of Eurodollar Rate Advances or (y) 12:00 noon on the date of the proposed Borrowing in the case of a Borrowing consisting of Base Rate Advances, by the Borrower to the Agent, which shall give to each Lender prompt notice thereof by facsimile. Each such notice of a Borrowing (a "Notice of Borrowing") shall be in writing or by facsimile in substantially the form of Exhibit B hereto, specifying therein the requested (i) date of such Borrowing, (ii) Type of Revolving Advances comprising such Borrowing, (iii) aggregate amount of such Borrowing, and (iv) in the case of a Borrowing consisting of Eurodollar Rate Advances, initial Interest Period for each such Revolving Advance. Each Lender shall, in the case of a Borrowing consisting of Base Rate Advances, before 2:00 p.m. on the date of such Borrowing, and in the case of a Borrowing consisting of Eurodollar Rate Advances, before 11:00 a.m. on date of such Borrowing, make available for the account of its Applicable Lending Office to the Agent at the Agent's Account, in same day funds, such Lender's Ratable Share of such Borrowing. After the Agent's receipt of such funds and upon fulfillment of the applicable conditions set forth in Article III, the Agent will make such funds available to the Borrower at the Agent's address referred to in Section 8.02 or as requested by the Borrower in the applicable Notice of Borrowing.

(b) Anything in subsection (a) above to the contrary notwithstanding, (i) the Borrower may not select Eurodollar Rate Advances for any Borrowing if the aggregate amount of such Borrowing is less than $5,000,000 or if the obligation of the Lenders to make Eurodollar Rate Advances shall then be suspended pursuant to Section 2.08 or 2.12 and (ii) at no time shall there be more than fifteen different Interest Periods outstanding for Eurodollar Rate Advances.

(c) Each Notice of Borrowing shall be irrevocable and binding on the Borrower. In the case of any Borrowing that the related Notice of Borrowing specifies is to be comprised of Eurodollar Rate Advances, the Borrower shall indemnify each Lender against any loss, cost or expense reasonably incurred by such Lender as a result of any failure to fulfill on or before the date specified in such Notice of Borrowing for such Borrowing the applicable conditions set forth in Article III, including, without limitation, any loss (excluding loss of anticipated profits), cost or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired by such Lender to fund the Revolving Advance to be made by such Lender as part of such Borrowing when such Revolving Advance, as a result of such failure, is not made on such date.

(d) Unless the Agent shall have received notice from a Lender prior to the time of the applicable Borrowing that such Lender will not make available to the Agent such Lender's Ratable Share of such Borrowing, the Agent may assume that such Lender has made such portion available to the Agent on the date of such Borrowing in accordance with subsection (a) of this Section 2.02 and the Agent may, in reliance upon such assumption, make available to the Borrower on such date a corresponding amount. If and to the extent that such Lender shall not have so made such Ratable Share available to the Agent, such Lender and the Borrower severally agree to repay to the Agent within one Business Day after demand for such Lender and within three Business Days after demand for the Borrower such corresponding amount together with interest thereon, for each day from the date such amount is made available to the Borrower until the date such amount is repaid to the Agent, at (i) in the case of the Borrower, the interest rate applicable at the time to Revolving Advances comprising such Borrowing and (ii) in the case of such Lender, the Federal Funds Rate. If the Borrower and such Lender shall pay such interest to

the Agent for the same or an overlapping period, the Agent shall promptly remit to the Borrower the amount of such interest paid by the Borrower for such period. If such Lender shall repay to the Agent such corresponding amount, such amount so repaid shall constitute such Lender's Revolving Advance as part of such Borrowing for purposes of this Agreement.

(e) The failure of any Lender to make the Revolving Advance to be made by it as part of any Borrowing shall not relieve any other Lender of its obligation, if any, hereunder to make its Revolving Advance on the date of such Borrowing, but no Lender shall be responsible for the failure of any other Lender to make the Revolving Advance to be made by such other Lender on the date of any Borrowing.

Section 2.03 Letters of Credit.

(a) General.

(i) No Issuing Bank shall issue any Letter of Credit, if the expiry date of such requested Letter of Credit would occur after the Letter of Credit Expiration Date, unless all the Lenders have approved such expiry date.

(ii) No Issuing Bank shall be under any obligation to issue any Letter of Credit if:

(A) any order, judgment or decree of any Governmental Authority or arbitrator shall by its terms purport to enjoin or restrain such Issuing Bank from issuing such Letter of Credit, or any Law applicable to such Issuing Bank or any request or directive (whether or not having the force of law) from any Governmental Authority with jurisdiction over such Issuing Bank shall prohibit, or request that such Issuing Bank refrain from, the issuance of letters of credit generally or such Letter of Credit in particular or shall impose upon such Issuing Bank with respect to such Letter of Credit any restriction, reserve or capital requirement (for which such Issuing Bank is not otherwise compensated hereunder) not in effect on the Effective Date, or shall impose upon such Issuing Bank any unreimbursed loss, cost or expense which was not applicable on the Effective Date and which, in each such case, such Issuing Bank in good faith deems material to it;

(B) except as otherwise agreed by the Borrower and such Issuing Bank, such Letter of Credit is in an initial stated amount less than $350,000;

(C) such Letter of Credit is to be denominated in a currency other than Dollars;

(D) such Letter of Credit contains any provisions for automatic reinstatement of the stated amount after any drawing thereunder;

(E) subject to Section 2.03(b)(iii), the expiry date of such requested Letter of Credit would occur more than twelve months after the date of issuance or last extension; or

(F) any Lender is at such time an Affected Lender hereunder, unless the applicable Issuing Bank is satisfied that the related exposure will be 100% covered by the Commitments of the non-Affected Lenders or, if not so covered, until such Issuing Bank has entered into arrangements satisfactory to it in its sole discretion with the Borrower or such Affected Lender to eliminate such Issuing Bank's risk with respect to such Affected Lender, and participating interests in any such newly issued Letter of Credit shall be allocated among non-Affected Lenders in a manner consistent with Section 2.19(c)(i) (and Affected Lenders shall not participate therein);

(iii) No Issuing Bank shall amend any Letter of Credit if such Issuing Bank would not be permitted at such time to issue such Letter of Credit in its amended form under the terms hereof.

(iv) No Issuing Bank shall be under any obligation to amend any Letter of Credit if (A) such Issuing Bank would have no obligation at such time to issue such Letter of Credit in its amended form under the terms hereof, or (B) the beneficiary of such Letter of Credit does not accept the proposed amendment to such Letter of Credit.

(b) Procedures for Issuance and Amendment of Letters of Credit; Auto-Extension Letters of Credit.

(i) Each Letter of Credit shall be issued or amended, as the case may be, upon the request of the Borrower delivered to the applicable Issuing Bank (with a copy to the Agent) in the form of a Letter of Credit Application, appropriately completed and signed by an Authorized Officer of the Borrower. Such Letter of Credit Application must be received by such Issuing Bank and the Agent not later than 11:00 a.m. at least two Business Days (or such later date and time as the Agent and such Issuing Bank may agree in a particular instance in their sole discretion) prior to the proposed issuance date or date of amendment, as the case may be. In the case of a request for an initial issuance of a Letter of Credit, such Letter of Credit Application shall specify in form and detail satisfactory to the applicable Issuing Bank: (A) the proposed issuance date of the requested Letter of Credit (which shall be a Business Day); (B) the amount thereof; (C) the expiry date thereof; (D) the name and address of the beneficiary thereof; (E) the documents to be presented by such beneficiary in case of any drawing thereunder; (F) the full text of any certificate to be presented by such beneficiary in case of any drawing thereunder; (G) the purpose and nature of the requested Letter of Credit; and (H) such other matters as such Issuing Bank may require. In the case of a request for an amendment of any outstanding Letter of Credit, such Letter of Credit Application shall specify in form and detail satisfactory to the applicable Issuing Bank (A) the Letter of Credit to be amended; (B) the proposed date of amendment thereof (which shall be a Business Day); (C) the nature of the proposed amendment; and (D) such other matters as such Issuing Bank may require. Additionally, the Borrower shall furnish to the applicable Issuing Bank and the Agent such other documents and information pertaining to such requested Letter of Credit issuance or amendment, including any L/C Related Documents, as the applicable Issuing Bank or the Agent may require. In the event and to the extent that the provisions of any Letter of Credit Application or other L/C Related

Document shall conflict with this Agreement, the provisions of this Agreement shall govern. Without limitation of the immediately preceding sentence, no such Letter of Credit Application or other L/C Related Document may impose any additional conditions on the issuance or maintenance of a Letter of Credit, any additional default provisions, collateral requirements or other obligations of the Borrower to any Issuing Bank, other than as stated in this Agreement.

(ii) Promptly after receipt of any Letter of Credit Application, the applicable Issuing Bank will confirm with the Agent (by telephone or in writing) that the Agent has received a copy of such Letter of Credit Application from the Borrower and, if not, such Issuing Bank will provide the Agent with a copy thereof. Unless the applicable Issuing Bank has received written notice from the Required Lenders, the Agent or the Borrower, at least one Business Day prior to the requested date of issuance or amendment of the applicable Letter of Credit, that one or more applicable conditions contained in Article III shall not then be satisfied, then, subject to the terms and conditions hereof, such Issuing Bank shall, on the requested date, issue a Letter of Credit for the account of the Borrower or enter into the applicable amendment, as the case may be, in each case in accordance with such Issuing Bank's usual and customary business practices. Immediately upon the issuance of each Letter of Credit, each Lender shall be deemed to, and hereby irrevocably and unconditionally agrees to, purchase from such Issuing Bank a risk participation in such Letter of Credit in an amount equal to the product of such Lender's Ratable Share times the amount of such Letter of Credit.

(iii) If the Borrower so requests in any applicable Letter of Credit Application, the applicable Issuing Bank may, in its sole and absolute discretion, agree to issue a Letter of Credit that has automatic extension provisions (each, an "Auto-Extension Letter of Credit"); provided that any such Auto-Extension Letter of Credit must permit such Issuing Bank to prevent any such extension at least once in each twelve-month period (commencing with the date of issuance of such Letter of Credit) by giving prior notice to the beneficiary thereof not later than a day (the "Non-Extension Notice Date") in each such twelve-month period to be agreed upon at the time such Letter of Credit is issued. Unless otherwise directed by the applicable Issuing Bank, the Borrower shall not be required to make a specific request to the applicable Issuing Bank for any such extension. Once an Auto-Extension Letter of Credit has been issued, the Lenders shall be deemed to have authorized (but may not require) the applicable Issuing Bank to permit the extension of such Letter of Credit at any time to an expiry date not later than the Letter of Credit Expiration Date; provided, however, that the applicable Issuing Bank shall not permit any such extension (or may issue a Notice of Non-Extension) if (A) such Issuing Bank has determined that it would not be permitted at such time to issue such Letter of Credit in its revised form (as extended) by reason of the provisions of clause (i) of Section 2.03(a) (or would have no obligation to issue such Letter of Credit by reason of the provisions of clause (ii) of Section 2.03(a)), or (B) it has received notice (which may be by telephone or in writing) on or before the day that is seven Business Days before the Non-Extension Notice Date (1) from the Agent that the Required Lenders have elected not to permit such extension pursuant to Section 6.02 or (2) from the Agent, the Required Lenders or the Borrower that one or more of the applicable conditions specified in Section 3.02 is not

then satisfied, and in each such case directing such Issuing Bank not to permit such extension.

(iv) Promptly after its delivery of any Letter of Credit or any amendment to a Letter of Credit to an advising bank with respect thereto or to the beneficiary thereof, the applicable Issuing Bank will also deliver to the Borrower and the Agent a true and complete copy of such Letter of Credit or amendment.

(c) Drawings and Reimbursements; Funding of Participations.

(i) Subject to the provisions below, not later than 2:30 p.m. on the date (the "Honor Date") that any Issuing Bank makes any payment on a drawing on any Letter of Credit, if the Borrower shall have received notice of such payment prior to 11:30 a.m. on such date, or, if such notice has not been received by the Borrower prior to such time on such date, then not later than 2:30 p.m. on the next Business Day, the Borrower shall reimburse such Issuing Bank through the Agent in an amount equal to the amount of such drawing together with interest thereon. If the Borrower fails to so reimburse such Issuing Bank by such time, unless the Borrower shall have advised the Agent that it does not meet the conditions specified in either clause (B) or (C) below, the Agent shall promptly notify each Lender of the Honor Date, the amount of the unreimbursed drawing (the "Unreimbursed Amount"), and the amount of such Lender's Ratable Share thereof. In such event, the Borrower shall be deemed to have requested a Base Rate Advance to be disbursed on the Honor Date in an amount equal to the Unreimbursed Amount, without regard to the minimum and multiples specified in Section 2.01(a) or the delivery of a Notice of Borrowing but subject to (A) the amount of the aggregate Unused Commitments, (B) no Event of Default having occurred and be continuing, or resulting therefrom, and (C) the conditions specified in Sections 3.02(c) and (d) being satisfied on and as of the date of the applicable Base Rate Advance and, to the extent so financed, the Borrower's obligation to satisfy the reimbursement obligation created by such payment by the Issuing Bank on the Honor Date shall be discharged and replaced by the resulting Base Rate Advance. Any notice given by any Issuing Bank or the Agent pursuant to this Section 2.03(c)(i) may be given by telephone if immediately confirmed in writing; provided that the lack of such an immediate confirmation shall not affect the conclusiveness or binding effect of such notice.

(ii) Each Lender shall upon any notice pursuant to Section 2.03(c)(i) make funds available to the Agent for the account of the applicable Issuing Bank at the Agent's Office in an amount equal to its Ratable Share of the Unreimbursed Amount not later than 4:00 p.m. on the Business Day specified in such notice by the Agent, whereupon, subject to the provisions of Section 2.03(c)(iii), each Lender that so makes funds available shall be deemed to have made a Base Rate Advance to the Borrower in such amount. The Agent shall remit the funds so received to the applicable Issuing Bank.

(iii) With respect to any Unreimbursed Amount that is not fully refinanced by a Base Rate Advance because any of the conditions set forth in clauses (A), (B) or (C) of Section 2.03(c)(i) cannot be satisfied or for any other reason, then not later than 2:30 p.m. on the next Business Day after the day notice of the drawing is given to the Borrower, in

the case of a failure to meet any such condition, or in any other case, after notice of the event resulting in the outstanding Unreimbursed Amount, the Borrower shall reimburse such Issuing Bank through the Agent in an amount equal to the amount of such outstanding Unreimbursed Amount with interest thereon. If the Borrower fails to so reimburse such Issuing Bank by such time, the Borrower shall be deemed to have incurred from the applicable Issuing Bank an L/C Borrowing in the amount of the Unreimbursed Amount that is not so refinanced, which L/C Borrowing shall be due and payable on demand (together with interest) and shall bear interest at the Base Rate in effect from time to time plus the Applicable Rate for Base Rate Advances in effect from time to time plus 2% per annum. In such event, each Lender's payment to the Agent for the account of the applicable Issuing Bank pursuant to Section 2.03(c)(ii) shall be deemed payment in respect of its participation in such L/C Borrowing and shall constitute an L/C Advance from such Lender in satisfaction of its participation obligation under this Section 2.03.

(iv) Until each Lender funds its Base Rate Advance or L/C Advance pursuant to this Section 2.03(c) to reimburse the applicable Issuing Bank for any amount drawn under any Letter of Credit, interest in respect of such Lender's Ratable Share of such amount shall be solely for the account of the applicable Issuing Bank.

(v) Each Lender's obligation to make Base Rate Advances or L/C Advances to reimburse the applicable Issuing Bank for amounts drawn under Letters of Credit, as contemplated by this Section 2.03(c), shall be absolute and unconditional and shall not be affected by any circumstance, including (A) any setoff, counterclaim, recoupment, defense or other right which such Lender may have against such Issuing Bank, the Borrower or any other Person for any reason whatsoever; (B) the occurrence or continuance of a Default, or (C) any other occurrence, event or condition, whether or not similar to any of the foregoing; provided, however, that each Lender's obligation to make Base Rate Advances pursuant to this Section 2.03(c) is subject to the conditions set forth in Section 2.03(c)(i). No such making of an L/C Advance shall relieve or otherwise impair the obligation of the Borrower to reimburse the applicable Issuing Bank for the amount of any payment made by such Issuing Bank under any Letter of Credit, together with interest as provided herein.

(vi) If any Lender fails to make available to the Agent for the account of the applicable Issuing Bank any amount required to be paid by such Lender pursuant to the foregoing provisions of this Section 2.03(c) by the time specified in Section 2.03(c)(ii), such Issuing Bank shall be entitled to recover from such Lender (acting through the Agent), on demand, such amount with interest thereon for the period from the date such payment is required to the date on which such payment is immediately available to such Issuing Bank at a rate per annum equal to the greater of the Federal Funds Rate and a rate determined by such Issuing Bank in accordance with banking industry rules on interbank compensation, plus any administrative, processing or similar fees customarily charged by such Issuing Bank in connection with the foregoing. If such Lender pays such amount (with interest and fees as aforesaid), the amount so paid shall constitute such Lender's Base Rate Advance included in the relevant Borrowing or L/C Advance in respect of the relevant L/C Borrowing, as the case may be. A certificate of the applicable Issuing Bank

submitted to any Lender (through the Agent) with respect to any amounts owing under this clause (vi) shall be conclusive absent manifest error.

(d) Repayment of Participations.

(i) At any time after the applicable Issuing Bank has made a payment under any Letter of Credit and has received from any Lender such Lender's L/C Advance in respect of such payment in accordance with Section 2.03(c), if the Agent receives for the account of such Issuing Bank any payment in respect of the related Unreimbursed Amount or interest thereon (whether directly from the Borrower or otherwise, including proceeds of Cash Collateral (as defined in Section 2.03(h)) applied thereto by the Agent), the Agent will distribute to such Lender its Ratable Share thereof in the same funds as those received by the Agent.

(ii) If any payment received by the Agent for the account of the applicable Issuing Bank pursuant to Section 2.03(c)(i) is required to be returned under any of the circumstances described in Section 8.12 (including pursuant to any settlement entered into by such Issuing Bank in its discretion), each Lender shall pay to the Agent for the account of such Issuing Bank its Ratable Share thereof on demand of the Agent, plus interest thereon from the date of such demand to the date such amount is returned by such Lender, at a rate per annum equal to the Federal Funds Rate from time to time in effect. The obligations of the Lenders under this clause shall survive the payment in full of the Obligations and the termination of this Agreement.

(e) Failure to Make Revolving Advances. The failure of any Lender to make the Revolving Advance to be made by it on the date specified in Section 2.03(c) or any L/C Advance shall not relieve any other Lender of its obligation hereunder to make its Revolving Advance or L/C Advance, as the case may be, to be made by such other Lender on such date.

(f) Obligations Absolute. The obligation of the Borrower to reimburse the applicable Issuing Bank for each drawing under each Letter of Credit and to repay each L/C Borrowing shall be absolute, unconditional and irrevocable, and shall be paid strictly in accordance with the terms of this Agreement under all circumstances, including the following:

(i) any lack of validity or enforceability of such Letter of Credit, this Agreement, or any other Loan Document;

(ii) the existence of any claim, counterclaim, setoff, defense or other right that the Borrower may have at any time against any beneficiary or any transferee of such Letter of Credit (or any Person for whom any such beneficiary or any such transferee may be acting), any Issuing Bank or any other Person, whether in connection with this Agreement, the transactions contemplated hereby or by such Letter of Credit or any agreement or instrument relating thereto, or any unrelated transaction;

(iii) any draft, demand, certificate or other document presented under such Letter of Credit proving to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect; or any loss or delay in the

transmission or otherwise of any document required in order to make a drawing under such Letter of Credit;

(iv) any payment by the applicable Issuing Bank under such Letter of Credit against presentation of a draft or certificate that does not strictly comply with the terms of such Letter of Credit; or any payment made by the applicable Issuing Bank under such Letter of Credit to any Person purporting to be a trustee in bankruptcy, debtor-in-possession, assignee for the benefit of creditors, liquidator, receiver or other representative of or successor to any beneficiary or any transferee of such Letter of Credit, including any arising in connection with any proceeding under any Debtor Relief Law; or

(v) any other circumstance or happening whatsoever, whether or not similar to any of the foregoing, including any other circumstance that might otherwise constitute a defense available to, or a discharge of, the Borrower.

provided, however, that nothing in this Section 2.03(f) shall limit the rights of the Borrower under Section 2.03(g).

The Borrower shall promptly examine a copy of each Letter of Credit and each amendment thereto that is delivered to it and, in the event of any claim of noncompliance with the Borrower's instructions or other irregularity that is known to the Borrower in connection with any draw under such Letter of Credit of which the Borrower has reasonable notice, the Borrower will immediately notify the applicable Issuing Bank. To the extent allowed by applicable Law, Borrower shall be conclusively deemed to have waived any such claim against the applicable Issuing Bank and its correspondents unless such notice is given as aforesaid. Nothing herein shall require the Borrower to make any determination as to whether the drawing is in accordance with the requirements of the Letter of Credit, provided that the Borrower may waive any discrepancies in the drawing on any such Letter of Credit.

(g) Role of Issuing Bank. Each Lender and the Borrower agree that, in paying any drawing under a Letter of Credit, the applicable Issuing Bank shall not have any responsibility to obtain any document (other than any sight draft, certificates and documents expressly required by the Letter of Credit) or to ascertain or inquire as to the validity or accuracy of any such document or the authority of the Person executing or delivering any such document. None of the applicable Issuing Bank, the Agent, any of their respective Related Parties nor any correspondent, participant or assignee of such Issuing Bank shall be liable to any Lender for (i) any action taken or omitted in connection herewith at the request or with the approval of the Lenders or the Required Lenders, as applicable; (ii) any action taken or omitted in the absence of gross negligence or willful misconduct; or (iii) the due execution, effectiveness, validity or enforceability of any document or instrument related to any Letter of Credit or L/C Related Document. The Borrower hereby assumes all risks of the acts or omissions of any beneficiary or transferee with respect to its use of any Letter of Credit; provided, however, that this assumption is not intended to, and shall not, preclude the Borrower's pursuing such rights and remedies as it may have against the beneficiary or transferee at Law or under any other agreement. None of the applicable Issuing Bank, the Agent, any of their respective Related Parties nor any correspondent, participant or assignee of such Issuing Bank shall be liable or responsible for any

of the matters described in clauses (i) through (v) of Section 2.03(f); provided, however, that anything in such clauses to the contrary notwithstanding, the Borrower may have a claim against the applicable Issuing Bank, and such Issuing Bank may be liable to the Borrower, to the extent, but only to the extent, of any direct, as opposed to consequential or exemplary, damages suffered by the Borrower which the Borrower proves were caused by such Issuing Bank's willful misconduct or gross negligence or such Issuing Bank's willful failure to pay under any Letter of Credit after the presentation to it by the beneficiary of a sight draft and certificate(s) strictly complying with the terms and conditions of a Letter of Credit. In furtherance and not in limitation of the foregoing, the applicable Issuing Bank may accept documents that appear on its face to be in order, without responsibility for further investigation, regardless of any notice or information to the contrary, and such Issuing Bank shall not be responsible for the validity or sufficiency of any instrument transferring or assigning or purporting to transfer or assign a Letter of Credit or the rights or benefits thereunder or proceeds thereof, in whole or in part, which may prove to be invalid or ineffective for any reason.

(h) Cash Collateral. Upon the request of the Agent, if, as of the Letter of Credit Expiration Date, any L/C Obligation for any reason remains outstanding, the Borrower shall, in each case, immediately Cash Collateralize the then outstanding L/C Obligations. Section 6.02 sets forth certain additional requirements to deliver Cash Collateral hereunder. For purposes of this Section 2.03, Section 2.19(c)(ii) and Section 6.02, "Cash Collateralize" means to pledge and deposit with or deliver to the Agent, for the benefit of the Issuing Banks and the Lenders, as collateral for the L/C Obligations, cash or deposit account balances pursuant to documentation in form and substance satisfactory to the Agent and each Issuing Bank (which documents are hereby consented to by the Lenders). Derivatives of such term have corresponding meanings. The Borrower hereby grants to the Agent, for the benefit of the Issuing Banks and the Lenders, a security interest in all such cash, deposit accounts and all balances therein and all proceeds of the foregoing. Cash Collateral shall be maintained in blocked, non-interest bearing deposit accounts with the Agent.

(i) Applicability of ISP. Unless otherwise expressly agreed by the applicable Issuing Bank and the Borrower when a Letter of Credit is issued, the rules of the ISP shall apply to each standby Letter of Credit.

(j) Letter of Credit Reports. Each Issuing Bank shall furnish (A) to the Agent on the first Business Day of each month a written report summarizing issuance and expiration dates of Letters of Credit issued by such Issuing Bank during the preceding month and drawings during such month under all such Letters of Credit and (B) to the Agent on the first Business Day of each calendar quarter a written report setting forth the average daily aggregate Available Amount during the preceding calendar quarter of all Letters of Credit issued by such Issuing Bank.

(k) Interim Interest. Except as provided in Section 2.03(c)(ii) with respect to Unreimbursed Amounts refinanced as Base Rate Advances and Section 2.03(c)(iii) with respect to L/C Borrowings, unless the Borrower shall reimburse each payment by an Issuing Bank pursuant to a Letter of Credit in full on the Honor Date, the Unreimbursed Amount thereof shall bear interest, for each day from and including the Honor Date to but excluding the date that the Borrower reimburses such Issuing Bank for the Unreimbursed Amount in full, at the rate per annum equal to (i) the Base Rate in effect from time to time plus the Applicable Rate for Base

Rate Advances in effect from time to time, to but excluding the next Business Day after the Honor Date and (ii) from and including the next Business Day after the Honor Date, the Base Rate in effect from time to time plus the Applicable Rate for Base Rate Advances in effect from time to time plus 2% per annum.

Section 2.03A Swingline Advances.

(a) Amount of Swingline Advances. Subject to the terms and conditions set forth herein, the Swingline Lender will make Swingline Advances in Dollars to the Borrower from time to time during the period from the Effective Date until the Termination Date, in an aggregate principal amount at any time outstanding that will not result in (i) the aggregate principal amount of all outstanding Swingline Advances exceeding $50,000,000 (or such lesser amount as agreed between the Borrower and the Swingline Lender) or (ii) the Total Outstandings exceeding the aggregate Revolving Credit Commitment. Each Swingline Advance shall be in an aggregate amount of $500,000 or an integral multiple of $100,000 in excess thereof or such greater amounts as agreed between the Borrower and the Swingline Lender. Within the foregoing limits and subject to the terms and conditions set forth herein, the Borrower may borrow, prepay and reborrow Swingline Advances. The Swingline Lender shall be under no obligation to make a Swingline Advance if any Lender is at such time an Affected Lender hereunder, unless the Swingline Lender is satisfied that the related exposure will be 100% covered by the Commitments of the non-Affected Lenders or, if not so covered, until the Swingline Lender has entered into arrangements satisfactory to it in its sole discretion with the Borrower or such Affected Lender to eliminate the Swingline Lender's risk with respect to such Affected Lender, and participating interests in any such newly made Swingline Advance shall be allocated among non-Affected Lenders in a manner consistent with Section 2.19(c)(i) (and Affected Lenders shall not participate therein).

(b) Borrowing Notice and Making of Swingline Advances. To request a Swingline Advance, the Borrower shall notify the Swingline Lender and the Agent of such request by telephone (confirmed by facsimile), not later than 2:00 p.m. (or such later time as the Swingline Lender may determine in its sole discretion), on the day of such Swingline Advance. Each such notice shall be irrevocable and shall specify the requested date (which shall be a Business Day) and amount of the requested Swingline Advance. The Swingline Lender shall promptly notify the Borrower and the Agent (and the Agent shall promptly notify each Lender) and the Swingline Lender shall make each Swingline Advance available to the Borrower by 2:30 p.m. (or such later time as may be agreed by the Swingline Lender and the Borrower) on the requested date of such Swingline Advance in a manner agreed upon by the Borrower and the Swingline Lender. Each Swingline Advance shall bear interest at the Base Rate, or, at the option of the Borrower and subject to prior agreement between the Borrower and the Swingline Lender, shall be a Swingline Eurodollar Rate Advance or a Money Market Rate Advance.

(c) Repayment of Swingline Advances. Each Swingline Advance shall be paid in full by the Borrower on the earlier of (x) on or before the fourteenth (14th) Business Day after the date such Swingline Advance was made by the Swingline Lender or (y) the Termination Date. A Swingline Advance may not be repaid with the proceeds from another Swingline Advance. In addition, the Swingline Lender (i) may at any time in its sole discretion with respect to any outstanding Swingline Advance, or (ii) shall, on the fourteenth (14th) Business Day after the date

any Swingline Advance is made and which has not been otherwise repaid, require each Lender (including the Swingline Lender) to make a Revolving Advance in the amount of such Lender's Ratable Share of such Swingline Advance (including, without limitation, any interest accrued and unpaid thereon), for the purpose of repaying such Swingline Advance. Not later than 2:00 p.m. on the date of any notice received pursuant to this Section 2.03A(c), each Lender shall make available to the Agent its required Revolving Advance, in immediately available funds in the same manner as provided in Section 2.02(a) with respect to Revolving Advances made by such Lender. Revolving Advances made pursuant to this Section 2.03A(c) shall initially be Base Rate Advances and thereafter may be continued as Base Rate Advances or converted into Eurodollar Rate Advances in the manner provided in Section 2.09 and subject to the other conditions and limitations set forth in this Article II. Each Lender's obligation to make Revolving Advances pursuant to this Section 2.03A(c) to repay Swingline Advances shall be unconditional, continuing, irrevocable and absolute and shall not be affected by any circumstances, including, without limitation, (a) any set-off, counterclaim, recoupment, defense or other right which such Lender may have against the Agent, the Swingline Lender or any other Person, (b) the occurrence or continuance of a Default or an Event of Default, (c) any adverse change in the condition (financial or otherwise) of the Borrower, or (d) any other circumstance, happening or event whatsoever. In the event that any Lender fails to make payment to the Agent of any amount due under this Section 2.03A(c), the Agent shall be entitled to receive, retain and apply against such obligation the principal and interest otherwise payable to such Lender hereunder until the Agent receives such payment from such Lender or such obligation is otherwise fully satisfied. In addition to the foregoing, if for any reason any Lender fails to make payment to the Agent of any amount due under this Section 2.03A(c), such Lender shall be deemed, at the option of the Agent, to have unconditionally and irrevocably purchased from the Swingline Lender without recourse or warranty, an undivided interest and participation in the applicable Swingline Advance in the amount of such Revolving Advance, and such interest and participation may be recovered from such Lender together with interest thereon at the Federal Funds Rate for each day during the period commencing on the date of demand and ending on the date such amount is received.

(d) Swingline Advances Reports. The Swingline Lender shall furnish to the Agent on each Business Day a written report summarizing outstanding Swingline Advances made by the Swingline Lender and the due date for the repayment of such Swingline Advances; provided that if no Swingline Advances are outstanding, no such report shall be required to be delivered.

(e) Successor Swingline Lender. Subject to the appointment and acceptance of a successor Swingline Lender as provided in this paragraph, the Borrower may, upon not less than ten (10) Business Days prior notice to the Agent and the Lenders, replace the existing Swingline Lender with the consent of the Agent (which consent shall not unreasonably be withheld). Upon the acceptance of its appointment as Swingline Lender hereunder by a successor, such successor shall succeed to and become vested with all the rights, powers, privileges and duties of the replaced Swingline Lender, and the replaced Swingline Lender shall be discharged from its duties and obligations hereunder. The fees payable by the Borrower to a successor Swingline Lender shall be as agreed between the Borrower and such successor. After the Swingline Lender's replacement hereunder, the provisions of this Article and Section 8.04 shall continue in effect for its benefit in respect of any actions taken or omitted to be taken by it while it was acting as Swingline Lender.

Section 2.04 Fees.

(a) Commitment Fee. The Borrower agrees to pay to the Agent for the account of each Lender a commitment fee on such Lender's Unused Commitment (provided that, for the avoidance of doubt, and without duplication, such Lender's Unused Commitment shall be calculated exclusive of such Lender's Swingline Exposure and, if such Lender is the Swingline Lender, without giving effect to the Swingline Advances, and in no event shall the aggregate of such commitment fees exceed an amount calculated based on the product of (a) the aggregate Revolving Credit Commitments minus the aggregate principal amount of all Revolving Advances and aggregate L/C Obligations and (b) the Applicable Rate for commitment fees) from the Effective Date in the case of each Initial Lender and from the effective date specified in the Assumption Agreement or in the Assignment and Assumption pursuant to which it became a Lender in the case of each other Lender until the Termination Date at a rate per annum equal to the Applicable Rate for commitment fees in effect from time to time, payable in arrears quarterly on the last day of each March, June, September and December, commencing December 31, 2011, and on the Termination Date, provided that no commitment fee shall accrue with respect to the Unused Commitment of an Affected Lender so long as such Lender shall be an Affected Lender.

(b) Letter of Credit Fees.

(i) The Borrower shall pay to the Agent for the account of each Lender a commission on such Lender's Ratable Share of the average daily aggregate Available Amount of all Letters of Credit outstanding from time to time at a rate per annum equal to the Applicable Rate for Eurodollar Rate Advances in effect from time to time, during such calendar quarter, payable in arrears quarterly on the last day of each March, June, September and December, commencing with the quarter ended December 31, 2011, and on the Termination Date; provided that the Applicable Rate for Eurodollar Rate Advances shall be 2% above such Applicable Rate in effect upon the occurrence and during the continuation of an Event of Default if the Borrower is required to pay default interest pursuant to Section 2.07(b).

(ii) The Borrower shall pay to each Issuing Bank, for its own account, a fronting fee with respect to each Letter of Credit issued by such Issuing Bank, payable in the amounts and at the times specified in the applicable Fee Letter between the Borrower and such Issuing Bank, and such other commissions, issuance fees, transfer fees and other fees and charges in connection with the issuance or administration of each Letter of Credit as the Borrower and such Issuing Bank shall agree promptly following receipt of an invoice therefor.

(c) Agent's Fees. The Borrower shall pay to the Agent for its own account such fees as are agreed between the Borrower and the Agent pursuant to the Fee Letter between the Borrower and the Agent.

Section 2.05 Optional Termination or Reduction of the Commitments.

(a) The Borrower shall have the right, upon at least three Business Days' notice to the Agent, to terminate in whole or permanently reduce ratably in part the Unused Commitments or the Unissued Letter of Credit Commitments, provided that each partial reduction shall be in the aggregate amount of $10,000,000 or an integral multiple of $1,000,000 in excess thereof.

(b) So long as no Default or Event of Default shall be continuing, the Borrower shall have the right, at any time, upon at least ten Business Days' notice to an Affected Lender (with a copy to the Agent), to terminate in whole such Lender's Revolving Credit Commitment and, if applicable, its Letter of Credit Commitment, without affecting the Commitments of any other Lender. Such termination shall be effective, (x) with respect to such Lender's Unused Commitment, on the date set forth in such notice, provided, however, that such date shall be no earlier than ten Business Days after receipt of such notice and (y) with respect to each Revolving Advance outstanding to such Lender, in the case of Base Rate Advances, on the date set forth in such notice and, in the case of Eurodollar Rate Advances, on the last day of the then current Interest Period relating to such Revolving Advance. Upon termination of a Lender's Commitments under this Section 2.05(b), the Borrower will pay or cause to be paid all principal of, and interest accrued to the date of such payment on, Revolving Advances (and if such Lender is the Swingline Lender, the Swingline Advances) owing to such Lender and, subject to Section 2.19, pay any accrued commitment fees or Letter of Credit fees payable to such Lender pursuant to the provisions of Section 2.04, and all other amounts payable to such Lender hereunder (including, but not limited to, any increased costs or other amounts owing under Section 2.11 and any indemnification for Taxes under Section 2.14); and, if such Lender is an Issuing Bank, shall pay to such Issuing Bank for deposit in an escrow account an amount equal to the Available Amount of all Letters of Credit issued by such Issuing Bank, whereupon all Letters of Credit issued by such Issuing Bank shall be deemed to have been issued outside of this Agreement on a bilateral basis and shall cease for all purposes to constitute a Letter of Credit issued under this Agreement, and upon such payments, except as otherwise provided below, the obligations of such Lender hereunder shall, by the provisions hereof, be released and discharged; provided, however, that (i) such Lender's rights under Sections 2.11, 2.14 and 8.04, and, in the case of an Issuing Bank, Section 8.04(c), and its obligations under Section 8.04 and 8.08, in each case in accordance with the terms thereof, shall survive such release and discharge as to matters occurring prior to such date and (ii) such escrow agreement shall be in a form reasonably agreed to by the Borrower and such Issuing Bank, but in no event shall either the Borrower or such Issuing Bank require any waivers, covenants, events of default or other provisions that are more restrictive than or inconsistent with the provisions of this Agreement. Subject to Section 2.18, the aggregate amount of the Commitments of the Lenders once reduced pursuant to this Section 2.05(b) may not be reinstated. The termination of the Commitments of an Affected Lender pursuant to this Section 2.05(b) will not be deemed to be a waiver of any right that the Borrower, the Agent, any Issuing Bank, the Swingline Lender or any other Lender may have against the Affected Lender that arose prior to the date of such termination. Upon any such termination, the Ratable Share of each remaining Lender will be revised.

Section 2.06 Repayment of Advances. The Borrower shall repay to the Agent for the ratable account of the Lenders on the Termination Date the aggregate principal amount of the

Revolving Advances made by such Lender and then outstanding. The Borrower shall repay Swingline Advances in accordance with Section 2.03A(c).

Section 2.07 Interest on Advances.

(a) Scheduled Interest. The Borrower shall pay interest on the unpaid principal amount of each Advance owing to each Lender (including the Swingline Lender) from the date of such Advance until such principal amount shall be paid in full, at the following rates per annum:

(i) Base Rate Advances. During such periods as such Revolving Advance is a Base Rate Advance, a rate per annum equal at all times to the sum of (x) the Base Rate in effect from time to time plus (y) the Applicable Rate for Base Rate Advances in effect from time to time, payable in arrears quarterly on the last day of each March, June, September and December during such periods and on the date such Base Rate Advance shall be Converted or paid in full.

(ii) Eurodollar Rate Advances. During such periods as such Revolving Advance is a Eurodollar Rate Advance, a rate per annum equal at all times during each Interest Period for such Revolving Advance to the sum of (x) the Eurodollar Rate for such Interest Period for such Revolving Advance plus (y) the Applicable Rate for Eurodollar Rate Advances in effect from time to time, payable in arrears on the last day of such Interest Period and, if such Interest Period has a duration of more than three months, on each day that occurs during such Interest Period every three months from the first day of such Interest Period and on the date such Eurodollar Rate Advance shall be Converted or paid in full.

(iii) Swingline Advances. During such period as such Swingline Advance remains outstanding, the Base Rate or, as agreed to by the Swingline Lender and the Borrower, the Money Market Rate or the Eurodollar Rate, payable on the date such Swingline Advance is required to be repaid.

(b) Default Interest. Upon the occurrence and during the continuance of an Event of Default under Section 6.01(a), the Agent may, and upon the request of the Required Lenders shall, require the Borrower to pay interest ("Default Interest") on (i) the unpaid principal amount of each Advance owing to each Lender, payable in arrears on the dates referred to in clause (a)(i), (a)(ii) or (a)(iii) above, at a rate per annum equal at all times to 2% per annum above the rate per annum required to be paid on such Advance pursuant to clause (a)(i), (a)(ii) or (a)(iii) above and (ii) to the fullest extent permitted by Law, the amount of any interest, fee or other amount payable hereunder that is not paid when due, from the date such amount shall be due until such amount shall be paid in full, payable in arrears on the date such amount shall be paid in full and on demand, at a rate per annum equal at all times to 2% per annum above the rate per annum required to be paid on Base Rate Advances pursuant to clause (a)(i) above, provided, however, that following acceleration of the Advances pursuant to Section 6.01, Default Interest shall accrue and be payable hereunder whether or not previously required by the Agent.

(c) Interest Rate Limitation. Nothing contained in this Agreement or in any other Loan Document shall be deemed to establish or require the payment of interest to any Lender at a rate in excess of the maximum rate permitted by applicable Law. If the amount of interest payable for the account of any Lender on any interest payment date would exceed the maximum amount permitted by applicable Law to be charged by such Lender, the amount of interest payable for its account on such interest payment date shall be automatically reduced to such maximum permissible amount. In the event of any such reduction affecting any Lender, if from time to time thereafter the amount of interest payable for the account of such Lender on any interest payment date would be less than the maximum amount permitted by applicable Law to be charged by such Lender, then the amount of interest payable for its account on such subsequent interest payment date shall be automatically increased to such maximum permissible amount, provided that at no time shall the aggregate amount by which interest paid for the account of any Lender has been increased pursuant to this sentence exceed the aggregate amount by which interest paid for its account has theretofore been reduced pursuant to the previous sentence.

Section 2.08 Interest Rate Determination.

(a) The Agent shall give prompt notice to the Borrower and the Lenders of the applicable interest rate determined by the Agent for purposes of Section 2.07(a).

(b) If the Required Lenders determine that for any reason in connection with any request for a Eurodollar Rate Advance or a Conversion to or continuation thereof that (a) Dollar deposits are not being offered to banks in the London interbank eurodollar market for the applicable amount and Interest Period of such Eurodollar Rate Advance, (b) adequate and reasonable means do not exist for determining the Eurodollar Rate for any requested Interest Period with respect to a proposed Eurodollar Rate Advance, or (c) the Eurodollar Rate for any requested Interest Period with respect to a proposed Eurodollar Rate Advance does not adequately and fairly reflect the cost to such Lenders of funding such Revolving Advance, the Agent will promptly so notify the Borrower and each Lender, whereupon each Eurodollar Rate Advance will automatically on the last day of the then existing Interest Period therefor Convert into a Base Rate Advance. Thereafter, the obligation of the Lenders to make or maintain Eurodollar Rate Advances shall be suspended until the Agent (upon the instruction of the Required Lenders) revokes such notice. Upon receipt of such notice, the Borrower may revoke any pending request for a Borrowing of, Conversion to or continuation of Eurodollar Rate Advances or, failing that, will be deemed to have Converted such request into a request for a Base Rate Advance in the amount specified therein.

(c) If the Borrower shall fail to select the duration of any Interest Period for any Eurodollar Rate Advances in accordance with the provisions contained in the definition of "Interest Period" in Section 1.01, the Agent will forthwith so notify the Borrower and the Lenders and such Revolving Advances will automatically, on the last day of the then existing Interest Period therefor, Convert into Base Rate Advances.

(d) On the date on which the aggregate unpaid principal amount of Eurodollar Rate Advances comprising any Borrowing shall be reduced, by payment or prepayment or otherwise,

to less than $5,000,000, such Revolving Advances shall automatically Convert into Base Rate Advances.

(e) Upon the occurrence and during the continuance of any Event of Default,

(i) with respect to Eurodollar Rate Advances, each such Revolving Advance will automatically, on the last day of the then existing Interest Period therefor, Convert into a Base Rate Advance (or if such Revolving Advance is then a Base Rate Advance, will continue as a Base Rate Advance); and

(ii) the obligation of the Lenders to make Eurodollar Rate Advances or to Convert Revolving Advances into Eurodollar Rate Advances shall be suspended until the Agent shall notify the Borrower and the Lenders that the circumstances causing such suspension no longer exist.

Section 2.09 Optional Conversion of Revolving Advances. The Borrower may on any Business Day, upon notice given to the Agent not later than 12:00 noon on the third Business Day prior to the date of the proposed Conversion and subject to the provisions of Sections 2.08 and 2.12, Convert all Revolving Advances of one Type comprising the same Borrowing into Revolving Advances of the other Type; provided, however, that (a) any Conversion of Eurodollar Rate Advances into Base Rate Advances shall be made only on the last day of an Interest Period for such Eurodollar Rate Advances, (b) any Conversion of Base Rate Advances into Eurodollar Rate Advances shall be in an amount not less than the minimum amount specified in Section 2.02(b), (c) no Conversion of any Revolving Advances shall result in more separate Borrowings than permitted under Section 2.02(b) and (d) no Swingline Advances may be converted. Each such notice of a Conversion shall, within the restrictions specified above, specify (i) the date of such Conversion, (ii) the Revolving Advances to be Converted, and (iii) if such Conversion is into Eurodollar Rate Advances, the duration of the initial Interest Period for each such Revolving Advance. Each notice of Conversion shall be irrevocable and binding on the Borrower.

Section 2.10 Prepayments of Advances.

(a) Optional. At any time and from time to time, the Borrower shall have the right to prepay any Advance, in whole or in part, without premium or penalty (except as provided in clause (y) below), upon notice at least two Business Days' prior to the date of such prepayment, in the case of Eurodollar Rate Advances, and not later than 11:00 a.m. on the date of such prepayment in the case of Base Rate Advances and Swingline Advances, to the Agent (and, in the case of prepayment a Swingline Advance, the Swingline Lender) specifying the proposed date of such prepayment and the aggregate principal amount and Type of the Advance to be prepaid (and, in the case of Eurodollar Rate Advances, the Interest Period of the Borrowing pursuant to which made); provided, however, that (x) each partial prepayment shall be in an aggregate principal amount of $5,000,000 or an integral multiple of $1,000,000 in excess thereof, and shall be accompanied by accrued interest to the date of prepayment on the principal amount prepaid, and (y) in the event of any such prepayment of a Eurodollar Rate Advance, the Borrower shall be obligated to reimburse the Lenders in respect thereof pursuant to Section 8.04(e).

(b) Mandatory.

(i) The Borrower shall prepay the aggregate principal amount of the Advances, together with accrued interest to the date of prepayment on the principal amount prepaid, without requirement of demand therefor, or shall pay or prepay any other Indebtedness then outstanding at any time, when and to the extent required to comply with applicable Laws of any Governmental Authority, including the 2007 Order and/or any Subsequent Order, or applicable resolutions of the Board of Directors of the Borrower.

(ii) If for any reason the Total Outstandings at any time exceed the aggregate Revolving Credit Commitments then in effect, the Borrower shall, within one Business Day after notice thereof, prepay Advances and/or Cash Collateralize the L/C Obligations in an aggregate amount equal to such excess; provided, however, that the Borrower shall not be required to Cash Collateralize the L/C Obligations pursuant to this Section 2.10(b) unless, after the prepayment in full of the Advances, the Total Outstandings exceed the aggregate Revolving Credit Commitments then in effect.

Section 2.11 Increased Costs.

(a) Increased Costs Generally. If any Change in Law shall:

(i) impose, modify or deem applicable any reserve, special deposit, compulsory loan, insurance charge or similar requirement against assets of, deposits with or for the account of, or credit extended or participated in by, any Lender (except any reserve requirement contemplated by Section 2.11(e)) or any Issuing Bank; or

(ii) impose on any Lender or any Issuing Bank or the London interbank market any other condition, cost or expense affecting this Agreement or Eurodollar Rate Advances made by such Lender or any Letter of Credit or participation therein;

and the result of any of the foregoing shall be to increase the cost to such Lender of making or maintaining any Eurodollar Rate Advance (or of maintaining its obligation to make any such Revolving Advance), or to increase the cost to such Lender or such Issuing Bank of participating in, issuing or maintaining any Letter of Credit (or of maintaining its obligation to participate in or to issue any Letter of Credit), or to reduce the amount of any sum received or receivable by such Lender or such Issuing Bank hereunder (whether of principal, interest or any other amount) then, upon request of such Lender or such Issuing Bank, the Borrower will pay to such Lender or such Issuing Bank, as the case may be, such additional amount or amounts as will compensate such Lender or such Issuing Bank, as the case may be, for such additional costs incurred or reduction suffered.

(b) Capital Requirements. If any Lender or any Issuing Bank determines that any Change in Law affecting such Lender or such Issuing Bank or any Applicable Lending Office of such Lender or such Lender's or such Issuing Bank's holding company, if any, regarding capital requirements has or would have the effect of reducing the rate of return on such Lender's or such Issuing Bank's capital or on the capital of such Lender's or such Issuing Bank's holding company, if any, as a consequence of this Agreement, the Commitments of such Lender or the

Advances made by, or participations in Letters of Credit held by, such Lender, or the Letters of Credit issued by such Issuing Bank, to a level below that which such Lender or such Issuing Bank or such Lender's or such Issuing Bank's holding company could have achieved but for such Change in Law (taking into consideration such Lender's or such Issuing Bank's policies and the policies of such Lender's or such Issuing Bank's holding company with respect to capital adequacy), then from time to time the Borrower will pay to such Lender or such Issuing Bank, as the case may be, such additional amount or amounts as will compensate such Lender or such Issuing Bank or such Lender's or such Issuing Bank's holding company for any such reduction suffered.

(c) Certificates for Reimbursement. A certificate of a Lender or an Issuing Bank setting forth the amount or amounts necessary to compensate such Lender or such Issuing Bank or its holding company, as the case may be, as specified in subsection (a) or (b) of this Section and delivered to the Borrower shall be conclusive and binding upon all parties absent manifest error. The Borrower shall pay such Lender or such Issuing Bank, as the case may be, the amount shown as due on any such certificate within 30 days after receipt thereof.

(d) Delay in Requests. Failure or delay on the part of any Lender or any Issuing Bank to demand compensation pursuant to the foregoing provisions of this Section shall not constitute a waiver of such Lender's or such Issuing Bank's right to demand such compensation, provided that the Borrower shall not be required to compensate a Lender or an Issuing Bank pursuant to the foregoing provisions of this Section for any increased costs incurred or reductions suffered more than three months prior to the date that such Lender or such Issuing Bank, as the case may be, notifies the Borrower of the Change in Law giving rise to such increased costs or reductions and of such Lender's or such Issuing Bank's intention to claim compensation therefor (except that, if the Change in Law giving rise to such increased costs or reductions is retroactive, then the three-month period referred to above shall be extended to include the period of retroactive effect thereof).

(e) Reserves on Eurodollar Rate Advances. The Borrower shall pay to each Lender, as long as such Lender shall be required to maintain reserves with respect to liabilities or assets consisting of or including Eurocurrency funds or deposits (currently known as "Eurocurrency liabilities"), additional interest on the unpaid principal amount of each Eurodollar Rate Advance equal to the actual costs of such reserves allocated to such Revolving Advance by such Lender (as determined by such Lender in good faith, which determination shall be conclusive absent manifest error), which shall be due and payable on each date on which interest is payable on such Eurodollar Rate Advance, provided the Borrower shall have received at least 30 days' prior notice (with a copy to the Agent) of such additional interest from such Lender. If a Lender fails to give notice 30 days prior to the relevant interest payment date, such additional interest shall be due and payable 30 days from receipt of such notice.

Section 2.12 Illegality. If any Lender shall have determined in good faith that the introduction of or any change in any applicable Law or in the interpretation or administration thereof by any Governmental Authority charged with the interpretation or administration thereof, or compliance with any guideline or request from any such Governmental Authority (whether or not having the force of law), for any Lender or its Applicable Lending Office to make, maintain or fund Eurodollar Rate Advances, or to determine or charge interest rates based upon the

Eurodollar Rate, or any Governmental Authority has imposed material restrictions on the authority of such Lender to purchase or sell, or to take deposits of, Dollars in the London interbank market, then, on notice thereof by such Lender to the Borrower through the Agent, any obligation of such Lender to make or continue Eurodollar Rate Advances or to convert Base Rate Advances to Eurodollar Rate Advances shall be suspended until such Lender notifies the Agent and the Borrower that the circumstances giving rise to such determination no longer exist. Upon receipt of such notice, the Borrower shall, upon demand from such Lender (with a copy to the Agent), prepay or, if applicable, convert all Eurodollar Rate Advances of such Lender to Base Rate Advances, either on the last day of the Interest Period therefor, if such Lender may lawfully continue to maintain such Eurodollar Rate Advances to such day, or immediately, if such Lender may not lawfully continue to maintain such Eurodollar Rate Advances. Upon any such prepayment or conversion, the Borrower shall also pay accrued interest on the amount so prepaid or converted.

Section 2.13 Payments and Computations.

(a) All payments to be made by the Borrower shall be made without condition or deduction for any counterclaim, defense, recoupment or setoff. The Borrower shall make each payment hereunder not later than 1:00 p.m. on the day when due in U.S. dollars to the Agent at the Agent's Account in same day funds. The Agent will promptly thereafter cause to be distributed like funds relating to the payment of principal, interest, fees or commissions ratably (other than amounts payable pursuant to Section 2.05(b), 2.11, 2.12, 2.14, 2.20 or 8.04(e)) to the Lenders for the account of their respective Applicable Lending Offices, and like funds relating to the payment of any other amount payable to any Lender to such Lender for the account of its Applicable Lending Office, in each case to be applied in accordance with the terms of this Agreement. Upon any Assuming Lender becoming a Lender hereunder as a result of a Commitment Increase pursuant to Section 2.18, and upon the Agent's receipt of such Lender's Assumption Agreement and recording of the information contained therein in the Register, from and after the applicable Increase Date, the Agent shall make all payments hereunder and under any Notes issued in connection therewith in respect of the interest assumed thereby to the Assuming Lender. Upon its acceptance of an Assignment and Assumption and recording of the information contained therein in the Register pursuant to Section 8.07(c), from and after the effective date specified in such Assignment and Assumption, the Agent shall make all payments hereunder and under the Notes in respect of the interest assigned thereby to the Lender assignee thereunder, and the parties to such Assignment and Assumption shall make all appropriate adjustments in such payments for periods prior to such effective date directly between themselves.

(b) All computations of interest based on (i) the Prime rate (as defined in the definition of "Base Rate" in Section 1.01) shall be made by the Agent on the basis of a year of 365 or 366 days, as the case may be and (ii) the Federal Funds Rate, the Eurodollar Rate and of fees and Letter of Credit commissions shall be made by the Agent on the basis of a year of 360 days, in each case for the actual number of days (including the first day but excluding the last day) occurring in the period for which such interest, fees or commissions are payable. Interest on Swingline Advances shall be calculated on the basis of a year of 360 days or such other basis agreed to by the Swingline Lender and the Borrower, in each case for the actual number of days (including the first day but excluding the last day) occurring in the period for which such interest

is payable. Each determination by the Agent of an interest rate hereunder shall be conclusive and binding for all purposes, absent manifest error.

(c) Whenever any payment hereunder or under the Notes shall be stated to be due on a day other than a Business Day, such payment shall be made on the next succeeding Business Day, and such extension of time shall in such case be included in the computation of payment of interest, fees or commissions, as the case may be; provided, however, that, if such extension would cause payment of interest on or principal of Eurodollar Rate Advances to be made in the next following calendar month, such payment shall be made on the next preceding Business Day.

(d) Unless the Agent shall have received notice from the Borrower prior to the date on which any payment is due to the Lenders hereunder that the Borrower will not make such payment in full, the Agent may assume that the Borrower has made such payment in full to the Agent on such date and the Agent may, in reliance upon such assumption, cause to be distributed to each Lender on such due date an amount equal to the amount then due such Lender. If and to the extent the Borrower shall not have so made such payment in full to the Agent, each Lender shall repay to the Agent forthwith on demand such amount distributed to such Lender together with interest thereon, for each day from the date such amount is distributed to such Lender until the date such Lender repays such amount to the Agent, at the Federal Funds Rate.

Section 2.14 Taxes.

(a) Payments Free of Taxes; Obligation to Withhold; Payments on Account of Taxes.

(i) Any and all payments by or on account of any obligation of the Borrower hereunder or under any other Loan Document shall to the extent permitted by applicable Laws be made free and clear of and without reduction or withholding for any Taxes. If, however, applicable Laws require the Borrower or the Agent to withhold or deduct any Tax, such Tax shall be withheld or deducted in accordance with such Laws as determined by the Borrower or the Agent, as the case may be, upon the basis of the information and documentation to be delivered pursuant to subsection (e) below.

(ii) If the Borrower or the Agent shall be required by the Internal Revenue Code to withhold or deduct any Taxes, including both United States of America Federal backup withholding and withholding taxes, from any payment, then (A) the Agent shall withhold or make such deductions as are determined by the Agent to be required based upon the information and documentation it has received pursuant to subsection (e) below, (B) the Agent shall timely pay the full amount withheld or deducted to the relevant Governmental Authority in accordance with the Internal Revenue Code, and (C) to the extent that the withholding or deduction is made on account of Indemnified Taxes or Other Taxes, the sum payable by the Borrower shall be increased as necessary so that after any required withholding or the making of all required deductions (including deductions applicable to additional sums payable under this Section) the Agent, Lender or Issuing Bank, as the case may be, receives an amount equal to the sum it would have received had no such withholding or deduction been made.

(b) Payment of Other Taxes by the Borrower. Without limiting the provisions of subsection (a) above, the Borrower shall timely pay any Other Taxes to the relevant Governmental Authority in accordance with applicable Laws.

(c) Tax Indemnifications. .

(i) Without limiting the provisions of subsection (a) or (b) above, the Borrower shall, and does hereby, indemnify the Agent, each Lender and each Issuing Bank, and shall make payment in respect thereof within 30 days after written demand therefor, for the full amount of any Indemnified Taxes or Other Taxes (including Indemnified Taxes or Other Taxes imposed or asserted on or attributable to amounts payable under this Section) withheld or deducted by the Borrower or the Agent or paid by the Agent, such Lender or such Issuing Bank, as the case may be, and any penalties, interest and reasonable expenses arising therefrom or with respect thereto, whether or not such Indemnified Taxes or Other Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. The Borrower shall also, and does hereby, indemnify the Agent, and shall make payment in respect thereof within 10 days after demand therefor, for any amount which a Lender or an Issuing Bank for any reason fails to pay indefeasibly to the Agent as required by clause (ii) of this subsection. A certificate as to the amount of any such payment or liability delivered to the Borrower by a Lender or an Issuing Bank (with a copy to the Agent), or by the Agent on its own behalf or on behalf of a Lender or an Issuing Bank, shall be conclusive absent manifest error.

(ii) Without limiting the provisions of subsection (a) or (b) above, each Lender and each Issuing Bank shall, and does hereby, indemnify the Borrower and the Agent, and shall make payment in respect thereof within 30 days after demand therefor, against any and all Taxes and any and all related losses, claims, liabilities, penalties, interest and expenses (including the fees, charges and disbursements of any counsel for the Borrower or the Agent) incurred by or asserted against the Borrower or the Agent by any Governmental Authority as a result of the failure by such Lender or such Issuing Bank, as the case may be, to deliver, or as a result of the inaccuracy, inadequacy or deficiency of, any documentation required to be delivered by such Lender or such Issuing Bank, as the case may be, to the Borrower or the Agent pursuant to subsection (e). Each Lender and each Issuing Bank hereby authorizes the Agent to set off and apply any and all amounts at any time owing to such Lender or such Issuing Bank, as the case may be, under this Agreement or any other Loan Document against any amount due to the Agent under this clause (ii). The agreements in this clause (ii) shall survive the resignation and/or replacement of the Agent, any assignment of rights by, or the replacement of, a Lender or an Issuing Bank, the termination of the Commitments and the repayment, satisfaction or discharge of all other Obligations.

(d) Evidence of Payments. Upon request by the Borrower or the Agent, as the case may be, after any payment of Taxes by the Borrower or by the Agent to a Governmental Authority as provided in this 2.14, the Borrower shall deliver to the Agent or the Agent shall deliver to the Borrower, as the case may be, the original or a certified copy of a receipt issued by such Governmental Authority evidencing such payment, a copy of any return required by Laws

to report such payment or other evidence of such payment reasonably satisfactory to the Borrower or the Agent, as the case may be.

(e) Status of Lenders; Tax Documentation.

(i) Each Lender shall deliver to the Borrower and to the Agent, at the time or times prescribed by applicable Laws or when reasonably requested by the Borrower or the Agent, such properly completed and executed documentation prescribed by applicable Laws or by the taxing authorities of any jurisdiction and such other reasonably requested information as will permit the Borrower or the Agent, as the case may be, to determine (A) whether or not payments made hereunder or under any other Loan Document are subject to Taxes, (B) if applicable, the required rate of withholding or deduction, and (C) such Lender's entitlement to any available exemption from, or reduction of, applicable Taxes in respect of all payments to be made to such Lender by the Borrower pursuant to this Agreement or otherwise to establish such Lender's status for withholding tax purposes in the applicable jurisdiction.

(ii) Without limiting the generality of the foregoing, if the Borrower is resident for tax purposes in the United States of America,

(A) any Lender that is a "United States person" within the meaning of Section 7701(a)(30) of the Internal Revenue Code shall deliver to the Borrower and the Agent executed originals of Internal Revenue Service Form W-9 or such other documentation or information prescribed by applicable Laws or reasonably requested by the Borrower or the Agent as will enable the Borrower or the Agent, as the case may be, to determine whether or not such Lender is subject to backup withholding or information reporting requirements; and

(B) each Foreign Lender that is entitled under the Internal Revenue Code or any applicable treaty to an exemption from or reduction of withholding tax with respect to payments hereunder or under any other Loan Document shall deliver to the Borrower and the Agent (in such number of copies as shall be requested by the recipient) on or prior to the date on which such Foreign Lender becomes a Lender under this Agreement (and from time to time thereafter upon the request of the Borrower or the Agent, but only if such Foreign Lender is legally entitled to do so), whichever of the following is applicable:

(1) executed originals of Internal Revenue Service Form W-8BEN claiming eligibility for benefits of an income tax treaty to which the United States of America is a party,

(2) executed originals of Internal Revenue Service Form W-8ECI,

(3) executed originals of Internal Revenue Service Form W-8IMY and all required supporting documentation,

(4) in the case of a Foreign Lender claiming the benefits of the exemption for portfolio interest under section 881(c) of the Internal Revenue Code, (x) a certificate to the effect that such Foreign Lender is not (A) a "bank" within the meaning of section 881(c)(3)(A) of the Internal Revenue Code, (B) a "10 percent shareholder" of the Borrower within the meaning of section 881(c)(3)(B) of the Internal Revenue Code, or (C) a "controlled foreign corporation" described in section 881(c)(3)(C) of the Internal Revenue Code and (y) executed originals of Internal Revenue Service Form W-8BEN, or

(5) executed originals of any other form prescribed by applicable Laws as a basis for claiming exemption from or a reduction in United States of America Federal withholding tax together with such supplementary documentation as may be prescribed by applicable Laws to permit the Borrower or the Agent to determine the withholding or deduction required to be made.

(iii) Each Lender shall promptly (A) notify the Borrower and the Agent of any change in circumstances which would modify or render invalid any claimed exemption or reduction, and (B) take such steps as shall not be materially disadvantageous to it, in the reasonable judgment of such Lender, and as may be reasonably necessary (including the re-designation of its Applicable Lending Office) to avoid any requirement of applicable Laws of any jurisdiction that the Borrower or the Agent make any withholding or deduction for taxes from amounts payable to such Lender.

(iv) if a payment made to a Lender under any Loan Document would be subject to U.S. federal withholding Tax imposed by FATCA if such Lender were to fail to comply with the applicable reporting requirements of FATCA (including those contained in Section 1471(b) or 1472(b) of the Internal Revenue Code, as applicable), such Lender shall deliver to each of the Borrower and the Agent at the time or times prescribed by law and at such time or times reasonably requested by the Borrower or the Agent such documentation prescribed by applicable law (including as prescribed by Section 1471(b)(3)(C)(i) of the Internal Revenue Code) and such additional documentation reasonably requested by the Borrower or the Agent as may be necessary for the Borrower and the Agent to comply with their obligations under FATCA and to determine that such Lender has complied with such Lender's obligations under FATCA or to determine the amount to deduct and withhold from such payment. Solely for purposes of this clause (iv), "FATCA" shall include any amendments made to FATCA after the date of this Agreement.

(f) Treatment of Certain Refunds. Unless required by applicable Laws, at no time shall the Agent have any obligation to file for or otherwise pursue on behalf of a Lender or an Issuing Bank, or have any obligation to pay to any Lender or any Issuing Bank, any refund of Taxes withheld or deducted from funds paid for the account of such Lender or such Issuing Bank, as the case may be. If the Agent, any Lender or any Issuing Bank determines, in its sole discretion, that it has received a refund of any Taxes or Other Taxes as to which it has been indemnified by the Borrower or with respect to which the Borrower has paid additional amounts

pursuant to this Section, it shall pay to the Borrower an amount equal to such refund (but only to the extent of indemnity payments made, or additional amounts paid, by the Borrower under this Section with respect to the Taxes or Other Taxes giving rise to such refund), net of all reasonable out-of-pocket expenses incurred by the Agent, such Lender or such Issuing Bank, as the case may be, and without interest (other than any interest paid by the relevant Governmental Authority with respect to such refund), provided that the Borrower, upon the request of the Agent, such Lender or such Issuing Bank, agrees to repay the amount paid over to the Borrower (plus any penalties, interest or other charges imposed by the relevant Governmental Authority) to the Agent, such Lender or such Issuing Bank in the event the Agent, such Lender or such Issuing Bank is required to repay such refund to such Governmental Authority. This subsection shall not be construed to require the Agent, any Lender or any Issuing Bank to make available its tax returns (or any other information relating to its taxes that it deems confidential) to the Borrower or any other Person.

(g) Payments. Failure or delay on the part of the Agent, any Lender or any Issuing Bank to demand compensation pursuant to the foregoing provisions of this Section 2.14 shall not constitute a waiver of the Agent's, such Lender's or such Issuing Bank's right to demand such compensation, provided that the Borrower shall not be required to compensate the Agent, a Lender or an Issuing Bank pursuant to the foregoing provisions of this Section 2.14 for any Indemnified Taxes or Other Taxes imposed or asserted by the relevant Governmental Authority more than three months prior to the date that the Agent, such Lender or such Issuing Bank, as the case may be, claims compensation with respect thereto (except that, if a Change in Law giving rise to such Indemnified Taxes or Other Taxes is retroactive, then the three-month period referred to above shall be extended to include the period of retroactive effect thereof).

(h) Each of the Agent, any Issuing Bank or any Lender agrees to cooperate with any reasonable request made by the Borrower in respect of a claim of a refund in respect of Indemnified Taxes as to which it has been indemnified by the Borrower or with respect to which the Borrower has paid additional amounts pursuant to this Section 2.14 if (i) the Borrower has agreed in writing to pay all of the Agent's or such Issuing Bank's or such Lender's reasonable out-of-pocket costs and expenses relating to such claim, (ii) the Agent or such Issuing Bank or such Lender determines, in its good faith judgment, that it would not be disadvantaged, unduly burdened or prejudiced as a result of such claim and (iii) the Borrower furnishes, upon request of the Agent, or such Issuing Bank or such Lender, an opinion of tax counsel (such opinion, which can be reasoned, and such counsel to be reasonably acceptable to such Lender, or such Issuing Bank or the Agent) that the Borrower is likely to receive a refund or credit.

Section 2.15 Sharing of Payments, Etc. If any Lender shall obtain any payment (whether voluntary, involuntary, through the exercise of any right of set-off, or otherwise) on account of the Advances or L/C Advances owing to it (other than pursuant to Section 2.05(b), 2.11, 2.12, 2.14, 2.20 or 8.04(e) or any payment obtained by a Lender as consideration for the assignment of or sale of a participation in any of its Advances or participations in Letters of Credit to any assignee or participant, other than to the Borrower or any Subsidiary thereof if permitted hereby (as to which the provisions of this Section 2.15 shall apply) in excess of its Ratable Share of payments on account of the Advances obtained by all the Lenders, such Lender shall forthwith purchase from the other Lenders (for cash at face value) such participations in the Advances owing to them as shall be necessary to cause such purchasing Lender to share the

excess payment ratably with each of them; provided, however, that if all or any portion of such excess payment is thereafter recovered from such purchasing Lender, such purchase from each Lender shall be rescinded and such Lender shall repay to the purchasing Lender the purchase price to the extent of such recovery together with an amount equal to such Lender's Ratable Share (according to the proportion of (i) the amount of such Lender's required repayment to (ii) the total amount so recovered from the purchasing Lender) of any interest or other amount paid or payable by the purchasing Lender in respect of the total amount so recovered. The Borrower agrees that any Lender so purchasing a participation from another Lender pursuant to this Section 2.15 may, to the fullest extent permitted by Law, exercise all its rights of payment (including the right of set-off) with respect to such participation as fully as if such Lender were the direct creditor of the Borrower in the amount of such participation.

Section 2.16 Evidence of Debt.

(a) Each Lender shall maintain in accordance with its usual practice an account or accounts evidencing the indebtedness of the Borrower to such Lender resulting from each Advance owing to such Lender from time to time, including the amounts of principal and interest payable and paid to such Lender from time to time hereunder in respect of Advances. The Borrower agrees that upon notice by any Lender (including the Swingline Lender) to the Borrower (with a copy of such notice to the Agent) to the effect that a Note is required or appropriate in order for such Lender to evidence (whether for purposes of pledge, enforcement or otherwise) the Advances owing to, or to be made by, such Lender, the Borrower shall promptly execute and deliver to such Lender a Note payable to the order of such Lender in a principal amount up to the Revolving Credit Commitment of such Lender.

(b) The Register maintained by the Agent pursuant to Section 8.07(c) shall include a control account, and a subsidiary account for each Lender, in which accounts (taken together) shall be recorded (i) the date and amount of each Borrowing made hereunder, the Type of Advances comprising such Borrowing and, if appropriate, the Interest Period applicable thereto, (ii) the terms of each Assumption Agreement and each Assignment and Assumption delivered to and accepted by it, (iii) the amount of any principal or interest due and payable or to become due and payable from the Borrower to each Lender hereunder and (iv) the amount of any sum received by the Agent from the Borrower hereunder and each Lender's share thereof.

(c) Entries made in good faith by the Agent in the Register pursuant to subsection (b) above, and by each Lender in its account or accounts pursuant to subsection (a) above, shall be prima facie evidence of the amount of principal and interest due and payable or to become due and payable from the Borrower to, in the case of the Register, each Lender and, in the case of such account or accounts, such Lender, under this Agreement, absent manifest error; provided, however, that the failure of the Agent or such Lender to make an entry, or any finding that an entry is incorrect, in the Register or such account or accounts shall not limit or otherwise affect the obligations of the Borrower under this Agreement.

Section 2.17 Use of Proceeds. The proceeds of the Advances shall be available (and the Borrower agrees that it shall use such proceeds) solely to refinance Indebtedness of the Borrower from time to time and for other general corporate purposes of the Borrower, subject to such restrictions that are imposed in the 2007 Order and/or any Subsequent Order.

Section 2.18 Increase in the Aggregate Revolving Credit Commitments.

(a) The Borrower may, at any time prior to the Termination Date, by notice to the Agent, request that the aggregate amount of the Revolving Credit Commitments be increased by an amount of $10,000,000 or an integral multiple thereof (each a "Commitment Increase") to be effective as of a date that is at least 90 days prior to the Termination Date (the "Increase Date") as specified in the related notice to the Agent; provided, however that (i) in no event shall the aggregate amount of the Revolving Credit Commitments at any time exceed $700,000,000 or the aggregate amount of Commitment Increases exceed $200,000,000 and (ii) on the date of any request by the Borrower for a Commitment Increase and on the related Increase Date, the applicable conditions set forth in this Section 2.18 shall be satisfied.

(b) The Agent shall promptly notify the Lenders of a request by the Borrower for a Commitment Increase, which notice shall include (i) the proposed amount of such requested Commitment Increase, (ii) the proposed Increase Date and (iii) the date by which Lenders wishing to participate in the Commitment Increase must commit to an increase in the amount of their respective Revolving Credit Commitments (the "Commitment Date"). Each Lender that is willing to participate in such requested Commitment Increase (each an "Increasing Lender") shall, in its sole discretion, give written notice to the Agent on or prior to the Commitment Date of the amount by which it is willing to increase its Revolving Credit Commitment. If the Lenders notify the Agent that they are willing to increase the amount of their respective Revolving Credit Commitments by an aggregate amount that exceeds the amount of the requested Commitment Increase, the requested Commitment Increase shall be allocated among the Lenders willing to participate therein in such amounts as are agreed between the Borrower and the Agent. Each Increasing Lender shall be subject to such applicable consents, if any, as may be required under Section 8.07(b)(iii).

(c) Promptly following each Commitment Date, the Agent shall notify the Borrower as to the amount, if any, by which the Lenders are willing to participate in the requested Commitment Increase. If the aggregate amount by which the Lenders are willing to participate in any requested Commitment Increase on any such Commitment Date is less than the requested Commitment Increase, then the Borrower may extend offers to one or more Eligible Assignees to participate in any portion of the requested Commitment Increase that has not been committed to by the Lenders as of the applicable Commitment Date; provided, however, that the Revolving Credit Commitment of each such Eligible Assignee shall be in an amount of not less than $10,000,000.

(d) On each Increase Date, each Eligible Assignee that accepts an offer to participate in a requested Commitment Increase in accordance with Section 2.18(b) (each such Eligible Assignee, an "Assuming Lender") shall become a Lender party to this Agreement as of such Increase Date and the Revolving Credit Commitment of each Increasing Lender for such requested Commitment Increase shall be so increased by the amount by which the Increasing Lender agreed to increase its Revolving Credit Commitment (or by the amount allocated to such Lender pursuant to the last sentence of Section 2.18(b)) as of such Increase Date; provided, however, that the Agent shall have received on or before such Increase Date the following, each dated such date:

(i) (A) certified copies of resolutions of the Board of Directors of the Borrower approving the Commitment Increase and the corresponding modifications to this Agreement, (B) an opinion of counsel for the Borrower (which may be in-house counsel), in form and substance reasonably acceptable to the Required Lenders and (C) a certificate from a duly authorized officer of the Borrower, stating that the conditions set forth in Section 3.02(a) and (b) are satisfied;

(ii) an assumption agreement from each Assuming Lender, if any, in form and substance satisfactory to the Borrower and the Agent (each an "Assumption Agreement"), duly executed by such Assuming Lender, the Agent, the Borrower and each other Person required to consent thereto, as applicable under Section 8.07(b)(iii); and

(iii) confirmation from each Increasing Lender of the increase in the amount of its Revolving Credit Commitment in a writing satisfactory to the Borrower and the Agent.

On each Increase Date, upon fulfillment of the conditions set forth in the immediately preceding sentence of this Section 2.18(d), the Agent shall notify the Lenders (including, without limitation, each Assuming Lender) and the Borrower, on or before 1:00 p.m., by telecopier, of the occurrence of the Commitment Increase to be effected on such Increase Date and shall record in the Register the relevant information with respect to each Increasing Lender and each Assuming Lender on such date. Each Increasing Lender and each Assuming Lender shall, before 2:00 p.m. on the Increase Date, make available for the account of its Applicable Lending Office to the Agent at the Agent's Account, in same day funds, in the case of such Assuming Lender, an amount equal to such Assuming Lender's Ratable Share of the Borrowings then outstanding (calculated based on its Revolving Credit Commitment as a percentage of the aggregate Revolving Credit Commitments outstanding after giving effect to the relevant Commitment Increase) and, in the case of such Increasing Lender, an amount equal to the excess of (i) such Increasing Lender's Ratable Share of the Borrowings then outstanding (calculated based on its Revolving Credit Commitment as a percentage of the aggregate Revolving Credit Commitments outstanding after giving effect to the relevant Commitment Increase) over (ii) such Increasing Lender's Ratable Share of the Borrowings then outstanding (calculated based on its Revolving Credit Commitment (without giving effect to the relevant Commitment Increase) as a percentage of the aggregate Revolving Credit Commitments (without giving effect to the relevant Commitment Increase). After the Agent's receipt of such funds from each such Increasing Lender and each such Assuming Lender, the Agent will promptly thereafter cause to be distributed like funds to the other Lenders for the account of their respective Applicable Lending Offices in an amount to each other Lender such that the aggregate amount of the outstanding Advances owing to each Lender after giving effect to such distribution equals such Lender's Ratable Share of the Borrowings then outstanding (calculated based on its Revolving Credit Commitment as a percentage of the aggregate Revolving Credit Commitments outstanding after giving effect to the relevant Commitment Increase).

Section 2.19 Affected Lenders. Notwithstanding any provision of this Agreement to the contrary, if any Lender becomes an Affected Lender, then the following provisions shall apply for so long as such Lender is an Affected Lender:

(a) fees shall cease to accrue on the Unused Commitment of such Affected Lender pursuant to Section 2.04(a);

(b) the Revolving Credit Commitment and Advances of such Affected Lender shall not be included in determining whether the Required Lenders have taken or may take any action hereunder (including any consent to any amendment or waiver pursuant to Section 8.01), other than any waiver, amendment or modification requiring the consent of all Lenders or of each Lender affected;

(c) if (x) there shall be any Available Amount under any outstanding Letter of Credit or (y) any Swingline Exposure shall exist during any time a Lender is an Affected Lender, then:

(i) so long as no Default or Event of Default has occurred and is continuing, all or any part of the Available Amount of all such Letters of Credit and Swingline Exposure shall be reallocated among the non-Affected Lenders in accordance with their respective Ratable Shares (disregarding any Affected Lender's Revolving Credit Commitment) but only to the extent that with respect to each non-Affected Lender the sum of (A) the aggregate principal amount of all Revolving Advances made by such non-Affected Lender (in its capacity as a Lender) and outstanding at such time plus (B) such non-Affected Lender's Ratable Share (after giving effect to the reallocation contemplated in this Section 2.19(c)(i)) of the outstanding L/C Obligations plus (C) such non-Affected Lender's Ratable Share (after giving effect to the reallocation contemplated in this Section 2.19(c)(i)) of the outstanding Swingline Exposure, does not exceed such non-Affected Lender's Revolving Credit Commitment;

(ii) if the reallocation described in clause (i) above cannot, or can only partially, be effected, the Borrower shall within one (1) Business Day following notice by the Agent (x) first, prepay such unallocable Swingline Exposure and (y) second, Cash Collateralize for the benefit of the applicable Issuing Bank only the Borrower's obligations corresponding to such Affected Lender's Ratable Share of the Available Amount of outstanding Letters of Credit (after giving effect to any partial reallocation pursuant to clause (i) above) (the "Affected Lender Share") in accordance with the procedures set forth in Section 2.03(h) for so long as such there shall be any Available Amount of outstanding Letters of Credit;

(iii) if the Ratable Share of the Available Amount of outstanding Letters of Credit and the Swingline Exposure of the non-Affected Lenders is reallocated pursuant to this Section 2.19(c), then the fees payable to the Lenders pursuant to Section 2.04(a) and Section 2.04(b) shall be adjusted in accordance with such non-Affected Lenders' Ratable Shares;

(iv) if any Affected Lender Share is not reallocated pursuant to clause (i) above and if the Borrower fails to Cash Collateralize any portion of such Affected Lender Share pursuant to clause (ii) above, then, without prejudice to any rights or remedies of any Issuing Bank or any Lender hereunder, the fee payable under Section 2.04(b) with respect to such Affected Lender Share shall be payable to the Issuing Bank until such Affected Lender Share is reallocated; and

(v) if the Borrower Cash Collateralizes any portion of any Affected Lender Share pursuant to clause (ii) above, the Borrower shall not be required to pay any fees to such Affected Lender pursuant to Section 2.04(b)(i) or the applicable Issuing Bank pursuant to Section 2.04(b)(ii) (solely with respect to any fronting fee) with respect to such Affected Lender's Affected Lender Share during the period such Affected Lender's Affected Lender Share is Cash Collateralized;

(d) to the extent the Agent receives any payments or other amounts for the account of an Affected Lender under this Agreement, such Affected Lender shall be deemed to have requested that the Agent use such payment or other amount to fulfill such Affected Lender's previously unsatisfied obligations to fund a Revolving Advance under Section 2.03(c) or Section 2.03A(c) or L/C Advance or any other unfunded payment obligation of such Affected Lender under this Agreement; and

(e) for the avoidance of doubt, the Borrower, each Issuing Bank, the Swingline Lender, the Agent and each other Lender shall retain and reserve its other rights and remedies respecting each Affected Lender.

In the event that the Agent, the Borrower, the Swingline Lender and the Issuing Banks each agrees that an Affected Lender has adequately remedied all matters that caused such Lender to be an Affected Lender, then the Ratable Shares of the Lenders shall be readjusted to reflect the inclusion of such Lender's Revolving Credit Commitment and on such date such Lender shall purchase at par such of the Revolving Advances of the other Lenders as the Agent shall determine may be necessary in order for such Lender to hold such Revolving Advances in accordance with its Ratable Share. In addition, at such time as the Affected Lender is replaced by another Lender pursuant to Section 2.20, the Ratable Shares of the Lenders will be readjusted to reflect the inclusion of the replacing Lender's Commitment in accordance with Section 2.20. In either such case, this Section 2.19 will no longer apply.

Section 2.20 Replacement of Lenders. If any Lender requests compensation under Section 2.11, or if the Borrower is required to pay any additional amount to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 2.14, or if any Lender is an Affected Lender, then the Borrower may, at its sole expense and effort, upon notice to such Lender and the Agent, require such Lender to assign and delegate, without recourse (in accordance with and subject to the restrictions contained in, and consents required by, Section 8.07), all of its interests, rights and obligations under this Agreement and the related Loan Documents to one or more assignees that shall assume such obligations (which any such assignee may be another Lender, if a Lender accepts such assignment), provided that:

(a) the Borrower shall have paid to the Agent the assignment fee specified in Section 8.07(b);

(b) such Lender shall have received payment of an amount equal to the outstanding principal of its Revolving Advances and L/C Advances, accrued interest thereon, accrued fees and all other amounts payable to it hereunder and under the other Loan Documents (including any amounts under Section 8.04(e)) from the assignee (to the extent of such outstanding principal and accrued interest and fees) or the Borrower (in the case of all other amounts);

(c) in the case of any such assignment resulting from a claim for compensation under Section 2.11 or payments required to be made pursuant to Section 2.14, such assignment will result in a reduction in such compensation or payments thereafter; and

(d) such assignment does not conflict with applicable Laws.

A Lender shall not be required to make any such assignment or delegation if, prior thereto, as a result of a waiver by such Lender or otherwise, the circumstances entitling the Borrower to require such assignment and delegation cease to apply.

ARTICLE III

CONDITIONS PRECEDENT

Section 3.01 Conditions Precedent to Effectiveness . This Agreement shall become effective on and as of the first date (the "Effective Date") on which the following conditions precedent have been satisfied:

(a) The Lenders shall have been given such access to the management, records, books of account, contracts and properties of the Borrower and its Subsidiaries as they shall have requested.

(b) The Borrower shall have paid all accrued fees and agreed expenses of the Agent, the Arrangers and the Lenders and the reasonable accrued fees and expenses of counsel to the Agent that have been invoiced at least one Business Day prior to the Effective Date.

(c) On the Effective Date, the following statements shall be true and the Agent shall have received a certificate signed by a duly authorized officer of the Borrower, dated the Effective Date, stating that:

(i) The representations and warranties contained in Section 4.01 are true and correct on and as of the Effective Date, and

(ii) No event has occurred and is continuing that constitutes a Default.

(d) The Agent shall have received on or before the Effective Date the following, each dated such day, in form and substance satisfactory to the Agent and the Lenders:

(i) Receipt by the Agent of executed counterparts of this Agreement properly executed by a duly authorized officer of the Borrower and by each Lender.

(ii) The Notes, payable to the order of the Lenders to the extent requested by any Lender pursuant to Section 2.16.

(iii) The articles of incorporation of the Borrower certified to be true and complete as of a recent date by the appropriate governmental authority of the state or

other jurisdiction of its incorporation and certified by a secretary, assistant secretary or associate secretary of the Borrower to be true and correct as of the Effective Date.

(iv) The bylaws of the Borrower certified by a secretary, assistant secretary or associate secretary of the Borrower to be true and correct as of the Effective Date.

(v) Certified copies of the resolutions of the Board of Directors of the Borrower approving this Agreement and the Notes, and of all documents evidencing other necessary corporate action and governmental approvals, if any, with respect to this Agreement and the Notes.

(vi) A certificate of the secretary, assistant secretary or associate secretary of the Borrower certifying the names and true signatures of the officers of the Borrower authorized to sign this Agreement and the Notes and the other documents to be delivered hereunder.

(vii) A certificate as of a recent date from the Borrower's state of incorporation evidencing that the Borrower is in good standing in its state of organization or formation.

(viii) A favorable opinion of counsel for the Borrower, in form and substance reasonably acceptable to the Lenders.

(ix) A favorable opinion of Sidley Austin LLP, counsel for the Agent, in form and substance reasonably acceptable to the Lenders.

(e) Concurrently with or before the Effective Date, (i) all principal, interest and other amounts outstanding under the Borrower's existing Three–Year Credit Agreement dated as of February 12, 2010 (the "Existing Senior Credit Agreement") shall be repaid and satisfied in full, (ii) all commitments to extend credit under the Existing Senior Credit Agreement shall be terminated and (iii) any letters of credit outstanding under the Existing Senior Credit Agreement shall have been terminated, canceled, transferred or replaced; and the Agent shall have received evidence of the foregoing satisfactory to it, including an escrow agreement or payoff letter executed by the lenders or the agent under the Existing Senior Credit Agreement if applicable.

(f) The Agent shall have received evidence satisfactory to it of the refinancing of that certain $200,000,000 Three-Year Credit Agreement dated as of February 12, 2010 by and among Pinnacle West Capital Corporation, as borrower, the lenders from time to time, parties thereto and Bank of America, N.A., as administrative agent, on terms and conditions reasonably acceptable to the Agent.

Section 3.02 Conditions Precedent to Each Credit Extension and Commitment Increase. The obligation of each Lender to make an Advance (other than an L/C Advance or an Advance made pursuant to Section 2.03(c) or Section 2.03A(c)) on the occasion of each Borrowing, the obligation of each Issuing Bank to issue a Letter of Credit, and each Commitment Increase shall be subject to the conditions precedent that the Effective Date shall have occurred and on the date of such Borrowing or such issuance (as the case may be), or the applicable Increase Date, the following statements shall be true (and each of the giving of the applicable Notice of Borrowing or request for issuance and the acceptance by the Borrower of the proceeds of such Borrowing

shall constitute a representation and warranty by the Borrower that on the date of such Borrowing or date of such issuance such statements are true):the representations and warranties contained in Section 4.01 (other than Section 4.01(k), and in the case of a Borrowing or issuance of a Letter of Credit, Section 4.01(e)(ii) and 4.01(f)(ii)) are correct on and as of such date, before and after giving effect to such Borrowing or issuance of a Letter of Credit, or such Commitment Increase and to the application of the proceeds therefrom, as though made on and as of such date;

(b) no event has occurred and is continuing, or would result from such Borrowing or issuance of a Letter of Credit, or such Commitment Increase or from the application of the proceeds therefrom, that constitutes a Default;

(c) all required regulatory authorizations including the 2007 Order and/or any Subsequent Order in respect of such Credit Extension have been obtained and are in full force and effect and, before and after giving effect to such Borrowing or such issuance of a Letter of Credit and to the application of the proceeds therefrom, the Borrower is in compliance with the provisions of the applicable order; and

(d) before and after giving effect to such Credit Extension and to the application of the proceeds therefrom, as though made on and as of such date, the Indebtedness of the Borrower does not exceed that permitted by (i) applicable resolutions of the Board of Directors of the Borrower, (ii) applicable Arizona Law, or (iii) the 2007 Order or any Subsequent Order, whichever is in force and effect at such time.

Each request for Credit Extension (which shall not include a Conversion or a continuation of Eurodollar Rate Advances) submitted by the Borrower shall be deemed to be a representation and warranty that the conditions specified in Sections 3.02(a) through (d) have been satisfied on and as of the date of the applicable Credit Extension.

Section 3.03 Determinations Under Section 3.01. For purposes of determining compliance with the conditions specified in Section 3.01 and the satisfaction of each Lender with respect to letters delivered to it from the Borrower as set forth in Sections 4.01(a), 4.01(e) and 4.01(f), each Lender that has signed this Agreement shall be deemed to have consented to, approved or accepted or to be satisfied with each document or other matter required thereunder to be consented to or approved by or acceptable or satisfactory to the Lenders unless an officer of the Agent responsible for the transactions contemplated by this Agreement shall have received notice from such Lender prior to the date that the Borrower designates as the proposed Effective Date, specifying its objection thereto. The Agent shall promptly notify the Lenders and the Borrower of the occurrence of the Effective Date.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES

Section 4.01 Representations and Warranties of the Borrower. The Borrower represents and warrants as follows:

(a) Each of the Borrower and each Material Subsidiary: (i) is a corporation or other entity duly organized and validly existing under the Laws of the jurisdiction of its incorporation or organization; (ii) has all requisite corporate or if the Material Subsidiary is not a corporation, other comparable power necessary to own its assets and carry on its business as presently conducted; (iii) has all governmental licenses, authorizations, consents and approvals necessary to own its assets and carry on its business as presently conducted, if the failure to have any such license, authorization, consent or approval is reasonably likely to have a Material Adverse Effect and except as disclosed to the Agent in the SEC Reports or by means of a letter from the Borrower to the Lenders (such letter, if any, to be delivered to the Agent for prompt distribution to the Lenders) delivered prior to the execution and delivery of this Agreement (which, in each case, shall be satisfactory to each Lender in its sole discretion) and except that (A) the Borrower from time to time may make minor extensions of its lines, plants, services or systems prior to the time a related franchise, certificate of convenience and necessity, license or permit is procured, (B) from time to time communities served by the Borrower may become incorporated and considerable time may elapse before such a franchise is procured, (C) certain such franchises may have expired prior to the renegotiation thereof, (D) certain minor defects and exceptions may exist which, individually and in the aggregate, are not material and (E) certain franchises, certificates, licenses and permits may not be specific as to their geographical scope); and (iv) is qualified to do business in all jurisdictions in which the nature of the business conducted by it makes such qualification necessary and where failure so to qualify is reasonably likely to have a Material Adverse Effect.

(b) The execution, delivery and performance by the Borrower of this Agreement and the other Loan Documents, and the consummation of the transactions contemplated hereby and thereby, are within the Borrower's corporate powers, have been duly authorized by all necessary corporate action, and do not or did not (i) contravene the Borrower's articles of incorporation or by-laws, (ii) contravene any Law (including without limitation the 2007 Order and/or any Subsequent Order), decree, writ, injunction or determination of any Governmental Authority, in each case applicable to or binding upon the Borrower or any of its properties, (iii) contravene any contractual restriction binding on or affecting the Borrower or (iv) cause the creation or imposition of any Lien upon the assets of the Borrower or any Material Subsidiary, except for Liens created under this Agreement and except where such contravention or creation or imposition of such Lien is not reasonably likely to have a Material Adverse Effect.

(c) No authorization or approval or other action by, and no notice to or filing with, any Governmental Authority is required for the due execution, delivery and performance by the Borrower of this Agreement or the Notes to be delivered by it, except for the 2007 Order or any Subsequent Order, which has been duly obtained and is in full force and effect, and any notices or compliance filings required therein.

(d) This Agreement has been, and each of the other Loan Documents upon execution and delivery will have been, duly executed and delivered by the Borrower. This Agreement is, and each of the other Loan Documents upon execution and delivery will be, the legal, valid and binding obligation of the Borrower enforceable against the Borrower in accordance with their respective terms, subject, however, to the application by a court of general principles of equity and to the effect of any applicable bankruptcy, insolvency, reorganization, moratorium or similar Laws affecting creditors' rights generally.

(e) (i) The Consolidated balance sheet of the Borrower as of December 31, 2010, and the related Consolidated statements of income and cash flows of the Borrower for the fiscal year then ended, accompanied by an opinion thereon of Deloitte & Touche LLP, independent registered public accountants, and the Consolidated balance sheet of the Borrower as of September 30, 2011, and the related Consolidated statements of income and cash flows of the Borrower for the nine months then ended, duly certified by the chief financial officer of the Borrower, copies of which have been furnished to the Agent, fairly present in all material respects, subject, in the case of said balance sheet as of September 30, 2011, and said statements of income and cash flows for the nine months then ended, to year-end audit adjustments, the Consolidated financial condition of the Borrower as at such dates and the Consolidated results of the operations of the Borrower for the periods ended on such dates, all in accordance with GAAP (except as disclosed therein). (ii) Except as disclosed to the Agent in the SEC Reports or by means of a letter from the Borrower to the Lenders (such letter, if any, to be delivered to the Agent for prompt distribution to the Lenders) delivered prior to the execution and delivery of this Agreement (which, in each case, shall be satisfactory to each Lender in its sole discretion), since December 31, 2010, there has been no Material Adverse Effect.

(f) There is no pending or, to the knowledge of an Authorized Officer of the Borrower, threatened action, suit, investigation, litigation or proceeding, including, without limitation, any Environmental Action, affecting the Borrower or any of its Subsidiaries before any court, governmental agency or arbitrator that (i) purports to affect the legality, validity or enforceability of this Agreement or any other Loan Document or the consummation of the transactions contemplated hereby or (ii) would be reasonably likely to have a Material Adverse Effect (except as disclosed to the Agent in the SEC Reports or by means of a letter from the Borrower to the Lenders (such letter, if any, to be delivered to the Agent for prompt distribution to the Lenders) delivered prior to the execution and delivery of this Agreement (which, in each case, shall be satisfactory to each Lender in its sole discretion)) and there has been no adverse change in the status, or financial effect on the Borrower or any of its Subsidiaries, of such disclosed litigation that would be reasonably likely to have a Material Adverse Effect.

(g) No proceeds of any Advance will be used to acquire any equity security not issued by the Borrower of a class that is registered pursuant to Section 12 of the Securities Exchange Act of 1934.

(h) The Borrower is not engaged in the business of extending credit for the purpose of purchasing or carrying margin stock (within the meaning of Regulation U issued by the Board of Governors of the Federal Reserve System), and no proceeds of any Advance will be used to purchase or carry any margin stock or to extend credit to others for the purpose of purchasing or carrying any margin stock, in any case in violation of Regulation U. After application of the proceeds of any Advance, not more than 25% of the value of the assets subject to any restriction under this Agreement on the right to sell, pledge, transfer, or otherwise dispose of such assets is represented by margin stock.

(i) The Borrower and its Subsidiaries have filed all United States of America Federal income tax returns and all other material tax returns which are required to be filed by them and have paid all taxes due pursuant to such returns or pursuant to any assessment received by the Borrower or any of its Subsidiaries, except to the extent that (i) such taxes are being contested in

good faith and by appropriate proceedings and that appropriate reserves for the payment thereof have been maintained by the Borrower and its Subsidiaries in accordance with GAAP or (ii) the failure to make such filings or such payments is not reasonably likely to have a Material Adverse Effect. The charges, accruals and reserves on the books of the Borrower and its Material Subsidiaries as set forth in the most recent financial statements of the Borrower delivered to the Agent pursuant to Section 4.01(e) or Section 5.01(h)(i) or (ii) hereof in respect of taxes and other governmental charges are, in the opinion of the Borrower, adequate.

(j) Set forth on Schedule 4.01(j) hereto (as such schedule may be modified from time to time by the Borrower by written notice to the Agent) is a complete and accurate list of all the Subsidiaries of the Borrower and, as of the Effective Date, no such Subsidiary of the Borrower is a Material Subsidiary.

(k) Set forth on Schedule 4.01(k) hereto is a complete and accurate list identifying any Indebtedness of the Borrower outstanding in a principal amount equal to or exceeding $5,000,000 and which is not described in the financial statements referred to in Section 4.01(e).

(l) The Borrower is not an "investment company", or a company "controlled" by an "investment company", within the meaning of the Investment Company Act of 1940, as amended.

(m) No report, certificate or other written information furnished by the Borrower or any of its Subsidiaries to any Agent or any Lender in connection with the transactions contemplated hereby and the negotiation of this Agreement or delivered hereunder or any other Loan Document (as modified or supplemented by other information so furnished) at the time so furnished, when taken together as a whole with all such written information so furnished, contains an untrue statement of a material fact or omits to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading, except as would not reasonably be expected to result in a Material Adverse Effect; provided that with respect to any projected financial information, forecasts, estimates or forward-looking information, the Borrower represents only that such information and materials have been prepared in good faith on the basis of assumptions believed to be reasonable at the time of preparation of such forecasts, and no representation or warranty is made as to the actual attainability of any such projections, forecasts, estimates or forward-looking information.

ARTICLE V

COVENANTS OF THE BORROWER

Section 5.01 Affirmative Covenants. So long as any Advance shall remain unpaid, any Letter of Credit shall remain outstanding or any Lender shall have any Commitment hereunder, the Borrower shall:

(a) Compliance with Laws, Etc. (i) Comply, and cause each of its Material Subsidiaries to comply, in all material respects, with all applicable Laws of Governmental Authorities, such compliance to include, without limitation, compliance with ERISA and Environmental Laws, unless the failure to so comply is not reasonably likely to have a Material

Adverse Effect and (ii) comply at all times with the 2007 Order, any Subsequent Order, Arizona Revised Statutes, Section 40-302 and all similar or comparable Laws, orders, decrees, writs, injunctions or determinations of any Governmental Authority relating to the incurrence or maintenance of Indebtedness by the Borrower, unless the failure to so comply is not reasonably likely to have a Material Adverse Effect.

(b) Payment of Taxes, Etc. Pay and discharge, and cause each of its Subsidiaries to pay and discharge, before the same shall become delinquent, all taxes, assessments and governmental charges or levies imposed upon it or upon its property; provided, however, that neither the Borrower nor any of its Subsidiaries shall be required to pay or discharge any such tax, assessment, charge or levy (i) that is being contested in good faith and by proper proceedings and as to which appropriate reserves are being maintained in accordance with GAAP or (ii) if the failure to pay such tax, assessment, charge or levy is not reasonably likely to have a Material Adverse Effect.

(c) Maintenance of Insurance. Maintain, and cause each of its Material Subsidiaries to maintain, insurance with responsible and reputable insurance companies or associations in such amounts and covering such risks as is usually carried by companies engaged in similar businesses and owning similar properties in the same general areas in which the Borrower or such Subsidiary operates; provided, however, that the Borrower and its Subsidiaries may self-insure to the same extent as other companies engaged in similar businesses and owning similar properties in the same general areas in which the Borrower or such Subsidiary operates and to the extent consistent with prudent business practice.

(d) Preservation of Corporate Existence, Etc. Preserve and maintain, and cause each of its Material Subsidiaries to preserve and maintain, its corporate existence, rights (charter and statutory) and franchises (other than "franchises" as described in Arizona Revised Statutes, Section 40-283 or any successor provision) reasonably necessary in the normal conduct of its business, if the failure to maintain such rights or privileges is reasonably likely to have a Material Adverse Effect, and use its commercially reasonable efforts to preserve and maintain such franchises reasonably necessary in the normal conduct of its business, except that (i) the Borrower from time to time may make minor extensions of its lines, plants, services or systems prior to the time a related franchise, certificate of convenience and necessity, license or permit is procured, (ii) from time to time communities served by the Borrower may become incorporated and considerable time may elapse before such a franchise is procured, (iii) certain such franchises may have expired prior to the renegotiation thereof, (iv) certain minor defects and exceptions may exist which, individually and in the aggregate, are not material and (v) certain franchises, certificates, licenses and permits may not be specific as to their geographical scope; provided, however, that the Borrower and its Subsidiaries may consummate any merger or consolidation permitted under Section 5.02(b).

(e) Visitation Rights. At any reasonable time and from time to time, permit and cause each of its Subsidiaries to permit the Agent or any of the Lenders or any agents or representatives thereof, to examine and make copies of and abstracts from the records and books of account of, and visit the properties of, the Borrower and any of its Subsidiaries, and to discuss the affairs, finances and accounts of the Borrower and any of its Subsidiaries with any of their officers or directors; provided, however, that the Borrower and its Subsidiaries reserve the right

to restrict access to any of its properties in accordance with reasonably adopted procedures relating to safety and security; and provided further that the costs and expenses incurred by such Lender or agents or representatives in connection with any such examinations, copies, abstracts, visits or discussions shall be, upon the occurrence and during the continuation of a Default, for the account of the Borrower and, in all other circumstances, for the account of such Lender.

(f) Keeping of Books. Keep, and cause each of its Material Subsidiaries to keep, proper books of record and account, in which full and correct entries shall be made of all financial transactions and the assets and business of the Borrower and each such Subsidiary in a manner that permits the preparation of financial statements in accordance with GAAP.

(g) Maintenance of Properties, Etc. Keep, and cause each Material Subsidiary to keep, all property useful and necessary in its business in good working order and condition (ordinary wear and tear excepted), if the failure to do so is reasonably likely to have a Material Adverse Effect, it being understood that this covenant relates only to the working order and condition of such properties and shall not be construed as a covenant not to dispose of properties.

(h) Reporting Requirements. Furnish to the Agent:

(i) as soon as available and in any event within 50 days after the end of each of the first three fiscal quarters of each fiscal year of the Borrower, (A) for each such fiscal quarter of the Borrower, Consolidated statements of income and cash flows of the Borrower for such fiscal quarter setting forth in each case in comparative form the corresponding figures for the corresponding fiscal quarter in the preceding fiscal year and (B) for the period commencing at the end of the previous fiscal year and ending with the end of each fiscal quarter, Consolidated statements of income and cash flows of the Borrower for such period setting forth in each case in comparative form the corresponding figures for the corresponding period in the preceding fiscal year; provided that so long as the Borrower remains subject to the reporting requirements of the Securities Exchange Act of 1934, as amended, the Borrower may provide, in satisfaction of the requirements of this first sentence of this Section 5.01(h)(i), its report on Form 10-Q for such fiscal quarter. Each set of financial statements provided under this Section 5.01(h)(i) shall be accompanied by a certificate of an Authorized Officer, which certificate shall state that said Consolidated financial statements fairly present in all material respects the Consolidated financial condition and results of operations of the Borrower in accordance with GAAP (except as disclosed therein) as at the end of, and for, such period (subject to normal year-end audit adjustments) and shall set forth reasonably detailed calculations demonstrating compliance with Section 5.03;

(ii) as soon as available and in any event within 90 days after the end of each fiscal year of the Borrower, audited Consolidated statements of income and cash flows of the Borrower for such year and the related Consolidated balance sheet of the Borrower as at the end of such year, setting forth in each case in comparative form the corresponding figures for the preceding fiscal year; provided that, so long as the Borrower remains subject to the reporting requirements of the Securities Exchange Act of 1934, as amended, the Borrower may provide, in satisfaction of the requirements of this first sentence of this Section 5.01(h)(ii), its report on Form 10-K for such fiscal year. Each set

of financial statements provided pursuant to this Section 5.01(h)(ii) shall be accompanied by (A) an opinion thereon of independent certified public accountants of recognized national standing, which opinion shall state that said Consolidated financial statements fairly present in all material respects the Consolidated financial condition and results of operations of the Borrower as at the end of, and for, such fiscal year, in accordance with GAAP (except as disclosed therein) and (B) a certificate of an Authorized Officer, which certificate shall set forth reasonably detailed calculations demonstrating compliance with Section 5.03;

(iii) as soon as possible and in any event within five days after any Authorized Officer of the Borrower knows of the occurrence of each Default continuing on the date of such statement, a statement of an Authorized Officer of the Borrower setting forth details of such Default and the action that the Borrower has taken and proposes to take with respect thereto;

(iv) promptly after the sending or filing thereof, copies of all reports and registration statements (other than exhibits thereto and registration statements on Form S-8 or its equivalent) that the Borrower or any Subsidiary files with the Securities and Exchange Commission;

(v) promptly after an Authorized Officer becomes aware of the commencement thereof, notice of all actions and proceedings before any court, governmental agency or arbitrator affecting the Borrower or any of its Subsidiaries of the type described in Section 4.01(f), except with respect to any matter referred to in Section 4.01(f)(ii), to the extent disclosed in a report on Form 8-K, Form 10-Q or Form 10-K of the Borrower;

(vi) promptly after (A) any amendment or modification of the 2007 Order, (B) any amendment or modification of Arizona Revised Statutes, Section 40-302, or the promulgation, amendment or modification of any successor or similar statute, or (C) the promulgation, amendment or modification of any Subsequent Order by the Arizona Corporation Commission or any successor thereto, in any case if such amendment, modification or promulgation could affect the validity or enforceability of the indebtedness of the Borrower pursuant to this Agreement, a copy thereof;

(vii) promptly after an Authorized Officer becomes aware of the occurrence thereof, notice of any change by Moody's or S&P of their respective Public Debt Rating or of the cessation (or subsequent commencement) by Moody's or S&P of publication of their respective Public Debt Rating;

(viii) promptly after the occurrence of any ERISA Event, together with (x) a written statement of an Authorized Officer of the Borrower specifying the details of such ERISA Event and the action that the Borrower has taken and proposes to take with respect thereto, (y) a copy of any notice with respect to such ERISA Event that may be required to be filed with the PBGC and (z) a copy of any notice delivered by the PBGC to the Borrower or an ERISA Affiliate with respect to such ERISA Event; and

(ix) such other information respecting the Borrower or any of its Subsidiaries as any Lender through the Agent may from time to time reasonably request.

Information required to be delivered pursuant to Sections 5.01(h)(i), (ii) and (iv) above shall be deemed to have been delivered on the date on which the Borrower provides notice to the Agent that such information has been posted on the Borrower's parent's website on the Internet at www.pinnaclewest.com, at sec.gov/edaux/searches.htm or at another website identified in such notice and accessible by the Lenders without charge; provided that (i) such notice may be included in a certificate delivered pursuant to Section 5.01(h)(i) or (ii) and (ii) the Borrower shall deliver paper copies of the information referred to in Section 5.01(h)(i), (ii), and (iv) to any Lender which requests such delivery.

(i) Change in Nature of Business. Conduct the same general type of business conducted on the date hereof.

Section 5.02 Negative Covenants. So long as any Advance shall remain unpaid, any Letter of Credit shall remain outstanding or any Lender shall have any Commitment hereunder, the Borrower shall not:

(a) Liens, Etc. Create or suffer to exist, or permit any of its Material Subsidiaries to create or suffer to exist, any Lien on or with respect to any of its properties, whether now owned or hereafter acquired, or assign, or permit any of its Material Subsidiaries to assign, any right to receive income, other than:

(i) Permitted Liens;

(ii) Liens upon or in, or conditional sales agreements or other title retention agreements with respect to, any real or personal property acquired or held by the Borrower or any Subsidiary in the ordinary course of business to secure the purchase price of such property, or the construction of or improvements to such property, or to secure Indebtedness incurred solely for the purpose of financing the acquisition, construction or improvement of such property to be subject to such Liens (including any Liens placed on such property within 180 days after the latest of the acquisition, completion of construction or improvement of such property), or Liens existing on such property at the time of its acquisition (other than any such Liens created in contemplation of such acquisition that were not incurred to finance the acquisition of such property) or extensions, renewals, refundings or replacements of any of the foregoing for the same or a lesser amount, provided, however, that no such Lien shall extend to or cover any properties of any character other than the property being acquired, constructed or improved and proceeds, improvements and replacements thereof and no such extension, renewal, refunding or replacement shall extend to or cover any properties not theretofore subject to the Lien being extended, renewed, refunded or replaced;

(iii) assignments of the right to receive income, and Liens on property, of a Person existing at the time such Person is merged into or consolidated with the Borrower or any Subsidiary of the Borrower or becomes a Subsidiary of the Borrower;

(iv) Liens with respect to the leases and related documents entered into by the Borrower in connection with PVNGS Unit 2 and Liens with respect to the leased interests and related rights if the Borrower reacquires ownership in any of those interests or acquires any of the equity or owner participants' interests in the trusts that hold title to such leased interests, whether or not it also directly assumes the Sale Leaseback Obligation Bonds, and Liens on the Borrower's interests in the trusts that hold title to such leased interests and related rights in the event that the Borrower acquires any of the equity or owner participants' interests in such trusts pursuant to a "special transfer" under the Borrower's existing PVNGS Unit 2 sale and leaseback transactions and any Liens resulting or deemed to have resulted if the PVNGS Unit 2 leases are required to be accounted for as capital leases in accordance with GAAP;

(v) other assignments of the right to receive income and Liens securing Indebtedness or claims in an aggregate principal amount not to exceed 20% of the Borrower's total assets as stated on the most recent balance sheet of the Borrower provided pursuant to Section 4.01(e)(i) or 5.01(h)(ii) hereof at any time outstanding; and

(vi) the replacement, extension or renewal of any Lien permitted by clause (iii) or (iv) above upon or in the same property theretofore subject thereto or the replacement, extension or renewal (without increase in the amount or change in any direct or contingent obligor) of the Indebtedness secured thereby.

(b) Mergers, Etc. Merge or consolidate with or into any Person, or permit any of its Material Subsidiaries to do so, except that (i) any Material Subsidiary of the Borrower may merge or consolidate with or into any other Material Subsidiary of the Borrower, (ii) any Subsidiary of the Borrower may merge into the Borrower or any Material Subsidiary of the Borrower and (iii) the Borrower or any Material Subsidiary may merge with any other Person so long as the Borrower or such Material Subsidiary is the surviving corporation, provided, in each case, that no Default shall have occurred and be continuing at the time of such proposed transaction or would result therefrom.

(c) Sales, Etc. of Assets. Sell, lease, transfer or otherwise dispose of, or permit any of its Material Subsidiaries to sell, lease, transfer or otherwise dispose of, any assets, or grant any option or other right to purchase, lease or otherwise acquire any assets to any Person other than the Borrower or any Subsidiary of the Borrower, except (i) dispositions in the ordinary course of business, including, without limitation, sales or other dispositions of electricity and related and ancillary services, other commodities, emissions credits and similar mechanisms for reducing pollution, and damaged, obsolete, worn out or surplus property no longer required or useful in the business or operations of the Borrower or any of its Subsidiaries, (ii) sale or other disposition of patents, copyrights, trademarks or other intellectual property that are, in the Borrower's reasonable judgment, no longer economically practicable to maintain or necessary in the conduct of the business of the Borrower or its Subsidiaries and any license or sublicense of intellectual property that does not interfere with the business of the Borrower or any Material Subsidiary, (iii) in a transaction authorized by subsection (b) of this Section, (iv) individual dispositions occurring in the ordinary course of business which involve assets with a book value not exceeding $5,000,000, (v) sales, leases, transfers or dispositions of assets during the term of this Agreement having an aggregate book value not to exceed 30% of the total of all assets properly

appearing on the most recent balance sheet of the Borrower provided pursuant to Section 4.01(e)(i) or 5.01(h)(ii) hereof, (vi) at any time following the consummation of the Four Corners Acquisition and the closure by the Borrower of Units 1, 2 and 3 of the Four Corners Power Plant near Farmington, New Mexico, as described in the SEC Reports, disposition of all or any portion of the Borrower's interests in such Units 1, 2 and 3, and (vii) any Lien permitted under Section 5.02(a).

Section 5.03 Financial Covenant. So long as any Advance shall remain unpaid, any Letter of Credit shall remain outstanding or any Lender shall have any Commitment hereunder, the Borrower will maintain a ratio of (a) Consolidated Indebtedness to (b) the sum of Consolidated Indebtedness plus Consolidated Net Worth of not greater than 0.65 to 1.0.

ARTICLE VI

EVENTS OF DEFAULT

Section 6.01 Events of Default. If any of the following events ("Events of Default") shall occur and be continuing:

(a) The Borrower shall fail to pay when due (i) any principal of any Advance, (ii) any drawing under any Letter of Credit, or (iii) any interest on any Advance or any other fees or other amounts payable under this Agreement or any other Loan Documents, and (in the case of this clause (iii) only), such failure shall continue for a period of three Business Days; or

(b) Any representation or warranty made by the Borrower herein or by the Borrower (or any of its officers) in any certificate or other document delivered in connection with this Agreement or any other Loan Document shall prove to have been incorrect in any material respect when made or deemed made or furnished; or

(c) (i) The Borrower shall fail to perform or observe any term, covenant or agreement contained in Section 5.01(d) (as to the corporate existence of the Borrower), (h)(iii) or (h)(vi), 5.02 or 5.03, or (ii) the Borrower shall fail to perform or observe any other term, covenant or agreement contained in Section 5.01(e) if such failure shall remain unremedied for 15 days after written notice thereof shall have been given to the Borrower by the Agent or any Lender or (iii) the Borrower shall fail to perform or observe any other term, covenant or agreement contained in this Agreement or any other Loan Document on its part to be performed or observed if such failure shall remain unremedied for 30 days after written notice thereof shall have been given to the Borrower by the Agent or any Lender; or

(d) (i) The Borrower or any of its Material Subsidiaries shall fail to pay (A) any principal of or premium or interest on any Indebtedness that is outstanding in a principal amount of at least $35,000,000 in the aggregate (but excluding Indebtedness outstanding hereunder), or (B) an amount, or post collateral as contractually required in an amount, of at least $35,000,000 in respect of any Hedge Agreement, of the Borrower or such Material Subsidiary (as the case may be), in each case, when the same becomes due and payable (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise), and such failure shall continue after the applicable grace period, if any, specified in the agreement or instrument relating to such

Indebtedness or Hedge Agreement; or (ii) any event of default shall exist under any agreement or instrument relating to any such Indebtedness and shall continue after the applicable grace period, if any, specified in such agreement or instrument, if the effect of such event is to accelerate, or to permit the acceleration of, the maturity of such Indebtedness; or

(e) The Borrower or any of its Material Subsidiaries shall fail to pay any principal of or premium or interest in respect of any operating lease in respect of which the payment obligations of the Borrower have a present value of at least $35,000,000, when the same becomes due and payable (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise), and such failure shall continue after the applicable grace period, if any, specified in such operating lease, if the effect of such failure is to terminate, or to permit the termination of, such operating lease; or

(f) The Borrower or any of its Material Subsidiaries shall generally not pay its debts as such debts become due, or shall admit in writing its inability to pay its debts generally, or shall make a general assignment for the benefit of creditors; or any proceeding shall be instituted by or against the Borrower or any of its Material Subsidiaries seeking to adjudicate it a bankrupt or insolvent, or seeking liquidation, winding up, reorganization, arrangement, adjustment, protection, relief, or composition of it or its debts under any Debtor Relief Law, or seeking the entry of an order for relief or the appointment of a receiver, trustee, custodian or other similar official for it or for any substantial part of its property and, in the case of any such proceeding instituted against it (but not instituted by it), either such proceeding shall remain undismissed or unstayed for a period of 60 days, or any of the actions sought in such proceeding (including, without limitation, the entry of an order for relief against, or the appointment of a receiver, trustee, custodian or other similar official for, it or for any substantial part of its property) shall occur; or the Borrower or any of its Material Subsidiaries shall take any corporate action to authorize any of the actions set forth above in this subsection (f); or

(g) Judgments or orders for the payment of money that exceeds any applicable insurance coverage (the insurer of which shall be rated at least "A" by A.M. Best Company) by more than $35,000,000 in the aggregate shall be rendered against the Borrower or any Material Subsidiary and such judgments or orders shall continue unsatisfied or unstayed for a period of 45 days; or

(h) (i) any "person" or "group" (as such terms are used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, but excluding any employee benefit plan of such person or its subsidiaries, and any person or entity acting in its capacity as trustee, agent or other fiduciary or administrator of any such plan) becomes the "beneficial owner" (as defined in Rules 13d-3 and 13d-5 under the Securities Exchange Act of 1934), directly or indirectly, of 30% or more of the equity securities of PWCC entitled to vote for members of the board of directors of PWCC; or (ii) during any period of 24 consecutive months, a majority of the members of the board of directors of PWCC cease (other than due to death or disability) to be composed of individuals (A) who were members of that board on the first day of such period, (B) whose election or nomination to that board was approved by individuals referred to in clause (A) above constituting at the time of such election or nomination at least a majority of that board or (C) whose election or nomination to that board was approved by individuals referred to in clauses (A) and (B) above constituting at the time of such election or nomination at least a majority of

that board; or (iii) PWCC shall cease for any reason to own, directly or indirectly, 80% of the Voting Stock of the Borrower; or

(i) (i) An ERISA Event occurs with respect to a Pension Plan or Multiemployer Plan which has resulted or could reasonably be expected to result in liability of the Borrower under Title IV of ERISA to the Pension Plan, Multiemployer Plan or the PBGC in an aggregate amount in excess of $35,000,000, or (ii) the Borrower or any ERISA Affiliate fails to pay when due, after the expiration of any applicable grace period, any installment payment with respect to its withdrawal liability under Section 4201 of ERISA under a Multiemployer Plan in an aggregate amount in excess of $35,000,000;

then, and in any such event, the Agent shall at the request, or may with the consent, of the Required Lenders, by notice to the Borrower, (i) declare the obligation of each Lender to make Advances (other than L/C Advances) and of the Issuing Banks to issue Letters of Credit to be terminated, whereupon the same shall forthwith terminate, (ii) declare the Advances, all interest thereon and all other amounts payable under this Agreement to be forthwith due and payable, whereupon the Advances, all such interest and all such amounts shall become and be forthwith due and payable, without presentment, demand, protest or further notice of any kind, all of which are hereby expressly waived by the Borrower; provided, however, that in the event of an actual or deemed entry of an order for relief with respect to the Borrower under the Bankruptcy Code of the United States of America, (A) the obligation of each Lender to make Advances (other than L/C Advances) and of the Issuing Banks to issue Letters of Credit shall automatically be terminated and (B) the Advances, all such interest and all such amounts shall automatically become and be due and payable, without presentment, demand, protest or any notice of any kind, all of which are hereby expressly waived by the Borrower and (iii) exercise all rights and remedies available to it under this Agreement, the other Loan Documents and applicable Law.

Section 6.02 Actions in Respect of Letters of Credit upon Default. If any Event of Default shall have occurred and be continuing, the Agent may with the consent, or shall at the request, of the Required Lenders, irrespective of whether it is taking any of the actions described in Section 6.01 or otherwise, (a) make demand upon the Borrower to, and forthwith upon such demand the Borrower will Cash Collateralize the aggregate Available Amount of all Letters of Credit then outstanding (whether or not any beneficiary under any Letter of Credit shall have drawn or be entitled at such time to draw thereunder) or (b) make such other arrangements in respect of the outstanding Letters of Credit as shall be acceptable to the Required Lenders, provided, however, that in the event of an actual or deemed entry of an order for relief with respect to the Borrower under the Bankruptcy Code of the United States of America, the Borrower will Cash Collateralize the aggregate Available Amount of all Letters of Credit then outstanding, without presentment, demand, protest or any notice of any kind, all of which are hereby expressly waived by the Borrower. If at any time the Agent determines that any funds held in the L/C Cash Deposit Account are subject to any right or interest of any Person other than the Agent, the Issuing Banks and the Lenders or that the total amount of such funds is less than the aggregate Available Amount of all Letters of Credit, the Borrower will, forthwith upon demand by the Agent, pay to the Agent, as additional funds to be deposited and held in the L/C Cash Deposit Account, an amount equal to the excess of (a) such aggregate Available Amount over (b) the total amount of funds, if any, then held in the L/C Cash Deposit Account that are free and clear of any such right and interest. Upon the drawing of any Letter of Credit, to the

extent funds are on deposit in the L/C Cash Deposit Account, such funds shall be applied to reimburse the Issuing Banks to the extent permitted by applicable Law, or each Lender to the extent such Lender has funded a Revolving Advance in respect of such Letter of Credit. The Borrower hereby grants to the Agent, for the benefit of the Issuing Banks and the Lenders, a Lien upon and security interest in the L/C Cash Deposit Account and all amounts held therein from time to time as security for the L/C Obligations, and for application to the Borrower's reimbursement obligations as and when the same shall arise. The Agent shall have exclusive dominion and control, including the exclusive right of withdrawal, over such account. After all such Letters of Credit shall have expired or been fully drawn upon and all other obligations of the Borrower hereunder and under the other Loan Documents shall have been paid in full, the balance, if any, in such L/C Cash Deposit Account shall be promptly returned to the Borrower.

ARTICLE VII

THE AGENT

Section 7.01 Appointment and Authority. Each of the Lenders (for purposes of this Article, references to the Lenders shall also mean the Issuing Banks) hereby irrevocably appoints Barclays Bank to act on its behalf as the Agent hereunder and under the other Loan Documents and authorizes the Agent to take such actions on its behalf and to exercise such powers as are delegated to the Agent by the terms hereof or thereof, together with such actions and powers as are reasonably incidental thereto. Except as set forth in Section 7.06, the provisions of this Article are solely for the benefit of the Agent and the Lenders, and neither the Borrower nor any of its Affiliates shall have rights as a third party beneficiary of any of such provisions.

Section 7.02 Rights as a Lender. The Person serving as the Agent hereunder shall have the same rights and powers in its capacity as a Lender as any other Lender and may exercise the same as though it were not the Agent and the term "Lender" or "Lenders" shall, unless otherwise expressly indicated or unless the context otherwise requires, include the Person serving as the Agent hereunder in its individual capacity. Such Person and its Affiliates may accept deposits from, lend money to, act as the financial advisor or in any other advisory capacity for and generally engage in any kind of business with the Borrower or any Subsidiary or other Affiliate thereof as if such Person were not the Agent hereunder and without any duty to account therefor to the Lenders.

Section 7.03 Exculpatory Provisions. The Agent shall not have any duties or obligations except those expressly set forth herein and in the other Loan Documents. Without limiting the generality of the foregoing, the Agent:

(a) shall not be subject to any fiduciary or other implied duties, regardless of whether a Default has occurred and is continuing;

(b) shall not have any duty to take any discretionary action or exercise any discretionary powers, except discretionary rights and powers expressly contemplated hereby or by the other Loan Documents that the Agent is required to exercise as directed in writing by the Required Lenders (or such other number or percentage of the Lenders as shall be expressly

provided for herein), provided that the Agent shall not be required to take any action that, in its opinion or the opinion of its counsel, may expose the Agent to liability or that is contrary to any Loan Document or applicable Law; and

(c) shall not, except as expressly set forth herein and in the other Loan Documents, have any duty to disclose, and shall not be liable for the failure to disclose, any information relating to the Borrower or any of its Affiliates that is communicated to or obtained by the Person serving as the Agent or any of its Affiliates in any capacity.

The Agent shall not be liable for any action taken or not taken by it (i) with the consent or at the request of the Required Lenders (or such other number or percentage of the Lenders as shall be necessary, or as the Agent shall believe in good faith shall be necessary, under the circumstances as provided in Section 6.01 and 8.01) or (ii) in the absence of its own gross negligence or willful misconduct. The Agent shall be deemed not to have knowledge of any Default unless and until notice describing such Default is given to the Agent by the Borrower or a Lender.

The Agent shall not be responsible for or have any duty to ascertain or inquire into (i) any statement, warranty or representation made in or in connection with this Agreement or any other Loan Document, (ii) the contents of any certificate, report or other document delivered hereunder or thereunder or in connection herewith or therewith, (iii) the performance or observance of any of the covenants, agreements or other terms or conditions set forth herein or therein or the occurrence of any Default, (iv) the validity, enforceability, effectiveness or genuineness of this Agreement, any other Loan Document or any other agreement, instrument or document or (v) the satisfaction of any condition set forth in Article III or elsewhere herein, other than to confirm receipt of items expressly required to be delivered to the Agent.

Section 7.04 Reliance by Agent. The Agent shall be entitled to rely upon, and shall not incur any liability for relying upon, any notice, request, certificate, consent, statement, instrument, document or other writing (including any electronic message, internet or intranet website posting or other distribution) believed by it to be genuine and to have been signed, sent or otherwise authenticated by the proper Person. The Agent also may rely upon any statement made to it orally or by telephone and believed by it to have been made by the proper Person, and shall not incur any liability for relying thereon. In determining compliance with any condition hereunder to the making of any Advance, or the issuance of a Letter of Credit, that by its terms must be fulfilled to the satisfaction of a Lender or an Issuing Bank, the Agent may presume that such condition is satisfactory to such Lender or such Issuing Bank unless the Agent shall have received notice to the contrary from such Lender or such Issuing Bank prior to the making of such Advance or the issuance of such Letter of Credit. The Agent may consult with legal counsel (who may be counsel for the Borrower), independent accountants and other experts selected by it, and shall not be liable for any action taken or not taken by it in good faith in accordance with the advice of any such counsel, accountants or experts.

Section 7.05 Delegation of Duties. The Agent may perform any and all of its duties and exercise its rights and powers hereunder or under any other Loan Document by or through any one or more sub-agents appointed by the Agent. The Agent and any such sub-agent may perform any and all of its duties and exercise its rights and powers by or through their respective

Related Parties. The exculpatory provisions of this Article shall apply to any such sub-agent and to the Related Parties of the Agent and any such sub-agent, and shall apply to their respective activities in connection with the syndication of the credit facilities provided for herein as well as activities as Agent.

Section 7.06 Resignation of Agent. The Agent may at any time give notice of its resignation to the Lenders and the Borrower. Upon receipt of any such notice of resignation, the Required Lenders shall have the right, with the consent of the Borrower so long as no Event of Default has occurred and is continuing, to appoint a successor, which shall be a bank with an office in the United States of America, or an Affiliate of any such bank with an office in the United States of America. If no such successor shall have been so appointed by the Required Lenders and shall have accepted such appointment within 45 days after the retiring Agent gives notice of its resignation, then the retiring Agent may, on behalf of the Lenders, appoint a successor Agent meeting the qualifications set forth above; provided that if the Agent shall notify the Borrower and the Lenders that no qualifying Person has accepted such appointment, then such resignation shall nonetheless become effective in accordance with such notice and (1) the retiring Agent shall be discharged from its duties and obligations hereunder and under the other Loan Documents (except that in the case of any collateral security held by the Agent on behalf of the Lenders under any of the Loan Documents, the retiring Agent shall continue to hold such collateral security until such time as a successor Agent is appointed) and (2) all payments, communications and determinations provided to be made by, to or through the Agent shall instead be made by or to each Lender directly, until such time as the Required Lenders appoint a successor Agent as provided for above in this Section. Upon the acceptance of a successor's appointment as Agent hereunder, such successor shall succeed to and become vested with all of the rights, powers, privileges and duties of the retiring (or retired) Agent, and the retiring Agent shall be discharged from all of its duties and obligations hereunder or under the other Loan Documents (if not already discharged therefrom as provided above in this Section). The fees payable by the Borrower to a successor Agent shall be as agreed between the Borrower and such successor. After the retiring Agent's resignation hereunder and under the other Loan Documents, the provisions of this Article and Section 8.04 shall continue in effect for the benefit of such retiring Agent, its sub-agents and their respective Related Parties in respect of any actions taken or omitted to be taken by any of them while the retiring Agent was acting as Agent.

Section 7.07 Non-Reliance on Agent and Other Lenders. Each Lender acknowledges that it has, independently and without reliance upon the Agent or any other Lender or any of their Related Parties and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Lender also acknowledges that it will, independently and without reliance upon the Agent or any other Lender or any of their Related Parties and based on such documents and information as it shall from time to time deem appropriate, continue to make its own decisions in taking or not taking action under or based upon this Agreement, any other Loan Document or any related agreement or any document furnished hereunder or thereunder.

Section 7.08 No Other Duties, Etc. Anything herein to the contrary notwithstanding, none of the Arrangers, Syndication Agents, Documentation Agents or other agents listed on the cover page hereof shall have any powers, duties or responsibilities under this Agreement or any

of the other Loan Documents, except in its capacity, as applicable, as the Agent or a Lender hereunder.

Section 7.09 Issuing Banks. Each Issuing Bank shall act on behalf of the Lenders with respect to any Letters of Credit issued by it and the documents associated therewith, and each Issuing Bank shall have all of the benefits and immunities provided in this Article VII (other than Section 7.02) to the same extent as such provisions apply to the Agent.

ARTICLE VIII

MISCELLANEOUS

Section 8.01 Amendments, Etc. No amendment or waiver of any provision of this Agreement or any other Loan Document, nor consent to any departure by the Borrower therefrom, shall in any event be effective unless the same shall be in writing and signed by the Required Lenders, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given; provided, however, that no amendment, waiver or consent shall

(a) unless agreed to by each Lender directly affected thereby, (i) reduce or forgive the principal amount of any Advance or the Borrower's obligations to reimburse any drawing on a Letter of Credit, reduce the rate of or forgive any interest thereon (provided that only the consent of the Required Lenders shall be required to waive the applicability of any post-default increase in interest rates), or reduce or forgive any fees hereunder (other than fees payable to the Agent, the Arrangers, any Issuing Bank or the Swingline Lender, if any, for their own respective accounts), (ii) extend the final scheduled maturity date or any other scheduled date for the payment of any principal of or interest on any Advance, extend the time of payment of any obligation of the Borrower to reimburse any drawing on any Letter of Credit or any interest thereon, extend the expiry date of any Letter of Credit beyond the Letter of Credit Expiration Date, or extend the time of payment of any fees hereunder (other than fees payable to the Agent, the Arrangers, any Issuing Bank or the Swingline Lender, if any, for their own respective accounts), or (iii) increase any Revolving Credit Commitment of any such Lender over the amount thereof in effect or extend the maturity thereof (it being understood that a waiver of any condition precedent set forth in Section 3.02 or of any Default, if agreed to by the Required Lenders or all Lenders (as may be required hereunder with respect to such waiver), shall not constitute such an increase);

(b) unless agreed to by all of the Lenders, (i) reduce the percentage of the aggregate Revolving Credit Commitments or of the aggregate unpaid principal amount of the Advances, or the number or percentage of Lenders, that shall be required for the Lenders or any of them to take or approve, or direct the Agent to take, any action hereunder or under any other Loan Document (including as set forth in the definition of "Required Lenders"), (ii) change any other provision of this Agreement or any of the other Loan Documents requiring, by its terms, the consent or approval of all the Lenders for such amendment, modification, waiver, discharge, termination or consent, or (iii) change or waive any provision of Section 2.15, any other

provision of this Agreement or any other Loan Document requiring pro rata treatment of any Lenders, or this Section 8.01 or Section 2.19(b); and

(c) unless agreed to by the Issuing Banks, the Swingline Lender, if any, or the Agent in addition to the Lenders required as provided hereinabove to take such action, affect the respective rights or obligations of the Issuing Banks, the Swingline Lender, if any, or the Agent, as applicable, hereunder or under any of the other Loan Documents.

(d) Notwithstanding the foregoing, this Agreement may be amended (or amended and restated) pursuant to an increase in the Revolving Credit Commitment pursuant to Section 2.18 with only the consents prescribed by such Section.

Section 8.02 Notices, Etc.

(a) All notices and other communications provided for hereunder shall be either (x) in writing (including facsimile communication) and mailed, faxed or delivered or (y) as and to the extent set forth in Sections 8.02(b) and (c) and in the proviso to this Section 8.02(a), if to the Borrower, at the address specified on Schedule 8.02; if to any Lender, at its Domestic Lending Office; if to the Agent, at the address specified on Schedule 8.02; if to the Swingline Lender, at the address specified by the Swingline Lender to the Borrower and the Agent, and if to any Issuing Bank, at the address specified on Schedule 8.02 or, as to the Borrower or the Agent, at such other address as shall be designated by such party in a written notice to the other parties and, as to each other party, at such other address as shall be designated by such party in a written notice to the Borrower and the Agent. All such notices and communications shall, when mailed or faxed, be effective when deposited in the mails or faxed, respectively, except that notices and communications to the Agent pursuant to Article II, III or VII shall not be effective until received by the Agent. Delivery by facsimile of an executed counterpart of any amendment or waiver of any provision of this Agreement or the Notes or of any Exhibit hereto to be executed and delivered hereunder shall be effective as delivery of a manually executed counterpart thereof. Notices delivered through electronic communications to the extent provided in subsection (b) below, shall be effective as provided in such subsection (b). Upon request of the Borrower, the Agent will provide to the Borrower (i) copies of each Administrative Questionnaire or (ii) the address of each Lender.

(b) Notices and other communications to the Lenders, the Agent and the Issuing Banks hereunder may be delivered or furnished by electronic communication (including e-mail and Internet or intranet websites) pursuant to procedures approved by the Agent and agreed to by the Borrower, provided that the foregoing shall not apply to notices to any Lender or the Issuing Banks pursuant to Article II if such Lender or the Issuing Banks, as applicable, has notified the Agent and the Borrower that it is incapable of receiving notices under such Article by electronic communication. The Agent or the Borrower may, in its discretion, agree to accept notices and other communications to it hereunder by electronic communications pursuant to procedures approved by it, provided that approval of such procedures may be limited to particular notices or communications. Unless the Agent and the Borrower otherwise agree, (i) notices and other communications sent to an e-mail address shall be deemed received upon the sender's receipt of an acknowledgement from the intended recipient (such as by the "return receipt requested" function, as available, return e-mail or other written acknowledgement), provided that if such

notice or other communication is not sent during the normal business hours of the recipient, such notice or communication shall be deemed to have been sent at the opening of business on the next business day for the recipient, and (ii) notices or communications posted to an Internet or intranet website shall be deemed received upon the deemed receipt by the intended recipient at its e-mail address as described in the foregoing clause (i) of notification that such notice or communication is available and identifying the website address therefor.

(c) The Borrower agrees that the Agent may make materials delivered to the Agent pursuant to Sections 5.01(h)(i), (ii) and (iv), as well as any other written information, documents, instruments and other material relating to the Borrower or any of its Subsidiaries and relating to this Agreement, the Notes or the transactions contemplated hereby, or any other materials or matters relating to this Agreement, the Notes or any of the transactions contemplated hereby (collectively, the "Communications") available to the Lenders by posting such notices on Intralinks or a substantially similar electronic system (the "Platform"). The Borrower acknowledges that (i) the distribution of material through an electronic medium is not necessarily secure and that there are confidentiality and other risks associated with such distribution, (ii) the Platform is provided "as is" and "as available" and (iii) neither the Agent nor any of its Affiliates warrants the accuracy, adequacy or completeness of the Communications or the Platform and each expressly disclaims liability for errors or omissions in the Communications or the Platform. No warranty of any kind, express, implied or statutory, including, without limitation, any warranty of merchantability, fitness for a particular purpose, non-infringement of third party rights or freedom from viruses or other code defects, is made by the Agent or any of its Affiliates in connection with the Platform.

(d) Each Lender agrees that notice to it (as provided in the next sentence) (a "Notice") specifying that any Communications have been posted to the Platform shall constitute effective delivery of such information, documents or other materials to such Lender for purposes of this Agreement; provided that if requested by any Lender the Agent shall deliver a copy of the Communications to such Lender by e-mail, facsimile or mail. Each Lender agrees (i) to notify the Agent in writing of such Lender's e-mail address to which a Notice may be sent by electronic transmission (including by electronic communication) on or before the date such Lender becomes a party to this Agreement (and from time to time thereafter to ensure that the Agent has on record an effective e-mail address for such Lender) and (ii) that any Notice may be sent to such e-mail address.

(e) The Borrower hereby acknowledges that certain of the Lenders may be "public-side" Lenders (*i.e.,* Lenders that do not wish to receive material non-public information with respect to the Borrower or its securities) (each, a "Public Lender"). The Borrower hereby agrees that (w) all Communications that are to be made available to Public Lenders shall be clearly and conspicuously marked "PUBLIC" which shall mean that the word "PUBLIC" shall appear prominently on the first page thereof; (x) by marking Communications "PUBLIC," the Borrower shall be deemed to have authorized the Agent, the Arranger and the Lenders to treat such Communications as not containing any material non-public information with respect to the Borrower or its securities for purposes of United States of America federal and state securities laws; (y) all Communications marked "PUBLIC" are permitted to be made available through a portion of the Platform designated as "Public Investor;" and (z) the Agent and the Arranger shall be entitled to treat any Communications that are not marked "PUBLIC" as being suitable only

for posting on a portion of the Platform not marked as "Public Investor." Notwithstanding the foregoing, the Borrower shall be under no obligation to mark any Communications "PUBLIC." Notwithstanding anything to the contrary herein, the Borrower and the Agent need not provide to any Public Lender any information, notice, or other document hereunder that is not public information, including without limitation, the Notice of Borrowing and any notice of Default.

Section 8.03 No Waiver; Cumulative Remedies; Enforcement. No failure by any Lender, any Issuing Bank or the Agent to exercise, and no delay by any such Person in exercising, any right, remedy, power or privilege hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege. The rights, remedies, powers and privileges herein provided are cumulative and not exclusive of any rights, remedies, powers and privileges provided by Law.

Notwithstanding anything to the contrary contained herein or in any other Loan Document, the authority to enforce rights and remedies hereunder and under the other Loan Documents against the Borrower shall be vested exclusively in, and all actions and proceedings at Law in connection with such enforcement shall be instituted and maintained exclusively by, the Agent in accordance with Article VI for the benefit of all the Lenders and the Issuing Banks; provided, however, that the foregoing shall not prohibit (a) the Agent from exercising on its own behalf the rights and remedies that inure to its benefit (solely in its capacity as Agent) hereunder and under the other Loan Documents, (b) any Issuing Bank from exercising the rights and remedies that inure to its benefit (solely in its capacity as an Issuing Bank) hereunder and under the other Loan Documents, (c) any Lender from exercising setoff rights in accordance with Section 8.05 (subject to the terms of Section 2.15), or (d) any Lender from filing proofs of claim or appearing and filing pleadings on its own behalf during the pendency of a proceeding relative to the Borrower under any Debtor Relief Law; and provided, further, that if at any time there is no Person acting as Agent hereunder and under the other Loan Documents, then (i) the Required Lenders shall have the rights otherwise ascribed to the Agent pursuant to Article VI and (ii) in addition to the matters set forth in clauses (b), (c) and (d) of the preceding proviso and subject to Section 2.15, any Lender may, with the consent of the Required Lenders, enforce any rights and remedies available to it and as authorized by the Required Lenders.

Section 8.04 Costs and Expenses; Indemnity; Damage Waiver.

(a) The Borrower agrees to pay on demand all costs and expenses of the Agent in connection with the administration, modification and amendment of this Agreement, the Notes and the other Loan Documents to be delivered hereunder, including, without limitation, the reasonable fees and expenses of counsel for the Agent with respect thereto and with respect to advising the Agent as to its rights and responsibilities under this Agreement. The Borrower further agrees to pay on demand all costs and expenses of the Agent and the Lenders, if any (including, without limitation, reasonable counsel fees and expenses), in connection with the enforcement (whether through negotiations, legal proceedings or otherwise) of this Agreement, the Notes and the other Loan Documents to be delivered hereunder, including, without limitation, reasonable fees and expenses of counsel for the Agent and each Lender in connection with the enforcement of rights under this Section 8.04(a).

(b) The Borrower agrees to indemnify and hold harmless the Agent (and any sub-agent thereof), each Lender, and each Related Party of any of the foregoing (each, an "Indemnified Party") from and against any and all claims, damages, losses, liabilities and expenses (including, without limitation, reasonable fees and expenses of counsel) incurred by or asserted or awarded against any Indemnified Party, in each case arising out of or in connection with or by reason of (including, without limitation, in connection with any investigation, litigation or proceeding or preparation of a defense in connection therewith, whether based on contract, tort or any other theory,) (i) the Notes, this Agreement, any of the transactions contemplated herein or the actual or proposed use of the proceeds of any Advance or Letter of Credit (including any refusal by any Issuing Bank to honor a demand for payment under a Letter of Credit if the documents presented in connection with such demand do not strictly comply with the terms of such Letter of Credit), or (ii) the actual or alleged presence of Hazardous Materials on any property of the Borrower or any of its Subsidiaries or any Environmental Action relating in any way to the Borrower or any of its Subsidiaries, provided that such indemnity shall not, as to any Indemnified Party, be available to the extent (a) such fees and expenses are expressly stated in this Agreement to be payable by the Indemnified Party, included expenses payable under Section 2.14, Section 5.01(e) and Section 8.07(b) or (b) such claim, damage, loss, liability or expense is found in a final, non-appealable judgment by a court of competent jurisdiction to have resulted from such Indemnified Party's gross negligence, willful misconduct or material breach of its obligations under this Agreement, in which case any fees and expenses previously paid or advanced by the Borrower to such Indemnified Party in respect of such indemnified obligation will be returned by such Indemnified Party. In the case of an investigation, litigation or other proceeding to which the indemnity in this Section 8.04(b) applies, such indemnity shall be effective whether or not such investigation, litigation or proceeding is brought by the Borrower, its directors, equityholders or creditors or an Indemnified Party or any other Person, whether or not any Indemnified Party is otherwise a party thereto, and whether or not the transactions contemplated hereby are consummated, provided that if the Borrower and such Indemnified Party are adverse parties in any such litigation or proceeding, and the Borrower prevails in a final, non-appealable judgment by a court of competent jurisdiction, any fees or expenses previously paid or advanced by the Borrower to such Indemnified Party pursuant to this Section 8.04(b) will be returned by such Indemnified Party.

(c) To the extent that the Borrower for any reason fails to indefeasibly pay any amount required under subsection (a) or (b) of this Section to be paid by it to the Agent (or any sub-agent thereof), any Issuing Bank or any Related Party of any of the foregoing (and without limiting its obligation to do so), each Lender severally agrees to pay to the Agent (or any such sub-agent), such Issuing Bank or such Related Party, as the case may be, such Lender's Ratable Share (determined as of the time that the applicable unreimbursed expense or indemnity payment is sought) of such unpaid amount, provided that the unreimbursed expense or indemnified loss, claim, damage, liability or related expense, as the case may be, was incurred by or asserted against the Agent (or any such sub-agent) or such Issuing Bank in its capacity as such, or against any Related Party of any of the foregoing acting for the Agent (or any such sub-agent) or such Issuing Bank in connection with such capacity.

(d) Without limiting the rights of indemnification set forth in this Agreement with respect to liabilities asserted by third parties, each party hereto also agrees not to assert any claim for special, indirect, consequential or punitive damages against the other parties hereto, or any

Related Person any party hereto, on any theory of liability, arising out of or otherwise relating to the Notes, this Agreement, any of the transactions contemplated herein or the actual or proposed use of the proceeds of the Advances or the Letters of Credit. No Indemnified Party shall be liable for any damages arising from the use by unintended recipients of any information or other materials distributed by it through telecommunications, electronic or other information transmission systems (including Intralinks, SyndTrak or similar systems) in connection with this Agreement or the other Loan Documents, provided that such indemnity shall not, as to any Indemnified Party, be available to the extent such damages are found in a final, non-appealable judgment by a court of competent jurisdiction to have resulted from such Indemnified Party's gross negligence or willful misconduct.

(e) If any payment of principal of, or Conversion of, any Eurodollar Rate Advance is made by the Borrower to or for the account of a Lender other than on the last day of the Interest Period for such Revolving Advance, as a result of a payment or Conversion pursuant to Section 2.08(d) or (e), 2.10 or 2.12, acceleration of the maturity of the Revolving Advances pursuant to Section 6.01 or for any other reason, or by an Eligible Assignee to a Lender other than on the last day of the Interest Period for such Revolving Advance upon an assignment of rights and obligations under this Agreement pursuant to Section 8.07 as a result of a demand by the Borrower pursuant to Section 8.07(a), the Borrower shall, upon demand by such Lender (with a copy of such demand to the Agent), pay to the Agent for the account of such Lender any amounts required to compensate such Lender for any additional losses, costs or expenses that it may reasonably incur as a result of such payment or Conversion, including, without limitation, any loss (excluding loss of anticipated profits), cost or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired by any Lender to fund or maintain such Revolving Advance.

(f) Without prejudice to the survival of any other agreement of the Borrower hereunder, the agreements and obligations of the Borrower contained in Sections 2.11, 2.14 and 8.04 shall survive the payment in full of principal, interest and all other amounts payable hereunder and under the Notes.

Section 8.05 Right of Set-off. Upon (i) the occurrence and during the continuance of any Event of Default and (ii) the making of the request or the granting of the consent specified by Section 6.01 to authorize the Agent to declare the Advances due and payable pursuant to the provisions of Section 6.01, each Lender, each Issuing Bank and each of their respective Affiliates is hereby authorized at any time and from time to time, to the fullest extent permitted by Law, to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other indebtedness at any time owing by such Lender, such Issuing Bank or any such Affiliate to or for the credit or the account of the Borrower against any and all of the obligations of the Borrower now or hereafter existing under this Agreement or any other Loan Document to such Lender or Issuing Bank, whether or not such Lender or Issuing Bank shall have made any demand under this Agreement or such Note and although such obligations may be contingent or unmatured or are owed to a branch or office of such Lender or such Issuing Bank different from the branch or office holding such deposit or obligated on such indebtedness. Each Lender and each Issuing Bank agrees promptly to notify the Borrower after any such set-off and application, provided that the failure to give such notice shall not affect the validity of such set-off and application. The rights of each Lender and each Issuing Bank under this Section

are in addition to other rights and remedies (including, without limitation, other rights of set-off) that such Lender may have.

Section 8.06 Binding Effect. Except as provided in Section 3.01, this Agreement shall become effective when it shall have been executed by the Borrower and the Agent and when the Agent shall have been notified by each Initial Lender that such Initial Lender has executed it and thereafter shall be binding upon and inure to the benefit of the Borrower, the Agent and each Lender and their respective successors and assigns, except that the Borrower shall not have the right to assign its rights hereunder or any interest herein without the prior written consent of the Lenders.

Section 8.07 Successors and Assigns.

(a) The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns permitted hereby, except that the Borrower may not assign or otherwise transfer any of its rights or obligations hereunder without the prior written consent of the Agent and each Lender (and any purported assignment or transfer without such consent shall be null and void) and no Lender may assign or otherwise transfer any of its rights or obligations hereunder except (i) to an assignee in accordance with the provisions of subsection (b) of this Section, (ii) by way of participation in accordance with the provisions of subsection (d) of this Section, or (iii) by way of pledge or assignment of a security interest subject to the restrictions of subsection (f) of this Section. Nothing in this Agreement, expressed or implied, shall be construed to confer upon any Person (other than the parties hereto, their respective successors and assigns permitted hereby, Participants to the extent provided in subsection (d) of this Section and, to the extent expressly contemplated hereby, the Related Parties of each of the Agent, the Issuing Banks and the Lenders) any legal or equitable right, remedy or claim under or by reason of this Agreement.

(b) Any Lender may at any time assign to one or more assignees all or a portion of its rights and obligations under this Agreement (including all or a portion of its Revolving Credit Commitment, Swingline Exposure and the Revolving Advances (including for purposes of this subsection (b), participations in L/C Obligations) at the time owing to it); provided that any such assignment shall be subject to the following conditions:

(i) Minimum Amounts.

(A) in the case of an assignment of the entire remaining amount of the assigning Lender's Revolving Credit Commitment and the Revolving Advances at the time owing to it or in the case of an assignment to a Lender, no minimum amount need be assigned; and

(B) in any case not described in subsection (b)(i)(A) of this Section, the aggregate amount of the Revolving Credit Commitment (which for this purpose includes Revolving Advances outstanding thereunder) or, if the Revolving Credit Commitment is not then in effect, the principal outstanding balance of the Revolving Advances of the assigning Lender subject to each such assignment, determined as of the date the Assignment and Assumption with

respect to which such assignment is delivered to the Agent or, if "Trade Date" is specified in the Assignment and Assumption, as of the Trade Date, shall not be less than $5,000,000 unless each of the Agent and, so long as no Event of Default has occurred and is continuing, the Borrower otherwise consents (each such consent not to be unreasonably withheld or delayed).

(ii) Proportionate Amounts. Each partial assignment shall be made as an assignment of a proportionate part of all the assigning Lender's rights and obligations under this Agreement with respect to the Revolving Advances, L/C Obligations, Swingline Exposure or the Revolving Credit Commitment assigned, and each such assignment shall be of a constant, and not a varying, percentage of all rights and obligations under this Agreement;

(iii) Required Consents. No consent shall be required for any assignment except to the extent required by subsection (b)(i)(B) of this Section and, in addition:

(A) the consent of the Borrower (such consent not to be unreasonably withheld or delayed; provided that the Borrower shall be deemed to have consented to any such assignment unless it shall object thereto by written notice to the Agent within ten (10) Business Days after having received notice thereof) shall be required unless (1) an Event of Default has occurred and is continuing at the time of such assignment or (2) such assignment is to a Lender, an Affiliate of a Lender or an Approved Fund;

(B) the consent of the Agent (such consent not to be unreasonably withheld or delayed) shall be required if such assignment is to a Person that is not a Lender, an Affiliate of a Lender or an Approved Fund with respect to such Lender;

(C) the consent of each Issuing Bank (such consent not to be unreasonably withheld or delayed) shall be required for any assignment that increases the obligation of the assignee to participate in exposure under one or more Letters of Credit (whether or not then outstanding); and

(D) the consent of the Swingline Lender, if any, (such consent not to be unreasonably withheld or delayed) shall be required for any assignment that increases the obligation of the assignee to participate in exposure under Swingline Advances (whether or not then outstanding).

(iv) Assignment and Assumption. The parties to each assignment shall execute and deliver to the Agent an Assignment and Assumption, together with a processing and recordation fee in the amount of $3,500; provided, however, that no such fee shall be payable in the case of an assignment made at the request of the Borrower to an existing Lender. The assignee, if it is not a Lender, shall deliver to the Agent an Administrative Questionnaire.

(v) No Assignment to Borrower. No such assignment shall be made to the Borrower or any of the Borrower's Affiliates or Subsidiaries.

(vi) No Assignment to Natural Persons. No such assignment shall be made to a natural person.

Subject to acceptance and recording thereof by the Agent pursuant to subsection (c) of this Section and notice thereof to the Borrower, from and after the effective date specified in each Assignment and Assumption, the assignee thereunder shall be a party to this Agreement and, to the extent of the interest assigned by such Assignment and Assumption, have the rights and obligations of a Lender under this Agreement, and the assigning Lender thereunder shall, to the extent of the interest assigned by such Assignment and Assumption, be released from its obligations under this Agreement (and, in the case of an Assignment and Assumption covering all of the assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto) but shall continue to be entitled to the benefits of Sections 2.11, 2.14 and 8.04 with respect to facts and circumstances occurring prior to the effective date of such assignment. Upon request, the Borrower (at its expense) shall execute and deliver a Note to the assignee Lender. Any assignment or transfer by a Lender of rights or obligations under this Agreement that does not comply with this subsection shall be treated for purposes of this Agreement as a sale by such Lender of a participation in such rights and obligations in accordance with subsection (d) of this Section.

(c) Register. The Agent shall maintain at the Agent's Office a copy of each Assignment and Assumption delivered to it and a register for the recordation of the names and addresses of the Lenders, and the Revolving Credit Commitments of, and principal amounts of the Advances and L/C Obligations owing to, each Lender pursuant to the terms hereof from time to time (the "Register"). The entries in the Register shall be conclusive, absent manifest error, and the Borrower, the Agent and the Lenders may treat each Person whose name is recorded in the Register pursuant to the terms hereof as a Lender hereunder for all purposes of this Agreement, notwithstanding notice to the contrary. The Register shall be available for inspection by the Borrower and any Lender, at any reasonable time and from time to time upon reasonable prior notice.

(d) Participations. Any Lender may at any time, without the consent of, or notice to, the Borrower or the Agent, sell participations to any Person (other than a natural person or the Borrower or any of the Borrower's Affiliates or Subsidiaries) (each, a "Participant") in all or a portion of such Lender's rights and/or obligations under this Agreement (including all or a portion of its Revolving Credit Commitment, Swingline Exposure and/or the Revolving Advances (including such Lender's participations in L/C Obligations) owing to it); provided that (i) such Lender's obligations under this Agreement shall remain unchanged, (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations, (iii) the Borrower, the Agent, the Lenders and the Issuing Banks shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement and (iv) no participant under any such participation shall have any right to approve any amendment or waiver of any provision of this Agreement or any Note, or any consent to any departure by the Borrower therefrom, except to the extent that such amendment, waiver or consent would reduce the principal of, or interest on, any Obligations or any fees or other amounts payable hereunder, in each case to the extent subject to such participation, or postpone any date fixed for any payment of principal of, or interest on, any Obligations or any fees or other amounts payable hereunder, in each case to the extent subject to such participation.

Any agreement or instrument pursuant to which a Lender sells such a participation shall provide that such Lender shall retain the sole right to enforce this Agreement and to approve any amendment, modification or waiver of any provision of this Agreement; provided that such agreement or instrument may provide that such Lender will not, without the consent of the Participant, agree to any amendment, waiver or other modification addressing the matters set forth in clause (iv) above to the extent subject to such participation. Subject to subsection (e) of this Section, the Borrower agrees that each Participant shall be entitled to the benefits of Sections 2.11, 2.14 and 8.04(e) to the same extent as if it were a Lender and had acquired its interest by assignment pursuant to subsection (b) of this Section. To the extent permitted by Law, each Participant also shall be entitled to the benefits of Section 8.05 as though it were a Lender, provided such Participant agrees to be subject to Section 2.15 as though it were a Lender.

(e) Limitations upon Participant Rights. A Participant shall not be entitled to receive any greater payment under Section 2.11 or 2.14 than the applicable Lender would have been entitled to receive with respect to the participation sold to such Participant, unless the sale of the participation to such Participant is made with the Borrower's prior written consent. A Participant that would be a Foreign Lender if it were a Lender shall not be entitled to the benefits of Section 2.14 unless the Borrower is notified of the participation sold to such Participant and such Participant agrees, for the benefit of the Borrower, to comply with Section 2.14(e) as though it were a Lender.

(f) Certain Pledges. Any Lender may at any time pledge or assign a security interest in all or any portion of its rights under this Agreement (including under its Note, if any) to secure obligations of such Lender, including any pledge or assignment to secure obligations to a Federal Reserve Bank or other central banking authority; provided that no such pledge or assignment shall release such Lender from any of its obligations hereunder or substitute any such pledgee or assignee for such Lender as a party hereto.

(g) Resignation as an Issuing Bank after Assignment. Notwithstanding anything to the contrary contained herein, if at any time any Issuing Bank assigns all of its Revolving Credit Commitment and Revolving Advances pursuant to subsection (b) above, such Issuing Bank may, upon 30 days' notice to the Borrower and the Lenders, resign as an Issuing Bank. If any Issuing Bank resigns, it shall retain all the rights, powers, privileges and duties of an Issuing Bank hereunder with respect to all Letters of Credit outstanding as of the effective date of its resignation as an Issuing Bank and all L/C Obligations with respect thereto (including the right to require the Lenders to make Base Rate Advances or fund risk participations in Unreimbursed Amounts pursuant to Section 2.03(c)).

(h) The words "execution," "signed," "signature," and words of like import in any Assignment and Assumption shall be deemed to include electronic signatures or the keeping of records in electronic form, each of which shall be of the same legal effect, validity or enforceability as a manually executed signature or the use of a paper-based recordkeeping system, as the case may be, to the extent and as provided for in any applicable Law, including the Federal Electronic Signatures in Global and National Commerce Act, the New York State Electronic Signatures and Records Act, or any other similar state Laws based on the Uniform Electronic Transactions Act.

Section 8.08 Confidentiality. Neither the Agent nor any Lender may disclose to any Person any confidential, proprietary or non-public information of the Borrower furnished to the Agent or the Lenders by the Borrower (such information being referred to collectively herein as the "Borrower Information"), except that each of the Agent and each of the Lenders may disclose Borrower Information (i) to its and its affiliates' employees, officers, directors, agents and advisors having a need to know in connection with this Agreement (it being understood that the Persons to whom such disclosure is made will be informed of the confidential nature of such Borrower Information and instructed to keep such Borrower Information confidential on substantially the same terms as provided herein), (ii) to the extent requested by any regulatory authority, (iii) to the extent required by applicable Laws or regulations or by any subpoena or similar legal process, (iv) to any other party to this Agreement, (v) in connection with the exercise of any remedies hereunder or any suit, action or proceeding relating to this Agreement or the enforcement of rights hereunder, (vi) subject to an agreement containing provisions substantially the same as those of this Section 8.08, (A) to any assignee or participant or prospective assignee or participant, (B) any direct, indirect, actual or prospective counterparty (and its advisor) to any swap, derivative or securitization transaction related to the obligations under this Agreement and (C) to any credit insurance provider relating to the Borrower and its Obligations, (vii) to the extent such Borrower Information (A) is or becomes generally available to the public on a non-confidential basis other than as a result of a breach of this Section 8.08 by the Agent or such Lender or their Related Parties, or (B) is or becomes available to the Agent or such Lender on a nonconfidential basis from a source other than the Borrower (provided that the source of such information was not known by the recipient after inquiry to be bound by a confidentiality agreement with or other contractual, legal or fiduciary obligation of confidentiality to the Borrower or any other Person with respect to such information) and (viii) with the consent of the Borrower. The obligations under this Section 8.08 shall survive for two calendar years after the date of the termination of this Agreement.

Section 8.09 Governing Law. This Agreement and the Notes shall be governed by, and construed in accordance with, the Laws of the State of New York (including Sections 5-1401 and 5-1402 of the General Obligations Law but otherwise without regard to conflict of law principles).

Section 8.10 Counterparts; Integration; Effectiveness. This Agreement may be executed in counterparts (and by different parties hereto in different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. This Agreement and the other Loan Documents constitute the entire contract among the parties relating to the subject matter hereof and supersede any and all previous agreements and understandings, oral or written, relating to the subject matter hereof. Except as provided in Section 3.01, this Agreement shall become effective when it shall have been executed by the Agent and when the Agent shall have received counterparts hereof that, when taken together, bear the signatures of each of the other parties hereto. Delivery of an executed counterpart of a signature page of this Agreement by telecopy or other electronic imaging means shall be effective as delivery of a manually executed counterpart of this Agreement.

Section 8.11 Jurisdiction, Etc.

(a) Each of the parties hereto hereby submits to the exclusive jurisdiction of any New York State court or federal court of the United States of America sitting in the Borough of Manhattan in New York City, and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Agreement or the other Loan Documents, or for recognition or enforcement of any judgment, and each of the parties hereto hereby agrees that all claims in respect of any such action or proceeding may be heard and determined in any such New York State court or, to the extent permitted by Law, in such federal court. Nothing in this Agreement shall affect any right that any party may otherwise have to bring any action or proceeding relating to this Agreement or the Notes in the courts of any jurisdiction.

(b) Each of the parties hereto irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection that it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Agreement or the Notes in any New York State or federal court. Each of the parties hereto hereby irrevocably waives, to the fullest extent permitted by Law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

Section 8.12 Payments Set Aside. To the extent that any payment by or on behalf of the Borrower is made to the Agent, any Issuing Bank or any Lender, or the Agent, any Issuing Bank or any Lender exercises its right of setoff, and such payment or the proceeds of such setoff or any part thereof is subsequently invalidated, declared to be fraudulent or preferential, set aside or required (including pursuant to any settlement entered into by the Agent, such Issuing Bank or such Lender in its discretion) to be repaid to a trustee, receiver or any other party, in connection with any proceeding under any Debtor Relief Law or otherwise, then (a) to the extent of such recovery, the obligation or part thereof originally intended to be satisfied shall be revived and continued in full force and effect as if such payment had not been made or such setoff had not occurred, and (b) each Lender and each Issuing Bank severally agrees to pay to the Agent upon demand its applicable share (without duplication) of any amount so recovered from or repaid by the Agent, plus interest thereon from the date of such demand to the date such payment is made at a rate per annum equal to the Federal Funds Rate from time to time in effect. The obligations of the Lenders and the Issuing Banks under clause (b) of the preceding sentence shall survive the payment in full of the Obligations and the termination of this Agreement.

Section 8.13 Patriot Act. Each Lender hereby notifies the Borrower that pursuant to the requirements of the USA Patriot Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)) (the "Act"), it is required to obtain, verify and record information that identifies each borrower, guarantor or grantor (the "Loan Parties"), which information includes the name and address of each Loan Party and other information that will allow such Lender to identify such Loan Party in accordance with the Act. The Borrower shall provide, to the extent commercially reasonable, such information and take such actions as are reasonably requested by the Agent or any Lender in order to assist the Agent and such Lender in maintaining compliance with the Act.

Section 8.14 Waiver of Jury Trial. EACH OF THE BORROWER, THE AGENT AND THE LENDERS HEREBY IRREVOCABLY WAIVES ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM (WHETHER BASED ON CONTRACT, TORT OR OTHERWISE) ARISING OUT OF OR RELATING TO THIS AGREEMENT, THE NOTES OR ANY OTHER LOAN DOCUMENT OR THE ACTIONS OF

THE BORROWER, THE AGENT OR ANY LENDER IN THE NEGOTIATION, ADMINISTRATION, PERFORMANCE OR ENFORCEMENT THEREOF.

Section 8.15 No Advisory or Fiduciary Responsibility. In connection with all aspects of each transaction contemplated hereby, the Borrower acknowledges and agrees that: (i) the credit facilities provided for hereunder and any related arranging or other services in connection therewith (including in connection with any amendment, waiver or other modification hereof or of any other Loan Document) are an arm's-length commercial transaction between the Borrower, on the one hand, and the Agent, each of the Lenders and each of the Arrangers, on the other hand, and the Borrower is capable of evaluating and understanding and understands and accepts the terms, risks and conditions of the transactions contemplated hereby and by the other Loan Documents (including any amendment, waiver or other modification hereof or thereof); (ii) in connection with the process leading to such transaction, each of the Agent, the Lenders and the Arrangers is and has been acting solely as a principal and is not the financial advisor, agent or fiduciary, for the Borrower or any of its Affiliates, stockholders, creditors or employees or any other Person; (iii) neither the Agent nor any Lender or Arranger has assumed or will assume an advisory, agency or fiduciary responsibility in favor of the Borrower with respect to any of the transactions contemplated hereby or the process leading thereto, including with respect to any amendment, waiver or other modification hereof or of any other Loan Document (irrespective of whether the Agent or any Lender or Arranger has advised or is currently advising the Borrower or any of its Affiliates on other matters) and neither the Agent nor any Lender or Arranger has any obligation to the Borrower with respect to the transactions contemplated hereby except those obligations expressly set forth herein and in the other Loan Documents; (iv) the Agent, each of the Lenders and the Arrangers and their respective Affiliates may be engaged in a broad range of transactions that involve interests that differ from those of the Borrower and its Affiliates, and neither the Agent nor any Lender or Arranger has any obligation to disclose any of such interests by virtue of any advisory, agency or fiduciary relationship; and (v) the Agent and each Lender and Arranger have not provided and will not provide any legal, accounting, regulatory or tax advice with respect to any of the transactions contemplated hereby (including any amendment, waiver or other modification hereof or of any other Loan Document) and the Borrower has consulted its own legal, accounting, regulatory and tax advisors to the extent it has deemed appropriate. The Borrower hereby waives and releases, to the fullest extent permitted by Law, any claims that it may have against the Agent and each Lender and Arranger with respect to any breach or alleged breach of agency or fiduciary duty in connection with the Loan Documents.

Section 8.16 Survival of Representations and Warranties. All representations and warranties made hereunder and in any other Loan Document or other document delivered pursuant hereto or thereto or in connection herewith or therewith shall survive the execution and delivery hereof and thereof. Such representations and warranties have been or will be relied upon by the Agent and each Lender, regardless of any investigation made by the Agent or any Lender or on their behalf, and shall continue in full force and effect as long as any Advance or any other Obligation hereunder shall remain unpaid or unsatisfied or any Letter of Credit shall remain outstanding.

Section 8.17 Severability. If any provision of this Agreement or the other Loan Documents is held to be illegal, invalid or unenforceable, (a) the legality, validity and enforceability of the remaining provisions of this Agreement and the other Loan Documents

shall not be affected or impaired thereby and (b) the parties shall endeavor in good faith negotiations to replace the illegal, invalid or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the illegal, invalid or unenforceable provisions. The invalidity of a provision in a particular jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

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IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their respective officers thereunto duly authorized, as of the date first above written.

ARIZONA PUBLIC SERVICE COMPANY

By _____

Name: Lee R. Nickloy
Title: Vice President + Treasurer

Signature Page to APS Credit Agreement

BARCLAYS BANK PLC,
as Agent, an Issuing Bank and a Lender

By: _____
Name: Ann E. Sutton
Title: Director

Signature Page to APS Credit Agreement

THE ROYAL BANK OF SCOTLAND PLC,
as a Lender and an Issuing Bank

By: _____
Name: Tyler J. McCarthy
Title: Director

WELLS FARGO BANK, NATIONAL ASSOCIATION, as a Lender and an Issuing Bank

By: _____
Name: Yann Blindert
Title: Director

Signature Page to APS Credit Agreement

BANK OF AMERICA, N.A., as a Lender

By: _____

Name: Patrick Martin
Title: Director

Signature Page to APS Credit Agreement

CREDIT SUISSE AG, CAYMAN ISLANDS BRANCH, as a Lender

By: _____
Name: Shaheen Malik
Title: Vice President

By: _____
Name: Rahul Parmar
Title: Associate

Signature Page to APS Credit Agreement

THE BANK OF NEW YORK MELLON,
as a Lender

By: Mark W Rogers
Name: Mark W. Rogers
Title: Vice President

Signature Page to APS Credit Agreement

BANK OF THE WEST, as a Lender

By: _____
Name: Joshua R. Shade
Title: Vice President

Signature Page to APS Credit Agreement

BNP PARIBAS, as a Lender

By: _____
Name: Francis DeLaney
Title: Managing Director

By: _____
Name: Pasquale Perraglia
Title: Vice President

CITIBANK, N.A., as a Lender

By: _____
Name: Devin Moore
Title: Vice President

Signature Page to APS Credit Agreement

DEUTSCHE BANK AG NEW YORK BRANCH, as a Lender

By: _____
Name: Ming Chu
Title: Vice President

By: _____
Name: Edward D Herko
Title: Director

Signature Page to APS Credit Agreement

JPMORGAN CHASE BANK, N.A.,
as a Lender

By: Nancy R. Barwig
Name: Nancy R. Barwig
Title: Credit Executive

Signature Page to APS Credit Agreement

KEYBANK NATIONAL ASSOCIATION,
as a Lender

By: _____
Name: Keven D. Smith
Title: Senior Vice President

Signature Page to APS Credit Agreement

UNION BANK, N.A., as a Lender

By: _____
Name: Efrain Soto
Title: Vice President

THE BANK OF NOVA SCOTIA,
as a Lender

By: _____
Name: Thane Rattew
Title: Managing Director

Signature Page to APS Credit Agreement

SUNTRUST BANK, as a Lender

By: _____
Name: Andrew Johnson
Title: Director

Signature Page to APS Credit Agreement

UBS LOAN FINANCE LLC, as a Lender

By: _____
Name: Irja R. Otsa
Title: Associate Director

By: _____
Name: Joselin Fernandes
Title: Associate Director

U.S. BANK NATIONAL ASSOCIATION,
as a Lender

By: _____
Name: Raymond J. Palmer
Title: Senior Vice President

Signature Page to APS Credit Agreement

CANADIAN IMPERIAL BANK OF COMMERCE, NEW YORK AGENCY,
as a Lender

By: _____
Name: Robert Casey, Jr.
Title: Executive Director

By: _____
Name: Michael Gewirtz
Title: Executive Director

COMERICA BANK, as a Lender

By: _____
Name: Fatima Arshad
Title: Vice President

Signature Page to APS Credit Agreement

NATIONAL BANK OF ARIZONA,
as a Lender

By: _____
Name: Abran Villegas
Title: Vice President

Signature Page to APS Credit Agreement

THE NORTHERN TRUST COMPANY,
as a Lender

By: _____
Name: John Lascody
Title: Second Vice President

Signature Page to APS Credit Agreement

UMB BANK ARIZONA, N.A.,
as a Lender

By: _____
Name: Kyle McMillian
Title: AVP/Commercial Banking Officer

Signature Page to APS Credit Agreement

SCHEDULE 1.01
COMMITMENTS AND RATABLE SHARES

Bank	Revolving Credit Commitment	Ratable Share
Barclays Bank PLC	$36,000,000.00	7.200000000%
The Royal Bank of Scotland plc	$36,000,000.00	7.200000000%
Wells Fargo Bank, National Association	$36,000,000.00	7.200000000%
Bank of America, N.A.	$36,000,000.00	7.200000000%
Credit Suisse AG, Cayman Islands Branch	$36,000,000.00	7.200000000%
The Bank of New York Mellon	$23,571,428.57	4.714285714%
Bank of the West	$16,500,000.00	3.300000000%
BNP Paribas	$7,071,428.60	1.414285720%
Citibank, N.A.	$23,571,428.57	4.714285714%
Deutsche Bank AG New York Branch	$23,571,428.57	4.714285714%
JPMorgan Chase Bank, N.A.	$23,571,428.57	4.714285714%
KeyBank National Association	$23,571,428.57	4.714285714%
Union Bank, N.A.	$23,571,428.57	4.714285714%
The Bank of Nova Scotia	$23,571,428.57	4.714285714%
SunTrust Bank	$23,571,428.57	4.714285714%
UBS Loan Finance LLC	$23,571,428.57	4.714285714%
U.S. Bank National Association	$23,571,428.57	4.714285714%
Canadian Imperial Bank of Commerce, New York Agency	$12,142,857.14	2.428571428%
Comerica Bank	$12,142,857.14	2.428571428%
National Bank of Arizona	$12,142,857.14	2.428571428%
The Northern Trust Company	$12,142,857.14	2.428571428%
UMB Bank Arizona, N.A.	$12,142,857.14	2.428571428%
TOTAL	$500,000,000.00	100.000000000%

SCHEDULE 4.01(j)
SUBSIDIARIES[1]

Bixco, Inc.
Axiom Power Solutions, Inc.
PWE Newco, Inc.

[1] The Borrower's three nuclear decommissioning trusts relating to PVNGS may also be deemed to be subsidiaries under a literal reading of the definition.

SCHEDULE 4.01(k)
EXISTING INDEBTEDNESS

None.

SCHEDULE 8.02
CERTAIN ADDRESSES FOR NOTICES

BORROWER:

Arizona Public Service Company
400 North 5th Street
Mail Station 9040
Phoenix, AZ 85004
Attention: Treasurer
Telephone: (602) 250-3300
Telecopier: (602) 250-3902
Electronic lee.nickloy@pinnaclewest.com

AGENT:

Agent's Office
(for payments and Requests for Credit Extensions):

Barclays Bank PLC
1301 6th Avenue, 9th floor
New York, NY 10019
Attention: Joe Tricamo
Telephone: (212) 320-7564
Email: joe.tricamo@barcap.com

with copies to:

Barclays Bank PLC
745 Seventh Avenue
New York, NY 10019
Attention: Alicia Borys
Facsimile: (212) 526-5115
Telephone: (212) 526-4291
Email: Alicia.borys@barcap.com

Barclays Bank PLC
745 Seventh Avenue
New York, NY 10019
Attention: Vanessa A. Kurbatskiy
Facsimile: (212) 526-5115
Telephone: (212) 526-2799
Email: Vanessa.kurbatskiy@barcap.com

Agent's Account/Barclays Bank Agency Service Wiring Information

Barclays Bank PLC
New York, New York
ABA: 026002574
Account Number: 050-01910-4

Account Name: Clad Control Account
Ref: Arizona Public Service

Other Notices as Agent:

Barclays Bank PLC
745 Seventh Avenue
New York, NY 10019
Attention: Alicia Borys
Facsimile: (212) 526-5115
Telephone: (212) 526-4291
Email: Alicia.borys@barcap.com

Barclays Bank PLC
745 Seventh Avenue
New York, NY 10019
Attention: Vanessa A. Kurbatskiy
Facsimile: (212) 526-5115
Telephone: (212) 526-2799
Email: Vanessa.kurbatskiy@barcap.com

ISSUING BANKS:

Barclays Bank PLC

Barclays Bank PLC
200 Park Avenue
New York, NY 10166
Attn. Letters of Credit / Dawn Townsend
Facsimile (212) 412-5011
Telephone (201) 499-2081
Email xraletterofcredit@baclayscapital.com

The Royal Bank of Scotland plc

The Royal Bank of Scotland plc
600 Washington Boulevard
Stamford, CT 06901
Attention: Richard Emmich
Facsimile: (203) 873-3569
Telephone: (203) 897-7619
Email: richard.emmich@rbs.com

and

Attention: Marchette Major
Facsimile: (203) 873-3569
Telephone: (203) 897-7638
Email: marchette.major@rbs.com

Wells Fargo Bank, National Association

Wells Fargo Bank, National Association
Corporate Banking - Utility and Power Group
1300 SW 5th Avenue, 7th Floor
Mail Code: MAC P6101-076
Portland, OR 97201
Attention: Yann Blindert
Telephone: (503) 886-2215
Facsimile: (503) 886-2211
E-mail: yann.blindert@wellsfargo.com

EXHIBIT A — FORM OF PROMISSORY NOTE

_____, 20__

FOR VALUE RECEIVED, the undersigned, ARIZONA PUBLIC SERVICE COMPANY, an Arizona corporation (the "Borrower"), hereby promises to pay to the order of _____ or its registered assigns (the "Lender"), in accordance with the provisions of the Credit Agreement (as hereinafter defined), the principal amount of each Advance from time to time made by the Lender to the Borrower pursuant to the Five-Year Credit Agreement dated as of November 4, 2011 among the Borrower, the Lender and certain other lenders parties thereto, Barclays Bank PLC, as Agent for the Lender and such other lenders, and the issuing banks and other agents party thereto (as amended or modified from time to time, the "Credit Agreement"; the terms defined therein being used herein as therein defined) outstanding on such date.

The Borrower promises to pay interest on the unpaid principal amount of each Advance from the date of such Advance until such principal amount is paid in full, at such interest rates, and payable at such times, as are specified in the Credit Agreement.

Both principal and interest are payable in lawful money of the United States of America to the Agent for the account of the Lender in same day funds at the address and account specified on Schedule 8.02. Each Advance owing to the Lender by the Borrower pursuant to the Credit Agreement, and all payments made on account of principal thereof, shall be recorded by the Lender and, prior to any transfer hereof, endorsed on the grid attached hereto which is part of this Promissory Note.

This Promissory Note is one of the Notes referred to in, and is entitled to the benefits of, the Credit Agreement. The Credit Agreement, among other things, (i) provides for the making of Advances by the Lender to the Borrower from time to time in an aggregate amount not to exceed at any time the Lender's Unused Commitment, the indebtedness of the Borrower resulting from each such Advance being evidenced by this Promissory Note and (ii) contains provisions for acceleration of the maturity hereof upon the happening of certain stated events and also for prepayments on account of principal hereof prior to the maturity hereof upon the terms and conditions therein specified.

THIS PROMISSORY NOTE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

ARIZONA PUBLIC SERVICE COMPANY

By _____

Name: _____

Title: _____

ADVANCES AND PAYMENTS OF PRINCIPAL

Date	Amount of Advance	Amount of Principal Paid or Prepaid	Unpaid Principal Balance	Notation Made By

EXHIBIT B — FORM OF NOTICE OF BORROWING

Barclays Bank PLC, as Agent
for the Lenders parties
to the Credit Agreement
referred to below

Attention: Bank Loan Syndications Department

[Date]

Ladies and Gentlemen:

The undersigned, Arizona Public Service Company, refers to the Five-Year Credit Agreement, dated as of November 4, 2011 (as amended or modified from time to time, the "Credit Agreement", the terms defined therein being used herein as therein defined), among the undersigned, certain Lenders parties thereto, Barclays Bank PLC, as Agent for said Lenders and the Issuing Banks and other agents party thereto, and hereby gives you notice, irrevocably, pursuant to Section 2.02 of the Credit Agreement that the undersigned hereby requests a Borrowing under the Credit Agreement, and in that connection sets forth below the information relating to such Borrowing (the "Proposed Borrowing") as required by Section 2.02(a) of the Credit Agreement:

(i) The Business Day of the Proposed Borrowing is _____, 20___.
(ii) The Type of Revolving Advances comprising the Proposed Borrowing is [Base Rate Advances] [Eurodollar Rate Advances].
(iii) The aggregate amount of the Proposed Borrowing is $_____.
[(iv) The initial Interest Period for each Eurodollar Rate Advance made as part of the Proposed Borrowing is ___month[s].]

The undersigned hereby certifies that the following statements are true on the date hereof, and will be true on the date of the Proposed Borrowing:

(A) the representations and warranties contained in Section 4.01 (other than Sections 4.01(k), 4.01(e)(ii) and 4.01(f)(ii)) of the Credit Agreement are correct, before and after giving effect to the Proposed Borrowing and to the application of the proceeds therefrom, as though made on and as of such date;

(B) no event has occurred and is continuing, or would result from such Proposed Borrowing or from the application of the proceeds therefrom, that constitutes a Default;

(C) all required regulatory authorizations including the 2007 Order and/or any Subsequent Order in respect of the Proposed Borrowing have been obtained and are in full force and effect and, before and after giving effect to the Proposed Borrowing and to the application of

the proceeds therefrom, the Borrower is in compliance with the provisions of the applicable order; and

(D) before and after giving effect to the Proposed Borrowing and to the application of the proceeds therefrom, as though made on and as of such date, the Indebtedness of the Borrower does not exceed that permitted by (i) applicable resolutions of the Board of Directors of the Borrower, (ii) applicable Arizona Laws, or (iii) the 2007 Order or any Subsequent Order, whichever is in force and effect at such time.

Very truly yours,

ARIZONA PUBLIC SERVICE COMPANY

By _____

Name: _____

Title: _____

EXHIBIT C — FORM OF ASSIGNMENT AND ASSUMPTION

This Assignment and Assumption (the "Assignment and Assumption") is dated as of the Effective Date set forth below and is entered into by and between **[Insert name of Assignor]** (the "Assignor") and **[Insert name of Assignee]** (the "Assignee"). Capitalized terms used but not defined herein shall have the meanings given to them in the Credit Agreement identified below (as amended, the "Credit Agreement"), receipt of a copy of which is hereby acknowledged by the Assignee. Annex 1 attached hereto (the "Standard Terms and Conditions") is hereby agreed to and incorporated herein by reference and made a part of this Assignment and Assumption as if set forth herein in full.

For an agreed consideration, the Assignor hereby irrevocably sells and assigns to the Assignee, and the Assignee hereby irrevocably purchases and assumes from the Assignor, subject to and in accordance with the Standard Terms and Conditions and the Credit Agreement, as of the Effective Date referred to below (i) all of the Assignor's rights and obligations in its capacity as a Lender under the Credit Agreement and any other documents or instruments delivered pursuant thereto to the extent related to the amount and percentage interest identified below of all of such outstanding rights and obligations of the Assignor under the respective facilities identified below (including without limitation any letters of credit, guarantees, and swingline loans included in such facilities) and (ii) to the extent permitted to be assigned under applicable Law, all claims, suits, causes of action and any other right of the Assignor (in its capacity as a Lender) against any Person, whether known or unknown, arising under or in connection with the Credit Agreement, any other documents or instruments delivered pursuant thereto or the loan transactions governed thereby or in any way based on or related to any of the foregoing, including, but not limited to, contract claims, tort claims, malpractice claims, statutory claims and all other claims at Law or in equity related to the rights and obligations sold and assigned pursuant to clause (i) above (the rights and obligations sold and assigned pursuant to clauses (i) and (ii) above being referred to herein collectively as, the "Assigned Interest"). Each such sale and assignment is without recourse to the Assignor and, except as expressly provided in this Assignment and Assumption, without representation or warranty by the Assignor. Assignee shall deliver (if it is not already a Lender) to the Agent an Administrative Questionnaire.

1. Assignor: _____
2. Assignee: _____
   [and is an Affiliate of [identify Bank][1]]
3. Borrower: Arizona Public Service Company
4. Agent: Barclays Bank PLC, as the administrative agent under the Credit Agreement
5. Credit Agreement: The Five-Year Credit Agreement dated as of November 4, 2011, by and among the Borrower, the Lenders party thereto, the Agent and the Issuing Banks and other agents party thereto.
6. Assigned Interest:

[1] Select as applicable.

Aggregate Amount of Commitment for all Lenders	Amount of Commitment Assigned	Percentage Assigned of Commitment[2]	CUSIP Number
$_____	$_____	_____%	

[7. Trade Date:][3]
Effective Date: ___, 20___ **[TO BE INSERTED BY AGENT AND WHICH SHALL BE THE EFFECTIVE DATE OF RECORDATION OF TRANSFER IN THE REGISTER THEREFOR.]**
The terms set forth in this Assignment and Assumption are hereby agreed to:

ASSIGNOR
[NAME OF ASSIGNOR]

By _____
Name: _____
Title: _____

ASSIGNEE
[NAME OF ASSIGNEE]

By _____
Name: _____
Title: _____

[Consented to and][4] Accepted:
BARCLAYS BANK PLC, as Agent

By _____
Name:
Title:

[Consented to:][5]
[BARCLAYS BANK PLC, as Issuing Bank]

By _____
Name:
Title:

[THE ROYAL BANK OF SCOTLAND plc, as Issuing Bank]

---

[2] Set forth, to at least 9 decimals, as a percentage of the Commitment of all Banks thereunder.
[3] To be completed if the Assignor and the Assignee intend that the minimum assignment amount is to be determined as of the Trade Date.
[4] To be added only if the consent of the Agent is required by the terms of the Credit Agreement.
[5] To be added only if the consent of the Borrowers and/or other parties (e.g. Issuing Bank) is required by the terms of the Credit Agreement.

By _____
Name:
Title:

[WELLS FARGO BANK, NATIONAL ASSOCIATION, as Issuing Bank]

By _____
Name:
Title:

ARIZONA PUBLIC SERVICE COMPANY

By _____
Name:
Title:

ANNEX 1 TO ASSIGNMENT AND ASSUMPTION
STANDARD TERMS AND CONDITIONS FOR ASSIGNMENT AND ASSUMPTION

1. Representations and Warranties.

1.1 Assignor. The Assignor (a) represents and warrants that (i) it is the legal and beneficial owner of the Assigned Interest, (ii) the Assigned Interest is free and clear of any lien, encumbrance or other adverse claim and (iii) it has full power and authority, and has taken all action necessary, to execute and deliver this Assignment and Assumption and to consummate the transactions contemplated hereby; and (b) assumes no responsibility with respect to (i) any statements, warranties or representations made in or in connection with the Credit Agreement or any other Loan Document, (ii) the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Loan Documents, (iii) the financial condition of the Borrower, any of its Subsidiaries or Affiliates or any other Person obligated in respect of any Loan Document or (iv) the performance or observance by the Borrower of any of its obligations under any Loan Document.

1.2 Assignee. The Assignee (a) represents and warrants that (i) it has full power and authority, and has taken all action necessary, to execute and deliver this Assignment and Assumption and to consummate the transactions contemplated hereby and to become a Lender under the Credit Agreement, (ii) it meets all the requirements to be an Eligible Assignee under Section 8.07 of the Credit Agreement (subject to such consents, if any, as may be required under Section 8.07 of the Credit Agreement), (iii) from and after the Effective Date, it shall be bound by the provisions of the Credit Agreement as a Lender thereunder and, to the extent of the Assigned Interest, shall have the obligations of a Lender thereunder, (iv) it is sophisticated with respect to decisions to acquire assets of the type represented by the Assigned Interest and either it, or the Person exercising discretion in making its decision to acquire the Assigned Interest, is experienced in acquiring assets of such type, (v) it has received a copy of the Credit Agreement, and has received or has been accorded the opportunity to receive copies of the most recent financial statements referred to in Section 4.01(e) or delivered pursuant to Section 5.01(h), as applicable, thereof, as applicable, and such other documents and information as it deems appropriate to make its own credit analysis and decision to enter into this Assignment and Assumption and to purchase the Assigned Interest, (vi) it has, independently and without reliance upon the Agent, the Assignor or any other Lender and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Assignment and Assumption and to purchase the Assigned Interest, and (vi) if it is a foreign lender, attached to the Assignment and Assumption is any documentation required to be delivered by it pursuant to the terms of the Credit Agreement, duly completed and executed by the Assignee; and (b) agrees that (i) it will, independently and without reliance on the Agent, the Assignor or any other Lender, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Loan Documents, and (ii) it will perform in accordance with their terms all of the obligations which by the terms of the Loan Documents are required to be performed by it as a Lender.

2. Payments. From and after the Effective Date, the Agent shall make all payments in respect of the Assigned Interest (including payments of principal, interest, fees and other

amounts) to the Assignor for amounts which have accrued to but excluding the Effective Date and to the Assignee for amounts which have accrued from and after the Effective Date.

3. General Provisions. This Assignment and Assumption shall be binding upon, and inure to the benefit of, the parties hereto and their respective successors and assigns. This Assignment and Assumption may be executed in any number of counterparts, which together shall constitute one instrument. Delivery of an executed counterpart of a signature page of this Assignment and Assumption by facsimile shall be effective as delivery of a manually executed counterpart of this Assignment and Assumption. This Assignment and Assumption shall be governed by, and construed in accordance with, the Law of the State of New York.

Dolyniuk, Karen E

From: Nickloy, Lee R
Sent: Friday, December 02, 2011 11:34 AM
To: Dolyniuk, Karen E
Subject: FW: Refinancing of PNW and APS Credit Facilities

From: Bettinelli, Antonio [mailto:Antonio_Bettinelli@standardandpoors.com]
Sent: Thursday, November 10, 2011 10:41 AM
To: Nickloy, Lee R
Subject: RE: Refinancing of PNW and APS Credit Facilities

Thanks Lee.

From: Lee.Nickloy@PinnacleWest.com [mailto:Lee.Nickloy@PinnacleWest.com]
Sent: Thursday, November 10, 2011 7:22 AM
To: Bettinelli, Antonio
Subject: Refinancing of PNW and APS Credit Facilities

Tony,

Last Friday, Nov. 4th, PNW and APS closed on the refinancing of their respective $200MM and $500MM revolving credit facilities which would have matured in February 2012. The new facilities have a 5-year tenor and will mature in November 2016. We were also able to achieve more attractive pricing with the new facilities saving us about $2MM per year in commitment fees. Further details are provided for in the 8-K we filed which is attached, but certainly if you have any questions please let me know.

Lee

Lee R. Nickloy
Vice President and Treasurer
PINNACLE WEST CAPITAL CORPORATION
ARIZONA PUBLIC SERVICE COMPANY
400 North 5th Street, MS 9040
Phoenix, AZ 85004
ph: 602-250-3300
Lee.Nickloy@pinnaclewest.com

[redacted]

[redacted]

Dolyniuk, Karen E

From: Nickloy, Lee R
Sent: Friday, December 02, 2011 11:34 AM
To: Dolyniuk, Karen E
Subject: FW: Refinancing of PNW and APS Credit Facilities

-----Original Message-----
From: Philip.Smyth@fitchratings.com [mailto:Philip.Smyth@fitchratings.com]
Sent: Thursday, November 10, 2011 11:06 AM
To: Nickloy, Lee R
Subject: RE: Refinancing of PNW and APS Credit Facilities

Thanks, Lee.

From: <Lee.Nickloy@PinnacleWest.com>

To: <Philip.Smyth@fitchratings.com>

Date: 11/10/2011 12:22 PM

Subject: RE: Refinancing of PNW and APS Credit Facilities

Phil,

I was only in over the weekend for the Treasurers Meeting and meetings with some bankers so it was a brief EEI for me, but glad I had a chance to say hello.

The credit agreements are attached.

Lee

-----Original Message-----
From: Philip.Smyth@fitchratings.com [mailto:Philip.Smyth@fitchratings.com]
Sent: Thursday, November 10, 2011 8:35 AM
To: Nickloy, Lee R
Subject: Re: Refinancing of PNW and APS Credit Facilities

Thanks, Lee!

I hope you had a good EEI. Please be kind enough to send me the respective credit agreements for PNW and APS at your convenience.

Best Regards,

Phil

Philip W. Smyth, CFA
Senior Director
Fitch Ratings
212 908 0531

From: <Lee.Nickloy@PinnacleWest.com>

To: <Philip.Smyth@fitchratings.com>

Date: 11/10/2011 10:22 AM

Subject: Refinancing of PNW and APS Credit Facilities

Phil,

Last Friday, Nov. 4th, PNW and APS closed on the refinancing of their respective $200MM and $500MM revolving credit facilities which would have matured in February 2012. The new facilities have a 5-year tenor and will mature in November 2016. We were also able to achieve more attractive pricing with the new facilities saving us about $2MM per year in commitment fees. Further details are provided for in the 8-K we filed which is attached, but certainly if you have any questions please let me know.

Lee

Lee R. Nickloy
Vice President and Treasurer
PINNACLE WEST CAPITAL CORPORATION
ARIZONA PUBLIC SERVICE COMPANY
400 North 5th Street, MS 9040
Phoenix, AZ 85004
ph: 602-250-3300
Lee.Nickloy@pinnaclewest.com

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

Dolyniuk, Karen E

From: Nickloy, Lee R
Sent: Friday, December 02, 2011 11:34 AM
To: Dolyniuk, Karen E
Subject: FW: EEI Materials

From: Nickloy, Lee R
Sent: Thursday, November 10, 2011 12:02 PM
To: 'Mitchell F. Moss'
Subject: EEI Materials

Mitchell,

Would it be possible to get a copy of the materials that Moody's presented at EEI?

thanks

Lee R. Nickloy
Vice President and Treasurer
PINNACLE WEST CAPITAL CORPORATION
ARIZONA PUBLIC SERVICE COMPANY
400 North 5th Street, MS 9040
Phoenix, AZ 85004
ph: 602-250-3300
Lee.Nickloy@pinnaclewest.com

Dolyniuk, Karen E

From: Nickloy, Lee R
Sent: Friday, December 02, 2011 11:35 AM
To: Dolyniuk, Karen E
Subject: FW: EEI Materials
Attachments: EEI-2011-11-03.pdf

From: Moss, Mitchell [mailto:Mitchell.Moss@moodys.com]
Sent: Thursday, November 10, 2011 12:19 PM
To: Nickloy, Lee R
Subject: RE: EEI Materials

Lee,

See attached. FYI, PNW is mentioned on slide 28. Let me know if you need anything else.

Mitchell

From: Lee.Nickloy@PinnacleWest.com [mailto:Lee.Nickloy@PinnacleWest.com]
Sent: Thursday, November 10, 2011 2:02 PM
To: Moss, Mitchell
Subject: EEI Materials

Mitchell,

Would it be possible to get a copy of the materials that Moody's presented at EEI?

thanks

Lee R. Nickloy
Vice President and Treasurer
PINNACLE WEST CAPITAL CORPORATION
ARIZONA PUBLIC SERVICE COMPANY
400 North 5th Street, MS 9040
Phoenix, AZ 85004
ph: 602-250-3300
Lee.Nickloy@pinnaclewest.com

[redacted]

[redacted]

MOODY'S
INVESTORS SERVICE

Dialogue with Moody's Analysts: Outlook for the Power/Utilities Sector

EEI Financial Conference - November 2011

Agenda

1. Assessment of Industry Trends – Larry Hess
2. A New Era for Utility M&A? – Mike Haggarty
3. US Nuclear: After a Sobering Year, a Mixed Outlook – Bill Hunter
4. Environmental Update: Winners & Losers – A.J. Sabatelle

MOODY'S
INVESTORS SERVICE

[redacted]

Assessment of Industry Trends

W. Larry Hess, Managing Director

November 7, 2011

Current Portfolio Breakdown

» Industry Outlook: Stable

» Rating Outlook Distributions

Outlook	2008	2009	2010	2011*
Stable	82%	76%	84%	91%
Positive	2%	3%	4%	4%
Negative	12%	10%	11%	3%
Under Review - Up	1%	3%	<1%	>1%
Under Review - Down	3%	8%	<1%	<1%

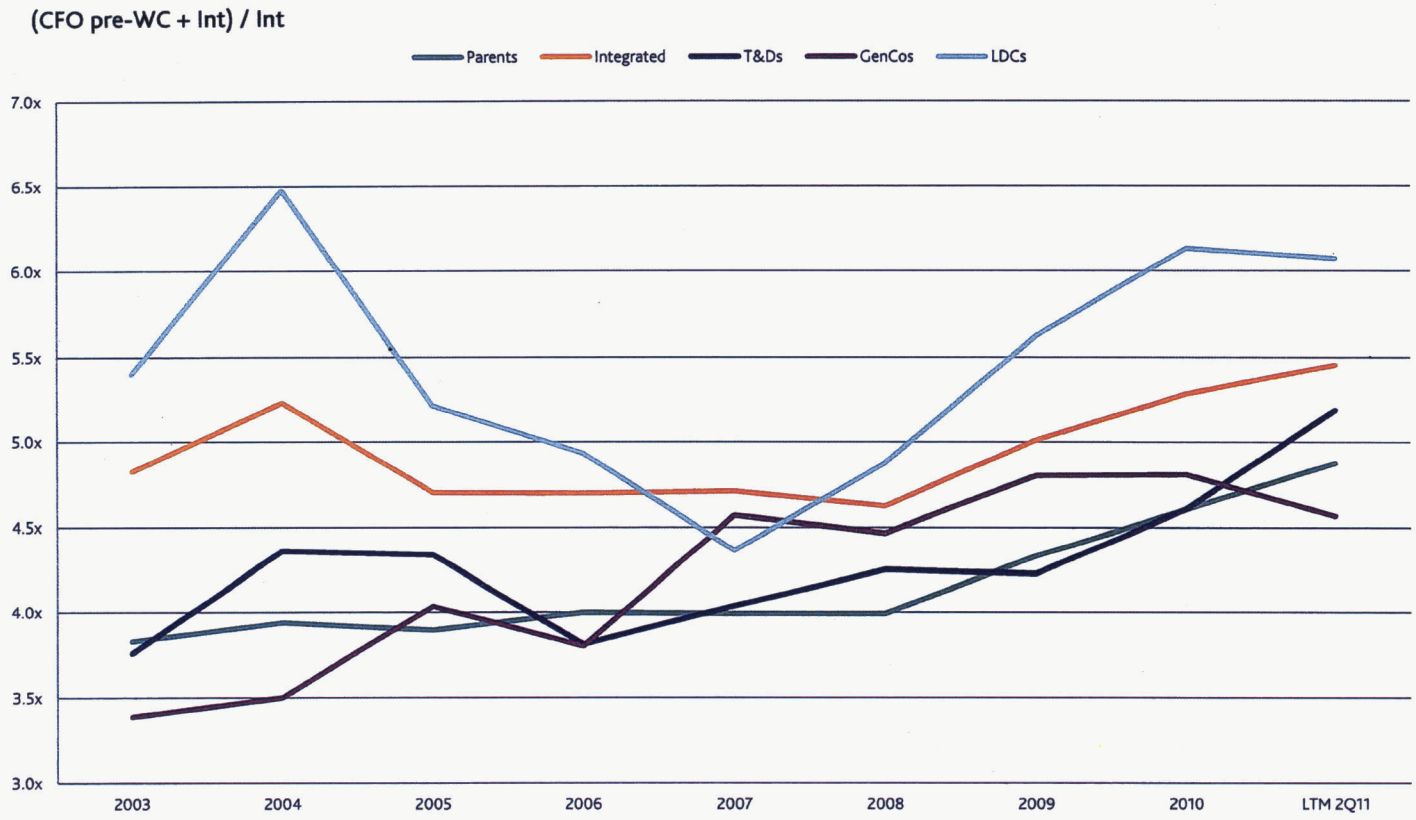
•as of 11/1/11

Rating / Outlook Changes

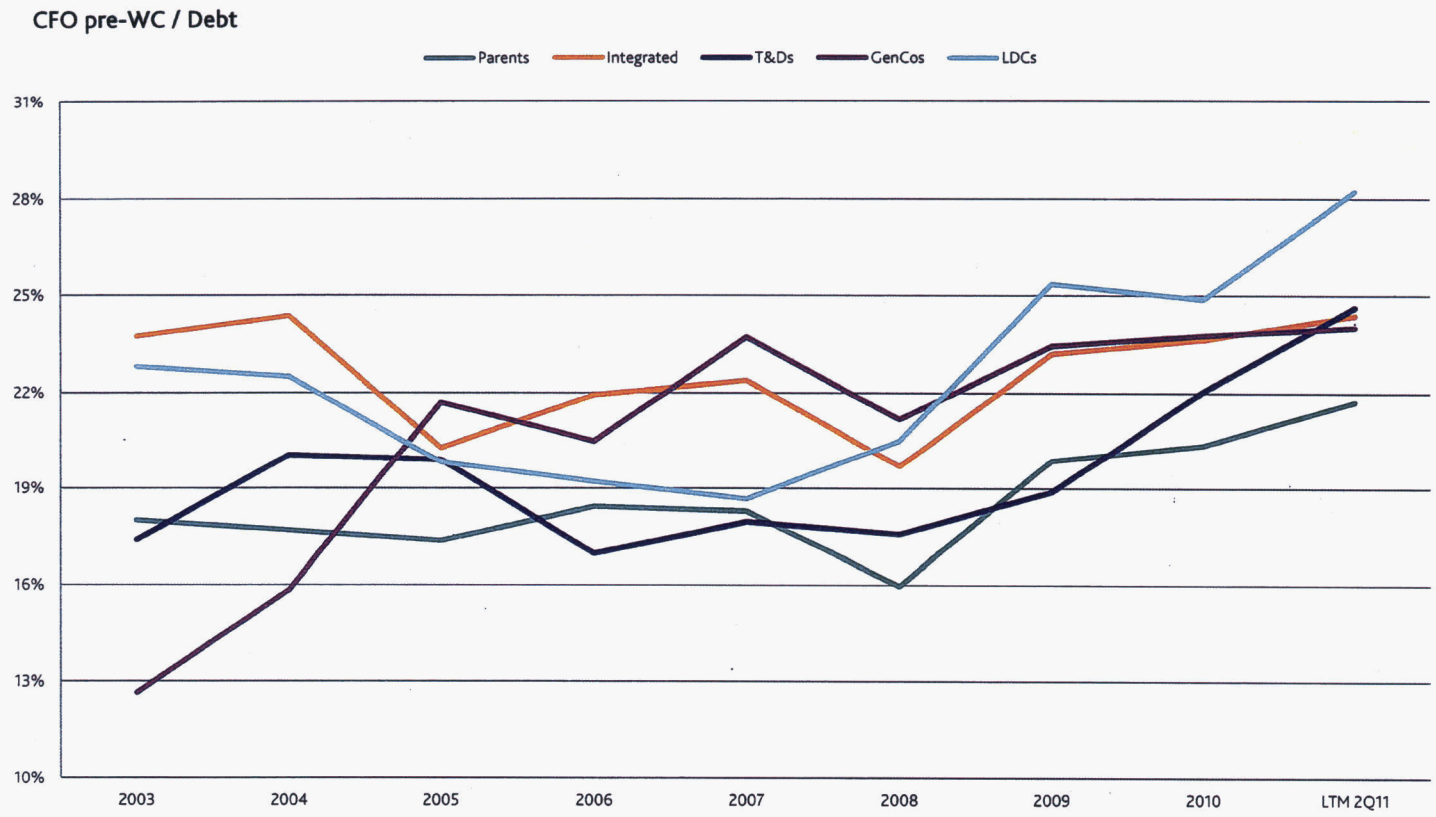
Rating Changes	2008	2009	2010	2011*
RUR-Up	7	6	3	7
RUR-Down	31	24	22	7
Upgrades	15 (35%)	16 (21%)	15 (35%)	13 (57%)
Downgrades	17 (55%)	48 (74%)	25 (58%)	9 (39%)
Confirmations	3 (10%)	2 (6%)	3 (7%)	1 (4%)
Outlook Changes	40	71	40	20
Positive	16 (33%)	27 (38%)	36 (94%)	13 (65%)
Negative	24 (67%)	44 (62%)	4 (6%)	7 (35%)

* as of 11/1/11

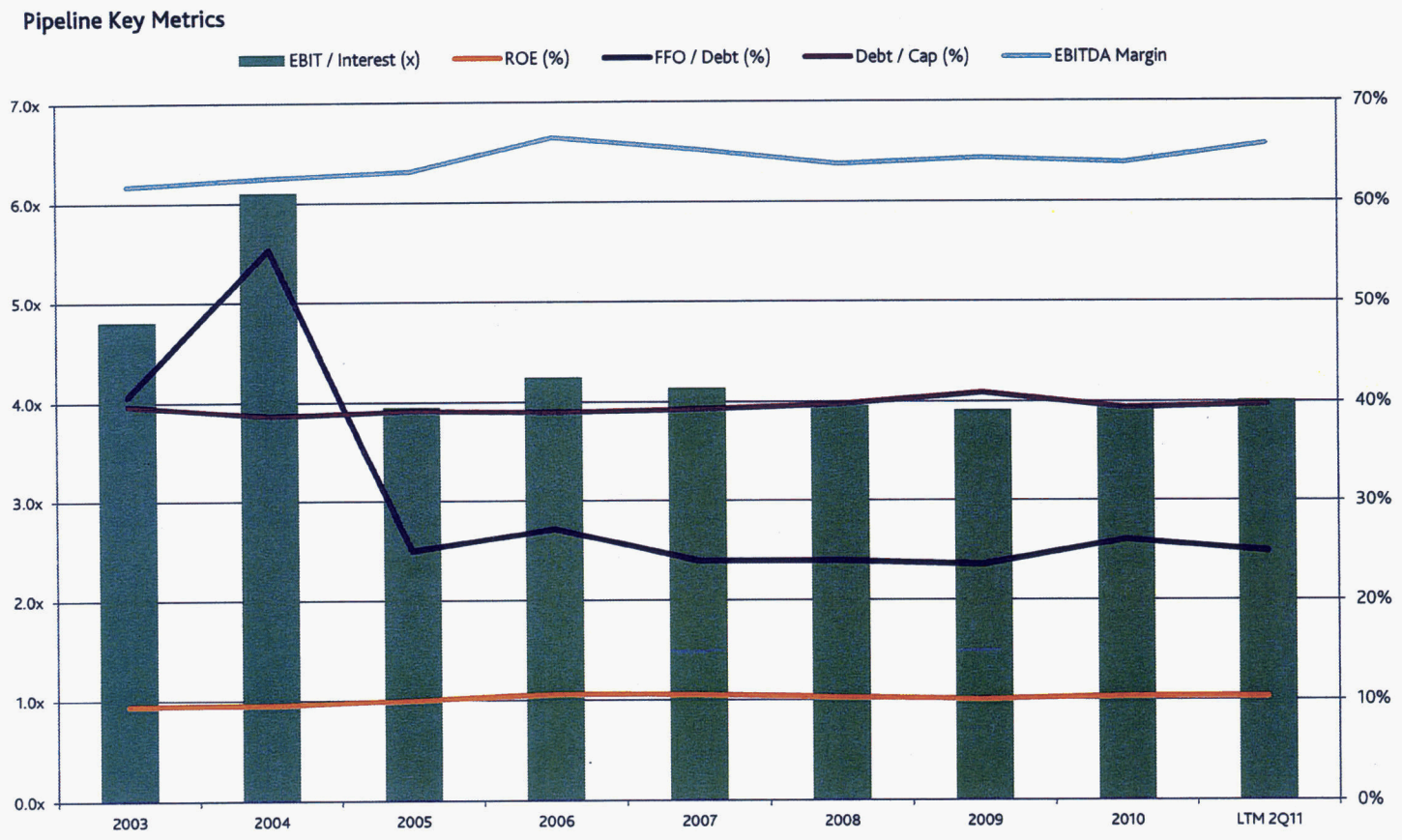
Metric Comparisons



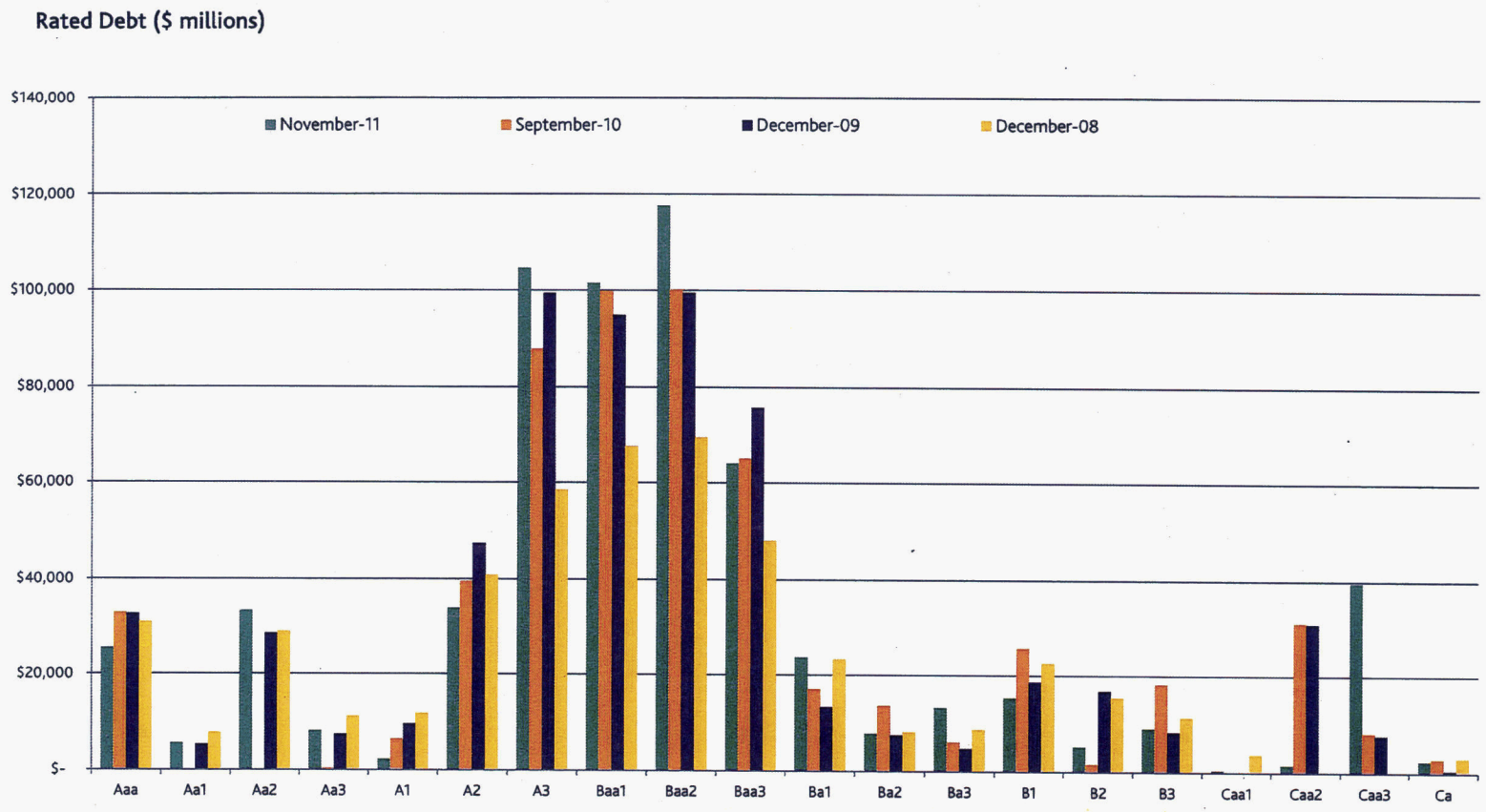
Metric Comparisons



Metric Comparisons



Portfolio Distribution



Current Trends and Developments

Numerous considerations with credit implications over the longer-term horizon; fewer risks evident over near-term

Consideration	Potential Credit Impact
Regulatory relationships	High
Low natural gas prices	High
Environmental	High
Capital investing	High
Technological risks	Medium
Aging Workforce	Medium

Does not absolve sector from proactively strengthening balance sheet and bolstering liquidity reserves on front-end of cycle / transition

MOODY'S
INVESTORS SERVICE

[redacted]

A New Era of U.S. Utility M&A?

Michael G. Haggarty, Senior Vice President

November 7, 2011

Rationale for Utility Consolidation is Compelling

- Build scale and scope
- Spread fixed costs over larger asset platform
- Capture economies of scale/synergies/operating efficiencies
- Diversify business and operating risks
- Diversify geographic and weather exposure
- Combine complementary operations
- Generate financing efficiencies/better capital markets access
- Grow earnings
- Address rising operating costs like healthcare and pensions
- Meet demand for infrastructure related capital expenditures
- Better manage larger projects, such as nuclear

The TEPCO Case for Consolidation

- TEPCO, largest utility in Japan, is unable to meet Fukushima related compensation and liability requirements without government support
- U.S. utility companies remain relatively small compared to some European peers and other large energy companies
- U.S. industry remains highly fragmented despite recent mergers
- Renewed concern about event risk related to nuclear risks and liabilities is itself a compelling case for industry consolidation

U.S. Utilities Remain Small Compared to Peers

Company	Senior Unsecured / LT Issuer Rating	Outlook	2010 Debt	2010 Revenue	2010 Assets
Large Energy Companies					
Tokyo Electric	B1	Negative	101,094	54,041	138,480
GDF SUEZ	A1	Stable	73,582	112,109	254,571
Electricite de France	Aa3	Stable	103,463	86,479	326,558
U.S. Utilities - Pro Forma					
Duke-Progress	Baa2 / Baa2	Stable / Stable	33,681	24,462	93,486
Exelon-Constellation	Baa1 / Baa3	RUR-Down / Positive	22,407	32,984	73,115
Other Comparisons					
Exxon Mobil	Aaa	Stable	59,347	341,578	370,915
BP, Plc.	A2	Stable	83,792	297,107	301,698

Note: Amounts shown in Millions USD

Why didn't 2005 PUHCA repeal accelerate utility M&A as much as many expected?

- Credit and financial crisis
- Regulatory opposition/concerns over upward rate pressure
- High fuel prices
- Merchant generators were doing well, no incentive to merge
- Some companies were pursuing de-mergers (DOM, DU, ETR)
- Social aspects of combinations got in the way
- Local politics/jobs/corporate presence/headquarters
- Smaller utilities have at times traded at a premium

Initial Round of Utility M&A was Unsuccessful Mostly for Regulatory Reasons

Utility M&A Transactions That Have Been Terminated or Withdrawn			
Target	Acquirer	Rationale	Acquirer's Initial Rating Action
PSEG	Exelon	Regulatory	Confirm
FPL	Constellation	Regulatory	Confirm
Illinois Power	Exelon	Regulatory	Confirm
Portland General	NW Natural	Regulatory	Review down
FPL	Entergy	Social	Not Rated
Northeast Utilities	ConEdison	MAC	Review down
Portland General	Sierra Pacific	Regulatory	Review down
DQE	Allegheny	Regulatory	Review down
Potomac Edison	Baltimore G&E	Regulatory	Confirm
Northern States	Wisconsin Energy	Regulatory	Confirm
Western Resources	PNM Resources	MAC	Review down
SOURCE: Moody's.			

What's Changed?

- Credit quality has been emphasized more in recent mergers, especially since the financial crisis
- This development has helped to appease regulators
- Some regulators appear to be more accepting of utility mergers and perhaps willing to wait longer for ratepayer benefits
- Weak electricity prices have added to the urgency of some combinations, as existing hedges roll off
- Unlike post-PUHCA wave of M&A, most recent merger announcements have met with ratings affirmations

First Energy (Baa3)/Allegheny (Ba1) - Affirmed

- Use of stock as a currency for transaction
- Complementary nature of operations
- Synergies in wholesale generation business
- Reasonable metrics for rating category
- Management commitment to debt reduction
- Allegheny upgraded to Baa3 at merger closing

UIL (Baa2)/Iberdrola LDC's (Baa1/Baa2) - Affirmed

- Conservative mix of debt and equity
- Increase in size, scale, and scope of regulated operations
- Diversity of revenues and cash flows
- New incremental holding company debt tolerable at current rating level

Duke (Baa2)/Progress (Baa2) - Affirmed

- Larger regulated business mix
- Diversity among regulated jurisdictions
- Ability to spread fixed costs across a larger asset platform
- Generation dispatch efficiencies in the Carolinas
- Better position to construct new nuclear generation

PPL (Baa3)/Central Networks – PPL Affirmed

- De-risking of PPL's business
- Increased proportion of regulated activities
- Declining exposure to commodity business
- Geographic diversity
- Conservative financing with strong equity issuance
- PPL track record in UK

AGL Resources (Baa1)/Nicor (P-2) - Affirmed

- AGLR issuing sufficient equity as part of financing
- AGLR new debt will have minimal impact on metrics
- Nicor's stronger credit metrics and stability as mostly regulated gas utility supports AGLR's ratings
- Nicor utility Northern Illinois Gas (A2) outlook changed to negative as it will be part of a more leveraged entity, likely to utilize its cash flow to service additional debt
- On August 24, AGLR, Nicor, and ICC Staff filed partial settlement; ALJ has recommended also approval
- Schedule calls for ICC decision by December 16, but companies have requested decision before that date

Northeast (Baa2)/Nstar (A2) - Affirmed

- Use of stock as currency for transaction
- No incremental leverage
- Complementary nature of operations
- Increased opportunities to make regulated investments
- Narrowing of ratings notching possible going forward depending on how system is managed
- Revised standard on mergers (from "no net harm" to "net benefit") adopted by Massachusetts DPU
- Oral arguments scheduled to begin November 4

Macquarie/DQE (Baa3) - Downgraded to Ba1

- Significant increase in leverage
- Materially weaker financial profile
- Private equity acquirer
- Downgrade limited to DQE holding company
- Utility Duquesne Light rating (Baa2) was affirmed

Macquarie/Puget (Ba1) - Downgraded to Ba2

- Additional holding company debt
- Increase in financial risk
- Weakened financial metrics
- Closing delayed several months by regulatory concerns
- Private equity acquirer
- Utility Puget Sound Energy rating (Baa3) was affirmed
- Parent Puget Energy has since been upgraded to Ba1

AES (B1) Affirmed/DPL (Baa1) RUR-Down

- AES outlook changed to positive from stable
- Sound rationale for acquisition - to reduce business risk profile & improve financial performance of AES
- DPL under review due to expected increase in leverage, higher business risk profile, and anticipated weakening of financial metrics
- Utility DP&L (A2) under review due to parent's added leverage and higher need for utility dividends
- Expectation that DPL will be downgraded to Ba1 from Baa1 and DP&L will be downgraded to Baa2 from A2, with utility's FMB's downgraded to A3 from Aa3

Exelon (Baa1) RUR-Down/CEG (Baa3) Affirmed

- Exelon under review due to acquisition of lower rated entity and increased leverage, especially off-BS debt
- Exelon and generation sub to experience decline in financial metrics driven by reduced power prices
- Combined company may be more inclined to pursue acquisitions of additional unregulated properties
- Benefits from complementary nature of operations not sufficient to offset increased business risk profile
- Constellation outlook changed to positive from stable, reflecting benefits of being part of a larger, more diverse, more financially robust company

Consolidation May Make Sense for Others

- Alliant - Material capex, possible need to replace nuclear PPA, being part of a bigger system could help
- Exelon - Management may be inclined to pursue acquisitions of additional unregulated businesses
- MidAmerican - Has acquired utilities before and continually evaluates opportunities
- SCANA - Extreme asset concentration with nuclear construction program out of scale to size of company
- Southwest Utilities - El Paso, Pinnacle West, PSNM, UniSource are all small utilities with mixed regulation

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US Nuclear
After a Sobering Year, a Mixed Outlook

Bill Hunter, Vice President - Senior Analyst

November 7, 2011

US Nuclear: After a Sobering Year, a Mixed Outlook

- Fukushima Daiichi
- US Floods and Earthquakes
- NRC Response to Fukushima Daiichi
- Northeast Nuclear License Renewals
- Nuclear New Build Licensing
- Economics of Nuclear Power

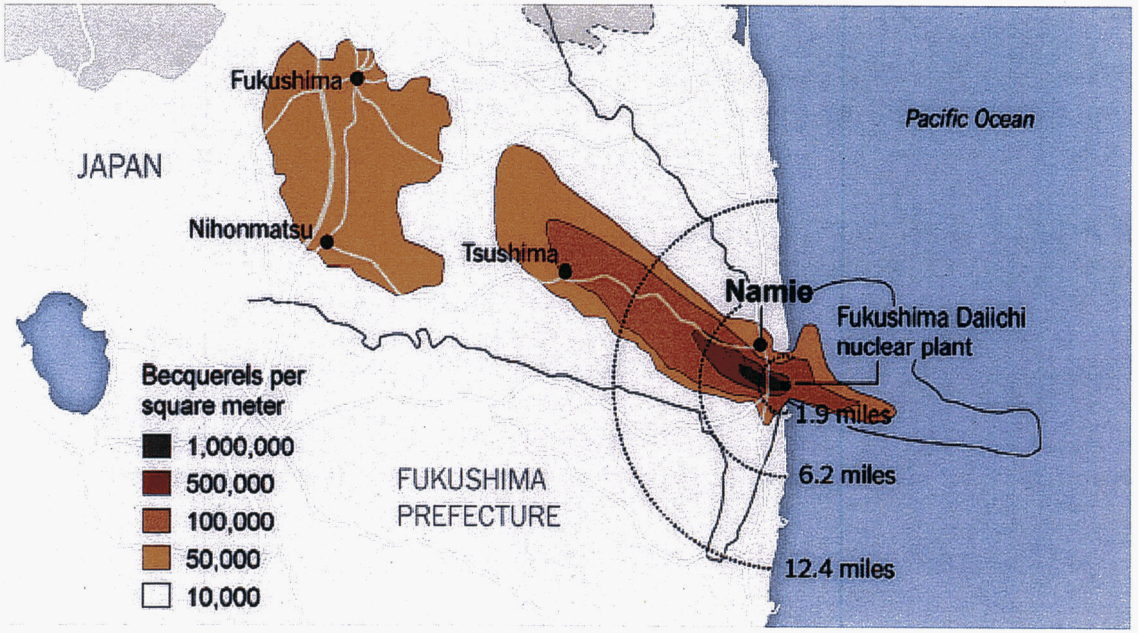
Fukushima Daiichi

- Sobering reality of a nuclear incident in a technically advanced major industrialized country
- Technology that was widely used in the US as well as Japan
- Significant levels of radiation travelled well beyond a 10 mile radius (evacuation zone radius for US plants)
- Radiation leaks into the sea were unprecedented and are ongoing
- First core meltdown started about three hours after the loss of power

Early Radiation Plume Driven By Prevailing Wind

An Early Forecast of Radiation

A Japanese computerized early warning system started to generate maps projecting the trajectory of radiation plumes from the Fukushima Daiichi plant within hours of the accident on March 11, but none of the maps were made available to the public until nearly two weeks later. The map below shows information made available to the prime minister's office on March 16.



Source: Nuclear Emergency Response Headquarters Office of Japan

THE NEW YORK TIMES

Ongoing Effects

- Radioactive steam leakage stopped in mid-October, but radioactive emissions into the air haven't completely stopped
- The 12 ½ mile radius evacuation zone remains uninhabitable with 80,000-100,000 displaced residents
- Widespread contamination of crops & livestock continues – the government determined in September that rice paddies 35 miles from the plant had reached the limit of allowable radiation.
- Japan estimates that 360,000 children under the age of 18 were exposed to radioactive iodine – some will receive long-term testing for thyroid cancer.
- Micro hotspots found in Kawasaki and Yokohama, about 150 miles from Fukushima Daiichi
- Cold shutdown projected for the end of the year

$68 Billion Price Tag – So Far

- YTD, TEPCO has recognized about ¥ 5.2 trillion ($68 billion) in liabilities and costs:
  - ¥4.54 trillion of estimated compensation payments through March 2013 ($60 billion)
  - ¥0.63 trillion yen loss related to steps taken to date to stabilize/shut down Fukushima Daiichi ($8.3 billion)
- TEPCO's survival and its ability to meet its compensation liabilities are dependent on extraordinary government support

Relatively Sparsely Populated Area

- Fukushima Prefecture has about 2 million inhabitants - 398 people per square mile
- Japan population density average is 873 people per square mile
- Kanto (Tokyo Bay) region - 3,403 per square mile
- Tokyo Prefecture - 15,610 per square mile

- State of Florida - 351 people per square mile
- St. Lucie County - 485 per square mile
- New York State - 408 per square mile
- Westchester County - 2,193 per square mile

Comparison to US Nuclear Utilities

Issuer	Rating	Outlook	Revenue	Debt	Assets	Market Cap on March 10, 2011
TEPCO	Ba3	Negative	54.0	101.1	138.5	41.7
TVA	Aaa	Stable	10.9	27.4	43.0	-
Constellation	Baa3	Positive	15.6	5.5	23.8	6.2
Dominion	Baa2	Stable	15.2	18.7	43.7	26.5
Entergy	Baa3	Stable	10.8	14.1	38.0	13.2
Exelon	Baa1	RUR-Down	17.3	16.9	52.9	28.4
FirstEnergy	Baa3	Stable	13.3	18.5	37.0	16.0
NextEra	Baa1	Stable	15.3	19.4	52.9	23.3
PSEG	Baa2	Stable	11.8	9.8	29.9	16.2

Shown in Billions of USD

Moody's Actions

- Downgrade of TEPCO's LT Issuer Rating from Aa2 to the current B1 (LT Corporate Family Rating Ba3), primarily due to compensation liability and liquidity issues

- Downgrade of all Japanese utilities due to a fundamental reassessment of the Regulatory Framework and the Ability to Recover Costs and Earn Returns

Moody's Viewpoint

- The risk is that the control room loses control of the reactor, whether from earthquakes, tsunamis, floods, terrorism, operator error or other cause
- Low probability, high severity events
- Fukushima did not change our view of the probability of an incident in the US
- Fukushima did change our view of the potential severity of an accident, in terms of devastation and liability
- Circumstances may make statutory limitations on liability moot
- Government response cannot be predicted

Liability Caps – Theory and Experience

- Theory: Under Japanese law, companies are liable for all costs of a nuclear accident unless the accident is provoked by a "grave natural disaster of an exceptional nature or by an insurrection"
- Experience: Liability falls on TEPCO

- Theory: US Oil Pollution Control Act of 1990 limits corporate liability for offshore oil spills to $75 million + cost of cleanup
- Experience: BP provisioned $41 billion, including $20 billion that was placed in a compensation trust fund

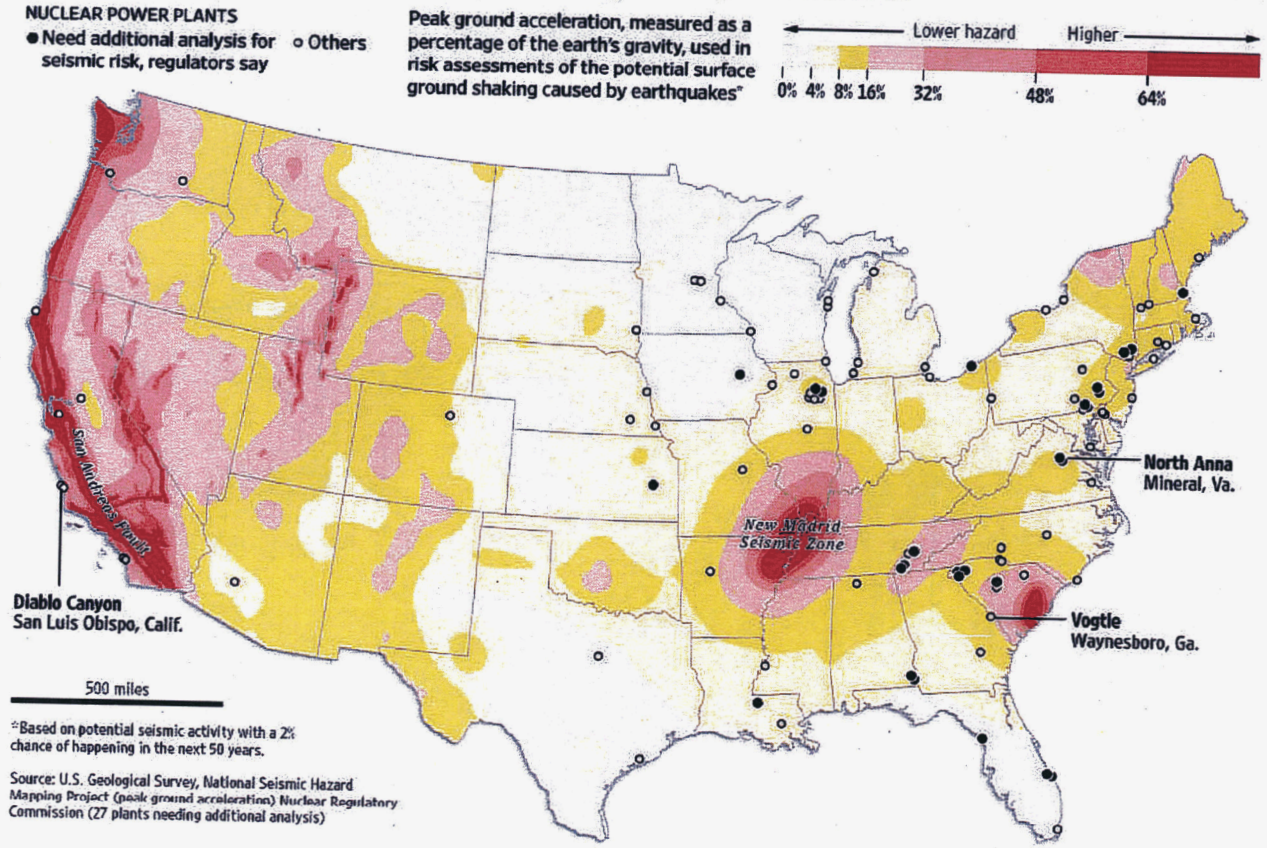
- Theory: The Price Anderson Act limits liability for a nuclear incident to $12.6 billion

Floods and Earthquakes in the US

Ft Calhoun Nuclear Power Plant flooded

Yes, Virginia, the East Coast Gets Earthquakes, Too

Fault Lines | U.S. nuclear reactor proximity to high earthquake risk areas



*Based on potential seismic activity with a 2% chance of happening in the next 50 years.

Source: U.S. Geological Survey, National Seismic Hazard Mapping Project (peak ground acceleration) Nuclear Regulatory Commission (27 plants needing additional analysis)

August 23 Earthquake

- 5.8 Magnitude centered 11 miles from Virginia Electric Power's North Anna nuclear station
- Lasted 25 seconds – about 3 seconds of intense motion
- North Anna's 2 units lost connection to external power, shut down safely
- NRC reported that North Anna experienced peak ground acceleration of .26g.
- Design basis of the plant was .12g for structures on rock and .18g for structures on soil

North Anna – Restart Procedure

- NRC dispatched an augmented inspection team in August
- Virginia Electric Power (A3 Senior Unsecured / Stable Outlook) has reported there was no significant damage due to robust design margins - both units are ready for restart
- NRC held a public hearing on November 1 with Dominion to discuss restart readiness
- $21 million cost of inspection through October 21
- Replacement power costs recoverable through fuel adjustment clause
- Restart expected to be a matter of weeks rather than months

NRC Response to Fukushima – Task Force

July 12, 2011 Fukushima Near-Term Task Force Report

- "Sequence of events like the Fukushima accident is unlikely to occur in the U.S."
- "Continued operation and continued licensing activities do not pose an imminent risk to public health and safety"
- Seek to ensure "Safety through Defense-in-Depth"
- 12 Recommendations with a total of 37 action points

NRC Response to Fukushima – Staff Recommendations

- NRC Staff Report of September 9, 2011 endorses virtually all of the Task Force recommendations and proposes some additional steps.
- Seven actions to be taken "without delay", covering ten of the action points from five of the Task Force's recommendations.
- In most cases, the Staff's recommendations are for the NRC to initiate a request for information from licensees (in some cases after a period of discussion/interaction) to evaluate an issue and develop an action plan to deal with site-specific hazards, a review of results by the NRC and the taking of appropriate action by the NRC (e.g. new regulations).

NRC Staff - Areas for Immediate Action

- Reevaluate flooding and seismic hazards – perform walkdowns, change design basis as needed
- Enhance the capability to maintain safety through a prolonged station blackout - eight hour minimum and study what is needed for 72 hours
- Provide protection for multi-unit events
- Hardened vents in BWR Mark I reactors, potentially in Mark II
- Onsite emergency response processes, procedures, training and exercises to fully integrate all relevant NRC guidelines and to clarify command and control issues as appropriate
- Study of staffing and equipment enhancements needed for responding to a multi-unit event, including on-site and off-site communications during a prolonged station blackout, and completing the ongoing implementation of a modernization to the Emergency Response Data System.

NRC Response to Fukushima – Commission Order

- On October 20, NRC directs Staff to implement the seven actions
- Performance-based Standards (setting the objective rather than the process/means of attaining it)
- Station Blackout rulemaking to be complete by April, 2014
- Strive to complete all of the lessons learned from Fukushima by October, 2016

NRC – Moody's View

- Robust nuclear regulation is a credit positive for the US nuclear industry
  - Differentiating factor to Japan's nuclear industry (NISA, under the Ministry of Industry that also promotes atomic power)
  - Differentiating factor to the US Minerals Management Service (the deepwater drilling regulator at the time of the Macondo blow out)
- We perceive a meaningful but deliberate response in terms of the lessons from Fukushima Daiichi that will be applied to the US nuclear fleet
- While costs of implementation are mildly credit negative, initial indications are that the costs are manageable

Nuclear License Renewals – More Political in the Northeast

Three plants owned by Entergy (Baa3 senior unsecured / stable outlook) are up for renewal

Vermont Yankee

- GE BWR Mark I reactor
- Ten days after after the Fukushima Daiichi accident, the NRC approved the renewal of the license from March 2012 to March 2032
- Per State of Vermont law, extension for Vermont Yankee is subject to approval by the state approval – unique circumstance, because the law was in effect when the plant was purchased
- Entergy has filed suit in U.S. District Court seeking relief from Vermont's using state law to prevent the plant from running past March 2012
- Entergy contends that the U.S. Supreme Court has found that states have no authority over nuclear plant licensing.

Pilgrim

- GE BWR Mark I reactor - License expires June 2012, not yet renewed
- Some opposition

Nuclear License Renewals – Indian Point

Indian Point Units 2 & 3

- Licenses expire September 2013 and December 2015 for Units 2 & 3, respectively
- NY Governor Cuomo has maintained a long-standing opposition to Indian Point, as has Riverkeeper, an environmental group
- NY Department of Environmental Control denied a SPDES Permit (State Pollutant Discharge Elimination System) for Hudson River cooling water intake and discharge
- ETR proposes installation of wedgewire screens which they believe are proven, available technology
- NYDEC seeks to require cooling towers, which remove reliance upon river water for cooling
- Dueling studies of Indian Point's importance for the NY metro power grid
  - Charles River Associates' August, 2011 report (commissioned by NYC) concluded Indian Point is vital for reliability
  - Riverkeeper's October, 2011 report says that Indian Point's 2,040 MW could be shut down in 2015 with minimal impact

Moody's Viewpoint

- ETR has decidedly robust metrics for its rating category
- Moody's ascribes higher business risk to merchant generation, so the metrics thresholds for purely regulated utility holdcos are a bit lower than for hybrid utility/merchant holdcos
- Moody's expects decreasing cash flows from northeast nuclear due to lower market prices
- Vermont Yankee: Litigation will run its course. A plant closure would not be expected to have an impact on ETR's ratings or outlook
- Indian Point: Moody's baseline expectation (or perhaps more accurately, conjecture) is some kind of settlement – perhaps on the order of Oyster Creek. A plant closure would definitely cause Moody's to look hard at ETR's expected cash flows, but would not necessarily cause a rating action
- Pilgrim: Moody's baseline expectation is a license renewal. Pilgrim's relative importance to cash flows is somewhere between IP and VY

Nuclear New Build Licensing – On Track

- In August 2011 the NRC issued the Final Safety Evaluation Report for the Westinghouse AP-1000
- FSERs for the Vogtle and Summer plants also issued in August
- Hearings for combined construction and operating licenses (COLs) were held in September 2011 for Vogtle and in October 2011 for Summer
- If the NRC adheres to the recommended 120 day schedule, COLs could be issued in late 2011 or early 2012

Moody's Viewpoint

- Obtaining FSERs was clearly a credit positive for Georgia Power (A3 senior unsecured, stable outlook) and South Carolina Electric and Gas (Baa2 senior unsecured / stable outlook)
- Obtaining COLs by early Q1 2012 would also be credit positive – eliminating one potential cause for delay and cost increase
- AP-1000 has first in kind engineering risk
- Large, long-lead-time projects, so the potential for cost increases and delays remains
- Both Georgia and South Carolina have strong regulatory underpinnings for nuclear new-build
- Moody's believes that utilities embarking on nuclear construction should have metrics that are robust for their rating category

Future of Nuclear Power in a Shale Gas World

- The Nuclear Energy Institute May 2011 study estimates the cost per MWH from a nuclear power plant and Combined Cycle natural gas plant
- Nuclear: $86-93 levelized basis
- Natural gas: $63 with fuel at $5.00/MMBTU or $77 with fuel at $7/MMBTU
- Natural gas assuming a carbon tax of $30/ton of CO2:

  $81 with fuel at $5.00/MMBTU or $95 with fuel at $7/MMBTU
- Given nuclear's long lead times and high capital costs, combined with difficult long-term demand forecasts, utilities would probably have to place a high value on the fuel-mix diversity that nuclear provides in order to embark on a new-build project

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Environmental Update: Winners & Losers

A. J. Sabatelle, Senior Vice President

November 7, 2011

Background on CSAPR

- On July 6th, EPA signed into law the Cross State Air Pollution Rule or CSAPR
  - Requires SO_2 and NO_x emission reductions in 23 states
  - Requires NO_x Ozone season reduction in 20 states
- Replaces the Clean Air Act or CAIR
  - Federal Court ruled CAIR failed to protect downwind states from cross-state pollutants & required EPA to rewrite the regulation
- Moves the compliance measurement from a region-wide to a stricter state-wide determination
- Implemented beginning in 2012

Background on CSAPR

- Lawsuits have been filed
- EPA's position backed by strong legal precedent
- For some assets, a decision of scrubbers was made long before CPAPR implementation
- Current investment decision weighs the option value of making the investment or shutting the plant
- Older, smaller, higher heat-rate plants are likely to be the units facing shutdown

Rating Implications for CSAPR

- Limited rating impact for the vast majority of issuers
  - Ratings largely incorporate an expectation for additional environmental compliance costs
  - Large portion of sector has installed or plans to install pollution control equipment on most critical fleet
- Regulated issuers better positioned to handle future CSAPR implementation
- For certain unregulated issuers, negative rating actions influenced by limited financial flexibility
- Potential higher margin benefits of CSAPR mitigated by low natural gas prices and weak electric demand

Issuers with Greatest Vulnerability to CSAPR

- Edison Mission Energy (EME)
  - B3 Corporate Family Rating/Caa1 Sr. Unsecured Debt; Negative Outlook
  - Homer City's ability to comply may require lower production output, fuel switching, or higher costs for emissions
  - Existing leverage lease affecting financing plans to install scrubbers on Homer City Unit 1 & 2
  - Liquidity challenges at EME
- Energy Future Holdings Corp. (EFH)
  - Caa2 Corporate Family Rating/Caa3 Sr. Unsecured Debt; Negative Outlook
  - Texas generation assets now covered under CSAPR
  - Compliance plans include closure of 1,200 MW of coal-fired generation, use of PRB coal instead of lignite, & shut-down of lignite mines
  - Requires additional $280 million of capital investment by year-end
  - Highly levered capital structure compromises financing flexibility

Additional Environmental Mandates Expected

- December 2011 – Mercury & Air Toxics Standards
  - 4 Year Deadline for Compliance
  - EPA Estimate $10.9 Billion
- July 2012 – Proposed regulation of cooling water intake structures
  - Likely to affect 670 existing generation plants
- Late 2012 – Coal Combustion Residue Rules
  - Coal Ash Regulation

Common Characteristics of Each Group

Negatively Affected	Negative to Neutral	Neutral	Neutral to Positive
Unregulated Generation	Regulated Generation	Regulated Generation	Little or No Coal Exposure
Sizeable capital investment	Sizeable capital required	Modest capital requirements	Unregulated Fleet
Older, less efficient fleet	Heavy coal exposure	More balanced power mix	Well-positioned Assets
High leverage	Older, unscrubbed plants	Inflection Point Risk	Coal fleet is scrubbed
Heavy coal exposure	Inflection Point Risk	Coal-dependent hybrids	

Only includes issuers that own assets located in states affected by CSAPR.

Grouping the Issuers – Negatively Biased

Negatively Affected	Negative to Neutral
Ameren Corporation	Alliant Energy Corporation
Dynegy Inc.	American Electric Power Company
Edison Mission Energy	CMS Energy Corporation
Energy Future Holdings Co	DTE Energy Company
Genon Energy, Inc	Duke Energy Corporation
NRG Energy, Inc	Great Plains Energy Incorporated
	Madison Gas and Electric Co.
	OGE Energy Corp.
	Ohio Valley Electric Corp
	Otter Tail Power Company
	Southern Company (The)
	Westar Energy, Inc
	Xcel Energy Inc.

Issuer Grouping – Negatively Biased to Neutral

Negatively Affected	Negative to Neutral	Neutral
Ameren Corporation	Alliant Energy Corporation	AES Corporation, (The)
Dynegy Inc.	American Electric Power Company	Alllete, Inc.
Edison Mission Energy	CMS Energy Corporation	Black Hills Corporation
Energy Future Holdings Co	DTE Energy Company	Cleco Corporation
Genon Energy, Inc	Duke Energy Corporation	Dominion Resources Inc.
NRG Energy, Inc	Great Plains Energy Incorporated	DPL Inc.
	Madison Gas and Electric Co.	Empire District Electric Company
	OGE Energy Corp.	FirstEnergy Corp.
	Ohio Valley Electric Corp	MidAmerican Energy Holdings Co.
	Otter Tail Power Company	NiSource Inc.
	Southern Company (The)	PPL Corporation
	Westar Energy, Inc	Progress Energy, Inc.
	Xcel Energy Inc.	SCANA
		Vectren Utility Holdings, Inc.
		Wisconsin Energy Corp

Grouping the Issuers: Winners & Losers

Negatively Affected	Negative to Neutral	Neutral	Neutral to Positive
Ameren Corporation	Alliant Energy Corporation	AES Corporation, (The)	Calpine Corporation
Dynegy Inc.	American Electric Power Company	Alllete, Inc.	Constellation Energy Group
Edison Mission Energy	CMS Energy Corporation	Black Hills Corporation	Entergy Corporation
Energy Future Holdings Co	DTE Energy Company	Cleco Corporation	Exelon Corporation
Genon Energy, Inc	Duke Energy Corporation	Dominion Resources Inc.	NextEra Energy Inc.
NRG Energy, Inc	Great Plains Energy Incorporated	DPL Inc.	Public Service Enterprise Group
	Madison Gas and Electic Co.	Empire District Electric Company	TECO Energy, Inc
	OGE Energy Corp.	FirstEnergy Corp.	
	Ohio Valley Electric Corp	MidAmerican Energy Holdings Co.	
	Otter Tail Power Company	NiSource Inc.	
	Southern Company (The)	PPL Corporation	
	Westar Energy, Inc	Progress Energy, Inc.	
	Xcel Energy Inc.	SCANA	
		Vectren Utility Holdings, Inc.	
		Wisconsin Energy Corp	

Only includes issuers that own assets located in states affected by CSAPR.

Timing and Implications for Power Markets

- EPA rule implementation will continue at a steady pace, but transition is multi-year and multi-dimensioned
  - Legal challenges will continue
- Actual plant closures may get delayed due local municipal challenges
  - Power plant can be a large tax base for the local municipality
  - Loss of the tax base could affect plant closing timing
- Plant closures more likely to influence capacity auctions
- Energy pricing less likely to be affected
  - Many of the plants that will close do not run that often
  - Sustained low gas prices plus a weak economy

Concluding Observations

- Special Comment: Credit Implications Associated with Increasingly Stringent Environmental Regulations
- CSAPR is likely to have isolated rating implications
- Regulated issuers remain better positioned to handle environmental costs
  - Moves the sector closer to the Inflection Point
- For unregulated issuers, negative rating actions also influenced by other financial factors

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Dolyniuk, Karen E

From: Nickloy, Lee R
Sent: Friday, December 02, 2011 11:35 AM
To: Dolyniuk, Karen E
Subject: FW: EEI Materials

From: Nickloy, Lee R
Sent: Thursday, November 10, 2011 12:21 PM
To: 'Moss, Mitchell'
Subject: RE: EEI Materials

Thanks Mitchell

From: Moss, Mitchell [mailto:Mitchell.Moss@moodys.com]
Sent: Thursday, November 10, 2011 12:19 PM
To: Nickloy, Lee R
Subject: RE: EEI Materials

Lee,

See attached. FYI, PNW is mentioned on slide 28. Let me know if you need anything else.

Mitchell

From: Lee.Nickloy@PinnacleWest.com [mailto:Lee.Nickloy@PinnacleWest.com]
Sent: Thursday, November 10, 2011 2:02 PM
To: Moss, Mitchell
Subject: EEI Materials

Mitchell,

Would it be possible to get a copy of the materials that Moody's presented at EEI?

thanks

Lee R. Nickloy
Vice President and Treasurer
PINNACLE WEST CAPITAL CORPORATION
ARIZONA PUBLIC SERVICE COMPANY
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ph: 602-250-3300
Lee.Nickloy@pinnaclewest.com

--- NOTICE ---

[redacted]

[redacted]

Dolyniuk, Karen E

From: Higuchi, Dene C on behalf of Hickman, Rebecca L
Sent: Monday, November 21, 2011 6:05 AM
Subject: PNW/APS: Retail Rate Case - ACC Staff and Intervenor Testimony

On November 18, 2011, the Arizona Corporation Commission ("ACC") Staff and other intervenors in APS's pending general retail rate case filed their initial written testimony with the ACC. Copies of the testimony are available on our Arizona's Energy Future website at www.azenergyfuture.com/filings.html. APS's request and the testimony positions of certain key intervenors are summarized below in this message.

As always, if you have any questions about these developments or need other information about our company, please contact me or Geoff Wendt (602-250-5643).

Have a Happy Thanksgiving!

Sincerely ~
Becky

Rebecca L. Hickman
Director of Investor Relations | Pinnacle West Capital Corporation
Two Arizona Center | 400 North 5th Street | Station 9998 | Phoenix, AZ 85004
Office 602-250-5668 | Fax 602-250-2789 | E-mail rhickman@pinnaclewest.com

APS Request

On June 1, 2011, APS requested a $95.5 million net base rate increase to be effective July 1, 2012. The net increase would be comprised of a $194.1 million increase in non-fuel base rates, and reclassification into base rates of $44.9 million of revenues related to solar generation projects collected through APS's renewable energy surcharge ("RES") (which would increase base rates) and $143.5 million of lower fuel and purchased power costs currently addressed through the Power Supply Adjustor ("PSA") (which would decrease base rates). Key factors supporting the rate request are: a rate base of $5.7 billion; a return on equity ("ROE") of 11%; a capital structure consisting of 46.1% long-term debt and 53.9% common equity; a base fuel rate of $0.03242 per kilowatt-hour ("kWh"); implementation of a revenue-per-customer decoupling mechanism and a generation and environmental infrastructure adjustment mechanism; and modification of the PSA to allow full pass-through of all fuel and purchased power costs, instead of the current 90/10 sharing provision.

ACC Staff

The ACC Staff recommended a $7.4 million net base rate decrease, which would be comprised of a $108.8 million increase in non-fuel base rates, and reclassification into base rates of $36.8 million of revenues from the RES and $153.1 million of lower fuel and purchased power costs from the PSA. The Staff's position is premised upon: a rate base of $5.7 billion; an ROE of 9.90%, with the capital structure proposed by APS; and a base fuel rate of $0.0321 per kWh. The Staff also recommended a partial net lost revenue provision in place of APS's decoupling proposal, along with the removal of the 90/10 sharing provision of the PSA. In addition, Staff recommended that the ACC consider allowing APS to include the cost of acquiring Southern California Edison's share of Units 4 and 5 of the Four Corners Power Plant in rates once the acquisition is complete through a separate filing in the rate case docket. The Staff did not recommend approval of APS's request for an infrastructure adjustment mechanism.

Other Intervenors

Intervenors in the rate case include, among others, the Arizona Residential Utility Consumer Office ("RUCO"), an office established by the Arizona legislature to represent the interests of residential utility consumers before the ACC; and Arizonans for Electric Choice and Competition ("AECC"), a coalition that advocates on behalf of commercial and industrial utility customers. These intervenors' testimony includes the following recommendations:

- **RUCO** – RUCO recommended no change to net base rates, after reclassifications into base rates from the RES and the PSA. RUCO's position is premised upon: a rate base of $5.5 billion; an ROE of 10.00%, with the capital structure proposed by APS; and a base fuel rate of $0.0321 per kWh. RUCO did not recommend approval of APS's requests for a decoupling mechanism or an infrastructure adjustment mechanism and did not propose any additional modifications to the PSA.

- **AECC** – Although AECC did not make recommendations on return on equity or capital structure, using the Company's requested ROE and capital structure with AECC's specific recommendations would result in a $20.1 million net base rate increase, after certain reclassifications into base rates from the RES and the PSA. These results assume: a rate base of $5.4 billion; an ROE of 11.00%, with the capital structure proposed by APS; and a base fuel rate of $0.0321 per kWh. AECC did not recommend approval of APS's requests for a decoupling mechanism or an infrastructure adjustment mechanism.

Both Staff and RUCO requested extensions of time to file additional pieces of testimony. Staff and other intervenors' testimony related to rate design will be filed on or before December 2, 2011.

Procedural Schedule

As provided by the rate case procedural schedule, the parties plan to begin settlement discussions on November 30, 2011. On December 23, 2011, the parties must file a settlement agreement or, if no agreement is reached, APS must file its rebuttal testimony. Hearings are scheduled to begin January 19, 2012.

Dolyniuk, Karen E

From: Nickloy, Lee R
Sent: Friday, December 02, 2011 11:35 AM
To: Dolyniuk, Karen E
Subject: FW: New issues requiring rating letters

From: Bettinelli, Antonio [mailto:Antonio_Bettinelli@standardandpoors.com]
Sent: Monday, November 21, 2011 4:55 PM
To: Bettinelli, Antonio
Subject: New issues requiring rating letters

All,

We have had a few regulatory driven process changes that result in S&P taking up to 48 hours to process a ratings letter after the analyst has submitted all required documentation to S&P New York. To make sure everything runs smoothly, I wanted to walk through the process we currently follow. You might want to save this email.

STEPS TO GETTING AN S&P RATING LETTER:

1. If you are contemplating entering the market, notify me of the possibility the week before, or as soon as you know it could happen.

2. To set up a job for the rating letter, we need a draft OS. Please provide this in advance of pricing so we can complete all of the preliminary steps in advance. The sooner the better.

3. When you do launch a deal, please email me or call me (best email) to tell me you are in the market. This helps me insure that the required analytical people at S&P who need to sign off are on standby.

4. As soon as possible after pricing, the final term sheet must be sent to us. We need a completed term sheet to do the final processing of a rating letter. Ideally this is submitted to NY no later that 2 p.m. PST. (5 p.m. EST) the day you price. If that is not possible, then as soon as you can. Letters can take up to 48 hours from the time you send us the term sheet with final pricing, due to our internal procedures.

5. We can't normally do T+2 deals. If for some reason you have one, you need to let me know at step 1.

In any email correspondence, in case I am traveling and can't help, it's best to cc Anne Selting anne_selting@sandp.com (415-371-5009). Thanks, and also by sending this email I am by no means implying you're not following these steps. I just see an opportunity to remind all issuers.

Have a safe and pleasant Thanksgiving holiday,

Tony Bettinelli
Associate Director
Standard & Poor's
U.S. Electric Utilities
Corporate & Government Ratings
One Market, Steuart Tower, 15th Floor, San Francisco, CA 94105
(415) 371-5067
tony_bettinelli@sandp.com

[redacted]

Dolyniuk, Karen E

From: Sarti, Daniel
Sent: Thursday, December 08, 2011 4:12 PM
To: Dolyniuk, Karen E
Subject: FW: Bonds Outstanding?

From: Bettinelli, Antonio [mailto:Antonio_Bettinelli@standardandpoors.com]
Sent: Thursday, December 08, 2011 11:15 AM
To: Sarti, Daniel
Subject: RE: Bonds Outstanding?

Thanks.

From: Daniel.Sarti@pinnaclewest.com [mailto:Daniel.Sarti@pinnaclewest.com]
Sent: Wednesday, December 07, 2011 4:35 PM
To: Bettinelli, Antonio
Cc: Peter.Ewen@aps.com
Subject: RE: Bonds Outstanding?

Hi Anthony,

To respond to your question below, all three of the Farmington series bonds were converted to fixed rate mode in 2010. The Coconino series was refunded in 2009 and they are now part of the Coconino 2009B ($26.710 million) series of bonds which are in daily mode backed by a letter of credit.

Let me know if you have any more questions or need more details.

Dan Sarti
Manager - Corporate Finance
Pinnacle West Capital Corporation/Arizona Public Service Company
Ph: 602-250-3315
Fax: 602-250-5640

From: Bettinelli, Antonio [mailto:Antonio_Bettinelli@standardandpoors.com]
Sent: Wednesday, December 07, 2011 12:38 PM
To: Ewen, Peter M
Subject: Bonds Outstanding?

Issuer	Name/Desc
Coconino Cnty Poll Ctl Corp	US$20 mil 2.22% poll cntl rev (Arizona Pub Svc Co) bnds ser 1999 due 04/01/2034
Farmington	US$49.4 mil poll ctrl rev rfdg bnds (Arizona Public Svc Co. -Four Corners Proj) ser 1994A due
Farmington	US$31.5 mil 4.7% poll ctrl rev bnds (Arizona Public Svc Co. -Four Corners Proj) unsecd IRB s
Farmington	US$65.75 mil 4.7% poll ctrl rev rfdg bnds (Arizona Public Svc Co. -Four Corners Proj) unsecd 09/01/2024

[redacted]

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[redacted]

Dolyniuk, Karen E

From: Nickloy, Lee R
Sent: Tuesday, December 20, 2011 12:24 PM
To: Dolyniuk, Karen E
Subject: RE: Rating Agency Communications

12/13/11, phone call from Mitchell Moss at Moody's: inquired about settlement process and timing (either with or without settlement), description of other elements within the filed settlement term sheet

12/19/11, phone call to Mitchell Moss at Moody's in response to e-mail: described result of 12/16 Open Meeting and process/steps to follow

Will send e-mail communication separately

From: Dolyniuk, Karen E
Sent: Monday, December 19, 2011 3:25 PM
To: Hatfield, James R; Nickloy, Lee R; Ewen, Peter M; Sarti, Daniel
Subject: Rating Agency Communications
Importance: High

Gentlemen, please send me all communications you have had with the rating agencies since December 6th. This includes emails and phone conversations as well as any information we have provided them. Also, let me know if anything should be considered Confidential.

I would like to have all communications by tomorrow, Tuesday, December 20th.

Thank you.

Karen E. Dolyniuk, CTP
Manager Treasury Operations
Pinnacle West Capital Corporation
602-250-5630

Attachment(s) Intentionally Omitted – Contains Confidential Information

Dolyniuk, Karen E

From: Nickloy, Lee R
Sent: Tuesday, December 20, 2011 12:27 PM
To: Dolyniuk, Karen E
Subject: FW: APS Settlement

From: Moss, Mitchell [mailto:Mitchell.Moss@moodys.com]
Sent: Monday, December 19, 2011 12:42 PM
To: Nickloy, Lee R
Subject: APS Settlement

Lee

Please give me a call when you have a chance. I am wondering if the ACC acted at all on the proposed rate case settlement.

Mitchell

Mitchell Moss, CFA
Analyst
Global Infrastructure Finance Group
212.553.4478 tel
212.298.6478 fax
mitchell.moss@moodys.com

Moody's Investors Service
7 World Trade Center
250 Greenwich Street
New York, NY 10007

[redacted]

Attachment(s) Intentionally Omitted – Contains Confidential Information

Dodson, Christie E

Subject: FW: PNW/APS: REGULATORY UPDATE

From: Hickman, Rebecca L
Sent: Thursday, December 22, 2011 5:30 PM
Subject: PNW/APS: REGULATORY UPDATE

Today, the Arizona Corporation Commission Staff requested modifications to the procedural schedule for Arizona Public Service Company's pending retail rate case to support finalizing the settlement agreement and to adjust dates for the related testimony filings and hearing thereafter. Key dates in the proposed schedule are as follows:

January 6, 2012	Fri.	Definitive settlement agreement filing
January 18, 2012	Wed.	Direct testimony supporting or opposing settlement due
January 25, 2012	Wed.	Responsive testimony due
January 26, 2012	Thurs.	Hearing to begin

As always, if you have any questions about this development or need other information about our company, please contact me or Geoff Wendt (602-250-5643).

Best wishes to you and yours for happy holidays and a prosperous 2012!

Sincerely,

Becky

Rebecca L. Hickman
Director of Investor Relations | Pinnacle West Capital Corporation
Two Arizona Center | 400 North 5th Street | Station 9998 | Phoenix, AZ 85004
Office 602-250-5668 | Fax 602-250-2789 | E-mail rhickman@pinnaclewest.com

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