FORM 8-K

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FILER

PAINE WEBBER GROUP INC

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Business Address
1285 AVE OF THE AMERICAS
NEW YORK NY 10019
2127132000

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT

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

Date of Report (Date of earliest event reported) December 9, 1994

PAINE WEBBER GROUP INC.

(Exact name of registrant as specified in its charter)

Delaware	1-7367	13-2760086
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

1285 Avenue of the Americas, New York, New York	10019
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code (212) 713-2000

Not Applicable

(Former name or address, if changed since last report)

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ITEM 2. ACQUISITION OR DISPOSITION OF ASSETS.

As previously disclosed, as of October 17, 1994, the Company, General Electric Company ("GE") and Kidder, Peabody Group Inc. ("Kidder") entered into an Asset Purchase Agreement (the "Asset Purchase Agreement") and related documents providing for the Company's purchase of specified Kidder assets and businesses.

The Company, GE and Kidder have entered into a Supplemental Agreement dated as of December 9, 1994 (the "First Supplemental Agreement"), and a Second Supplemental Agreement dated as of December 16, 1994 (the "Second Supplemental Agreement"), which, among other things, provide for the transactions contemplated by the Asset Purchase Agreement to be consummated pursuant to multiple closings in lieu of a single closing.

On December 9, 1994, pursuant to the Asset Purchase Agreement, as amended and supplemented by the First Supplemental Agreement, the Company purchased certain assets of the real estate mortgage business of Kidder, including Kidder's single family home loan trading, commercial/multi-family home loan trading, mortgage finance, real estate finance operations, research and contract finance. The Company, through its wholly-owned subsidiaries PaineWebber Incorporated and Paine Webber Real Estate Securities Inc., acquired substantially all the fixed assets of this business (consisting primarily of other real estate owned, equipment, furniture and fixtures), the accounts receivable of this business and selected portions of the inventory of this business from Kidder in consideration of a cash payment of approximately $580 million and the assumption by the Company of certain specified liabilities of Kidder arising out of this business. The Company financed the payment of the purchase price for these assets through the sale of approximately $350 million of commercial paper to GE and the balance from various asset based funding sources.

On December 16, 1994, pursuant to the Asset Purchase Agreement, as amended and supplemented by the First Supplemental Agreement and the Second Supplemental

Agreement, the Company purchased certain assets of the equity research, investment banking (excluding high yield and emerging markets), fixed income (sales force only), international institutional equity, international fixed income, listed domestic futures and short term finance businesses of Kidder (the "Other Acquired Businesses"). The

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Company acquired substantially all the fixed assets of the Other Acquired Businesses (consisting primarily of equipment, furniture and fixtures) and the accounts receivable of the Other Acquired Businesses. In addition, the Company assumed specified liabilities of Kidder arising out of the Other Acquired Businesses. In consideration for these assets, the Company issued to Kidder (i) 21.5 million shares of Common Stock of the Company, (ii) $100 million stated value of 6% Cumulative Convertible Redeemable Preferred Stock, Series A, of the Company (the "Convertible Preferred Stock") and (iii) $250 million stated value of 9% Cumulative Redeemable Preferred Stock, Series C, of the Company (the "Redeemable Preferred Stock"). The Company financed the cash portion of the purchase price through available internal funds.

The Convertible Preferred Stock is redeemable at any time, in whole or in part, at the option of the Company at redemption prices declining to $100 per share, plus accrued and unpaid dividends, by December 16, 2004. The Convertible Preferred Stock is subject to mandatory redemption on December 15, 2014. The Convertible Preferred Stock is convertible into shares of Common Stock, at any time, in whole or in part, at the option of the holder at a conversion price of $18.13 per share of Common Stock, subject to adjustment. However, until the stockholders of the Company approve the issuance of the Common Stock to be delivered upon conversion of the Convertible Preferred Stock, the Convertible Preferred Stock is not convertible into shares of Common Stock and the Company is obligated to deliver cash in lieu of Common Stock upon any exercise of

the conversion privilege.

The Redeemable Preferred Stock is redeemable at any time after December 15, 1999, in whole or in part, at the option of the Company at a price of $100 per share, together with accrued but unpaid dividends. The Redeemable Preferred Stock is subject to mandatory redemption on December 15, 2014.

The foregoing summary of the terms of the Convertible Preferred Stock and the Redeemable Preferred Stock is qualified by reference to the respective Certificates of Designation, copies of which are attached as Exhibit 3.1 and 3.2.

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As a result of these transactions, GE now owns approximately 25% of the Common Stock of the Company on a fully diluted basis. Pursuant to a Stockholders Agreement dated as of December 16, 1994, among the Company, GE and Kidder (the "Stockholders Agreement"), GE has agreed to certain "standstill" arrangements, which will continue until the earlier of (i) December 16, 2009, and (ii) three years after GE sells all its voting securities of the Company. GE's ability to transfer the Company's Common Stock and Convertible Preferred Stock is subject to various restrictions. Pursuant to the Stockholders Agreement, GE is entitled to nominate one director for election to the Company's Board of Directors for so long as GE holds at least 10% of the total voting power of the Company. A copy of the Stockholders Agreement is attached as Exhibit 4.1.

In connection with the purchase of the Other Acquired Businesses, the Company and Kidder and certain of their affiliates entered into a series of securities trades pursuant to which (i) the Company sold to Kidder for cash approximately $267 million in fair market value of U.S. Treasury securities and (ii) Kidder sold to the Company for

cash approximately $617 million in fair market value of commercial paper, adjustable-rate preferred stock, short-term certificates of deposit and Eurobond securities.

The acquisition by the Company of the assets of the retail brokerage business of Kidder is currently expected to occur on or about January 30, 1995, and the acquisition by the Company of the assets of the asset management business of Kidder is currently expected to occur no later than April 30, 1995, following the receipt of certain consents and approvals.

ITEM 7. FINANCIAL STATEMENTS AND EXHIBITS.

(a), (b) Neither audited nor unaudited financial statements are currently available for the assets and businesses acquired by the Company on December 9, 1994, and December 16, 1994. Accordingly, it is not practicable to provide the historical or pro forma financial statements required by Item 7 of Form 8-K at the time this Current Report on Form 8-K is filed. The Company shall file the required historical and pro forma financial statements as soon as they are available, but in no event later than the time provided for under the applicable rules.

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(c) The following exhibits are filed herewith:

Exhibit 3.1 - Certificate of Designations for the 6% Cumulative Convertible Redeemable Preferred Stock, Series A, of the Company

Exhibit 3.2 - Certificate of Designations of the 9% Cumulative Redeemable Preferred Stock, Series C, of the Company

Exhibit 4.1 - Stockholders Agreement dated December 16, 1994, among the Company, General Electric

Company and Kidder, Peabody Group Inc.

Exhibit 10.1 - Supplemental Agreement dated as of December 9, 1994, among the Company, General Electric Company and Kidder, Peabody Group Inc.

Exhibit 10.2 - Second Supplemental Agreement dated as of December 16, 1994, among the Company, General Electric Company and Kidder, Peabody Group Inc.

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.

PAINE WEBBER GROUP INC.,

by

Theodore A. Levine

Name: Theodore A. Levine
Title: Vice President, General Counsel

Dated: December 27, 1994.

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Exhibit Index

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Exhibit 3.1

CERTIFICATE OF THE POWERS, DESIGNATIONS, PREFERENCES AND RELATIVE, PARTICIPATING, OPTIONAL OR OTHER SPECIAL RIGHTS, AND THE QUALIFICATIONS, LIMITATIONS OR RESTRICTIONS THEREOF, WHICH HAVE NOT BEEN SET FORTH IN THE RESTATED CERTIFICATE OF INCORPORATION OR IN ANY AMENDMENT THERETO, OF THE

6% CUMULATIVE CONVERTIBLE REDEEMABLE
PREFERRED STOCK, SERIES A
($100 STATED VALUE)

PAINE WEBBER GROUP INC.

Pursuant to Section 151 of the General Corporation Law of the State of Delaware

The undersigned, Theodore A. Levine, Vice President, of Paine Webber Group Inc., a Delaware corporation (hereinafter called the "CORPORATION"), pursuant to the provisions of Sections 103 and 151 of the General Corporation Law of the State of Delaware, does hereby make this Certificate of Designations and does hereby state and certify that pursuant to the authority expressly vested in the Board of Directors of the Corporation by the Restated Certificate of Incorporation, as amended (the "CERTIFICATE OF INCORPORATION"), the Board of Directors duly adopted the following resolution:

RESOLVED, that, pursuant to Article IV of the Certificate of Incorporation (which authorizes 20,000,000 shares of preferred stock, $20 par value ("PREFERRED STOCK"), of which (i) up to 2,200,000 shares of a series of 7.5% Convertible Preferred Stock, (ii) 240,000 shares of a series of 7.5% Convertible Preferred Stock, Series B and (iii) up to 2,200,000 shares of a series of 6% Convertible Preferred Stock have been authorized for issuance, the Board of Directors hereby fixes the powers, designations, preferences and relative, participating, optional and other special rights, and the qualifications, limitations and restrictions, of a series of Preferred Stock (in addition to the powers, designations, preferences and relative, participating, optional or other special rights, and the qualifications, limitations or restrictions thereof, set forth in the Certificate of Incorporation which are applicable to such series of Preferred Stock).

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RESOLVED, that each share of such series of Preferred Stock shall rank equally in all respects and shall be subject to the following provisions:

(1) Number and Designation. 1,000,000 shares of the Preferred Stock of the Corporation shall be designated as 6% Cumulative Convertible Redeemable Preferred Stock, Series A (the "SERIES A CONVERTIBLE PREFERRED STOCK").

(2) Rank. The shares of Series A Convertible Preferred Stock shall rank prior to the shares of the Corporation's common stock, $1 par value (the "COMMON STOCK"), and any other class of stock of the Corporation ranking junior to the Series A Convertible Preferred Stock (whether with respect to dividends or upon liquidation, dissolution, winding up or otherwise). All equity securities of the Corporation to which the Series A Convertible Preferred Stock ranks prior (whether with respect to dividends or upon liquidation, dissolution, winding up or otherwise), including the Common Stock, are collectively referred to herein as the "JUNIOR SECURITIES." All equity securities of the Corporation with which the Series A Convertible Preferred Stock ranks on a parity (whether with respect to dividends or upon liquidation, dissolution, winding up or otherwise), including the Corporation's 7.5% Convertible Preferred Stock, 7.5% Convertible Preferred Stock, Series B, 6% Convertible Preferred Stock and 9% Cumulative Redeemable Preferred Stock, Series C, are collectively referred to herein as the "PARITY SECURITIES." The respective definitions of Junior Securities and Parity Securities shall also include any rights or options exercisable for or convertible into any of the Junior Securities and Parity Securities, as the case may be.

(3) Dividends. (a) The holders of shares of Series A Convertible Preferred Stock shall be entitled to receive, when, as and if declared by the Board of Directors, out of funds legally available for the payment of dividends, cash dividends at the annual rate of $6 per share. Such dividends shall be payable in arrears in equal amounts quarterly on March 15, June 15, September 15 and December 15 of each year (unless such day is not a Business Day, in which event on the next succeeding Business Day) (each of such dates being a "DIVIDEND PAYMENT DATE" and each such quarterly period being a "DIVIDEND PERIOD") commencing on the Dividend Payment Date which next follows the issuance of such shares of Series A Convertible Preferred Stock. Such dividends (i) shall be cumulative from the date of issue,

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whether or not declared and whether or not in any Dividend Period or Periods there shall be funds of the Corporation legally available for the payment of such dividends and (ii) shall compound quarterly, to the extent they are unpaid, at the rate of 6% per annum computed on the basis of a 360-day year and twelve 30-day months. Each such dividend shall be payable to the holders of record of shares of the Series A Convertible Preferred Stock, as they appear on the stock records of the Corporation at the close of business on such record

dates, not more than 60 days, or less than 10 days, preceding the payment dates thereof, as shall be fixed by the Board of Directors or a duly authorized committee thereof. Accrued and unpaid dividends for any past Dividend Periods may be declared and paid at any time, without reference to any Dividend Payment Date, to holders of record on such date, not more than 45 days preceding the payment date thereof, as may be fixed by the Board of Directors. As used herein, the term "BUSINESS DAY" shall mean any day other than a Saturday, Sunday, a day on which the New York Stock Exchange does not conduct regular trading or a day on which is or is declared a national or New York State holiday.

(b) The amount of dividends payable for each full Dividend Period for the Series A Convertible Preferred Stock shall be computed by dividing the annual dividend rate by four. The amount of dividends payable for the initial Dividend Period, or any other period shorter or longer than a full Dividend Period, on the Series A Convertible Preferred Stock shall be computed on the basis of twelve 30-day months and a 360-day year. Holders of shares of Series A Convertible Preferred Stock shall not be entitled to any dividends, whether payable in cash, property or stock, in excess of cumulative dividends, as herein provided, on the Series A Convertible Preferred Stock.

(c) So long as any shares of the Series A Convertible Preferred Stock are outstanding, no dividends, except as described in the next succeeding sentence, shall be declared or paid or set apart for payment on Parity Securities, for any period unless full cumulative dividends have been or contemporaneously are declared and paid or declared and a sum sufficient for the payment thereof set apart for such payment on the Series A Convertible Preferred Stock for all Dividend Periods terminating on or prior to the date of payment of the dividend on such class or series of parity stock. When dividends are not paid in full or a sum sufficient for such payment is not set apart, as aforesaid, all dividends declared upon shares of the Series

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A Convertible Preferred Stock and all dividends declared upon any other Parity Security shall be declared ratably in proportion to the respective amounts of dividends accumulated and unpaid on the Series A Convertible Preferred Stock and accumulated and unpaid on such Parity Security.

(d) So long as any shares of the Series A Convertible Preferred Stock are outstanding, no dividends (other than dividends or distributions paid in shares of, or options, warrants or rights to subscribe for or purchase shares of, Junior Securities) shall be declared or paid or set apart for payment or other distribution declared or made upon Junior Securities, nor shall any Junior Securities be redeemed, purchased or otherwise acquired (all such dividends, distributions, redemptions or purchases being hereinafter referred to as a "JUNIOR SECURITIES DISTRIBUTION") for any consideration (or any moneys be paid to or made available for a sinking fund for the redemption of any shares of any such stock) by the Corporation,

directly or indirectly (except by conversion into or exchange for Junior Securities), unless in each case (i) the full cumulative dividends on all outstanding shares of the Series A Convertible Preferred Stock and any other Parity Securities shall have been paid or set apart for payment for all past Dividend Periods with respect to the Series A Convertible Preferred Stock and all past dividend periods with respect to such Parity Securities and (ii) sufficient funds shall have been paid or set apart for the payment of the dividend for the current Dividend Period with respect to the Series A Convertible Preferred Stock and the current dividend period with respect to such Parity Securities.

(4) Liquidation Preference. (a) In the event of any liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, before any payment or distribution of the assets of the Corporation (whether capital or surplus) shall be made to or set apart for the holders of Junior Securities, the holders of the shares of Series A Convertible Preferred Stock shall be entitled to receive $100 per share of Series A Convertible Preferred Stock plus an amount equal to all dividends (whether or not earned or declared) accrued and unpaid thereon to the date of final distribution to such holders; but such holders shall not be entitled to any further payment. If, upon any liquidation, dissolution or winding up of the Corporation, the assets of the Corporation, or proceeds thereof, distributable among the holders of the shares of Series A Convertible Preferred Stock shall be insufficient to pay in full the preferential amount

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aforesaid and liquidating payments on any Parity Securities, then such assets, or the proceeds thereof, shall be distributed among the holders of shares of Series A Convertible Preferred Stock and any such other Parity Securities ratably in accordance with the respective amounts that would be payable on such shares of Series A Convertible Preferred Stock and any such other stock if all amounts payable thereon were paid in full. For the purposes of this paragraph (4), a sale or transfer of all or substantially all of the Corporation's assets, shall be deemed to be a liquidation, dissolution or winding up, voluntary or involuntary, of the Corporation, but a consolidation or merger of the Corporation with one or more corporations shall not be deemed to be a liquidation, dissolution or winding up, voluntary or involuntary, of the Corporation.

(b) Subject to the rights of the holders of any Parity Securities, after payment shall have been made in full to the holders of the Series A Convertible Preferred Stock, as provided in this paragraph (4), any other series or class or classes of Junior Securities shall, subject to the respective terms and provisions (if any) applying thereto, be entitled to receive any and all assets remaining to be paid or distributed, and the holders of the Series A Convertible Preferred Stock shall not be entitled to share therein.

(5) Redemption. (a) To the extent the Corporation shall have funds legally available for such payment, at any time or from time to time prior to the fifth anniversary of the date of issuance of the shares of Series A Convertible Preferred Stock, the Corporation may redeem at its option, in whole or in part, shares of Series A Convertible Preferred Stock at a redemption price per share in cash equal to the greater of (i) $140 and (ii) the average of (A) $140 and (B) the Current Market Price Per Common Share (as defined in paragraph (7)(g)(vi)) as of the date of notice of redemption multiplied by the number obtained by dividing 100 by the Conversion Price (as defined in paragraph 7(a)) then in effect, in each case, together with any accrued and unpaid dividends thereon to the redemption date.

(b) To the extent the Corporation shall have funds legally available for such payment, at any time or from time to time on or after the fifth anniversary of the date of issuance of the shares of Series A Convertible Preferred Stock, the Corporation may redeem at its option, in whole or in part, shares of Series A Convertible

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Preferred Stock at a redemption price in cash (subject to subparagraph (d) below) equal to the sum of (i) the redemption price per share indicated below and (ii) any accrued and unpaid dividends to the redemption date. The amount of the redemption price per share, if redeemed during the 12-month period commencing on the December 16th of the years indicated below, is:

<TABLE>
<CAPTION>

Year	Amount
<S>	<C>
1999	$105
2000	$104
2001	$103
2002	$102
2003	$101
2004 and thereafter	$100

</TABLE>

(c) To the extent the Corporation shall have funds legally available for such payment, on December 15, 2014, if any shares of the Series A Convertible Preferred Stock shall be outstanding, the Corporation shall redeem all outstanding shares of the Series A Convertible Preferred Stock, at a redemption price of $100 per share in cash (subject to paragraph (d) below) together with accrued and unpaid dividends thereon to such date.

(d) In lieu of a cash payment of the redemption price per share due upon any redemption of shares of Series A Convertible Preferred Stock

pursuant to paragraph 5(b) or (c), the Corporation may issue shares of Common Stock to the holders of record of such shares of Series A Convertible Preferred Stock in full payment of such amount, by giving written notice (in the manner described in paragraph (6)) to such holders. If such notice is so given, the Corporation shall issue and deliver or cause to be delivered to each such holder of shares of Series A Convertible Preferred Stock being redeemed out of its authorized but unissued Common Stock or Common Stock held in treasury that number of shares of Common Stock determined by dividing the aggregate redemption price payable in respect of all such shares of Series A Convertible Preferred Stock owned by such holder being redeemed by the Current Market Price Per Common Share as of the redemption date. The Corporation shall, in lieu of issuing any fractional shares of Common Stock to any such holder, pay to such holder cash in an amount equal to such fractional interest multiplied by the Current Market Price Per Common Share as of the redemption date.

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(e) Immediately prior to authorizing or making any redemption pursuant to this paragraph (5), the Corporation, by resolution of its Board of Directors, shall, to the extent of any funds legally available therefor, declare a dividend on the Series A Convertible Preferred Stock payable on the redemption date in an amount equal to any accrued and unpaid dividends on the Series A Convertible Preferred Stock as of such redemption date.

(f) If the Corporation is unable or shall fail to discharge its obligation to redeem all outstanding shares of Series A Convertible Preferred Stock pursuant to paragraph (5)(c) (the "MANDATORY REDEMPTION OBLIGATION"), the Mandatory Redemption Obligation shall be discharged as soon as the Corporation is able to discharge such Mandatory Redemption Obligation. If and so long as any Mandatory Redemption Obligation with respect to the Series A Convertible Preferred Stock shall not be fully discharged, the Corporation shall not (i) directly or indirectly, redeem, purchase, or otherwise acquire any Parity Security or discharge any mandatory or optional redemption, sinking fund or other similar obligation in respect of any Parity Securities (except in connection with a redemption, sinking fund or other similar obligation to be satisfied pro rata with the Series A Convertible Preferred Stock) or (ii) in accordance with paragraph (3)(d), declare or make any Junior Securities Distribution, or, directly or indirectly, discharge any mandatory or optional redemption, sinking fund or other similar obligation in respect of the Junior Securities.

(g) Shares of Series A Convertible Preferred Stock which have been issued and reacquired in any manner, including shares purchased or redeemed, shall (upon compliance with any applicable provisions of the laws of the State of Delaware) have the status of authorized and unissued shares of the class of Preferred Stock undesignated as to series and may be redesignated and reissued as part of any series of the Preferred Stock; provided that no such issued and reacquired shares of Series A Convertible Preferred Stock shall be reissued or sold as Series A Convertible Preferred Stock.

(6) Procedure for Redemption. (a) In the event that fewer than all the outstanding shares of Series A Convertible Preferred Stock are to be redeemed, the number of shares to be redeemed shall be determined by the Board of Directors and the shares to be redeemed shall be selected pro rata (with any fractional shares being rounded to the

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nearest whole share) as nearly as practicable or by lot, or by such other method as the Board of Directors may determine to be equitable.

(b) In the event the Corporation shall redeem shares of Series A Convertible Preferred Stock, notice of such redemption shall be given by first class mail, postage prepaid, mailed not less than 30 days nor more than 60 days prior to the redemption date, to each holder of record of the shares to be redeemed at such holder's address as the same appears on the stock register of the Corporation; provided that neither the failure to give such notice nor any defect therein shall affect the validity of the giving of notice for the redemption of any share of Series A Convertible Preferred Stock to be redeemed except as to the holder to whom the Corporation has failed to give said notice or except as to the holder whose notice was defective. Each such notice shall state: (i) the redemption date; (ii) the number of shares of Series A Convertible Preferred Stock to be redeemed and, if fewer than all the shares held by such holder are to be redeemed, the number of shares to be redeemed from such holder; (iii) the redemption price; (iv) the place or places where certificates for such shares are to be surrendered for payment of the redemption price; (v) that dividends on the shares to be redeemed will cease to accrue on such redemption date; and (vi) whether the redemption price will be paid in cash or shares of Common Stock.

(c) Notice having been mailed as aforesaid, from and after the redemption date (unless default shall be made by the Corporation in providing money for the payment of the redemption price of the shares called for redemption), dividends on the shares of Series A Convertible Preferred Stock so called for redemption shall cease to accrue, and all rights of the holders thereof as stockholders of the Corporation (except the right to receive from the Corporation the redemption price) shall cease. Upon surrender in accordance with said notice of the certificates for the shares so redeemed (properly endorsed or assigned for transfer, if the Board of Directors of the Corporation shall so require and the notice shall so state), such shares shall be redeemed by the Corporation at the redemption price aforesaid. In case fewer than all the shares represented by any such certificate are redeemed, a new certificate shall be issued representing the unredeemed shares without cost to the holder thereof.

(d) All shares of Common Stock delivered pursuant

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to this paragraph (6) will upon delivery be duly and validly issued and fully paid and nonassessable, free of all liens and charges and not subject to any preemptive rights, and free from all documentary, stamp, transfer or other similar taxes. If the shares of Common Stock to be delivered pursuant to this paragraph (6) are to be issued in the name of a person other than the registered holder of the shares of Series A Convertible Preferred Stock being redeemed, such registered holder shall pay all transfer or other similar taxes with respect thereto.

(7) Conversion. (a)(i) Subject to the provisions of this paragraph (7), the holders of the shares of Series A Convertible Preferred Stock shall have the right, at any time and from time to time, at such holder's option, to convert any or all outstanding shares (and fractional shares) of Series A Convertible Preferred Stock, in whole or in part, into that number of fully paid and non-assessable shares of Common Stock (calculated as to each conversion to the nearest 1/10,000th of a share) obtained by dividing 100 by the Conversion Price (as defined below), and by surrender of such shares so to be converted, such surrender to be made in the manner provided in this paragraph (7). The term "Conversion Price" shall mean $18.13 per share, as adjusted in accordance with the provisions of paragraph 7(g).

(ii) Notwithstanding any other provision hereof, the right to convert shares of Series A Convertible Preferred Stock called for redemption pursuant to paragraph (5) shall terminate (A) if the date of redemption is prior to the fifth anniversary of the date of issuance of the shares of Series A Convertible Preferred Stock, at the close of business on the day immediately preceding the date on which the Corporation gives a notice of redemption with respect to such shares in accordance with paragraph (6) and (B) if the date of redemption is on or after the fifth anniversary of such date of issuance, at the close of business on the day immediately preceding the redemption date, in each case, unless the Corporation shall default in making payment of the amount payable upon such redemption.

(b)(i) In order to exercise the conversion privilege, the holder of the shares of Series A Convertible Preferred Stock to be converted shall surrender the certificate representing such shares at the office of the Corporation, or at the office of the conversion agent for the Series A Convertible Preferred Stock appointed for such purpose by the Corporation, with a written notice of

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election to convert completed and signed, specifying the number of shares to be converted.

Such notice shall be substantially in the following form:

NOTICE OF ELECTION TO CONVERT

The undersigned, being a holder of the 6% Cumulative Convertible Redeemable Preferred Stock, Series A ("Preferred Stock"), of Paine Webber Group Inc. (the "Corporation"), irrevocably exercises the right to convert _____ outstanding shares of Preferred Stock on _____, ____, into shares of Common Stock of the Corporation in accordance with the terms of the Preferred Stock, and directs that the shares issuable and deliverable upon the conversion, together with any check in payment for fractional shares, be issued and delivered in the denominations indicated below to the registered holder hereof unless a different name has been indicated below. If shares are to be issued in the name of a person other than the undersigned, the undersigned will pay all transfer taxes payable with respect thereto.

Dated:

Fill in for registration of
shares of Common Stock
if to be issued otherwise
than to the registered holder:

- ------------------------------
Name

- ------------------------------
Address

- ------------------------------ ------------------------
(Please print name and address, including postal code number) (Signature)

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Denominations:

Unless the shares issuable on conversion are to be issued in the same name as the name in which such shares of Series A Convertible Preferred Stock are registered, each share surrendered for conversion shall be accompanied by

instruments of transfer, in form satisfactory to the Corporation, duly executed by the holder or the holder's duly authorized attorney and an amount sufficient to pay any transfer or similar tax.

(ii) As promptly as practicable after the surrender by the holder of the certificates for shares of Series A Convertible Preferred Stock as aforesaid, the Corporation shall issue and shall deliver to such holder, or on the holder's written order to the holder's transferee, a certificate or certificates for the whole number of shares of Common Stock issuable upon the conversion of such shares in accordance with the provisions of this paragraph (7) and any fractional interest in respect of a share of Common Stock arising upon such conversion shall be settled as provided in paragraph (7)(f).

(iii) Each conversion shall be deemed to have been effected immediately prior to the close of business on the date on which the certificates for shares of Series A Convertible Preferred Stock shall have been surrendered and such notice received by the Corporation as aforesaid, and the person in whose name or names any certificate or certificates for shares of Common Stock shall be issuable upon such conversion shall be deemed to have become the holder of record of the shares of Common Stock represented thereby at such time on such date. All shares of Common Stock delivered upon conversion of the Series A Convertible Preferred Stock will upon delivery be duly and validly issued and fully paid and non-assessable, free of all liens and charges and not subject to any preemptive rights. Upon the surrender of certificates representing shares of Series A Convertible Preferred Stock, such shares shall no longer be deemed to be outstanding and all rights of a holder with respect to such shares surrendered for conversion shall immediately terminate except the right to receive the Common Stock and other amounts payable pursuant to this paragraph (7).

(c)(i) Subject to paragraph (7)(a)(ii), upon delivery to the Corporation by a holder of shares of Series A Convertible Preferred Stock of a notice of election to

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convert, the right of the Corporation to redeem such shares of Series A Convertible Preferred Stock shall terminate.

(ii) Subject to paragraph (7)(a)(ii), from the date of delivery by a holder of shares of Series A Convertible Preferred Stock of such notice of election to convert, in lieu of dividends on such Series A Convertible Preferred Stock pursuant to paragraph (3), such Series A Convertible Preferred Stock shall participate equally and ratably with the holders of shares of Common Stock in all dividends paid on the Common Stock as if such shares of Series A Convertible Preferred Stock had been converted to shares of Common Stock at the time of such delivery.

(iii) If, after receipt by a holder of shares of Series A

Convertible Preferred Stock of a notice of redemption pursuant to paragraph (5) with a redemption date for such shares on or after the fifth anniversary of the issuance of the Series A Convertible Preferred Stock, such holder delivers to the Corporation a notice of election to convert, such Series A Convertible Preferred Stock shall cease to accrue dividends pursuant to paragraph (3) but such shares shall continue to be entitled to receive all accrued dividends which such holder is entitled to receive pursuant to paragraph (3) through the date of delivery of such notice of election to convert (including pro rata dividends for the period from the last Dividend Payment Date to the date of delivery of the notice of election to convert) in preference to and in priority over any dividends on the Common Stock. Such accrued dividends shall be payable to such holder when, as and if declared by the Board of Directors, out of funds legally available for the payment of dividends, as provided in paragraph (3) above.

(iv) Except as provided above and in paragraph (7)(g), the Corporation shall make no payment or adjustment for accrued and unpaid dividends on shares of Series A Convertible Preferred Stock, whether or not in arrears, on conversion of such shares or for dividends in cash on the shares of Common Stock issued upon such conversion.

(d)(i) The Corporation covenants that it will at all times reserve and keep available, free from preemptive rights, such number of its authorized but unissued shares of Common Stock as shall be required for the purpose of effecting conversions of the Series A Convertible Preferred Stock. For purposes of this paragraph (d)(i), the number of shares of Common Stock which shall be deliverable upon the conversion of all outstanding shares of Series A Convertible

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Preferred Stock shall be computed as if at the time of computation all such outstanding shares were held by a single holder.

(ii) Prior to the delivery of any securities which the Corporation shall be obligated to deliver upon conversion of the Series A Convertible Preferred Stock, the Corporation shall use its best efforts to comply with all applicable federal and state laws and regulations which require action to be taken by the Corporation.

(e) The Corporation will pay any and all documentary stamp or similar issue or transfer taxes payable in respect of the issue or delivery of shares of Common Stock on conversion of the Series A Convertible Preferred Stock pursuant hereto; provided that the Corporation shall not be required to pay any tax which may be payable in respect of any transfer involved in the issue or delivery of shares of Common Stock in a name other than that of the holder of the Series A Convertible Preferred Stock to be converted and no such issue or delivery shall be made unless and until the person requesting such issue or delivery has paid to the Corporation the amount of any such tax or has

established, to the satisfaction of the Corporation, that such tax has been paid.

(f) In connection with the conversion of any shares of Series A Convertible Preferred Stock, no fractions of shares of Common Stock shall be issued, but in lieu thereof the Corporation shall pay a cash adjustment in respect of such fractional interest in an amount equal to such fractional interest multiplied by the Current Market Price Per Common Share on the Business Day on which such shares of Series A Convertible Preferred Stock are deemed to have been converted. If more than one share shall be surrendered for conversion at one time by the same holder, the number of full shares of Common Stock issuable upon conversion thereof shall be computed on the basis of the aggregate number of the shares of Series A Convertible Preferred Stock so surrendered. All calculations under this paragraph (7) shall be made to the nearest 1/100 of one cent or to the nearest 1/10,000 of a share, as the case may be.

(g) The Conversion Price shall be adjusted from time to time as follows:

(i) In case the Corporation shall at any time after the date of issue of the Series A Convertible Preferred Stock (I) declare a dividend or make a

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distribution on Common Stock payable in Common Stock, (II) subdivide or split the outstanding Common Stock into a greater number of shares, (III) combine or reclassify the outstanding Common Stock into a smaller number of shares, (IV) issue any shares of its capital stock in a reclassification of Common Stock (including any such reclassification in connection with a consolidation or merger in which the Corporation is the continuing corporation), or (V) consolidate with, or merge with or into, any other Person (unless the Corporation shall be the surviving corporation in such merger and the holders of Common Stock of the Corporation are not entitled to receive any consideration in connection therewith), the Conversion Price in effect at the time of the record date for such dividend or distribution or of the effective date of such subdivision, split, combination, consolidation, merger or reclassification shall be proportionately adjusted so that the conversion of the Series A Convertible Preferred Stock after such time shall entitle the holder to receive the aggregate number of shares of Common Stock or other securities of the Corporation (or shares of any security into which such shares of Common Stock have been combined, consolidated, merged or reclassified pursuant to clause (III), (IV) or (V) above) which, if this Series A Convertible Preferred Stock had been converted immediately prior to such time, such holder would have owned upon such conversion and been entitled to receive by virtue of such dividend, distribution, subdivision, split, combination, consolidation, merger or reclassification, assuming such holder of Common Stock of the Corporation (x) is not a Person with which the Corporation consolidated

or into which the Corporation merged or which merged into the Corporation or to which such recapitalization, sale or transfer was made, as the case may be ("CONSTITUENT PERSON"), or an affiliate of a constituent person and (y) failed to exercise any rights of election as to the kind or amount of securities, cash and other property receivable upon such reclassification, change, consolidation, merger, recapitalization, sale or transfer (provided, that if the kind or amount of securities, cash and other property receivable upon such reclassification, change, consolidation, merger, recapitalization, sale or transfer is not the same for each share of Common Stock of the Corporation held immediately prior to such reclassification, change, consolidation, merger, recapitalization, sale or transfer by other than a constituent person or an affiliate thereof and in respect of which such rights of election shall not have been exercised ("NON-ELECTING SHARE"), then for the purpose of this paragraph (g) (i) the kind and

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amount of securities, cash and other property receivable upon such reclassification, change, consolidation, merger, recapitalization, sale or transfer by each non-electing share shall be deemed to be the kind and amount so receivable per share by a plurality of the non-electing shares). Such adjustment shall be made successively whenever any event listed above shall occur.

(ii) In case the Corporation shall issue or sell any Common Stock (other than Excluded Stock (as defined below)) without consideration or for a consideration per share less than the then Current Market Price Per Common Share, the Conversion Price to be in effect after such issuance or sale shall be determined by multiplying the Conversion Price in effect immediately prior to such issuance or sale by a fraction of which the numerator shall be the number of shares of Common Stock outstanding immediately prior to such issuance or sale plus the number of shares which the aggregate offering price of the total number of shares so issued or sold would purchase at such Current Market Price Per Common Share, and of which the denominator shall be the number of shares of Common Stock outstanding immediately after giving effect to such issuance or sale. In case any portion of the consideration to be received by the Corporation shall be in a form other than cash, the fair market value of such noncash consideration shall be utilized in the foregoing computation. Such fair market value shall be determined by the Board of Directors of the Corporation. Such adjustment shall be made effective immediately after such issuance or sale. For purposes of paragraphs (g)(ii), (iii) and (iv), "Excluded Stock" shall mean any shares of Common Stock, or any shares of stock or other securities convertible or exercisable into or exchangeable for shares of Common Stock (such convertible, exercisable or exchangeable stock or securities being herein called "CONVERTIBLE SECURITIES") or any rights to subscribe for or purchase, or options or warrants for the purchase of shares of the Common Stock or any Convertible Securities issued, granted or sold (I) as payment of all or any portion of the cost of acquiring assets or stock or securities of any other corporation or of assets of or interests in any

noncorporate entity or in any other transaction (other than a distribution without consideration to holders of the then outstanding shares of Common Stock) in which the consideration for such shares of the Common Stock, Convertible Securities or rights or options is other than cash, obligations of the United States Government or Federal funds; (II) pursuant to any employee plan or employee contract approved or otherwise authorized by the Board of

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Directors of the Corporation, including without limitation, any employee stock option plan, employee restricted stock plan or other employee incentive plan or any share purchase plan; (III) pursuant to any shareholder dividend reinvestment plan; (IV) upon the conversion or exchange of any Convertible Securities outstanding on December 16, 1994 or the Series A Convertible Preferred Stock, or pursuant to any other contractual obligation in existence on such date or any Convertible Securities issued after such date provided that the "conversion price" for the Common Stock underlying such Convertible Security is greater than the Current Market Price Per Common Share on the date such Convertible Security is issued, granted or sold; (V) upon the conversion or exchange of any Convertible Securities, or the exercise of any rights or options, in either case, issued, granted or sold in the circumstances described in any of the foregoing clauses (I) through (IV) or upon the conversion or exchange of Convertible Securities acquired upon the exercise of any such rights or options; or (VI) pursuant to the exercise of any rights or options, or upon conversion or exchange of any Convertible Securities, if with respect to such rights, options or Convertible Securities no adjustment to the Conversion Price was required pursuant to this paragraph (g)(ii).

(iii) In case the Corporation shall fix a record date for the issue (other than pursuant to an automatic dividend reinvestment plan of the Corporation or any similar plan or any customary shareholders rights plan of the Corporation) of rights, options or warrants (other than Excluded Stock) to the holders of its Common Stock or other securities entitling such holders to subscribe for or purchase shares of Common Stock (or securities convertible into shares of Common Stock) at a price per share of Common Stock (or having a conversion price per share of Common Stock, if a security convertible into shares of Common Stock) less than the then Current Market Price Per Common Share on such record date, the maximum number of shares of Common Stock issuable upon exercise of such rights, options or warrants (or conversion of such convertible securities) shall be deemed to have been issued and outstanding as of such record date, and the Conversion Price shall be adjusted pursuant to paragraph (g)(ii) hereof as though such maximum number of shares of Common Stock had been so issued for an aggregate consideration equal to the aggregate consideration payable for such rights, options, warrants or convertible securities and the aggregate consideration payable by the holders of such rights, options, warrants or convertible securities prior to their receipt of such shares of Common

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Stock. In case any portion of such consideration shall be in a form other than cash, the fair market value of such noncash consideration shall be determined as set forth in paragraph (g)(ii) hereof. Such adjustment shall be made effective on the day immediately after the record date; and in the event that such rights, options or warrants are not so issued or expire unexercised or such convertible securities are redeemed or otherwise retired prior to conversion thereof, or in the event of a change in the number of shares of Common Stock to which the holders of such rights, options, warrants or convertible securities are entitled (other than pursuant to adjustment provisions therein comparable to those contained in this paragraph (g)), the Conversion Price shall again be adjusted to be the Conversion Price which would then be in effect if such record date had not been fixed, in the former event, or the Conversion Price which would then be in effect if such holders had initially been entitled to such changed number of shares of Common Stock, in the latter event.

(iv) In case the Corporation shall issue rights, options or warrants (other than Excluded Stock) entitling the holders thereof to subscribe for or purchase Common Stock (or securities convertible into shares of Common Stock) or shall issue convertible securities, at a price per share of Common Stock (or having a conversion price per share of Common Stock, if a security convertible into shares of Common Stock) (including, in the case of rights, options or warrants, the price at which they may be exercised) is less than the then Current Market Price Per Common Share, the maximum number of shares of Common Stock issuable upon exercise of such rights, options or warrants or upon conversion of such convertible securities shall be deemed to have been issued and outstanding as of the date of such sale or issuance, and the Conversion Price shall be adjusted pursuant to paragraph (g)(ii) hereof as though such maximum number of shares of Common Stock had been so issued for an aggregate consideration equal to the aggregate consideration paid for such rights, options, warrants or convertible securities and the aggregate consideration payable by the holders of such rights, options, warrants or convertible securities prior to their receipt of such shares of Common Stock. In case any portion of such consideration shall be in a form other than cash, the fair market value of such noncash consideration shall be determined as set forth in paragraph (g)(ii) hereof. Such adjustment shall be made effective immediately after such rights, options, warrants or convertible securities are issued; and in the event that such rights, options or warrants expire unexercised or such

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convertible securities are redeemed or otherwise retired prior to conversion thereof, or in the event of a change in the number of shares of Common Stock to which the holders of such rights, options, warrants or convertible securities are entitled (other than pursuant to adjustment provisions therein comparable to those contained in this paragraph (g)), the Conversion Price shall again be adjusted to be the Conversion Price which would then be in effect if such

rights, options, warrants or convertible securities had not been issued, in the former event, or the Conversion Price which would then be in effect if such holders had initially been entitled to such changed number of shares of Common Stock, in the latter event. No adjustment of the Conversion Price shall be made pursuant to this paragraph (g)(iv) to the extent that the Conversion Price shall have been adjusted pursuant to paragraph (g)(iii) upon the setting of any record date relating to such rights, options, warrants or convertible securities and such adjustment fully reflects the number of shares of Common Stock to which the holders of such rights, options, warrants or convertible securities are entitled and the price payable therefor.

(v) In case the Corporation shall fix a record date for the making of a distribution to holders of Common Stock (including any such distribution made in connection with a consolidation or merger in which the Corporation is the continuing corporation) of evidences of indebtedness, assets or other property (other than regular periodic cash dividends or dividends payable in Common Stock or rights, options or warrants referred to in, and for which an adjustment is made pursuant to, paragraph (g)(iii) hereof), the Conversion Price to be in effect after such record date shall be determined by multiplying the Conversion Price in effect immediately prior to such record date by a fraction, (A) the numerator of which shall be the Current Market Price Per Common Share on such record date, less the fair market value (determined as set forth in paragraph (g)(ii) hereof) of the portion of the assets, other property or evidence of indebtedness so to be distributed which is applicable to one share of Common Stock and (B) the denominator of which shall be the Current Market Price Per Common Share on such record date. Such adjustments shall be made effective on the day immediately after the record date; and in the event that such distribution is not so made, the Conversion Price shall again be adjusted to be the Conversion Price which would then be in effect if such record date had not been fixed.

(vi) On any date, the "CURRENT MARKET PRICE PER COMMON SHARE" shall be deemed to be the average of the Daily

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Prices (as defined below) per share of the applicable class of Common Stock for the ten consecutive trading days immediately prior to such date. "DAILY PRICE" means (1) if the shares of such class of Common Stock then are listed and traded on the New York Stock Exchange, Inc. ("NYSE"), the closing price on such day as reported on the NYSE Composite Transactions Tape; (2) if the shares of such class of Common Stock then are not listed and traded on the NYSE, the closing price on such day as reported by the principal national securities exchange on which the shares are listed and traded; (3) if the shares of such class of Common Stock then are not listed and traded on any such securities exchange, the last reported sale price on such day on the National Market of the National Association of Securities Dealers, Inc. Automated Quotation System ("NASDAQ"); or (4) if the shares of such class of Common Stock then are not traded on the NASDAQ National Market, the average of the highest reported bid

and lowest reported asked price on such day as reported by NASDAQ. "TRADING DAY" means, with respect to any exchange or market, each Monday, Tuesday, Wednesday, Thursday and Friday, other than any day on which securities are not traded on such exchange or in such market. For purposes of any computation under this paragraph (g), the number of shares of Common Stock outstanding at any given time shall not include shares owned or held by or for the account of the Corporation.

(vii) To the extent that the Conversion Price shall have been adjusted pursuant to any of paragraph (g)(ii), (iii), (iv) or (v) as a result of a particular event, no additional adjustment shall be made pursuant to any other of such paragraphs (g)(ii), (iii), (iv) or (v) as a result of such event. No adjustment to the Conversion Price pursuant to paragraphs (g)(ii), (iii), (iv) and (v) above shall be required unless such adjustment would require an increase or decrease of at least 1% in the Conversion Price; provided that any adjustments which by reason of this paragraph (g)(vii) are not required to be made shall be carried forward and taken into account in any subsequent adjustment. All calculations under this paragraph (g) shall be made to the nearest four decimal points.

(viii) In the event that, at any time as a result of the provisions of this paragraph (g), the holder of this Series A Convertible Preferred Stock upon subsequent conversion shall become entitled to receive any shares of capital stock of the Corporation other than Common Stock, the number of such other shares so receivable upon conversion of this Series A Convertible Preferred Stock

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shall thereafter be subject to adjustment from time to time in a manner and on terms as nearly equivalent as practicable to the provisions contained herein.

(h) Whenever the Conversion Price is adjusted pursuant to this paragraph (7), (i) the Corporation shall promptly file with the conversion agent a certificate of a firm of independent public accountants (who may be the regular accountants employed by the Corporation) setting forth the Conversion Price after such adjustment and setting forth a brief statement of the facts requiring such adjustment and the manner of computing the same, and (ii) a notice stating that the Conversion Price has been adjusted and setting forth the adjusted Conversion Price shall promptly be sent by first class mail, postage prepaid, by the Corporation to the holders of the Series A Convertible Preferred Stock at their addresses as the same appear on the stock register of the Corporation.

(i) Notwithstanding any provision of this paragraph (7), to the extent the Corporation shall have funds legally available for such purpose, the Corporation shall have the option, upon receipt from any holder of notice of election to convert shares of Series A Convertible Preferred Stock pursuant to paragraph (7)(b), to deliver, in lieu of the shares of Common Stock into

which such shares of Series A Convertible Preferred Stock would otherwise be convertible, cash in an amount equal to the product of (A) such number of shares of Common Stock into which such shares of Series A Convertible Preferred Stock would otherwise be convertible multiplied by (B) the Current Market Price Per Common Share, together with all accrued and unpaid dividends on such shares of Series A Convertible Preferred Stock; provided that (i) if the Corporation has not received any required approval under the 1986 Supplement to The Banking Act of 1948 of New Jersey, 17 N.J. Stat. Ann. Section 376 et seq., concerning the change of control of banks, or (ii) if the shareholders of the Corporation have not voted to approve the issuance of the Common Stock required to be delivered upon a conversion of the Series A Convertible Preferred Stock, in each case, the Corporation shall have the obligation to deliver cash pursuant to this paragraph (7)(i) upon any exercise of the conversion privilege.

(8) Voting Rights. (a) The holders of record of shares of Series A Convertible Preferred Stock shall not be entitled to any voting rights except as hereinafter provided in this paragraph (8) or as otherwise provided by law.

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(b) If and whenever six quarterly dividends (whether or not consecutive) payable on the Series A Convertible Preferred Stock have not been paid in full or if the Corporation shall have failed to discharge its Mandatory Redemption Obligation, the number of directors then constituting the Board of Directors shall be increased by two and the holders of shares of Series A Convertible Preferred Stock, together with the holders of shares of every other series of preferred stock upon which like rights to vote for the election of two additional directors have been conferred and are exercisable (resulting from either the failure to pay dividends or the failure to redeem)(any such other series is referred to as the "PREFERRED SHARES"), voting as a single class regardless of series, shall be entitled to elect the two additional directors to serve on the Board of Directors at any annual meeting of stockholders or special meeting held in place thereof, or at a special meeting of the holders of the Series A Convertible Preferred Stock and the Preferred Shares called as hereinafter provided. Whenever all arrears in dividends on the Series A Convertible Preferred Stock and the Preferred Shares then outstanding shall have been paid and dividends thereon shall have been paid regularly for at least one year, or the Corporation shall have fulfilled its Mandatory Redemption Obligation, as the case may be, then the right of the holders of the Series A Convertible Preferred Stock and the Preferred Shares to elect such additional two directors shall cease (but subject always to the same provisions for the vesting of such voting rights in the case of any similar future arrearages in six quarterly dividends or failure to fulfill any Mandatory Redemption Obligation), and the terms of office of all persons elected as directors by the holders of the Series A Convertible Preferred Stock and the Preferred Shares shall forthwith terminate and the number of the Board of Directors shall be reduced accordingly. At any time after such voting power shall have been so vested in the holders of shares of Series A Convertible

Preferred Stock and the Preferred Shares, the secretary of the Corporation may, and upon the written request of any holder of Series A Convertible Preferred Stock (addressed to the secretary at the principal office of the Corporation) shall, call a special meeting of the holders of the Series A Convertible Preferred Stock and of the Preferred Shares for the election of the two directors to be elected by them as herein provided, such call to be made by notice similar to that provided in the Bylaws of the Corporation for a special meeting of the stockholders or as required by law. If any such special meeting required to be called as above provided shall not be called by the secretary within 20 days after

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receipt of any such request, then any holder of shares of Series A Convertible Preferred Stock may call such meeting, upon the notice above provided, and for that purpose shall have access to the stock books of the Corporation. The directors elected at any such special meeting shall hold office until the next annual meeting of the stockholders or special meeting held in lieu thereof if such office shall not have previously terminated as above provided. If any vacancy shall occur among the directors elected by the holders of the Series A Convertible Preferred Stock and the Preferred Shares, a successor shall be elected by the Board of Directors, upon the nomination of the then-remaining director elected by the holders of the Series A Convertible Preferred Stock and the Preferred Shares or the successor of such remaining director, to serve until the next annual meeting of the stockholders or special meeting held in place thereof if such office shall not have previously terminated as provided above.

(c) Without the written consent of a majority of the outstanding shares of Series A Convertible Preferred Stock or the vote of holders of a majority of the outstanding shares of Series A Convertible Preferred Stock at a meeting of the holders of Series A Convertible Preferred Stock called for such purpose, the Corporation will not (i) amend, alter or repeal any provision hereof or of the Certificate of Incorporation (by merger or otherwise) so as to affect the preferences, rights or powers of the Series A Convertible Preferred Stock; provided that any such amendment that changes the dividend payable on or the liquidation preference of the Series A Convertible Preferred Stock shall require the affirmative vote at a meeting of holders of Series A Convertible Preferred Stock called for such purpose or written consent of the holder of each share of Series A Convertible Preferred Stock; or (ii) create any class or classes of stock ranking equal or prior to the Series A Convertible Preferred Stock either as to dividends or upon liquidation, dissolution or winding up or increase the number of authorized number of shares of any class or classes of stock ranking equal or prior to the Series A Convertible Preferred Stock either as to dividends or upon liquidation, dissolution or winding up. Notwithstanding the foregoing, no consent of the holders of the Series A Convertible Preferred Stock shall be required for (i) the creation of any indebtedness of any kind of the Corporation, (ii) the creation of any class of Junior Securities or (iii) any increase or decrease in

the amount of authorized Common Stock or any increase, decrease or change in the par value thereof or in any other terms thereof.

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(d) In exercising the voting rights set forth in this paragraph (8), each share of Series A Convertible Preferred Stock shall have one vote per share, except that when any other series of preferred stock shall have the right to vote with the Series A Convertible Preferred Stock as a single class on any matter, then the Series A Convertible Preferred Stock and such other series shall have with respect to such matters one vote per $100 of stated liquidation preference. Except as set forth herein, the shares of Series A Convertible Preferred Stock shall not have any relative, participating, optional or other special voting rights and powers and the consent of the holders thereof shall not be required for the taking of any corporate action.

(9) Stockholders Agreement. The Series A Convertible Preferred Stock shall be subject to the provisions of the Stockholders Agreement among the Corporation, Kidder, Peabody Group Inc. and General Electric Company dated December 16, 1994.

(10) General Provisions. (a) The term "PERSON" as used herein means any corporation, limited liability company, partnership, trust, organization, association, other entity or individual.

(b) The term "OUTSTANDING", when used with reference to shares of stock, shall mean issued shares, excluding shares held by the Corporation (including treasury shares) or a subsidiary.

(c) The headings of the paragraphs of this Certificate of Designations are for convenience of reference only and shall not define, limit or affect any of the provisions hereof.

IN WITNESS WHEREOF, Paine Webber Group Inc. has caused this Certificate of Designations to be signed and attested by the undersigned this __ day of December, 1994.

PAINE WEBBER GROUP INC.

By

Name: Theodore A. Levine
Title: Vice President

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ATTEST:

- ------------------------
Name: Dorothy F. Haughey
Assistant Secretary

Exhibit 3.2

CERTIFICATE OF THE POWERS, DESIGNATIONS, PREFERENCES AND RELATIVE, PARTICIPATING, OPTIONAL OR OTHER SPECIAL RIGHTS, AND THE QUALIFICATIONS, LIMITATIONS OR RESTRICTIONS THEREOF, WHICH HAVE NOT BEEN SET FORTH IN THE RESTATED CERTIFICATE OF INCORPORATION OR IN ANY AMENDMENT THERETO, OF THE

9% CUMULATIVE REDEEMABLE
PREFERRED STOCK, SERIES C
($100 STATED VALUE)

PAINE WEBBER GROUP INC.

Pursuant to Section 151 of the General Corporation Law
of the State of Delaware

The undersigned, Theodore A. Levine, Vice President, of Paine Webber Group Inc., a Delaware corporation (hereinafter called the "CORPORATION"), pursuant to the provisions of Sections 103 and 151 of the General Corporation Law of the State of Delaware, does hereby make this Certificate of Designations and does hereby state and certify that pursuant to the authority expressly vested in the Board of Directors of the Corporation by the Restated Certificate of Incorporation, as amended (the "CERTIFICATE OF INCORPORATION"), the Board of Directors duly adopted the following resolution:

RESOLVED, that, pursuant to Article IV of the Certificate of Incorporation (which authorizes 20,000,000 shares of preferred stock, $20 par value ("PREFERRED STOCK"), of which (i) up to 2,200,000 shares of a series of 7.5% Convertible Preferred Stock, (ii) 240,000 shares of a series of 7.5% Convertible Preferred Stock, Series B and (iii) up to 2,200,000 shares of a series of 6% Convertible Preferred Stock have been authorized for issuance, the Board of Directors hereby fixes the powers, designations, preferences and relative, participating, optional and other special rights, and the qualifications, limitations and restrictions, of a series of Preferred Stock (in addition to the powers, designations, preferences and relative, participating, optional or other special rights, and the qualifications, limitations or restrictions thereof, set forth in the Certificate of Incorporation which are applicable to such series of Preferred Stock).

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RESOLVED, that each share of such series of Preferred Stock shall rank equally in all respects and shall be subject to the following

provisions:

(1) Number and Designation. 2,500,000 shares of the Preferred Stock of the Corporation shall be designated as 9% Cumulative Redeemable Preferred Stock, Series C (the "SERIES C PREFERRED STOCK").

(2) Rank. The shares of Series C Preferred Stock shall rank prior to the shares of the Corporation's common stock, $1 par value (the "COMMON STOCK"), and any other class of stock of the Corporation ranking junior to the Series C Preferred Stock (whether with respect to dividends or upon liquidation, dissolution, winding up or otherwise). All equity securities of the Corporation to which the Series C Preferred Stock ranks prior (whether with respect to dividends or upon liquidation, dissolution, winding up or otherwise), including the Common Stock, are collectively referred to herein as the "JUNIOR SECURITIES." All equity securities of the Corporation with which the Series C Preferred Stock ranks on a parity (whether with respect to dividends or upon liquidation, dissolution, winding up or otherwise), including the Corporation's 7.5% Convertible Preferred Stock, 7.5% Convertible Preferred Stock, Series B, 6% Convertible Preferred Stock and 6% Cumulative Convertible Redeemable Preferred Stock, Series A, are collectively referred to herein as the "PARITY SECURITIES." The respective definitions of Junior Securities and Parity Securities shall also include any rights or options exercisable for or convertible into any of the Junior Securities and Parity Securities, as the case may be.

(3) Dividends. (a) The holders of shares of Series C Preferred Stock shall be entitled to receive, when, as and if declared by the Board of Directors, out of funds legally available for the payment of dividends, cash dividends at the annual rate of $9 per share. Such dividends shall be payable in arrears in equal amounts quarterly on March 15, June 15, September 15 and December 15 of each year (unless such day is not a Business Day, in which event on the next succeeding Business Day) (each of such dates being a "DIVIDEND PAYMENT DATE" and each such quarterly period being a "DIVIDEND PERIOD") commencing on the Dividend Payment Date which next follows the issuance of such shares of Series C Preferred Stock. Such dividends (i) shall be cumulative from the date of issue, whether or not declared and whether or not in any Dividend Period or Periods there shall be funds of the Corporation legally

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available for the payment of such dividends and (ii) shall compound quarterly, to the extent they are unpaid, at the rate of 9% per annum computed on the basis of a 360-day year and twelve 30-day months. Each such dividend shall be payable to the holders of record of shares of the Series C Preferred Stock, as they appear on the stock records of the Corporation at the close of business on such record dates, not more than 60 days, or less than 10 days, preceding the payment dates thereof, as shall be fixed by the Board of Directors or a duly authorized committee thereof. Accrued and unpaid dividends for any past

Dividend Periods may be declared and paid at any time, without reference to any Dividend Payment Date, to holders of record on such date, not more than 45 days preceding the payment date thereof, as may be fixed by the Board of Directors. As used herein, the term "BUSINESS DAY" shall mean any day other than a Saturday, Sunday, a day on which the New York Stock Exchange does not conduct regular trading or a day on which is or is declared a national or New York State holiday.

(b) The amount of dividends payable for each full Dividend Period for the Series C Preferred Stock shall be computed by dividing the annual dividend rate by four. The amount of dividends payable for the initial Dividend Period, or any other period shorter or longer than a full Dividend Period, on the Series C Preferred Stock shall be computed on the basis of twelve 30-day months and a 360-day year. Holders of shares of Series C Preferred Stock shall not be entitled to any dividends, whether payable in cash, property or stock, in excess of cumulative dividends, as herein provided, on the Series C Preferred Stock.

(c) So long as any shares of the Series C Preferred Stock are outstanding, no dividends, except as described in the next succeeding sentence, shall be declared or paid or set apart for payment on Parity Securities, for any period unless full cumulative dividends have been or contemporaneously are declared and paid or declared and a sum sufficient for the payment thereof set apart for such payment on the Series C Preferred Stock for all Dividend Periods terminating on or prior to the date of payment of the dividend on such class or series of parity stock. When dividends are not paid in full or a sum sufficient for such payment is not set apart, as aforesaid, all dividends declared upon shares of the Series C Preferred Stock and all dividends declared upon any other Parity Security shall be declared ratably in proportion to the respective amounts of dividends accumulated and unpaid on the Series C Preferred Stock and accumulated and unpaid on such Parity Security.

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(d) So long as any shares of the Series C Preferred Stock are outstanding, no dividends (other than dividends or distributions paid in shares of, or options, warrants or rights to subscribe for or purchase shares of, Junior Securities) shall be declared or paid or set apart for payment or other distribution declared or made upon Junior Securities, nor shall any Junior Securities be redeemed, purchased or otherwise acquired (all such dividends, distributions, redemptions or purchases being hereinafter referred to as a "JUNIOR SECURITIES DISTRIBUTION") for any consideration (or any moneys be paid to or made available for a sinking fund for the redemption of any shares of any such stock) by the Corporation, directly or indirectly (except by conversion into or exchange for Junior Securities), unless in each case (i) the full cumulative dividends on all outstanding shares of the Series C Preferred Stock and any other Parity Securities shall have been paid or set apart for payment for all past Dividend Periods with respect to the Series C Preferred

Stock and all past dividend periods with respect to such Parity Securities and (ii) sufficient funds shall have been paid or set apart for the payment of the dividend for the current Dividend Period with respect to the Series C Preferred Stock and the current dividend period with respect to such Parity Securities.

(4) Liquidation Preference. (a) In the event of any liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, before any payment or distribution of the assets of the Corporation (whether capital or surplus) shall be made to or set apart for the holders of Junior Securities, the holders of the shares of Series C Preferred Stock shall be entitled to receive $100 per share of Series C Preferred Stock plus an amount equal to all dividends (whether or not earned or declared) accrued and unpaid thereon to the date of final distribution to such holders; but such holders shall not be entitled to any further payment. If, upon any liquidation, dissolution or winding up of the Corporation, the assets of the Corporation, or proceeds thereof, distributable among the holders of the shares of Series C Preferred Stock shall be insufficient to pay in full the preferential amount aforesaid and liquidating payments on any Parity Securities, then such assets, or the proceeds thereof, shall be distributed among the holders of shares of Series C Preferred Stock and any such other Parity Securities ratably in accordance with the respective amounts that would be payable on such shares of Series C Preferred Stock and any such other stock if all amounts payable thereon were paid in

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full. For the purposes of this paragraph (4), a sale or transfer of all or substantially all of the Corporation's assets, shall be deemed to be a liquidation, dissolution or winding up, voluntary or involuntary, of the Corporation, but a consolidation or merger of the Corporation with one or more corporations shall not be deemed to be a liquidation, dissolution or winding up, voluntary or involuntary, of the Corporation.

(b) Subject to the rights of the holders of any Parity Securities, after payment shall have been made in full to the holders of the Series C Preferred Stock, as provided in this paragraph (4), any other series or class or classes of Junior Securities shall, subject to the respective terms and provisions (if any) applying thereto, be entitled to receive any and all assets remaining to be paid or distributed, and the holders of the Series C Preferred Stock shall not be entitled to share therein.

(5) Redemption. (a) To the extent the Corporation shall have funds legally available for such payment, the Corporation may redeem at its option at any time on or after December 16, 1999 or from time to time thereafter, in whole or in part, the shares of Series C Preferred Stock, at a redemption price of $100 per share in cash, together with accrued and unpaid dividends thereon to the date fixed for redemption.

(b) To the extent the Corporation shall have funds legally

available for such payment, on December 15, 2014, if any shares of the Series C Preferred Stock shall be outstanding, the Corporation shall redeem all outstanding shares of the Series C Preferred Stock, at a redemption price of $100 per share in cash, together with accrued and unpaid dividends thereon to such date.

(c) Immediately prior to authorizing or making any redemption pursuant to this paragraph (5) the Corporation, by resolution of its Board of Directors, shall, to the extent of any funds legally available therefor, declare a dividend on the Series C Preferred Stock payable on the redemption date in an amount equal to any accrued and unpaid dividends on the Series C Preferred Stock as of such redemption date.

(d) If the Corporation is unable or shall fail to discharge its obligation to redeem all outstanding shares of Series C Preferred Stock pursuant to paragraph (5)(b) (the "MANDATORY REDEMPTION OBLIGATION"), the Mandatory Redemption

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Obligation shall be discharged as soon as the Corporation is able to discharge such Mandatory Redemption Obligation. If and so long as any Mandatory Redemption Obligation with respect to the Series C Preferred Stock shall not be fully discharged, the Corporation shall not (i) directly or indirectly, redeem, purchase, or otherwise acquire any Parity Security or discharge any mandatory or optional redemption, sinking fund or other similar obligation in respect of any Parity Securities (except in connection with a redemption, sinking fund or other similar obligation to be satisfied pro rata with the Series C Preferred Stock) or (ii) in accordance with paragraph (3)(d), declare or make any Junior Securities Distribution, or, directly or indirectly, discharge any mandatory or optional redemption, sinking fund or other similar obligation in respect of the Junior Securities.

(e) Shares of Series C Preferred Stock which have been issued and reacquired in any manner, including shares purchased or redeemed, shall (upon compliance with any applicable provisions of the laws of the State of Delaware) have the status of authorized and unissued shares of the class of Preferred Stock undesignated as to series and may be redesignated and reissued as part of any series of the Preferred Stock; provided that no such issued and reacquired shares of Series C Preferred Stock shall be reissued or sold as Series C Preferred Stock.

(6) Procedure for Redemption. (a) In the event that fewer than all the outstanding shares of Series C Preferred Stock are to be redeemed, the number of shares to be redeemed shall be determined by the Board of Directors and the shares to be redeemed shall be selected pro rata (with any fractional shares being rounded to the nearest whole share) as nearly as practicable or by lot, or by such other method as the Board of Directors may determine to be equitable.

(b) In the event the Corporation shall redeem shares of Series C Preferred Stock, notice of such redemption shall be given by first class mail, postage prepaid, mailed not less than 30 days nor more than 60 days prior to the redemption date, to each holder of record of the shares to be redeemed at such holder's address as the same appears on the stock register of the Corporation; provided that neither the failure to give such notice nor any defect therein shall affect the validity of the giving of notice for the redemption of any share of Series C Preferred Stock to be redeemed except as to the holder to

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whom the Corporation has failed to give said notice or except as to the holder whose notice was defective. Each such notice shall state: (i) the redemption date; (ii) the number of shares of Series C Preferred Stock to be redeemed and, if fewer than all the shares held by such holder are to be redeemed, the number of shares to be redeemed from such holder; (iii) the redemption price; (iv) the place or places where certificates for such shares are to be surrendered for payment of the redemption price; and (v) that dividends on the shares to be redeemed will cease to accrue on such redemption date.

(c) Notice having been mailed as aforesaid, from and after the redemption date (unless default shall be made by the Corporation in providing money for the payment of the redemption price of the shares called for redemption), dividends on the shares of Series C Preferred Stock so called for redemption shall cease to accrue, and all rights of the holders thereof as stockholders of the Corporation (except the right to receive from the Corporation the redemption price) shall cease. Upon surrender in accordance with said notice of the certificates for the shares so redeemed (properly endorsed or assigned for transfer, if the Board of Directors of the Corporation shall so require and the notice shall so state), such shares shall be redeemed by the Corporation at the redemption price aforesaid. In case fewer than all the shares represented by any such certificate are redeemed, a new certificate shall be issued representing the unredeemed shares without cost to the holder thereof.

(7) Voting Rights. (a) The holders of record of shares of Series C Preferred Stock shall not be entitled to any voting rights except as hereinafter provided in this paragraph (7) or as otherwise provided by law.

(b) If and whenever six quarterly dividends (whether or not consecutive) payable on the Series C Preferred Stock have not been paid in full or if the Corporation shall have failed to discharge its Mandatory Redemption Obligation, the number of directors then constituting the Board of Directors shall be increased by two and the holders of shares of Series C Preferred Stock, together with the holders of shares of every other series of preferred stock upon which like rights to vote for the election of two additional directors have been conferred and are exercisable (resulting from either the

failure to pay dividends or the failure to redeem)(any such other series is referred to as the "PREFERRED SHARES"), voting as a single

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class regardless of series, shall be entitled to elect the two additional directors to serve on the Board of Directors at any annual meeting of stockholders or special meeting held in place thereof, or at a special meeting of the holders of the Series C Preferred Stock and the Preferred Shares called as hereinafter provided. Whenever all arrears in dividends on the Series C Preferred Stock and the Preferred Shares then outstanding shall have been paid and dividends thereon shall have been paid regularly for at least one year, or the Corporation shall have fulfilled its Mandatory Redemption Obligation, as the case may be, then the right of the holders of the Series C Preferred Stock and the Preferred Shares to elect such additional two directors shall cease (but subject always to the same provisions for the vesting of such voting rights in the case of any similar future arrearages in six quarterly dividends or failure to fulfill any Mandatory Redemption Obligation), and the terms of office of all persons elected as directors by the holders of the Series C Preferred Stock and the Preferred Shares shall forthwith terminate and the number of the Board of Directors shall be reduced accordingly. At any time after such voting power shall have been so vested in the holders of shares of Series C Preferred Stock and the Preferred Shares, the secretary of the Corporation may, and upon the written request of any holder of Series C Preferred Stock (addressed to the secretary at the principal office of the Corporation) shall, call a special meeting of the holders of the Series C Preferred Stock and of the Preferred Shares for the election of the two directors to be elected by them as herein provided, such call to be made by notice similar to that provided in the Bylaws of the Corporation for a special meeting of the stockholders or as required by law. If any such special meeting required to be called as above provided shall not be called by the secretary within 20 days after receipt of any such request, then any holder of shares of Series C Preferred Stock may call such meeting, upon the notice above provided, and for that purpose shall have access to the stock books of the Corporation. The directors elected at any such special meeting shall hold office until the next annual meeting of the stockholders or special meeting held in lieu thereof if such office shall not have previously terminated as above provided. If any vacancy shall occur among the directors elected by the holders of the Series C Preferred Stock and the Preferred Shares, a successor shall be elected by the Board of Directors, upon the nomination of the then-remaining director elected by the holders of the Series C Preferred Stock and the Preferred Shares or the successor of such remaining director, to serve until the next annual meeting of the stockholders or special

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meeting held in place thereof if such office shall not have previously terminated as provided above.

(c) Without the written consent of a majority of the outstanding shares of Series C Preferred Stock or the vote of holders of a majority of the outstanding shares of Series C Preferred Stock at a meeting of the holders of Series C Preferred Stock called for such purpose, the Corporation will not (i) amend, alter or repeal any provision hereof or of the Certificate of Incorporation (by merger or otherwise) so as to affect the preferences, rights or powers of the Series C Preferred Stock; provided that any such amendment that changes the dividend payable on or the liquidation preference of the Series C Preferred Stock shall require the affirmative vote at a meeting of holders of Series C Preferred Stock called for such purpose or written consent of the holder of each share of Series C Preferred Stock; or (ii) create any class or classes of stock ranking equal or prior to the Series C Preferred Stock either as to dividends or upon liquidation, dissolution or winding up or increase the number of authorized number of shares of any class or classes of stock ranking equal or prior to the Series C Preferred Stock either as to dividends or upon liquidation, dissolution or winding up. Notwithstanding the foregoing, no consent of the holders of the Series C Preferred Stock shall be required for (i) the creation of any indebtedness of any kind of the Corporation, (ii) the creation of any class of Junior Securities or (iii) any increase or decrease in the amount of authorized Common Stock or any increase, decrease or change in the par value thereof or in any other terms thereof.

(d) In exercising the voting rights set forth in this paragraph (7), each share of Series C Preferred Stock shall have one vote per share, except that when any other series of preferred stock shall have the right to vote with the Series C Preferred Stock as a single class on any matter, then the Series C Preferred Stock and such other series shall have with respect to such matters one vote per $100 of stated liquidation preference. Except as set forth herein, the shares of Series C Preferred Stock shall not have any relative, participating, optional or other special voting rights and powers and the consent of the holders thereof shall not be required for the taking of any corporate action.

(8) Stockholders Agreement. The Series C Preferred Stock shall be subject to the provisions of the Stockholders Agreement among the Corporation, Kidder,

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Peabody Group Inc. and General Electric Company dated December 16, 1994.

(9) General Provisions. (a) The term "PERSON" as used herein means any corporation, limited liability company, partnership, trust, organization, association, other entity or individual.

(b) The term "OUTSTANDING", when used with reference to shares of stock, shall mean issued shares, excluding shares held by the

Corporation or a subsidiary.

(c) The headings of the paragraphs of this Certificate of Designations are for convenience of reference only and shall not define, limit or affect any of the provisions hereof.

IN WITNESS WHEREOF, Paine Webber Group Inc. has caused this Certificate of Designations to be signed and attested by the undersigned this __ day of December, 1994.

PAINE WEBBER GROUP INC.

By

Name: Theodore A. Levine
Title: Vice President

ATTEST:

- ---
Name: Dorothy F. Haughey
Assistant Secretary

Exhibit 4.1

STOCKHOLDERS AGREEMENT

dated December 16, 1994

between

Paine Webber Group Inc.,

General Electric Company, and

Kidder, Peabody Group Inc.

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STOCKHOLDERS AGREEMENT

This STOCKHOLDERS AGREEMENT (this "Agreement"), dated December 16, 1994, is between Paine Webber Group Inc., a Delaware corporation (the "Company"), General Electric Company, a New York corporation ("Parent"), and Kidder, Peabody Group Inc., a Delaware corporation and an indirect wholly-owned subsidiary of Parent ("Shareholder", which term shall include Parent and any subsidiary (as defined below) of Parent to the extent Voting Securities have been transferred to Parent or such subsidiary pursuant to Section 4.02(a)(i)).

WHEREAS, simultaneously with the execution of this Agreement, Shareholder is acquiring 1,000,000 shares of the Company's 6% Cumulative Convertible Redeemable Preferred Stock, Series A, stated value $100 per share, 2,500,000 shares of the Company's 9% Cumulative Redeemable Preferred Stock, Series C, stated value $100 per share, and 21,500,000 shares of the Company's Common Stock, par value $1.00 per share, pursuant to an Asset Purchase Agreement dated as of October 17, 1994 between the Company, Parent and Shareholder (as amended and supplemented, including the Supplemental Agreement dated as of December 9, 1994 and the Second Supplemental Agreement dated as of December 16, 1994, the "Asset Purchase Agreement"); and

WHEREAS, the Company, Parent and Shareholder desire to establish in this Agreement certain conditions of Parent's and Shareholder's relationship with the Company;

NOW, THEREFORE, in consideration of the mutual covenants and agreements contained herein and in the Asset Purchase Agreement, the parties hereto agree as follows:

ARTICLE I

Definitions

Section 1.01. Definitions.

(a) The following terms, as used herein, have the following meanings:

"Broad Public Distribution" means an underwritten distribution registered under the 1933 Act or a distribution exempt from registration thereunder in which Shareholder uses its best efforts to cause the underwriters expressly to agree in writing for the benefit of the Company that they collectively will not sell Voting Securities to any "person" within the meaning of Section 13(d)(3) of the 1934 Act who, to the best of such underwriters' knowledge after inquiry, would own, immediately after such distribution, Voting

Securities having aggregate voting power of more than 3% of the voting power of all the then outstanding Voting Securities.

"Common Stock" means the common stock, par value $1.00 per share, of the Company.

"Convertible Preferred Stock" means the 6% Cumulative Convertible Redeemable Preferred Stock, Series A, stated value $100 per share, of the Company.

"Equity Treatment Percentage" means the lesser of (i) 20% and (ii) the minimum percentage of Common Stock required to be owned to permit Parent to account for its beneficial ownership of Voting Securities in accordance with the "equity" method of accounting.

"Fair Market Value" of the Common Stock as of any day shall mean the average daily closing sales price of the Common Stock for the ten consecutive trading days preceding such day. The closing price for each day shall be the last reported sales price regular way or, in case no such reported sale takes place on such day, the average of the reported closing bid and asked prices regular way, in either case on the principal national securities exchange on which the Common Stock is listed and admitted to trading, or if not listed and admitted to trading on any such exchange, on the NASDAQ National Market System, or if not quoted on the National Market System, the average of the closing bid and asked prices in the over-the-counter market as furnished by any New York Stock Exchange member firm selected from time to time by the Company for that purpose.

"Financial Services Group" means General Electric Capital Services, Inc. and its subsidiaries (including, without limitation, Kidder, Peabody Group Inc. and General Electric Capital Corporation), General Electric Investment Corporation, General Electric Investment Management Incorporated or any other Affiliate of Parent engaged in the financial services business.

"Preferred Stock" means, collectively, the Convertible Preferred Stock and the Redeemable Preferred Stock.

"Redeemable Preferred Stock" means the 9% Cumulative Redeemable Preferred Stock, Series C, stated value $100 per share, of the Company.

"subsidiary" shall mean, with respect to any person (herein referred to as the "parent"), any corporation of which securities representing

more than 50% of the equity

and more than 50% of the ordinary voting power are, at the time any determination is being made, owned by the parent or one or more subsidiaries of the parent or by the parent and one or more subsidiaries of the parent.

"Third Party Account" means any account managed for the benefit of another person (other than Parent or any Affiliate of Parent) by any member of the Financial Services Group.

"Total Voting Power" means the aggregate number of votes which may be cast by holders of outstanding Voting Securities.

"Voting Securities" means any securities of the Company entitled to vote generally in the election of directors of the Company or any direct or indirect rights or options to acquire any such securities or any securities convertible or exercisable into or exchangeable for such securities.

(b) Except as otherwise specified herein, terms used in this Agreement shall have the respective meanings assigned to such terms in the Asset Purchase Agreement. The rules of interpretation specified in Section 1.02 of the Asset Purchase Agreement shall be applicable to this Agreement. Unless otherwise specified all references to "days" shall be deemed to be references to calendar days.

ARTICLE II

Representations and Warranties

Section 2.01. Representations and Warranties. Each of Parent and Shareholder represents and warrants to the Company that (i) Shareholder is a wholly-owned indirect subsidiary of Parent; and (ii)(a) Shareholder "beneficially owns" (as such term is defined in Rule 13d-3 under the 1934 Act) 2,500,000 shares of Redeemable Preferred Stock, 1,000,000 shares of Convertible Preferred Stock and 21,500,000 shares of Common Stock, (b) the Financial Services Group (which includes Shareholder) does not beneficially own any other Voting Securities except for any Voting Securities held in any Third Party Account and (c) to the best knowledge of Parent, neither it nor any of its Affiliates beneficially owns any other Voting Securities, except for any Voting Securities held in any Third Party Account.

ARTICLE III

Standstill and Voting Provisions

Section 3.01. Restrictions of Certain Actions by Shareholder. Parent will not, and will cause each of its Affiliates not to, singly or as part of a partnership, limited partnership, syndicate or other group (as those terms are defined in Section 13(d)(3) of the 1934 Act), directly or indirectly:

(a) except as permitted under Section 6.01, acquire, offer to acquire, or agree to acquire, by purchase, gift or otherwise, any Voting Securities, except pursuant to a stock split, stock dividend, rights offering, recapitalization, reclassification or similar transaction;

(b) make, or in any way participate in any "solicitation" of "proxies" to vote (as such terms are defined in Rule 14a-1 under the 1934 Act), solicit any consent or communicate with or seek to advise or influence any person or entity with respect to the voting of any Voting Securities or become a "participant" in any "election contest" (as such terms are defined or used in Rule 14a-11 under the 1934 Act) with respect to the Company;

(c) form, join, encourage or in any way participate in the formation of, any "person" within the meaning of Section 13(d)(3) of the 1934 Act with respect to any Voting Securities; provided that this Section 3.01(c) shall not prohibit any such arrangement solely among Parent and any of its wholly-owned subsidiaries;

(d) deposit any Voting Securities into a voting trust or subject any such Voting Securities to any arrangement or agreement with respect to the voting thereof; provided that this Section 3.01(d) shall not prohibit any such arrangement solely among Parent and any of its wholly-owned subsidiaries;

(e) initiate, propose or otherwise solicit stockholders for the approval of one or more stockholder proposals with respect to the Company as described in Rule 14a-8 under the 1934 Act, or induce or attempt to induce any other person to initiate any stockholder proposal;

(f) except in accordance with and pursuant to Section 3.02, seek election to or seek to place a representative on the Board of Directors of the Company or, except with the approval of management of the Company, seek

the removal of any member of the Board of Directors of the Company;

(g) except with the approval of management of the Company, call or seek to have called any meeting of the stockholders of the Company;

(h) except through its representative on the Board of Directors of the Company, otherwise act to seek to control, disrupt or influence the management, business, operations, policies or affairs of the Company except with the approval of management of the Company;

(i) (A) solicit, seek to effect, negotiate with or provide any information to any other party with respect to, (B) make any statement or proposal, whether written or oral, to the Board of Directors of the Company or any director or officer of the Company with respect to, or (C) otherwise make any public announcement or proposal whatsoever with respect to, any form of

business combination transaction involving the Company, including, without limitation, a merger, exchange offer or liquidation of the Company's assets, or any restructuring, recapitalization or similar transaction with respect to the Company; provided that the foregoing shall not (x) apply to discussions between officers, employees or agents of Parent or Shareholder and the representative of Shareholder on the Board of Directors of the Company or (y) in the case of clause (B) above, be interpreted to limit the ability of such representative to make any such statement or proposal or to discuss any such proposal with any officer, director or advisor to the Company or the Board of Directors of the Company in connection with the performance by such representative of his duty as a director;

(j) disclose or announce any intention, plan or arrangement inconsistent with the foregoing; or

(k) advise, assist, instigate or encourage any third party to do any of the foregoing (except, for purposes of clause (a) above, in connection with any transfer of Voting Securities permitted under Section 4.02).

If Parent or any of its Affiliates owns or acquires any Voting Securities in violation of this Agreement, such Voting Securities shall immediately be disposed of to persons who are not Affiliates thereof but only in compliance with the provisions of this Agreement; provided that the Company may also pursue any other available remedy to which it may be entitled as a result of such violation.

Section 3.02. Board Representation. (a) The Company will cause one person mutually agreed upon by Parent and the Company to be elected to the Company's Board of Directors concurrently with the execution hereof.

(b) Thereafter, so long as Shareholder owns Voting Securities representing at least 10% of Total Voting Power (calculated on a fully diluted basis assuming conversion or exchange of all outstanding securities of the Company convertible into or exchangeable for Voting Securities and the exercise of all rights or options to acquire Voting Securities), subject to the further provisions of this Section 3.02, the Company's Nominating Committee (or any other committee exercising a similar function) (the "Nominating Committee") shall recommend to the Board of Directors of the Company that such person (or any successor designated by Parent and approved by the Nominating Committee) be included in the slate of nominees recommended by the Board of Directors of the Company to shareholders for election as directors at each annual meeting of shareholders of the Company at which such person's term expires.

(c) In the event that the designee of Shareholder shall cease to serve as a director for any reason, the vacancy resulting thereby shall be filled by a person designated by Parent and approved by the Nominating Committee.

(d) In the event that at any time Shareholder shall own Voting Securities representing less than 10% of Total Voting Power (calculated as provided in Section 3.02(b)), Shareholder shall have no further rights under this Section 3.02 and shall promptly cause to resign, and take all other action

reasonably necessary to cause the prompt removal of, its designee to the Board of Directors of the Company.

Section 3.03. Voting. (a) Whenever Shareholder shall have the right to vote any Voting Securities, Shareholder shall (i) be present, in person or represented by proxy, at all stockholder meetings of the Company so that all Voting Securities beneficially owned by it shall be counted for the purpose of determining the presence of a quorum at such meetings, and (ii) subject to Section 3.03(b) below, vote or cause to be voted, or consent with respect to, all Voting Securities beneficially owned by it in the manner recommended by the Company's Board of Directors, except that during any period or at any time when there shall be in full force and effect a valid order or judgment of a court of competent jurisdiction or a ruling, pronouncement or requirement of the New York Stock Exchange,

Inc. ("NYSE") to the effect that the foregoing provision of this Section 3.03 is invalid, void, unenforceable or not in accordance with NYSE policy, then Shareholder will, if so requested by the Board of Directors of the Company, vote or cause to be voted all Voting Securities beneficially owned by it in the same proportion as the votes cast by or on behalf of the other holders of Voting Securities.

(b) Notwithstanding anything to the contrary contained in Section 3.03(a) above, Shareholder shall have the right to vote freely, without regard to any request or recommendation of the Board of Directors of the Company, with respect to (i) all matters specified in paragraph (8) of the Certificate of Designation of Rights and Preferences for the Convertible Preferred Stock and paragraph (7) of the Certificate of Designation of Rights and Preferences for the Redeemable Preferred Stock and (ii) any "Rule 13e-3 transaction" (as defined in Rule 13e-3(a)(3) under the 1934 Act as in effect on the date hereof) unless such transaction has been approved by a majority of the disinterested directors of the Board of Directors of the Company.

ARTICLE IV

Transfer Restrictions

Section 4.01. Restrictions on Transfer. Except as otherwise expressly permitted in this Agreement, Parent will not, and will not permit its Affiliates to, directly or indirectly, transfer, sell, assign, pledge, convey, hypothecate or otherwise encumber or dispose of ("transfer") any Voting Securities.

Section 4.02. Permitted Transfers.
(a) Notwithstanding the provisions of Section 4.01, Parent and its Affiliates shall be permitted to transfer any portion of or all their shares of Voting Securities or Redeemable Preferred Stock under the following circumstances:

(i) transfers to any subsidiary of Parent, but only if such transferee agrees in writing to be bound by the terms of this Agreement, provided that such subsidiary shall be permitted to own such Voting Securities only so long as such subsidiary shall remain a subsidiary of

Parent and provided further that no such transfer shall relieve Parent or Shareholder of their obligations under this Agreement;

(ii) subject to the Company's rights under Section 4.04, in the case of shares of Common Stock

(including Common Stock issuable upon conversion or redemption of the Convertible Preferred Stock), transfers made pursuant to (A) a Broad Public Distribution or (B) Rule 144 under the 1933 Act, provided that any such sale pursuant to Rule 144 shall be subject to the volume and manner of sale limitations set forth in such Rule whether or not legally required;

(iii) subject to the Company's rights under Section 4.04, in the case of shares of Convertible Preferred Stock, after the fifth anniversary of the date of issuance thereof, transfers made pursuant to a demand registration under Section 5.01(a);

(iv) pursuant to a tender offer or exchange offer or acquisition of control of the Company or similar transaction, at any time following the time at which the Company shall publicly announce or otherwise disclose to Shareholder that the Board of Directors of the Company does not oppose such transaction; or

(v) transfers of any portion of or all its shares of Redeemable Preferred Stock to any person, provided that (A) Parent shall give not less than 45 days prior written notice to the Company of its intention to transfer such shares and (B) such person agrees in writing to be bound by the terms of this Section 4.02(a)(v). Such notice shall specify the number of shares of Redeemable Preferred Stock proposed to be transferred and the date of the proposed transfer of such shares.

(b) Notwithstanding anything to the contrary in this Agreement, Voting Securities shall not be transferred by Parent or any of its Affiliates to any person pursuant to a tender offer or exchange offer or acquisition of control of the Company or similar transaction which is opposed by the Company's Board of Directors.

Section 4.03. Company Call Right. (a) The Company shall have the right (the "Call Right"), exercisable at any time or from time to time, upon written notice to Shareholder (the "Call Notice"), to elect to purchase a portion (to the extent provided below) of or all the shares of Common Stock then held by Shareholder, at a purchase price per share payable in cash (the "Call Price") equal to the greater of (x) the Fair Market Value of the Common Stock as of the date of delivery of the Call Notice and (y) $23.95634. Delivery of any Call Notice by the Company to Shareholder shall be irrevocable.

(b) Notwithstanding the provisions of Section 4.03(a), if the Company exercises its Call Right for less than all of the Common Stock then held by Shareholder, (i) if immediately prior to such exercise, Parent beneficially owns not less than the Equity Treatment Percentage of outstanding Common Stock and, at such time, Parent accounts for such ownership of Common Stock in accordance with the equity method of accounting, then the Company shall be permitted to exercise its Call Right in part only to the extent that such exercise would not reduce the percentage of outstanding Common Stock beneficially owned by Parent below the Equity Treatment Percentage and (ii) if immediately prior to such exercise, the Company is a 20-percent owned corporation within the meaning of Section 243(c)(2) of the Code as in effect on the date hereof (a "20-percent owned corporation") of the Shareholder, then the Company shall be permitted to exercise its Call Right in part only to the extent that such exercise would not result in the Company ceasing to be a 20-percent owned corporation of the Shareholder. For purposes of clause (ii) of this paragraph (b), (A) the term "stock" shall have the same meaning as in Section 243(c)(2) of the Code as in effect on the date hereof and (B) all shares of stock of the Company held by Shareholder or any Affiliate of Shareholder shall be treated as if they were held by a single legal entity. Nothing in this Section 4.03(b) shall be construed to limit the Company's right to exercise its Call Right at any time in respect of all the Common Stock held by Shareholder at such time.

(c) Notwithstanding the provisions of Section 4.03(a), the Call Right shall be suspended and shall not be exercisable by the Company during the pendency of any transaction described in Section 4.02(a)(iv) following the time at which the Company shall publicly announce or otherwise disclose to Shareholder that the Board of Directors of the Company does not oppose such transaction.

(d) Any purchase of Common Stock by the Company pursuant to this Section 4.03 shall be on a mutually determined closing date which shall not be more than 30 days after delivery of the Call Notice. The closing shall be held at 10:00 a.m., local time, at the principal office of the Company, or at such other time or place as the parties mutually agree.

(e) On the closing date, Shareholder shall deliver (i) certificates representing the shares of Common Stock being sold, free and clear of any lien, claim or encumbrance, and (ii) such other documents, including evidence of ownership and authority, as the Company may reasonably request. The Call Price shall be paid by wire

transfer of immediately available funds no later than 2:00 p.m., local time, on the closing date.

Section 4.04. Right of First Refusal. (a) If Shareholder desires to transfer any shares of Common Stock (including Common Stock issuable upon conversion or redemption of the Convertible Preferred Stock) pursuant to Section 4.02(a)(ii) or shares of Convertible Preferred Stock pursuant to Section 4.02(a)(iii), Shareholder shall give prompt written notice (the "Transfer Notice") to the Company of such intention, specifying the number of shares of Common Stock or Convertible Preferred Stock proposed to be

transferred (the "Offered Shares"). The Transfer Notice shall constitute an irrevocable offer (the "Offer") by Shareholder to sell to the Company the Offered Shares at a price (the "Offer Price") equal to (x) in the case of the Convertible Preferred Stock, the aggregate price specified by Shareholder in the Transfer Notice and (y) in the case of the Common Stock, the aggregate Fair Market Value of such Offered Shares on the date of delivery of the Transfer Notice. The Company shall have the right, exercisable by written notice given by the Company to Shareholder within 30 days after receipt of such Transfer Notice, to purchase (or to cause a person or group designated by the Company to purchase) all, but not a part of, the Offered Shares specified in such Transfer Notice for cash at the Offer Price by delivery of a notice (the "Exercise Notice") to Shareholder stating the Company's irrevocable acceptance of the Offer.

(b) If the Company elects to purchase the Offered Shares, the closing of the purchase of the Offered Shares shall take place on a mutually acceptable closing date which shall be not more than 30 days after delivery of the Exercise Notice. The closing shall be held at 10:00 a.m., local time, at the principal office of the Company or at such other time or place as the parties mutually agree.

(c) On the closing date, Shareholder shall deliver (or cause to be delivered) (i) certificates representing the Offered Shares, free and clear of any lien, claim or encumbrance, and (ii) such other documents, including evidence of ownership and authority, as the Company may reasonably request. The Offer Price shall be paid by wire transfer of immediately available funds no later than 2:00 p.m., local time, on the closing date.

(d) If the Company fails to elect to purchase the Offered Shares within the period specified in Section 4.03(a), (i) Shareholder shall be free, during the period of 90 days following the expiration of such period, to transfer any portion of or all the Offered Shares

pursuant to Section 4.02(a)(ii) or 4.02(a)(iii), as the case may be, and (ii) the Company shall not be entitled to exercise its Call Right with respect to the Offered Shares during the period from the date of the Transfer Notice to the end of such 90-day period. Offered Shares not so transferred within such 90-day period shall again become subject to the procedures provided for in this Section 4.04 and to the Call Right. Notwithstanding the foregoing, in the case of any proposed transfer of any portion or all of the Offered Shares pursuant to Section 4.02(a)(ii)(B) under Rule 144 at a price (the "Reduced Offer Price") less than 95% of the Offer Price, Shareholder shall first offer such Offered Shares to the Company by notice (oral or written) to the Senior Vice President and Senior Associate General Counsel of PaineWebber Incorporated made during regular business hours. The Company shall have the right, exercisable by the close of business on the immediately following Business Day after receipt of such notice from Shareholder, to purchase all, but not a part of, such Offered Shares at the Reduced Offer Price. If the Company does not elect to purchase such Offered Shares, Shareholder may transfer such Offered Shares under Rule 144 pursuant to Section 4.02(a)(ii)(B) at a price equal to or above the Reduced Offer Price, provided that any Offered Shares not so transferred within ten Business Days shall again become subject to the procedures provided for in this Section 4.04(d).

Section 4.05. Assignment. The Company may assign any of its rights under Section 4.03 or 4.04 to any person without the consent of Shareholder; provided that no such assignment shall relieve the Company of any of its obligations pursuant to Section 4.03 or 4.04. In the event that the Company elects to exercise a right under Section 4.03 or 4.04, the Company may specify in its Call Notice or Exercise Notice, as applicable, or thereafter prior to purchase, another such person as its designee to purchase the Offered Shares to which such Call Notice or Exercise Notice, as applicable, relates.

ARTICLE V

Registration Rights

Section 5.01. Registration Upon Request. (a) Parent shall have the right to make written demand upon the Company, on not more than five separate occasions (subject to the provisions of this Section 5.01), to register under the 1933 Act (i) shares of Redeemable Preferred Stock, (ii) shares of Common Stock issued to Shareholder pursuant to the Asset Purchase Agreement, acquired upon conversion of the

Convertible Preferred Stock, or acquired in accordance with Section 6.01 of this Agreement or (iii) at any time following the fifth anniversary of the date hereof, shares of Convertible Preferred Stock (the shares subject to such demand hereunder being referred to as the "Subject Stock"), and the Company shall use its best efforts to cause such shares to be registered under the 1933 Act as soon as reasonably practicable so as to permit the sale thereof promptly; provided that each such demand shall cover at least (A) $50,000,000 liquidation preference of Redeemable Preferred Stock, (B) $100,000,000 liquidation preference of Convertible Preferred Stock or (C) 5,000,000 shares of Common Stock, in the case of the first such demand relating to Common Stock, or 2,500,000 shares of Common Stock in any subsequent demand relating to Common Stock (subject in each case to adjustment for stock splits, reverse stock splits, stock dividends and similar events after the date hereof), as the case may be. In connection therewith, the Company shall as promptly as practicable prepare, file (on Form S-3 if permitted or otherwise on the appropriate form) and use its best efforts to cause to become effective a registration statement under the 1933 Act to effect such registration. Parent and Shareholder agree to provide all such information and materials and to take all such action as may be reasonably required in order to permit the Company to comply with all applicable requirements of the 1933 Act and the Commission and to obtain any desired acceleration of the effective date of such registration statement.

(b) Notwithstanding the provisions of Section 5.01(a) and 5.01(c), the Company (i) shall not be obligated to prepare or file more than one registration statement pursuant to this Section 5.01 during any 12-month period and (ii) shall be entitled to postpone the filing of any registration statement otherwise required to be prepared and filed by the Company pursuant to Section 5.01(a) (A) for a period of up to 60 days following completion of any underwritten public offering of securities contemplated by the Company prior to receipt of a demand for registration hereunder, provided that the Company is advised by its managing underwriter or underwriters in writing (with

a copy to Shareholder), that the price at which securities would be offered in such offering would, in its or their opinion, be materially adversely affected by the registration so requested, or (B) for a period of up to 135 days if the Company determines in its reasonable judgment and in good faith that the registration and distribution of the shares of Subject Stock would impair or interfere with in any material respect any contemplated material financing, acquisition, disposition, corporate reorganization or other similar transaction or other material corporate development involving the Company or any of its subsidiaries or

Affiliates or would require premature disclosure thereof, and such disclosure is not practicable in the Company's reasonable judgment in light of the facts and circumstances then existing or would impair or interfere with in any material respect such transaction or would otherwise materially adversely affect the Company. In the event of such postponement, Parent shall have the right to withdraw the request for registration by giving written notice to the Company within 20 days after receipt of notice of postponement and, in the event of such withdrawal, such request shall not be counted for purposes of determining the number of registrations to which Parent is entitled pursuant to this Section 5.01.

(c) In addition to the rights of Parent set forth in Section 5.01(a), if at any time the Company shall exercise its right pursuant to paragraph (5)(d) of the Certificate of Designation of Rights and Preferences for the Convertible Preferred Stock to deliver shares of Common Stock in lieu of cash in payment of the redemption price for any shares of Convertible Preferred Stock, Parent shall have the right, exercisable within 30 days following receipt of notice of such redemption for Common Stock, to make an additional written demand upon the Company to register under the 1933 Act any or all shares of Common Stock received in connection with such redemption, and the Company shall use its best efforts to cause such shares to be registered under the 1933 Act as soon as reasonably practicable so as to permit the sale thereof promptly, subject to the provisions of Section 5.01(b).

(d) Except in accordance with the provisions of the Amended and Restated Investment Agreement (the "Yasuda Agreement") dated as of November 5, 1992, between the Company and The Yasuda Mutual Life Insurance Company ("Yasuda"), the Company shall not grant to any other holder of its securities, whether currently outstanding or issued in the future, any incidental or piggyback registration rights with respect to any registration statement filed pursuant to a demand registration under this Section 5.01 and, except as aforesaid with respect to the rights of Yasuda, without the prior consent of Parent, the Company will not permit any holder of its securities other than Yasuda to participate in any offering made pursuant to a demand registration under this Section 5.01.

Section 5.02. Incidental Registration Rights. If the Company proposes to register any of its Common Stock under the 1933 Act (other than (i) pursuant to Section 5.01 hereof, (ii) securities to be issued pursuant to a stock option or other employee benefit or similar plan, or (iii) securities proposed to be issued in exchange for securities

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or assets of, or in connection with a merger or consolidation with, another corporation) the Company shall, as promptly as practicable, give written notice to Parent of the Company's intention to effect such registration. If, within 15 days after receipt of such notice, Parent submits a written request to the Company specifying the amount of Common Stock that it proposes to sell or otherwise dispose of in accordance with this Section 5.02, the Company shall use its best efforts to include the shares specified in Parent's request in such registration. If in a registration other than pursuant to Section 2.3 of the Yasuda Agreement, the managing underwriters reasonably determine in good faith and advise Shareholder in writing that the inclusion in the registration statement of all the Common Stock proposed to be included would interfere with the successful marketing and sale of the securities proposed to be registered, then the amount of Common Stock to be registered by Parent pursuant to this Section 5.02 shall be reduced to the amount, if any, determined by the managing underwriters in good faith that would not interfere with such marketing and sale, provided that if securities are being offered for the account of any Person other than the Company, then the amount of securities of such other Person and Shareholder shall be reduced proportionately based on the number of securities each such Person requested to be included in the offering. If in a registration pursuant to Section 2.3 of the Yasuda Agreement, Yasuda advises the Company that in Yasuda's reasonable judgment registration of the Shareholder's shares of Common Stock would adversely affect the offering and sale of its securities under the Yasuda Agreement, then the number of Shareholder's shares of Common Stock to be included in such offering shall be reduced to the amount, if any, determined by Yasuda in its reasonable judgment, that would not adversely affect such offering and sale. No registration effected under this Section 5.02 shall relieve the Company of its obligation to effect any registration upon request under Section 5.01. If Shareholder has been permitted to participate in a proposed offering pursuant to this Section 5.02, the Company thereafter may determine either not to file a registration statement relating thereto, or to withdraw such registration statement, or otherwise not to consummate such offering, without any liability hereunder.

Section 5.03. Broad Public Distribution; Lead Manager. (a) The Company shall be required to register Subject Stock that is Common Stock pursuant to this Article V only if such Common Stock is to be offered and sold in a Broad Public Distribution.

(b) The Company shall be required to register Subject Stock pursuant to this Article V only if such

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Subject Stock is to be offered and sold in an underwritten distribution lead-managed by the Company's principal broker-dealer subsidiary, provided that, in the reasonable judgment of Parent, the proposed terms of offering by such subsidiary are customary and reasonably competitive and provided further that Parent in all cases shall have the right to designate a non-book-running co-lead manager for any such offering.

Section 5.04. Registration Mechanics. (a) In connection with any offering of shares of Subject Stock registered pursuant to Section 5.01 or 5.02 herein, the Company shall (i) furnish to Shareholder such number of copies of any prospectus (including preliminary and summary prospectuses) and conformed copies of the registration statement (including amendments or supplements thereto and, in each case, all exhibits) and such other documents as it may reasonably request, but only while the Company shall be required under the provisions hereof to cause the registration statement to remain current; (ii)(A) use its best efforts to register or qualify the Subject Stock covered by such registration statement under such blue sky or other state securities laws for offer and sale as Shareholder shall reasonably request and (B) keep such registration or qualification in effect for so long as the registration statement remains in effect; provided that the Company shall not be obligated to qualify to do business as a foreign corporation under the laws of any jurisdiction in which it shall not then be qualified or to file any general consent to service of process in any jurisdiction in which such a consent has not been previously filed or subject itself to taxation in any jurisdiction wherein it would not otherwise be subject to tax but for the requirements of this Section 5.04; (iii) use its best efforts to cause all shares of Subject Stock covered by such registration statement to be registered with or approved by such other federal or state government agencies or authorities as may be necessary in the opinion of counsel to the Company to enable Shareholder to consummate the disposition of such shares of Subject Stock; (iv) notify Shareholder any time when a prospectus relating thereto is required to be delivered under the 1933 Act upon discovery that, or upon the happening of any event as a result of which, the prospectus included in such registration statement, as then in effect, includes an untrue statement of a material fact or omits to state any material fact required to be stated therein or necessary to make the statements therein not misleading, in the light of the circumstances under which they were made, and (subject to the good faith determination of the Company's Board of Directors as to whether to permit sales under such registration statement), at the request of Shareholder promptly prepare and furnish to it a reasonable

number of copies of a supplement to or an amendment of such prospectus as may be necessary so that, as thereafter delivered to the purchasers of such securities, such prospectus shall not include an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading, in the light of the circumstances under which they were made; (v) otherwise use its best efforts to comply with all applicable rules and regulations of the SEC; (vi) use its best efforts to list, if required by the rules of the applicable securities exchange or, if securities of the same class are then so listed, the Subject Stock covered by such registration statement on the NYSE or on any other securities exchange on which Subject Stock is then listed; (vii) before filing any registration statement or any amendment or supplement thereto, and as far in advance as is reasonably practicable, furnish to Shareholder and its counsel copies of such documents; and (viii) furnish to Shareholder, addressed to it, an opinion of counsel for the Company, dated the date of the closing under the underwriting agreement relating to any underwritten offering covering substantially the same matters with respect to such registration statement (and the prospectus included therein) as are customarily covered in opinions of

counsel delivered to underwriters in underwritten public offerings of securities.

(b) In connection with any offering of Subject Stock registered pursuant to Section 5.01 or 5.02, the Company shall (x) furnish to the underwriter, if any, unlegended certificates representing ownership of the Subject Stock being sold in such denominations as requested and (y) instruct any transfer agent and registrar of the Subject Stock to release any stop transfer orders with respect to such Subject Stock.

(c) At any time that Parent shall not be entitled to designate a nominee for election to the Board of Directors pursuant to Section 3.02, in connection with the preparation and filing of each registration statement registering Subject Stock under the 1933 Act, the Company will give Shareholder and the underwriters, if any, and their respective counsel and accountants (collectively, the "Inspectors"), such reasonable and customary access to its books and records (collectively, the "Records") and such opportunities to discuss the business of the Company with its officers and the independent public accountants who have certified its financial statements as shall be necessary, in the opinion of Shareholder and such underwriters or their respective counsel, to conduct a reasonable investigation within the meaning of the 1933 Act. Records which the Company reasonably determines to be confidential and which

it notifies the Inspectors in writing are confidential shall not be disclosed by the Inspectors unless (i) the disclosure of such Records is necessary or appropriate to avoid or correct a misstatement or omission in the registration statement, (ii) the portion of the Records to be disclosed has otherwise become publicly known, (iii) the information in such Records is to be used in connection with any litigation or governmental investigation or hearing relating to any registration statement or (iv) the release of such Records is ordered pursuant to a subpoena or other order. Shareholder agrees that it will, upon learning that disclosure of such Records is sought in a court of competent jurisdiction, give notice to the Company.

(d) Upon any registration becoming effective pursuant to Section 5.01, the Company shall use its best efforts to keep such registration statement current for a period of 90 days or such shorter period as shall be necessary to effect the distribution of the Subject Stock.

(e) Shareholder agrees that upon receipt of any notice from the Company of the happening of any event of the kind described in clause (iv) of Section 5.04(a), it will forthwith discontinue its disposition of Subject Stock pursuant to the registration statement relating to such Subject Stock until its receipt of the copies of the supplemented or amended prospectus contemplated by clause (iv) of Section 5.03(a) and, if so directed by the Company, will deliver to the Company all copies then in its possession of the prospectus relating to such Subject Stock current at the time of receipt of such notice. If Shareholder's disposition of Subject Stock is discontinued pursuant to the foregoing sentence, unless the Company thereafter extends the effectiveness of the registration statement to permit dispositions of Subject Stock by Shareholder for an aggregate of 90 days, whether or not consecutive, the registration statement shall not be counted for purposes of determining the

number of registrations to which Shareholder is entitled pursuant to Section 5.01.

Section 5.05. Expenses. In connection with any registration pursuant to this Article V (i) Shareholder shall pay all agent fees and commissions and underwriting discounts and commissions related to shares of Subject Stock being sold by Shareholder and the fees and disbursements of its counsel and accountants and (ii) the Company shall pay all fees and disbursements of its counsel and accountants and the expenses (including the fees of any separate counsel) of any "qualified independent underwriter" required in accordance with the Rules of Fair Practice of the National Association of Securities Dealers, Inc. All other fees and expenses in connection with any registration

statement (including, without limitation, all registration and filing fees, all printing costs, all fees and expenses of complying with securities or blue sky laws) shall (i) in the case of a registration pursuant to Section 5.01, be borne by Shareholder and (ii) in the case of a registration pursuant to Section 5.02, be shared pro rata based upon the respective market values of the securities to be sold by the Company, Shareholder and any other holders participating in such offering; provided that Shareholder shall not pay any expenses relating to work that would otherwise be incurred by the Company including, but not limited to, the preparation and filing of periodic reports with the Commission.

Section 5.06. Indemnification and Contribution. In the case of any offering registered pursuant to this Article V, the Company agrees to indemnify and hold Shareholder, each underwriter, if any, of the Subject Stock under such registration and each person who controls any of the foregoing within the meaning of Section 15 of the 1933 Act, and any officer, employee or partner of the foregoing, harmless against any and all losses, claims, damages, or liabilities (including reasonable legal fees and other reasonable expenses incurred in the investigation and defense thereof) to which they or any of them may become subject under the 1933 Act or otherwise (collectively "Losses"), insofar as any such Losses shall arise out of or shall be based upon (i) any untrue statement or alleged untrue statement of a material fact contained in the registration statement relating to the sale of such Subject Stock (as amended if the Company shall have filed with the SEC any amendment thereof), or the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading or (ii) any untrue statement or alleged untrue statement of a material fact contained in the prospectus relating to the sale of such Subject Stock (as amended or supplemented if the Company shall have filed with the SEC any amendment thereof or supplement thereto), or the omission or alleged omission to state therein a material fact necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading; provided that the indemnification contained in this Section 5.06 shall not apply to such Losses which shall arise out of or shall be based upon any such untrue statement or alleged untrue statement, or any such omission or alleged omission, which shall have been made in reliance upon and in conformity with information furnished in writing to the Company by Shareholder or any such underwriter, as the case may be, specifically for use in connection with the preparation of the registration statement or prospectus

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contained in the registration statement or any such amendment thereof or supplement therein.

Notwithstanding the foregoing provisions of this Section 5.06, the Company will not be liable to Shareholder, any person who participates as an underwriter in the offering or sale of Subject Stock or any other person, if any, who controls Shareholder or any underwriter (within the meaning of the 1933 Act), under the indemnity agreement in this Section 5.06 for any such Losses that arise out of Shareholder or other person's failure to send or give a copy of the final prospectus to the person asserting an untrue statement or alleged untrue statement or omission or alleged omission at or prior to the written confirmation of the sale of the Subject Stock to such person if such statement or omission was corrected in such final prospectus and the Company has previously furnished copies thereof in accordance with this Agreement.

In the case of each offering registered pursuant to this Article V, Parent shall, or shall cause General Electric Capital Services, Inc. or another member of the Financial Services Group, reasonably satisfactory to the Company (the "Parent Indemnitor") to, agree and each underwriter, if any, participating therein shall agree, substantially in the same manner and to the same extent as set forth in the preceding paragraph, severally to indemnify and hold harmless the Company and each person who controls the Company within the meaning of Section 15 of the 1933 Act, and any director, officer, employee or partner of the Company, with respect to any statement in or omission from such registration statement or prospectus contained in such registration statement (as amended or as supplemented, if amended or supplemented as aforesaid) if such statement or omission shall have been made in reliance upon and in conformity with information furnished in writing to the Company by Parent, Shareholder or such underwriter, as the case may be, specifically for use in connection with the preparation of such registration statement or prospectus contained in such registration statement or any such amendment thereof or supplement thereto.

Each party indemnified under this Section 5.06 shall, promptly after receipt of notice of the commencement of any claim against such indemnified party in respect of which indemnity may be sought hereunder, notify the indemnifying party in writing of the commencement thereof. The failure of any indemnified party to so notify an indemnifying party shall not relieve the indemnifying party from any liability in respect of such action which it may have to such indemnified party on account of the indemnity contained in this Section 5.06, unless (and only to the

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extent) the indemnifying party was prejudiced by such failure, and in no event shall such failure relieve the indemnifying party from any other liability which it may have to such indemnified party. In case any action in respect of

which indemnification may be sought hereunder shall be brought against any indemnified party and it shall notify an indemnifying party of the commencement thereof, the indemnifying party shall be entitled to participate therein and, to the extent that it may desire, jointly with any other indemnifying party similarly notified, to assume the defense thereof through counsel reasonably satisfactory to the indemnified party, and after notice from the indemnifying party to such indemnified party of its election so to assume the defense thereof, the indemnifying party shall not be liable to such indemnified party under this Section 5.06 for any legal or other expenses subsequently incurred by such indemnified party in connection with the defense thereof, other than reasonable costs of investigation (unless (i) such indemnified party reasonably objects to such assumption on the grounds that there may be defenses available to it which are different from or in addition to those available to such indemnifying party, (ii) the indemnifying party and such indemnified party shall have mutually agreed to the retention of such counsel or (iii) in the reasonable opinion of such indemnified party representation of such indemnified party by the counsel retained by the indemnifying party would be inappropriate due to actual or potential differing interests between such indemnified party and any other party represented by such counsel in such proceeding, in which case the indemnified party shall be reimbursed by the indemnifying party for the reasonable expenses incurred in connection with retaining separate legal counsel). No indemnifying party shall, without the prior written consent of the indemnified party, effect any settlement of any claim or pending or threatened proceeding in respect of which the indemnified party is or could have been a party and indemnity could have been sought hereunder by such indemnified party, unless such settlement includes an unconditional release of such indemnified party from all liability arising out of such claim or proceeding.

If the indemnification provided for in this Section 5.06 is unavailable to an indemnified party or is insufficient to hold such indemnified party harmless from any Losses in respect of which this Section 5.06 would otherwise apply by its terms (other than by reason of exceptions provided herein), then each applicable indemnifying party, in lieu of indemnifying such indemnified party, shall have a joint and several obligation to contribute to the amount paid or payable by such indemnified party as a result of such Losses, in such proportion as is

appropriate to reflect the relative benefits received by and fault of the indemnifying party, on the one hand, and such indemnified party, on the other hand, in connection with the offering to which such contribution relates as well as any other relevant equitable considerations. The relative benefit shall be determined by reference to, among other things, the amount of proceeds received by each party from the offering to which such contribution relates. The relative fault shall be determined by reference to, among other things, each party's relative knowledge and access to information concerning the matter with respect to which the claim was asserted, and the opportunity to correct and prevent any statement or omission. The amount paid or payable by a party as a result of any Losses shall be deemed to include any legal or other fees or expenses incurred by such party in connection with any investigation or proceeding, to the extent such party would have been indemnified for such expenses if the indemnification provided for in this Section 5.06 was available to such party.

The parties hereto agree that it would not be just and equitable if contribution pursuant to this Section 5.06 were determined by pro rata allocation or by any other method of allocation that does not take account of the equitable considerations referred to in the immediately preceding paragraph. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the 1933 Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation.

Section 5.07. Underwriting Agreement. (a) In connection with any underwritten offering of Subject Stock pursuant to a registration requested under Section 5.01, the Company, the Parent Indemnitor and Shareholder will enter into an underwriting agreement with the underwriters for such offering, such agreement to contain such representations and warranties by the Company, the Parent Indemnitor and Shareholder and such other terms and provisions as are customarily contained in the underwriting agreements with respect to secondary distributions, including, without limitation, indemnities and contribution to the effect and to the extent provided in Section 5.06 (and customary provisions with respect to indemnities and contribution by such underwriters).

(b) In connection with any underwritten offering of Subject Stock pursuant to a registration requested under Section 5.02, the Company may require the Common Stock requested to be registered pursuant to Section 5.02 to be included in such underwriting on the same terms and

conditions as shall be applicable to Common Stock being sold by the Company through underwriters under such registration. In such case, the Parent Indemnitor and Shareholder shall be a party to any such underwriting agreement. Such agreement shall contain such representations, warranties and covenants by the Parent Indemnitor and Shareholder and such other terms and provisions as are customarily contained in underwriting agreements with respect to secondary distributions, including, without limitation, indemnities and contribution to the effect and to the extent provided in Section 5.06 (and customary provisions with respect to indemnities and contribution by such underwriters).

ARTICLE VI

Shareholder Purchase Rights

Section 6.01. Shareholder Purchase Rights. (a) If, immediately after giving effect to and as a result of any issuance of Voting Securities by the Company, Parent shall beneficially own Common Stock representing less than the Equity Treatment Percentage of the total number of shares of Common Stock then outstanding and, at such time, Parent accounts for such ownership of Common Stock in accordance with the equity method of accounting, Parent shall have the right to acquire, at any time or from time to time thereafter, in the open market or in private transactions, a number of shares of Common Stock in the aggregate equal to the excess of (x) the number of shares representing the Equity Treatment Percentage of the then outstanding Common Stock over (y) the number of shares of Common Stock then beneficially owned by Parent (including any shares of Common Stock acquired by Shareholder pursuant to Section

6.01(b)).

(b) If, immediately after giving effect to and as a result of any issuance of stock by the Company on or after the date hereof, the Company shall not be a 20-percent owned corporation of the Shareholder and immediately prior thereto the Company was a 20-percent owned corporation of the Shareholder, Shareholder shall have the right to acquire at any time or from time to time thereafter, in the open market or in private transactions, a number of shares of Common Stock sufficient (together with any shares acquired pursuant to Section 6.01(a)) to enable Shareholder to treat the Company as a 20-percent owned corporation. For purposes of this paragraph (b), (i) the term "stock" shall have the same meaning as in Section 243(c)(2) of the Code as in effect on the date hereof, and (ii) all shares of stock of the Company held by Shareholder or any Affiliate of Shareholder shall be treated as if they were held by a single legal entity.

(c) If the Company shall issue any Voting Securities or stock of the Company at any time after October 17, 1994 and before the date of this Agreement, Shareholder will have the right to acquire, at any time or from time to time after the date hereof, in the open market or in private transactions, the number of shares of Common Stock determined in accordance with Section 6.01(a) or (b), as applicable, that Shareholder would have had the right to acquire pursuant to this Section 6.01 had this Agreement been in effect at such time.

ARTICLE VII

Approvals

Section 7.01. Company Stockholder Approval. The Company agrees that at its next annual stockholder meeting it shall submit for stockholder approval, to the extent required by NYSE rules, pursuant to applicable provisions of the NYSE Company Manual, authorization for the issuance of the shares of Common Stock into which the Convertible Preferred Stock is convertible. The Board has adopted a resolution recommending such stockholder approval and the Company shall use its best efforts to obtain such approval.

ARTICLE VIII

Miscellaneous

Section 8.01. Termination. This Agreement shall terminate upon (a) the written agreement of the Company, Shareholder and Parent to terminate this Agreement; or (b) the earlier of (i) the fifteenth anniversary of this Agreement and (ii) the third anniversary of the date on which Parent and its Affiliates shall no longer beneficially own any Voting Securities. The provisions of Articles III and IV of this Agreement shall terminate upon any failure by Purchaser to observe and perform its obligations under Section 3.02.

Section 8.02. Financial Services Group. Notwithstanding any other provision of this Agreement, nothing contained herein shall apply to any

Voting Securities held in any Third Party Account, and any such Voting Securities shall not be counted for purposes of this Agreement as being owned by Parent or any of its Affiliates.

Section 8.03. Legend. All certificates representing Common Stock and Preferred Stock subject to this Agreement shall bear the following legend:

"THE SHARES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 AND NEITHER THE SHARES NOR ANY INTEREST THEREIN MAY BE SOLD OR OTHERWISE TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION OR AN OPINION OF COUNSEL SATISFACTORY TO THE COMPANY THAT REGISTRATION UNDER SUCH ACT IS NOT REQUIRED. THE SHARES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO A STOCKHOLDERS AGREEMENT DATED DECEMBER 16, 1994 (A COPY OF WHICH IS ON FILE WITH THE SECRETARY OF THE COMPANY) WHICH PROVIDES, AMONG OTHER THINGS, FOR CERTAIN RIGHTS OF PURCHASE OF SUCH SHARES BY THE COMPANY AND CERTAIN RESTRICTIONS ON TRANSFER THEREOF. ANY SALE OR OTHER TRANSFER NOT IN COMPLIANCE WITH SAID AGREEMENT SHALL BE VOID."

Section 8.04. Specific Performance. (a) Parent and Shareholder, on the one hand, and the Company, on the other, acknowledge and agree that irreparable damage would occur if any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached. Accordingly, the parties will be entitled to an injunction or injunctions to prevent breaches of this Agreement and to enforce specifically its provisions in any court of the United States or any state having jurisdiction, this being in addition to any other remedy to which they may be entitled at law or in equity.

(b) Parent and Shareholder, on the one part, and the Company, on the other part, each irrevocably agrees that any legal action or proceeding against it with respect to this Agreement and any transaction contemplated by this Agreement may be brought in the courts of the State of New York, or of the United States of America for the Southern District of New York, and by execution and delivery of this Agreement Shareholder, Parent and the Company each irrevocably submits to the jurisdiction of such court and irrevocably designates, appoints and empowers the Secretary of State of the State of New York to receive for and on its behalf service of process in the State of New York and further irrevocably consents to the service or process outside of the territorial jurisdiction of such courts by mailing copies by registered United States mail, postage prepaid, to its address specified in this Agreement.

Section 8.05. Entire Agreement. The Transaction Documents and the documents referred to therein constitute the entire agreement and understanding of the parties with respect to the transactions contemplated by such parties and may be amended only by an agreement in writing executed by both parties.

Section 8.06. Severability. If any provision of this Agreement is held by a court of competent jurisdiction to be unenforceable, the remaining provisions shall remain in full force and effect. It is declared to be the intention of the parties that they would have executed the remaining provisions without including any that may be declared unenforceable.

Section 8.07. Headings. Descriptive headings are for convenience only and will not control or affect the meaning or construction of any provision of this Agreement.

Section 8.08. Counterparts. For the convenience of the parties, any number of counterparts of this Agreement may be executed by the parties, and each such executed counterpart will be an original instrument.

Section 8.09. Notices. All notices, requests, demands and other communications required or permitted hereunder shall be made in writing by hand-delivery, registered first-class mail, telex, telecopier or air courier guaranteeing overnight delivery:

(a) If to the Company, to:

Paine Webber Group Inc.
1285 Avenue of the Americas
New York, New York 10019
Attention: General Counsel
Telecopy: 212-713-2114:

(with copies to):

Cravath, Swaine & Moore
825 Eighth Avenue
New York, New York 10019
Attention: David G. Ormsby
Telecopy: 212-474-3700

(b) If to Shareholder (including any other subsidiary of Parent to which shares of Common Stock or Preferred Stock are transferred pursuant to Section 4.02(a)(i)), to:

Kidder, Peabody Group Inc.
10 Hanover Square
New York, New York 10005
Attention: John M. Liftin
Telecopy: 212-510-4920

(with copies to):

(1) Parent; and

(2) Cleary, Gottlieb, Steen & Hamilton
One Liberty Plaza
New York, New York 10006

Attention: Alan L. Beller
Telecopy: 212-225-3999

(c) If to Parent, to:

General Electric Company
3135 Easton Turnpike
Fairfield, Connecticut 06431
Attention: Senior Counsel for Transactions
Telecopy: 202-373-3008

(with copies to):

Davis Polk & Wardwell
450 Lexington Avenue
New York, New York 10017
Attention: Dennis S. Hersch
Telecopy: 212-450-4800

or to such other person or address as any party shall furnish to each other party hereto in writing.

All such notices, requests, demands and other communications shall be deemed to have been duly given: at the time of delivery by hand, if personally delivered; five business days after being deposited in the mail, postage prepaid, if mailed; when answered back, if telexed; when receipt acknowledged, if telecopied; and on the next business day, if timely delivered to an air courier guaranteeing overnight delivery.

Section 8.10. Successors and Assigns. This Agreement shall bind the successors and assigns of the parties, and inure to the benefit of any successor or assign of any of the parties; provided that, except as provided in Section 4.05, no party may assign this Agreement without the other party's prior written consent.

Section 8.11. Governing Law. This Agreement will be governed by and construed and enforced in accordance with the internal laws of the State of New York, without giving effect to the conflict of laws principles thereof.

Section 8.12. Compliance by Affiliates. Subject to Section 8.02, Parent shall, and shall cause its Affiliates to, observe and perform all covenants and agreements of Parent and Shareholder set forth in this

Agreement as if such covenants and agreements were directly applicable to Parent and such Affiliates.

Section 8.13. Reports. So long as Shareholder shall own any Voting Securities, the Company will furnish Shareholder with the quarterly and annual financial reports that the Corporation is required to file with the Commission pursuant to Section 13 or Section 15(d) of the 1934 Act or, in the event the Company is not required to file such reports, reports containing the same information as would be required in such reports.

Section 8.14. Fair Market Value Determination. So long as Shareholder shall own any Convertible Preferred Stock, if Parent shall object to any determination of the fair market value of noncash consideration made by the Board of Directors of the Company in accordance with paragraph (7)(g)(ii) of the Certificate of Designation of Rights and Preferences for such Convertible Preferred Stock, the parties shall negotiate in good faith in order to agree on such fair market value. If the parties are unable to agree on such fair market value within 30 days, the Board of Directors of the Company shall retain a nationally recognized investment banking firm reasonably satisfactory to Parent to determine such fair market value. The fees and expenses of such investment banking firm shall be shared equally by Parent and the Company. Parent shall be notified promptly of any consideration other than cash subject to any such determination and furnished with a description of the consideration and the fair market value thereof, as determined by the Board of Directors of the Company.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their respective officers thereunto duly authorized as of the date first above written.

PAINE WEBBER GROUP INC.

By:

Name:
Title:

GENERAL ELECTRIC COMPANY

By:

Name:
Title:

KIDDER, PEABODY GROUP INC.

By:

Name:
Title:

Exhibit 10.1

SUPPLEMENTAL AGREEMENT

SUPPLEMENTAL AGREEMENT dated as of December 9, 1994 among Paine Webber Group Inc., a Delaware corporation (the "Purchaser"), General Electric Company, a New York corporation (the "Parent"), and Kidder, Peabody Group Inc., a Delaware corporation (the "Seller").

WHEREAS, the parties hereto have previously entered into an Asset Purchase Agreement dated as of October 17, 1994 (the "Asset Purchase Agreement") and a Restructuring Agreement dated as of October 17, 1994 (the "Restructuring Agreement");

WHEREAS, the parties hereto desire to supplement and amend the provisions of the Asset Purchase Agreement and Restructuring Agreement to provide for the transfer of the Acquired Businesses to the Purchaser (or its designee) in the manner set forth in this Agreement;

NOW THEREFORE, in consideration of the mutual agreements contained herein and other good and valuable consideration, the receipt and adequacy of which is hereby acknowledged, the parties hereto agree as follows:

ARTICLE I

DEFINITIONS

SECTION 1.01 Definitions. (a) Terms used herein and not otherwise defined herein shall have the meanings set forth in the Asset Purchase Agreement or the Restructuring Agreement, as the case may be.

(b) As used in this Agreement, the following terms shall have the following meanings:

"Acquired Businesses" has the meaning set forth in Section 9.10.

"Asset Management" shall mean the business of the Seller Group generally known by the name Asset Management, excluding the business generally known by the name Managed Futures.

"Asset Management Closing" has the meaning set forth in Section 6.01.

"Asset Management Closing Date" has the meaning set forth in Section 6.01.

"Initial Form 8594" has the meaning set forth in Section 9.03.

"Margin Debit" has the meaning set forth in Section 5.01.

"Other Acquired Businesses" shall mean all of the Acquired Businesses other than Real Estate, Related Retail Brokerage and Asset Management, including those generally known by the names Equity Research, Investment Banking (excluding High Yield and Emerging Markets), Fixed Income (sales force only), International Institutional Equity (Geneva and Zurich), International Fixed Income (London, Geneva, Zurich, Hong Kong, Singapore and part of Tokyo, if applicable) and Municipal Finance (excluding sales and trading). Notwithstanding the foregoing, to the extent the Purchaser hires Continuing Employees from business units of Other Acquired Businesses prior to the Other Acquired Businesses Closing Date, such action shall not constitute the transfer of an Other Acquired Business.

"Other Acquired Businesses Closing" has the meaning set forth in Section 4.02.

"Other Acquired Businesses Closing Date" has the meaning set forth in Section 4.02.

"Other Acquired Businesses Interim Balance Sheet" has the meaning set forth in Section 4.04(a).

"Other Acquired Businesses Interim Net Book Value Statement" has the meaning set forth in Section 4.04(a).

"Other Acquired Businesses Securities Inventory" has the meaning set forth in Section 4.01.

"Real Estate" shall mean the business of the Seller Group generally known by the name Mortgages, including Single Family Whole Loan Trading, Commercial/Multi-Family Whole Loan Trading, Mortgage Finance, Real Estate Finance (including REIT underwriting and sales and real estate advisory), Research and Contract Finance.

"Real Estate Closing" has the meaning set forth in Section 3.02.

"Real Estate Closing Date" has the meaning set forth in Section 3.02.

"Real Estate Interim Balance Sheet" has the meaning set forth in Section 3.04.

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"Real Estate Interim Net Book Value Statement" has the meaning set forth in Section 3.04.

"Real Estate Securities Inventory" has the meaning set forth in Section 3.01.

"Related Retail Brokerage" shall mean the business of the Seller Group generally known by the name Retail Brokerage and the business of the Seller Group (other than International Fixed Income) conducted in its office in Hong Kong.

"Related Retail Brokerage Closing" has the meaning set forth in Section 5.02(a).

"Related Retail Brokerage Closing Date" has the meaning set forth in Section 5.02(a).

"Related Retail Brokerage Interim Balance Sheet" has the meaning set forth in Section 5.04(a).

"Related Retail Brokerage Interim Net Book Value Statement" has the meaning set forth in Section 5.04(a).

"Related Retail Brokerage Securities Inventory" has the meaning set forth in Section 5.01(b).

"Retail Brokerage" shall mean the Acquired Business generally known by the name Investment Services (retail brokerage).

(c) This Agreement shall be deemed to be a Transaction Document and each reference in any of the Transaction Documents to the Transaction Documents shall be deemed to include this Agreement.

SECTION 1.02 Rules of Interpretation. The rules of interpretation specified in Section 1.02 of the Asset Purchase Agreement shall be applicable to this Agreement.

ARTICLE II

PRE-CLOSING

SECTION 2.01 Listed Domestic Futures. The parties hereto acknowledge that, pursuant to an Assignment Agreement dated as of December 5, 1994 between Kidder, Peabody & Co. Incorporated and PaineWebber Incorporated

and related Conveyancing Documents, certain assets of the business of the Seller Group generally known by the name Listed Domestic Futures (Chicago Branch) were transferred to the Purchaser and certain liabilities of Listed Domestic

Futures (Chicago Branch) were assumed by the Purchaser, but such business as a whole was not acquired on such date. The parties hereto agree that (i) the Closing Date with respect to the transfer of such assets to, and the assumption of such liabilities by, the Purchaser shall be as of December 3, 1994 and, as of such date, such assets shall constitute Acquired Assets and such liabilities shall constitute Assumed Liabilities and (ii) the commissions earned by Listed Domestic Futures (Chicago Branch) prior to December 2, 1994 and received thereafter as reflected in a schedule delivered to the Purchaser by the Seller shall be for the account of the Seller.

ARTICLE III

REAL ESTATE BUSINESS

SECTION 3.01 Real Estate Securities Inventory. (a) Prior to the Real Estate Closing Date, the Purchaser and the Seller shall agree on (i) the Securities and off-balance sheet hedges and derivatives, if any, held by any member of the Seller Group in connection with the conduct of Real Estate that are to be acquired by the Purchaser (the "Real Estate Securities Inventory"), and reduce such agreement to a list, and (ii) the fair market value of the Real Estate Securities Inventory. The Real Estate Securities Inventory shall constitute Acquired Assets. Any Security or off-balance sheet hedge or derivative held by any member of the Seller Group in connection with the conduct of Real Estate that is not on the list of Real Estate Securities Inventory shall constitute an Excluded Asset.

(b) The parties hereto agree:

(i) Section 2.08 (Exclusion of Selected Securities), Section 2.09 (Return of Securities), Section 2.10 (The LM Expert), Article V (Representations and Warranties of the Seller and the Parent), Section 7.01(d) (Actions and Conduct of Acquired Businesses Before the Closing Date) and Section 9.05 (Off-Balance Sheet Positions) of the Asset Purchase Agreement have not been applied, and shall not apply, to the Real Estate Securities Inventory, and

(ii) the representations and warranties set forth in the relevant Conveyancing Documents delivered at the Real Estate Closing shall

apply to the Real Estate Securities Inventory.

SECTION 3.02 Real Estate Closing Date. Subject to the satisfaction or waiver by the appropriate party of

the conditions set forth in Section 13.01, Section 13.03, Section 13.05, Section 14.01, Section 14.03 and Section 14.04 of the Asset Purchase Agreement to the extent, and only to the extent, that such conditions apply to the transactions contemplated by this Article III, the closing with respect to Real Estate (the "Real Estate Closing") shall take place on December 9, 1994 at the offices of Cadwalader, Wickersham & Taft at 100 Maiden Lane, New York, New York 10038 at 10:00 a.m. (the "Real Estate Closing Date").

SECTION 3.03 Real Estate Closing. At the Real Estate Closing:

(a) the Purchaser shall deliver to a member of the Seller Group designated by the Seller for the account(s) of the member(s) of the Seller Group transferring the Acquired Assets an amount in cash equal to the excess of (i) the sum of Acquired Liquid Assets and Physical Capital over (ii) the Assumed Liabilities, each as reflected on the Real Estate Interim Net Book Value Statement, payable in Federal funds by 11:00 a.m., and

(b) the Purchaser (or its designee) and the Seller (or the appropriate member of Seller Group), as appropriate, shall execute and deliver

(i) an assignment and assumption agreement, pursuant to which the Purchaser assumes certain Assumed Liabilities arising out of Real Estate, and

(ii) the applicable Conveyancing Documents pursuant to which the appropriate member(s) of the Seller Group transfers to the Purchaser (or its designee) the Real Estate Securities Inventory reflected on the Real Estate Interim Balance Sheet and the other Acquired Assets of Real Estate and the Purchaser (or its designee) assumes the other Assumed Liabilities arising out of Real Estate.

SECTION 3.04 Real Estate Interim Balance Sheet. On the date one Business Day before the Real Estate Closing Date, the Seller shall deliver to the Purchaser (i) an estimated balance sheet of Real Estate prepared as of the Real Estate Closing Date (the "Real Estate Interim Balance Sheet") prepared in accordance with the Balance Sheet Principles, except that the value of the Real Estate Securities Inventory included in such Interim Balance Sheet shall be the value agreed pursuant to Section 3.01(a)(ii) and the Real Estate Interim balance Sheet shall not include more than $2.4 million in Other Liquid Assets

(it being understood that such limitation shall not apply to the Closing Balance Sheet) and (ii) a schedule based on the Real

Estate Interim Balance Sheet detailing the calculation of the estimated excess of (x) the sum of the Acquired Liquid Assets and Physical Capital over (y) the Assumed Liabilities to be delivered on the Real Estate Closing Date (the "Real Estate Interim Net Book Value Statement").

SECTION 3.05 Certain Liabilities. If and to the extent that (i) the fair market value of the Real Estate Securities Inventory is determined by a third party and (ii) any liabilities or obligations (other than any Assumed Obligations) arising out of or relating to the Real Estate Securities Inventory were used by such third party to reduce the value of the Real Estate Securities Inventory agreed pursuant to Section 3.01(a)(ii) but which are not Assumed Liabilities, then the Purchaser shall promptly after request therefor (and presentation of evidence of such use by such third party) reimburse the appropriate member of the Seller Group an amount in cash equal to the amount of such reduction. The amount of such reimbursement with respect to any liability or obligation shall be taken into account in calculating the price paid for the Real Estate Securities Inventory out of which such liability or obligation arose for the purpose of any put or return rights in the Transaction Documents. The Purchaser shall cooperate, and use its reasonable best efforts to cause its agents and contractors to cooperate, with the Seller Group in ascertaining the amounts and circumstances relating to any such reductions.

SECTION 3.06. CC Mortgage L.P. Notwithstanding anything to the contrary in any Transaction Document, the interest of the Seller Group in CC Mortgage L.P. shall not be transferred to the Purchaser at the Real Estate Closing and shall not be included in the Real Estate Interim Balance Sheet. Unless the Purchaser otherwise specifically agrees in writing prior to the Other Acquired Businesses Closing, such interest shall be an Excluded Asset.

ARTICLE IV

ACQUIRED BUSINESSES OTHER THAN REAL ESTATE, RELATED RETAIL BROKERAGE AND ASSET MANAGEMENT

SECTION 4.01 Other Acquired Businesses Securities Inventory. (a) On or prior to the Other Acquired Businesses Closing Date, the Purchaser and the Seller shall agree on (i) the Securities and off-balance sheet hedges and derivatives, if any, held by any member of the Seller Group in connection with the conduct of the Other Acquired Businesses that are to be acquired by the Purchaser (the "Other Acquired Businesses Securities Inventory"), and

reduce such agreement to a list, and (ii) the fair market

value of the Other Acquired Businesses Securities Inventory. The Other Acquired Businesses Securities Inventory shall constitute Acquired Assets. Any Security or off-balance sheet hedge or derivative held by any member of the Seller Group in connection with the conduct of the Other Acquired Businesses that is not on the list of Other Acquired Businesses Securities Inventory shall constitute an Excluded Asset.

(b) The parties hereto agree that Section 2.08 (Exclusion of Selected Securities), Section 2.09 (Return of Securities), Section 2.10 (The LM Expert), Section 5.18 (Securities), Section 7.01(d) (Actions and Conduct of Acquired Businesses Before the Closing Date) and Section 9.05 (Off-Balance Sheet Positions) of the Asset Purchase Agreement have not been applied, and shall not apply, to the Other Acquired Businesses Securities Inventory.

SECTION 4.02 Other Acquired Businesses Closing Date. Subject to the satisfaction or waiver by the appropriate party of all the conditions set forth in the Asset Purchase Agreement other than the condition set forth in Section 14.05 thereof, the closing with respect to the Other Acquired Businesses (the "Other Acquired Businesses Closing") shall take place on December 16, 1994 at the offices of Cravath, Swaine & Moore at 825 Eighth Avenue, New York, New York 10019 at 2 p.m. (the "Other Acquired Businesses Closing Date").

SECTION 4.03 Other Acquired Businesses Closing. At the Other Acquired Businesses Closing:

(a) the Purchaser shall:

(i) issue the Common Stock Consideration, the Convertible Preferred Stock and the Redeemable Preferred Stock to the members of the Seller Group who are transferring the Acquired Assets of the Other Acquired Businesses to the Purchaser (which members shall be identified in writing to the Purchaser at least two Business Days prior to the Other Acquired Businesses Closing) and deliver or cause to be delivered certificates for such securities, registered in the names provided to the Purchaser,

(ii) deliver to the Seller an Assumption Agreement pursuant to which the Purchaser assumes the Assumed Liabilities arising out of the Other Acquired Businesses, duly executed by the Purchaser;

(b) the Seller shall transfer to the Purchaser (or its designee) the Other Acquired Businesses Securities Inventory reflected on the

Balance Sheet and the other Acquired Assets of the Other Acquired Businesses (including the right, title and interest of each member of the Seller Group in the name "Kidder" and "Kidder Peabody", and all extensions, contractions and abbreviations thereof and derivations therefrom) by delivering the applicable Conveyancing Documents, duly executed by the appropriate members of the Seller Group; and

(c) the Purchaser, the Parent and the Seller shall execute and deliver the Stockholder Agreement.

SECTION 4.04 Other Acquired Businesses Interim Balance Sheet. (a) On the Other Acquired Businesses Closing Date, the Seller shall deliver to the Purchaser (i) an estimated balance sheet of the Other Acquired Businesses prepared as of the Other Acquired Businesses Closing Date (the "Other Acquired Businesses Interim Balance Sheet") prepared in accordance with the Balance Sheet Principles, except that the value of the Other Acquired Businesses Securities Inventory included in such Interim Balance Sheet shall be the value agreed pursuant to Section 4.01(a)(ii) and the Other Liquid Assets shall be limited to clearance receivables, customer receivables and other liquid trade receivables (it being understood that such limitation shall not apply to the Closing Balance Sheet), and (ii) a schedule based on the Other Acquired Businesses Interim Balance Sheet detailing the calculation of the estimated excess of (x) the sum of the Acquired Liquid Assets and Physical Capital over (y) the Assumed Liabilities to be delivered on the Other Acquired Businesses Closing Date (the "Other Acquired Businesses Interim Net Book Value Statement").

(b) On the date two Business Days before the Other Acquired Businesses Closing Date, the Seller shall deliver to the Purchaser a preliminary version of the Other Acquired Businesses Interim Balance Sheet, which shall value the Other Acquired Businesses Securities Inventory at the fair market value as of the close of business on the most recent practicable date.

SECTION 4.05 Other Acquired Businesses Closing Adjustment. (a) To the extent, if any, the estimated excess of (i) the sum of the Acquired Liquid Assets and Physical Capital over (ii) the Assumed Liabilities, each as reflected on the Other Acquired Businesses Interim Net Book Value Statement, is greater than $580,000,000, the Purchaser shall deliver to a member of the Seller Group designated by the Seller for the account(s) of the appropriate member(s) of the Seller Group on the Other Acquired Businesses Closing Date, an amount in cash equal to the excess of (i) such estimated excess over (ii)

$580,000,000, payable in Federal funds by 4 p.m.

(b) To the extent, if any, the estimated excess of (i) the sum of the Acquired Liquid Assets and Physical Capital over (ii) the Assumed Liabilities as reflected on the Other Acquired Businesses Interim Net Book Value Statement is less than $580,000,000, the Seller shall deliver to the Purchaser on the Other Acquired Businesses Closing Date, an amount in cash equal to the excess of (i) $580,000,000 over (ii) such estimated excess, payable in Federal funds by 4 p.m.

(c) The parties hereto agree that with respect to any Other Acquired Businesses Securities Inventory to be purchased on the Other Acquired Businesses Closing Date, interest thereon shall accrue through but excluding the trade date for the account of the Seller and from and including the trade date through the settlement date for the account of the Purchaser. Promptly following the settlement date the Seller shall remit to the Purchaser any amount so accrued for the account of the Purchaser.

SECTION 4.06 License Agreement. For purposes of Section 7.11 of the Asset Purchase Agreement, (i) the period of time referred to therein as "within two years after the Closing Date" shall mean by December 31, 1996 and the period of time referred to therein as "for two years following the Closing Date" shall mean until December 31, 1996, and (ii) the non-transferable royalty-free license right retained therein to each member of the Seller Group shall also include the right to use such names, or any derivative thereof, in the operation of Related Retail Brokerage and Asset Management until the transfer thereof to the Purchaser (and the Purchaser shall not use such names, or any derivatives thereof, in the conduct of any retail brokerage or asset management business until the transfer of Related Retail Brokerage or Asset Management, as applicable). The Purchaser shall indemnify each Seller Indemnitee against any Loss suffered by such Seller Indemnitee, as incurred, for or on account of or arising from or in connection with or otherwise with respect to the use by the Purchaser or its assigns of the names "Kidder" and "Kidder Peabody" or any derivative thereof. The Parent and the Seller shall jointly and severally indemnify each Purchaser Indemnitee against any Loss suffered by such Purchaser Indemnitee, as incurred, for or on account of or arising from or in connection with or otherwise with respect to the use by any member of the Seller Group of the names "Kidder" and "Kidder Peabody" or any derivative thereof. Indemnification hereunder shall be subject to the procedures and limitations set forth in Section 12.03 and Section 12.05 of the Asset Purchase Agreement and shall be in addition to the indemnification provided in Article XII of the Asset Purchase Agreement.

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SECTION 4.07 Management of Related Retail Brokerage and Asset Management. (a) Except as otherwise agreed in writing between the Purchaser and the Seller, (i) the employment by the Purchaser of any Continuing Employee of Related Retail Brokerage shall not be effective until the Related Retail Brokerage Closing and (ii) the employment by the Purchaser of any Continuing Employee of Asset Management shall not be effective until the Asset Management Closing; provided that, to the extent that any such Continuing Employee is required for, or engaged in, the Conversion, such employment shall not be effective until the later to occur of (x) completion of Conversion or (y) the Related Retail Brokerage Closing or the Asset Management Closing, as the case may be.

(b) Prior to each of the Related Retail Brokerage Closing and the Asset Management Closing, the Seller shall provide to the Purchaser a list of Contracts, if any, not otherwise identified to the Purchaser pursuant to Section 7.03(b) of the Asset Purchase Agreement to which any member of the Seller Group is a party and arising out of or used primarily by such Seller Group member in the conduct of Related Retail Brokerage and Asset Management, respectively, to the extent such list can be prepared without undue burden. The Purchaser shall have the right to review any Contract on such list and may, within 30 days after delivery of such list, elect by notice in writing to the Seller to assume any Contract on such list. Upon giving of such notice and the execution by the Purchaser of any appropriate instrument of transfer, such Contract shall thereafter be an Assigned Contract for all purposes under the Transaction Documents, including for the purposes of determining the Assumed Liabilities. This Section 4.07(b) shall be in addition to the rights of the Purchaser under Section 2.07(c) of the Asset Purchase Agreement.

(c) With respect to the activities currently conducted by the money market trading desk of the Seller, those activities will be described in writing in reasonable detail to the Purchaser by December 16, 1994. The Purchaser shall notify the Seller by December 23, 1994 as to which, if any, such activities it desires to acquire and those activities so identified shall thereafter be treated as forming a part of Related Retail Brokerage for purposes of this Agreement.

SECTION 4.08 Absence of Restraint. The Related Retail Brokerage Closing shall be subject only to notification in writing of the Purchaser to the Seller, on or prior to January 2, 1995, that the condition set forth in Section 14.05 of the Asset Purchase Agreement has not been satisfied. If no notification has been received by the

Seller by January 2, 1995, such condition shall be deemed to have been satisfied or waived as of such date.

SECTION 4.09 Facility Services. The parties hereto acknowledge that, in connection with the transfer of the Acquired Businesses to the Purchaser, the Purchaser (or its designee) may have short-term needs to use and occupy certain space owned or leased by the Parent or the Seller, pending relocation as promptly as practicable to other facilities. The parties hereto agree to enter into arrangements, on terms substantially similar to those in the Revocable License Agreement to be entered into between Kidder Peabody & Co. Incorporated and PaineWebber Incorporated prepared by Rosenman & Colin, to permit the Purchaser to use and occupy such space.

SECTION 4.10 International Matched Book. The parties hereto acknowledge that the business of the Seller Group generally known as International Matched Book is not an Acquired Business. Prior to the Other Acquired Businesses Closing Date, the parties hereto shall enter into an arrangement which provides, among other things, that, to the extent permitted by Applicable Law, (i) employees of the Purchaser shall manage the liquidation of the Securities inventory of International Matched Book at the direction and for the account of the Seller Group, (ii) the Seller shall bear the reasonable costs and expenses of such employees, including a reasonable hourly fee, and (iii) the Seller shall agree to indemnify the Purchaser for all Losses arising out of the management of the liquidation of such Securities inventory, except for Losses resulting from the negligence or wilful misconduct of such employees or the Purchaser.

SECTION 4.11 Municipal Finance. For the period from the Other Acquired Businesses Closing to the Related Retail Brokerage Closing, the Purchaser shall act as principal, subject to best execution, for trades of any member of the Seller Group in Securities to support the Municipal Finance business of Retail Brokerage.

SECTION 4.12 Bridge Fund. The parties hereto acknowledge that, following the Other Acquired Businesses Closing, the Purchaser may at its election participate (including the assumption of the obligations that would be associated with such participation) in the so-called Bridge Fund in lieu of and to the extent that the Seller Group currently may participate, and the parties hereto shall take such steps as may be reasonably necessary to permit such result.

ARTICLE V

RELATED RETAIL BROKERAGE BUSINESS

SECTION 5.01 Margin Debit; Related Retail Brokerage Securities Inventory. (a) Prior to the Related Retail Brokerage Closing Date, the Purchaser and the Seller shall agree on (i) a list of margin debt of customers of Retail Brokerage held by any member of the Seller Group in connection with the conduct of Related Retail Brokerage that is to be acquired by the Purchaser (the "Margin Debit") and (ii) the fair market value of the Margin Debit as of the close of business on the most recent practicable date (but in no event earlier than the fifth Business Day prior to the Related Retail Brokerage Closing Date). The Margin Debit shall constitute Acquired Assets.

(b) Prior to the Related Retail Brokerage Closing Date, the Purchaser and the Seller shall agree (in the case of over-the-counter equity Securities, in the manner pursuant to Section 5.01(c)) on (i) the Securities and off-balance sheet hedges and derivatives, if any, held by any member of the Seller Group in connection with the conduct of Related Retail Brokerage, if any, that are to be acquired by the Purchaser (the "Related Retail Brokerage Securities Inventory"), and reduce such agreement to a list, and (ii) the fair market value of the Related Retail Brokerage Securities Inventory as of the close of business on the most recent practicable date. The Related Retail Brokerage Securities Inventory shall constitute Acquired Assets. Any Security or off-balance sheet hedge or derivative held by any member of the Seller Group in connection with the conduct of Related Retail Brokerage that is not on the list of Related Retail Brokerage Securities Inventory shall constitute an Excluded Asset.

(c) By December 15, 1994 the Purchaser shall review the over-the-counter equity Securities inventory of Related Retail Brokerage and notify in writing the Seller of the Securities, if any, in such inventory that the Purchaser does not wish to acquire. Until the Related Retail Brokerage Closing Date, the Purchaser shall be permitted on a weekly basis to review any changes in such inventory and notify in writing the Seller of the Securities therein that the Purchaser does not wish to acquire. Any over-the-counter equity Securities forming part of the Securities inventory of Related Retail Brokerage on the Related Retail Brokerage Closing Date that the Purchaser has not notified in writing to the Seller that it does not wish to acquire shall form part of the Related Retail Brokerage Securities Inventory.

(d) The parties hereto agree that Section 2.08 (Exclusion of

Selected Securities), Section 2.09 (Return of Securities), Section 2.10 (The LM Expert), Section 5.18 (Securities), Section 7.01(d) (Actions and Conduct of Acquired Businesses Before the Closing Date) and Section 9.05 (Off-Balance Sheet Positions) of the Asset Purchase Agreement have not been applied, and shall not apply, to the Related Retail Brokerage Securities Inventory.

SECTION 5.02 Related Retail Brokerage Closing Date. (a) The closing with respect to Related Retail Brokerage (the "Related Retail Brokerage Closing") shall take place at the offices of Cravath, Swaine & Moore at 825 Eighth Avenue, New York, New York 10019 at 10:00 a.m. on January 30, 1995 (the "Related Retail Brokerage Closing Date").

(b) The conditions set forth in Articles XIII and XIV of the Asset Purchase Agreement, having been satisfied or waived by the appropriate party, except as set forth in Section 4.09, on or before the Other Acquired Businesses Closing Date, shall not be applicable to the Related Retail Brokerage Closing or the Asset Management Closing.

SECTION 5.03 Related Retail Brokerage Closing. At the Related Retail Brokerage Closing:

(a) the Purchaser shall deliver to a member of the Seller Group designated by the Seller for the account(s) of the member(s) of the Seller Group transferring the Acquired Assets:

(i) an amount in cash equal to the excess, if any, of the sum of (x) the excess of the Acquired Liquid Assets over the Assumed Liabilities as reflected on the Related Retail Brokerage Interim Net Book Value Statement and (y) an amount equal to the estimated net book value of Physical Capital of Related Retail Brokerage, up to a maximum of $20 million less an amount equal to the estimated net book value of the sum of (A) Physical Capital of Real Estate, as determined pursuant to Section 3.04, and (B) Physical Capital of the Other Acquired Businesses, as determined pursuant to Section 4.04, payable in Federal funds by 11:00 a.m., and

(ii) an Assumption Agreement pursuant to which the Purchaser assumes the Assumed Liabilities arising out of Related Retail Brokerage, duly executed by the Purchaser; and

(b) the Seller shall transfer to the Purchaser (or its designee) the Margin Debit and the Related Retail

Brokerage Securities Inventory reflected on the Related Retail Brokerage

Interim Balance Sheet, the other Acquired Assets of Related Retail Brokerage and all other Acquired Assets not previously transferred to the Purchaser (or its designee) other than those used primarily in the operation of Asset Management, by delivering the applicable Conveyancing Documents, duly executed by the appropriate members of the Seller Group.

SECTION 5.04 Related Retail Brokerage Interim Balance Sheet. On the date two Business Days before the Related Retail Brokerage Closing Date, the Seller shall deliver to the Purchaser (i) an estimated balance sheet of Related Retail Brokerage prepared as of the Related Retail Brokerage Closing Date (the "Related Retail Brokerage Interim Balance Sheet") prepared in accordance with the Balance Sheet Principles, except that the value of each of the Margin Debit and the Related Retail Brokerage Securities Inventory included in such Interim Balance Sheet shall be the value agreed pursuant to Section 5.01(a) and Section 5.01(b), respectively, and (ii) a schedule based on the Related Retail Brokerage Interim Balance Sheet detailing the calculation of the estimated excess of the Acquired Liquid Assets over the Assumed Liabilities to be delivered on the Related Retail Brokerage Closing Date (the "Related Retail Brokerage Interim Net Book Value Statement").

SECTION 5.05 Transfer of IRAs, SEPs and QPs. Exhibit 1 hereto sets forth the agreement of the parties with respect to the costs and expenses arising out of or in connection with transfer of (i) all of the assets of the individual retirement accounts for which a member of the Seller Group has acted as the broker/dealer designated by the participants to the Purchaser (or its designee), as successor custodian of such individual retirement accounts, (ii) sponsorship of a simplified employee pension for use with certain of such individual retirement accounts to the Purchaser (or its designee) and (iii) all of the assets of the self-directed qualified retirement plans for which a member of the Seller Group is the broker/dealer designated by such plans to the Purchaser (or its designee), as successor trustee.

ARTICLE VI

ASSET MANAGEMENT BUSINESS

SECTION 6.01 Asset Management Closing Date. The closing with respect to Asset Management (the "Asset Management Closing") shall take place at the offices of Cravath, Swaine & Moore at 825 Eighth Avenue, New York, New York 10019 at 10:00 a.m., on the second Business Day

following the later to occur of (i) the earlier of (x) receipt of an exemptive order from the Commission concerning the Funds, in form and substance

reasonably satisfactory to each of the parties hereto, and (y) the holding of meetings of shareholders of substantially all of the Funds at which approval of investment advisory agreements providing that an affiliate of Purchaser act as an investment advisor were considered and (ii) the earlier of (x) receipt of an exemptive order from the Commission concerning the managed accounts of Asset Management, in form and substance reasonably satisfactory to each of the parties hereto, and (y) receipt of substantially all of the Required Consents with respect to the managed accounts of Asset Management (except for such accounts as are terminated or as to which the Purchaser and the Seller agree Required Consents will not be received), or at such other place and time as may be mutually agreed to by the parties hereto, but in no event shall the Asset Management Closing take place later than April 30, 1995 (the date the Asset Management Closing occurs being referred to herein as the "Asset Management Closing Date"). The consummation of the Asset Management Closing shall not limit, terminate or otherwise impair the obligations of the Parent and the Seller under Section 2.04 and Section 7.06 of the Asset Purchase Agreement.

SECTION 6.02 Asset Management Closing. At the Asset Management Closing:

(a) the Purchaser shall deliver to Seller an Assumption Agreement pursuant to which the Purchaser assumes the Assumed Liabilities arising out of Asset Management, duly executed by the Purchaser; and

(b) the Seller shall transfer to the Purchaser (or its designee) the Acquired Assets of Asset Management, by delivering the applicable Conveyancing Documents, duly executed by the appropriate members of the Seller Group.

SECTION 6.03 Asset Management Closing Adjustment. (a) In the event that the Asset Management Closing shall occur prior to the final determination of the Closing Balance Sheet, the Acquired Assets and Assumed Liabilities of Asset Management shall be deemed transferred or assumed, as the case may be, at the Related Retail Brokerage Closing and shall be included in the Closing Balance Sheet.

(b) In the event that the Asset Management Closing shall occur after the final determination of the Closing Balance Sheet, an appropriate cash payment shall be made by the Purchaser or the Seller, as applicable, calculated as if such Acquired Assets and Assumed Liabilities had been transferred or assumed, as the case may

be, at the Related Retail Brokerage Closing and had been included in the Closing Balance Sheet.

SECTION 6.04 Financial Counselors, Inc. On the date on which the business carried on under the names "Financial Counselors", "Financial Counselors, Inc." and "FCI" is transferred to the Purchaser, the Seller shall, within a reasonable period of time necessary to carry out such actions, cause each applicable member of the Seller Group to change its name to delete therefrom such names, or any derivative thereof, and to cease doing business under such names and any such derivative. On and after such date, each member of the Seller Group shall execute and deliver such documents as the Purchaser may reasonably request to permit the Purchaser or one of its Affiliates to carry on business under such names. Nothing herein contained shall be deemed to involve the acquisition of the capital stock of Financial Counselors, Inc. or the acquisition of a separate Other Acquired Business; it being understood that the assets of the organization shall only be acquired as part of Asset Management.

ARTICLE VII

CLOSING BALANCE SHEET

SECTION 7.01 Closing Balance Sheet. (a) For purposes of Section 3.04 of the Asset Purchase Agreement, the Closing Balance Sheet shall be a consolidated balance sheet prepared in accordance with the Balance Sheet Principles, including (i) the Acquired Assets and Assumed Liabilities of Real Estate as of the Real Estate Closing Date, (ii) the Acquired Assets and Assumed Liabilities of the Other Acquired Businesses as of the Other Acquired Businesses Closing Date, (iii) the Acquired Assets and Assumed Liabilities of Related Retail Brokerage as of the Related Retail Brokerage Closing Date and (iv) to the extent the Asset Management Closing occurs prior to the final determination of the Closing Balance Sheet, the Acquired Assets and Assumed Liabilities of Asset Management.

(b) For purposes of Section 3.04(c) of the Asset Purchase Agreement and the Balance Sheet Principles, the parties hereto agree that the fair market value of each of the Real Estate Securities Inventory, the Other Acquired Businesses Securities Inventory, the Margin Debit and the Related Retail Brokerage Securities Inventory shall be the values agreed pursuant to Section 3.01(a)(ii), Section 4.01(a)(ii), Section 5.01(a)(ii) and Section 5.01(b)(ii), respectively.

(c) The determination to be made pursuant to Section 3.04(b) of the Asset Purchase Agreement shall take into account (i) the amount of any payments made by the Purchaser to the Seller pursuant to Section 3.03(a)(i),

Section 4.05(a) and Section 5.03(a)(i) (which shall be deemed to be increases in the Assumed Liabilities) and (ii) the amount of any payments made by the Seller to the Purchaser pursuant to Section 4.05(b) (which shall be deemed to be increases in Acquired Liquid Assets). Interest pursuant to Section 3.04(b) of the Asset Purchase Agreement shall accrue from the Other Acquired Businesses Closing Date.

ARTICLE VIII

TAX

SECTION 8.01 Closing Dates. The provisions of Section 5.06, Section 11.01, Section 11.02, Section 11.03 and Section 11.04 of the Asset Purchase Agreement shall be applied in each case with reference to the relevant one of the date of the asset transfer in Section 2.01, the Asset Management Closing Date, the Other Acquired Businesses Closing Date, the Real Estate Closing Date and the Related Retail Brokerage Closing Date.

SECTION 8.02 FIRPTA. The certificate described in Section 11.05 of the Asset Purchase Agreement shall be delivered by the Seller or the appropriate member of the Seller Group at the Real Estate Closing.

ARTICLE IX

ASSET PURCHASE AGREEMENT

SECTION 9.01 Representations and Warranties. (a) Except as otherwise provided in this Agreement, the representations and warranties set forth in Articles V and VI of the Asset Purchase Agreement shall be made by the Parent, the Seller and the Purchaser, as the case may be, as of each of the Real Estate Closing Date, the Other Acquired Businesses Closing Date, the Related Retail Brokerage Closing Date and the Asset Management Closing Date, with respect to the businesses being transferred on such date; provided that a party hereto shall be deemed not to be in breach of any representation or warranty if such representation or warranty would not have been breached except as a result of the provisions of this Agreement or the transactions contemplated hereby.

(b) For purposes of Section 14.01 of the Asset Purchase Agreement, a certificate of the Parent to be delivered to the Purchaser shall be signed by any Vice President of the Parent and a certificate of the Seller shall be signed by the chief executive officer or the chief financial officer

of the Seller.

SECTION 9.02 Return of Selected Assets. For purposes of Section 2.07 of the Asset Purchase Agreement, the term "Closing Date" shall mean the date on which the relevant Acquired Asset was transferred to the Purchaser (or its designee).

SECTION 9.03 Allocation of Purchase Price. (a) The parties hereto intend that the transfers of the Acquired Businesses to the Purchaser on the date of the asset transfer in Section 2.01, the Asset Management Closing Date, the Other Acquired Businesses Closing Date, the Real Estate Closing Date and the Related Retail Brokerage Closing Date (collectively, for purposes of this Section 9.03, the "Closing Dates") shall be a single integrated transaction, the several transfers on such Closing Dates being solely for the convenience of the parties hereto. Except as otherwise provided in this Agreement, the provisions of Section 9.02 of the Asset Purchase Agreement shall be applied to the aggregate Purchase Price and not separately to amounts of cash or stock paid on any particular Closing Date. The amounts payable on any such Closing Date are not necessarily allocable solely to assets transferred on such Closing Date.

(b) The value of the portion of the aggregate consideration transferred to the Purchaser that is transferred in exchange for the Redeemable Preferred Stock shall equal the aggregate liquidation preference of the Redeemable Preferred Stock minus the value of the right to receive the Deferred Purchase Price, if applicable. The value of the portion of the aggregate consideration transferred to the Purchaser that is transferred in exchange for the Convertible Preferred Stock shall equal the aggregate liquidation preference of the Convertible Preferred Stock.

(c) The Purchaser and the Seller shall agree on estimated allocations of the Purchase Price, consistent with the allocation of Purchase Price principles articulated in Section 9.03(a) of this Agreement and Section 9.02 of the Asset Purchase Agreement (unless legally unable to do so), to the extent and at such time as is necessary to permit the making of timely Transfer Tax filings.

(d) To the extent the Purchaser and the Seller are required (pursuant to the provisions of Section 1060 of the Code and the regulations thereunder) to file a Form 8594

with respect to all or a part of the assets transferred in the transactions contemplated by this Agreement before all such contemplated transactions are completed (the "Initial Form 8594"), the Purchaser shall provide to the Seller

the proposed Allocation Statements with respect to the assets transferred prior to the date of required filing of the Initial Form 8594 pursuant to the provisions of Section 9.02(a) of the Asset Purchase Agreement.

(e) With respect to all assets transferred in the transactions contemplated by this Agreement which will not be listed on the Initial Form 8594, the Purchaser shall provide to the Seller the proposed Allocation Statements described in Section 9.02(a) of the Asset Purchase Agreement pursuant to the provisions of Section 9.02(a) of the Asset Purchase Agreement. The Purchaser and the Seller shall timely amend the Initial Form 8594 to include all of the transfers on all of the Closing Dates, notwithstanding that such Closing Dates will not all occur within the same tax year. The Purchaser and the Seller shall file a Form 8594, substantially in the form of the Initial Form 8594, as amended, for the tax year in which the last of the transactions contemplated by this Agreement is completed.

SECTION 9.04 Assumed Liabilities; Excluded Liabilities. (a) For the purposes of Section 2.05 of the Asset Purchase Agreement, the term "Closing Date" shall mean the date on which the Acquired Business out of which the applicable Assumed Liability arose was transferred to the Purchaser (or its designee).

(b) For the purposes of Section 2.06(iv) and Section 2.06(vii) of the Asset Purchase Agreement, the terms "Closing" and "Closing Date" shall mean the closing at which, or the date on which, as applicable, the applicable Acquired Asset or Acquired Business was transferred to the Purchaser (or its designee). For the purposes of Section 2.06(v) of the Asset Purchase Agreement, the term "Closing" shall mean the closing at which the Acquired Business out of which the applicable liability or obligation arose was transferred to the Purchaser (or its designee) or, if none, the Other Acquired Businesses Closing.

SECTION 9.05 Delayed Assets. For the purposes of Section 2.04 of the Asset Purchase Agreement, the term "Closing Date" shall mean the date on which the applicable Delayed Asset or Delayed Liability would have been transferred to, or assumed by, the Purchaser but for the absence of a Required Consent.

SECTION 9.06 Undertaking. The parties hereto acknowledge that the following issues have not yet been agreed upon: (i) the sharing of certain Investment Banking,

Real Estate, Municipal Finance and other advisory fees; (ii) the allocation of certain costs and expenses relating to or arising out of Asset Management;

(iii) costs associated with the licensing of certain software; (iv) certain issues relating to the list of the employees to be delivered, and the timing of such delivery, pursuant to Section 3.01(b) of the Restructuring Agreement; (v) the methodology for resolution of the "in treatment" status of employees referred to in Section 3.03 of the Restructuring Agreement; and (vi) certain Contracts identified to Purchaser with respect to which the period of time in Section 2.07(c) has not yet expired. The parties hereto undertake in good faith to resolve such issues on mutually acceptable terms prior to the Other Acquired Businesses Closing Date.

SECTION 9.07 Deferred Purchase Price. Payments of the Deferred Purchase Price, if any, shall commence to accrue as of the Other Acquired Businesses Closing Date.

SECTION 9.08 Redeemable Preferred Stock. For the purposes of the letter agreement dated October 17, 1994 among the Purchaser, the Parent and the Seller concerning the Redeemable Preferred Stock, the term the "Closing" shall mean the Other Acquired Businesses Closing.

SECTION 9.09 Other References to Closing and Closing Date. The parties hereto acknowledge that the Asset Purchase Agreement contains numerous references to the "Closing" and the "Closing Date" not addressed in this Agreement and that it is their intention that, except as otherwise set forth in this Agreement, each such reference be construed as a reference to the Real Estate Closing, the Other Acquired Businesses Closing, the Related Retail Brokerage Closing or the Asset Management Closing or, in each case, the date thereof, as applicable.

SECTION 9.10 Acquired Businesses. For the purposes of the Transaction Documents, the "Acquired Businesses" shall mean Asset Management, Real Estate and Related Retail Brokerage and the businesses of the Seller Group generally known by the names Equity Research, Investment Banking (excluding High Yield and Emerging Markets), Fixed Income (sales force only), International Institutional Equity (Geneva, Zurich and Hong Kong), International Fixed Income (London, Geneva, Zurich, Hong Kong, Singapore and part of Tokyo, if applicable), Listed Domestic Futures and Municipal Finance (excluding sales and trading).

SECTION 9.11 Contract Guarantees. For employees of the Seller Group who have contract guarantees for 1995 and beyond, the Seller agrees to be responsible for the difference between (i) the amount of compensation guaranteed

to such employees and (ii) any lesser amount of compensation being offered by

the Purchaser to such employees in good faith and on terms at least comparable to market terms (salary and bonus). The Seller shall have the right to review and object to any offer of compensation which it believes is not on terms at least comparable to market terms. Any disagreements between the Seller and the Purchaser about whether any offer of compensation is on terms at least comparable with market terms will be finally determined by McLagan.

SECTION 9.12 Assigned Contracts. Unless the Purchaser otherwise specifically agrees in writing, no employment agreement or standardized revenue contract shall be included within the Assigned Contracts.

ARTICLE X

RESTRUCTURING AGREEMENT

SECTION 10.01 Restructuring Agreement. The following terms used in the Restructuring Agreement shall have the meanings set forth below. The section references set forth below in this Section 10.01 are to sections of the Restructuring Agreement.

(a) For purposes of Section 2.04 (Clearance Services), the term "Closing Date" shall mean the Related Retail Brokerage Closing Date.

(b) For purposes of Section 3.01(c) (Employee List) and Section 3.05(a) (Severance Programs), the terms "Closing" and "Closing Date" shall mean the Other Acquired Businesses Closing and Other Acquired Businesses Closing Date, respectively.

(c) For purposes of Section 3.03 (Medical Benefit Plans), the term "Closing Date" shall mean the closing date on which employment by the Purchaser of the applicable Continuing Employee becomes effective.

(d) In Section 3.07 (Employee Forgivable Loans), Section 3.08(a) (Deferred Broker Production Program) and Section 4.02 (Closure of Hanover Square Offices), the term "Closing" shall mean the Related Retail Brokerage Closing.

(e) The following sentence shall be deleted from Section 4.01 of the Restructuring Agreement:

> "The Purchaser shall close, or direct the closing of, the retail brokerage branches identified on such list by December 31, 1995."

(f) The parties hereto acknowledge that this Agreement is not intended to effect any substantive change in the allocation of rights and responsibilities under the Restructuring Agreement.

ARTICLE XI

MISCELLANEOUS

SECTION 11.01 Successors and Assigns. Except as otherwise provided in this Agreement and except for an assignment by the Purchaser to one of its Affiliates, no party hereto shall assign this Agreement or any right or obligations hereunder without the prior written consent of the other parties hereto, and any such attempted assignment without such prior written consent shall be void and of no force and effect; provided that no such assignment shall reduce or otherwise vitiate any of the obligations of any other party hereunder. This Agreement shall inure to the benefit of and shall be binding upon the successors and permitted assigns of the parties hereto.

SECTION 11.02 Governing Law; Jurisdiction. (a) This Agreement shall be construed, performed and enforced in accordance with, and governed by, the laws of the State of New York, without giving effect to the principles of conflicts of laws thereof.

(b) Each party irrevocably submits to the exclusive jurisdiction of (i) the Supreme Court of the State of New York, New York County, and (ii) the United States District Court for the Southern District of New York, for the purposes of any suit, action or other proceeding arising out of this Agreement or any transaction contemplated hereby. Each party hereto agrees to commence any action, suit or proceeding relating hereto either in the United States District Court for the Southern District of New York or if such suit, action or other proceeding may not be brought in such court for jurisdictional reasons, in the Supreme Court of the State of New York, New York County. Each party hereto irrevocably and unconditionally waives any objection to the laying of venue of any action, suit or proceeding arising out of this Agreement or the transactions contemplated hereby in (A) the Supreme Court of the State of New York, New York County, or (B) the United States District Court for the Southern District of New York, and hereby further irrevocably and unconditionally waives and agrees not to plead or claim in any such court that any such action, suit or proceeding brought in any such court has been brought in an inconvenient forum.

SECTION 11.03 Severability. In the event that any part of this Agreement is declared by any court or other judicial or administrative body to be null, void or unenforceable, said provision shall survive to the extent it is not so declared, and all of the other provisions of this Agreement shall remain in full force and effect and the parties hereto shall negotiate in good faith to replace the part hereof declared null, void or unenforceable with an alternative provision that preserves for the parties hereto the benefits of this Agreement.

SECTION 11.04 Notices. All notices, requests, demands and other communications under this Agreement shall be in writing and shall be deemed to have been duly given as provided in Section 16.05 of the Asset Purchase Agreement.

SECTION 11.05 Amendments; Waivers. This Agreement may be amended or modified, and any of the terms, covenants, representations, warranties or conditions hereof may be waived, only by a written instrument executed by the parties hereto or, in the case of a waiver, by the party waiving compliance. Any waiver by any party hereto of any condition, or of the breach of any provision, term, covenant, representation or warranty contained in this Agreement, in any one or more instances, shall not be deemed to be nor construed as a further or continuing waiver of any such condition, or of the breach of any other provision, term, covenant, representation or warranty of this Agreement.

SECTION 11.06 Parties in Interest. Nothing in this Agreement is intended to confer any rights or remedies under or by reason of this Agreement on any persons other than the Parent, the Seller and the Purchaser and their respective successors and permitted assigns. Nothing in this Agreement is intended to relieve or discharge the obligations or liability of any third persons to the Seller or the Purchaser. No provision of this Agreement shall give any third persons any right of subrogation or action over or against the Seller or the Purchaser.

SECTION 11.07 Agreement of the Parties. To the extent the provisions of, or the transactions contemplated by, this Agreement are inconsistent or in conflict with the provisions of, or the transactions contemplated by, the other Transaction Documents, each of the parties hereto agrees that the provisions of, or the transactions contemplated by, this Agreement shall govern. To the extent not inconsistent herewith, the provisions of the Asset Purchase Agreement are hereby confirmed in all respects.

SECTION 11.08 Headings. The section and paragraph headings in this Agreement are for reference

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purposes only and shall not affect the meaning or interpretation of this Agreement.

SECTION 11.09 Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which shall constitute the same instrument.

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IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their respective officers thereunto duly authorized as of the date first above written.

PAINE WEBBER GROUP INC.

By

Name:
Title:

GENERAL ELECTRIC COMPANY

By

Name:
Title:

KIDDER, PEABODY GROUP INC.

By

Name:
Title:

Exhibit 10.2

SECOND SUPPLEMENTAL AGREEMENT

SECOND SUPPLEMENTAL AGREEMENT dated as of December 16, 1994 among Paine Webber Group Inc., a Delaware corporation (the "Purchaser"), General Electric Company, a New York corporation (the "Parent"), and Kidder, Peabody Group Inc., a Delaware corporation (the "Seller").

WHEREAS, the parties hereto have previously entered into an Asset Purchase Agreement dated as of October 17, 1994 (as amended and supplemented, the "Asset Purchase Agreement") and a Restructuring Agreement dated as of October 17, 1994 (as amended and supplemented, the "Restructuring Agreement");

WHEREAS, the parties hereto have previously entered into a Supplemental Agreement dated as of December 9, 1994 (the "First Supplemental Agreement"); and

WHEREAS, the parties hereto desire to further supplement and amend the provisions of the Asset Purchase Agreement, the Restructuring Agreement and the First Supplemental Agreement in the manner set forth in this Agreement;

NOW THEREFORE, in consideration of the mutual agreements contained herein and other good and valuable consideration, the receipt and adequacy of which is hereby acknowledged, the parties hereto agree as follows:

ARTICLE I

DEFINITIONS

SECTION 1.01 Definitions. (a) Terms used herein and not otherwise defined herein shall have the meanings set forth in the Asset Purchase Agreement, the Restructuring Agreement or the First Supplemental Agreement, as the case may be.

(b) As used in this Agreement, the following terms shall have the following meanings:

"Municipal Bond Trading" has the meaning set forth in Section 3.02(a).

"Municipal Bond Trading Securities" has the meaning set forth in Section 3.02(b).

"Short Term Finance" has the meaning set forth in Section 3.01(a).

"Short Term Finance Securities" has the meaning set forth in Section 3.01(a).

"Substitute Redeemable Preferred Stock" has the meaning set forth in Section 2.01.

"Transfer Agent" shall mean the transfer agent for the Common Stock.

(c) This Agreement shall be deemed to be a Transaction Document and each reference in any of the Transaction Documents to the Transaction Documents shall be deemed to include this Agreement.

SECTION 1.02 Rules of Interpretation. The rules of interpretation specified in Section 1.02 of the Asset Purchase Agreement shall be applicable to this Agreement.

ARTICLE II

REDEEMABLE PREFERRED STOCK

SECTION 2.01 Redeemable Preferred Stock. (a) The parties hereto acknowledge that the Purchaser has exercised its option, pursuant to a letter agreement dated October 17, 1994 among the Purchaser, the Parent and the Seller, to provide in lieu of the Redeemable Preferred Stock a redeemable preferred stock of the Purchaser (the "Substitute Redeemable Preferred Stock") with the same terms and conditions as the Redeemable Preferred Stock except that the Substitute Redeemable Preferred Stock shall be noncallable until the fifth anniversary of the Other Acquired Businesses Closing Date. The parties hereto further acknowledge that, in accordance with such letter agreement, the Purchaser shall no longer have any obligation to pay the Deferred Purchase Price, as contemplated by Section 3.05 of the Asset Purchase Agreement. All references in the Transaction Documents to the Redeemable Preferred Stock shall hereafter mean the Substitute Redeemable Preferred Stock.

(b) The first sentence of Section 9.03(b) of the First Supplemental Agreement is amended to read as follows:

> "The value of the portion of the aggregate consideration transferred to the Purchaser that is transferred in exchange for the Redeemable Preferred Stock shall equal the aggregate liquidation preference of the Redeemable Preferred Stock."

(c) The first sentence of Section 9.02(a) of the Asset Purchase Agreement is amended to read as follows:

"The Seller and the Purchaser agree that the value of the Redeemable Preferred Stock shall equal its liquidation preference, the value of the Convertible Preferred Stock shall equal its liquidation preference, and the value of the Common Stock Consideration shall equal 21,500,000 multiplied by the mean of the high and low per-share prices at which the Common Stock trades on the NYSE on the Other Acquired Businesses Closing Date."

(d) The Purchaser represents and warrants that it is the Purchaser's experience and expectation that the holders of convertible debentures issued under the Purchaser's Key Executive Equity Program who convert such debentures into convertible preferred stock proceed promptly to convert such preferred stock into Common Stock.

ARTICLE III

OTHER ACQUIRED BUSINESSES CLOSING

SECTION 3.01 Short Term Finance. (a) The business of the Seller Group generally known by the name Short Term Finance, including the distribution and trading of commercial paper, auction rate preferred stock and short-term certificates of deposits ("Short Term Finance"), shall be an Other Acquired Business; provided that (i) the employment by the Purchaser of any Continuing Employee of Short Term Finance shall be effective as of December 19, 1994 and (ii) the Securities held by the members of the Seller Group in connection with the conduct of Short Term Finance (the "Short Term Finance Securities") shall not be included in the Other Acquired Businesses Securities Inventory. Any Short Term Finance Securities not purchased by the Purchaser pursuant to Section 3.02(b) shall constitute Excluded Assets.

(b) The Purchaser hereby acknowledges that it has reviewed the Short Term Finance Securities and hereby agrees to purchase on December 16, 1994 (for settlement on December 19, 1994) a maximum of $155 million of Short Term Finance Securities, consisting of (i) up to a maximum of $100 million of commercial paper, valued at the current market price on December 16, (ii) up to a maximum of $50 million of auction rate preferred stock, valued at the lower of (A) the auction price less the selling concession and (B) the current market price on December 16 and (iii) up to a maximum of $5 million of certificates of deposit, valued at the current market price on December 16; in each case, such

prices shall be determined by agreement between the Purchaser and the Seller. The Purchaser shall have the right at any time on or prior to December 16, 1994 to increase any of such maximum amounts.

(c) Notwithstanding the fact that the Other Acquired Businesses Closing may not occur on December 16, 1994, the Acquired Assets (other than the Short Term Finance Securities) of Short Term Finance shall be transferred to the Purchaser and the Assumed Liabilities of Short Term Finance shall be assumed by the Purchaser on December 16, 1994 and the Short Term Finance Securities shall be purchased by the Purchaser in accordance with Section 3.01(b).

(d) The parties hereto agree that Section 2.08 (Exclusion of Selected Securities), Section 2.09 (Return of Securities), Section 2.10 (The LM Expert), Section 5.18 (Securities), Section 7.01(d) (Actions and Conduct of Acquired Businesses Before the Closing Date) and Section 9.05 (Off-Balance Sheet Positions) of the Asset Purchase Agreement have not been applied, and shall not apply, to the Short Term Finance Securities. Any off-balance sheet hedge or derivative held by any member of the Seller Group in connection with the conduct of Short Term Finance shall constitute an Excluded Asset.

(e) The Short Term Finance Securities and the cash payment(s) to be made pursuant to Section 3.01(b) shall not be taken into account for purposes of the Closing Balance Sheet as provided in Section 3.04 of the Asset Purchase Agreement and Section 7.01 of the First Supplemental Agreement.

(f) The Purchaser shall have until December 23, 1994 to decide whether to assume the contract(s) of Short Term Finance related to the Philadelphia Electric Company. Such contract(s) shall not be an Assigned Contract unless the Purchaser shall agree in writing to assume such contract(s) by such date.

(g) This Section 3.01 is intended to replace Section 4.07(c) of the First Supplemental Agreement.

SECTION 3.02 Municipal Bond Trading. (a) The business of the Seller Group generally known by the name Municipal Bond Trading, to the extent conducted through certain regional committing centers to be agreed upon between the Purchaser and the Seller prior to the Related Retail Brokerage Closing Date ("Municipal Bond Trading"), shall be an Acquired Business but shall not be part of the Other Acquired Businesses being transferred to the Purchaser on the Other Acquired Businesses Closing Date.

(b) The parties hereto shall agree (i) on the regional committing centers to be transferred to the Purchaser, the date or dates of transfer thereof, and the procedures related thereto (including whether any Acquired Assets of Municipal Bond Trading shall be included in the Closing Balance Sheet), (ii) the Securities and off-balance sheet hedges and derivatives, if any, held by any member of the Seller Group in connection with the conduct of Municipal Bond Trading (the "Municipal Bond Trading Securities") that are to be acquired by the Purchaser on such date or dates and (iii) the fair market value of such Securities. Any Security or off-balance sheet hedge or derivative held by any member of the Seller Group in connection with the conduct of Municipal Bond Trading that is not a Municipal Bond Trading Security shall constitute an Excluded Asset.

(c) The parties hereto agree that Section 2.08 (Exclusion of Selected Securities), Section 2.09 (Return of Securities), Section 2.10 (The LM Expert), Section 5.18 (Securities), Section 7.01(d) (Actions and Conduct of Acquired Businesses Before the Closing Date) and Section 9.05 (Off-Balance Sheet Positions) of the Asset Purchase Agreement have not been applied, and shall not apply, to the Municipal Bond Trading Securities.

(d) To the extent that the parties hereto agree to transfer Municipal Bond Trading to the Purchaser prior to the Related Retail Brokerage Closing Date, the covenant of the Purchaser set forth in Section 4.11 of the First Supplemental Agreement shall apply for the period from the date of such transfer to the Related Retail Brokerage Closing Date.

SECTION 3.03 Physical Capital. (a) The Physical Capital of the Other Acquired Businesses shall be transferred to the Purchaser on the Other Acquired Businesses Closing Date but shall not be included in the Other Acquired Businesses Interim Balance Sheet.

(b) The Physical Capital of the Other Acquired Businesses and the Physical Capital, if any, of the former business of the Seller Group generally known by the name Listed Domestic Futures (Chicago Branch) shall be included in the Related Retail Brokerage Interim Balance Sheet.

(c) For purposes of the calculation set forth in Section 5.03(a)(i) of the First Supplemental Agreement, the Physical Capital referred to in Section 3.03(b) shall be deemed to be Physical Capital of Related Retail Brokerage.

SECTION 3.04 Investment Banking Offices. The Purchaser hereby agrees that, from the Other Acquired Businesses Closing Date, neither it nor any Continuing

Employees of Investment Banking shall use or occupy the existing Investment Banking offices of the members of the Seller Group in Atlanta, Boston, Chicago or Fort Lauderdale. The parties hereto agree that the Purchaser shall have until December 23, 1994 to decide whether Continuing Employees, if any, of Investment Banking in the existing Investment Banking offices of members of the Seller Group in Houston and San Francisco shall have a short-term need to use or occupy space in such offices and, if the Purchaser so decides, the parties shall enter into a mutually satisfactory arrangement regarding such short-term occupancy.

SECTION 3.05 Facility Services. The Purchaser hereby agrees that, from the Other Acquired Businesses Closing Date, neither it nor any Continuing Employee shall use or occupy the space owned or leased by the Parent or the Seller in Mexico City, Sao Paolo or Tokyo.

SECTION 3.06 Advisory Fees and Expenses. Exhibit 1 hereto sets forth the agreement of the parties hereto with respect to (i) the sharing of certain Investment Banking and other advisory fees and (ii) the reimbursement of expenses incurred by members of the Seller Group in connection with certain Investment Banking and other advisory assignments.

SECTION 3.07 Eurobond Securities Inventory. For purposes of determining the amount of any payment to be made pursuant to Section 4.05 of the First Supplemental Agreement, the fair market value of the Eurobond Securities forming part of the Other Acquired Businesses Securities Inventory as reflected on the Other Acquired Businesses Interim Balance Sheet shall be the fair market value of such Securities as of the close of business on the Business Day prior to the Other Acquired Businesses Closing Date, as agreed between the Purchaser and the Seller. For all other purposes, including the Closing Balance Sheet, the fair market value of such Eurobond Securities shall be the fair market value as of the Other Acquired Businesses Closing Date, as agreed between the Purchaser and the Seller.

SECTION 3.08 Settlement. Exhibit 2 hereto sets forth the agreement of the parties hereto with respect to the settlement of (i) the portion of the Other Acquired Businesses Securities Inventory consisting of Eurobonds and (ii) certain short positions of the Seller Group consisting of Eurobond Securities and U.S. Treasury obligations. The parties hereto acknowledge that the Other Acquired Businesses Securities Inventory consists only of Eurobond Securities and short positions related thereto.

SECTION 3.09 Cooperation. The Purchaser shall cooperate with the Seller to cause the books of the Transfer Agent to reflect (i) the issuance

of Common Stock to the members of the Seller Group who are initially transferring the Acquired Assets of the Other Acquired Businesses to the Purchaser (which members shall be identified in writing to the Purchaser and the Transfer Agent on or prior to the Other Acquired Businesses Closing Date) and (ii) the subsequent transfer of any of such Common Stock to members of the Seller Group.

SECTION 3.10 Certain Exchange Seats. (a) On the Other Acquired Business Closing Date, three seats on the Chicago Board Options Exchange, with a purchase price of $426,000 each, shall be transferred to the Purchaser. These three seats shall not be included as Other Liquid Assets on the Other Acquired Businesses Interim Balance Sheet, and the payment of the purchase price thereof shall be made by the Purchaser directly to the Chicago Board Options Exchange for the account of the Seller. One of such seats shall be leased as of the Other Acquired Businesses Closing Date by the Seller from the Purchaser pursuant to an agreement entered into between the Purchaser and the Seller.

(b) On the Other Acquired Businesses Closing Date, two seats on the Chicago Board of Trade shall be transferred to the Purchaser. These two seats shall not be included as Other Liquid Assets on the Other Acquired Businesses Interim Balance Sheet, and the payment of the purchase price thereof (based on an amount equal to the then current bid price plus one dollar) shall be made by the Purchaser directly to the Chicago Board of Trade for the account of the Seller. A third seat on the Chicago Board of Trade shall be transferred to the Purchaser on the Related Retail Brokerage Closing Date. This third seat shall not be included as Other Liquid Assets on the Related Retail Brokerage Interim Balance Sheet, and the payment of the purchase price thereof (based on an amount equal to the then current bid price plus one dollar) shall be made by the Purchaser directly to the Chicago Board of Trade for the account of the Seller.

(c) The parties hereto agree that the Exchange Seats referred to in Sections 3.10(a) and (b) are the only Exchange Seats being acquired by the Purchaser. All other Exchange Seats of any member of the Seller Group shall constitute Excluded Assets.

ARTICLE IV

SUPPLEMENTAL MATTERS

SECTION 4.01 Asset Management. The Purchaser and the Seller have agreed to the allocation of certain costs and expenses relating to or arising out of the asset management businesses of the Purchaser and the Seller,

as reflected in a memorandum dated December 15, 1994 from the general counsel of the Purchaser to the general counsel of the Seller.

SECTION 4.02 In Treatment Status. The parties hereto agree that, notwithstanding the provisions of Section 3.03 of the Restructuring Agreement, the medical benefit plans (including medical and dental coverage) of the Purchaser shall waive pre- existing conditions in respect of Continuing Employees and their dependents including in respect of all conditions which are in treatment status as of the applicable closing date and the Seller shall have no obligation to provide any coverage for expenses of Continuing Employees and their dependents incurred on or after the applicable closing date in respect of all conditions which are in treatment status at the applicable closing date. In consideration thereof, a payment shall be made by the Seller to the Purchaser by January 30, 1995 and the amount of such payment shall be determined pursuant to the methodology set forth in Exhibit 3 hereto (with such changes as may be agreed upon by the Purchaser and the Seller).

SECTION 4.03 Conduct of the Acquired Businesses. The parties hereto acknowledge that, since the date of the Asset Purchase Agreement, the Acquired Businesses have been operated primarily with a view to preparing for the transactions contemplated by the Asset Purchase Agreement, the Restructuring Agreement, the First Supplemental Agreement and this Agreement and, to that extent, have not been operated in the ordinary course consistent with past practice. Notwithstanding the foregoing, the Seller reaffirms the covenant contained in Section 7.01(b) of the Asset Purchase Agreement to the extent it relates to the businesses of Related Retail Brokerage and Asset Management, subject to whatever limitations exist and will continue to exist as a result of these businesses being operated with a view to preparing for the transactions contemplated by the Asset Purchase Agreement, as to which Seller and Purchaser have conferred on a regular basis and will continue to confer.

SECTION 4.04 Acquired Businesses. (a) The business of the Seller Group generally known by the name

Asset Management (structured products) shall not be part of Asset Management and shall constitute an Excluded Business.

(b) The parties hereto acknowledge that the Purchaser is not acquiring the International Fixed Income business of the Seller Group conducted in the Tokyo office of the Seller, but that the Purchaser is hiring certain individuals in the Tokyo office of the Seller Group who are engaged in the International Fixed Income business.

(c) The business of the Seller Group generally known by the name

S&P Index Options and Futures shall constitute an Excluded Business.

SECTION 4.05 Outstanding Put Options. Notwithstanding any provision in any Transaction Document, the parties recognize and accept that a member of the Seller Group has a contingent obligation to purchase Common Stock up to a maximum of 99,000 shares pursuant to put options already issued and outstanding, which options expire on or about December 20, 1994. If such options are exercised, the Seller Group shall be permitted to comply with its obligations under such options to purchase such Common Stock and shall resell such Common Stock in the market in an orderly fashion within 30 days of such purchase without being considered to be in violation of any Transaction Document.

SECTION 4.06 Seller Indemnitees. The definition of Seller Indemnitee in the Asset Purchase Agreement is amended as follows:

"Seller Indemnitees" shall mean the Parent and its Affiliates (other than any Included Subsidiary) and their respective officers, directors, employees, agents and advisors.

ARTICLE V

MISCELLANEOUS

SECTION 5.01 Incorporation by Reference. The provisions of Article XI of the First Supplemental Agreement shall be incorporated by reference herein and each reference therein to the First Supplemental Agreement shall apply to this Agreement as if this Agreement were referred to therein.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their respective officers thereunto duly authorized as of the date first above written.

PAINE WEBBER GROUP INC.

By

Name:
Title:

GENERAL ELECTRIC COMPANY

By

Name:
Title:

KIDDER, PEABODY GROUP INC.

By

Name:
Title: