

A CORPORATION INTO TWO OR MORE SEPARATE CORPORATIONS

To approve the transfer of the capital stock of one of a corporation's subsidiaries to a Trust for the benefit of the corporation's stockholders (as a dividend to those stockholders). The Trustee will be empowered to maximize value by either (a) selling the subsidiary and distributing the proceeds of sale to the corporation's stockholders or (b) distributing the shares of the subsidiary to the corporation's stockholders (*with a copy of the Liquidating Trust Agreement*)

PROPOSAL 4

APPROVAL OF THE TRANSFER OF THE OUTSTANDING STOCK OF AEROVOX HOLDING COMPANY TO A TRUST FOR THE BENEFIT OF COOPER'S SHAREHOLDERS AND APPROVAL OF BANK OF NEW ENGLAND, N.A. AS THE TRUSTEE

As part of its acquisition of RTE Corporation ("RTE") in June 1988, Cooper also acquired an indirect wholly-owned subsidiary of RTE, Aerovox Incorporated, a Massachusetts company ("Aerovox"). Aerovox is a manufacturer of AC capacitors with annual revenues in 1988 of \$64.3 million and net income of \$3.0 million (unaudited figures).

Since the acquisition of RTE, Cooper directed its management, with the advice and assistance of independent financial advisors, to study various alternatives available to Cooper to maximize value for its shareholders with respect to the disposition of Aerovox. Based on an extensive solicitation of indications of interest for the purchase of Aerovox during the period August 1988 through February 17, 1989, which resulted in no definitive offers to purchase Aerovox at a price and on terms and conditions which Cooper believed were reasonable, Cooper believes Aerovox might have more value to the Cooper shareholders as an independent, stand-alone company, as compared to the amount Cooper could realize upon a sale of the entity.

Summary of the Liquidating Trust

Aerovox Holding Company, a Delaware corporation and a wholly-owned subsidiary of Cooper, holds all of the outstanding shares of Aerovox. On February 21, 1989, the Board of Directors of Cooper, subject to approval by the shareholders, declared a dividend of the stock of Aerovox Holding Company to the holders of Cooper Common Stock as of May 5, 1989 (the "Record Holders"). Upon approval by the Cooper shareholders, the outstanding shares of Aerovox Holding Company will be transferred to a trust for the benefit of the Record Holders in a transaction that will be treated as a dividend to Record Holders. See "Certain Federal Income Tax Consequences" at page 30. The Trustee will be empowered under the Trust Agreement to maximize value by either selling Aerovox Holding Company and distributing the proceeds of a sale to the Record Holders, or, in the alternative, by distributing the shares of Aerovox Holding Company to the Record Holders (beneficiaries of the trust). The Trustee will be directed to fulfill the purposes of the trust by December 31, 1989, so that, on such date, the trust will terminate.

The Trustee shall have no power to engage in any trade or business, nor shall the Trustee engage in any other activity except as is necessary to the orderly liquidation of the shares of Aerovox Holding Company. The Trustee will deliver periodic reports to the Record Holders as to the status of the trust property, including quarterly unaudited financial statements of Aerovox Holding Company. The interests of the Record Holders in the trust will be that of beneficiaries (the "Beneficial Interests"). No certificates representing the Beneficial Interests will be issued to Record Holders, and the Beneficial Interests will not be transferable except as a result of the death of the Record Holder or by operation of law.

Information about Aerovox

Aerovox Corporation began in 1922 with its operations in the New York City area. In 1938, the headquarters were moved to New Bedford, Massachusetts shortly after acquiring a Canadian capacitor company. In 1973, a leveraged buy-out headed by Clifford Tuttle, the current president, purchased the New

Bedford plant, the Canadian operation, which had been relocated to Amherst, Nova Scotia, and the Aerovox name from what is now AVX Corporation. The new company, Aerovox Industries, Inc., grew rapidly in those first five years and sold its assets in 1978 to Aerovox Incorporated. Today, Aerovox has a strong position in its primary domestic markets. In addition, the Canadian company holds the dominant share of the AC capacitor market in that country and expects to continue its leadership position.

In addition to its capacitor line, five years ago, Aerovox developed and introduced a line of power line filters that are sold to manufacturers of electronic equipment.

Over the last five years, Aerovox has invested \$14 million in facilities and equipment to add capacity and reduce costs, primarily through automation. Plans for the next five years call for additional investment of \$14 million, similarly for facilities and automation. A least-cost approach to production, new product development and fine tuning internal controls will be management's continued focus for future growth.

In recent years, Aerovox has introduced a stream of new products and product innovations. Most of the Company's 1988 sales volume can be attributed to products introduced since the late 1970's.

Approval of the Trustee

Subject to approval of the Cooper shareholders, Bank of New England, NA. has agreed to act as Trustee. A copy of the trust agreement is attached hereto as Annex C.

Potential Environmental Liabilities

Aerovox is a defendant in litigation commenced on December 10, 1983, by the United States and the Commonwealth of Massachusetts under the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, commonly referred to as the "Superfund" legislation. The court action also named five other companies, including RTE, as defendants, but RTE has been dismissed as a defendant for lack of jurisdiction. The governments seek a judgment against all defendants for the costs of cleanup and for damages to natural resources allegedly resulting from the disposal of polychlorinated biphenyls ("PCBs") into the Acushnet River and New Bedford Harbor. They have indicated that they seek approximately \$70 million for damages to natural resources.

The governments' estimates of the costs of remedial action, or cleanup costs, with respect to the Acushnet River and New Bedford Harbor, are very tentative and encompass a wide variety of potential cleanup alternatives. These range from proposals that would cost approximately \$10 million to suggestions of remedial activities costing as much as \$800 million. Until the governments' remedial investigation and feasibility study (including pilot studies as to the feasibility of certain dredging options) has been completed, and an actual remedy has been selected, it is difficult to determine which option is most likely to be selected. The governments also estimate that administrative expenses and costs incurred as a result of studying the site to date total approximately \$15 million.

The governments allege that Aerovox has liability in this matter based on its own activity and that of its predecessor, Aerovox Industries, Inc. In a preliminary ruling, the court has ruled that Aerovox is liable for any unsatisfied judgment against Aerovox Industries, Inc. When Aerovox purchased the plant site from Aerovox Industries, the seller indemnified Aerovox and RTE against any liability that may arise out of the use or disposal of PCBs by Aerovox Industries or its predecessor. Ten percent of the purchase price was put into escrow to collateralize this indemnification agreement. There is an action which seeks a declaratory judgment that Aerovox Industries is liable to RTE and Aerovox for any action against it because of Aerovox Industries' disposal of PCBs. The court has held that Aerovox Industries and its former stockholders are obliged to indemnify RTE and Aerovox, but since the escrow has expired, any such recovery will have to come from Aerovox Industries' insurers or its former stockholders.

There has been extensive pre-trial discovery in the governments' Superfund case and, as noted above, the defendants are awaiting a trial date on the natural resource damages issue. Aerovox's insurers are paying the cost of its defense pursuant to a court order, but they have reserved their rights to contest payments of both

costs of defense and any ultimate judgment against Aerovox on the cleanup and natural resource damages claims.

In a separate proceeding, Aerovox's insurance carriers have initiated a declaratory judgment against Aerovox for a determination that the carriers are not responsible for any Superfund cleanup cost, natural resource damages or related defense costs. This matter is also pending before the United States District Court for the District of Massachusetts, and the Court has expressed its intent to hear the issues arising in connection with this suit as part of the trial of the underlying Superfund litigation.

The Superfund Act is a new law, and there are few judicial decisions which can provide guidance as to the likely result of litigation of several issues, such as the factors that will be considered by a court in allocating liability among responsible parties, and the extent to which the federal government must follow traditional rules of causation. However, Aerovox has asserted a number of defenses, which it intends to assert in the litigation if necessary. These include the following:

First, the discharge from the facility while owned by Aerovox Industries or Aerovox was small in comparison to discharges from the original owner of the plant, AVX. Second, government chemists have not attempted to distinguish one form of PCB from another, and may well have difficulty proving that particular PCBs in the Harbor emanated from Aerovox Industries or Aerovox and contributed to the contamination. Third, both Aerovox Industries and Aerovox held permits under the federal Clean Water Act allowing the discharge of small amounts of PCBs. Under the Superfund Act "federally permitted releases" cannot provide the basis for recovery. Aerovox has asserted that the plaintiffs have the responsibility to distinguish between permitted and unpermitted releases.

In addition to the foregoing, there must be proof that discharges of PCBs from the Aerovox facility caused injury, destruction or loss of natural resources. There is considerable evidence to indicate that there has been no actual injury to any natural resource; in addition, a 1987 Report of the Massachusetts Department of Public Health found no perceptible adverse health effects in residents of the New Bedford area resulting from the PCB contamination.

Aerovox contends that several of the possible alternative cleanup proposals do not meet the tests of cost effectiveness set out in the National Contingency Plan established under the Superfund Act. Aerovox will, if necessary, assert that position in any government cost recovery action if one of these disputed remedial alternatives is chosen.

Aerovox intends to pursue a negotiated settlement in this action. To date, Aerovox has been open and cooperative with everyone including EPA; in addition it has good relationships with local government, state government, and the Massachusetts representatives in Congress. It is hoped that the culmination of working with all of these people will result in a negotiated settlement that is reasonable, and both politically and fiscally responsible.

In addition to the cost of cleanup in connection with the Acushnet River and New Bedford Harbor, there are also two Superfund administrative proceedings in which Aerovox has been named a potentially responsible party. In a Superfund proceeding to recover the cost of cleanup of the ReSolve site in Massachusetts, a settlement in principle has been negotiated with the Environmental Protection Agency. Under this proposed settlement, Aerovox will pay \$954,000, with \$650,000 of that amount to be reimbursed to Aerovox by its insurers. In the other relating to Sullivan's Ledge, Aerovox Industries and Aerovox both deny liability on the ground that they never used the site for waste disposal. Although the evidence indicates the site was closed in the late 1960's, the EPA, which has selected a \$10 million remedy, has persisted in its claim against Aerovox along with some forty other entities.

Aerovox has executed administrative consent decrees with the EPA and the Department of Environmental Quality Engineering of the Commonwealth of Massachusetts ("DEQE") requiring certain testing and remedial action at the Aerovox plant. The remedial plan has been implemented except for ongoing monitoring requirements. Also, the EPA is seeking to reduce the quantity of PCBs that may be discharged pursuant to a Water Act permit from 10 ppb to 1 ppb, including storm water runoff. The City sewer system is

alleged to be contaminated with PCBs, and that may result in a claim against Aerovox.

In settlement of alleged Clean Air Act violations, Aerovox entered into a consent decree in late 1987, committing to compliance with the Act. It is not clear whether Aerovox will be able to comply. Failure to do so may result in an enforcement action by the EPA.

Also traces of fuel oil and PCBs have been discovered in soil in an area near the boiler house where underground fuel oil tanks were formerly located. The tanks and contaminated soil have been removed. The DEQE issued a Notice of Responsibility requiring Aerovox to study the site for possible further remediation. Aerovox is awaiting a cleanup plan from its consultants, and the plan will be submitted to the DEQE for approval.

Certain Federal Income Tax Consequences

The following is a general description of certain of the federal income tax consequences to Record Holders of the transfer of Aerovox Holding Company shares to the trust. The discussion is addressed to United States persons within the meaning of Section 7701 (a)(30) of the Internal Revenue Code of 1986 (i.e., citizens and residents of the United States, domestic corporations, and certain other entities) who hold their shares as capital assets. This description may not be applicable to Record Holders who acquired their shares pursuant to the exercise of employee stock options or otherwise as compensation, or to Record Holders which are tax-exempt organizations, financial institutions, broker-dealers, or to Record Holders subject to the alternative minimum tax. All Record Holders are urged to consult their own tax advisors with respect to the federal, state, local, foreign and other tax consequences to them of the transfer of Aerovox Holding Company shares to the trust.

The transfer by Cooper of the outstanding shares of Aerovox Holding Company to the trust will constitute a distribution to the Record Holders and will be taxable to Record Holders as a dividend at ordinary income rates. With respect to each Record Holder, the amount of the dividend will equal such Record Holder's pro rata share of the fair market value of the shares of Aerovox Holding Company. Based on opinions of value from independent financial advisors, Cooper believes that the fair market value of Aerovox Holding Company is \$15 million, or \$.148* per share of Cooper held by a Record Holder on the record date. Because the determination of fair market value is a difficult factual matter, however, it is possible that the Internal Revenue Service (the "Service") might challenge Cooper's determination of fair market value. Cooper intends to provide Record Holders with information returns, copies of which will also be filed with the Service, reporting the amount of the dividend as \$148* per share.

The amount of the distribution which is taxable as a dividend should be eligible for the 70% dividends received deduction generally available to corporate Record Holders. However, to the extent a corporate Record Holder incurs indebtedness which is considered directly attributable to an investment in shares of Cooper, the amount of the dividends received deduction will be reduced by a percentage equal, in general, to the amount of such indebtedness divided by the total adjusted tax basis in the investment. In addition, the dividends received deduction will not be available with respect to dividends paid on stock which is treated as held for 45 days or less.

If a corporation receives an "extraordinary dividend" with respect to stock, the corporation's basis in such stock must be reduced by the 70% "nontaxed portion" of the extraordinary dividend unless such stock has been held by the corporation for more than two years before the date the extraordinary dividend was announced or agreed to. If such nontaxed portion exceeds the corporation's basis in its shares, then upon sale or disposition of the shares the excess will be treated as gain from the sale or exchange of the shares in addition to any other gain recognized. In general, an "extraordinary dividend" means any dividend which equals or exceeds 10% of the corporate Record Holder's adjusted basis in the shares when the dividend is paid. Alternatively, the corporate Record Holder may elect to use the fair market value of the shares as of the day before the ex-dividend date, rather than its adjusted basis in the shares, to calculate the threshold amount of an extraordinary dividend. In addition, the aggregation rules might require that other dividends received by Record Holders on Cooper shares be included in determining whether such Record Holders have received an extraordinary dividend. The company believes that it is unlikely the distribution will constitute an

extraordinary dividend with respect to any corporate Record Holder who elects to use fair market value to determine whether it has received an extraordinary dividend. Given the complexity of the "extraordinary dividend" rules, taxpayers are urged to consult their own tax advisors regarding the application of such rules to their own circumstances.

* Adjusted for two-for-one stock split effective March 20, 1989.

In Cooper's opinion the trust should qualify as a grantor trust and not as an association taxable as a corporation. In this event, the trust will be ignored for federal income tax purposes and each Record Holder will be treated as owning a proportionate share of the trust's assets. Each Record Holder's proportionate share of any items of income, deductions and credits of the trust will be treated as income, deductions and credits of such Record Holder. Each Record Holder will have a basis in his interest in the trust equal to the fair market value of the distribution to such Record Holder. If the trust sells the Aerovox Holding Company stock prior to December 31, 1989, each Record Holder will be treated as if he sold his proportionate share of Aerovox Holding Company stock and depending upon the sales price of Aerovox Holding Company will recognize a short-term capital gain or loss measured by the difference between the Record Holder's proportionate share of the sales price and his basis in his interest in the trust. If the trust liquidates and distributes all the Aerovox Holding Company stock to the Record Holders, no gain or loss will be recognized and each Record Holder will have a basis in his Aerovox Holding Company stock received equal to the basis in his interest in the trust. A proportionate share of any fees paid to the Trustee by Cooper or Aerovox Holding Company will likely constitute a dividend to Record Holders who hold interests in the trust at the time the fees are paid. Such Record Holders should, however, be entitled to a deduction for the amount of any such dividend. In the case of Record Holders who are individuals, however, such deduction will be treated as a "miscellaneous itemized deduction" which is only allowed to the extent that the aggregate of such individual's miscellaneous itemized deductions for his taxable year exceeds two percent of such individual's adjusted gross income.

Recommendation and Vote

Cooper's management believes that the distribution of Aerovox Holding Company to a trust and approval of Bank of New England, NA. as Trustee are in the best interests of Cooper, since such transfer will effectively divest Aerovox from Cooper. Although the transfer and appointment of the Trustee do not require approval of Cooper's shareholders, Cooper is requesting the affirmative vote of at least a majority of a quorum represented at the meeting and voting on the Proposal. Under the regulations, a quorum is constituted by the presence in person or by proxy of a majority of the voting power of Cooper. If a majority vote is not obtained, the dividend declaration will be rescinded, and Cooper will sell Aerovox to a third party.

ANNEX C

FORM OF LIQUIDATING TRUST AGREEMENT

THIS LIQUIDATING TRUST AGREEMENT (the "Trust Agreement") made as of the day of 1989, by and between Cooper Industries, Inc., an Ohio corporation ("Cooper"), and Bank of New England, N.A., as trustee and not in its individual capacity (except as expressly stated otherwise) (the "Trustee"):

W ITNESSETH

WHEREAS, at the annual meeting of the stockholders to be held on April 25, 1989, the stockholders of Cooper (collectively, the "Stockholders") will be asked to approve the contribution by Cooper for their benefit of all of the outstanding capital stock ("Aerovox Stock") of Aerovox Holding Company ("Aerovox") to a grantor liquidating trust and to approve the form of this Trust Agreement and the trust to be hereby created (the "Trust"), in each case by a majority vote of the Stockholders at said annual meeting ("Stockholder Approval");

NOW, THEREFORE, in consideration of the premises and the mutual covenants and agreements contained herein:

ARTICLE I

Transfer to Trustee

1.1 *Transfer to Trustee.* Effective upon receipt of Stockholder Approval, Cooper, on behalf of the Stockholders, will transfer and assign to the Trustee, and the Trustee will accept, the Stockholders' entire right, title and interest in and to the Aerovox Stock made a part hereof and all proceeds and income in respect thereof (together with the Aerovox Stock, the "Trust Property"), such transfer, assignment and acceptance to be deemed to have occurred without any further act or deed of the parties hereto immediately upon certification by Cooper to Trustee of Stockholder Approval and delivery to the Trustee of a certificate or certificates, properly endorsed, representing the Aerovox Stock.

1.2 *Intention of Parties.* It is the intention of the parties that the Trustee shall acquire title to the Aerovox Stock so that the liquidation of the Aerovox Stock shall be completed on or before December 31, 1989. Although Cooper is transferring the Aerovox Stock directly to the Trustee, such transfer will be effected at the direction of the Stockholders and on their behalf, as evidenced by the Stockholder Approval, and the parties intend that, for all purposes, including Federal income tax purposes, such transfer is to be considered in substance a transfer from Cooper to the "Record Stockholders" (as hereinafter defined) and from them to the Trustee. The Aerovox Stock will be transferred and assigned to the Trustee and the Trustee shall hold, sell and/or distribute the Aerovox Stock, in trust for the sole benefit of the "Beneficiaries" (as hereinafter defined), on the terms and conditions herein set forth.

ARTICLE II

Beneficiaries

2.1 *Stockholders as Beneficiaries.* Cooper will cause its transfer agent to submit to the Trustee a certified copy of the list (the "List") of Stockholders as of the close of business on May 5, 1989 (the "Record Date") which will be the date used to determine the Stockholders entitled to become Beneficiaries (collectively, the "Record Stockholders"). The Record Stockholders shall be the initial Beneficiaries with the same beneficial interest ("Beneficial Interest") in the Trust as shown on the List. For this purpose, the term Beneficial Interest shall mean, for each Beneficiary, the percentage determined by dividing the number of shares of Common Stock of Cooper (the "Stock") held by the Beneficiary on the Record Date (as shown on the List) by the total number of shares of Stock (as shown on the List) outstanding on such Record Date. For ease of administration, the Trustee shall express the Beneficial Interest of each Stockholder in terms of units. Each distribution by the Trustee to the Beneficiaries shall be made to the Record Stockholders, or their legal representatives or successors in interest authorized by Section 2.3 (together with the Record Stockholders, the "Beneficiaries"), pro rata according to their Beneficial Interest in the Trust.

2.2 *Record of Beneficiaries.* The Trustee shall maintain at its place of business a record of the names of each Beneficiary and his Beneficial Interest in the Trust.

2.3 *Transfer of Interests.* No certificates representing units of Beneficial Interests shall be issued. The Beneficial Interest of a Beneficiary in the Trust may not be transferred in any manner whatsoever (including, without limitation, by sale, exchange, gift, pledge or creation of a security interest) except (a) by bequest or inheritance in the case of an individual Stockholder or (b) by operation of law. The death of any Beneficiary shall not entitle his transferee to an account or valuation for any purpose, but such transferee shall succeed to all rights of the deceased Beneficiary under this Trust Agreement upon proper proof of title satisfactory to the Trustee.

2.4 Missing Beneficiaries. A Missing Beneficiary shall be defined as a Stockholder (a) who, on the Record Date, has failed to give Cooper an effective address or (b) who is described in the next succeeding sentence. If a notice or distribution is mailed by the Trustee to a Beneficiary and either the notice is returned by the United States Postal Service to the Trustee as undeliverable or any check or draft included in such notice is not cashed within a reasonable period of time or any receipt requested for the delivery of property is not given, then in any such case such Beneficiary shall thereafter be a Missing Beneficiary.

2.5 Rights of Beneficiaries. The Beneficiaries shall own pro rata the Beneficial Interests and shall be entitled to participate pro rata in the rights and benefits of the Beneficiaries under this Trust Agreement. Each Beneficiary holds the same subject to all the terms and provisions of this Trust Agreement, which shall be binding upon and inure to the benefit of the successors, legatees, heirs and personal representatives of the Beneficiary. The Beneficial Interests shall be held and construed to be in all respects intangible personal property, and upon the death, insolvency or incapacity of an individual Beneficiary, his interest shall pass to his legal representative as intangible personal property, and such death, incapacity or insolvency shall in no way terminate or affect this Trust Agreement. The sole interest of each Beneficiary shall be his Beneficial Interest and the obligation of the Trustee to hold, manage and dispose of the Trust Property and to account for the same as in this Trust Agreement provided. No Beneficiary shall have the right to call for or demand or secure any partition during the continuance of the Trust.

ARTICLE III

Name, Purpose, Limitations and Distribution to Beneficiaries

3.1 Purpose of Trust. The name of the Trust shall be Aerovox Holding Company Liquidation Trust. This Trust is established for the sole purpose of holding the Aerovox Stock transferred to it by Cooper on behalf of the Beneficiaries, enforcing the rights of the Beneficiaries thereto, collecting the income, if any, therein, disposing of the Aerovox Stock to another party (or parties acting together as a group (a "Group")) for the benefit of the Beneficiaries, if appropriate as hereinafter set forth, distributing the Trust Property to the Beneficiaries, and, subject to Sections 4.5 and 5.2 hereof, taking such other action as is necessary to conserve and protect the Trust Property and to provide for the orderly disposition of any and all of the Aerovox Stock after payment or provision for payment of expenses and liabilities of the Trust. The Trustee shall not be required to obtain the approval of the Beneficiaries before taking any of the foregoing actions. Under no circumstances shall the Trust or the Trustee hereunder have any power to engage in any trade or business, nor shall the Trustee engage in any other activity except as is necessary to the orderly disposition of any and all of the Aerovox Stock.

3.2 Operation of Trust. (a) On or promptly after the date of delivery of the Aerovox Stock to the Trustee, the Trustee shall engage Wasserstein Perella & Co., unless such firm declines to act in such capacity (in which case the Trustee shall engage another financial advisor), to determine whether the Beneficiaries will receive greater value from a distribution of the Aerovox Stock to the Beneficiaries or from the sale of such stock to a third party or Group in accordance with Subsection (b) below. The Trustee shall exercise its best efforts to arrange for the financial advisor to render an opinion with respect to such matters on or before June 30, 1989. The Trustee shall instruct the financial advisor to consult with the Board of Directors and senior management of Aerovox in formulating its opinion. Promptly following receipt of the opinion of the financial advisor, in reliance thereon the Trustee shall either (i) determine to sell the Aerovox Stock to a third party or Group (a "Sale Determination") or (ii) make a Distribution Determination pursuant to clause (c) of this Section 3.2.

(b) After making a Sale Determination, the Trustee shall exercise its best efforts to sell the Aerovox Stock prior to December 31, 1989. Any sale of the Aerovox Stock to a third party or Group shall be made only on an all-cash, all-shares, as-is where-is basis, without any representations or warranties other than representations and warranties by the Trustee as to its own authority to act as Trustee, and by Aerovox as to corporate organization and good standing and due authorization and enforceability.

(c) In the event that (i) the financial advisor opines that the Beneficiaries will receive greater value from

a distribution of the Aerovox Stock to the Beneficiaries than they would receive if the Aerovox Stock were sold to a third party or Group or (ii) the Trustee otherwise determines in its sole discretion that a sale of the Aerovox Stock to a third party or Group would not be feasible or would be inadvisable for any reason (including without limitation reasons of timing, seller liability, terms of sale or uncertainty of closing) or would result in insufficient proceeds being received in exchange therefor, the Trustee shall determine to distribute the Aerovox Stock to the Beneficiaries (a "Distribution Determination"). In order to facilitate an orderly distribution to Beneficiaries upon a Distribution Determination, such Distribution Determination will be irrevocable. Following any such determination, Aerovox shall either (i) exercise its best efforts to cause the Aerovox Stock to be registered pursuant to the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, and any applicable state securities laws, or (ii) exercise its best efforts to have delivered to the Trustee an opinion of counsel that such registration is not necessary. As soon as practicable following such registration or the receipt of such opinion, the Trustee shall exercise its best efforts to distribute the Aerovox Stock to the Beneficiaries.

(d) The Trustee shall pay over to the Beneficiaries any cash which is received as a result of any sale of the Trust Property. Distributions of any cash received by the Trustee or of the Aerovox Stock shall be made pro rata according to the Beneficiaries' respective Beneficial Interests in the Trust. In connection with any distribution of the Aerovox Stock, the Trustee shall pay cash in lieu of fractional shares by retaining such fractional shares of Aerovox Stock, aggregating them and selling them in the public market or in a private sale, as it may determine in its sole discretion, as soon as legally permissible, and distributing the cash proceeds thereof to the Beneficiaries otherwise entitled to such fractional shares.

(e) Prior to any distribution of cash or of the Aerovox Stock, the Trustee shall establish a reserve for the reasonable expenses incurred or to be incurred by the Trustee to the extent not provided for by Aerovox. If there are any Missing Beneficiaries, the Trustee shall establish a reasonable reserve for cash (if any) to be paid to Missing Beneficiaries or transfer to Aerovox shares of Aerovox Stock attributable to such Missing Beneficiaries (subject to state escheat and abandoned property laws). After such transfer, Beneficiaries shall look solely to Aerovox for any distribution hereunder.

(f) The Trustee shall take such action as it in its sole discretion deems appropriate to enforce its rights to the Trust Property so that Beneficiaries may receive the full benefit thereof.

3.3 *No Reversion to Cooper.* In no event shall any part of the Trust Property revert to or be distributed to Cooper or to any other person other than a Beneficiary, except to Aerovox under the circumstances described in Section 3.2(e) above.

ARTICLE IV

Authority Of Trustee

4.1 *Generally.* Subject to the limitations set forth in this Trust Agreement, the Trustee is authorized to take such action as in its judgment is necessary or advisable to achieve best the purpose of the Trust, including the authority to sell at any time in the manner set forth in Section 3.2(b) all (but not less than all) of the Trust Property (that is not cash) provided that such sale not be unlawful and, in the event the Trustee makes a Distribution Determination, the Trustee is further authorized to distribute all of the Trust Property in kind to the Beneficiaries (subject to Section 3.2 hereof).

4.2 *Limitation of Trustee's Investment Authority.* The Trustee shall not engage in any income-producing activity, except that (a) to the extent the Trust Property at any time includes cash, the Trustee may, subject to the provision of Section 5.4 hereof, keep such cash invested in interest-bearing obligations of the United States of America or of banks or savings and loan associations, such obligations having a maturity not in excess of three months and (b) the Trustee may continue to hold the Trust Property and receive income

attributable thereto. Any investment made pursuant to clause (a) hereof must be held to maturity and the proceeds thereof not reinvested except in the same kinds of investments maturing no later than December 31, 1989, unless the term of the Trust Agreement is extended pursuant to Section 9.1.

4.3 *Power to Settle Claims.* The Trustee is authorized to prosecute or defend, and to settle by arbitration or otherwise, any claim of or against the Trustee, the Trust or the Trust Property (but not Aerovox), to waive or release rights in the Trust Property of any kind and to pay or satisfy any debt, tax or claim of or on the Trust Property, upon any evidence deemed to be sufficient by the Trustee.

4.4 *Power to Contract for Services.* In the administration of the Trust, the Trustee is empowered to employ or contract for services with financial advisors, consultants, accountants, attorneys and other professionals and experts (which, in each case may (but need not be) the same ones currently used by Cooper or Aerovox or both) (collectively, "Professionals"), and to employ or contract for clerical and other administrative assistance and, unless reimbursed by Aerovox pursuant to Section 5.5, to make payments from the Trust Property of all fees for services or expenses in any manner thus incurred.

4.5 *Prohibition on Management Authority.* Nothing in this Trust Agreement shall be deemed to grant the Trustee any authority, and the Trustee shall have no authority, to exercise control over the management of the business of Aerovox, which authority shall remain with the board of directors and authorized officers of Aerovox, provided, that the Trustee shall have the rights of the stockholder of record of Aerovox under Delaware law and provided, further, that the Trustee shall be required to act in its role as stockholder of record of Aerovox only where stockholder action is required by Delaware law.

ARTICLE V

The Trustee

5.1 *Generally.* The Trustee shall perform such duties as are specifically set forth in this Trust Agreement and shall have such powers as are necessary for the performance of such duties or are reasonably implied for the administration of this Trust.

5.2 *Liability of Trustee.* No provision of this Trust Agreement shall be construed to relieve the Trustee from liability for its own grossly negligent action, its own grossly negligent failure to act or its own fraud or willful misconduct, except that:

(a) the Trustee shall be liable only for the performance of such duties and obligations as are specifically set forth in this Trust Agreement and no implied covenants or obligations shall be read into this Trust Agreement against the Trustee;

(b) the Trustee shall not be liable for any error of judgment made in good faith, unless the Trustee is grossly negligent;

(c) the Trustee shall not be liable with respect to any action taken or omitted to be taken in good faith upon advice of Professionals, except if the Trustee itself is grossly negligent or engages in willful misconduct;

(d) the Trustee shall not be liable with respect to any action taken or omitted to be taken at the direction of Beneficiaries holding more than half the Beneficial Interests;

(e) except as expressly described in subsections (a)-(e) of Section 3.2, the Trustee need not take or refrain from taking any action hereunder unless it shall have been indemnified in a manner and form satisfactory to it against any and all costs, expenses, demands, losses and liabilities which have been or could be asserted against it;

(f) the Trustee need not take any action if it shall have been advised in writing by independent

counsel that such action is contrary to law or this Trust Agreement (as same may be from time to time amended) or is likely to result in liability to the Trustee in its individual capacity:

(g) no provision of this Trust Agreement shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers, unless it has been furnished with indemnity in form and substance satisfactory to the Trustee.

5.3 *Reliance by Trustee.* Except as otherwise provided in Section 5.2:

(a) the Trustee may rely, and shall be protected in acting or in refraining from acting in reliance, upon, any resolution, certificate, statements, instruments, opinion, report, notice, request, consent, order or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties and shall not be bound to make any investigation into any of the matters contained in any of the foregoing;

(b) the Trustee may consult with Professionals to be selected by it, and the Trustee shall not be liable for any action taken or omitted to be taken by it in accordance with the advice of such Professionals;

(c) persons dealing with the Trustee shall look only to the Trust Property to satisfy any liability incurred by the Trustee to such person in carrying out the terms of this Trust, and the Trustee shall have no personal obligation to satisfy any such liability;

(d) persons dealing with the Trustee shall be fully protected in relying upon the Trustee's certificate that it has authority to take any action under this Trust, and any persons dealing with the Trustee shall be fully protected in relying upon the Trustee's certificate;

(e) the Trustee shall not be responsible in any manner whatsoever for the correctness of the recitals herein contained; and the Trustee shall not be responsible or accountable in any manner whatsoever for or with respect to the insuring or operation of any property owned by Aerovox or any subsidiary thereof, the validity or sufficiency of this Trust Agreement or for the value of the Trust Property or the properties of Aerovox or any part thereof, or for title thereto, and the Trustee makes no representation with respect thereto, except that Trustee in its individual capacity represents that it has full power and authority to enter into this Trust Agreement and act as Trustee hereunder;

(f) the Trustee shall not be liable for any action taken or omitted to be taken by it in good faith and reasonably believed by it to be within the discretion or powers conferred upon it, or in good faith omitted to be taken by it because such action is reasonably believed to be beyond the discretion or powers conferred upon it, or taken by it pursuant to any direction or instruction by which it is governed under this Trust Agreement or omitted to be taken for any reason or the lack of direction or instruction required for such action, or be responsible for the consequences of any error of judgment reasonably made by it. The Trustee shall in no event be liable for the application or misapplication of funds, or for other acts or defaults, by any person, firm or corporation except by its own officers and employees, its liability with respect to acts or defaults of any kind of agent appointed by it being limited to liability for any lack of due care in the appointment of such agent. No recourse shall be had by Cooper, Aerovox or any Beneficiary for any claim based on this Trust Agreement against any officer, agent or employee of the Trustee unless such claim is based upon fraud or deceit or intentional violation of law by such person.

5.4 *Safekeeping of Trust Assets.* All moneys and other assets received by the Trustee shall, until distributed or paid over as herein provided, be held in trust for the benefit of the Beneficiaries, but need not be segregated from other trust assets, unless and to the extent required by law. The Trustee shall be under no liability for interest or for producing income on any moneys received by the Trustee hereunder and held for distribution or payments to the Beneficiaries, except as such interest shall actually be received by the Trustee.

5.5 *Expense Reimbursement and Compensation.* The Trustee shall be entitled to reimbursement from

Aerovox for all out-of-pocket expenses and to receive from Aerovox reasonable compensation for all services rendered by it in the execution of the Trust and in the exercise and performance of any of its powers and duties, which compensation shall not be limited by any provision of law in regard to compensation of a trustee of any express trust but only by the limit of reasonableness. Reimbursement and compensation due hereunder, if not paid by Aerovox, shall be a first charge on the Trust Property. The provisions of this Section shall survive termination of the Trust Agreement.

5.6 *No Bond.* The Trustee shall serve without bond.

5.7 *Indemnification of Trustee.* The Trustee shall be indemnified, and shall be entitled to reimbursement from Aerovox against and from any and all loss, liability, expense or damage which the Trustee may sustain in good faith and without willful misconduct, gross negligence or fraud in the exercise and performance of any of the powers and duties of the Trustee under this Trust Agreement. The provisions of this Section shall survive termination of the Trust Agreement and shall remain available to any former Trustee replaced or resigning under Article VI.

5.8 *Trustee as Beneficiary.* The Trustee, either individually or in its representative or fiduciary capacities, may be a Beneficiary to the same extent as if it were not Trustee hereunder and have all the rights of a Beneficiary, including, without limitation, the right to receive distributions to the same extent as if it were not a Beneficiary.

5.9 *Determination of Ownership.* In the event of any disagreement between persons claiming to be transferees of any Beneficiary under Section 2.3 hereof, the Trustee shall be entitled at its option to refuse to recognize any such claims so long as such disagreement shall continue. In so refusing, the Trustee may elect to make no payment or distribution in respect of the Beneficial Interest involved, or any part thereof, and, in so doing, the Trustee shall not be or become liable to any person for the failure or refusal of the Trustee to comply with such conflicting claims, and the Trustee shall be entitled to continue so to refrain and refuse so to act, until:

(a) the rights of the adverse claimants have been adjudicated by a final judgment of a court assuming and having jurisdiction of the parties and the interest and money involved: or

(b) all differences have been adjusted by valid agreement between such parties and the Trustee shall have been notified thereof in writing signed by all of the interested parties.

ARTICLE VI

Successor Trustee

6.1 *Resignation and Removal.* The Trustee may resign by giving not less than sixty days' prior written notice thereof to the Beneficiaries. Such resignation shall become effective on the day specified in such notice or upon the appointment of a successor and the acceptance by such successor of such appointment, whichever is earlier. The Trustee may be removed at any time, with or without cause, by action of Beneficiaries holding more than half of the Beneficial Interests.

6.2 *Appointment of Successor.* In the event of the Trustee's resignation, a successor Trustee shall be selected by the resigning Trustee, provided that such successor is a financial institution with assets of at least \$50,000,000. In the event of the removal of the Trustee by action of Beneficiaries holding more than half of the Beneficial Interests, such Beneficiaries shall concurrently therewith appoint a successor Trustee.

6.3 *Acceptance of Appointment by Successor Trustee.* Any successor Trustee appointed hereunder shall execute an instrument accepting such appointment hereunder and shall file such acceptance with the trust records. Thereupon, such successor Trustee shall, without any further act, become vested with all the estates, properties, rights, powers, trusts and duties of its predecessor in the Trust with like effect as if originally named herein: provided, however, that a resigning Trustee shall, nevertheless, when requested in writing by

the successor Trustee, execute and deliver an instrument or instruments conveying and transferring to such successor Trustee under the Trust all the estates, properties, rights, powers and trusts of such predecessor Trustee.

ARTICLE VII

Reports To Beneficiaries

7.1 *Reports to Beneficiaries.* As soon as practicable after the end of each calendar quarter and upon termination of the Trust, Aerovox shall furnish to the Trustee unaudited financial statements of Aerovox for the period then ending, and the Trustee shall submit a written report and account to the Beneficiaries showing (i) such financial statements; (ii) the assets and liabilities of the Trust at the end of such calendar quarter or upon such termination and the receipts and disbursements of the Trustee for such period; (iii) any material changes in the Trust Property (excluding any changes in the business or financial condition of Aerovox) not previously reported and (iv) any action taken by the Trustee in the performance of its duties which materially affects the Trust.

7.2 *Federal Income Tax Reporting.* As soon as practicable after December 31, 1989 and after the close of each other calendar year during which the Trust will have existed (if any), the Trustee shall mail to each Beneficiary a statement showing on a unit basis (i) the dates and amounts of all distributions made by the Trustee, (ii) all items of income, deduction and credit against federal income tax of the Trust for the preceding year and (iii) such other information as is reasonably available to the Trustee which may be helpful in determining the amount of taxable income from the Trust that such Beneficiary should include in his federal income tax return for such year. In addition, after receipt of a request in good faith, the Trustee may furnish to any person who has been a Beneficiary at any time during the preceding year a statement containing such further information as is reasonably available to the Trustee which may be helpful in determining the amount of taxable income which such person should include in his federal income tax return.

ARTICLE VIII

Aerovox Consent

8.1 *Aerovox Consent.* By its consent attached hereto as Exhibit A, Aerovox is agreeing to pay the obligations of Aerovox set forth in Sections 3.2, 5.5 and 5.7 hereof by the declaration of a cash dividend on the Aerovox Stock or by any other method permitted by law, and is also agreeing to perform any or all obligations herein contemplated to be performed by it.

ARTICLE IX

Termination of Trust

9.1 *Termination of Trust.* This Trust Agreement shall terminate on December 31, 1989 or upon the payment or distribution to the Beneficiaries of all of the Trust Property (other than reserves retained pursuant to Section 3.2(e) hereof), whichever is earlier, provided that the term of the Trust Agreement will be extended to the extent necessary to permit the completion of the registration of the Aerovox Stock contemplated by Section 3.2 hereto.

9.2 *Continuance of Trust for Winding Up.* After the termination of this Trust and solely for the purpose of liquidating and winding up the affairs of this Trust, the Trustee shall continue to act as such until its duties have been fully performed. Upon distribution of all the Trust Property, the Trustee shall retain the books, records, shareholder lists, share certificates and files which shall have been delivered to or created by the Trustee. At the Trustee's discretion, all of such records and documents may be destroyed at any time after seven years from the distribution of all the Trust Property. Except as otherwise specifically provided herein,

upon the distribution of all the Trust Property, the Trustee shall have no further duties or obligations hereunder except to the extent, if any, that the Trustee shall hold the reserve amounts described in Section 3.2 hereof.

ARTICLE X

Amendments

10.1 *Prohibited.* No amendment may be made to any provision of the Trust Agreement that would:

(a) create any power in the Trustee, except such, if any, as may be specifically stated in this Trust Agreement, to engage in business or investment activities:

(b) create any power in the Beneficiaries, except such, if any, as may be specifically stated in this Trust Agreement, respecting the management of the Trust Property or the selection of a successor Trustee: or

(c) alter the rights of the Beneficiaries vis-a-vis each other.

10.2 *Permitted.* The Trustee may from time to time and at any time make or execute a declaration amending this Trust Agreement without the consent of Beneficiaries for the purpose of (a) curing any ambiguity or correcting or supplementing any provision contained herein or in any amendment to this Trust Agreement that may be defective or inconsistent with any other provision contained herein or in any amendment to this Trust Agreement, (b) making such other provisions or modifications in regard to matters or questions relating to this Trust Agreement or any amendment hereto, provided the same shall not adversely affect the interests of the Beneficiaries hereunder, (c) having the Trust continue to qualify as a grantor liquidation trust for Federal income tax purposes or (d) obtaining a no-action letter from the Staff of the Securities and Exchange Commission with respect to the creation and operation of the Trust under the Federal securities laws.

ARTICLE XI

Miscellaneous Provisions

11.1 *Intention of Parties to Establish Trust.* This Trust Agreement is not intended to create, and shall not be interpreted as creating, an association, partnership or joint venture of any kind. It is intended as a trust to be governed and construed in all respects as a trust.

11.2 *Laws as to Construction.* This Trust Agreement shall be governed by and construed in accordance with the laws of The Commonwealth of Massachusetts.

11.3 *Separability.* In the event any provision of this Trust Agreement or the application thereof to any person or circumstances shall be finally determined by a court of proper jurisdiction to be invalid or unenforceable to any extent, the remainder of this Trust Agreement, or the application of such provision to persons or circumstances other than those as to which it is held invalid or unenforceable, shall not be affected thereby, and each provision of this Trust Agreement shall be valid and enforced to the fullest extent permitted by law.

11.4 *Notices.* Any notice or other communications hereunder shall be deemed to have been sufficiently given, for all purposes, if deposited, postage prepaid, in a post office or letter box, addressed to the person for whom such notice is intended at his address last known to the person giving such notice: provided that notice to the Trustee shall be effective only upon receipt by the Trustee at its corporate trust department.

11.5 *Merger or the Consolidation of Trustee.* Neither a change of name of the Trustee nor any merger or consolidation of its corporate powers with another bank or with a trust company nor the transfer of its trust

operations to a separate corporation shall affect its right or capacity to act hereunder.

11.6 *Filing of this Trust Agreement.* Neither this Trust Agreement nor any executed copy hereof need be filed in any county in which any of the Trust Property is located, but the same may be filed for record in any county by the Trustee.

11.7 *Counterparts.* This Trust Agreement may be executed in counterparts, each of which shall constitute an original, but such counterparts shall together constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Trust Agreement to be executed and acknowledged on their behalf by their duly authorized officers, all as of the date first above written.

BANK OF NEW ENGLAND, NA.

(as trustee and not in its
individual capacity except as

otherwise expressly stated herein)

By: _____
Title:

COOPER INDUSTRIES, INC.

By: _____
Title _____

EXHIBIT I

CONSENT AND ACKNOWLEDGEMENT

The undersigned, Aerovox Holding Company, a Delaware corporation, hereby acknowledges receipt of, and consents to all of the terms of, that certain Trust Agreement dated as of March .., 1989, including without limitation the obligation of the undersigned to make payments under the circumstances described in Sections 5.5 and 5.7 thereof (by the declaration of a cash dividend on the Aerovox Common Stock (as therein defined) or by any other method permitted by law) and the undersigned further agrees to perform any and all obligations contemplated in the Trust Agreement to be performed by the undersigned.

AEROVOX HOLDING COMPANY
By: _____

Cooper Industries, Inc. 3/17/89