

OIL DRI CORP OF AMERICA
 Form 4
 December 30, 2015

FORM 4

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

OMB APPROVAL

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STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *
 Suckow Paul E

2. Issuer Name and Ticker or Trading Symbol
 OIL DRI CORP OF AMERICA
 [ODC]

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

(Last) (First) (Middle)
 234 GOLF VIEW ROAD
 (Street)

3. Date of Earliest Transaction (Month/Day/Year)
 12/04/2015

Director 10% Owner
 Officer (give title below) Other (specify below)

ARDMORE, PA 19003

(City) (State) (Zip)

4. If Amendment, Date Original Filed(Month/Day/Year)

6. Individual or Joint/Group Filing(Check Applicable Line)
 Form filed by One Reporting Person
 Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1. Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)	4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)	5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Ownership (Instr. 4)
				Code V Amount (A) or (D) Price			
Common Stock	12/04/2015		P	127.689 A \$ 30.4255	18,627.689	D	

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

Persons who respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned (e.g., puts, calls, warrants, options, convertible securities)

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1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)	5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)	6. Date Exercisable and Expiration Date (Month/Day/Year)	7. Title and Amount of Underlying Securities (Instr. 3 and 4)	8. Price of Derivative Security (Instr. 5)	9. Number of Derivative Securities Owned Following Transaction (Instr. 5)
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Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
Suckow Paul E 234 GOLF VIEW ROAD ARDMORE, PA 19003	X			

Signatures

/s/ Douglas A. Graham by Power of Attorney 12/30/2015

__Signature of Reporting Person Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.

Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. TD> \$ 1,288,043 \$ 73,406 \$ 733,493 \$ 510,404 \$ 9,900 \$ 3,325,275

Chairman of the Board &
Chief Executive Officer

M. K. Malquist
2006 \$ 338,398 \$ 305,747 \$ 51,750 \$ 239,369 \$ 146,523 \$ 14,469 \$ 1,096,256
Executive Vice President &
Chief Financial Officer

S. L. Morris
2006 \$ 351,703 \$ 325,302 \$ 17,719 \$ 256,466 \$ 154,406 \$ 9,900 \$ 1,115,496
President & Chief Operating
Officer

M. M. Durkin
2006 \$ 264,090 \$ 184,013 \$ 0 \$ 181,231 \$ 56,272 \$ 38,520 \$ 724,126

Sr. Vice President, General
Counsel & Chief
Compliance Officer

D. J. Meyer

2006	\$ 240,000	\$ 168,868	\$ 17,719	\$ 109,426	\$ 127,819	\$ 28,788	\$ 692,620
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Vice President & Chief
Counsel for Regulatory &
Governmental Affairs

- (1) Amounts earned in 2006; includes regular pay and paid time off.
- (2) Stock awards are comprised of awards under the Company's Long Term Incentive Plan of Performance Shares and Restricted Stock granted since 2004. Amounts recorded in this column represent the compensation expense recognized by the Company in accordance with SFAS 123(R) for the year ended December 31, 2006. Assumptions used in the calculation of these amounts are included in note 24 of the Company's audited financial statements for the year ended December 31, 2006 included in the Company's Annual Report on Form 10-K (Form 10-K) filed with the SEC on February 27, 2007. Forfeitures of stock awards were disregarded in determining amounts in this column.
- (3) Amounts in this column represent stock options that vested in 2006 from the 2002 grant. Options vested over a four-year period with 25% of the award vesting each year. Beginning in 2003, the Compensation Committee discontinued awarding stock options to employees and NEOs. Amounts recorded in this column represent the compensation expense recognized by the Company in accordance with SFAS 123(R) for the year ended December 31, 2006. Assumptions used in the calculation of these amounts are included in note 24 of the Company's audited financial statements for the year ended December 31, 2006 included in the Company's Form 10-K filed with the SEC on February 27, 2007. Forfeitures of stock awards were disregarded in determining amounts in this column.
- (4) Annual short-term cash incentive awards earned by NEOs for 2006 performance in accordance with the Executive Incentive Compensation Plan. See the CD&A for further explanation.
- (5) The change in pension amounts for each NEO is the difference in the December 31, 2006 and December 31, 2005 present values of the accrued benefit at normal retirement age (the earliest age at which retirement benefits may be received by the NEO without any reduction in benefits). The increase in the value of pension benefits is due to one year additional service, higher final average earnings, the passage of time, and changes in interest and mortality assumptions for calculating present values. The present value calculated at December 31, 2005 utilizes the GAM 83 mortality table and discount rate of 5.75%. The present value at December 31, 2006 utilizes the RP2000 mortality table and 6.15% discount rate. There were no above-market earnings for the Company's Executive Deferred Compensation Plan.
- (6) The Company does not provide any perquisites or other personal benefits to its NEOs.
- (7) Includes employer matching contributions under both the Executive Deferred Compensation Plan and the Investment and Employee Stock Ownership Plan (401(k) plan). The Company makes matching contributions on behalf of all its employees who make regular contributions of their wages, salary, cash incentive, and

Table of Contents

overtime to the 401(k) plan during the plan year. The Company matching contributions to the 401(k) plan are \$0.75 for every \$1.00 of regular employee contributions up to a maximum 6% of compensation allowed in qualified plans. The Company matching contribution under the Executive Deferred Compensation Plan is equal to \$0.75 for every \$1.00 contributed up to a maximum of 6% of the executive's base pay less the amount already contributed to the 401(k) plan on his/her behalf for the plan year. Also includes cash-outs for unused, paid time-off accrued under the Company's One-Leave Program and any relocation expenses. Ms. Durkin received final settlement of relocation expenses in 2006 for her move to Spokane in light of her employment with the Company in 2005. Mr. Meyer cashed out 160 hours of his accrued unused paid time-off totaling \$17,538, which was allowed under the Company's One Leave Program for all employees.

The All Other Compensation amounts are shown in the following table:

Name	Executive Deferred Compensation Plan Company Match	Investment and Employee Stock Ownership Plan (401(k) plan) Company Match	One-Leave Cash Outs	Relocation Expenses	Total
					All Other Compensation
Ely	\$ 0	\$ 9,900	\$ 0	\$ 0	\$ 9,900
Malquist	\$ 4,569	\$ 9,900	\$ 0	\$ 0	\$ 14,469
Morris	\$ 0	\$ 9,900	\$ 0	\$ 0	\$ 9,900
Durkin	\$ 0	\$ 9,900	\$ 0	\$ 28,620	\$ 38,520
Meyer	\$ 1,350	\$ 9,900	\$ 17,538(160 hours)	\$ 0	\$ 28,788

Grants of Plan-Based Awards 2006

Approval Date(1)	Grant Date(1)	Estimated Future Payouts Under			Estimated Future Payouts Under Equity Incentive Plan Awards(3)			All Other Stock Units (#)(5)	All Other Option Awards (#) (\$/Sh)
		Non-Equity Threshold	Incentive Plan Target	Awards(2) Maximum	Threshold (#)	Target (#)	Maximum (#)	of Shares of Underlying Stock	Exercise or Base Price of Securities Option Awards
02/09/06	02/09/06	\$ 321,750	\$ 643,500	\$ 965,250					
02/09/06	02/09/06				23,800	47,600	71,400		
02/09/06	06/14/06					12,600	12,600		

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02/09/06	02/09/06	\$ 105,000	\$ 210,000	\$ 315,000				
02/09/06	02/09/06				5,750	11,500	17,250	\$
02/09/06	05/01/06						3,000	\$
05/12/06	05/12/06				850	1,700	2,550	\$
05/12/06	05/22/06						500	\$
02/09/06	02/09/06	\$ 112,500	\$ 225,000	\$ 337,500				
02/09/06	02/09/06				5,750	11,500	17,250	\$
02/09/06	05/01/06						3,000	\$
05/12/06	05/12/06				2,000	4,000	6,000	\$
05/12/06	05/22/06						1,000	\$
02/09/06	02/09/06	\$ 79,498	\$ 158,995	\$ 238,493				
02/09/06	02/09/06				5,750	11,500	17,250	\$
02/09/06	05/01/06						3,000	\$
02/09/06	02/09/06	\$ 48,000	\$ 96,000	\$ 144,000				
02/09/06	02/09/06				1,950	3,900	5,850	\$
02/09/06	05/01/06						1,000	\$

(1) The approval date is the date the Compensation Committee approves the grant of performance shares, restricted stock or non-equity incentive awards. The award date reflects the date that the NEO receives their agreement for the award of restricted stock.

Table of Contents

- (2) Annual incentive cash awards granted to NEOs for 2006 performance in accordance with the Executive Incentive Compensation Plan. (The amounts actually paid to NEOs for 2006 performance appear in the Non-Equity Incentive Plan column of the Summary Compensation Table.) See the CD&A for further explanation.
- (3) Performance shares are granted under the Long Term Incentive Plan which have a performance cycle of three years. The number of contingent shares varies based on the Company's three-year relative total shareholder return compared to the returns reported in the S&P 400 Utilities Index. Dividend equivalents are paid in cash based on the total number of shares earned at the end of the performance cycle. See the CD&A for further explanation.
- (4) In 2006, Mr. Ely was granted restricted stock that vests over a three-year period based on a specified performance threshold. 1/3 of the shares are released from restriction on an annual basis. See the CD&A for further explanation.
- (5) In 2006, the NEOs, with the exception of Mr. Ely, received restricted stock awards that vest over a three-year period. 1/3 of the shares are released from restriction on an annual basis. During the vesting period, individuals receive dividend equivalents on the unvested shares.
- (6) Amounts recorded in this column represent the grant date fair value of the award in accordance with SFAS 123(R). Assumptions used in the calculation of these amounts are included in note 24 of the Company's audited financial statements for the year ended December 31, 2006 included in the Company's Form 10-K filed with the SEC on February 27, 2007.

The Company currently does not have any employment agreements with its NEOs, with the exception of Mr. Malquist and Ms. Durkin, both of whom have been with the Company for less than five years. The material terms of their employment agreements are described below:

Employment Agreement M. K. Malquist

The Company entered into an employment agreement with Mr. Malquist, effective October 1, 2002, pursuant to which the Company agreed to employ Mr. Malquist as Senior Vice President and Chief Financial Officer on a year-to-year basis. The employment agreement entitles Mr. Malquist to receive an annual base salary of \$245,000 subject to increases, if any, as determined by the Board. The agreement also provides that Mr. Malquist shall be entitled to participate in the Company's employee benefit plans generally available to executive officers, and is also entitled to not less than 33 days paid leave pursuant to the Company's One-Leave Program. In addition, Mr. Malquist will be eligible to participate in the SERP once he has reached five years of service and at least age 55. After five years of service, he will be credited with three years vesting service and two years benefit service for each completed year of employment (meeting a minimum of 1,000 hours of service and credited with 1/12th of a year for every 1731/3 hours worked up to a maximum of 12 months credited per year). No benefits will be payable to Mr. Malquist under the retirement plan if he leaves the Company with fewer than five years of service. Mr. Malquist was also granted an option to purchase 50,000 shares of Company common stock, with an exercise price equal to the fair market value on October 1, 2002.

Employment Agreement M. M. Durkin

The Company entered into an employment agreement with Ms. Durkin, effective August 1, 2005, pursuant to which the Company agreed to employ Ms. Durkin as Senior Vice President and General Counsel on a year-to-year basis. The

employment agreement entitles Ms. Durkin to receive an annual base salary of \$260,000 subject to increases, if any, as determined by the Board. The agreement also provides that Ms. Durkin shall be entitled to participate in the Company's employee benefit plans generally available to executive officers, and was also entitled to 15 days paid leave pursuant to the Company's One-Leave Program. Commencing on her employment date, Ms. Durkin's one leave will be accumulated on an accrual basis each pay period based upon years of service according to the plan provisions. In addition, Ms. Durkin will be eligible to participate in the SERP once she has reached five years of service. After five years, Ms. Durkin will receive a two for one credit for vesting service for each completed year of full-time service from year six through year ten (employment service). Her five-year employment anniversary triggers commencement of the additional vesting service credit. There is no two for one

Table of Contents

credit prior to completion of her fifth year of employment or after completion of her tenth year of employment. Ms. Durkin was also granted up to \$35,000 in relocation expenses and 15,500 performance shares, with a potential payout of 0% - 150% of each grant based on a 3-year performance cycle. Ms. Durkin is also entitled to severance benefits (less applicable withholding taxes) at a rate equal to her current base salary, for a period of one year from the date of termination other than for cause, to be paid periodically in accordance with the Company's normal payroll policies. The Company would also continue to provide her with regular Company medical health benefits for the period of the first three months following termination. This entitlement will cease completely at the second anniversary of Ms. Durkin's employment.

Outstanding Equity Awards at Fiscal Year-End 2006

Name	Date of Grant	Option Awards			Stock Awards			Equity Incentive Awards: Market or Payout Value of Unearned Shares, Units, or Other Rights That Have Not Vested (\$)(7)
		Number of Securities Underlying Unexercised Options (#) Exercisable(1)	Exercise Price (\$)(2)	Option Expiration Date(3)	Market Value of Shares or Units of Stock that Have Not Vested (\$)(5)	Equity Incentive Awards: Number of Shares, Units, or Other Rights That Have Not Vested(6)	Equity Incentive Awards: Market or Payout Value of Unearned Shares, Units, or Other Rights That Have Not Vested (\$)(7)	
G.G. Ely	11/12/1998	12,500	\$ 18.63	11/12/2008				
G.G. Ely	11/11/1999	35,000	\$ 17.31	11/11/2009				
G.G. Ely	11/09/2000	50,000	\$ 22.54	11/09/2010				
G.G. Ely	02/09/2001	50,000	\$ 16.48	02/09/2011				
G.G. Ely	11/08/2001	145,000	\$ 11.80	11/08/2011				
G.G. Ely	11/07/2002	108,750	\$ 10.17	11/07/2012				
G.G. Ely	02/10/2005						96,600	\$ 2,553,138
G.G. Ely	02/09/2006						71,400	\$ 1,848,189
G.G. Ely	06/14/2006						8,400(8)	\$ 212,604
M. K. Malquist	09/30/2002	50,000	\$ 11.03	09/30/2012				
M. K. Malquist	11/07/2002	26,250	\$ 10.17	11/07/2012				
	02/10/2005						23,250	\$ 614,498

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M. K. Malquist							
M. K. Malquist	02/09/2006					17,250	\$ 446,516
M. K. Malquist	05/01/2006			2,000	\$ 50,620		
M. K. Malquist	05/12/2006					2,550	\$ 66,007
M. K. Malquist	05/22/2006			333	\$ 8,428		
S. L. Morris	11/12/1998	3,700	\$ 18.63	11/12/2008			
S. L. Morris	11/11/1999	3,800	\$ 17.31	11/11/2009			
S. L. Morris	11/09/2000	11,000	\$ 22.54	11/09/2010			
S. L. Morris	11/09/2000	15,000	\$ 22.54	11/09/2010			
S. L. Morris	11/08/2001	35,000	\$ 11.80	11/08/2011			
S. L. Morris	11/07/2002	26,250	\$ 10.17	11/07/2012			
S. L. Morris	02/10/2005					23,250	\$ 614,498
S. L. Morris	02/09/2006					17,250	\$ 446,516
S. L. Morris	05/01/2006			2,000	\$ 50,620		
S. L. Morris	05/12/2006					6,000	\$ 155,310
S. L. Morris	05/22/2006			666	\$ 16,856		
M. M. Durkin	08/01/2005					23,250	\$ 614,498
M. M. Durkin	02/09/2006					17,250	\$ 446,516
M. M. Durkin	05/01/2006			2,000	\$ 50,620		

Table of Contents

Name	Date of Grant	Option Awards			Number of Shares or Units of Stock that Have Not Vested (#)(4)	Stock Awards		
		Number of Securities Underlying Unexercised Options (#) Exercisable(1)	Exercise Price (\$)(2)	Option Expiration Date(3)		Market Value of Shares or Units of Stock That Have Not Vested (\$)(5)	Equity Incentive Plan Awards: Number of Unearned Shares, Units, or Other Rights That Have Not Vested(6)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units, or Other Rights That Have Not Vested (\$)(7)
D. J. Meyer	09/16/1998	14,540	\$ 18.31	09/16/2008				
D. J. Meyer	09/16/1998	5,460	\$ 18.31	09/16/2008				
D. J. Meyer	11/12/1998	12,500	\$ 18.63	11/12/2008				
D. J. Meyer	11/11/1999	20,000	\$ 17.31	11/11/2009				
D. J. Meyer	11/09/2000	24,000	\$ 22.54	11/09/2010				
D. J. Meyer	11/08/2001	35,000	\$ 11.80	11/08/2011				
D. J. Meyer	11/07/2002	26,250	\$ 10.17	11/07/2012				
D. J. Meyer	02/10/2005						7,950	\$ 210,119
D. J. Meyer	02/09/2006						5,850	\$ 151,427
D. J. Meyer	05/01/2006				666	\$ 16,856		

(1) Stock options were granted from 1998 to 2002. (In 2003, the Compensation Committee discontinued awarding stock options to employees and NEOs.) Options vested over a four-year period with 25% of the award vesting each year. In November 2006, the last options granted in 2002 vested based on the four-year

vesting period and became exercisable.

- (2) Option exercise price based on the average of the high and low stock price on the date of grant.
- (3) Options have a term life of ten years from grant date.
- (4) Number of restricted shares that remain unvested as of December 31, 2006.
- (5) Market value of restricted stock based on the closing stock price as reported on December 29, 2006.
- (6/7) Performance shares have been adjusted to reflect the maximum number of shares potentially released under this program as the previous fiscal year's performance exceeded the targeted performance measure. These amounts were calculated as if the performance period ended on December 31, 2006 and also include dividend equivalents. Since Mr. Ely's restricted stock has a performance target, it has been included in this column based on the targeted payout. Market value is based on the closing stock price as reported on December 29, 2006. Amounts also include any dividend equivalents.
- (8) Number of restricted shares that remain unvested for Mr. Ely. Amount shown is 2/3 of the grant that has not yet vested. On February 8, 2007, the Compensation Committee certified that the ROE performance hurdle tied to the restricted stock granted to Mr. Ely exceeded the threshold of 5.67% ROE. Therefore, one-third of the restricted shares granted vested and were released of restrictions.

Table of Contents**Option Exercises and Stock Vested as of December 31, 2006**

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise (\$)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting (\$)
G. G. Ely			78,568(1)	\$ 2,078,124
			4,200(2)	\$ 107,982
M. K. Malquist			18,910(1)	\$ 500,170
			1,167(3)	\$ 29,794
S. L. Morris			18,910(1)	\$ 500,170
			1,334(3)	\$ 34,057
M. M. Durkin			1,000(3)	\$ 25,530
D. J. Meyer			18,910(1)	\$ 500,170
			334(3)	\$ 8,527

- (1) Performance shares Benchmarked at the 68th percentile for total shareholder return against companies included in our peer group. This resulted in a distribution of 122% of the initial shares granted. Valuation includes both the value of the shares and dividend equivalents.
- (2) Mr. Ely was granted restricted stock that is released of restrictions 1/3 each year based on the Company achieving an annual performance target. The performance target was achieved in 2006. Therefore, one-third of Mr. Ely's restricted stock was released of restrictions. Value is based on the close of business on February 8, 2007 at a price of \$25.71, the day the Compensation Committee certified that the performance target was met.
- (3) The NEOs received 1/3 of their restricted stock award. Value is based on the close of business for the first trading day in 2007.

Non-Qualified Deferred Compensation Plan 2006

The following table shows the non-qualified deferred compensation activity for the NEOs accrued to date up through December 31, 2006:

Executive Contributions in Last Fiscal	Company Contributions in Last Fiscal Year (Company Match)	Aggregate Earnings in Last Fiscal Year	Aggregate Withdrawals/ Distributions	Aggregate Balance at Last Fiscal Year-End
--	---	--	--------------------------------------	---

Name	Year	(\$)(1)	(\$)(2)	(\$)(3)	(\$)	(\$)	(\$)
G. G. Ely	\$	0	\$ 0	\$ 386,908	\$ 0	\$	2,118,933
M. K. Malquist	\$	285,772	\$ 4,569	\$ 76,829	\$ 0	\$	472,941
S. L. Morris	\$	0	\$ 0	\$ 38,089	\$ 0	\$	296,237
M. M. Durkin	\$	0	\$ 0	\$ 0	\$ 0	\$	0
D. J. Meyer	\$	86,762	\$ 1,350	\$ 36,222	\$ 0	\$	292,538

- (1) Eligible employees may elect to defer up to 75% of their base annual salary, up to 100% of their annual bonus and up to 100% of their eligible performance award. This column represents deferrals of this compensation during the last fiscal year. See the Summary Compensation Table for further explanation.
- (2) The Company matching contribution under the Executive Deferred Compensation Plan is equal to \$0.75 for every \$1.00 contributed up to a maximum of 6% of the executive's base pay less the amount contributed to the 401(k) plan on his/her behalf for the plan year.
- (3) Earnings reflect the market returns of the NEOs' respective asset allocations. The earnings accrued for deferred compensation are determined by actual earnings of Avista common stock and mutual funds. The Compensation Committee selects the mutual funds to be made available to participants in the plan, and the participants may allocate their accounts among these investments, including Avista common stock. The mutual funds currently available include the following:

Table of Contents

Fund	Ticker Symbol	One Year Return as of 12/31/06
American Funds EuroPacific Growth	REREX	21.83%
Aston Montag & Caldwell Growth I	MCGIX	8.36%
Avista common stock	AVA	40.94%
Dreyfus Short Term Intermediate Government	DSIGX	3.58%
Legg Mason Value Trust	LMNVX	6.92%
PIMCO Total Return	PTRAX	3.74%
RS Investments Partners	RSPFX	11.22%
TCM Small Cap Growth	TCMSX	18.78%
T. Rowe Price Mid Cap Growth	RPMGX	6.79%
T. Rowe Price Personal Strategy Balanced	TRPBX	11.92%
Wells Fargo Adv Index	NVINX	15.47%
Wells Fargo Cash Investment Money Market	NWIXX	4.64%

Pension Benefits 2006

The table below reflects benefits pursuant to the Retirement Plan for Employees and the SERP for the NEOs. The Company's Retirement Plan for Employees provides a retirement benefit based upon employees' compensation and years of credited service. Earnings credited for retirement purposes represent the final average annual base salary of the employee for the highest 36 consecutive months during the last 120 months of service with the Company. Base salary for the NEOs is the amount under "Salary" in the Summary Compensation Table.

The SERP provides additional pension benefits to executive officers of the Company, who have attained the age of 55 and a minimum of 15 years of credited service with the Company. The plan is intended to provide benefits to executive officers whose pension benefits under the Company's Retirement Plan are reduced due to the application of limitations on qualified plans of the Internal Revenue Code of 1986 and the deferral of salary pursuant to the Executive Deferred Compensation Plan. When combined with the Retirement Plan, the plan will provide benefits to executive officers, who retire at age 62 or older, of 2.5% of the final average annual base salary during the highest 60 consecutive months during the last 120 months of service for each credited year of service up to 30 years. When combined with the Retirement Plan, the plan will provide higher benefits to the CEO, if he retires on or after age 65, of 3% of final average base salary during the highest 60 consecutive months during the last 120 months of service for each credited year of service up to 30 years. Benefits will be reduced for executives who retire before age 62. Amounts deferred under the SERP after December 31, 2004 are also subject to Section 409A of the Internal Revenue Code. During 2006 certain provisions of the SERP were modified in order to comply with the requirements of Section 409A and related guidance in connection with the Executive Deferred Compensation Plan.

Table of Contents

Name	Plan Name	Number of Years Credited Service (#)(1)	Present Value of Accumulated Benefit (\$)	Payments During Last Fiscal Year (\$)
G. G. Ely	Retirement Plan	39.83	\$ 1,479,129	\$ 0
	SERP pre 2005(2)	30.00	\$ 1,290,251	\$ 0
	SERP 2005+(3)	30.00	\$ 1,728,952	\$ 0
M. K. Malquist(4)	Retirement Plan	4.25	\$ 73,542	\$ 0
	SERP pre 2005(2)	2.25	\$ 17,035	\$ 0
	SERP 2005+(3)	8.50	\$ 358,067	\$ 0
S. L. Morris	Retirement Plan	25.17	\$ 582,998	\$ 0
	SERP pre 2005(2)	23.17	\$ 67,915	\$ 0
	SERP 2005+(3)	25.17	\$ 524,990	\$ 0
M. M. Durkin(5)	Retirement Plan	1.42	\$ 24,455	\$ 0
	SERP pre 2005(2)	NA	NA	\$ 0
	SERP 2005+(3)	1.42	\$ 31,817	\$ 0
D. J. Meyer(6)	Retirement Plan	8.25	\$ 178,272	\$ 0
	SERP pre 2005(2)	26.25	\$ 1,599,433	\$ 0
	SERP 2005+(3)	28.25	\$ 54,427	\$ 0

(1) SERP participants can only earn a maximum of 30 years of credited service in the SERP no matter how many years they actually have with the Company.

(2/3) Effective January 1, 2005 the SERP was modified to comply with requirements of Internal Revenue Code Section 409A. This plan is noted as SERP 2005+. The plan prior to this date, SERP pre-2005, was grandfathered and is not subject to these requirements.

(4) Mr. Malquist will be eligible to participate in the SERP once he has reached five (5) years of service and at least age 55. After five (5) years of service, he will be credited with three (3) years vesting service and two (2) years benefit service for each completed year of employment (meeting a minimum of 1,000 hours of service and credited with 1/12th of a year for every 1731/3 hours worked up to a maximum of twelve (12) months credited per year). No benefits will be payable to Mr. Malquist under the retirement plan if he leaves the Company with fewer than five years of service. See details of Mr. Malquist's employment agreement on page 26.

(5) Ms. Durkin will be eligible to participate in the SERP once she has reached five (5) years of service. After five (5) years, Ms. Durkin will receive a two for one credit for Vesting Service for each completed year of full-time service from year six through year ten (employment service). Her five-year employment anniversary triggers commencement of the additional Vesting Service credit. There is no two for one credit prior to completion of her fifth year of employment or after completion of her tenth year of employment. See details of Ms. Durkin's employment agreement on page 26.

(6) Mr. Meyer was granted twenty (20) years of credited service upon his employment.

Table of Contents**Potential Payment Upon Termination or Change of Control**

The Company has Change of Control Agreements with all of the NEOs. The agreements will provide compensation and benefits to the NEOs in the event of a change of control of the Company. Pursuant to the terms of the agreements, the named executive officers agree to remain in the employ of the Company for three years following a change of control of the Company, and will receive an annual base salary equal to at least 12 times the highest monthly base salary paid to such executive officer in the 12 months preceding the change of control. In addition to the annual base salary, each NEO will receive an annual bonus at least equal to such executive officer's highest bonus paid by the Company under the Company's Annual Incentive Compensation Plan for the three fiscal years preceding the change of control (the "Recent Annual Bonus"). If employment is terminated by the Company for other than cause or by such executive officer for good reason during the first three years after a change of control, the executive officer will receive a payment equal to the sum of: (i) the base salary due to such executive officer as of the date of termination; (ii) a proportionate bonus due to such executive officer as of the same date based upon the higher of the Recent Annual Bonus and the named executive officer's annual bonus for the last fiscal year (the "Highest Annual Bonus"); and (iii) a lump sum payment equal to two or three times the named executive's annual base salary (depending on executive's level) plus the Highest Annual Bonus. The NEO will also receive all unpaid deferred compensation and vacation pay, may continue to receive employee welfare benefits for up to a three-year maximum from the date of termination, and may receive outplacement assistance. The NEO will also be entitled to a lump sum payment equal to the actuarial present value of the benefit under the Company's retirement plans that such executive officer would have received if the NEO had remained in the employ of the Company for two or three years after the date of termination, based upon senior level and vice president level. If any payments to the NEO would be subject to the excise tax on excess parachute payments imposed by Section 4999 of the Internal Revenue Code, the agreements also provide that such executive officer may be entitled to a gross-up payment from the Company to cover the excise tax and any additional taxes on the gross-up payment. If payments (other than the gross-up payment) to the named executive officer do not exceed 110% of the maximum amount the NEO could receive without triggering the excise tax, the payments to such executive officer will be reduced to that maximum amount and such executive officer will not receive a gross-up payment.

Payments required by these agreements, as well as payments provided by the other Company compensation arrangements described above, are summarized in the tables below.

Potential Payment Upon Termination or Change of Control(1)

	Change in	Voluntary	Retirement	Death	Disability	Involuntary Termination With or Without Cause
	Control	Termination				
Gary G. Ely						
Chairman of the Board & Chief Executive Officer						
Compensation Components						
Severance(2)	\$ 4,345,480	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Intrinsic Value of Accelerated Equity(3)	\$ 1,819,205	\$ 0	\$ 1,497,527	\$ 1,497,527	\$ 1,497,527	\$ 0

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Retirement Benefits(4)	\$ 2,938,363	\$ 0	\$ 180,328	\$ 0	\$ 0	\$ 0
Retiree Medical(5)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Health Benefits(6)	\$ 30,237	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Death Benefit(7)	\$ 0	\$ 0	\$ 0	\$ 2,612,633	\$ 0	\$ 0
Supplemental Disability Benefit(8)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,531,536	\$ 0
280-G Tax Gross-Up(9)	\$ 3,648,660	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Total	\$ 12,781,945	\$ 0	\$ 1,677,855	\$ 4,110,160	\$ 3,029,063	\$ 0

Table of Contents

- (1) Assumes executive is retirement eligible. All scenarios assume termination occurred on December 31, 2006.
- (2) Amount is equal to three times the highest base pay and bonus amounts for the prior three years.
- (3) Assumes full acceleration of restricted stock and prorated acceleration of performance shares (for 2005 and 2006) with termination after a change of control, prorated acceleration after death, disability, and retirement, and all forfeited in the event of voluntary or involuntary termination. Under death, disability and retirement, achievement of performance goals were assumed to be 100%, although in actuality the participant must wait until the end of the performance period to receive his/her prorated amount using the actual performance for the entire measurement period.
- (4) The value of retirement benefits shown in the Termination Scenario Table are in addition to the value of benefits shown in the Pension Benefits Table. For change in control, three years of additional benefit service are included when calculating the SERP value, offset by the value of qualified pension plan benefits. Change in control additional benefits are payable immediately as a lump sum. For retirement, benefits are assumed payable as an annuity starting on December 31, 2006 using the SERP benefit multiplier and early retirement reductions applicable at that date.
- (5) Retiree medical benefits are generally available to all employees who meet age and service eligibility requirements.
- (6) For a change in control, Mr. Ely would be credited with three years of continued health coverage.
- (7) The death benefit is referred to in the CD&A as the Company Self-Funded Death Benefit Plan. Amount shown is the present value of 25% of twice annual base salary paid annually over a ten-year certain period using a discount rate of 6.15%.
- (8) The supplemental disability benefit is 60% of base annual pay reduced by benefits available from the Avista Corp. Long-term Disability Plan, Workers Compensation (if applicable), and Social Security. Amount shown is the present value of the annual disability benefit payable to age 65. Present value was determined by using a discount rate of 6.15% and the RP2000 mortality table for males and females.
- (9) A gross-up is a contract provision that indicates the Company will pay the excise tax (and all associated taxes) resulting from payments received by the individual with respect to the change in control, such that the individual is left with the full, normally taxable amount of the benefit to which the individual is entitled. The excise tax amount is based on the Company's best estimate of the individual's liabilities under Internal Revenue Code Sections 280G and 4999, assuming the termination caused by change in control occurred on December 31, 2006.

Table of Contents

	Potential Payment Upon Termination or Change of Control(1)					Involuntary Termination With or without Cause
	Change in Control	Voluntary Termination	Retirement	Death	Disability	
Malyn K. Malquist						
Executive Vice President & Chief Financial Officer						
Compensation Components						
Severance(2)	\$ 1,768,106	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Intrinsic Value of Accelerated Equity(3)	\$ 464,571	\$ 0	\$ 375,216	\$ 375,216	\$ 375,216	\$ 0
Retirement Benefits(4)	\$ 765,392	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Retiree Medical(5)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Health Benefits(6)	\$ 41,467	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Death Benefit(7)	\$ 0	\$ 0	\$ 0	\$ 1,278,911	\$ 0	\$ 0
Supplemental Disability Benefit(8)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,124,014	\$ 0
280-G Tax Gross-Up	\$ 1,234,877	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Total	\$ 4,274,413	\$ 0	\$ 375,216	\$ 1,654,127	\$ 1,499,230	\$ 0

(1) All scenarios assume termination occurred on December 31, 2006.

(2) Amount is equal to three times the highest base pay and bonus amounts for the prior three years.

(3) Assumes full acceleration of restricted stock and prorated acceleration of performance shares (for 2005 and 2006) with termination after a change of control, prorated acceleration after death, disability, and retirement, and all forfeited in the event of voluntary or involuntary termination. Under death, disability, and retirement, achievement of performance goals were assumed to be 100%, although in actuality the participant must wait until the end of the performance period to receive his/her prorated amount using the actual performance for the entire measurement period.

(4) The value of retirement benefits shown in the Termination Scenario Table are in addition to the value of benefits shown in the Pension Benefits Table. For change in control, three years of additional benefit service are included when calculating the SERP value, offset by the value of qualified pension plan benefits. Change in control additional benefits are payable immediately as a lump sum. For retirement, benefits are assumed payable as an annuity starting on December 31, 2006 using the SERP benefit multiplier and early retirement reductions applicable at that date.

(5) Retiree medical benefits are generally available to all employees who meet age and service eligibility requirements.

- (6) For a change in control, Mr. Malquist would be credited with three years of continued health coverage.
- (7) The death benefit is explained in the CD&A under Company Self-Funded Death Benefit Plan. Amount shown is the present value of 25% of twice annual base salary paid annually over a ten-year certain period using a discount rate of 6.15%.
- (8) The supplemental disability benefit is 60% of base annual pay reduced by benefits available from the Avista Corp. Long-term Disability Plan, Workers Compensation (if applicable), and Social Security. Amount shown is the present value of the annual disability benefit payable to age 65. Present value was determined by using a discount rate of 6.15% and the RP2000 mortality table for males and females.
- (9) A gross-up is a contract provision that indicates the Company will pay the excise tax (and all associated taxes) resulting from payments received by the individual with respect to the change in control, such that the individual is left with the full, normally taxable amount of the benefit to which the individual is entitled. The excise tax amount is based on the Company's best estimate of the individual's liabilities under Internal Revenue

Table of Contents

Code Sections 280G and 4999, assuming the termination caused by change in control occurred on December 31, 2006.

	Potential Payment Upon Termination or Change of Control(1)					Involuntary Termination With or Without Cause
	Change in Control	Voluntary Termination	Retirement	Death	Disability	
Scott L. Morris						
President & Chief Operating Officer						
Compensation Components						
Severance(2)	\$ 1,894,399	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Intrinsic Value of Accelerated Equity(3)	\$ 496,842	\$ 0	\$ 394,722	\$ 394,722	\$ 394,722	\$ 0
Retirement Benefits(4)	\$ 542,466	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Retiree Medical(5)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Health Benefits(6)	\$ 41,467	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Death Benefit(7)	\$ 0	\$ 0	\$ 0	\$ 750,000	\$ 0	\$ 0
Supplemental Disability Benefit(8)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,060,734	\$ 0
280-G Tax Gross-Up	\$ 1,205,911	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Total	\$ 4,181,085	\$ 0	\$ 394,722	\$ 1,144,722	\$ 1,455,456	\$ 0

- (1) All scenarios assume termination occurred on December 31, 2006.
- (2) Amount is equal to three times the highest base pay and bonus amounts for the prior three years.
- (3) Assumes full acceleration of restricted stock and prorated acceleration of performance shares (for 2005 and 2006) with termination after a change of control, prorated acceleration after death, disability, and retirement, and all forfeited in the event of voluntary or involuntary termination. Under death, disability, and retirement, achievement of performance goals were assumed to be 100%, although in actuality the participant must wait until the end of the performance period to receive his/her prorated amount using the actual performance for the entire measurement period.
- (4) The value of retirement benefits shown in the Termination Scenario Table are in addition to the value of benefits shown in the Pension Benefits Table. For change in control, three years of additional benefit service are included when calculating the SERP value, offset by the value of qualified pension plan benefits. Change in control additional benefits are payable immediately as a lump sum. For retirement, benefits are assumed payable as an annuity starting on December 31, 2006 using the SERP benefit multiplier and early retirement reductions applicable at that date.

- (5) Retiree medical benefits are generally available to all employees who meet age and service eligibility requirements.
- (6) For a change in control, Mr. Morris would be credited with three years of continued health coverage.
- (7) The death benefit is explained in the CD&A under Company Self-Funded Death Benefit Plan. Amount shown is twice the annual base salary paid in a lump sum.
- (8) The supplemental disability benefit is 60% of base annual pay reduced by benefits available from the Avista Corp. Long-term Disability Plan, Workers Compensation (if applicable), and Social Security. Amount shown is the present value of the annual disability benefit payable to age 65. Present value was determined by using a discount rate of 6.15% and the RP2000 mortality table for males and females.
- (9) A gross-up is a contract provision that indicates the Company will pay the excise tax (and all associated taxes) resulting from payments received by the individual with respect to the change in control, such that the individual is left with the full, normally taxable amount of the benefit to which the individual is entitled. The excise tax amount is based on the Company's best estimate of the individual's liabilities under Internal Revenue

Table of Contents

Code Sections 280G and 4999, assuming the termination caused by change in control occurred on December 31, 2006.

	Potential Payment Upon Termination or Change of Control(1)					Involuntary Termination With or Without Cause
	Change in Control	Voluntary Termination	Retirement	Death	Disability	
Marian M. Durkin Senior Vice President, General Counsel & Chief Compliance Officer						
Compensation Components						
Severance(2)	\$ 1,338,668	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Intrinsic Value of Accelerated Equity(3)	\$ 437,388	\$ 0	\$ 360,798	\$ 360,798	\$ 360,798	\$ 0
Retirement Benefits(4)	\$ 90,472	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Retiree Medical(5)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Health Benefits(6)	\$ 41,467	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Death Benefit(7)	\$ 0	\$ 0	\$ 0	\$ 968,289	\$ 0	\$ 0
Supplemental Disability Benefit(8)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,225,367	\$ 0
280-G Tax Gross-Up	718,904	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Total	\$ 2,626,899	\$ 0	\$ 360,798	\$ 1,329,087	\$ 1,586,165	\$ 0

- (1) All scenarios assume termination occurred on December 31, 2006.
- (2) Amount is equal to three times the highest base pay and bonus amounts for the prior three years.
- (3) Assumes full acceleration of restricted stock and prorated acceleration of performance shares (for 2005 and 2006) with termination after a change of control, prorated acceleration after death, disability, and retirement, and all forfeited in the event of voluntary or involuntary termination. Under death, disability, and retirement, achievement of performance goals were assumed to be 100%, although in actuality the participant must wait until the end of the performance period to receive his/her prorated amount using the actual performance for the entire measurement period.
- (4) The value of retirement benefits shown in the Termination Scenario Table are in addition to the value of benefits shown in the Pension Benefits Table. For change in control, three years of additional benefit service are included when calculating the SERP value, offset by the value of qualified pension plan benefits. Change in control additional benefits are payable immediately as a lump sum. For retirement, benefits are assumed payable as an annuity starting on December 31, 2006 using the SERP benefit multiplier and early retirement reductions applicable at that date.

- (5) Retiree medical benefits are generally available to all employees who meet age and service eligibility requirements.
- (6) For a change in control, Ms. Durkin would be credited with three years of continued health coverage.
- (7) The death benefit is explained in the CD&A under Company Self-Funded Death Benefit Plan. Amount shown is twice the annual base salary paid in a lump sum.
- (8) The supplemental disability benefit is 60% of base annual pay reduced by benefits available from the Avista Corp. Long-term Disability Plan, Workers Compensation (if applicable), and Social Security. Amount shown is the present value of the annual disability benefit payable to age 65. Present value was determined by using a discount rate of 6.15% and the RP2000 mortality table for males and females.
- (9) A gross-up is a contract provision that indicates the Company will pay the excise tax (and all associated taxes) resulting from payments received by the individual with respect to the change in control, such that the individual is left with the full, normally taxable amount of the benefit to which the individual is entitled. The

Table of Contents

excise tax amount is based on the Company's best estimate of the individual's liabilities under Internal Revenue Code Sections 280G and 4999, assuming the termination caused by change in control occurred on December 31, 2006.

	Potential Payment Upon Termination or Change of Control(1)					Involuntary Termination With or Without Cause
	Change in Control	Voluntary Termination	Retirement	Death	Disability	
David J. Meyer						
Vice President & Chief Counsel For Regulatory & Governmental Affairs						
Compensation Components						
Severance(2)	\$ 698,851	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Intrinsic Value of Accelerated Equity(3)	\$ 148,626	\$ 0	\$ 123,096	\$ 123,096	\$ 123,096	\$ 0
Retirement Benefits(4)	\$ 61,723	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Retiree Medical(5)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Health Benefits(6)	\$ 27,645	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Death Benefit(7)	\$ 0	\$ 0	\$ 0	\$ 876,968	\$ 0	\$ 0
Supplemental Disability Benefit(8)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 383,692	\$ 0
280-G Tax Gross-Up	\$ 289,304	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Total	\$ 1,226,149	\$ 0	\$ 123,096	\$ 1,000,064	\$ 506,788	\$ 0

- (1) All scenarios assume termination occurred on December 31, 2006.
- (2) Amount is equal to two times the highest base pay and bonus amounts for the prior three years.
- (3) Assumes full acceleration of restricted stock and prorated acceleration of performance shares (for 2005 and 2006) with termination after a change of control, prorated acceleration after death, disability, and retirement, and all forfeited in the event of voluntary, or involuntary termination. Under death, disability, and retirement, achievement of performance goals were assumed to be 100%, although in actuality the participant must wait until the end of the performance period to receive his/her prorated amount using the actual performance for the entire measurement period.
- (4) The value of retirement benefits shown in the Termination Scenario Table are in addition to the value of benefits shown in the Pension Benefits Table. For change in control, two years of additional benefit service are included when calculating the SERP value, offset by the value of qualified pension plan benefits. Change in control additional benefits are payable immediately as a lump sum. For retirement, benefits are assumed payable as an annuity starting on December 31, 2006 using the SERP benefit multiplier and early retirement reductions applicable at that date.

- (5) Retiree medical benefits are generally available to all employees who meet age and service eligibility requirements.
- (6) For a change in control, Mr. Meyer would be credited with two years of continued health coverage.
- (7) The death benefit is explained in the CD&A under Company Self-Funded Death Benefit Plan. Amount shown is the present value of 25% of twice annual base salary paid annually over a ten-year certain period using a discount rate of 6.15%.
- (8) The supplemental disability benefit is 60% of base annual pay reduced by benefits available from the Avista Corp. Long-term Disability Plan, Workers Compensation (if applicable), and Social Security. Amount shown is the present value of the annual disability benefit payable to age 65. Present value was determined by using a discount rate of 6.15% and the RP2000 mortality table for males and females.

Table of Contents

- (9) A gross-up is a contract provision that indicates the Company will pay the excise tax (and all associated taxes) resulting from payments received by the individual with respect to the change in control, such that the individual is left with the full, normally taxable amount of the benefit to which the individual is entitled. The excise tax amount is based on the Company's best estimate of the individual's liabilities under Internal Revenue Code Sections 280G and 4999, assuming the termination caused by change in control occurred on December 31, 2006.

Class Action Securities Litigation

On November 10, 2005, an amended class action complaint was filed in the United States District Court for the Eastern District of Washington against Avista Corp., Thomas M. Matthews, the former Chairman of the Board, President and Chief Executive Officer of Avista Corp., Gary G. Ely, the current Chairman of the Board and Chief Executive Officer of Avista Corp., and Jon E. Eliassen, the former Senior Vice President and Chief Financial Officer of Avista Corp. Several class action complaints were originally filed in September through November 2002 in the same court against the same parties. In February 2003, the court issued an order, which consolidated the complaints and in August 2003, the plaintiffs filed a consolidated amended class action complaint. On June 13, 2005, the Company filed a motion for reconsideration of its earlier motion to dismiss this complaint, based, in part, on a recent United States Supreme Court decision with respect to the pleading requirements surrounding a sufficient showing of loss causation. On October 19, 2005, the Court granted the Company's motion to dismiss this complaint. The order to dismiss was issued without prejudice, which allowed the plaintiffs to amend their complaint. The amended complaint filed on November 10, 2005 alleges damages due to the decrease in the total market value of the Company's common stock during the class period, alleged to be approximately \$2.6 billion. These alleged losses stemmed from alleged violations of federal securities laws through alleged misstatements and omissions of material facts with respect to the Company's energy trading practices in western power markets. The plaintiffs assert that alleged misstatements and omissions regarding these matters were made in the Company's filings with the Securities and Exchange Commission and other information made publicly available by the Company, including press releases. The class action complaint asserts claims on behalf of all persons who purchased, converted, exchanged, or otherwise acquired the Company's common stock during the period between November 23, 1999 and August 13, 2002. On January 6, 2006, the Company filed a motion to dismiss the November 10, 2005 complaint, asserting deficiencies in the amended complaint, including that the plaintiffs failed to adequately allege loss causation. On June 2, 2006, the U.S. District Court entered an order denying the Company's motion to dismiss the complaint. The U.S. District Court's order denying the Company's motion to dismiss is not a decision on the merits of the lawsuit. On September 16, 2006, the plaintiffs filed a motion for class certification. On February 13, 2007, the plaintiffs' motion for class certification was heard before the court. Also, pending before the court is defendants' motion for summary judgment seeking to dismiss plaintiffs' claims on the ground that they are barred by the applicable statute of limitations. The matter is expected to proceed in the normal course of litigation and a trial date is currently scheduled for November 13, 2007. Because the resolution of this lawsuit remains uncertain, legal counsel cannot express an opinion on the extent, if any, of the Company's liability. However, based on information currently known to the Company's management, the Company does not expect that this lawsuit will have a material adverse effect on its financial condition, results of operations, or cash flows.

PROPOSAL 2

**AMENDMENT OF RESTATED ARTICLES OF INCORPORATION AND
BYLAWS TO PROVIDE FOR THE ANNUAL ELECTION OF DIRECTORS**

Existing Provisions

Under Article FIFTH of the Restated Articles of Incorporation, as amended (the Articles), the Board is divided into three classes. Directors are elected for a term of three years and directors of one class (whose terms are then expiring) are elected at each Annual Meeting of Shareholders. The Bylaws contain a similar provision.

Article FIFTH of the Articles further provides that any vacancy occurring in the Board may be filled by the remaining directors, and any director filling a vacancy serves for the unexpired term of his/her predecessor. Any

Table of Contents

directorship to be filled by reason of an increase in the number of directors may be filled by the Board for a term continuing only until the next election of directors by shareholders. Directors may be removed from office at any time, but only for cause and only by the affirmative vote of the holders of at least a majority of the outstanding shares of common stock.

The foregoing provisions are subject to provisions regarding the election of directors by holders of the preferred stock under certain limited circumstances involving a failure to pay dividends.

The Articles and Bylaws require an affirmative vote of the holders of at least 80% of the outstanding shares of common stock to alter, amend, or repeal Article FIFTH of the Articles and similar provisions contained in the Bylaws.

History of Existing Provisions

The Articles were amended in 1987 to provide for, among other things, classification of the Board following approval by the holders of the Company's common stock at the 1987 Annual Meeting of Shareholders. The considerations for and against such classification, as discussed in management's 1987 proxy statement, are summarized below.

Considerations Favoring a Classified Board

Classification of the Board tends to foster continuity and stability of management and business policies.

Classification makes it more difficult and time-consuming to change majority control of the Board which reduces the vulnerability of the Company to an unsolicited takeover proposal. Thus, classification may encourage persons attempting certain types of transactions that involve an actual or threatened change of control of the Company to first seek to negotiate with the Company and may discourage pursuit of such transactions on a non-negotiated basis.

Considerations Against a Classified Board

Classification of the Board could make more difficult or discourage the removal of incumbent directors, through a proxy contest or otherwise, and the assumption of control by a holder of a substantial block of the Company's common stock, and could thus have the effect of entrenching incumbent management.

Classification could have the effect of discouraging a third party from making a tender offer or otherwise attempting to obtain control of the Company, even though such an attempt might be beneficial to the Company and its shareholders.

In 1987, the Board concluded that the advantages of classification of the Board (together with other provisions considered at that time) outweighed the disadvantages. Accordingly, the Board recommended that the shareholders approve the classified Board (together with such other provisions), and the shareholders voted to approve the same at the 1987 Annual Meeting of Shareholders.

Proposal to Declassify Board of Directors

The considerations for and against a classified board are, in all material respects, the same in 2007 as they were in 1987. However, the Board is aware that the two decades since 1987 have seen increased focus on corporate governance in general and that some institutional investors and commentators have become increasingly vocal in their objections to board classification, claiming that classification tends to reduce the accountability of directors since they are elected only once every three years.

Accordingly, the Board has concluded that the shareholders at large should be afforded the opportunity to decide whether or not the Board should be classified by voting on the proposed amendment, after weighing the considerations for and against classification. However, the Board has also determined that it should make no recommendation as to the proposed amendment in order to avoid any implication that the Board is acting otherwise than in the best interests of the Company. The Board believes that the considerations for and against classification can be readily evaluated by the shareholders without any recommendation by the Board.

Table of Contents

The text of Article FIFTH of the Articles, as it would be amended if the proposal were adopted, is set forth as Exhibit C to this Proxy Statement. Section 2 of Article III of the Bylaws would also be amended to reflect the proposed amendment to Article FIFTH of the Articles.

Proposed Holding Company

At the Company's Annual Meeting of Shareholders held on May 11, 2006, the holders of the Company's common stock approved a proposal to form a holding company by means of a statutory share exchange (the Share Exchange), as contemplated in the plan of Share Exchange, dated February 13, 2006 (the plan of Exchange), between Avista and AVA Formation Corp. (AVA), a wholly-owned subsidiary of Avista. After the receipt of all required regulatory approvals and the satisfaction or waiver of other specified conditions, the Share Exchange would be effected whereby each outstanding share of Avista common stock would be deemed to have been exchanged for one share of AVA common stock, with the result that:

 Holders of Avista common stock would become holders of AVA common stock and

 Avista would become a wholly-owned subsidiary of AVA.

See note 26 of the Company's audited financial statements for the year ended December 31, 2006 included in the Company's Form 10-K filed with the SEC on February 27, 2007.

Section 4.2 of the Amended and Restated Articles of Incorporation of AVA, as to be in effect immediately after the effective time of the Share Exchange (the AVA Articles), provides for a classified board of directors, and, at the effective time of the Share Exchange, the AVA Board will have the same members (who will be in the same classes) as the Avista Board.

The Board assumes that, if the shareholders of Avista desire to phase out the classification of the Avista Board, they would also desire to phase out the classification of the AVA Board. Therefore, approval of the proposal to amend Article FIFTH of Avista's Articles will, without further act, constitute approval of the revision of Section 4.2 of the AVA Articles to provide for an AVA Board with the same structure as the Avista Board as of the effective time of the Share Exchange and, thereafter, the phasing out of the classification of the AVA Board on the same schedule the classification of the Avista Board is being phased out pursuant to the amendment to Article FIFTH of Avista's Articles.

The Board makes no recommendation either FOR or AGAINST the proposal to amend Avista's Revised Articles of Incorporation and Bylaws to provide for the annual election of directors.

PROPOSAL 3

**RATIFICATION OF APPOINTMENT OF INDEPENDENT
REGISTERED PUBLIC ACCOUNTING FIRM**

The Board has appointed Deloitte & Touche LLP, the member firms of Deloitte Touche Tohmatsu, and their respective affiliates (collectively, Deloitte), as the Company's independent registered public accounting firm for continuing audit work in 2007. The Board has determined that it would be desirable to request that the shareholders ratify such appointment. Deloitte has conducted consolidated annual audits of the Company for many years, and is one of the world's largest firms of certified public accountants. A representative of Deloitte is expected to attend the Annual Meeting with the opportunity to make a statement if he/she desires to do so, and is expected to be available to respond to appropriate questions.

Shareholder approval is not required for the appointment of Deloitte. However, the appointment is being submitted to shareholders for ratification. Should the shareholders fail to ratify the appointment of Deloitte, such failure (1) would have no effect on the validity of such appointment for 2007 (given the difficulty and expense of changing the independent registered public accounting firm mid-way through a fiscal year) and (2) would be a factor to be taken into account, together with other relevant factors, by the Audit Committee and by the full Board in the selection and appointment of the independent registered public accounting firm for 2008 (but would not necessarily be the determining factor).

Table of Contents

The Board recommends a vote FOR the proposal to ratify the selection of Deloitte & Touche LLP as the independent registered public accounting firm to audit the books, records, and accounts of the Company for the year 2007.

Auditors Fees

Aggregate fees billed to the Company for the years ended December 31, 2006 and 2005 by Deloitte were as follows:

	2006	2005
Audit Fees(a)	\$ 1,673,772	\$ 1,505,815
Audit-Related Fees(b)	\$ 118,600	\$ 133,291
Tax Fees(c)	\$ 128,124	\$ 57,366
All Other Fees(d)	\$ 3,000	\$ 3,000
Total	\$ 1,923,496	\$ 1,699,472

(a) Fees for audit services billed in 2006 and 2005 consisted of:

Audit of the Company's annual consolidated financial statements.

Reviews of the Company's quarterly reports on Form 10-Q.

Comfort letters, agreed-upon procedures, statutory and regulatory audits, consents, and other services related to SEC matters.

Consultation on accounting standards.

(b) Fees for audit-related services billed in 2006 and 2005 consisted primarily of separate audits of affiliated entities.

(c) Fees for tax services billed in 2006 and 2005 consisted of licensing of tax preparation software (2005 only) and income tax planning and advice.

(d) All Other fees for 2006 and 2005 consisted of licensing of accounting literature research databases.

In considering the nature of the services provided by Deloitte, the Audit Committee determined that such services are compatible with the provision of independent audit services. The Audit Committee discussed these services with Deloitte and Company management to determine that they are permitted under the Sarbanes-Oxley Act and under the rules and regulations concerning auditor independence promulgated by the SEC, the Public Company Accounting Oversight Board (PCAOB), and the American Institute of Certified Public Accountants.

Under the Sarbanes-Oxley Act, the Audit Committee is responsible for the appointment, compensation, and oversight of the work of the Company's independent registered public accounting firm. As part of this responsibility, the Audit Committee is required to pre-approve the audit and permissible non-audit services to be performed. The Audit

Committee has adopted what it terms its Audit and Non-Audit Services Pre-Approval Policy (the Policy), which sets forth the procedures and conditions pursuant to which services proposed to be performed by the Company s independent registered public accounting firm may be pre-approved. All services provided by Deloitte in 2006 and 2005 were pre-approved in accordance with the Policy adopted by the Audit Committee.

The SEC s rules establish two alternatives for pre-approving services provided by the independent registered public accounting firm. Engagements for proposed services may either be specifically pre-approved by the Audit Committee (specific pre-approval) or entered into pursuant to detailed pre-approval policies and procedures established by the Audit Committee, as long as in the latter circumstance the Audit Committee is informed on a timely basis of any engagement entered into on such basis (general pre-approval). The Audit Committee combined these two approaches in its Policy after concluding that doing so will result in an effective and efficient procedure to pre-approve services to be performed by the Company s independent registered public accounting firm.

Table of Contents

As set forth in this Policy, except for those categories of services where the Policy requires specific pre-approval, engagements may be entered into pursuant to general pre-approvals established by the Audit Committee. The Audit Committee will periodically review and generally pre-approve the categories of services that may, as contemplated by this Policy, be provided by the Company's independent registered public accounting firm without obtaining specific pre-approval from the Audit Committee, and will establish budgeted amounts for such categories. The Audit Committee may add or subtract to the list of general pre-approved services from time-to-time, based on subsequent determinations by the Audit Committee. Any general pre-approval will be set forth in writing and included in the Audit Committee minutes. Unless an engagement of the independent auditor to provide a particular service is entered into pursuant to and in accordance with the Audit Committee's general pre-approval then in effect, the engagement will require specific pre-approval by the Audit Committee.

Proposed services exceeding pre-approved cost levels or budget amounts previously established by the Audit Committee will also require specific pre-approval by the Audit Committee.

The Audit Committee intends to pre-approve services, whether specifically or pursuant to general pre-approvals, only if the provision of such services is consistent with SEC and PCAOB rules on auditor independence and all other applicable laws and regulations. In rendering specific or general pre-approvals, the Audit Committee will consider whether the independent registered public accounting firm's provision of specific services, or categories of services, would be inconsistent with the independence of the auditor.

SECURITY OWNERSHIP OF MANAGEMENT AND OTHERS

The following table shows the number of shares of common stock of the Company held beneficially, as of March 1, 2007, by the directors, the nominees for director, each of the executive officers named in the Summary Compensation Table, and directors and executive officers as a group. No director or executive officer owns any of the Company's preferred stock. Directors and executive officers as a group do not own in excess of 1% of the outstanding common stock of the Company. No director or executive officer owns, nor do the directors and executive officers as a group own, in excess of 1% of the stock of any indirect subsidiaries of the Company. None of the directors or NEOs has pledged Company common stock as security.

Name	Direct	Indirect	Exercisable Stock Options(1)	Total
Erik J. Anderson	10,475		9,000	19,475
Kristianne Blake(2)	8,027		12,000	20,027
Marian M. Durkin	673			673
Roy Lewis Eiguren	8,178	830		9,008
Gary G. Ely(3)	124,924	42,151(4)	401,250	568,325
Jack W. Gustavel	15,158			15,158
John F. Kelly	13,512		15,000	28,512
Malyn K. Malquist(5)	23,022	10,662(6)	76,250	109,934
David J. Meyer(7)	34,983	15,290(8)	137,750	188,023
Scott L. Morris	31,203	8,230(4)	94,750	134,183
Michael L. Noël		8,407		8,407
Lura J. Powell	8,782		3,000	11,782
Heidi B. Stanley	1,738	8,732(10)		10,470

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R. John Taylor(11)	20,077	5,024(12)	15,000	40,101
All directors and executive officers as a group, including those listed above 22 individuals	348,072	150,569	1,006,575	1,505,216

(1) All stock options held by directors and executive officers are exercisable within 60 days.

Table of Contents

- (2) In addition to the shares beneficially owned and reflected in this table, Mrs. Blake will also receive at a later date 2,519 shares of Avista common stock for which she has deferred receipt, in accordance with the provisions of the Company's former Non-Employee Director Stock Plan.
- (3) In addition to the shares beneficially owned and reflected in this table, Mr. Ely has purchased 40,819 shares of Avista common stock through the Company's Executive Deferred Compensation Plan.
- (4) Shares held in the Company's 401(k) plan.
- (5) In addition to the shares beneficially owned and reflected in this table, Mr. Malquist has purchased 9,352 shares of Avista common stock through the Company's Executive Deferred Compensation Plan.
- (6) Includes 2,662 shares held in the Company's 401(k) plan and 8,000 shares held in a Family Trust Account.
- (7) In addition to the shares beneficially owned and reflected in this table, Mr. Meyer purchased 7,441 shares of Avista common stock through the Company's Executive Deferred Compensation Plan.
- (8) Includes 9,547 shares held in the Company's 401(k) plan and 5,743 shares held in an IRA Account.
- (9) Shares held in a Family Trust Account.
- (10) Shares held by Ms. Stanley's spouse in a profit-sharing plan not administered by the Company.
- (11) In addition to the shares beneficially owned and reflected in this table, Mr. Taylor will also receive at a later date 5,496 shares of Avista common stock for which he has deferred receipt, in accordance with the provisions of the Company's former Non-Employee Director Stock Plan.
- (12) Includes 4,000 shares held in an employee benefit plan not administered by the Company for which Mr. Taylor shares voting and investment power and 1,024 shares held by Mr. Taylor as custodian for his children.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16 of the Exchange Act requires that executive officers, directors and holders of more than 10% of the common stock file reports of their trading in Company equity securities with the SEC. Based solely on a review of Forms 3, 4 and 5 furnished to the Company during 2006, the Company believes that all Section 16 filing requirements applicable to the Company's reporting persons were completed in a timely manner and reported to the SEC in accordance with the rules, with the exception of Mr. Morris and Mr. Malquist who inadvertently failed to report performance share grants made to them on May 12, 2006 in a timely manner. Mr. Morris and Mr. Malquist's transactions were subsequently reported on Form 4 and filed with the SEC on May 17, 2006 in accordance with the rules.

OTHER SECURITY OWNERSHIP

As of March 1, 2007, Barclays Global Investors owned 2,613,973 shares, or 5.03%, of the outstanding common stock. Barclays Global Investors, 45 Fremont Street, San Francisco, California has sole voting power as to 2,412,700 shares and sole dispositive power as to all 2,613,973 shares.

As of March 1, 2007, Lord, Abbett & Co. LLC owned 4,715,260 shares, or 9.07%, of the outstanding common stock. Lord, Abbett (90 Hudson Street, Jersey City, NJ 07302), has sole voting power as to 4,422,160 shares and sole dispositive power as to all 4,715,260 shares.

ANNUAL REPORT AND FINANCIAL STATEMENTS

A copy of Avista's 2006 Annual Report to Shareholders, which contains Avista's audited financial statements, accompanies this proxy statement.

OTHER BUSINESS

The Board does not intend to present any business at the meeting other than as set forth in the accompanying Notice of Annual Meeting of Shareholders, and has no present knowledge that others intend to present business at the meeting. If, however, other matters requiring the vote of the shareholders properly come before the meeting or

Table of Contents

any adjournment(s) thereof, the individuals named in the proxy card will have discretionary authority to vote the proxies held by them in accordance with their judgment as to such matters.

2008 ANNUAL MEETING OF SHAREHOLDERS

The 2008 Annual Meeting of Shareholders is tentatively scheduled for Thursday, May 8, 2008, in Spokane, Washington. (This date and location are subject to change.) Matters to be brought before that meeting by shareholders are subject to the following rules of the SEC.

Proposals to be Included in Management's Proxy Materials

Shareholder proposals to be included in management's proxy soliciting materials must generally comply with SEC rules and must be received by the Company on or before December 3, 2007.

Other Proposals

Proxies solicited by the Board will confer discretionary authority to vote on any matter brought before the meeting by a shareholder (and not included in management's proxy materials) if the shareholder does not give the Company notice of the matter on or before February 14, 2008. In addition, even if the shareholder does give the Company notice on or before February 14, 2008, management's proxies generally will have discretionary authority to vote on the matter if its proxy materials include advice on the nature of the matter and how the proxies intend to exercise their discretion to vote on the matter.

Shareholders should direct any such proposals and notices to the Corporate Secretary of the Company at 1411 East Mission Avenue, P.O. Box 3727 (MSC-10), Spokane, Washington 99220.

EXPENSE OF SOLICITATION

The expense of soliciting proxies will be borne by the Company. Proxies will be solicited by the Company primarily by mail, but may also be solicited personally and by telephone at nominal expense to the Company by directors, officers, and regular employees of the Company. In addition, the Company has engaged Georgeson Shareholder at a cost of \$6,000, plus out-of-pocket expenses, to solicit proxies in the same manner. The Company will also request banks, brokerage houses, custodians, nominees, and other record holders of the Company's common stock to forward copies of the proxy soliciting material and the Company's 2006 Annual Report to Shareholders to the beneficial owners of such stock, and the Company will reimburse such record holders for their expenses in connection therewith.

By Order of the Board,

Karen S. Feltes
Senior Vice President & Corporate Secretary

Spokane, Washington
March 30, 2007

Table of Contents

Exhibit A

AVISTA CORPORATION

CATEGORICAL STANDARDS FOR INDEPENDENCE OF DIRECTORS

It is the policy of the Board that a majority of the directors will be independent from management and that the Board of Directors will not engage in transactions that would conflict with Avista Corp.'s business. The Board will affirmatively determine whether the directors have no material relationship with Avista Corp. or its subsidiaries either directly or as a shareholder, director, officer, or employee of an organization that has a relationship with Avista Corp. or its subsidiaries.

Independence determinations will be made on an annual basis at the time the Board of Directors approves director nominees for inclusion in the annual proxy statement and, if a director joins the Board between annual meetings, at such time. The Board's determination of each director's independence will be disclosed annually in the Avista Corp. proxy statement.

Pursuant to the New York Stock Exchange (NYSE) Listing Standards, a director is not deemed to be independent if he or she:

is, or within the past three years has been, employed by Avista Corp. or has an immediate family member who is, or within the past three years has been, an executive officer of Avista Corp.

received, or has an immediate family member who received, during any 12-month period within the last three years, more than \$100,000 in direct compensation from Avista Corp., other than director or committee fees and pension or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service).

(i) is a partner or employee of Avista Corp.'s independent auditor, (ii) has an immediate family member who is a partner of Avista Corp.'s independent auditor or an employee that participates in such firm's audit, assurance or tax compliance practice or (iii) was, or has an immediate family member that was, within the past three years, a partner or employee of Avista Corp.'s independent auditor and personally worked on Avista Corp.'s audit.

is, or has an immediate family member who is, or in the past three years has been, employed as an executive officer of another company in which an executive officer of Avista Corp. at the same time serves or served on that company's compensation committee.

is an employee, or has an immediate family member who is an executive officer, of a company (excluding charitable organizations) that has made payments to, or received payments from, Avista Corp. for property or services in an amount which, in any of the last three fiscal years, exceeds the greater of \$1 million or 2% of such other company's consolidated gross revenues.

Material relationships can include, but are not limited to commercial, industrial, banking, consulting, legal, accounting, charitable, and family relationships. To assist in the determination of whether a director's relationship with Avista or any of its subsidiaries, or the relationship of the company employing the director has with Avista or any of its subsidiaries is material, the Board of Directors has adopted the following categorical standards for relationships

which are deemed not to impair a director's independence:

a. *Personal Relationships.* The following relationships are not considered material relationships that would impair a director's independence:

i. The director or immediate family member resides within a service area of, and is provided with utility service by Avista Corp., and utility service is provided in the ordinary course of Avista Corp.'s business at rates or charges fixed in conformity with law or governmental authority.

ii. The director or immediate family member holds (including holdings by an entity with which the director or an immediate family member is affiliated as a director, officer, employee, or otherwise)

A-1

Table of Contents

securities issued publicly by Avista Corp. or its subsidiaries, provided the director or immediate family member receives no extra benefit not shared on a pro rata basis.

b. *Business Relationships.* All payments between Avista Corp. and an entity that is affiliated with a director or an immediate family member for goods or services, or other contractual arrangements, must be made in the ordinary course of business and on substantially the same terms as those prevailing at the time for comparable transactions with non-affiliated persons. The following relationships will not be considered to be material relationships that would impair a director's independence:

i. The entity affiliated with the director or immediate family member resides within a service area of, and is provided with utility service by Avista Corp., and utility service is provided in the ordinary course of Avista Corp.'s business at rates or charges fixed in conformity with law or governmental authority.

ii. Payments made by Avista Corp. to an entity with which the director or an immediate family member of the director is (or was within the preceding three years) affiliated as a director, employee or otherwise of such company or payments received by Avista Corp. from such entity, for property or services, if the total amount of the payments made or received in each of the entity's preceding three fiscal years does not exceed the greater of \$1 million or two percent (2%) of the total gross revenues of such company in the applicable fiscal year, and the director and any immediate family members do not (and did not in the preceding three fiscal years) directly or indirectly own, in the aggregate, more than 10% of the entity.

iii. If a director is a partner in or of counsel to a law firm, the director (or an immediate family member) does not personally perform any legal services for Avista Corp., and the fees paid to the firm by Avista Corp. during each of the current fiscal year and each of such firm's three preceding fiscal years do not exceed the greater of \$200,000 or two percent (2%) of either such firm's gross annual revenues or the Company's gross annual revenues.

c. *Banking Relationships.* A director will not fail to be independent from management solely as a result of lending relationships, deposit relationships or other banking relationships (including, without limitation, trust department, investment and insurance relationships) between Avista Corp., on the one hand, and the director (or an immediate family member) or an entity with which the director (or an immediate family member) is affiliated, on the other hand, provided that:

i. such relationships are in the ordinary course of business of Avista Corp. and are on substantially the same terms as those prevailing at the time for comparable transactions with non-affiliated parties,

ii. the amount of indebtedness does not exceed three percent (3%) of the affiliated company's assets in any of the last three fiscal years, and

iii. such banking relationship does not involve the payment of interest and other fees that exceed any of the threshold amounts specified in Section b. iii. above.

d. *Relationships with Not-for-Profit Entities.* A director's independence will not be considered impaired solely for the reason that the director or an immediate family member is an officer, director or trustee of a foundation, university or other not-for-profit organization that receives from Avista Corp. during the current fiscal year or any of the prior three fiscal years, contributions in an amount not exceeding the greater of \$200,000 or two percent (2%) of the not-for-profit organization's aggregate annual charitable receipts during the entity's fiscal year.

e. *Other Relationships.* For relationships not covered above, the determination of whether the relationship is material or not, and therefore whether a director would be independent or not, shall be made in good faith by the directors the

Board has determined are independent.

In addition to the requirement that the Board satisfy the independence standards discussed above, members of the Audit Committee must also satisfy additional independence requirements. Specifically, Audit Committee

A-2

Table of Contents

members may not directly or indirectly receive any consulting, advisory or other compensatory fee from Avista Corp. other than their director's compensation.

For purposes of these standards, Avista Corp. shall include its direct and indirect consolidated subsidiaries, and immediate family member of a director shall include (1) the director's spouse, parents, children and siblings, whether by blood, marriage or adoption (including the director's mothers and fathers-in-law, sons and daughters-in-law and brothers and sisters-in-law) and anyone who shares or resides in the director's home and (2) anyone else included in the definitions of immediate family member (as defined in the NYSE's independence rules), as may be amended from time to time. A person will be considered to be affiliated with an entity if the person, directly or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, such entity.

A-3

Table of Contents

Exhibit B

AVISTA CORPORATION

STATEMENT OF POLICY WITH RESPECT TO RELATED PARTY TRANSACTIONS

A. Introduction.

The Board of Directors recognizes that related party transactions present a heightened risk of conflicts of interest and/or improper valuation (or the perception thereof) and, therefore, has adopted this policy, which shall be followed in connection with all related party transactions involving the Company.

Under this policy, any Related Party Transaction shall be consummated or shall continue only if:

1. the Governance Committee shall approve or ratify such transaction in accordance with the guidelines set forth in the policy, provided the transaction is on terms comparable to those that could be obtained in arm's length dealings with an unrelated third party;
2. the transaction is approved by the disinterested members of the Board of Directors; or
3. the transaction involves compensation approved by the Company's Compensation and Organization Committee.

For these purposes, a Related Party is:

1. a senior officer (which shall include at a minimum each executive vice president and Section 16 officer) or director of the Company
2. a shareholder owning in excess of five percent of the Company (or its controlled affiliates)
3. a person who is an immediate family member of a senior officer or director
4. an entity which is owned or controlled by someone listed in 1, 2, or 3 above, or an entity in which someone listed in 1, 2, or 3 above has a substantial ownership interest or control of such entity.

For these purposes, a Related Party Transaction is a transaction between the Company and any Related Party (including any transactions requiring disclosure under Item 404 of Regulation S-K under the Securities Exchange Act of 1934), other than:

1. transactions available to all employees generally
2. transactions involving less than \$5,000 when aggregated with all similar transactions.

B. Governance Committee Approval

The Board of Directors has determined that the Governance Committee of the Board is best suited to review and approve Related Party Transactions. Accordingly, at each calendar year's first regularly scheduled Governance Committee meeting, management shall recommend Related Party Transactions to be entered into by the Company for

that calendar year, including the proposed aggregate value of such transactions if applicable. After review, the Committee shall approve or disapprove such transactions and at each subsequently scheduled meeting, management shall update the Committee as to any material change to those proposed transactions.

In the event management recommends any further Related Party Transactions subsequent to the first calendar year meeting, such transactions may be presented to the Committee for approval or preliminary entered into by management subject to ratification by the Committee; provided that if ratification shall not be forthcoming, management shall make all reasonable efforts to cancel or annul such transaction.

C. Corporate Opportunity

The Board recognizes that situations exist where a significant opportunity may be presented to management or a member of the Board of Directors that may equally be available to the Company, either directly or via referral.

B-1

Table of Contents

Before such opportunity may be consummated by a Related Party (other than an otherwise unaffiliated 5% shareholder), such opportunity shall be presented to the Board of Directors of the Company for consideration.

D. Disclosure

All Related Party Transactions are to be disclosed in the Company's applicable filings as required by the Securities Act of 1933 and the Securities Exchange Act of 1934 and related rules. Furthermore, all Related Party Transactions shall be disclosed to the Governance Committee of the Board and any material Related Party Transaction shall be disclosed to the full Board of Directors.

E. Other Agreements

Management shall assure that all Related Party Transactions are approved in accordance with any requirements of the Company's financing agreements.

Table of Contents

Exhibit C

AVISTA CORPORATION

**PROPOSED AMENDMENT AND RESTATEMENT OF
ARTICLE FIFTH OF RESTATED ARTICLES OF INCORPORATION, AS AMENDED**

FIFTH: The number of Directors of the Corporation shall be such number, not to exceed eleven (11), as shall be specified from time to time by the Board of Directors in the Bylaws; provided, however, that if the right to elect a majority of the Board of Directors shall have accrued to the holders of the Preferred Stock as provided in paragraph (1) of subdivision (j) of Article THIRD, then, during such period as such holders shall have such right, the number of Directors may exceed eleven (11). Commencing with the 2008 Annual Meeting of Shareholders, Directors shall be elected at each Annual Meeting of Shareholders for a term which shall expire at the next Annual Meeting of Shareholders; provided, however, that each Director elected prior to the 2008 Annual Meeting of Shareholders for a term that is to expire after the 2008 Annual Meeting of Shareholders shall serve the entire term for which he or she was elected. Directors elected by the holders of the Preferred Stock in accordance with paragraph (1) of subdivision (j) of Article THIRD shall be elected for a term that shall expire not later than the next Annual Meeting of Shareholders. All Directors shall hold office until the expiration of their respective terms of office and until their successors shall have been elected and qualified.

Subject to the provisions of paragraph (1) of subdivision (j) of Article THIRD, (a) any vacancy occurring in the Board of Directors may be filled by the affirmative vote of a majority of the remaining Directors though less than a quorum of the Board of Directors and any Director so elected to fill a vacancy shall be elected for the unexpired term of his/her predecessor in office and (b) any directorship to be filled by reason of an increase in the number of Directors may be filled by the Board of Directors for a term of office continuing only until the next election of Directors by the shareholders.

No decrease in the number of Directors constituting the Board of Directors shall shorten the term of any incumbent Director.

Subject to the provisions of paragraph (1) of subdivision (j) of Article THIRD and the provisions of the next preceding paragraph of this Article FIFTH, any Director may be removed from office at any time, but only for cause and only by the affirmative vote of the holders of at least a majority of the voting power of all of the shares of capital stock of the Corporation entitled generally to vote in the election of Directors (such stock being hereinafter in these Articles of Incorporation called "Voting Stock"), voting together as a single class, at a meeting of shareholders called expressly for that purpose; provided, however, that if less than the entire Board of Directors is to be removed, no one of the Directors may be removed if the votes cast against the removal of such Director would be sufficient to elect such Director if then cumulatively voted at an election of Directors.

Notwithstanding anything contained in these Articles of Incorporation to the contrary, the provisions of this Article FIFTH shall not be altered, amended or repealed, and no provision inconsistent therewith shall be included in these Articles of Incorporation or the Bylaws of the Corporation, without the affirmative vote of the holders of at least eighty percent (80%) of the voting power of all of the shares of the Voting Stock, voting together as a single class.

Table of Contents

**YOUR VOTE IS IMPORTANT
VOTE BY INTERNET / TELEPHONE
24 HOURS A DAY, 7 DAYS A WEEK
INTERNET**

<https://www.proxypush.com/ava>

Go to the website address listed above.

Have your proxy card ready.

Follow the simple instructions that appear on your computer screen.

***OR*
TELEPHONE
1-866-229-2195**

Use any touch-tone telephone.

Have your proxy card ready.

Follow the simple recorded instructions.

***OR*
MAIL**

Mark, sign and date your proxy card.

Detach your proxy card.

Return your proxy card in the postage-paid envelope provided.

Your telephone or Internet vote authorizes the named proxies to vote your shares in the same manner as if you marked, signed and returned the proxy card. **If you have submitted your proxy by telephone or the Internet, there is no need for you to mail back your proxy.**

ELECTRONIC DELIVERY OF SHAREHOLDER MATERIALS

Reduce paper mailed to your home and help lower Avista's printing and mailing costs. We are pleased to offer our shareholders the benefits and convenience of viewing proxy statements, proxy cards and annual reports on-line. To sign up for electronic delivery, please follow the instructions above to vote using the Internet and, when prompted, indicate that you agree to receive or access shareholder materials electronically in future years. You may also enroll at anytime by visiting <https://www.proxyconsent.com/ava> and follow the instructions provided.

1-866-229-2195

CALL TOLL-FREE TO VOTE

6 DETACH PROXY CARD HERE IF YOU ARE NOT VOTING BY TELEPHONE OR INTERNET 6

**Please sign, date and return
this proxy in the enclosed
postage prepaid envelope.**

**x
Votes
MUST be
indicated
(x) in
Black or
Blue ink.**

1. Election of Directors

FOR all nominees listed below **WITHHOLD AUTHORITY** to vote for all nominees listed below ***EXCEPTIONS**

Nominees: 01 - Eric J. Anderson, 02 - Kristianne Blake, 03 - Jack W. Gustavel,
04 - Michael L. Noël, 05 - Scott L. Morris

(INSTRUCTIONS: To withhold authority to vote for any nominee, mark the Exceptions box and write that nominee's name in the space provided below.)

*Exceptions

In their discretion, the Proxies are authorized to vote upon such other matters as may properly come before the meeting or any adjournments thereof.

	FOR	AGAINST	ABSTAIN
2. Amendment of the Company's Restated Articles of Incorporation and Bylaws to provide for annual election of the Board of Directors.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
3. Ratification of the appointment of the firm of Deloitte & Touche LLP as the independent registered public accounting firm of the Company for 2007.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

To change your address, please mark this box.

SCANLINE

The signature on this Proxy should correspond exactly with the shareholder's name as printed to the left. In the case of joint tenants, co-executors, or co-trustees, both should sign. Persons signing as attorney, executor, administrator, trustee or guardian, should give their full title.

Date Share Owner sign here

Co-Owner sign here



Table of Contents

**AVISTA CORPORATION
PROXY/VOTING INSTRUCTION CARD**

**This proxy is solicited on behalf of the Board of Directors of Avista Corporation
for the Annual Meeting of Shareholders on Thursday, May 10, 2007.**

The undersigned appoints G.G. Ely and K.S. Feltes, and each of them, with full power of substitution, the proxies of the undersigned, to represent the undersigned and vote all shares of Avista Corporation Common Stock which the undersigned may be entitled to vote at the Annual Meeting of Shareholders to be held on May 10, 2007, and at any adjournments thereof, as indicated on the reverse side.

If the undersigned is a participant in the Avista Investment and Employee Stock Ownership Plan, this card directs The Vanguard Group as the Plan Administrator, to authorize The Bank of New York as the Proxy Agent, to vote, as designated on the reverse, all of the shares of Avista Common Stock held of record in the undersigned's Plan account.

If you are a participant in the Avista Investment and Employee Stock Ownership Plan, this proxy covers all shares for which the undersigned has the right to give voting instructions to Vanguard Fiduciary Company, Trustee of Avista Investment and Employee Stock Ownership Plan. This proxy, when properly executed, will be voted as directed. If no direction is given to the Trustee by 12:00 midnight on May 4, 2007, the Plan's Trustee will vote your shares held in the Plan in the same proportion as votes received from other participants in the Plan.

This proxy, when properly executed, will be voted in the manner directed herein by the undersigned shareholder. **If no direction is given, this proxy will be voted FOR Items 1 and 3, and will be voted ABSTAIN for Item 2. The Board of Directors recommends a vote FOR Items 1 and 3. The Board of Directors makes no recommendation either FOR or AGAINST Item 2.**

Comments or change of address

(If you have written in the above space, please mark the corresponding box on the reverse side of this card.)
(Continued, and to be dated and signed on the reverse side.)

AVISTA CORPORATION
P.O. BOX 11235
NEW YORK, NY 10203-0235

To include any comments, please mark this box.

o