

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 8-K

CURRENT REPORT
PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported):
November 12, 1999

AVISTA CORPORATION.
(Exact name of registrant as specified in its charter)

Washington	1-3701	91-0462470
(State or other jurisdiction of incorporation or organization)	(Commission File Number)	(I.R.S. Employer Identification No.)

1411 East Mission Avenue, Spokane, Washington 99202
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (509) 489-0500

N/A
(Former name or former address, if changed since last report.)

Items 1-4. Not applicable.

Item 5. Other Events.

On November 12, 1999, AVISTA Corporation's Board of Directors adopted a shareholder rights plan pursuant to which holders of Common Stock outstanding on February 15, 1999, or issued thereafter, will be granted one preferred share purchase right ("Right") on each outstanding share of Common Stock.

The Rights Plan is designed to protect shareholders' interests by causing substantial dilution to a person or group that attempts to acquire 10% or more of the Company on terms not approved by the Company's Board of Directors. Due to the substantial dilution that could occur, an acquirer would likely seek approval of the Board of Directors prior to acquiring 10% or more of the Company.

The Rights would not prevent any merger or other business combination approved by the Board of Directors of the Company. The adoption of the Plan is not in response to any effort to acquire control of the Company.

Each Right will entitle the registered Shareholder to purchase one one-hundredth of a share of Preferred Stock, without par value, of the Company at a Purchase Price of \$70.00 (the "Purchase Price"). The Purchase Price is subject to adjustment from time-to-time to prevent dilution.

The Rights will be exercisable only if a person or group acquires 10% or more of the outstanding shares of Common Stock or commences a tender or exchange offer, the consummation of which would result in the beneficial ownership by a person or group of 10% or more of the outstanding shares of Common Stock. Until that time, the Rights will be evidenced by, and will trade with, the shares of Common Stock. The Rights expire on March 31, 2009.

If any person or group acquires 10% or more of the outstanding shares of Common Stock, each Right will entitle its holder (other than such person or members of the acquiring group), to purchase, at the Purchase Price, that number of shares of Common Stock or Preferred Shares which has a market value at that

time of twice the Purchase Price.

In addition, in the event that any person or group has acquired 10% or more of the outstanding shares of Common Stock and the Company consolidates or merges with or into, or sells 50% or more of its assets or earning power to, any person or group, proper provision will be made so that each Right would thereafter entitle its holder to purchase at the Purchase Price that number of the acquiring company's common shares having a market value at that time of twice the Purchase Price.

At any time after a person or group acquires more than 10% but less than 50% of the outstanding shares of Common Stock, the Board of Directors of the Company may require each outstanding Right to be exchanged for one share of Common Stock or cash, securities or other assets having a value equal to the market value of one share of Common Stock.

The Company may redeem the Rights at a redemption price of \$0.01 per Right, at any time until any person or group has acquired 10% or more of the outstanding shares of Common Stock. The Company may amend the Rights Agreement in any respect until any person or group has acquired 10% or more of the outstanding shares of Common Stock. Thereafter, the Company may amend the Rights Agreement in any manner which will not adversely affect the holders of the Rights.

Items 6-9. Not applicable.

Item 7. Financial Statements, Pro Forma Financial Information and Exhibits.

(c) Exhibits.

Exhibit No.	Description
4	Form of Rights Agreement, dated _____, _____, by and between the Registrant and The Bank of New York, as Rights Agent
99	Press Release, dated November 15, 1999

SIGNATURE

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

AVISTA CORPORATION

(Registrant)

Date: November 15, 1999

/s/ Ronald R. Peterson

(Signature)

Ronald R. Peterson
Vice President and
Treasurer

EXHIBIT INDEX

Number	Description
4	Form of Rights Agreement, dated _____ ____, _____, by and between the Registrant and The Bank of New York, as Rights Agent
99	Press Release, dated November 15, 1999

AVISTA CORPORATION

and

THE BANK OF NEW YORK

Rights Agent

RIGHTS AGREEMENT

Dated as of _____ , ____

RIGHTS AGREEMENT

RIGHTS AGREEMENT, dated as of _____, _____, by and between AVISTA CORPORATION, a Washington corporation (the "Company"), and THE BANK OF NEW YORK, a New York banking corporation (the "Rights Agent").

WHEREAS, the Board of Directors of the Company has authorized and declared a dividend distribution of one right (a "Right") for each share of Common Stock (as hereinafter defined) of the Company outstanding at the close of business on February 15, 2000 (the "Record Date"), each Right representing the right to purchase one one-hundredth of a share of Preferred Stock (as such term is hereinafter defined), upon the terms and subject to the conditions herein set forth, and has further authorized and directed the issuance of one Right (as such number may hereinafter be adjusted pursuant to the provisions of Section 11(i) hereof) with respect to each share of Common Stock that shall become outstanding between the Record Date and the earliest of the Distribution Date, the Redemption Date and the Final Expiration Date (as such terms are hereinafter defined).

NOW, THEREFORE, in consideration of the premises and the mutual agreements herein set forth, the parties hereby agree as follows:

Section 1. Certain Definitions. For purposes of this Agreement, the following terms have the meanings indicated:

(a) "Acquiring Person" shall mean any Person (as such term is hereinafter defined) who or which, together with all Affiliates and Associates (as such terms are hereinafter defined) of such Person, shall be the Beneficial Owner (as such term is hereinafter defined) of 10% or more of the Shares of Common Stock of the Company then outstanding, but shall not include the Company, any Subsidiary (as such term is hereinafter defined) of the Company, any employee benefit plan of the Company or of any Subsidiary of the Company, any entity holding shares of Common Stock for or pursuant to the terms of any such plan, or any trustee, administrator or fiduciary of such a plan. Notwithstanding the foregoing,

(i) no Person who or which, at the close of business on the date hereof, shall be the Beneficial Owner of 10% or more of the shares of Common Stock of the Company then outstanding shall be deemed an "Acquiring Person"; provided, however, that, subject to clause (ii) below, if a Person is, at the close of business on the date hereof, the Beneficial Owner of 10% or more of the shares of Common Stock of the Company then outstanding and shall thereafter become the Beneficial Owner of additional shares of Common Stock of the Company at any time that the Person is or thereby becomes the Beneficial Owner of 10% or more of the shares of Common Stock of the Company then outstanding (other than shares acquired solely as a result of corporate action of the Company not caused, directly or indirectly, by such Person), then such Person shall be deemed to be an "Acquiring Person"; and

(ii) no Person shall become an "Acquiring Person" solely as a result of an acquisition of shares of Common Stock of the Company which, by reducing the number of shares outstanding, increases the proportionate number of shares beneficially owned by such Person to 10% or more of the shares of Common Stock of the Company then outstanding; provided, however, that if a Person

would, but for the provisions of this clause (ii), become an Acquiring Person by reason of share purchases by the Company and shall, after such share purchases by the Company, become the Beneficial Owner of any additional shares of Common Stock of the Company at any time that the Person is or thereby becomes the Beneficial Owner of 10% or more of the shares of Common Stock of the Company then outstanding (not as a result of any action or transaction contemplated in this clause (ii) or in clause (iii) below), then such Person shall be deemed to be an "Acquiring Person"; and

(iii) no Person shall become an "Acquiring Person" solely as a result of an action or transaction or series of related actions or transactions approved by the Board of Directors of the Company before such Person would otherwise have become an "Acquiring Person"; provided, however,

that if any Person which, but for the foregoing provisions of this clause (iii), would have become an "Acquiring Person" shall thereafter acquire additional shares of Common Stock (not as a result of any action or transaction contemplated in clause (ii) above or in this clause (iii)), then such person shall be deemed to be an "Acquiring Person".

Notwithstanding the foregoing, if the Board of Directors of the Company determines in good faith that a Person who would otherwise be an "Acquiring Person", as defined pursuant to the foregoing provisions of this paragraph (a), has become such inadvertently, and such Person divests as promptly as practicable a sufficient number of shares of Common Stock of the Company so that such Person would no longer be an "Acquiring Person," as defined pursuant to the foregoing provisions of this paragraph (a), then such Person shall not be deemed to be an "Acquiring Person" for any purposes of this Agreement.

(b) "Affiliate" and "Associate" shall have the respective meanings ascribed to such terms in Rule 12b-2 of the General Rules and Regulations under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as in effect on the date of this Agreement.

(c) A Person shall be deemed the "Beneficial Owner" of and shall be deemed to "beneficially own" any securities:

(i) which such Person or any of such Person's Affiliates or Associates beneficially owns, directly or indirectly;

(ii) which such Person or any of such Person's Affiliates or Associates has (A) the right to acquire (whether such right is exercisable immediately or only after the passage of time) pursuant to any agreement, arrangement or understanding (whether or not in writing) (other than customary agreements with and between underwriters and selling group members with respect to a bona fide public offering of securities), or upon the exercise of conversion rights, exchange rights, rights (other than these Rights), warrants or options, or otherwise; provided, however, that a Person shall not be deemed the Beneficial Owner of, or to beneficially own, securities tendered pursuant to a tender or exchange offer made by or on behalf of such Person or any of such Person's Affiliates or Associates until such tendered securities are accepted for purchase or exchange; or (B) the right to vote pursuant to any agreement, arrangement or understanding; provided, however, that a Person shall not be deemed the Beneficial Owner of, or to beneficially own, any security if the agreement, arrangement or understanding to vote such security (1) arises solely from a revocable proxy given to such Person in response to a public proxy solicitation made pursuant to, and in accordance with, the applicable rules and regulations of the Exchange Act and (2) is not also then reportable on Schedule 13D under the Exchange Act (or any comparable or successor report); or

(iii) which are beneficially owned, directly or indirectly, by any other Person with which such Person or any of such Person's Affiliates or Associates has any agreement, arrangement or understanding (whether or not in writing) (other than customary agreements with and between underwriters and selling group members with respect to a bona fide public offering of securities) for the purpose of acquiring, holding, voting (except to the extent contemplated by the provisions of Section 1(c)(ii)(B) hereof) or disposing of any securities of the Company.

(d) "Business Day" shall mean any day other than a Saturday, a Sunday, or a day on which banking institutions in the City of Spokane, Washington or the City of New York, New York are authorized or obligated by law or executive order to close.

(e) "Close of business" on any given date shall mean 5:00 P.M., New York time, on such date; provided, however, that if such date is not a Business Day it shall mean 5:00 P.M. New York time, on the next succeeding Business Day.

(f) "Common Stock" when used with reference to the Company shall mean the common stock, without par value, of the Company. "Common

Stock" when used with reference to any Person other than the Company shall mean the capital stock (or equity interest) with the greatest voting power of such other Person or, if such other Person is a Subsidiary of another Person other than an individual, the Person or Persons other than an individual which ultimately control such first-mentioned Person.

(g) "Company" shall have the meaning set forth in the preamble hereto.

(h) "Current Per Share Market Price" shall have the meaning set forth in Section 11(d) (i) hereof.

(i) "Depositary Agent" shall have the meaning set forth in Section 14(b) hereof. The entity acting as Rights Agent may also act as Depositary Agent.

(j) "Distribution Date" shall have the meaning set forth in Section 3(a) hereof.

(k) "Final Expiration Date" shall have the meaning set forth in Section 7(a) hereof.

(l) "Person" shall mean any individual, firm, corporation, partnership or other entity, and shall include any successor (by merger or otherwise) of such entity.

(m) "Preferred Stock" shall mean a series of the Company's Preferred Stock, without par value, having the relative rights and preferences set forth in the form of Articles of Amendment to Restated Articles of Incorporation of Avista Corporation, attached hereto as Exhibit A.

(n) "Purchase Price" shall have the meaning set forth in Section 7(b) hereof.

(o) "Record Date" shall have the meaning set forth in the recital hereto.

(p) "Redemption Date" shall have the meaning set forth in Section 7(a) hereof.

(q) "Redemption Price" shall have the meaning set forth in Section 23(b) hereof.

(r) "Right" shall have the meaning set forth in the recital hereto.

(s) "Right Certificate" shall have the meaning set forth in Section 3(a) hereof, and shall be substantially in the form attached to this Agreement as Exhibit B.

(t) "Rights Agent" shall have the meaning set forth in the preamble hereto and includes a Co-Rights Agent or Co-Rights Agents as provided in Section 2 hereto.

(u) "Shares Acquisition Date" shall mean the first date of public announcement by the Company or an Acquiring Person that an Acquiring Person has become such.

(v) "Subsidiary" of any Person shall mean any corporation or other entity of which a majority of the voting power of the voting equity securities or equity interest is owned, directly or indirectly, by such Person.

Section 2. Appointment of Rights Agent. The Company hereby appoints the Rights Agent to act as agent for the Company and the holders of the Rights (who, in accordance with Section 3 hereof, shall prior to the Distribution Date also be the holders of shares of the Common Stock of the Company) in accordance with the terms and conditions hereof, and the Rights Agent hereby accepts such appointment. The Company may from time to time act as Co-Rights Agent or appoint such Co-Rights Agents as it may deem necessary or desirable. Any actions which may be taken by and any deliveries which are to be made to the Rights Agent pursuant to the terms of this Agreement may be taken by and may be delivered to any such Co-Rights Agents. To the extent that any Co-Rights Agent takes any action pursuant to this Agreement, such Co-Rights Agent shall be entitled to all of the rights and protections of, and subject to all of the applicable duties and obligations imposed upon, the Rights Agent pursuant to the terms of this Agreement.

Section 3. Issue of Right Certificates. (a) Until the earlier of (i) the close of business on the tenth Business Day after the Shares Acquisition Date (or, if the Shares Acquisition Date shall have occurred prior to the Record Date, the close of business on the tenth Business Day after the

Record Date) or (ii) the close of business on the tenth Business Day after the date of the commencement of a tender or exchange offer the consummation of which would result in any Person becoming an Acquiring Person (or such later date as the Board of Directors may determine by resolution adopted prior to the Shares Acquisition Date) (such date being herein referred to as the "Distribution Date"), (x) the Rights will be evidenced by the certificates for shares of Common Stock of the Company and not by separate Right Certificates, and (y) the Rights will be transferable only in connection with, and will automatically be transferred by, a transfer of the associated shares of Common Stock of the Company. As soon as practicable after the Distribution Date, the Company will prepare and execute, the Rights Agent will countersign, and the Company will send or cause to be sent (and the Rights Agent will, if requested, send) by first-class, insured, postage-prepaid mail, to each record holder of shares of Common Stock of the Company as of the close of business on the Distribution Date, at the address of such holder shown on the records of the Company, a Right Certificate in the form described in Section 4 hereof (a "Right Certificate"), evidencing one Right for each share of Common Stock so held. On and after the Distribution Date, the Rights will be evidenced solely by such Right Certificates.

(b) Rights shall be issued in respect of all shares of Common Stock of the Company issued after the Record Date but prior to the earliest of the Distribution Date, the Redemption Date or the Final Expiration Date, and certificates evidencing such shares shall have impressed on, printed on, written on or otherwise affixed to them the following legend:

"This certificate also evidences and entitles the holder hereof to certain rights as set forth in a Rights Agreement, dated as of _____, ____ (the "Rights Agreement"), between Avista Corporation and The Bank of New York, the terms of which are hereby incorporated herein by reference and a copy of which is on file at the principal executive offices of Avista Corporation. Under certain circumstances, as set forth in the Rights Agreement, such Rights will be evidenced by separate certificates and will no longer be evidenced by this certificate. Avista Corporation will mail to the holder of this certificate a copy of the Rights Agreement without charge after receipt of a written request therefor. As described in the Rights Agreement, Rights beneficially owned by an Acquiring Person or an Affiliate or Associate of an Acquiring Person (as such terms are defined in the Rights Agreement) and any Transferee shall become null and void."

In the event that the Company shall purchase or acquire any shares of Common Stock of the Company after the Record Date but prior to the earliest of the Distribution Date, the Redemption Date or the Final Expiration Date any Rights associated with such shares of Common Stock shall be deemed canceled and retired so that the Company shall not be entitled to exercise any Rights associated with shares of Common Stock which are no longer outstanding.

Section 4. Form of Right Certificates. The Right Certificates (and the forms of election to purchase shares of Preferred Stock and of assignment to be printed on the reverse thereof) may have such marks of identification or designation and such legends, summaries or endorsements printed thereon as the Company may deem appropriate and as are not inconsistent with the provisions of this Agreement, or as may be required to comply with any applicable law or with any rule or regulation made pursuant thereto or with any rule or regulation of any stock exchange on which the Rights may from time to time be listed, or to conform to usage.

Section 5. Countersignature and Registration. The Right Certificates shall be executed on behalf of the Company by its Chairman of the Board, its President, or any of its Vice Presidents, either manually or by facsimile signature, shall have affixed thereto the Company's seal or a facsimile thereof, and shall be attested by the Corporate Secretary or an Assistant Corporate Secretary, or the Treasurer or an Assistant Treasurer, of the Company, either manually or by facsimile signature. The Right Certificates shall be manually or by facsimile signature countersigned by the Rights Agent and shall not be valid for any purpose unless countersigned. In case any officer of the Company who shall have signed any of the Right Certificates shall cease to be such officer of the Company before countersignature by the Rights Agent and issuance and delivery by the Company, such Right Certificate nevertheless may be countersigned by the Rights Agent and issued and delivered by the Company with the same force and effect as though the person who signed such Right Certificates had not ceased to be such officer of the Company; and any Right Certificate may be signed on behalf of the Company by any person who, at the actual date of the execution of such Right Certificate, shall be a proper officer of the Company to sign such Right Certificate, although at the date of the execution of this Rights Agreement any such person was not such an officer.

Following the Distribution Date, the Rights Agent will keep or cause to

be kept, at its shareholder services office, books for registration and transfer of the Right Certificates issued hereunder. Such books shall show the names and addresses of the respective holders of the Right Certificates, the number of Rights evidenced on its face by each of the Right Certificates and the date of each of the Right Certificates.

Section 6. Transfer, Split Up, Combination and Exchange of Right Certificates; Mutilated, Destroyed, Lost or Stolen Right Certificates. Subject to the provisions of Sections 7(e) and 14 hereof, at any time after the close of business on the Distribution Date, and at or prior to the close of business on the earlier of the Redemption Date or the Final Expiration Date, any Right Certificate or Right Certificates may be transferred, split up, combined or exchanged for another Right Certificate or Right Certificates, entitling the registered holder to purchase a like number of one one-hundredths of a share of Preferred Stock as the Right Certificate or Right Certificates surrendered then entitled such holder to purchase. Any registered holder desiring to transfer, split up, combine or exchange any Right Certificate or Right Certificates shall make such request in writing delivered to the Rights Agent, and shall surrender the Right Certificate or Right Certificates to be transferred, split up, combined or exchanged at the shareholder services office of the Rights Agent designated for such purpose. Neither the Rights Agent nor the Company shall be obligated to take any such action whatsoever with respect to the transfer of any such surrendered Right Certificate until the registered holder shall have completed and signed the certificate contained in the form of assignment on the reverse side of such Right Certificate and shall have provided such additional evidence of the identity of the Beneficial Owner (or former Beneficial Owner) or Affiliate or Associate thereof as the Company shall reasonably request. Thereupon, the Rights Agent shall, subject to Sections 7(e) and 14 hereof, countersign and deliver to the person entitled thereto a Right Certificate or Right Certificates, as the case may be, as so requested. The Company may require payment of a sum sufficient to cover any tax or governmental charge that may be imposed in connection with any transfer, split up, combination or exchange of Right Certificates.

Upon receipt by the Company and the Rights Agent of evidence reasonably satisfactory to them of the loss, theft, destruction or mutilation of a Right Certificate, and, in case of loss, theft or destruction, of indemnity or security reasonably satisfactory to them, and, at the Company's request, reimbursement to the Company and the Rights Agent of all reasonable expenses incidental thereto, and upon surrender to the Rights Agent and cancellation of the Right Certificate if mutilated, the Company will make and deliver a new Right Certificate of like tenor to the Rights Agent for delivery to the registered holder in lieu of the Right Certificate so lost, stolen, destroyed or mutilated.

Section 7. Exercise of Rights; Purchase Price; Expiration Date of Rights. (a) Subject to Section 7(e) hereof, at any time after the Distribution Date, and at or prior to the earlier of (i) the close of business on March 31, 2009 (the "Final Expiration Date"), or (ii) the time at which the Rights are redeemed or exchanged as provided in Section 23 hereof (the "Redemption Date"), the registered holder of any Right Certificate may exercise the Rights evidenced thereby (except as otherwise provided herein, including without limitation any restriction on exercisability set forth in or resulting from Section 9, Section 11(a)(iii), Section 14 and Section 20(j) hereof) in whole or in part upon surrender of the Right Certificate, with the form of election to purchase and the certificate on the reverse side thereof duly executed, to the Rights Agent at the principal office or offices of the Rights Agent designated for such purpose, together with payment of the Purchase Price for each one one-hundredth of a share of Preferred Stock as to which the Rights are exercised.

(b) The purchase price for each one one-hundredth of a share of Preferred Stock pursuant to the exercise of a Right (the "Purchase Price") shall initially be \$70.00, shall be subject to adjustment from time to time as provided in Sections 11 and 13 hereof and shall be payable in accordance with paragraph (c) below.

(c) Upon receipt of a Right Certificate representing exercisable Rights, with the form of election to purchase and the certificate duly executed, accompanied by payment of the Purchase Price for the shares of Preferred Stock (including fractions thereof) to be purchased and an amount equal to any applicable transfer tax required to be paid by the holder of such Right Certificate in accordance with Section 9 hereof, the Rights Agent shall thereupon promptly (i) (A) requisition from any transfer agent for the shares of Preferred Stock certificates for the number of whole shares of Preferred Stock to be purchased and the Company hereby irrevocably authorizes such transfer agent to comply with all such requests, or (B) requisition from the Depositary Agent depository receipts representing such number of one one-hundredths of a share of Preferred Stock as are to be purchased (in which case certificates for the shares of Preferred Stock represented by such receipts shall be deposited by the transfer agent with the Depositary Agent) and the Company hereby directs the

Depository Agent to comply with such request, (ii) when appropriate, requisition from the Company the amount of cash to be paid in lieu of issuance of fractional shares in accordance with Section 14 hereof, (iii) after receipt of such certificates or depository receipts, cause the same to be delivered to or upon the order of the registered holder of such Right Certificate, registered in such name or names as may be designated by such holder and (iv) when appropriate, after receipt, deliver such cash to or upon the order of the registered holder of such Right Certificate. The payment of the Purchase Price shall be made in cash or by certified bank check or bank draft payable to the order of the Company or Rights Agent. The provisions of this subsection (c) are subject to the provisions of subsections (e) and (f) of this Section 7 and the provisions of Section 20(j) hereof.

(d) In case the registered holder of any Right Certificate shall exercise less than all the Rights evidenced thereby, a new Right Certificate evidencing Rights equivalent to the Rights remaining unexercised shall be issued by the Rights Agent to the registered holder of such Right Certificate or to his duly authorized assigns, subject to the provisions of Section 14 hereof.

(e) Notwithstanding anything in this Agreement to the contrary, from and after the date upon which any person shall become an Acquiring Person, any Rights beneficially owned by (i) an Acquiring Person or an Associate or Affiliate of an Acquiring Person, (ii) a transferee of an Acquiring Person (or of any such Associate or Affiliate) who becomes a transferee after the Acquiring Person becomes such, or (iii) a transferee of an Acquiring Person (or of any such Associate or Affiliate) who becomes a transferee prior to or concurrently with the Acquiring Person becoming such and receives such Rights pursuant to either (A) a transfer (whether or not for consideration) from the Acquiring Person to holders of equity interests in such Acquiring Person or to any Person with whom the Acquiring Person has any continuing agreement, arrangement or understanding regarding the transferred Rights or (B) a transfer which the Board of Directors of the Company has determined is part of a plan, arrangement or understanding which has as a primary purpose or effect the avoidance of this Section 7(e), shall become and be null and void without any further action and no holder of such Rights shall have any rights whatsoever with respect to such Rights, whether under any provision of this Agreement or otherwise. Each of the Company and the Rights Agent shall use all reasonable efforts to ensure that (x) no Right Certificate shall be issued pursuant to Section 3 hereof that represents any such Right, (y) no Right Certificate shall be issued at any time upon the transfer of any Rights to or from an Acquiring Person or any Associate or Affiliate thereof or to or from any nominee of such Acquiring Person, Associate or Affiliate and (z) any Right Certificate delivered to the Rights Agent for such a transfer shall be canceled.

(f) Notwithstanding anything in this Agreement to the contrary, neither the Rights Agent nor the Company shall be obligated to undertake any action with respect to the exercise of any Rights unless the registered holder thereof shall have (i) completed and signed the certificate contained in the form of election to purchase set forth on the reverse side of the Right Certificate surrendered for such exercise, and (ii) provided such additional evidence of the identity of the Beneficial Owner (or former Beneficial Owner) or Affiliates or Associates thereof as the Rights Agent or the Company shall reasonably request.

Section 8. Cancellation and Destruction of Right Certificates. All Right Certificates surrendered for the purpose of exercise, transfer, split up, combination or exchange shall, if surrendered to the Company or to any of its agents, be delivered to the Rights Agent for cancellation or in canceled form, or, if surrendered to the Rights Agent, shall be canceled by it, and no Right Certificates shall be issued in lieu thereof except as expressly permitted by any of the provisions of this Rights Agreement. The Company shall deliver to the Rights Agent for cancellation and retirement, and the Rights Agent shall so cancel and retire, any Right Certificate purchased or acquired by the Company otherwise than upon the exercise thereof. The Rights Agent shall deliver all canceled Right Certificates to the Company, or shall, at the written request of the Company, destroy such canceled Right Certificates in accordance with Rule 17Ad-7 under the Exchange Act, and in such case shall deliver a certificate of destruction thereof to the Company.

Section 9. Reservation and Availability of Preferred Stock. The Company covenants and agrees that it will cause to be reserved and kept available out of its authorized and unissued shares of Preferred Stock the number of shares of Preferred Stock that will be sufficient to permit the exercise in full of all outstanding Rights.

The Company shall use all reasonable efforts, as soon as practicable following the Shares Acquisition Date, to obtain such regulatory approvals and take such other action as may be required for it to issue and/or sell securities purchasable upon the exercise of the Right.

Notwithstanding any provision of this Agreement to the contrary, the Rights shall not be exercisable pursuant to Section 7 hereof or pursuant to the provisions contemplated by Section 11(a) (ii) hereof, and the Company shall have no obligations thereunder, (a) unless and until any regulatory approvals required for the issuance and/or sale of securities upon such exercise have been obtained, (b) if the exercise thereof, or the issuance and/or sale of the securities to be purchased upon such exercise, would violate or contravene any applicable law, regulation or administrative or judicial order or (c) in any jurisdiction if any requisite filings under any applicable securities law shall not have been made or become effective in such jurisdiction.

The Company shall take all such action as may be necessary to ensure that all securities delivered upon exercise of Rights shall be duly and validly authorized and issued and, if equity securities, fully paid and nonassessable.

The Company shall pay when due and payable any and all federal and state transfer taxes and charges which may be payable in respect of the issuance or delivery of the Right Certificates or of any securities upon the exercise of Rights. The Company shall not, however, be required to pay any transfer tax which may be payable in respect of any transfer or delivery of Right Certificates to a person other than, or the issuance or delivery of certificates or depositary receipts for securities in a name other than that of, the registered holder of the Right Certificate evidencing Rights surrendered for transfer or exercise or to issue or to deliver any certificates or depositary receipts for securities upon the exercise of any Rights until any such tax shall have been paid by the holder of such Right Certificate or until it has been established to the Company's satisfaction that no such tax is due.

Section 10. Preferred Stock Issuance Date. Each person in whose name any certificate for shares of Preferred Stock is issued upon the exercise of Rights shall for all purposes be deemed to have become the holder of record of the shares of Preferred Stock represented thereby on, and such certificate shall be dated, the date upon which the Right Certificate evidencing such Rights was duly surrendered and payment of the Purchase Price (and any applicable transfer taxes) was made (or if such day is not a Business Day, the next succeeding Business Day).

Section 11. Adjustment of Purchase Price, Amount and Type of Securities or Number of Rights. The Purchase Price, the amount and type of securities covered by each Right and the number of Rights outstanding are subject to adjustment from time to time as provided in this Section 11.

(a) (i) In the event the Company shall at any time after the date of this Agreement and prior to the Shares Acquisition Date (A) declare a dividend on the Preferred Stock payable in shares of Preferred Stock, (B) subdivide the outstanding Preferred Stock, (C) combine the outstanding shares of Preferred Stock into a smaller number of shares of Preferred Stock or (D) issue any shares of its capital stock in a reclassification of the Preferred Stock (including any such reclassification in connection with a consolidation or merger in which the Company is the continuing or surviving corporation), the Purchase Price in effect at the time of the record date for such dividend or of the effective date of such subdivision, combination or reclassification, and the number and kind of shares of capital stock issuable on such date, shall be proportionately adjusted so that the holder of any Right exercised after such time shall be entitled to receive the aggregate number and kind of shares of capital stock which, if such Right had been exercised immediately prior to such date and at a time when the Preferred Stock transfer books of the Company were open, such holder would have owned upon such exercise and been entitled to receive by virtue of such dividend, subdivision, combination or reclassification; provided, however, that in no event shall the consideration to be paid upon the exercise of one Right be less than the aggregate par value of the shares of capital stock of the Company issuable upon exercise of one Right.

(ii) Subject to the provisions of Section 7(e), Section 9, Section 14 and Section 20(j) hereof, in the event any Person shall become an Acquiring Person, proper provision shall be made so that each holder of a Right, except as provided below, shall thereafter have a right to receive, upon exercise thereof at a price equal to the Purchase Price, (A) in lieu of shares of Preferred Stock that number of shares of Common Stock of the Company having an aggregate Current Per Share Market Price on the Shares Acquisition Date equal to twice the Purchase Price or (B) at the election of the Company, that number of shares of Preferred Stock equal to the number of shares of Common Stock determined in accordance with clause (A) multiplied by one one-hundredth.

(iii) In the event that (x) there shall not be sufficient shares of Common Stock of the Company and/or Preferred Stock or a combination thereof authorized but unissued, or there shall not have been received any regulatory approval required, to permit the exercise in full of the Rights, and the performance by the Company of its obligations thereunder, in accordance with the foregoing subparagraph (ii), or (y) the issuance of Common Stock of the Company and/or Preferred Stock upon such exercise shall not then be

permitted under the Company's Restated Articles of Incorporation or any applicable law or administrative or judicial regulation or order, the Company may, at its option, with respect to some of or all of the Rights (as hereinafter provided), make adequate provision to substitute, upon exercise of each such Right but subject to Section 9 hereof, (1) cash, (2) a reduction in the Purchase Price, (3) equity securities of the Company and/or its Subsidiaries, (4) debt securities of the Company and/or its Subsidiaries, (5) other assets or securities, or (6) any combination of the foregoing, having an aggregate value equal to the aggregate Current Per Share Market Price on the Shares Acquisition Date of the securities for which each such Right would otherwise be exercisable pursuant to Section 11(a)(ii) hereof (such aggregate value to be determined by the Board of Directors of the Company based upon the advice of a nationally recognized investment banking firm selected by the Board of Directors of the Company, which determination shall be described in a statement filed with the Rights Agent). To the extent that the Board of Directors of the Company determines that some action need be taken pursuant to the first sentence of this Section 11(a)(iii), the Company (x) shall provide, subject to Section 7(e) hereof, that such action shall apply uniformly to all outstanding Rights (or to Rights pro rata or such other reasonable method of allocation as shall be determined by the Board of Directors of the Company, to the extent that such action applies to less than all the Rights), and (y) may suspend the exercisability of the Rights in order to seek any authorization of additional shares, to take any action to obtain any required regulatory approval, to decide the appropriate form of distribution to be made pursuant to such first sentence and to determine the value thereof and/or to take any other action deemed by the Company to be legally required in order to effect such distribution. In the event of any such suspension, the Company shall issue a public announcement stating that the exercisability of the Rights has been temporarily suspended, as well as a public announcement at such time as the suspension is no longer in effect.

(b) In case the Company shall fix a record date for the issuance of rights, options or warrants to all holders of shares of Preferred Stock prior to the Shares Acquisition Date entitling them (for a period expiring within 45 calendar days after such record date) to subscribe for or purchase shares of Preferred Stock (or shares having the same rights, privileges and preferences as the shares of Preferred Stock ("equivalent preferred shares")) or securities convertible into shares of Preferred Stock or equivalent preferred shares at a price per share of Preferred Stock or equivalent preference share (or having a conversion price per share, if a security convertible into shares of Preferred Stock or equivalent preferred shares) less than the then Current Per Share Market Price of the Preferred Stock on such record date, the Purchase Price to be in effect after such record date shall be determined by multiplying the Purchase Price in effect immediately prior to such record date by a fraction, the numerator of which shall be the number of shares of Preferred Stock outstanding on such record date plus the number of shares of Preferred Stock which the aggregate offering price of the total number of shares of Preferred Stock and/or equivalent preferred shares so to be offered (and/or the aggregate initial conversion price of the convertible securities so to be offered) would purchase at such Current Per Share Market Price and the denominator of which shall be the number of shares of Preferred Stock outstanding on such record date plus the number of additional shares of Preferred Stock and/or equivalent preference shares to be offered for subscription or purchase (or into which the convertible securities so to be offered are initially convertible). Shares of Preferred Stock owned by or held for the account of the Company shall not be deemed outstanding for the purpose of any such computation. Such adjustment shall be made successively whenever such a record date is fixed; and in the event that such rights, options or warrants are not so issued, the Purchase Price shall be adjusted to be the Purchase Price which would then be in effect if such record date had not been fixed. In case such subscription price may be paid in a consideration part or all of which shall be in a form other than cash, the value of such consideration shall be as determined in good faith by the Board of Directors of the Company, whose determination shall be described in a statement filed with the Rights Agent.

(c) In case the Company shall fix a record date for the making of a distribution to all holders of shares of the Preferred Stock prior to the Shares Acquisition Date (including any such distribution made in connection with a consolidation or merger in which the Company is the continuing or surviving corporation) of evidences of indebtedness or assets (other than a regular quarterly cash dividend or a dividend payable in Preferred Stock) or subscription rights or warrants (excluding those referred to in Section 11(b) hereof), the Purchase Price to be in effect after such record date shall be determined by multiplying the Purchase Price in effect immediately prior to such record date by a fraction, the numerator of which shall be the then Current Per Share Market Price of the Preferred Stock on such record date, less the fair market value (as determined in good faith by the Board of Directors of the Company, whose determination shall be described in a statement filed with the Rights Agent) of the portion of the assets or evidences of indebtedness so to be distributed or of such subscription rights or warrants applicable to one share

of Preferred Stock and the denominator of which shall be such Current Per Share Market Price of a share of Preferred Stock. Such adjustments shall be made successively whenever such a record date is fixed; and in the event that such distribution is not so made, the Purchase Price shall again be adjusted to be the Purchase Price which would then be in effect if such record date had not been fixed.

(d) (i) For the purpose of any computation hereunder, the "Current Per Share Market Price" of any security (a "Security" for the purpose of this Section 11(d)(i)) on any date shall be deemed to be the average of the daily closing prices per share of such Security for the 30 consecutive Trading Days (as such term is hereinafter defined) immediately prior to such date; provided, however, that in the event that the Current Per Share Market Price of the Security is determined during a period following the announcement by the issuer of such Security of (A) a dividend or distribution on such Security or (B) any subdivision, combination or reclassification of such Security and prior to the expiration of 30 Trading Days after the ex-dividend date for such dividend or distribution, or the record date for such subdivision, combination or reclassification, then, and in each such case, the Current Per Share Market Price shall be appropriately adjusted to reflect the current market price per share equivalent of such Security. The closing price for each day shall be the last sale price, regular way, or, in case no such sale takes place on such day, the average of the closing bid and asked prices, regular way, in either case as reported in the principal consolidated transaction reporting system with respect to securities listed or admitted to trading on the New York Stock Exchange or, if the Security is not listed or admitted to trading on the New York Stock Exchange, as reported in the principal consolidated transaction reporting system with respect to securities listed on the principal national securities exchange on which the Security is listed or admitted to trading or, if the Security is not listed or admitted to trading on any national securities exchange, the last quoted price or, if not so quoted, the average of the high bid and low asked prices in the over-the-counter market, as reported by the National Association of Securities Dealers Automated Quotation System ("NASDAQ") or such other system then in use, or, if on any such date the Security is not quoted by any such organization, the average of the closing bid and asked prices as furnished by a professional market maker making a market in the Security selected by the Board of Directors of the Company. The term "Trading Day" shall mean a day on which the principal national securities exchange on which the Security is listed or admitted to trading is open for the transaction of business or, if the Security is not listed or admitted to trading on any national securities exchange, a Business Day.

(ii) For the purpose of any computation hereunder, the Current Per Share Market Price of shares of the Preferred Stock on any date shall be determined in accordance with the method set forth in Section 11(d)(i) hereof. If the shares of Preferred Stock are not publicly traded, the Current Per Share Market Price of the shares of Preferred Stock shall be conclusively deemed to be the Current Per Share Market Price of the shares of Common Stock of the Company as determined pursuant to Section 11(d)(i) hereof (appropriately adjusted to reflect any stock split, stock dividend, reclassification or similar transaction occurring after the Distribution Date), multiplied by one-hundred. If neither the Common Stock nor the Preferred Stock are publicly held or so listed or traded, Current Per Share Market Price shall mean the fair value per share as determined in good faith by the Board of Directors of the Company, whose determination shall be described in a statement filed with the Rights Agent.

(e) No adjustment in the Purchase Price shall be required unless such adjustment would require an increase or decrease of at least 1% in the Purchase Price; provided, however, that any adjustments which by reason of this Section 11(e) are not required to be made shall be carried forward and taken into account in any subsequent adjustment. All calculations under this Section 11 shall be made to the nearest cent or to the nearest one-millionth of a share of Preferred Stock or one ten-thousandth of any other share or security, as the case may be. Notwithstanding the first sentence of this Section 11(e), any adjustment required by this Section 11 shall be made no later than the earlier of (i) three years from the date of the transaction which requires such adjustment or (ii) the date of the expiration of the right to exercise any Rights.

(f) If as a result of an adjustment made pursuant to Section 11(a) or Section 13 hereof, the holder of any Right thereafter exercised shall become entitled to receive any securities or assets other than shares of Preferred Stock, the provisions of this Agreement with respect to the Preferred Stock shall apply as appropriate to any such other securities or assets in order to fully realize the benefits intended to be conferred by Section 11(a) and/or Section 13 hereof.

(g) All Rights originally issued by the Company subsequent to any adjustment made to the Purchase Price hereunder shall evidence the right to purchase, at the adjusted Purchase Price, the number of one

one-hundredths of a share of Preferred Stock purchasable from time to time hereunder upon exercise of the Rights, all subject to further adjustment as provided herein.

(h) Unless the Company shall have exercised its election as provided in Section 11(i) hereof, upon each adjustment of the Purchase Price as a result of the calculations made in Sections 11(b) and (c) hereof, each Right outstanding immediately prior to the making of such adjustment shall thereafter evidence the right to purchase, at the adjusted Purchase Price, that number of one-hundredths of a share of Preferred Stock (calculated to the nearest one one-millionth of a share of Preferred Stock) obtained by (i) multiplying (x) the number of one-hundredths of a share covered by a Right immediately prior to this adjustment by (y) the Purchase Price in effect immediately prior to such adjustment of the Purchase Price and (ii) dividing the product so obtained by the Purchase Price in effect immediately after such adjustment of the Purchase Price.

(i) The Company may elect on or after the date of any adjustment of the Purchase Price to adjust the number of Rights, in substitution for any adjustment in the number of one-hundredths of a share of Preferred Stock purchasable upon the exercise of a Right. Each of the Rights outstanding after such adjustment of the number of Rights shall be exercisable for the number of one-hundredths of a share of Preferred Stock for which a Right was exercisable immediately prior to such adjustment. Each Right held of record prior to such adjustment of the number of Rights shall become that number of Rights (calculated to the nearest one ten-thousandth) obtained by dividing the Purchase Price in effect immediately prior to adjustment of the Purchase Price by the Purchase Price in effect immediately after adjustment of the Purchase Price. The Company shall make a public announcement of its election to adjust the number of Rights, indicating the record date for the adjustment, and, if known at the time, the amount of the adjustment to be made. This record date may be the date on which the Purchase Price is adjusted or any day thereafter, but, if the Right Certificates have been issued, shall be at least 10 days later than the date of the public announcement. If Right Certificates have been issued, upon each adjustment of the number of Rights pursuant to this Section 11(i), the Company shall, as promptly as practicable, cause to be distributed, subject to the provisions of Section 7(e) hereof, to holders of record of Right Certificates on such record date Right Certificates evidencing, subject to Section 14 hereof, the additional Rights to which such holders shall be entitled as a result of such adjustment, or, at the option of the Company, shall cause to be distributed to such holders of record in substitution and replacement for the Right Certificates held by such holders prior to the date of adjustment, and upon surrender thereof, if required by the Company, new Right Certificates evidencing all the Rights to which such holders shall be entitled after such adjustment. Right Certificates so to be distributed shall be issued, executed and countersigned in the manner provided for herein and shall be registered in the names of the holders of record of Right Certificates on the record date specified in the public announcement.

(j) Irrespective of any adjustment or change in the Purchase Price or the number of one-hundredths of a share of Preferred Stock issuable upon the exercise of the Rights, the Right Certificates theretofore and thereafter issued may continue to express the Purchase Price and the number of one-hundredths of a share of Preferred Stock which were expressed in the initial Right Certificates issued hereunder.

(k) In any case in which this Section 11 shall require that an adjustment in the Purchase Price be made effective as of a record date for a specified event, the Company may elect to defer until the occurrence of such event the issuing to the holder of any Right exercised after such record date of the Preferred Stock and other securities, if any, issuable upon such exercise over and above the Preferred Stock and other securities, if any, issuable upon such exercise on the basis of the Purchase Price in effect prior to such adjustment; provided, however, that the Company shall deliver to such holder a due bill or other appropriate instrument evidencing such holder's right to receive such securities upon the occurrence of the event requiring such adjustment.

(l) Anything in this Section 11 to the contrary notwithstanding, the Company shall be entitled to make such reductions in the Purchase Price, in addition to those adjustments expressly required by this Section 11, as and to the extent that it in its sole discretion shall determine to be advisable in order that any consolidation or subdivision of the Preferred Stock, issuance wholly for cash of any shares of Preferred Stock at less than the current market price, issuance wholly for cash of shares of Preferred Stock or securities which by their terms are convertible into or exchangeable for shares of Preferred Stock, dividends on shares of Preferred Stock payable in Preferred Stock or issuance of rights, options or warrants referred to hereinabove in Section 11(b), hereafter made by the Company to holders of its Preferred Stock shall not be taxable to such shareholders.

(m) In the event that at any time after the date of this Agreement and prior to the Distribution Date, the Company shall (i) declare or pay any dividend on its shares of Common Stock payable in Common Stock or (ii) effect a subdivision, combination or consolidation of its Common Stock (by reclassification or otherwise than by payment of dividends in its Common Stock) into a greater or lesser number of shares of Common Stock of the Company, then in any such case (i) the Purchase Price in effect after such event upon proper exercise of each Right shall be determined by multiplying the Purchase Price in effect immediately prior to such event by a fraction, the numerator of which is the number of such shares of Common Stock outstanding immediately before such event and the denominator of which is the number of such shares of Common Stock outstanding immediately after such event, and (ii) each share of Common Stock of the Company outstanding immediately after such event shall have issued with respect to it that number of Rights which each such share of Common Stock outstanding immediately prior to such event had issued with respect to it. The adjustments provided for in this Section 11(m) shall be made successively whenever such a dividend is declared or paid or such a subdivision, combination or consolidation is effected.

(n) The Company covenants and agrees that, after the Distribution Date, it will not, except as permitted by Section 23 hereof, take (or permit any Subsidiary to take) any action if at the time such action is taken, it is reasonably foreseeable that such action will diminish substantially or otherwise eliminate the benefits intended to be afforded by the Rights.

Section 12. Certificate of Adjusted Purchase Price or Number of Shares. Whenever an adjustment is made as provided in Sections 11 and 13 hereof, the Company shall promptly (a) prepare a certificate setting forth such adjustment, and a brief statement of the facts accounting for such adjustment, (b) file with the Rights Agent and with each transfer agent for the Common Stock of the Company or the Preferred Stock a copy of such certificate and (c) mail a brief summary thereof to each holder of a Right Certificate in accordance with Section 25 hereof.

Section 13. Consolidation, Merger or Sale or Transfer of Assets or Earning Power or Certain Other Transactions. In the event that, following the Shares Acquisition Date, directly or indirectly (a) the Company shall consolidate with, or merge with and into, any other Person, (other than a subsidiary of the Company in a transaction which complies with Section 11(n) hereof), (b) any Person (other than a subsidiary of the Company in a transaction which complies with Section 11(n) hereof) shall consolidate with the Company, or merge with and into the Company and the Company shall be the continuing or surviving corporation of such merger and, in connection with such merger, all or part of the shares of Common Stock of the Company shall be changed into or exchanged for stock or other securities of any other Person (or the Company) or cash or any other property or (c) the Company shall sell or otherwise transfer (or one or more of its Subsidiaries shall sell or otherwise transfer), in one or more transactions, assets or earning power aggregating 50% or more of the assets or earning power of the Company and its Subsidiaries (taken as a whole) to any other Person, or to two or more Persons which are affiliated or otherwise acting in concert, other than the Company or one or more of its wholly-owned Subsidiaries (other than a subsidiary of the Company in a transaction which complies with Section 11(n) hereof), then, and in each such case, proper provision shall be made so that (i) each holder of a Right shall thereafter have the right to receive, upon the exercise thereof at a price equal to the Purchase Price, that number of shares of Common Stock of such other Person (including the Company as successor thereto or as the surviving corporation) having an aggregate Current Per Share Market Price on the date of consummation of such transaction equal to twice the Purchase Price, (ii) the issuer of such shares of Common Stock shall thereafter be liable for, and shall assume, by virtue of such transaction, all the obligations and duties of the Company pursuant to this Agreement, (iii) the term "Company" shall thereafter be deemed to refer to such issuer, and (iv) such issuer shall take such steps (including, but not limited to, the reservation of a sufficient number of its shares of Common Stock in accordance with Section 9 hereof) in connection with such consummation as may be necessary to assure that the provisions hereof shall thereafter be applicable, as nearly as reasonably may be, in relation to the shares of Common Stock thereafter deliverable upon the exercise of the Rights. The Company shall not enter into or permit to occur any such transaction unless prior thereto (a) the Company and such issuer shall have executed and delivered to the Rights Agent a supplemental agreement so providing and (b) the issuance of shares of Common Stock of such issuer upon exercise of Rights (as they shall have been modified pursuant to the immediately preceding sentence) shall have been approved, to the extent required, by all regulatory authorities having jurisdiction over such issuance, and all other actions necessary in order to permit in full, upon exercise of Rights, the issuance of such shares of Common Stock (including, without limitation, the reservation of sufficient such shares of Common Stock to enable all outstanding Rights to be exercised in full) shall have been completed. The Company shall not enter into or permit to occur any transaction of the kind referred to in this Section 13 if at the time of such transaction there are any rights, warrants, instruments or securities outstanding or any

agreements or arrangements which would eliminate or materially diminish the benefits intended to be afforded by the Rights, including the benefits intended to be conferred by this Section 13 upon consummation of such transaction. The provisions of this Section 13 shall similarly apply to successive mergers, consolidations, sales and other transactions referred to in this Section 13.

Section 14. Fractional Rights and Fractional Shares. (a) The Company shall not be required to issue fractions of Rights or to distribute Right Certificates which evidence fractional Rights. In lieu of such fractional Rights, there shall be paid to the registered holders of the Right Certificates with regard to which such fractional Rights would otherwise be issuable an amount in cash equal to the same fraction of the current market value of a whole Right. For the purposes of this Section 14(a), the current market value of a whole Right shall be the closing price of the Rights for the Trading Day immediately prior to the date on which such fractional Rights would have been otherwise issuable. The closing price for any day shall be the last sale price, regular way, or, in case no such sale takes place on such day, the average of the closing bid and asked prices, regular way, in either case as reported in the principal consolidated transaction reporting system with respect to securities listed or admitted to trading on the New York Stock Exchange or, if the Rights are not listed or admitted to trading on the New York Stock Exchange, as reported in the principal consolidated transaction reporting system with respect to securities listed on the principal national securities exchange on which the Rights are listed or admitted to trading or, if the Rights are not listed or admitted to trading on any national securities exchange, the last quoted price or, if not so quoted, the average of the high bid and low asked prices in the over-the-counter market, as reported by NASDAQ or such other system then in use or, if on any such date the Rights are not quoted by any such organization, the average of the closing bid and asked prices as furnished by a professional market maker making a market in the Rights selected by the Board of Directors of the Company. If on any such date no such market maker is making a market in the Rights, the fair value of the Rights on such date as determined in good faith by the Board of Directors of the Company shall be used.

(b) The Company shall not be required to issue fractions of a share of Preferred Stock (other than fractions which are integral multiples of one one-hundredth of a share of Preferred Stock) upon exercise of the Rights or to distribute certificates which evidence fractional shares of Preferred Stock (other than fractions which are integral multiples of one one-hundredth of a share of Preferred Stock). Fractions of a share of Preferred Stock in integral multiples of one one-hundredth of a share of Preferred Stock may, at the election of the Company, be evidenced by depositary receipts, pursuant to an appropriate agreement between the Company and a depositary agent selected by it (the "Depositary Agent"), provided that such agreement shall provide that the holders of such depositary receipts shall have all the rights, privileges and preferences to which they are entitled as beneficial owners of the Preferred Stock represented by such depositary receipts. In lieu of fractional shares of Preferred Stock that are not integral multiples of one one-hundredth of a share of Preferred Stock, the Company shall pay to the registered holders of Right Certificates at the time such Rights are exercised as herein provided an amount in cash equal to the same fraction of the current market value of one share of Preferred Stock. For purposes of this Section 14(b), the current market value of a share of Preferred Stock shall be the closing price of a share of Preferred Stock (as determined pursuant to the second sentence of Section 11(d)(i) hereof) for the Trading Day immediately prior to the date of such exercise.

(c) The holder of a Right by the acceptance of the Right expressly waives his right to receive any fractional Rights or any fractional securities upon exercise of a Right (except as provided above).

Section 15. Rights of Action. All rights of action in respect of this Agreement, excepting the rights of action given to the Rights Agent under Section 18 hereof, are vested in the respective registered holders of the Right Certificates; and any registered holder of any Right Certificate, without the consent of the Rights Agent or of the holder of any other Right Certificate, may, in his own behalf and for his own benefit, enforce, and may institute and maintain any suit, action or proceeding against the Company to enforce, or otherwise act in respect of, his right to exercise the Rights evidenced by such Right Certificate in the manner provided in such Right Certificate and in this Agreement. Without limiting the foregoing or any remedies available to the holders of Rights, it is specifically acknowledged that the holders of Rights would not have an adequate remedy at law for any breach of this Agreement and will be entitled to specific performance of the obligations under, and injunctive relief against actual or threatened violations of, the obligations of any Person subject to this Agreement.

Section 16. Agreement of Right Holders. Every holder of a Right, by accepting the same, consents and agrees with the Company and the Rights Agent and with every other holder of a Right that:

(a) prior to the Distribution Date, the Rights will be

transferable only in connection with the transfer of shares of Common Stock of the Company;

(b) after the Distribution Date, the Right Certificates are transferable only on the registry books of the Rights Agent if surrendered at the principal office or offices of the Rights Agent designated for such purposes, duly endorsed or accompanied by a proper instrument of transfer;

(c) subject to Sections 6 and 7(f) hereof, the Company and the Rights Agent may deem and treat the person in whose name the Right Certificate (or, prior to the Distribution Date, the associated Common Stock certificate) is registered as the absolute owner thereof and of the Rights evidenced thereby (notwithstanding any notations of ownership or writing on the Right Certificates or the associated Common Stock certificate made by anyone other than the Company or the Rights Agent) for all purposes whatsoever, and neither the Company nor the Rights Agent, subject to the last sentence of Section 7(e) hereof, shall be affected by any notice to the contrary; and

(d) notwithstanding anything in this Agreement to the contrary, neither the Company nor the Rights Agent shall have any liability to any holder of a Right or other Person as a result of its inability to perform any of its obligations under this Agreement by reason of any preliminary or permanent injunction or other order, decree or ruling issued by a court of competent jurisdiction or by a governmental, regulatory or administrative agency or commission, or any statute, rule, regulation or executive order promulgated or enacted by any governmental authority, prohibiting or otherwise restraining performance of such obligation; provided, however, the Company shall use its best efforts to have any such order, decree or ruling lifted or otherwise overturned as soon as possible.

Section 17. Right Certificate Holder Not Deemed a Shareholder. No holder, as such, of any Right Certificate shall be entitled to vote, receive dividends or be deemed for any purpose the holder of a share of Preferred Stock or any other securities which may at any time be issuable on the exercise of the Rights represented thereby, nor shall anything contained herein or in any Right Certificate be construed to confer upon the holder of any Right Certificate, as such, any of the rights of a shareholder or any right to vote for the election of directors or upon any matter submitted to shareholders at any meeting thereof, or to give or withhold consent to any corporate action, or to receive notice of meetings or other actions affecting shareholders (except as expressly provided herein), or to receive dividends or subscription rights, or otherwise, until the Right or Rights evidenced by such Right Certificate shall have been exercised in accordance with the provisions hereof.

Section 18. Concerning the Rights Agent. The Company agrees to pay to the Rights Agent reasonable compensation for all services rendered by it hereunder and, from time to time, on demand of the Rights Agent, its reasonable expenses and counsel fees and other disbursements incurred in the administration and execution of this Agreement and the exercise and performance of its duties hereunder. The Company also agrees to indemnify the Rights Agent for, and to hold it harmless against, any loss, liability, or expense, incurred without negligence, bad faith or willful misconduct on the part of the Rights Agent, for anything done or omitted by the Rights Agent in connection with the acceptance and administration of this Agreement, including the costs and expenses of defending against any claim of liability in the premises.

The Rights Agent shall be protected and shall incur no liability for, or in respect of any action taken, suffered or omitted by it in connection with, its administration of this Agreement in reliance upon any Right Certificate or certificate for a share of Preferred Stock or Common Stock or for other securities of the Company, instrument of assignment or transfer, power of attorney, endorsement, affidavit, letter, notice, direction, consent, certificate, statement, or other paper or document believed by it to be genuine and to be signed, executed and, where necessary, verified or acknowledged, by the proper person or persons.

Section 19. Merger or Consolidation or Change of Name of Rights Agent. Any Person into which the Rights Agent or any successor Rights Agent may be merged or with which it may be consolidated, or any corporation resulting from any merger or consolidation to which the Rights Agent or any successor Rights Agent shall be a party, or any corporation succeeding to the corporate trust or stock transfer business of the Rights Agent or any successor Rights Agent, shall be the successor to the Rights Agent under this Agreement without the execution or filing of any paper or any further act on the part of any of the parties hereto, provided that such corporation would be eligible for appointment as a successor Rights Agent under the provisions of Section 21 hereof. In case at the time such successor Rights Agent shall succeed to the agency created by this Agreement, any of the Right Certificates shall have been countersigned but not delivered, any such successor Rights Agent may adopt the countersignature of the predecessor Rights Agent and deliver such Right Certificates so countersigned; and in case at that time any of the Right

Certificates shall not have been countersigned, any successor Rights Agent may countersign such Right Certificates either in the name of the predecessor Rights Agent or in the name of the successor Rights Agent; and in all such cases such Right Certificates shall have the full force provided in the Right Certificates and in this Agreement.

In case at any time the name of the Rights Agent shall be changed and at such time any of the Right Certificates shall have been countersigned but not delivered, the Rights Agent may adopt the countersignature under its prior name and deliver Right Certificates so countersigned; and in case at that time any of the Right Certificates shall not have been countersigned, the Rights Agent may countersign such Right Certificates either in its prior name or in its changed name; and in all such cases such Right Certificates shall have the full force provided in the Right Certificates and in this Agreement.

Section 20. Duties of Rights Agent. The Rights Agent undertakes the duties and obligations imposed by this Agreement upon the following terms and conditions, by all of which the Company and the holders of Right Certificates, by their acceptance thereof, shall be bound:

(a) The Rights Agent may consult with legal counsel (who may be legal counsel for the Company), and the opinion of such counsel shall be full and complete authorization and protection to the Rights Agent as to any action taken or omitted by it in good faith and in accordance with such opinion.

(b) Whenever in the performance of its duties under this Agreement the Rights Agent shall deem it necessary or desirable that any fact or matter be proved or established by the Company prior to taking or suffering any action hereunder, such fact or matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a certificate signed by any one of the Chairman of the Board, the Chief Executive Officer, the President, any Vice President, the Treasurer, the Secretary, or any Assistant Treasurer or Assistant Secretary of the Company and delivered to the Rights Agent; and such certificate shall be full authorization to the Rights Agent for any action taken or suffered in good faith by it under the provisions of this Agreement in reliance upon such certificate.

(c) The Rights Agent shall be liable hereunder to the Company and any other Person only for its own negligence, bad faith or willful misconduct.

(d) The Rights Agent shall not be liable for or by reason of any of the statements of fact or recitals contained in this Agreement or in the Right Certificates (except its countersignature thereof) or be required to verify the same, and all such statements and recitals are and shall be deemed to have been made by the Company only.

(e) The Rights Agent shall not be under any responsibility in respect of the validity of this Agreement or the execution and delivery hereof (except the due execution hereof by the Rights Agent) or in respect of the validity or execution of any Right Certificate (except its countersignature thereof); nor shall it be responsible for any breach by the Company of any covenant or condition contained in this Agreement or in any Right Certificate; nor shall it be responsible for any change in the exercisability of the Rights or any adjustment in the terms of the Rights (including the manner, method or amount thereof) provided for in Section 3, 11 or 13 hereof, or the ascertaining of the existence of facts that would require any such change or adjustment (except with respect to the exercise of Rights evidenced by Right Certificates after actual notice that such change or adjustment is required); nor shall it by any act hereunder be deemed to make any representation or warranty as to the authorization or reservation of any shares of Preferred Stock to be issued pursuant to this Agreement or any Right Certificate or as to whether any shares of Common Stock of the Company or Preferred Stock will, when issued, be validly authorized and issued, fully paid and nonassessable.

(f) The Company agrees that it will perform, execute, acknowledge and deliver or cause to be performed, executed, acknowledged and delivered all such further and other acts, instruments and assurances as may reasonably be required by the Rights Agent for the carrying out or performing by the Rights Agent of the provisions of this Agreement.

(g) The Rights Agent is hereby authorized and directed to accept instructions with respect to the performance of its duties hereunder from any one of the Chairman of the Board, the Chief Executive Officer, the President, any Vice President, the Treasurer, the Secretary, or any Assistant Treasurer or Assistant Secretary of the Company, and to apply to such officers for advice or instructions in connection with its duties, and it shall not be liable for any action taken or suffered by it in good faith in accordance with instructions of any such officer or for any delay in acting while waiting for those instructions.

(h) The Rights Agent and any shareholder, director, officer or employee of the Rights Agent may buy, sell or deal in any of the Rights or other securities of the Company or become pecuniarily interested in any transaction in which the Company may be interested, or contract with or lend money to the Company or otherwise act as fully and freely as though it were not Rights Agent under this Agreement. Nothing herein shall preclude the Rights Agent from acting in any other capacity for the Company or for any other legal entity.

(i) The Rights Agent may execute and exercise any of the rights or powers hereby vested in it or perform any duty hereunder either itself or by or through its attorneys or agents, and the Rights Agent shall not be answerable or accountable for any act, default, neglect or misconduct of any such attorneys or agents or for any loss to the Company resulting from any such act, default, neglect or misconduct, provided reasonable care was exercised in the selection and continued employment thereof.

(j) If, with respect to any Right Certificate surrendered to the Rights Agent for exercise or transfer, the certificate attached to the form of assignment or form of election to purchase, as the case may be, has either not been completed or indicates an affirmative response to clause 1 and/or 2 thereof, the Rights Agent shall forthwith bring such surrender to the attention of the Company and shall not take any further action with respect to such requested exercise or transfer without first consulting with the Company.

Section 21. Change of Rights Agent. The Rights Agent or any successor Rights Agent may resign and be discharged from its duties under this Agreement upon 30 days' notice in writing mailed to the Company and to each transfer agent of the Common Stock of the Company or Preferred Stock by registered or certified mail, and to the holders of the Right Certificates by first-class mail. The Company may remove the Rights Agent or any successor Rights Agent upon 30 days' notice in writing, mailed to the Rights Agent or successor Rights Agent, as the case may be, and to each transfer agent of the Common Stock of the Company or Preferred Stock by registered or certified mail, and to the holders of the Right Certificates by first-class mail. If the Rights Agent shall resign or be removed or shall otherwise become incapable of acting, the Company shall appoint a successor to the Rights Agent. If the Company shall fail to make such appointment within a period of 30 days after giving notice of such removal or after it has been notified in writing of such resignation or incapacity by the resigning or incapacitated Rights Agent or by the holder of a Right Certificate (who shall, with such notice, submit his Right Certificate for inspection by the Company), then the registered holder of any Right Certificate may apply to any court of competent jurisdiction for the appointment of a new Rights Agent. Any successor Rights Agent, whether appointed by the Company or by such a court, shall be (a) a corporation organized and doing business under the laws of the United States or the State of New York or the State of Washington (or of any other state of the United States so long as such corporation is authorized to do business as a banking institution in the State of Washington or the State of New York), in good standing, having an office in the State of Washington or the State of New York, which is authorized under such laws to exercise corporate trust or stock transfer powers and is subject to supervision or examination by federal or state authority and which has at the time of its appointment as Rights Agent a combined capital and surplus of at least \$50 million, or (b) an affiliate of a corporation described in clause (a) of this sentence. After appointment, the successor Rights Agent shall be vested with the same powers, rights, duties and responsibilities as if it had been originally named as Rights Agent without further act or deed; but the predecessor Rights Agent shall deliver and transfer to the successor Rights Agent any property at the time held by it hereunder, and execute and deliver any further assurance, conveyance, act or deed necessary for the purpose. Not later than the effective date of any such appointment, the Company shall file notice thereof in writing with the predecessor Rights Agent and each transfer agent of the Common Stock of the Company or Preferred Stock, and mail a notice thereof in writing to the registered holders of the Right Certificates. Failure to give any notice provided for in this Section 21, however, or any defect therein, shall not affect the legality or validity of the resignation or removal of the Rights Agent or the appointment of the successor Rights Agent, as the case may be.

Section 22. Issuance of New Right Certificates. Notwithstanding any of the provisions of this Agreement or of the Rights to the contrary, the Company may, at its option, issue new Right Certificates evidencing Rights in such form as may be approved by its Board of Directors to reflect any adjustment or change in the Purchase Price and the number or kind or class of shares or other securities or property purchasable under the Right Certificates made in accordance with the provisions of this Agreement. In addition, in connection with the issuance or sale of shares of Common Stock of the Company following the Distribution Date and prior to the Redemption Date or the Final Expiration Date, the Company shall, with respect to shares of Common Stock of the Company so issued or sold pursuant to the exercise of stock options outstanding prior to the Distribution Date, or upon the exercise, conversion or exchange of

securities hereinafter issued by the Company, and outstanding prior to the Distribution Date, issue Right Certificates representing the appropriate number of Rights in connection with such issuance or sale; provided, however, that no such Right Certificate shall be issued if, and to the extent that, appropriate adjustment shall otherwise have been made in lieu of the issuance thereof.

Section 23. Redemption or Exchange. (a) The Rights may be redeemed or exchanged by action of the Board of Directors pursuant to this Section 23 and shall not be redeemed in any other manner.

(b) The Board of Directors of the Company may, at its option, at any time prior to the close of business on the tenth Business Day after the Shares Acquisition Date (or, if the Shares Acquisition Date shall have occurred prior to the Record Date, the close of business on the tenth Business Day after the Record Date), elect to redeem all, but not less than all, the then outstanding Rights at a redemption price of \$0.01 per Right, appropriately adjusted to reflect any stock split, stock dividend or similar transaction occurring after the date hereof (such redemption price being hereinafter referred to as the "Redemption Price"). In the event that the aggregate redemption price payable to any holder of Rights for all Rights held by such holder shall not be evenly divisible by \$.01, the fraction of one cent otherwise payable to such holder shall be increased to one cent.

(c) The Board of Directors of the Company may, at its option but subject to receipt of any required regulatory approvals, at any time after the Shares Acquisition Date and prior to such time an Acquiring Person becomes the Beneficial Owner of more than 50% of the outstanding shares of Common Stock of the Company, elect to exchange all, but not less than all, the then outstanding Rights (other than Rights that have become void pursuant to the provisions of Section 7(e) hereof) for (i) shares of Common Stock of the Company at an exchange ratio of one share of Common Stock of the Company per Right, appropriately adjusted in order to protect the interests of holders of Rights generally in the event that after the Distribution Date any issuance or distribution of securities, cash or assets in respect of, in lieu of or in exchange for a share of Common Stock of the Company and/or Preferred Stock (whether by dividend, in a reclassification or recapitalization, or otherwise, including any such transaction involving a merger or consolidation), shall have occurred; provided, however, that in the event that insufficient shares of Common Stock of the Company are authorized but unissued, or otherwise available for issuance, to permit in full the exchange provided hereby, then each Right shall be exchanged for (x) that fraction of a share of Common Stock of the Company, the numerator of which shall be the total number of shares of Common Stock of the Company authorized but unissued or otherwise available for issuance and the denominator of which shall be the aggregate number of such shares of Common Stock of the Company which would have been issued pursuant to this subparagraph (c) (i) had such shares of Common Stock been available for issuance, plus (y) that fraction of a share of Preferred Stock, also appropriately adjusted as provided herein, the numerator of which shall be one minus the fraction of a share of Common Stock of the Company to be so issued and the denominator of which shall be one hundred, or (ii) cash, debt or equity securities of the Company and/or a Subsidiary thereof or other assets or any combination of the foregoing having an aggregate value (when paid) equal to the Current Per Share Market Price of one share of Common Stock of the Company at the Shares Acquisition Date.

(d) Immediately upon the action of the Board of Directors of the Company electing to redeem or exchange the Rights pursuant to subsection (b) or (c) of this Section 23, and without any further action and without any notice, the right to exercise the Rights will terminate and each Right will thereafter represent only the right to receive the Redemption Price or the securities or assets referred to in subsection (c) of this Section 23, as the case may be. Within 10 days after such action of the Board of Directors electing to redeem or exchange the Rights pursuant to subsection (b) or (c) of this Section 23, the Company shall give notice thereof to the Rights Agent and the holders of the then outstanding Rights by mailing such notice to all such holders at their addresses as they appear upon the registry books of the Rights Agent or, prior to the Distribution Date, on the registry books of the transfer agent for the Common Stock of the Company. Any notice which is mailed in the manner herein provided shall be deemed given, whether or not the holder receives the notice. Each such notice of redemption or exchange will state the method by which the payment of the Redemption Price or the exchange will be made. Neither the Company nor any of its Affiliates or Associates may redeem, acquire or purchase for value any Rights at any time in any manner other than that specifically set forth in this Section 23, other than in connection with the acquisition or purchase of shares of Common Stock of the Company prior to the Distribution Date.

Section 24. Notice of Certain Events. (a) In case the Company shall propose (i) to pay any dividend payable in stock of any class to the holders of shares of its Preferred Stock or to make any other distribution to the holders of shares of its Preferred Stock (other than a regular quarterly

cash dividend), (ii) to offer to the holders of shares of its Preferred Stock rights or warrants to subscribe for or to purchase any additional shares of Preferred Stock or shares of stock of any class or any other securities, rights or options, (iii) to effect any reclassification of its Preferred Stock (other than a reclassification involving only the subdivision of outstanding shares of Preferred Stock), (iv) to effect any transaction set forth in Section 13 hereof, (v) to affect the liquidation, dissolution or winding up of the Company, or (vi) to declare or pay any dividend on the Common Stock of the Company payable in shares of Common Stock of the Company or to effect a subdivision, combination or consolidation of the Common Stock of the Company (by reclassification or otherwise than by payment of dividends in shares of Common Stock of the Company), then, in each such case, the Company shall give to each holder of a Right Certificate, in accordance with Section 25 hereof, a notice of such proposed action, which shall specify the record date for the purposes of such stock dividend, or distribution of rights or warrants, or the date on which such reclassification, consolidation, merger, sale, transaction, transfer, liquidation, dissolution, or winding up is to take place and the date of participation therein by the holders of the Common Stock of the Company and/or Preferred Stock, if any such date is to be fixed, and such notice shall be so given in the case of any action covered by clause (i) or (ii) above at least 20 days prior to the record date for determining holders of shares of the Preferred Stock for purposes of such action, and in the case of any such other action, at least 20 days prior to the date of the taking of such proposed action or the date of participation therein by the holders of shares of the Common Stock of the Company and/or Preferred Stock, whichever shall be the earlier.

(b) In case the Shares Acquisition Date shall occur, then, in any such case, the Company shall as soon as practicable thereafter give to each holder of a Right Certificate, to the extent feasible and in accordance with Section 25 hereof, a notice of the occurrence of such event, which notice shall describe the event and the consequences of the event to holders of Rights under Section 11(a) (ii) hereof.

Section 25. Notices. Notices or demands authorized by this Agreement to be given or made by the Rights Agent or by the holder of any Right Certificate to or on the Company shall be sufficiently given or made if sent by first-class mail, postage prepaid, addressed (until another address is filed in writing with the Rights Agent) as follows:

AVISTA CORPORATION
1411 East Mission Avenue
Spokane, Washington 99202
Attention: Secretary

Subject to the provisions of Section 21 hereof, any notice or demand authorized by this Agreement to be given or made by the Company or by the holder of any Right Certificate to or on the Rights Agent shall be sufficiently given or made if sent by first-class mail, postage prepaid, addressed (until another address is filed in writing with the Company) as follows:

THE BANK OF NEW YORK
101 Barclay Street
New York, New York 10286
Attention: -----

Notices or demands authorized by this Agreement to be given or made by the Company or the Rights Agent to the holder of any Right Certificate shall be sufficiently given or made if sent by first-class mail, postage prepaid, addressed to such holder at the address of such holder as shown on the registry books of the Company.

Section 26. Supplements and Amendments. Prior to the Distribution Date and subject to the penultimate sentence of this Section 26, the Company and the Rights Agent may supplement or amend this Agreement in any respect without the approval of any holders of shares of Common Stock. From and after the Distribution Date and subject to the penultimate sentence of this Section 26, the Company and the Rights Agent may supplement or amend this Agreement without the approval of any holders of Rights Certificates in order to

- (a) cure any ambiguity,
- (b) correct or supplement any provision contained herein which may be defective or inconsistent with any other provisions herein,
- (c) shorten or lengthen any time period hereunder, or
- (d) change or supplement the provisions hereunder in any manner which the Company may deem necessary or desirable and which shall not adversely affect the interests of the holders of Rights Certificates

(other than an Acquiring Person or an Affiliate or Associate of an Acquiring Person);

provided, however, this Agreement may not be supplemented or amended to

lengthen, pursuant to clause (c) of this sentence, (i) a time period relating to when the Rights may be redeemed at such time as the Rights are not then redeemable, or (ii) any other time period unless such lengthening is for the purpose of protecting, enhancing or clarifying the rights of, and/or the benefits to, the holders of Rights. Upon the delivery of a certificate from an appropriate officer of the Company which states that the proposed supplement or amendment is in compliance with the terms of this Section 26, the Rights Agent shall execute such supplement or amendment. Notwithstanding anything contained in this Agreement to the contrary, no supplement or amendment shall be made which changes the number of one-hundredths of a share of Preferred Stock for which a Right is exercisable (other than to reflect an adjustment effected by the operation of any provision of this Agreement or which advances the Final Expiration Date). Prior to the Distribution Date, the interests of the holders of Rights shall be deemed coincident with the interests of the holders of shares of Common Stock. Notwithstanding any other provision hereof, the Rights Agent shall not be required to consent to any amendment or supplement pursuant to this Section 26 which alters in any adverse manner the Rights Agent's rights or duties.

Section 27. Successors. All the covenants and provisions of this Agreement by or for the benefit of the Company or the Rights Agent shall bind and inure to the benefit of their respective successors and assigns hereunder.

Section 28. Benefits of this Agreement. Nothing in this Agreement shall be construed to give to any person or corporation other than the Company, the Rights Agent and the registered holders of the Right Certificates (and, prior to the Distribution Date, the shares of Common Stock of the Company) any legal or equitable right, remedy or claim under this Agreement; but this Agreement shall be for the sole and exclusive benefit of the Company, the Rights Agent and the registered holders of the Right Certificates (and, prior to the Distribution Date, the shares of Common Stock of the Company).

Section 29. Severability. If any term, provision, covenant or restriction of this Agreement is held by a court or governmental authority of competent jurisdiction to be invalid, void or unenforceable, the remainder of the terms, provisions, covenants and restrictions of this Agreement shall remain in full force and effect and shall in no way be affected, impaired or invalidated.

Section 30. Governing Law. This Agreement and each Right Certificate issued hereunder shall be deemed to be a contract made under the laws of the State of Washington and for all purposes shall be governed by and construed in accordance with the laws of such State applicable to contracts to be made and performed entirely within such State except for Sections 18, 19, 20 and 21 hereof which shall be governed by and construed in accordance with the laws of the State of New York.

Section 31. Counterparts. This Agreement may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original, and all such counterparts shall together constitute one and the same instrument.

Section 32. Descriptive Headings. Descriptive headings of the several Sections of this Agreement are inserted for convenience only and shall not control or affect the meaning or construction of any of the provisions hereof.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the day and year first above written.

AVISTA CORPORATION

By:
Name:
Title:

THE BANK OF NEW YORK

By:
Name:
Title:

ARTICLES OF AMENDMENT
TO
RESTATED ARTICLES OF INCORPORATION
OF
AVISTA CORPORATION

Articles of Amendment to the Restated Articles of Incorporation of Avista Corporation are herein executed by said corporation pursuant to Section 23B.06.020 of the Washington Business Corporation Act as follows:

FIRST: The name of the corporation is Avista Corporation (the "Corporation").

SECOND: The following amendment to the Restated Articles of Incorporation of the Corporation, establishing and designating a series of shares and fixing and determining certain of the relative rights and preferences thereof, was duly adopted by the Board of Directors of the Corporation at a meeting held on _____ . No approval or consent of shareholders was required.

THIRD: The Restated Articles of Incorporation are hereby amended by the addition of a paragraph () to be inserted at the end of subdivision (o) of Article THIRD, which shall be and read as follows:

() Series ____ . There is hereby established a _____ series of the Preferred Stock of the Corporation which shall have, in addition to the general terms and characteristics of all of the authorized shares of Preferred Stock of the Corporation, the following distinctive terms and characteristics:

(a) The _____ series of Preferred Stock of the Corporation shall consist of _____ shares and be designated as "\$ _____ Preferred Stock, Series _____".

(b) The rate of dividend per annum on said _____ series of Preferred Stock of the Corporation is hereby determined and fixed at the Dividend Rate (as hereinafter defined) from time to time in effect.

The "Dividend Rate" per share per annum for the initial dividend period ending _____ shall be \$ _____. The "Dividend Rate" per share per annum for each subsequent dividend period shall be equal to the greater of (i) \$ _____ or (ii) 100 times the aggregate per share amount of all _____ distributions (other than a distribution payable in Common Stock or a subdivision of the outstanding Common Stock, by reclassification or otherwise) paid or declared and set apart for payment on the Common Stock during such dividend period. In the event the Corporation shall at any time after the Distribution Date (as defined in that certain Rights Agreement, dated as of _____, _____, between the Corporation and the Rights Agent named therein) declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding Common Stock, by reclassification or otherwise, into a greater or lesser number of shares of Common Stock, then, in each such case, the amount to which holders of shares of said _____ series of Preferred Stock were entitled immediately prior to such event under clause (ii) of the preceding sentence shall be adjusted by multiplying such amount by a fraction, the numerator of which shall be the number of shares of Common Stock outstanding immediately after such event and the denominator of which shall be the number of shares of Common Stock that were outstanding immediately prior to such event.

(c) The shares of said _____ series shall not, by their terms, be redeemable.

(d) The amount payable upon the shares of said _____ series in the event

of dissolution, liquidation or winding up of the Corporation shall be \$100 per share plus a premium equal (subject to the provision for adjustment set forth in paragraph (b)) to the excess, if any, of (i) an amount equal to 100 times the aggregate amount, if any, to be distributed per share to the holders of shares of the Common Stock over (ii) \$100, plus an amount equivalent to the accumulated and unpaid dividends thereon, if any, to the date of such dissolution, liquidation or winding up. Anything herein to the contrary notwithstanding, no amount of premium as set forth above shall be payable on shares of said

_____ series unless the net assets of the Corporation available for distribution to its stockholders shall exceed the sum of (I) the aggregate amount to which holders of shares of all series of Preferred Stock of the Corporation other than said _____ series shall be entitled upon such dissolution, liquidation or winding

up and (II) the sum of (x) the product of \$100 and the number of shares of said _____ series then outstanding and (y) an amount equivalent to the accumulated

_____ and unpaid dividends on such shares, if any, to the date of such dissolution, liquidation or winding up.

(e) There shall be no sinking fund for the redemption or purchase of shares of said _____ series.

(f) The share of said _____ series shall not, by their terms, be convertible.

Dated: _____, 2000 AVISTA CORPORATION

By _____

By _____

Form of Right Certificate

Certificate No. R-

Rights

NOT EXERCISABLE AFTER MARCH , 20 , OR EARLIER IF REDEMPTION

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OR EXCHANGE OCCURS. THE RIGHTS ARE SUBJECT TO REDEMPTION OR EXCHANGE ON THE TERMS SET FORTH IN THE RIGHTS AGREEMENT. RIGHTS BENEFICIALLY OWNED BY AN ACQUIRING PERSON OR AN AFFILIATE OR ASSOCIATE OF AN ACQUIRING PERSON (AS SUCH TERMS ARE DEFINED IN THE RIGHTS AGREEMENT) AND ANY TRANSFEREE OF SUCH RIGHTS SHALL BECOME NULL AND VOID.

Right Certificate

This certifies that , or registered assigns, is the

registered owner of the number of Rights set forth above, each of which entitles the owner thereof, subject to the terms, provisions and conditions of the Rights Agreement, dated as of , (as amended from time to time, the "Rights Agreement"), between Avista Corporation, a Washington corporation (the "Company"), and (the "Rights Agent"), to purchase, subject to any required regulatory approval, from the Company at any time after the Distribution Date (as such term is defined in the Rights Agreement) and prior to 5:00 P.M., New York City time, on March , 20 (subject to earlier redemption or exchange of

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the Rights by the Company, as set forth in the Rights Agreement), at the shareholders services office of the Rights Agent, or at the office of its successor as Rights Agent, one one-hundredth of a fully paid nonassessable share of \$ Preferred Stock, Series , without par value, (the "Preferred

Stock"), of the Company, at a purchase price of \$ per one one-hundredth

of a share of Preferred Stock (the "Purchase Price"), upon presentation and surrender of this Right Certificate with the Form of Election to Purchase and related Certificate duly executed. The number of Rights evidenced by this Right Certificate (and the number of one one-hundredths of a share of Preferred Stock which may be purchased upon exercise hereof) set forth above, and the Purchase Price set forth above, are the number and Purchase Price as of [,

], based on the shares of Preferred Stock as constituted at such date. As

provided in the Rights Agreement, the Purchase Price and the number or amount of securities or other assets which may be purchased upon the exercise of the Rights evidenced by this Right Certificate are subject to modification and adjustment upon the happening of certain events.

This Right Certificate is subject to all of the terms, provisions and conditions of the Rights Agreement, which terms, provisions and conditions are hereby incorporated herein by reference and made a part hereof and to which Rights Agreement reference is hereby made for a full description of the rights, limitations of rights, obligations, duties and immunities hereunder of the Rights Agent, the Company and the holders of the Right Certificates. Copies of the Rights Agreement are on file at the principal executive offices of the Company and the above-mentioned offices of the Rights Agent.

This Right Certificate, with or without other Right Certificates, upon surrender at either the office or offices of the Rights Agent designated for such purpose, may be exchanged for another Right Certificate or Right Certificates of like tenor and date evidencing Rights entitling the holder to purchase a like aggregate number of shares of Preferred Stock as the Rights evidenced by the Right Certificate or Right Certificates surrendered shall have entitled such holder to purchase.

Notwithstanding any provision of this Right Certificate to the contrary, the Rights evidenced by this Right Certificate shall not be exercisable, and the Company shall have no obligations thereunder, (a) unless and until any regulatory approvals required for the issuance and/or sale of securities upon such exercise have been obtained, (b) if the exercise thereof, or the issuance and/or sale of the securities to be purchased upon such exercise, would violate or contravene any applicable law, regulation or

administrative or judicial order or (c) in any jurisdiction if any requisite filings under any applicable securities laws shall not have been made or become effective in such jurisdiction.

Subject to the provisions of the Rights Agreement, the Rights evidenced by this Certificate may be redeemed or exchanged by the Company.

If this Right Certificate shall be exercised in part, the holder shall be entitled to receive upon surrender hereof another Right Certificate or Right Certificates for the number of whole Rights not exercised. No fractional securities will be issued upon the exercise of any Right or Rights evidenced hereby (other than fractions which are integral multiples of one one-hundredth of such security, which may, at the election of the Company, be evidenced by depositary receipts), but in lieu thereof a cash payment will be made, as provided in the Rights Agreement.

No holder of this Right Certificate shall be entitled to vote or receive dividends or be deemed for any purpose the holder of shares of the Preferred Stock or of any other securities of the Company which may at any time be issuable on the exercise hereof, nor shall anything contained in the Rights Agreement or herein be construed to confer upon the holder hereof, as such, any of the rights of a shareholder of the Company or any right to vote for the election of directors or upon any matter submitted to shareholders at any meeting thereof, or to give or withhold consent to any corporate action, or to receive notice of meetings or other actions affecting shareholders (except as provided in the Rights Agreement), or to receive dividends or subscription rights, or otherwise, until the Right or Rights evidenced by this Right Certificate shall have been exercised as provided in the Rights Agreement.

This Right Certificate shall not be valid or obligatory for any purpose until it shall have been countersigned by the Rights Agent.

WITNESS the facsimile signature of the proper officers of the Company and its corporate seal.

Dated as of [_____, 20 ____].

ATTEST:

AVISTA CORPORATION

By: -----

Countersigned:

By: -----
Authorized Signature

Form of Reverse Side of Right Certificate

FORM OF ASSIGNMENT

(To be executed by the registered holder if such holder desires to transfer the Right Certificate.)

FOR VALUE RECEIVED

hereby sells, assigns

and transfers unto

- (Please print name and address

of transferee) - this Right Certificate, together with all right, title and interest therein, and does hereby irrevocably constitute and appoint

Attorney, to transfer the within Right Certificate on the books

of the within-named Company, with full power of substitution.

Dated: _____, 20

Signature

Signature Guaranteed:

Signatures must be guaranteed by an "eligible guarantor institution" meeting the requirements of the Registrar, which requirements include membership or participation in the Security Transfer Agent Medallion Program ("STAMP") or such other "signature guarantee program" as may be determined by the Registrar in addition to, or in substitution for, STAMP, all in accordance with the Securities Exchange Act of 1934, as amended.

Certificate

The undersigned hereby certifies, for the benefit of the Company and other holders of Rights, by checking the appropriate boxes, that:

(1) this Rights Certificate is is not being sold, assigned and transferred by or on behalf of a Person who is or was an Acquiring Person or an Affiliate or Associate of any such Acquiring Person (as such terms are defined pursuant to the Rights Agreement); and

(2) after due inquiry and to the best knowledge of the undersigned, it did did not acquire the Rights evidenced by this Right Certificate from any Person who is, was or subsequently became an Acquiring Person or an Affiliate or Associate of Acquiring Person.

Dated: _____, 20

Signature

Signature Guaranteed:

Signatures must be guaranteed by an "eligible guarantor institution" meeting the requirements of the Registrar, which requirements include membership or participation in the Security Transfer Agent Medallion Program ("STAMP") or such other "signature guarantee program" as may be determined by the Registrar in addition to, or in substitution for, STAMP, all in accordance with the Securities Exchange Act of 1934, as amended.

FORM OF ELECTION TO PURCHASE

(To be executed if holder desires to exercise the Right Certificate.)

To:

The undersigned hereby irrevocably elects to exercise Rights represented by this Right Certificate to purchase

shares of the Preferred Stock issuable upon the exercise of such Rights and requests that certificates for such shares of Preferred Stock be issued in the name of:

Please insert social security or other identifying number

(Please print name and address)

If such number of Rights shall not be all the Rights evidenced by this Right Certificate, a new Right Certificate for the balance remaining of such Rights shall be registered in the name of and delivered to:

Please insert social security or other identifying number

(Please print name and address)

Dated: _____, 20____

Signature

Signature Guaranteed:

Signatures must be guaranteed by an "eligible guarantor institution" meeting the requirements of the Registrar, which requirements include membership or participation in the Security Transfer Agent Medallion Program ("STAMP") or such other "signature guarantee program" as may be determined by the Registrar in addition to, or in substitution for, STAMP, all in accordance with the Securities Exchange Act of 1934, as amended.

Certificate

The undersigned hereby certifies, for the benefit of the Company and other holders of Rights, by checking the appropriate boxes, that:

(1) the Rights evidenced by this Right Certificate are are not being exercised by or on behalf of a Person who is or was an Acquiring Person or an Affiliate or Associate of any such Acquiring Person (as such terms are defined pursuant to the Rights Agreement); and

(2) after due inquiry and to the best knowledge of the undersigned, it did did not acquire the Rights evidenced by this Right Certificate from any Person who is, was or became an Acquiring Person or an Affiliate or Associate of an Acquiring Person.

Dated: _____, 20

Signature

Signature Guaranteed:

Signatures must be guaranteed by an "eligible guarantor institution" meeting the requirements of the Registrar, which requirements include membership or participation in the Security Transfer Agent Medallion Program ("STAMP") or such other "signature guarantee program" as may be determined by the Registrar in addition to, or in substitution for, STAMP, all in accordance with the Securities Exchange Act of 1934, as amended.

NOTICE

The signature in the foregoing Forms of Assignment and Election to Purchase and Certificate must conform to the name as written upon the face of this Right Certificate in every particular, without alteration or enlargement or any change whatsoever.

MONDAY NOVEMBER 15, 8:28 AM EASTERN TIME

COMPANY PRESS RELEASE

SOURCE: AVISTA CORP.

AVISTA CORP. ADOPTS NEW SHAREHOLDER RIGHTS PLAN

SPOKANE, Wash., Nov. 15 /PRNewswire/ -- Avista Corp. (NYSE: AVA - news) announced today that its board of directors has adopted a new shareholder rights plan. The new plan is the same as the company's existing shareholder rights plan in all material respects. The rights outstanding under the existing plan will expire on Feb. 16, 2000.

(Photo: <http://www.newscom.com/cgi-bin/prnh/19990629/AVALOGO> <http://www.newscom.com/cgi-bin/prnh/19990629/AVAMATTHEWS>)

``Like the existing plan, the new plan is similar to plans adopted by a large number of public companies, including many electric and gas utilities and is intended to encourage any party interested in acquiring Avista Corp. to negotiate with the company's board of directors,'' said Avista Corp. Board Chairman, President and Chief Executive Officer T.M. Matthews. ``Although the plan will not prevent a takeover of the company, the plan should afford the board of directors a prudent means of safeguarding the interests of shareholders should an effort be made to acquire the company at a price that does not reflect fair value.''

Matthews emphasized that the adoption of the new plan was not in response to any effort to acquire control of Avista Corp., but rather simply an action to replace the expiring plan.

In connection with the adoption of the new plan, the company's board declared a dividend of one right for each outstanding share of common stock. Under normal conditions, the rights cannot be exercised and will automatically trade with the common stock when it is bought and sold.

In the event that any person commences a tender offer for 10 percent or more of the company's outstanding common stock, the rights would trade separately and become exercisable, entitling the holder of each right (other than the person commencing the tender offer) to purchase one one-hundredth of a share of the company's preferred stock at an exercise price of \$70 per share.

Upon any acquisition by any person of 10 percent or more of the company's outstanding common stock, each unexercised right would entitle the holder to purchase a number of shares of the company's common stock having a market value equal to two times the \$70 exercise price.

If, after any such acquisition, Avista Corp. were acquired in a merger or other business combination, each unexercised right would entitle its holder to purchase a number of the acquiring company's common shares having a market value of two times the exercise price.

The rights may be redeemed by the company or the plan amended by the company at any time until any person or its affiliates has acquired 10 percent or more of the outstanding shares of common stock. Afterward, the plan could be amended by the company as long as the amendment does not have any material adverse impact on holders of the rights.

Rights will be granted on Feb. 16, 2000 to shareholders of record at the close of business on Feb. 15, 2000. No separate certificates will be issued. The rights will be evidenced by the existing stock ownership and will expire on March 31, 2009. The distribution is not taxable to shareholders.

Avista Corp., a Fortune 500 company, is an energy, information and technology company with utility and subsidiary operations located throughout North America. Avista Corp.'s portfolio of businesses is focused on delivering superior products and providing innovative solutions to business and residential customers throughout the United States and Canada.

Avista Corp. also operates Avista Capital, which owns all the company's non-regulated energy and non-energy businesses. Avista Capital companies include Avista Energy, Avista Energy Canada, Ltd., Avista Power, Avista Advantage, Avista Labs, Avista Fiber, Avista Communications, Avista Development and Pentzer Corporation. Avista Corp.'s stock is traded under the ticker symbol ``AVA.''

For more information about Avista Corp. and its affiliate businesses, visit the corporate website at www.avistacorp.com

NOTE: Avista Corp. and the Avista Corp. logo are trademarks of Avista Corporation. All other trademarks mentioned in this document are the property of their respective owners.

This news release contains forward-looking statements regarding the company's current expectations. These statements are subject to a variety of risks and uncertainties that could cause actual results to differ materially from the expectations. These risks and uncertainties include, in addition to those discussed herein, all of the factors discussed in the company's Annual Report on Form 10-K for the year 1998 and the Quarterly Report on Form 10-Q for the quarter ended Sept. 30, 1999.

SOURCE: Avista Corp.