SECURITIES AND EXCHANGE COMMISSION

FORM S-3

Registration statement for specified transactions by certain issuers

Filing Date: **1994-03-16**
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FILER

PAINE WEBBER GROUP INC

CIK:**75754**| IRS No.: **132760086** | State of Incorp.:**DE** | Fiscal Year End: **1231**
Type: **S-3** | Act: **33** | File No.: **033-52695** | Film No.: **94516231**
SIC: **6211** Security brokers, dealers & flotation companies

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NEW YORK NY 10019
2127132000

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AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON MARCH 16, 1994

REGISTRATION NO. 33-

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM S-3
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

<TABLE>

<S>	<C>
PAINEWEBBER FINANCE L.L.C.	PAINE WEBBER GROUP INC.
(Exact name of registrant as specified in its charter)	(Exact name of guarantor as specified in its charter)
DELAWARE	DELAWARE
(State or other jurisdiction of incorporation or organization)	(State or other jurisdiction of incorporation or organization)
APPLIED FOR	13-2760086
(I.R.S. Employer Identification No.)	(I.R.S. Employer Identification No.)
C/O THEODORE A. LEVINE VICE PRESIDENT, GENERAL COUNSEL & SECRETARY PAINE WEBBER GROUP INC. 1285 AVENUE OF THE AMERICAS NEW YORK, NEW YORK 10019 (212) 713-2000	THEODORE A. LEVINE VICE PRESIDENT, GENERAL COUNSEL & SECRETARY PAINE WEBBER GROUP INC. 1285 AVENUE OF THE AMERICAS NEW YORK, NEW YORK 10019 (212) 713-2000
(Name, address, including zip code, and telephone number, including area code, of principal executive offices and agent for service)	(Name, address, including zip code, and telephone number, including area code, of principal executive offices and agent for service)

PLEASE SEND COPIES OF ALL COMMUNICATIONS TO:

PETER S. WILSON CRAVATH, SWAINE & MOORE WORLDWIDE PLAZA 825 EIGHTH AVENUE NEW YORK, NEW YORK 10019 (212) 474-1000	RICHARD D. SPIZIRRI DAVIS POLK & WARDWELL 450 LEXINGTON AVENUE NEW YORK, NEW YORK 10017 (212) 450-4000

</TABLE>

APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO THE PUBLIC:
From time to time after the effective date of this Registration Statement.

If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box. / /

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box. /X/

CALCULATION OF REGISTRATION FEE

<TABLE>
<CAPTION>

TITLE OF EACH CLASS OF SECURITIES TO BE REGISTERED	AMOUNT TO BE REGISTERED(1)	PROPOSED MAXIMUM OFFERING PRICE PER UNIT(2)	PROPOSED MAXIMUM AGGREGATE OFFERING PRICE(2)
<S>	<C>	<C>	<C>
Exchangeable Cumulative Preferred Limited Liability Company Interests of PaineWebber Finance L.L.C........	16,000,000 interests	$25	$400,000,000
Backup Undertakings by Paine Webber Group Inc. (3).....	--	--	--
Series Preferred Stock of Paine Webber Group Inc. (3)(4)...	--	--	--
Depositary Shares representing Series Preferred Stock of Paine Webber Group Inc. (3)(4)....................	--	--	--

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<CAPTION>

TITLE OF EACH CLASS OF SECURITIES TO BE REGISTERED	AMOUNT OF REGISTRATION FEE
Exchangeable Cumulative Preferred Limited Liability Company Interests of PaineWebber Finance L.L.C........	$137,932
Backup Undertakings by Paine Webber Group Inc. (3).....	--
Series Preferred Stock of Paine Webber Group Inc. (3)(4)..	--
Depositary Shares representing Series Preferred Stock of Paine Webber Group Inc. (3)(4).....................	--

</TABLE>

(1) The number of Exchangeable Cumulative Preferred Limited Liability Company Interests being registered hereby is such number of such Preferred Limited Liability Company Interests, not to exceed 16,000,000, as may from time to time be issued by PaineWebber Finance L.L.C.
(2) Estimated solely for the purpose of determining the registration fee.
(3) No additional consideration will be received for the Backup Undertakings or Preferred Stock of Paine Webber Group Inc. or Depositary Shares representing such Preferred Stock.
(4) There are also being registered hereunder such indeterminate number of (i) shares of Preferred Stock of Paine Webber Group Inc. issuable in exchange for the Exchangeable Cumulative Preferred Limited Liability Company Interests of PaineWebber Finance L.L.C. and (ii) Depositary Shares representing shares of such Preferred Stock.

THE REGISTRANTS HEREBY AMEND THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANTS SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(A) OF THE SECURITIES ACT OF 1933 OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(A), MAY DETERMINE.

INFORMATION CONTAINED HEREIN IS SUBJECT TO COMPLETION OR AMENDMENT. A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION. THESE SECURITIES MAY NOT BE SOLD NOR MAY OFFERS TO BUY BE ACCEPTED PRIOR TO THE TIME THE REGISTRATION STATEMENT BECOMES EFFECTIVE. THIS PROSPECTUS SHALL NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY NOR SHALL THERE BE ANY SALE OF THESE SECURITIES IN ANY STATE IN WHICH SUCH OFFER, SOLICITATION OR SALE WOULD BE UNLAWFUL PRIOR TO REGISTRATION OR QUALIFICATION UNDER THE SECURITIES LAWS OF ANY SUCH STATE.

SUBJECT TO COMPLETION -- MARCH 16, 1994

PRELIMINARY PROSPECTUS SUPPLEMENT
(TO PROSPECTUS DATED MARCH [ ], 1994)

[ ] INTERESTS
PAINEWEBBER FINANCE L.L.C.
% EXCHANGEABLE
CUMULATIVE PREFERRED LIMITED LIABILITY COMPANY INTERESTS, SERIES A
(LIQUIDATION PREFERENCE $25 PER SERIES A INTEREST)
GUARANTEED TO THE EXTENT SET FORTH HEREIN BY

PAINE WEBBER GROUP INC.

The % Exchangeable Cumulative Preferred Limited Liability Company Interests, Series A (the "Series A Interests"), offered hereby are being issued by PaineWebber Finance L.L.C. (the "Company"), a Delaware limited liability company. All the common limited liability company interests (the "Common Interests") in the Company are owned, directly and indirectly, by Paine Webber Group Inc. (the "Guarantor"), a Delaware corporation. The net proceeds from the sale of the Company's limited liability company interests, including the Series A Interests, will be loaned by the Company to the Guarantor in exchange for one or more notes of the Guarantor (the "Loan Notes"). Interest and principal payments on the Loan Notes are intended to fund the payment of periodic distributions ("dividends") and redemption and liquidation distributions on the Series A Interests.

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The payment of dividends, if and to the extent declared out of moneys held by the Company and legally available therefor, and payments on liquidation or redemption with respect to the Series A Interests, are guaranteed by the Guarantor to the extent described in the accompanying Prospectus. Holders of the Series A Interests will be entitled to receive cumulative cash dividends, at an annual rate of % of the liquidation preference of $25 per Series A Interest, accruing from the date of original issuance and payable monthly in arrears on the last day of each calendar month, commencing March [ ], 1994.

The Series A Interests are redeemable as provided herein at the option of the Company (with the Guarantor's consent) at any time after March [ ], 1999 and will be redeemed, under certain circumstances, from the proceeds of any cash prepayment or repayment by the Guarantor of the Loan Notes, in each case at a cash redemption price of $25 per Series A Interest, plus accrued and unpaid dividends to the redemption date. See "Certain Terms of the Series A Interests -- Optional Redemption". In the event of the liquidation of the Company, holders of Series A Interests will be entitled to receive for each Series A Interest a liquidation preference of $25 plus accrued and unpaid dividends to the date of payment, subject to certain limitations. See "Certain Terms of the Series A Interests -- Liquidation Distribution".

Subject to certain conditions, on any dividend payment date on or after September [ ], 1994, the Guarantor may deliver to the Company, in exchange for the Loan Notes, Depositary Shares representing a new issue of the Guarantor's % Cumulative Preferred Stock, Series [ ] (the "Guarantor Preferred Stock"), having a liquidation preference of $200 per share, and an aggregate fair market value, as determined by the Guarantor's financial advisor (which may be an affiliate of the Guarantor), or an aggregate liquidation preference, all as more fully described herein, equal to the unpaid principal amount of the Loan Notes and any unpaid interest accrued to the date of such exchange. Each Depositary Share will represent one-eighth of a share of the Guarantor Preferred Stock, will have a proportionate liquidation preference of $25, and will entitle the holder to all proportional rights and preferences of the Guarantor Preferred Stock. In the event of such exchange, the Company shall be obligated to redeem the Series A Interests, as an entirety, solely in exchange for Depositary Shares at a rate of one Depositary Share for each outstanding Series A Interest (or, under certain circumstances, 1.2 Depositary Shares for each Series A Interest, with a corresponding increase in the number of Depositary Shares that the Guarantor is obligated to deliver to the Company). See "Certain Terms of the Series A Interests -- Mandatory Redemption" and "Certain Terms of the Depositary Shares".

Application will be made to list the Series A Interests on the New York Stock Exchange (the "NYSE").

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS SUPPLEMENT OR THE PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

	Price to Public(1)	Underwriting Commissions(2)	Proceeds to Company(1)(4)
Per Series A Interest...........	$25.00	(3)	$25.00
Total(5)........................	$[ ]	(3)	$[ ]

(1) Plus accrued dividends, if any, from the date of original issuance of any Series A Interests.
(2) The Company and the Guarantor have agreed to indemnify the several Underwriters against certain liabilities, including liabilities under the Securities Act of 1933, as amended. See "Underwriting".
(3) Because the proceeds from the sale of the Series A Interests will be loaned to the Guarantor, the Guarantor will pay to the Underwriters, as compensation for their services under the Underwriting Agreement, a commission of $ per Series A Interest (or $ in the aggregate). See "Underwriting".
(4) Expenses of the offering, which are payable by the Guarantor, are estimated to be $.
(5) The Company has granted to the Underwriters a 30-day option to purchase, on the same terms set forth above, up to [ ] additional Series A Interests at the price to public (with an additional underwriting commission) solely to cover over-allotments, if any. If the option is exercised in full, the total price to public, proceeds to Company and underwriting commissions (payable

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by the Guarantor) will be $, $ and $, respectively. See "Underwriting".

The Series A Interests are offered by the Underwriters, subject to prior sale, when, as and if delivered to and accepted by the several Underwriters, and subject to their right to reject any order in whole or in part. It is expected that delivery of the Series A Interests will be made only in book-entry form through the facilities of The Depository Trust Company on or about March , 1994.

PAINEWEBBER INCORPORATED

[OTHER UNDERWRITERS]

The date of this Prospectus Supplement is March , 1994.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SECURITIES OFFERED HEREBY AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH TRANSACTIONS MAY BE EFFECTED ON THE NEW YORK STOCK EXCHANGE OR OTHERWISE AND, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

The Company will not register Series A Interests in the name of, or record the transfer of Series A Interests to, or pay any dividend or distribution on or with respect to the Series A Interests to, any holder, if or to the extent such holder, or any person for whom such holder is acting as a nominee, (a) is known by the Company or its transfer agent to have an address of record outside the United States or (b) is known by the Company or its transfer agent to be other than (i) a citizen or resident of the United States, (ii) a corporation, partnership or other entity organized under the laws of the United States or any of its states or the District of Columbia or (iii) an estate or trust that is subject to United States Federal income tax on its worldwide income without regard to source (any such person or entity being a "non-U.S. Person"). The foregoing transfer restrictions shall not preclude the settlement of any transaction in the Series A Interests entered into through the facilities of the NYSE. Payments of dividends payable on Series A Interests to a non-U.S. Person that, despite the foregoing restrictions, holds Series A Interests may be reduced by United States Federal withholding tax. Accordingly, the holding of Series A Interests is not suitable for non-U.S. Persons.

PAINEWEBBER FINANCE L.L.C.

The Company is a limited liability company formed under the laws of the State of Delaware. The Guarantor owns, directly and indirectly, all the outstanding Common Interests of the Company, which Common Interests are nontransferable. The Company exists solely for the purpose of issuing preferred limited liability company interests (the "Preferred Interests" and, together with the Common Interests, the "Membership Interests") and Common Interests and lending the net proceeds thereof to the Guarantor or its subsidiaries in exchange for one or more Loan Notes. The Company will be managed by the Guarantor, in its capacity as a holder of Common Interests (in such capacity, the "Managing Member"). Holders of Membership Interests in the Company are referred to herein as "Members".

PAINE WEBBER GROUP INC.

Paine Webber Group Inc. is a holding company which, together with its operating subsidiaries, forms one of the largest full-service securities and commodities firms in the industry. Founded in 1879, the Guarantor employs approximately 14,400 people in 281 offices worldwide as of December 31, 1993. The Guarantor's principal line of business is to serve the investment and capital needs of individual, corporate, institutional and public agency clients through its broker-dealer subsidiary, PaineWebber Incorporated ("PaineWebber"), and other specialized subsidiaries. The Guarantor holds memberships in all major securities and commodities exchanges in the United States, and makes a market in many securities traded on the Automated Quotation System of the National Association of Securities Dealers, Inc. ("NASD") or in other over-the-counter markets. Additionally, PaineWebber is a primary dealer in U.S. government securities.

The Guarantor is comprised of four interrelated core business groups -- Retail Sales and Marketing, Institutional Sales and Trading, Investment Banking and Asset Management -- which utilize common operational and administrative personnel and facilities.

RETAIL SALES AND MARKETING consists primarily of a domestic branch office system and consumer product groups through which PaineWebber and certain other subsidiaries provide clients with financial services and products, including the purchase and sale of securities, option contracts, commodity and financial futures contracts, direct investments, selected insurance products, fixed income instruments and mutual funds. The Guarantor may act as principal or agent in providing these services. Fees charged vary according to the size and complexity of a transaction, and the activity level of a client's account.

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INSTITUTIONAL SALES AND TRADING is comprised of five businesses: Fixed Income, U.S. Equity, International, Derivatives and Research. The Guarantor places securities with, and executes trades on behalf of, institutional clients both domestically and internationally. In addition, the Guarantor takes positions in both listed and unlisted equity and fixed income securities to facilitate client transactions or for the Guarantor's own account.

Through the INVESTMENT BANKING group, the Guarantor provides financial advice to, and raises capital for, a broad range of domestic and international corporate clients. Corporate Finance manages and underwrites public offerings, participates as an underwriter in syndicates of public offerings managed by others, and provides advice in connection with mergers and acquisitions, lease financings and debt restructurings. The Municipal Securities group originates, underwrites, sells and trades taxable and tax-exempt issues for municipal and public agency clients.

The ASSET MANAGEMENT group is comprised of Mitchell Hutchins Asset Management Inc. ("MHAM"), Mitchell Hutchins Institutional Investors Inc. ("MHII") and Mitchell Hutchins Investment Advisory division ("MHIA"). MHAM and MHII provide investment advisory and portfolio management services to pension and endowment funds. MHAM also provides investment advisory and portfolio management services to individuals and mutual funds. MHIA provides portfolio management services to individuals, trusts and institutions.

The securities business is one of the nation's most highly regulated industries. Violations of applicable regulations can result in the revocation of broker-dealer licenses, the imposition of censures or fines, and the suspension or expulsion of a firm, its officers or employees. The Guarantor's securities business is regulated by various agencies, including the Securities and Exchange Commission (the "Commission"), the NYSE, the Commodity Futures Trading Commission and the NASD.

The Guarantor's principal executive offices are located at 1285 Avenue of the Americas, New York, New York 10019 (Telephone: (212) 713-2000).

For purposes of the foregoing description, all references to the "Guarantor" refer collectively to Paine Webber Group Inc. and its operating subsidiaries, unless the context otherwise requires.

CERTAIN TERMS OF THE SERIES A INTERESTS

GENERAL

The following is a summary description of certain terms of the Series A Interests and supplements the description of certain general terms of the Preferred Interests of any series set forth in the accompanying Prospectus under the heading "Description of the Preferred Interests", to which description reference is hereby made. As indicated therein, Preferred Interests of the Company may be issued from time to time in one or more series with such dividend rights, liquidation preferences, redemption provisions, voting rights and other rights, powers and duties as are established by the Limited Liability Company Agreement (the "L.L.C. Agreement") of the Company and a written action (the "Action") taken, or to be taken, by the Managing Member to amend and supplement the L.L.C. Agreement (which Actions, when taken, are deemed to amend and supplement and be a part of the L.L.C. Agreement). The Series A Interests constitute one such series of Preferred Interests of the Company. The summary of certain terms of the Series A Interests set forth below does not purport to be complete and is subject to, and qualified in its entirety by reference to, the L.L.C. Agreement (including the Action) establishing the rights, powers and duties relating to the Series A Interests, a copy of which Action will have been filed with the Commission at or prior to the time of the sale of the Series A Interests.

DIVIDENDS

Cumulative dividends on the Series A Interests will accrue at a rate per annum of % of the liquidation preference thereof (or $ per Series A Interest per annum) from the date of original issuance thereof and will be payable monthly in arrears on the last day of each calendar month of each year, commencing March [ ], 1994, when, as and if declared by the Managing Member, except as otherwise described under "Description of the Preferred Interests -- Dividends and -- Certain Restrictions on the Company" in the accompanying Prospectus, to holders of record on the fifth Business Day preceding the relevant payment date. Payment of dividends is limited in relation to the amount of funds held by the Company and legally available therefor. See "Description of the Preferred Interests -- Dividends" in the accompanying

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Prospectus. Dividends will be computed on the basis of twelve 30-day months and a 360-day year and, for any dividend period shorter than a full calendar month, will be computed on the basis of the actual number of calendar days elapsed in such period.

Dividends on the Series A Interests will be declared by the Managing Member in any calendar year or portion thereof to the extent that the Company reasonably anticipates that at the time of payment it will have, and will be paid by the Company to the extent that at the time of proposed payment it has, funds legally available for the payment of such dividends and sufficient to permit such payment. It is anticipated that such funds will be derived from payments by the Guarantor of interest on the Loan Notes. See "Description of the Loans".

MANDATORY REDEMPTION

The proceeds from any prepayment or repayment in cash of the principal of any Loan Notes shall be applied to redeem Series A Interests at a redemption price of $25 per Series A Interest plus accrued and unpaid dividends to the date fixed for redemption, provided that all or any portion of the principal amount prepaid or repaid by the Guarantor may be reloaned to the Guarantor, and not used for such redemption, if at the time of such new loan, and as determined in the judgment of the Managing Member and its financial advisor (which may be an affiliate of the Guarantor), (i) the Guarantor is not the subject of a pending case under the United States Bankruptcy Code, (ii) the Guarantor is not in default on any loan pertaining to Preferred Interests of any other series ranking pari passu with the Series A Interests, (iii) the Guarantor has timely made all required monthly payments of interest on the Loan Notes for the immediately preceding nine months, (iv) the Company is not in arrearage on payments of dividends on the Series A Interests, (v) the Guarantor is expected to be able to make timely payment of principal and interest on such new loan, (vi) such new loan is being made on terms, and under circumstances, that are no less favorable to the Company than those that a lender would require for a similar loan to an unrelated party, (vii) such new loan is being

made at a rate of interest sufficient to provide monthly payments of interest equal to or greater than the amount of monthly dividend payments required in respect of the Series A Interests, (viii) such new loan is being made for a fixed term that is consistent with market circumstances and the Guarantor's financial condition, and (ix) in any event, no new loan shall have a final maturity later than the ninetieth anniversary of the original issuance of the Series A Interests.

As more fully described under "Description of the Loans -- Optional Exchange", on any dividend payment date on or after September [ ], 1994, the Guarantor may deliver to the Company, in exchange for the Loan Notes, Depositary Shares representing Guarantor Preferred Stock having an aggregate fair market value, as determined by the Guarantor's financial advisor (which may be an affiliate of the Guarantor), or aggregate liquidation preference, whichever is greater, equal to the unpaid principal amount of the Loan Notes plus all accrued and unpaid interest thereon. In the event of such exchange, the Company will be obligated to redeem all the Series A Interests as an entirety solely in exchange for Depositary Shares, each representing a one-eighth interest in a share of Guarantor Preferred Stock at a rate of one Depositary Share for each Series A Interest to be redeemed; provided, however, that if, on the date that notice of the redemption is mailed to holders of Series A Interests, the rating assigned to any outstanding publicly held long-term senior unsecured debt obligation of the Guarantor by either Standard & Poor's Corporation or Moody's Investors Services, Inc. is not at least BBB-and Baa3 (or the equivalent ratings), respectively, then (i) the rate of exchange shall be 1.2 Depositary Shares for each Series A Interest to be redeemed and (ii) the Guarantor shall be obligated to deliver to the Company in exchange for the Loan Notes 1.2 times the number of Depositary Shares which would have been deliverable otherwise. See "Certain Terms of the Guarantor Preferred Stock" and "Certain Terms of the Depositary Shares." On the redemption date, all dividends on the Series A Interests so redeemed will cease to accrue and all rights of the holders of the Series A Interests as members of the Company shall cease, except the right to receive the Depositary Shares. Notice of such redemption will be given by the Company by mail to each record holder of Series A Interests not less than 30 nor more than 60 days prior to the date fixed for such redemption. If, in connection with such redemption, a holder of Series A Interests would otherwise be entitled to a fractional Depositary Share, such holder will receive, in lieu of such fractional Depositary Share, a cash payment in an amount representing such holder's proportionate interest in the net proceeds from the sale on behalf of such holder and all other holders who otherwise would be entitled to a fractional Depositary Share, of whole Depositary Shares representing the aggregate of such fractional Depositary Shares. The Company shall appoint an agent (which may be an affiliate of the Company) to conduct such sale.

OPTIONAL REDEMPTION

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The Series A Interests are redeemable for cash, at the option of the Company (with the prior consent of the Guarantor), in whole or in part, at any time and from time to time, on or after March [ ], 1999, upon not less than 30 nor more than 60 days' notice to the holders of the Series A Interests, at the redemption price of $25 per Series A Interest, plus accrued and unpaid dividends to the date fixed for redemption.

LIQUIDATION DISTRIBUTION

In the event of any liquidation, dissolution or winding up of the Company, before any payment or distribution of the assets of the Company shall be made to or set apart for the holders of any class or classes of Membership Interests or any series of Preferred Interests ranking junior to the Series A Interests upon liquidation, the holders of the Series A Interests shall be entitled to receive, but together with the holders of every other series of Preferred Interests outstanding, if any, ranking pari passu with the Series A Interests as to distribution of assets on liquidation, dissolution or winding up of the Company ("Company Liquidation Parity Interests"), an amount equal, in the case of the holders of the Series A Interests, to the aggregate of the liquidation preference of $25 per Series A Interest and all accrued and unpaid dividends to the date of payment (the "Liquidation Distribution"); but such holders shall be entitled to no further payment. If, upon any such liquidation, dissolution or winding up, the Liquidation Distribution can be paid only in part because the Company has insufficient assets available to pay in full the aggregate Liquidation Distribution and the aggregate maximum Liquidation Distribution on the Company Liquidation Parity Interests, then the amounts

payable directly by the Company on the Series A Interests and on such Company Liquidation Parity Interests shall be paid on a pro rata basis, so that

(i) (x) the aggregate amount paid as the Liquidation Distribution on the Series A Interests bears to (y) the aggregate amount paid as the Liquidation Distribution on the Company Liquidation Parity Interests the same ratio as

(ii) (x) the aggregate Liquidation Distribution bears to (y) the aggregate maximum Liquidation Distribution on the Company Liquidation Parity Interests.

VOTING RIGHTS

If (i) the Company fails to pay dividends in full on the Series A Interests for nine consecutive monthly dividend periods or (ii) the Guarantor breaches any of its obligations under the Loan Notes or the Guarantor breaches any of its obligations under the Guarantee (as defined in "Description of the Guarantee" in the accompanying Prospectus), then the holders of the outstanding Series A Interests, together with the holders of any other series of Preferred Interests having the right to vote for the appointment of a trustee in such event, acting as a single class, will be entitled, by ordinary resolution passed by the holders of a majority in liquidation preference (plus all accrued and unpaid dividends) of such Preferred Interests present in person or by proxy at a separate general meeting of such holders convened for such purpose, to appoint and authorize a trustee to enforce against the Guarantor the Company's rights as a creditor in respect of the Loan Notes, to enforce the obligations undertaken by the Guarantor under the Guarantee and to declare and pay dividends. Not later than 30 days after such entitlement arises, the Managing Member will convene a separate general meeting for the above purpose. If the Managing Member fails to convene such meeting within such 30-day period, the holders of 10% in aggregate liquidation preference (plus all accrued and unpaid dividends) of the outstanding Series A Interests and such other Preferred Interests will be entitled to convene such separate general meeting. The provisions of the L.L.C. Agreement relating to the convening and conduct of the general meetings of Members will apply with respect to any such separate general meeting. Any trustee so appointed shall vacate office, subject to the terms of such other Preferred Interests, if the Company (or the Guarantor pursuant to the Guarantee) shall have paid in full all accrued and unpaid dividends on the Series A Interests (if the event that gave rise to such appointment was clause (i) of this paragraph) or such breach by the Guarantor shall have been cured (if the event that gave rise to such appointment was clause (ii) of this paragraph).

If any resolution is proposed for adoption by the Members of the Company providing for, or the Managing Member proposes to take, any action that will (x) amend, alter or repeal the provisions of the L.L.C. Agreement (including the Actions) creating the Series A Interests so as to materially and adversely affect any rights or powers of the Series A Interests or the holders thereof or result in the authorization or issuance of any Membership Interests of the Company ranking, as to dividends or upon liquidation, senior to the Series A Interests, (y) result in the liquidation, dissolution or winding up of the Company or (z) modify the provisions of the L.L.C. Agreement prohibiting transfer or assignment of Common Interests, then the holders of outstanding Series A Interests (and, in the case of a resolution described in clause (x)

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above that would, to a like extent, materially and adversely affect the rights or powers of any Company Dividend Parity Interests (as defined in "Description of the Preferred Interests -- Certain Restrictions on the Company" in the accompanying Prospectus) or any Company Liquidation Parity Interests, such Company Dividend Parity Interests or such Company Liquidation Parity Interests, as the case may be, or, in the case of any resolution described in clause (y) or (z) above, all Company Liquidation Parity Interests) will be entitled to vote together as a class on such resolution (but not on any other resolution) (i) at a separate meeting of such holders, (ii) at the general meeting of Members called for the purpose of adopting such resolution or (iii) without a meeting but in writing, and such resolution shall not be effective except with the approval, in the case of clauses (i) and (ii), of the holders of 66 2/3% in aggregate liquidation preference (plus all accrued and unpaid dividends) of such outstanding Interests present in person or by proxy at a meeting at which 66 2/3% in aggregate liquidation preference (plus all accrued and unpaid dividends) of such Interests are so present or, in the case of clause (iii), by the holders of 66 2/3% in aggregate liquidation preference (plus all accrued and unpaid dividends) of such Interests; provided, however, that no such approval shall be required under clauses

(x) and (y) if the liquidation, dissolution and winding up of the Company is proposed or initiated upon the initiation of proceedings, or after proceedings have been initiated, for the liquidation, dissolution or winding up of the Guarantor.

The rights attached to the Series A Interests will be deemed not to be varied by the creation or issue of, and no vote will be required for the creation of, any further series of Preferred Interests or any further Membership Interests of the Company ranking as to dividends or upon liquidation pari passu with or junior to the Series A Interests.

The Company will cause a notice of any meeting at which holders of the Series A Interests are entitled to vote to be mailed to each holder of record of the Series A Interests. Each such notice will include a statement setting forth (i) the date of such meeting, (ii) a description of any resolution proposed for adoption at such meeting on which such holders are entitled to vote and (iii) instructions for the delivery of proxies.

No vote of the holders of the Series A Interests will be required for the Company to redeem and cancel Series A Interests in accordance with the L.L.C. Agreement (including the Actions).

Notwithstanding that holders of Series A Interests are entitled to vote under any of the circumstances described above, any of the Series A Interests and such other Preferred Interests entitled to vote with such Series A Interests as a single class outstanding at such time that are owned by the Guarantor or any entity owned 20% or more by the Guarantor, either directly or indirectly, shall not be entitled to vote and shall, for the purposes of such vote, be treated as if they were not outstanding.

TRANSFER RESTRICTIONS WITH RESPECT TO NON-U.S. PERSONS

The Company will not register Series A Interests in the name of, or record the transfer of Series A Interests to, or pay any dividend or distribution on or with respect to the Series A Interests to, any holder, if or to the extent such holder, or any person for whom such holder is acting as a nominee, (a) is known by the Company or its transfer agent to have an address of record outside the United States or (b) is known by the Company or its transfer agent to be other than (i) a citizen or resident of the United States, (ii) a corporation, partnership or other entity organized under the laws of the United States or any of its states or the District of Columbia or (iii) an estate or trust that is subject to United States Federal income tax on its worldwide income without regard to source (any such person or entity being a "non-U.S. Person"). The foregoing transfer restrictions shall not preclude the settlement of any transaction in the Series A Interests entered into through the facilities of the NYSE. Payments of dividends payable on Series A Interests to a non-U.S. Person that, despite the foregoing restrictions, hold Series A Interests may be reduced by United States Federal withholding tax. Accordingly, the holding of Series A Interests is not suitable for non-U.S. Persons.

DESCRIPTION OF THE LOANS

Set forth below is condensed information concerning the loans from the Company to the Guarantor of the net proceeds of the issuance of the Series A Interests and the Common Interests. The loans will be made pursuant to a loan agreement between the Company and the Guarantor (the "Loan Agreement"). This summary description of the Loan Agreement does not purport to be complete and is subject to, and qualified in its entirety by reference to, the form of such Loan Agreement filed as an exhibit to the Registration Statement of which this Prospectus Supplement forms a part.

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GENERAL

Pursuant to the Loan Agreement, the Company has agreed to make a loan (the "Initial Loan") to the Guarantor in the aggregate principal amount of $, such amount being the sum of (i) the aggregate stated liquidation preference of the Series A Interests issued and sold by the Company and (ii) the aggregate cash consideration paid by the holders of the outstanding Common Interests to the Company for such Common Interests. In the event that the Underwriters' over-allotment option is exercised, the Company has agreed to make an additional loan (together with the Initial Loan, the "Loans") to the Guarantor pursuant to the Loan Agreement equal to the aggregate stated liquidation preference of the Series A Interests so sold upon

such exercise plus the related aggregate additional cash consideration paid by the Managing Member to the Company for additional Common Interests. If the over-allotment option is exercised in full, such additional loan will equal $.

The entire principal amount of the Loans shall become due and payable (together with any accrued and unpaid interest thereon), on the earliest of March , 2024 (the "Maturity Date") or the date upon which the Guarantor shall be dissolved, wound up or liquidated, the date upon which the Company shall be dissolved, wound up or liquidated or the date of acceleration of the Loans pursuant to an Event of Default (as defined under "Events of Default" below), subject to relending under conditions described under "Certain Terms of the Series A Interests -- Mandatory Redemption". The Loans will be evidenced by the Loan Notes.

OPTIONAL PREPAYMENT

The Guarantor shall have the right to prepay the Loans, without premium or penalty,

(i) in whole or in part (together with any accrued but unpaid interest, including Additional Interest (as defined below under "--Additional Interest"), if any, on the portion being prepaid) at any time on or after March [ ], 1999; or

(ii) in whole (together with all accrued and unpaid interest, including Additional Interest, if any, thereon) at any time after the date hereof if the Guarantor is or would be required to pay any Additional Interest pursuant to the terms of the Loan Agreement or, if such requirement shall relate only to a portion of the Loans, the portion of the Loans affected by any such requirement (together with all accrued and unpaid interest, including Additional Interest, if any, on the portion being prepaid); provided that the Guarantor shall not have the right to prepay the Loans as a result of the payment of Additional Interest unless the payment of such Additional Interest is imposed by reason of a change in law or regulation, or a written change in interpretation of law or regulation, by any legislative body, court, governmental agency or regulatory authority (a "Change of Law"), and that in no event shall the Guarantor have the right to prepay the Loan, or any portion thereof, under this clause (ii) based on a de minimis obligation to pay Additional Interest.

No assurance can be given that there will not be a Change of Law.

OPTIONAL EXCHANGE

On any dividend payment date on or after September [ ], 1994, the Guarantor shall have the right, subject to certain conditions, to issue and deliver to the Company, in exchange for the Loan Notes, freely transferable Depositary Shares representing shares of Guarantor Preferred Stock having an aggregate fair market value, as determined by the Guarantor's financial advisor (which may be an affiliate of the Guarantor), or an aggregate liquidation preference, whichever is greater, equal to the unpaid principal amount of the Loan Note plus any accrued and unpaid interest (including Additional Interest, if any) thereon to the date of such exchange. In the event that the rate of exchange applicable to redemption by the Company of Series A Interests for Depositary Shares in connection with an exchange for the Loan Notes, as more fully described under "Certain Terms of the Series A Interests -- Mandatory Redemption", is 1.2 Depositary Shares for each Series A Interest redeemed, then the Guarantor shall be obligated to deliver to the Company in exchange for the Loan Notes 1.2 times the number of Depositary Shares which would have been deliverable otherwise. The Guarantor shall give the Company written notice of its intention to effect such exchange not less than seventy-five (75) days nor more than ninety (90) days prior to the intended date of such exchange.

Notwithstanding the foregoing, such exchange of the Depositary Shares for the Loan Notes may be made only if, on the date that the Guarantor gives to the Company notice of its intention to effect such exchange and on the date of such

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exchange, (i) the Guarantor is not in default on any loan made by the Company to the Guarantor, (ii) the Guarantor is not in default under any indebtedness for borrowed money whether or not evidenced by a note (other than inter-company indebtedness and indebtedness in respect of agreements in the ordinary course of business to purchase or repurchase securities or loans), indebtedness secured by purchase money mortgages or conditional sale, finance lease or other title retention agreements and obligations under

any other lease of real or personal property, which would be included in determining total liabilities at the date such indebtedness is determined, which indebtedness or obligations are in excess of $25,000,000 and have been or could be declared due and payable prior to maturity, (iii) there have not occurred certain events of bankruptcy, insolvency or reorganization, and (iv) the total consolidated stockholders' equity of the Guarantor, as shown on the most recent publicly available consolidated balance sheet of the Guarantor, is at least $500,000,000. Prior to the delivery of the Depositary Shares in exchange for the Loan Notes, the Guarantor will use its best efforts to list the Depositary Shares on the NYSE. If the Guarantor is unable to list the Depositary Shares on the NYSE, it will use its best efforts to list the Depositary Shares on another national securities exchange or to include the Depositary Shares for trading on an interdealer quotation system.

INTEREST

The Loans shall bear interest at an annual rate of % from the date they are made until maturity. Such interest shall be payable on the last day of each calendar month of each year, commencing March [ ], 1994. Interest will be computed on the basis of twelve 30-day months and a 360-day year and, for any interest period that is shorter than a full calendar month, will be calculated on the basis of the actual number of days elapsed in such period. If any date on which interest is payable on the Loans is not a Business Day (as defined below), then payment of the interest due on such date will be made on the next succeeding day which is a Business Day (and without any interest or other payment in respect of any such delay), except that, if such Business Day is in the next succeeding calendar year, such payment shall be made on the immediately preceding Business Day, in each case with the same force and effect as if made on such date; provided, however, that the Guarantor shall have the right at any time or times during the term of the Loans, so long as the Guarantor is not in default in the payment of interest on the Loans, to extend the interest payment period by a further period, not to exceed nine months, at the end of which further period the Guarantor shall pay all interest then accrued and unpaid (together with interest thereon at the rate specified for the Loans to the extent permitted by applicable law); and provided further that, during any such extended interest period, or at any time during which there is an uncured Event of Default under the Loans, the Guarantor shall not pay any dividends on, or redeem, purchase, acquire or make a liquidation payment with respect to, any of its shares of capital stock or make any guarantee payments with respect to the foregoing (other than payments under any guarantee of the Series A Interests). The Guarantor shall give the Company not less than five Business Days' prior notice of its selection of such longer interest payment period. The term "Business Day" shall mean each day, other than a Saturday or Sunday, that is not a day on which banks in the City of New York are authorized or obligated by law or executive order to close.

ADDITIONAL INTEREST

If at any time following the date of the Loan Agreement the Company shall be required to pay, with respect to its income derived from the interest payments on the Loans, any amounts, for or on account of any taxes, duties or governmental charges of whatever nature imposed by the United States (or any political subdivision thereof or therein), or any other taxing authority, then, in any such case, the Guarantor will pay as interest such additional amounts ("Additional Interest") as may be necessary in order that the net amounts received and retained by the Company after the payment of such taxes, duties, assessments or governmental charges shall result in the Company's having such funds as it would have had in the absence of the obligation to pay such taxes, duties, assessments or governmental charges.

METHOD AND DATE OF PAYMENT

Each payment by the Guarantor of principal and interest (including Additional Interest, if any) on the Loans shall be made to the Company in United States Dollars at such place and to such account as may be designated by the Company.

SET-OFF

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Notwithstanding anything to the contrary in the Loan Agreement, the Guarantor shall have the right to set-off any payment it is otherwise required to make thereunder with and to the extent the Guarantor has theretofore made, or is concurrently on the date of such payment making, a payment under the Guarantee.

SUBORDINATION

The Guarantor and the Company covenant and agree that each of the Loans is subordinate and junior in right of payment to all Senior Indebtedness as provided in the Loan Agreement. The term "Senior Indebtedness" shall mean (a) the principal of, premium, if any, and accrued and unpaid interest on (i) indebtedness of the Guarantor for money borrowed, whether outstanding on the date of execution of the Loan Agreement or thereafter created, incurred or assumed, (ii) guarantees by the Guarantor of indebtedness for money borrowed by any other person, whether outstanding on the date of execution of the Loan Agreement or thereafter created, incurred or assumed, (iii) indebtedness evidenced by notes, debentures, bonds or other instruments of indebtedness for the payment of which the Guarantor is responsible or liable, by guarantees or otherwise, whether outstanding on the date of execution of the Loan Agreement or thereafter created, incurred or assumed, (iv) obligations of the Guarantor under any agreement to lease, or any lease of, any real or personal property, whether outstanding on the date of execution of the Loan Agreement or thereafter created, incurred or assumed, and (v) without duplication of the foregoing, indebtedness of the Guarantor under the Indenture dated as of March 15, 1988, between the Guarantor and Chemical Bank (Delaware), as amended, relating to subordinated debt securities of the Guarantor, and indebtedness or guarantees ranking superior or pari passu in right of payment thereto, in each case whether outstanding on the date of the Loan Agreement or thereafter created, incurred or assumed (the Loans being expressly neither superior nor pari passu in right of payment to or with any indebtedness described in this clause (v)), (b) any other indebtedness, liability or obligation, contingent or otherwise, of the Guarantor and any guarantee, endorsement or other contingent obligation of the Guarantor in respect of any indebtedness, liability or obligation, whether outstanding on the date of execution of the Loan Agreement or thereafter created, incurred or assumed, and (c) modifications, renewals, extensions and refundings of any such indebtedness, liabilities, obligations or guarantees; unless, in the instrument creating or evidencing the same or pursuant to which the same is outstanding, it is provided that such indebtedness, liabilities, obligations or guarantees, or such modifications, renewals, extensions or refundings thereof, are not superior in right of payment to the Loans. The Senior Indebtedness shall continue to be Senior Indebtedness and entitled to the benefits of the subordination provisions irrespective of any amendment, modification or waiver of any term of the Senior Indebtedness or extension or renewal of the Senior Indebtedness.

If (i) the Guarantor defaults in the payment of any principal, or premium, if any, or interest on any Senior Indebtedness when the same becomes due and payable, whether at maturity or at a date fixed for prepayment or declaration or otherwise or (ii) an event of default occurs with respect to any Senior Indebtedness permitting the holders thereof to accelerate the maturity thereof and written notice of such event of default is given to the Guarantor by the holders of Senior Indebtedness, then unless and until such default in payment or event of default shall have been cured or waived or shall have ceased to exist, no direct or indirect payment (in cash, property or securities, by set-off or otherwise) shall be made or agreed to be made on account of the Loans or interest thereon or in respect of any repayment, redemption, retirement, purchase or other acquisition of the Loans.

In the event of (i) any insolvency, bankruptcy, receivership, liquidation, reorganization, readjustment, composition or other similar proceeding relating to the Guarantor, its creditors or its property, (ii) any proceeding for the liquidation, dissolution or other winding up of the Guarantor, voluntary or involuntary, whether or not involving insolvency or bankruptcy proceedings, (iii) any assignment by the Guarantor for the benefit of creditors, or (iv) any other marshalling of the assets of the Guarantor, all Senior Indebtedness (including, without limitation, interest accruing after the commencement of any such proceeding, assignment or marshalling of assets) shall first be paid in full before any payment or distribution, whether in cash, securities or other property, shall be made by the Guarantor on account of the Loans. In any such event, any payment or distribution, whether in cash, securities or other property (other than securities of the Guarantor

or any other corporation provided for by a plan of reorganization or a readjustment, the payment of which is subordinate, at least to the extent provided in the subordination provisions of the Loan Agreement with respect to the indebtedness evidenced by the Loans, to the payment of all Senior Indebtedness at the time outstanding and to any securities issued in respect thereof under any such plan of reorganization or readjustment), which would otherwise (but for the subordination provisions) be payable or deliverable in respect of the Loans (including any such payment or distribution which may be payable or deliverable by reason of the payment of any other indebtedness of the

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Guarantor being subordinated to the payment of the Loans) shall be paid or delivered directly to the holders of Senior Indebtedness, or to their representative or trustee, in accordance with the priorities then existing among such holders until all Senior Indebtedness shall have been paid in full. No present or future holder of any Senior Indebtedness shall be prejudiced in the right to enforce subordination of the indebtedness constituting the Loans by any act or failure to act on the part of the Guarantor.

Senior Indebtedness shall not be deemed to have been paid in full unless the holders thereof shall have received cash, securities or other property equal to the amount of such Senior Indebtedness then outstanding. Upon the payment in full of all Senior Indebtedness, the Company shall be subrogated to all the rights of any holders of Senior Indebtedness to receive any further payments or distributions applicable to the Senior Indebtedness until the Loans shall have been paid in full, and such payments or distributions received by the Company, by reason of such subrogation, of cash, securities or other property which otherwise would be paid or distributed to the holders of Senior Indebtedness, shall, as between the Guarantor and its creditors other than the holders of Senior Indebtedness, on the one hand, and the Company, on the other, be deemed to be a payment by the Guarantor on account of Senior Indebtedness, and not on account of the Loans.

COVENANTS

The Guarantor will agree that, so long as the Series A Interests are outstanding, (i) it shall not declare or pay any dividend on, or redeem, purchase, acquire or make a liquidation payment with respect to, any of its capital stock, or make any guarantee payments with respect to the foregoing (other than payments pursuant to any guarantee of the Series A Interests) if at such time (x) there shall have occurred any event that, with the giving of notice or the lapse of time or both, would constitute an Event of Default or (y) the Guarantor shall be in default with respect to its payment or other obligations under any guarantee of the Series A Interests, (ii) it shall maintain ownership, directly or indirectly, of all of the Common Interests, (iii) in its capacity as a holder of Common Interests, it shall make such contributions to the Company so as to cause the Common Interests held by the Guarantor to be entitled in the aggregate to at least 21% of all interest in the capital, income, gain, loss, deduction, credit and distributions of the Company, (iv) it shall not voluntarily dissolve, wind-up or liquidate the Company, (v) it shall timely perform all of its duties as Managing Member of the Company, and (vi) it shall use its reasonable efforts to cause the Company to remain a limited liability company under the laws of the State of Delaware and otherwise continue to be treated as a partnership for United States Federal income tax purposes.

The Guarantor also will agree (i) that its obligations under the Loan Agreement will also be for the benefit of the holders from time to time of the Series A Interests and that such holders will be entitled to enforce the Loan Agreement directly against the Guarantor, and (ii) not to permit another entity to merge with or into it unless (a) at such time no Event of Default has occurred and is continuing, or would occur as a result of such merger and (b) the Guarantor is the survivor of such merger or the entity formed by or resulting from such merger shall expressly assume payment of the principal of and premium, if any, and interest on (and any Additional Interest payable in respect of) the Loans.

EVENTS OF DEFAULT

If one or more of the following events (each an "Event of Default") shall occur and be continuing:

(a) default in the payment of interest on the Loans (including any Additional Interest) when due that continues for 10 days (whether by virtue of the subordination provisions of the Loan Agreement or

otherwise); provided, however, that a valid extension of the interest payment period by the Guarantor shall not constitute a default in the payment of interest for this purpose (see "Interest" above);

(b) default in the payment of principal on the Loans when due (whether by virtue of the subordination provisions of the Loan Agreement or otherwise);

(c) dissolution, winding up or liquidation of the Company;

(d) the bankruptcy, insolvency or liquidation of the Guarantor; or

(e) the breach by the Guarantor of any of its covenants contained in the Loan Agreement continued for 30 days after notice to the Guarantor from any holder of the Series A Interests;

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then (i) in the case of clauses (a), (b) and (e), and at any time thereafter during the continuance of such event, the Company will have the right to declare the principal of and the interest on the Loans (including any Additional Interest and any interest subject to an extension of the interest payment period) and any other amounts payable on the Loans to be forthwith due and payable, and (ii) in the case of clauses (c) and (d), the principal of and interest on the Loans (including any Additional Interest and any interest subject to an extension of the interest payment period) and any other amounts payable on the Loans shall automatically become due and payable, whereupon in either case the Loans and any other amounts payable under the Loan Agreement shall be forthwith due and payable without presentment, demand, protest or other notice of any kind, all of which will be waived by the Guarantor, and the Company will have the right to enforce its other rights as a defaulted creditor with respect to the Loans. Under the terms of the Series A Interests, the holders of outstanding Series A Interests will have the rights referred to under "Certain Terms of the Series A Interests--Voting Rights", including the right to appoint a trustee, which trustee shall be authorized to exercise the Company's rights to accelerate the principal amount of the Loans and to enforce the Company's other rights under the Loan Agreement.

MISCELLANEOUS

The Guarantor shall have the right at all times to assign any of its rights or obligations under the Loan Agreement to a direct or indirect wholly owned subsidiary of the Guarantor; provided, however, that, in the event of any such assignment, the Guarantor shall remain jointly and severally liable for all such obligations. The Company may not assign any of its rights under the Loan Agreement without the prior written consent of the Guarantor. Subject to the foregoing, the Loan Agreement shall be binding upon and inure to the benefit of the Guarantor and the Company and their respective successors and assigns. Any assignment by the Guarantor or the Company in contravention of such provisions will be null and void.

The Loan Agreement will be governed by and construed in accordance with the internal laws of the State of New York.

The Loan Agreement may be amended by mutual consent of the parties in the manner the parties shall agree; provided, however, that, so long as any of the Series A Interests remain outstanding, no such amendment shall be made that materially and adversely affects the rights of the holders of the Series A Interests, no termination of the Loan Agreement shall occur, and no Event of Default or compliance with any covenant under the Loan Agreement may be waived by the Company, without the prior approval of the holders of at least 66 2/3% in liquidation preference of all Series A Interests then outstanding, in writing or at a duly constituted meeting of such holders, unless and until the Loans and all accrued and unpaid interest thereon (including Additional Interest, if any) shall have been paid in full.

CERTAIN TERMS OF THE DEPOSITARY SHARES

The following is a summary description of certain terms of the Depositary Shares and Depositary Receipts (as defined below) and supplements the description of certain terms of the Depositary Shares and Depositary Receipts set forth under "Description of the Depositary Shares" in the accompanying Prospectus, to which description reference is hereby made. The summary description of the Depositary Shares and Depositary Receipts set forth below does not purport to be complete and is subject to, and qualified in its

entirety by reference to, the Deposit Agreement referred to below, the form of which (including the form of Depositary Receipt) is filed as an exhibit to the Registration Statement of which this Prospectus Supplement forms a part.

Each Depositary Share represents a one-eighth interest in a share of Guarantor Preferred Stock. The shares of the Guarantor Preferred Stock underlying the Depositary Shares will be deposited with Chemical Bank, as Depositary (the "Depositary"), under a Deposit Agreement (the "Deposit Agreement") among the Guarantor, the Depositary and the holders from time to time of the depositary receipts issued by the Depositary thereunder (the "Depositary Receipts"). The Depositary Receipts so issued will evidence the Depositary Shares and will be eligible for book-entry trading through the facilities of The Depository Trust Company. Subject to the terms of the Deposit Agreement, each owner of a Depositary Share will be entitled through the Depositary, in proportion to the one-eighth interest in a share of the Guarantor Preferred Stock underlying such Depositary Share, to all rights and preferences of a share of Guarantor Preferred Stock (including dividend, voting, redemption and liquidation rights). Since each share of Guarantor Preferred Stock entitles the holder thereof to one vote on all matters on which the Guarantor Preferred Stock is entitled to vote, each Depositary Share will in effect entitle the holder thereof to one-eighth of a vote thereon, rather than one full vote. The Guarantor does not expect that there will be any trading market for the shares of Guarantor Preferred Stock except as represented by the Depositary Shares. The

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principal office of the Depositary is currently located at 450 West 33rd Street, New York, New York. See "Certain Terms of the Guarantor Preferred Stock -- Voting Rights" below, and "Description of the Guarantor Preferred Stock -- Voting Rights", "Description of the Depositary Shares" and "Book-Entry Procedures and Settlement" in the accompanying Prospectus.

Chemical Bank will be the transfer agent and registrar for the Depositary Shares.

CERTAIN TERMS OF THE GUARANTOR PREFERRED STOCK

The following is a summary description of certain terms of the Guarantor Preferred Stock and supplements the description of certain general terms of the Series Preferred Stock of the Guarantor set forth under "Description of the Guarantor Preferred Stock" in the accompanying Prospectus. The Guarantor Preferred Stock is a series of the preferred stock, par value $20 per share, of the Guarantor, which preferred stock may be issued from time to time in one or more series, the shares of each series to have such powers, designations, preferences and relative, participating, optional or other special rights, and qualifications, limitations or restrictions thereof, as are stated in the Guarantor's Restated Certificate of Incorporation or in a resolution or resolutions providing for the issue of such series adopted by the Guarantor's Board of Directors (the "Board of Directors") or a duly authorized committee thereof. The summary of certain terms of the Guarantor Preferred Stock set forth below does not purport to be complete and is subject to, and qualified in its entirety by reference to, the Guarantor's Restated Certificate of Incorporation, including the Certificate of Designations relating to the Guarantor Preferred Stock, which are filed as exhibits to or incorporated by reference in the Registration Statement of which this Prospectus Supplement forms a part.

GENERAL

The Guarantor Preferred Stock on the date of original issue will rank equally as to payment of dividends and distribution of assets upon dissolution, liquidation or winding up of the Guarantor with each other then outstanding series of preferred stock of the Guarantor. See "Description of the Guarantor Preferred Stock" in the accompanying Prospectus. The Guarantor Preferred Stock will rank senior to the Guarantor's Common Stock, par value $1 per share (the "Guarantor Common Stock"). The Guarantor is authorized by its Restated Certificate of Incorporation to issue 20,000,000 shares of Series Preferred Stock, par value $20 per share. As of the date of this Prospectus Supplement, there were no outstanding shares of Series Preferred Stock of the Guarantor. See "Description of the Guarantor Preferred Stock -- General" in the accompanying Prospectus.

DIVIDENDS AND DISTRIBUTIONS

The holders of shares of Guarantor Preferred Stock will be entitled to receive, when and as declared by the Board of Directors of the Guarantor (or a duly authorized committee thereof) out of net profits or net assets of the Guarantor legally available for the payment of dividends, cumulative cash dividends at the annual rate of % of the liquidation preference of $200 per share of Guarantor Preferred Stock (equivalent to $ per annum per share of Guarantor Preferred Stock and $ per annum per Depositary Share), and no more, in equal monthly payments (rounded down to the nearest cent) in arrears on the last day of each calendar month of each year, commencing with the first full calendar month following the date of issue of the Guarantor Preferred Stock. In the event that any date on which dividends are payable on the Guarantor Preferred Stock of any series is not a Business Day, then payment of the dividend payable on such date will be made on the next succeeding day which is a Business Day (and without any interest or other payment in respect of any such delay) except that, if such Business Day is in the next succeeding calendar year, such payment shall be made on the immediately preceding Business Day, in each case with the same force and effect as if made on such date. Dividends will be payable to the holders of record on the fifth Business Day preceding the relevant payment date. Dividends will be computed on the basis of twelve 30-day months and a 360-day year and, for any dividend period shorter than a full calendar month, will be calculated on the basis of the actual number of days elapsed in such period. Dividends payable on the Guarantor Preferred Stock will begin to accrue and be cumulative from the date of original issue. Accrued but unpaid dividends will not bear interest. Dividends paid on the shares of Guarantor Preferred Stock in an amount less than the total amount of such dividends at the time accrued and payable will be allocated pro rata on a share-by-share basis among all such shares at the time outstanding.

Whenever monthly dividends payable on shares of the Guarantor Preferred Stock are in arrears, thereafter and until all accrued and unpaid dividends, whether or not declared, on the outstanding shares of Guarantor Preferred Stock have been paid in full or declared and set apart for payment, the Guarantor will not: (i) declare or pay dividends, or make any other distribution, on any shares of Guarantor Common Stock or other capital stock ranking junior (either as to

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payment of dividends or distribution of assets upon liquidation, dissolution or winding up) to the Guarantor Preferred Stock ("Guarantor Junior Stock"), other than dividends or distributions payable in Guarantor Junior Stock; (ii) declare or pay dividends, or make any other distributions, on any shares of capital stock ranking on a parity (either as to payment of dividends or distribution of assets upon liquidation, dissolution or winding up) with the Guarantor Preferred Stock ("Guarantor Parity Stock"), other than dividends or distributions payable in Guarantor Junior Stock, and other than dividends paid ratably on the Guarantor Preferred Stock and all Guarantor Parity Stock on which dividends are payable or in arrears, in proportion to the total amounts to which the holders of all such shares are then entitled; (iii) redeem or purchase or otherwise acquire for consideration any shares of Guarantor Junior Stock, provided that the Guarantor may at any time redeem, purchase or otherwise acquire any shares of Guarantor Junior Stock in exchange for shares of Guarantor Junior Stock; or (iv) redeem or purchase or otherwise acquire for consideration any shares of Guarantor Preferred Stock or Guarantor Parity Stock, except in accordance with a purchase offer made in writing or by publication (as determined by the Board of Directors) to all holders of such shares upon such terms as the Board of Directors, after consideration of the respective annual dividend rates and other relative rights and preferences of the respective series and classes, shall determine in good faith will result in fair and equitable treatment among the respective series or classes. See "Description of the Guarantor Preferred Stock -- Dividends" in the accompanying Prospectus.

Payment of dividends payable on shares of the Guarantor Preferred Stock to non-U.S. Persons (as defined under "Certain Terms of the Series A Interests -- Transfer Restrictions with Respect to Non-U.S. Persons" above) will be reduced by United States Federal withholding tax.

LIQUIDATION RIGHTS

Upon any liquidation, dissolution or winding up of the Guarantor (whether voluntary or involuntary), no distribution will be made (i) to the holders of shares of Guarantor Junior Stock, unless, prior thereto, the holders of shares of Guarantor Preferred Stock shall have received $200 per share (equivalent to $25 per Depositary Share), plus an amount per share equal to all accrued but unpaid dividends thereon (whether or

not earned or declared) to the date of such payment or (ii) to the holders of shares of Guarantor Parity Stock, except distributions made ratably on the Guarantor Preferred Stock and all such Guarantor Parity Stock in proportion to the total amounts to which the holders of all such shares are entitled upon such liquidation, dissolution or winding up. After payment of the full amount of the liquidating distribution to which holders of the Guarantor Preferred Stock are entitled, such holders shall be entitled to no further payment. See "Description of the Guarantor Preferred Stock -- Liquidation Rights" in the accompanying Prospectus.

REDEMPTION

The shares of the Guarantor Preferred Stock may not be redeemed by the Guarantor prior to March [ ], 1999 (if issued prior thereto). The Guarantor, at its option, may redeem shares of Guarantor Preferred Stock, as a whole or in part, at any time or from time to time on or after March [ ], 1999 at a price of $200 per share ($25 per Depositary Share), plus an amount per share equal to all accrued but unpaid dividends thereon, whether or not declared, to the date fixed for redemption. See "Description of the Guarantor Preferred Stock -- Redemption" in the accompanying Prospectus.

VOTING RIGHTS

Holders of the Guarantor Preferred Stock will have no voting rights except as set forth below or as otherwise from time to time required by law.

Whenever dividends payable on the shares of Guarantor Preferred Stock shall be in arrears for eighteen monthly dividend periods, whether or not consecutive, including any periods in which dividends on the Series A Shares were not paid in cash, the holders of the outstanding shares of Guarantor Preferred Stock (voting separately as a class with all other series of Series Preferred Stock of the Guarantor upon which like voting rights have been conferred and are exercisable) will be entitled to vote for the election of two of the authorized number of directors of the Guarantor at the earlier of (i) the next annual meeting of stockholders or (ii) a special meeting of holders of the Guarantor Preferred Stock called for that purpose, and at each subsequent annual meeting of stockholders until all accrued dividends on the Guarantor Preferred Stock have been fully paid or set apart for payment. The term of office of all directors elected by the holders of shares of Guarantor Preferred Stock shall terminate immediately upon the termination of the right of the holders of the Guarantor Preferred Stock to vote for directors. Whenever the shares of Guarantor Preferred Stock become entitled to vote, each holder of the Guarantor Preferred Stock will have one vote for each share held.

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So long as any shares of the Guarantor Preferred Stock remain outstanding, the Guarantor shall not, without the consent of the holders of at least 66 2/3% of the shares of Guarantor Preferred Stock outstanding at the time (voting separately as a class with all other series of Series Preferred Stock of the Guarantor upon which like voting rights have been conferred and are exercisable), (i) issue or increase the authorized amount of any class or series of capital stock of the Guarantor ranking senior to the Guarantor Preferred Stock as to dividends or upon liquidation or (ii) amend, alter or repeal the provisions of the Guarantor's Restated Certificate of Incorporation or the resolutions contained in the Certificate of Designations, whether by merger, consolidation or otherwise, so as to materially and adversely affect any power, preference or special right of the shares of Guarantor Preferred Stock or of the holders thereof; provided, however, that any increase in the amount of authorized Guarantor Common Stock or authorized Series Preferred Stock of the Guarantor, any increase or decrease in the number of shares of any series of Series Preferred Stock of the Guarantor or the creation and issuance of Guarantor Common Stock or any other series of Series Preferred Stock of the Guarantor, in each case ranking on a parity with or junior to the shares of Guarantor Preferred Stock as to dividends and upon liquidation, shall not be deemed to materially and adversely affect the powers, preferences or special rights of the shares of Guarantor Preferred Stock.

The foregoing voting provisions shall not apply if, at or prior to the time when the act with respect to which such vote would otherwise be required shall be effected, all outstanding shares of Guarantor Preferred Stock shall have been redeemed or called for redemption and sufficient funds shall have been deposited in trust to effect such a redemption. See "Description of the Guarantor Preferred Stock -- Voting Rights" in the accompanying Prospectus.

UNDERWRITING

Subject to the terms and conditions set forth in the Underwriting Agreement, the Company has agreed to sell to each of the Underwriters named below, and each of the Underwriters has severally agreed to purchase, the number of Series A Interests set forth opposite its name.

<TABLE>
<CAPTION>

UNDERWRITERS	NUMBER OF SERIES A INTERESTS
<S>	<C>
PaineWebber Incorporated..	
Total...	

</TABLE>

The Underwriters have advised the Company that they propose to offer the Series A Interests to the public initially at the offering price set forth on the cover page of this Prospectus Supplement, and to certain dealers at such price less a concession not in excess of $[ ] per Series A Interest. The Underwriters may allow and such dealers may reallow a concession not in excess of $[ ] per Series A Interest to certain other dealers. After the initial public offering, the public offering price and such concessions may be changed.

The Underwriting Agreement provides that the obligations of the Underwriters are subject to certain conditions precedent and that the Underwriters will purchase all the Series A Interests if any are purchased.

The Company has granted to the Underwriters an option exercisable during a 30-day period after the date of this Prospectus Supplement to purchase, at the initial public offering price (with an additional underwriting commission), up to [ ] additional Series A Interests for the sole purpose of covering over-allotments, if any. To the extent that the Underwriters exercise such option, each Underwriter will be committed, subject to certain conditions, to purchase a number of the additional Series A Interests proportionate to such Underwriter's initial commitment.

The Company and the Guarantor have agreed to indemnify the Underwriters against, and to contribute to losses arising out of, certain liabilities, including liabilities under the Securities Act of 1933, as amended.

Prior to this offering, there has been no market for the Series A Interests. Application will be made to list the Series A Interests on the NYSE. The Company will use its best efforts to maintain the listing of the Series A Interests on the NYSE or another national securities exchange. Nevertheless, no assurances can be given as to the liquidity of the market for the Series A Interests.

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PaineWebber or other affiliates of the Guarantor may offer and sell previously issued Series A Interests or Depositary Shares from time to time in the course of its or their business as a broker-dealer (subject to obtaining any necessary approvals of the NYSE or other national securities exchange or trading market for any such offers and sales). PaineWebber or such other affiliates may act as principal or agent in those transactions. The Series A Interests or Depositary Shares may by offered or sold in such transactions on any securities exchange on which such securities may be listed. Sales will be made at prices related to prevailing prices at the time of sale.

PaineWebber is a wholly owned subsidiary of the Guarantor and an affiliate of the Company.

The underwriting of the Series A Interests offered hereby will conform to the requirements set forth in the applicable sections of Schedule E of the ByLaws of the NASD.

INFORMATION CONTAINED HEREIN IS SUBJECT TO COMPLETION OR AMENDMENT. A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION. THESE SECURITIES MAY NOT BE SOLD NOR MAY OFFERS TO BUY BE ACCEPTED PRIOR TO THE TIME THE REGISTRATION STATEMENT BECOMES EFFECTIVE. THIS PROSPECTUS SHALL NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY NOR SHALL THERE BE ANY SALE OF THESE SECURITIES IN ANY STATE IN WHICH SUCH OFFER, SOLICITATION OR SALE WOULD BE UNLAWFUL PRIOR TO REGISTRATION OR QUALIFICATION UNDER THE SECURITIES LAWS OF ANY SUCH STATE.

SUBJECT TO COMPLETION -- MARCH 16, 1994

PROSPECTUS

PAINEWEBBER FINANCE L.L.C.

EXCHANGEABLE CUMULATIVE PREFERRED LIMITED LIABILITY COMPANY INTERESTS
GUARANTEED TO THE EXTENT SET FORTH HEREIN BY

PAINE WEBBER GROUP INC.

PaineWebber Finance L.L.C. (the "Company"), a Delaware limited liability company, may offer from time to time, in one or more series, its Exchangeable Cumulative Preferred Limited Liability Company Interests (the "Preferred Interests"). All the common limited liability company interests (the "Common Interests") in the Company are owned, directly and indirectly, by Paine Webber Group Inc. (the "Guarantor"), a Delaware corporation. The total number of Preferred Interests of all series to be issued under the Registration Statement of which this Prospectus forms a part will not exceed 16,000,000.

The payment of periodic distributions ("dividends"), if and to the extent declared out of moneys held by the Company and legally available therefor, and payments on liquidation or redemption with respect to the Preferred Interests, will be guaranteed (the "Guarantee") by the Guarantor to the extent described herein. The Guarantee will rank junior to all liabilities of the Guarantor and pari passu with the most senior preferred stock issued by the Guarantor. See "PaineWebber Finance L.L.C.", "Description of the Preferred Interests -- Mandatory Redemption" and "Description of the Guarantee" for a description of various contractual backup obligations of the Guarantor. Under certain circumstances, but subject to certain conditions, the Company may redeem all, but not less than all, the Preferred Interests of any series solely in exchange for depositary shares (the "Depositary Shares") each representing a fractional interest in a share of a newly-issued series of Series Preferred Stock, par value $20 per share (the "Guarantor Preferred Stock"), of the Guarantor. See "Description of the Preferred Interests -- Mandatory Redemption".

The terms of the Preferred Interests of a particular series will be determined in light of market conditions at the time of sale. Information relating to the specific number of Preferred Interests, title and liquidation preference of each Preferred Interest, issuance price, dividend rate or method of calculation, dividend periods, dividend payment dates, any redemption or sinking fund provisions, any national securities exchange or other trading market on which the Preferred Interests may be listed or registered, the terms of any Depositary Shares representing shares in a series of Guarantor Preferred Stock that may be issuable in exchange for the Preferred Interests and other specific terms of each series of Preferred Interests in respect of which this Prospectus is being delivered shall be set forth in the applicable Prospectus Supplement (the "Prospectus Supplement").

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION

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PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The Preferred Interests may be sold by the Company directly to purchasers, through agents designated from time to time, to dealers, through underwriting syndicates led by one or more managing underwriters or through one or more underwriters. If underwriters or agents are involved in the offering of any Preferred Interests, their names are set forth in the applicable Prospectus Supplement. If an underwriter, agent or dealers are involved in the offering of any Preferred Interests, descriptions of their compensation and indemnification arrangements and the net proceeds to the Company are set forth in the applicable Prospectus Supplement.

This Prospectus and the related Prospectus Supplement may be used by PaineWebber Incorporated ("PaineWebber"), a wholly owned subsidiary of the Guarantor and an affiliate of the Company, or by other affiliates of the Guarantor in connection with offers and sales related to secondary market transactions in the Preferred Interests, Guarantor Preferred Stock or Depositary Shares at negotiated prices related to prevailing market prices at the time of sale or otherwise (subject to obtaining any necessary approvals of the New York Stock Exchange or other national securities exchange or trading market for any such offers and sales). PaineWebber or such other affiliates may act as principal or agent in such transactions.

PAINEWEBBER INCORPORATED

The date of this Prospectus is March , 1994.

IN CONNECTION WITH AN OFFERING OR DISTRIBUTION, THE UNDERWRITERS OR, TO THE EXTENT PERMITTED BY APPLICABLE LAW, THE AGENTS FOR SUCH OFFERING OR DISTRIBUTION MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SECURITIES OFFERED HEREBY AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH TRANSACTIONS MAY BE EFFECTED ON THE NEW YORK STOCK EXCHANGE OR OTHERWISE AND, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

AVAILABLE INFORMATION

The Guarantor is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and in accordance therewith files reports, proxy statements and other information with the Securities and Exchange Commission (the "Commission"). Such reports, proxy statements and other information can be inspected and copied at the office of the Commission at Room 1024, 450 Fifth Street, N.W., Washington, D.C., as well as at the Regional Offices of the Commission at North Western Atrium Center, 500 West Madison Street, Suite 1400, Chicago, Illinois, and Seven World Trade Center, 13th Floor, New York, New York. Copies can also be obtained by mail from the Public Reference Section of the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549 at prescribed rates. Reports, proxy statements and other information concerning the Guarantor can also be inspected at the offices of the New York Stock Exchange (the "NYSE"), 20 Broad Street, New York, New York, and the Pacific Stock Exchange, 111 Sansome Street, San Francisco, California. The Company and the Guarantor have filed with the Commission a registration statement on Form S-3 (herein, together with all amendments and exhibits, referred to as the "Registration Statement") under the Securities Act of 1933, as amended (the "Securities Act"), relating to the Preferred Interests and the Guarantee, the Guarantor Preferred Stock and the Depositary Shares. This Prospectus does not contain all of the information set forth in the Registration Statement, certain parts of which are omitted in accordance with the rules and regulations of the Commission. For further information, reference is hereby made to the Registration Statement.

No separate financial statements of the Company have been included herein. The Company and the Guarantor do not consider that such financial statements would be material to holders of the Preferred Interests because the Company is a newly organized special purpose entity, has no operating history and no independent operations and is not engaged in any activity other than the issuance of the Preferred Interests and the Common Interests, and the lending of the net proceeds thereof to the Guarantor and its subsidiaries. The Company is a Delaware limited liability company and will be managed by the Guarantor, in its capacity as a holder of Common Interests. The Guarantor directly and indirectly owns all the outstanding Common Interests, which Common Interests are nontransferable.

DOCUMENTS INCORPORATED BY REFERENCE

The Guarantor's Annual Report on Form 10-K for the fiscal year ended December 31, 1992, the Guarantor's Quarterly Reports on Form 10-Q for the quarters ended March 31, 1993, June 30, 1993 and September 30, 1993, and the Guarantor's Current Reports on Form 8-K dated February 4, 1993, May 25, 1993,

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August 5, 1993, October 12, 1993, October 26, 1993 and January 14, 1994, as filed with the Commission pursuant to the Exchange Act (File No. 1-7367), are hereby incorporated by reference in this Prospectus.

All documents filed by the Guarantor pursuant to Section 13(a), 13(c), 14 or 15(d) of the Exchange Act subsequent to the date of this Prospectus and prior to the termination of the offering of the securities offered hereby shall be deemed to be incorporated in this Prospectus by reference and to be a part hereof from the respective date of filing of each such document. Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for purposes of this Prospectus to the extent that a statement herein, in any Prospectus Supplement or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Prospectus.

The Guarantor will furnish without charge upon written or oral request by any person, including any beneficial owner, to whom this Prospectus is delivered, a copy of any of or all the documents referred to above which have been or may be incorporated in this Prospectus by reference, other than exhibits to such documents unless such exhibits are specifically incorporated by reference into such documents. Requests for such copies should be directed to Assistant Secretary, Paine Webber Group Inc., 1285 Avenue of the Americas, New York, New York 10019, telephone (212) 713-2722.

NO DEALER, SALESMAN OR ANY OTHER PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATION NOT CONTAINED IN THIS PROSPECTUS, A PROSPECTUS SUPPLEMENT OR THE DOCUMENTS INCORPORATED BY REFERENCE AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATION MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE COMPANY, PAINE WEBBER GROUP INC. OR ANY AGENT, UNDERWRITER OR DEALER. NEITHER THIS PROSPECTUS NOR ANY PROSPECTUS SUPPLEMENT CONSTITUTES AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY ANY OF THE SECURITIES OFFERED HEREBY IN ANY JURISDICTION TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE SUCH OFFER OR SOLICITATION IN SUCH JURISDICTION. THE DELIVERY OF THIS PROSPECTUS AND A PROSPECTUS SUPPLEMENT AT ANY TIME DOES NOT IMPLY THAT THE INFORMATION THEY CONTAIN IS CORRECT AS OF ANY TIME SUBSEQUENT TO THEIR RESPECTIVE DATES.

PAINE WEBBER GROUP INC.

Paine Webber Group Inc. is a holding company which, together with its operating subsidiaries, forms one of the largest full-service securities and commodities firms in the industry. Founded in 1879, the Guarantor employs approximately 14,400 people in 281 offices worldwide as of December 31, 1993. The Guarantor's principal line of business is to serve the investment and capital needs of individual, corporate, institutional and public agency clients through its broker-dealer subsidiary, PaineWebber, and other specialized subsidiaries. The Guarantor holds memberships in all major securities and commodities exchanges in the United States, and makes a market in many securities traded on the Automated Quotation System of the National Association of Securities Dealers, Inc. ("NASD") or in other over-the-counter markets. Additionally, PaineWebber is a primary dealer in U.S. government securities.

The Guarantor is comprised of four interrelated core business groups -- Retail Sales and Marketing, Institutional Sales and Trading, Investment Banking and Asset Management -- which utilize common operational and administrative personnel and facilities.

RETAIL SALES AND MARKETING consists primarily of a domestic branch office system and consumer product groups through which PaineWebber and certain other subsidiaries provide clients with financial services and products, including the purchase and sale of securities, option contracts, commodity and financial futures contracts, direct investments, selected insurance products, fixed income instruments and mutual funds. The Guarantor may act as principal or agent in providing these services. Fees charged vary according to the size and complexity of a transaction, and the activity level of a client's account.

INSTITUTIONAL SALES AND TRADING is comprised of five businesses: Fixed Income, U.S. Equity, International, Derivatives and Research. The Guarantor places securities with, and executes trades on behalf of, institutional clients both domestically and internationally. In addition, the Guarantor takes positions in both listed and unlisted equity and fixed income securities to facilitate client transactions or for the Guarantor's own account.

Through the INVESTMENT BANKING group, the Guarantor provides financial advice to, and raises capital for, a broad range of domestic and international corporate clients. Corporate Finance manages and

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underwrites public offerings, participates as an underwriter in syndicates of public offerings managed by others, and provides advice in connection with mergers and acquisitions, lease financings and debt restructurings. The Municipal Securities group originates, underwrites, sells and trades taxable and tax-exempt issues for municipal and public agency clients.

The ASSET MANAGEMENT group is comprised of Mitchell Hutchins Asset Management Inc. ("MHAM"), Mitchell Hutchins Institutional Investors Inc. ("MHII") and Mitchell Hutchins Investment Advisory division ("MHIA"). MHAM and MHII provide investment advisory and portfolio management services to pension and endowment funds. MHAM also provides investment advisory and portfolio management services to individuals and mutual funds. MHIA provides portfolio management services to individuals, trusts and institutions.

The securities business is one of the nation's most highly regulated industries. Violations of applicable regulations can result in the revocation of broker-dealer licenses, the imposition of censures or fines, and the suspension or expulsion of a firm, its officers or employees. The Guarantor's securities business is regulated by various agencies, including the Commission, the NYSE, the Commodity Futures Trading Commission and the NASD.

The Guarantor's principal executive offices are located at 1285 Avenue of the Americas, New York, New York 10019 (Telephone: (212) 713-2000).

For purposes of the foregoing description, all references to the "Guarantor" refer collectively to Paine Webber Group Inc. and its operating subsidiaries, unless the context otherwise requires.

PAINEWEBBER FINANCE L.L.C.

The Company is a limited liability company formed under the laws of the State of Delaware. The Company's offices are located at 1285 Avenue of the Americas, New York, New York 10019 (Telephone: (212) 713-2000). The Guarantor owns, directly and indirectly, all the outstanding Common Interests, which Common Interests are nontransferable. The Company exists solely for the purpose of issuing Preferred Interests and Common Interests (the Preferred Interests and Common Interests, collectively, the "Membership Interests") and lending the net proceeds thereof to the Guarantor and its subsidiaries in exchange for one or more notes of the Guarantor or the applicable subsidiary (each a "Loan Note"). The Company will be managed by the Guarantor, in its capacity as a holder of Common Interests (in such capacity, the "Managing Member"). Holders of Membership Interests in the Company are referred to herein as "Members".

The Company's Limited Liability Company Agreement (the "L.L.C. Agreement") provides that the Guarantor, as Managing Member, will have unlimited liability for all the debts, obligations and liabilities of the Company, as if the Company were a limited partnership under the Delaware Revised Uniform Limited Partnership Act of which the Managing Member were a general partner.

USE OF PROCEEDS

Unless otherwise indicated in the applicable Prospectus Supplement, the Company intends to lend to the Guarantor or its subsidiaries the net proceeds from the issuance and sale of the Preferred Interests, together with the proceeds from the issuance and sale of its Common Interests, to be used by the Guarantor or its subsidiaries for general corporate purposes, including, but not limited to, funding investments in or extensions of credit to subsidiaries, repayments of indebtedness of the Guarantor or its subsidiaries, and possible acquisitions. The precise amount and timing of the application of the funds will depend upon future requirements and the availability of other funds to the Guarantor and its subsidiaries. Management expects that additional financings will be engaged in as needs arise.

RATIO OF EARNINGS TO COMBINED FIXED CHARGES AND PREFERRED STOCK DIVIDENDS

The following table sets forth the ratio of earnings to combined fixed charges and preferred stock dividends for the Guarantor for the five-year period ended December 31, 1992, and the nine-month period ended September 30, 1993.

<TABLE>
<CAPTION>

FISCAL YEAR ENDED DECEMBER 31					NINE MONTHS ENDED SEPTEMBER 30
1988	1989	1990	1991	1992	1993
<S>	<C>	<C>	<C>	<C>	<C>

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1.0	1.0	*	1.2	1.3	1.4

</TABLE>

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* For 1990, earnings were inadequate to cover combined fixed charges and preferred stock dividends and would have had to increase approximately $125,807,000 in order to cover the deficiency.

For purposes of computing the ratio of earnings to combined fixed charges and preferred stock dividends (tax effected), "earnings" consist of earnings before fixed charges and income taxes and "fixed charges" consist of interest expense incurred on securities sold under repurchase agreements, short-term borrowings, long-term borrowings and that portion of rental expense estimated to be representative of the interest factor.

DESCRIPTION OF THE PREFERRED INTERESTS

The following is a summary description of certain general terms of the Preferred Interests to which any Prospectus Supplement may relate. The particular terms of the Preferred Interests of a series and the extent, if any, to which such general terms do not apply to such series of Preferred Interests will be described in such Prospectus Supplement. The summaries of certain terms of the Preferred Interests set forth below and in the applicable Prospectus Supplement do not purport to be complete and are subject to, and qualified in their entirety by reference to, the L.L.C. Agreement and written actions (the "Actions") taken, or to be taken, by the Managing Member establishing the rights, powers and duties relating to the Preferred Interests of any series (which Actions, when taken, are deemed to amend and supplement and be a part of the L.L.C. Agreement). The L.L.C. Agreement has been filed as an exhibit to the Registration Statement of which this Prospectus forms a part, and a copy of the Actions will be filed with the Commission at or prior to the time of the sale of the Preferred Interests of any series.

GENERAL

The Company is authorized to issue from time to time Preferred Interests, in one or more series, with such dividend rights, liquidation preferences, redemption provisions, voting rights and other rights, powers and duties as shall be established by the L.L.C. Agreement and the Actions providing for the issuance thereof adopted, or to be adopted, by the Managing Member. The Preferred Interests of any series will be issued in registered form only.

The Managing Member is authorized, subject to the provisions of the L.L.C. Agreement, to establish by Actions for each such series of Preferred Interests, and the applicable Prospectus Supplement shall set forth with respect to such series: (i) the number of Preferred Interests to constitute such series and the distinctive designation thereof; (ii) the dividend rate, the conditions and dates upon which such dividends shall be payable, the preference or relation which such dividends shall bear to the dividends payable on any other class of Membership Interests or on any other series of Preferred Interests, and whether such dividends shall be cumulative or noncumulative; (iii) whether the Preferred Interests of such series shall be subject to redemption, and, if so, the times, prices and other terms and conditions thereof; (iv) the rights of the holders of Preferred Interests of such series upon the liquidation, dissolution or winding up of the Company; (v) whether the Preferred Interests of such series shall be subject to a retirement or sinking fund, and, if so, the extent, terms and provisions relative to the operation thereof; (vi) whether the Preferred Interests of such series shall be convertible into, or exchangeable for, Membership Interests of any other class or series of Preferred Interests, or securities of any other kind, including securities issued by the Guarantor or any of its

affiliates, and, if so, the price or rate of conversion or exchange and any method of adjusting the same; (vii) the limitations and restrictions, if any, to be applicable while any Preferred Interests of such series are outstanding upon the payment of dividends or making of other distributions on, and upon the purchase, redemption or other acquisition by the Company of, Common Interests or any other class of Membership Interests or any other series of Preferred Interests ranking junior to the Preferred Interests of such series either as to dividends or upon liquidation; (viii) the conditions or restrictions, if any, upon the creation of indebtedness of the Company or upon the issue of any additional Membership Interests (including additional Preferred Interests of such series or of any other series) ranking on a parity with or prior to the Preferred Interests of such series as to dividends or distributions of assets upon liquidation; (ix) the voting rights, if any, of Preferred Interests of such series in addition to those set forth in "Voting Rights" below; and (x) any other relative rights, powers and duties as shall not be inconsistent with the L.L.C. Agreement. In connection with the foregoing the Managing Member is authorized to take any action, including amendment of the L.L.C. Agreement, without the vote or approval of any holder of Preferred Interests, including any Action to create under the provisions of the L.L.C. Agreement a class (or series

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of a class) or group of Membership Interests that was not previously outstanding.

All Preferred Interests of any one series shall be identical with each other in all respects, except that Preferred Interests of any one series issued at different times may differ as to the dates from which dividends, if any, thereon shall be cumulative. All series of Preferred Interests shall rank equally and be identical in all respects, except as permitted by the L.L.C. Agreement provisions summarized in the preceding paragraph; and all Preferred Interests shall rank senior to the Common Interests both as to dividends and upon liquidation. The Common Interests are also subject to all the rights, powers and duties of the Preferred Interests as are established in the L.L.C. Agreement and as shall be established in any Actions of the Managing Member pursuant to the authority summarized in the preceding paragraph. The Preferred Interests shall have the dividend, redemption and voting rights set forth below unless otherwise specified in the applicable Prospectus Supplement.

DIVIDENDS

Cumulative dividends on any series of Preferred Interests will accrue from the date of original issue thereof and will be payable in arrears at the dates specified in the applicable Prospectus Supplement relating to such series. Payment of dividends is limited in relation to the amount of funds held by the Company and legally available therefor. See "Description of the Loans" in the applicable Prospectus Supplement and "Description of the Guarantee -- General" below.

The dividends payable on Preferred Interests of a particular series will be fixed at the rate specified in the applicable Prospectus Supplement relating to such series. Dividends declared on the Preferred Interests of any series will be payable to the record holders thereof as they appear on the register for the Preferred Interests of such series on the relevant record date, which, in each case, will be, unless otherwise specified in the Prospectus Supplement relating to such series, five Business Days (as defined below) prior to the relevant payment date. Subject to any applicable fiscal or other laws and regulations, each such payment will be made as described under "Book-Entry Procedures and Settlement." In the event that any date on which dividends are payable on the Preferred Interests is not a Business Day, then payment of the dividend payable on such date will be made on the next succeeding day which is a Business Day (and without any interest or other payment in respect of any such delay) except that, if such Business Day is in the next succeeding calendar year, such payment shall be made on the immediately preceding Business Day, in each case with the same force and effect as if made on such date. The term "Business Day" shall mean each day, other than a Saturday or Sunday, that is not a day on which banks in the City of New York are authorized or obligated by law or executive order to close.

Dividends on the Preferred Interests of any series will be cumulative. Dividends on the Preferred Interests of any series will be declared by the Managing Member in any calendar year or portion thereof to the extent that the Company reasonably anticipates that at the time of payment it will have, and will be paid by the Company to the extent that at the time of proposed payment it has, funds legally available for the payment of such dividends and sufficient to permit such payment.

If dividends can be paid only in part on the Preferred Interests of a particular series in any calendar year or portion thereof as a result of the lack of sufficient funds legally available for the payment of dividends, then such partial dividends shall be paid on the respective dividend payment dates on a pro rata basis to holders of such Preferred Interests.

If at any time dividends on the Preferred Interests are in arrears for any dividend period, any dividend payments in respect thereof must be applied in respect of all dividend periods in arrears, pro rata in accordance with the respective amounts in arrears for each such period in equal amounts for each such period.

Except as described herein and in the Prospectus Supplement relating to the Preferred Interests of a particular series, holders of the Preferred Interests will have no other right to participate in the profits of the Company.

CERTAIN RESTRICTIONS ON THE COMPANY

If dividends have not been paid in full on the Preferred Interests of any series, the Company shall not:

(i) pay, or declare and set aside for payment, any dividends on any other Preferred Interests ranking pari passu with the Preferred Interests of such series as to dividends ("Company Dividend Parity Interests"), unless the amount of any dividends declared on any Company Dividend Parity Interests is paid on the Company Dividend Parity Interests and the

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Preferred Interests of such series on a pro rata basis on the date such dividends are paid on such Company Dividend Parity Interests, so that

(x)(A) the aggregate amount of dividends paid on the Preferred Interests of such series bears to (B) the aggregate amount of dividends paid on such Company Dividend Parity Interests the same ratio as

(y)(A) the aggregate of all accumulated arrears of unpaid dividends in respect of the Preferred Interests of such series bears to (B) the aggregate of all accumulated arrears of unpaid dividends in respect of such Company Dividend Parity Interests;

(ii) pay, or declare and set aside for payment, any dividends on any shares of the Company ranking junior to the Preferred Interests of such series as to dividends ("Company Dividend Junior Interests"); or

(iii) redeem, purchase or otherwise acquire any Company Dividend Parity Interests or Company Dividend Junior Interests;

until, in each case, such time as all accumulated arrears of unpaid dividends on the Preferred Interests of such series shall have been paid in full for all dividend periods terminating on or prior to, in the case of clauses (i) and (ii), such payment, and in the case of clause (iii), the date of such redemption, purchase or acquisition. As of the date of this Prospectus, there are no Company Dividend Parity Interests outstanding.

MANDATORY REDEMPTION

The proceeds from the repayment or any prepayment in cash of the principal of any Loan Note must be applied to redeem the Preferred Interests of the related series at the redemption price set forth in the applicable Prospectus Supplement; provided that all or any portion of the amounts so repaid or prepaid may be loaned or reloaned to the Guarantor or one of its subsidiaries and not used for such redemption if at the time of such new loan, and as determined in the judgment of the Guarantor, in its capacity as the Managing Member, and its financial advisor (which may be an affiliate of the Guarantor), (a) the Guarantor is not the subject of a pending case under the United States Bankruptcy Code, (b) the Guarantor is not in default on any loan pertaining to Preferred Interests of any other series ranking pari passu with such series, (c) the Guarantor has timely made all required monthly payments of interest on the repaid or prepaid loan for the immediately preceding nine months, (d) the Company is not in arrearage on payments of dividends on the Preferred Interests of such series, (e) the Guarantor is expected to be able to make timely payment of principal and interest on such new loan, (f) such new loan is being made on terms, and under circumstances, that are no less favorable to the Company than those that a lender would require for a similar loan to an unrelated party, (g) such new loan is being made at a rate of interest sufficient to provide monthly payments of interest equal

to or greater than the amount of monthly dividends required on the Preferred Interests of such series, (h) such new loan is being made for a fixed term that is consistent with market circumstances and the Guarantor's financial condition, and (i) in any event, no new loan shall have a final maturity later than the ninetieth anniversary of the original issuance of the Preferred Interests of such series.

The loan agreement governing the loan by the Company to the Guarantor of the proceeds from the issuance of each series of Preferred Interests will accord to the Guarantor the right, at its option but subject to certain conditions, to issue and deliver to the Company, on any dividend payment date, in exchange for the note evidencing such loan, shares of a newly-issued series of Guarantor Preferred Stock (or Depositary Shares representing the same), all as more fully set forth in the applicable Prospectus Supplement. Such exchange option may not be exercised prior to the expiration of six months following the date of the original issuance of such series. In the event of such exchange, the Company shall be obligated to redeem, as an entirety, the series of Preferred Interests the proceeds of which were the subject of such loan, solely in exchange for shares of the same series of Guarantor Preferred Stock (or Depositary Shares representing the same) so delivered to the Company in exchange for the promissory note, all upon such terms, and subject to such conditions, as shall be set forth in the resolutions creating such series of Preferred Interests and in the applicable Prospectus Supplement.

OPTIONAL REDEMPTION

The Preferred Interests of any series will be redeemable at the option of the Company, if at all, as specified in the Prospectus Supplement relating to such series.

Notice of any redemption of the Preferred Interests of any series will be given by the Company by mail to each record holder to be redeemed not fewer than

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30 nor more than 60 days prior to the date fixed for redemption thereof.

In the event that fewer than all the outstanding Preferred Interests of a particular series are to be redeemed, the Preferred Interests of such series to be redeemed will be selected as described under "Book-Entry Procedures and Settlement". The Company will not redeem fewer than all the outstanding Preferred Interests of a particular series unless all accrued and unpaid dividends have been paid on all Preferred Interests of such series for all dividend periods terminating on or prior to the date of redemption.

If the Company gives a notice of redemption in respect of Preferred Interests of a particular series, then, by 12:00 noon, New York time, on the redemption date, the Company will irrevocably deposit with The Depository Trust Company ("DTC", which term as used herein includes any successor or alternate depository selected by the Company) funds sufficient to pay the applicable redemption price, including an amount equal to all accrued and unpaid dividends to the date fixed for redemption, and will give DTC irrevocable instructions and authority to pay the redemption price to the holders thereof. See "Book-Entry Procedures and Settlement". If notice of redemption shall have been given and funds deposited as required, then upon the date of such deposit, all rights of holders of such Preferred Interests of a series so called for redemption will cease, except the right of the holders of such Preferred Interests to receive the redemption price, but without interest, and such Preferred Interests will cease to be outstanding. In the event that any date on which any payment in respect of the redemption of Preferred Interests of any series is not a Business Day, then payment of the redemption price payable on such date will be made on the next succeeding day which is a Business Day (and without any interest or other payment in respect of any such delay), except that, if such Business Day falls in the next calendar year, such payment will be made on the immediately preceding Business Day. In the event that payment of the redemption price in respect of Preferred Interests of any series is improperly withheld or refused and not paid either by the Company or by the Guarantor pursuant to the Guarantee, dividends on such Preferred Interests will continue to accrue, at the then applicable rate, from the redemption date to the date of payment of such redemption price.

Subject to the foregoing and applicable law (including, without limitation, U.S. Federal securities laws), the Guarantor or its subsidiaries may at any time and from time to time purchase outstanding Preferred Interests of any series by tender, in the open market or by private agreement.

REGISTRAR, TRANSFER AGENT AND PAYING AGENT

Chemical Bank will act as registrar, transfer agent and paying agent for the Preferred Interests (the "Paying Agent").

Registration of transfers of Preferred Interests of any series will be effected without charge by or on behalf of the Company, but upon payment (with the giving of such indemnity as the Company may require) in respect of any tax or other governmental charges which may be imposed in relation to it.

The Company will not be required to register or cause to be registered the transfer of Preferred Interests of a particular series after such Preferred Interests have been called for redemption.

Additional transfer restrictions, if any, relating to the Preferred Interests of any series will be set forth in the Prospectus Supplement relating to such series.

MISCELLANEOUS

Holders of Preferred Interests will have no preemptive rights.

DESCRIPTION OF THE GUARANTEE

Set forth below is condensed information concerning the guarantee (the "Guarantee") which will be executed and delivered by the Guarantor for the benefit of the holders from time to time of Preferred Interests. This summary does not purport to be complete and is subject to, and qualified in its entirety by reference to, the Guarantee, a form of which has been filed as an exhibit to the Registration Statement of which this Prospectus forms a part.

GENERAL

The Guarantor will irrevocably and unconditionally agree, to the extent set forth herein, to pay in full, to the holders of the Preferred Interests of any series, the Guarantee Payments (as defined below) (except to the extent paid by the Company), as and when due, regardless of any defense, right of set-off or counterclaim which the Company may have or assert. The following payments, without duplication, to the extent not paid by the Company (the "Guarantee Payments") will be subject to the Guarantee: (i) any accrued and unpaid

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dividends which have been theretofore declared on the Preferred Interests of such series out of funds held by the Company and legally available therefor, (ii) the redemption price (including all accrued and unpaid dividends to the date of payment) payable with respect to Preferred Interests of such series called for redemption by the Company as an optional redemption or otherwise out of funds held by the Company and legally available therefor, (iii) the lesser of (a) the aggregate of the liquidation preference of the Preferred Interests of such series and all accrued and unpaid dividends to the date of payment and (b) the amount of remaining assets of the Company after satisfaction of other parties having claims which, as a matter of law, are prior to those of the holders of Preferred Interests of such series, and (iv) in the event of any redemption by the Company of Preferred Interests in exchange for Depositary Shares in connection with an exchange of such Depositary Shares for a note evidencing Loans, delivery of the proper number of Depositary Shares (and cash payments in lieu of fractional Depositary Shares, if any) to the Paying Agent for further distribution to a holder whose Preferred Interests are redeemed. The Guarantor's obligation to make a Guarantee Payment may be satisfied by direct payment of the required amount by the Guarantor to the holders of Preferred Interests of any series or by causing the Company to pay such amount to such holders.

CERTAIN COVENANTS OF THE GUARANTOR

If, at any time that the Guarantor is not in compliance with its obligations under the Guarantee, the Board of Directors of the Guarantor declares dividends on any shares of capital stock of the Guarantor ranking junior to the Guarantor's obligations under the Guarantee as to dividends, the Guarantor shall, or shall cause the Company to, set aside for payment in a segregated account at the office of the Paying Agent an amount equal to all accrued and unpaid dividends on the Preferred Interests of each series out of moneys held and

legally available therefor and irrevocably instruct the Paying Agent to pay such amounts as dividends on the Preferred Interests of such series on the day prior to the date on which such dividends declared by the Guarantor are payable. The Paying Agent shall make such payment on such day unless it shall have received, prior to 10:00 a.m., New York time, on such day, a certificate from the Guarantor certifying that such dividend declaration has been lawfully rescinded in full. In such case, the amounts deposited in such account shall be remitted forthwith to the Guarantor or the Company, as the case may be. In all cases, any interest accrued on the amounts deposited in such account shall be remitted by the Paying Agent to the Guarantor or the Company, as the case may be.

In addition, if, at any time the Guarantor is not in compliance with its obligations under the Guarantee, the Guarantor (or any subsidiary of the Guarantor using funds provided by the Guarantor) redeems or purchases or otherwise acquires any shares of capital stock of the Guarantor ranking junior to the Guarantor's obligations under the Guarantee upon liquidation, all accrued and unpaid dividends on the Preferred Interests of each series payable out of moneys held and legally available therefor shall immediately become due and payable under the Guarantee; provided, however, that no such payment shall be required if any such shares of the Guarantor are redeemed, purchased or otherwise acquired in connection with any employee stock option or benefit plan of the Guarantor.

Neither the Guarantor nor any subsidiary of the Guarantor using funds provided by the Guarantor shall redeem, purchase or acquire, or pay a liquidation preference with respect to, any preferred stock of the Guarantor ranking pari passu with the Guarantee, any preferred or preference stock of affiliates of the Guarantor (including the Company) entitled to the benefits of a guarantee of the Guarantor ranking pari passu with the Guarantee, any preferred or preference stock of affiliates of the Guarantor entitled to the benefits of a guarantee ranking junior to the Guarantee upon liquidation or any other capital stock of the Guarantor ranking junior to the Guarantee if at such time the Guarantor shall be in default with respect to its obligations under the Guarantee, except, in each case, any preferred or preference stock redeemed, purchased or otherwise acquired in connection with any employee stock option or benefit plan of the Guarantor.

Neither the Guarantor nor any subsidiary of the Guarantor using funds provided by the Guarantor, shall pay dividends, or make guarantee payments with respect to dividends, on any preferred or preference stock of affiliates of the Guarantor entitled to the benefits of a guarantee ranking junior to the Guarantee as to dividends of the Guarantor if at such time the Guarantor shall be in default with respect to its obligations under the Guarantee.

Pursuant to the Guarantee, the Guarantor will agree that, so long as the Preferred Interests of a series are outstanding (i) it shall maintain ownership, directly or indirectly, of 100% of the Common Interests, (ii) in its capacity as a holder of Common Interests, it shall make such contributions to the Company so as to cause the Common Interests held by the Guarantor to be entitled in the

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aggregate to at least 21% of all interest in the capital, income, gain, loss, deduction, credit and distributions of the Company, (iii) it shall not voluntarily dissolve, wind-up or liquidate the Company and (iv) it shall use its reasonable efforts to cause the Company to remain a limited liability company under the laws of the State of Delaware and otherwise continue to be treated as a partnership for United States Federal income tax purposes.

If the Guarantor issues, at any time following the date of this Prospectus, any preferred shares ranking senior to its obligations under the Guarantee or enters into any guarantee in respect of any preferred or preference shares of any affiliate of the Guarantor, which guarantee would rank junior to all liabilities of the Guarantor but senior to the Guarantee as to dividends, upon liquidation and as to rights upon redemption, then the Guarantee will be deemed to give the holders of Preferred Interests such rights and entitlements as are contained in or attached to such other preferred or preference stock or guarantee such that the Guarantee ranks pari passu as to such rights and entitlements with any such other preferred or preference stock or guarantee.

AMENDMENTS AND ASSIGNMENT

Except with respect to any changes which do not materially and adversely affect the rights of holders of Preferred Interests (in which case no vote will be required), the Guarantee may only be amended by an

instrument in writing signed by the Guarantor with the prior approval of the holders of not less than 66 2/3% in liquidation preference of all Preferred Interests then outstanding given either in writing or by vote at a duly constituted meeting of such holders. All guarantees and agreements contained in the Guarantee shall bind the successors, assigns, receivers, trustees and representatives of the Guarantor and shall inure to the benefit of the holders of the Preferred Interests. The Guarantor will not assign its obligations under the Guarantee without the prior approval of the holders of not less than 66 2/3% in liquidation preference of all Preferred Interests then outstanding given either in writing or by vote at a duly constituted meeting of such holders.

TERMINATION OF THE GUARANTEE

The Guarantee will terminate and be of no further force and effect as to a series of Preferred Interests upon either (i) full payment of the redemption price (including all accrued and unpaid dividends) for all Preferred Interests of such series, including any redemption of all of a series of Preferred Interests in exchange for Guarantor Preferred Stock (or Depositary Shares representing the same) or (ii) full payment of the amounts payable to holders of Preferred Interests of such series upon liquidation of the Company. The Guarantee will continue to be effective or will be reinstated, as the case may be, with respect to Preferred Interests of such series if at any time any holder of Preferred Interests of such series must restore payment of any sums paid under the Preferred Interests of such series or under the Guarantee for any reason whatsoever.

STATUS OF THE GUARANTEE

The Guarantee will constitute an unsecured obligation of the Guarantor and will rank (i) junior in right of payment to all liabilities of the Guarantor, (ii) pari passu with the most senior preferred stock now or hereafter issued by the Guarantor and with any guarantee now or hereafter entered into by the Guarantor in respect of any preferred or preference stock of any affiliate of the Guarantor and (iii) senior to the Guarantor's common stock.

The Guarantee will constitute a guarantee of payment and not of collection. A holder of Preferred Interests may enforce the Guarantee directly against the Guarantor, and the Guarantor will waive any right or remedy to require that any action be brought against the Company or any other person or entity before proceeding against the Guarantor. The Guarantee will not be discharged except by payment of the Guarantee Payments in full (to the extent not paid by the Company) and by complete performance of all obligations of the Guarantor under the Guarantee.

GOVERNING LAW

The Guarantee will be governed and construed in accordance with the internal laws of the State of New York.

DESCRIPTION OF THE GUARANTOR PREFERRED STOCK

The following is a summary description of certain general terms of the Guarantor Preferred Stock to which any Prospectus Supplement may relate. The particular terms of the Guarantor Preferred Stock and the extent, if any, to which such general terms do not apply to such Guarantor Preferred Stock will be described in such Prospectus Supplement. The summaries of certain terms of the Guarantor Preferred Stock set forth below and in the applicable Prospectus

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Supplement do not purport to be complete and are subject to, and qualified in their entirety by reference to, the Guarantor's Restated Certificate of Incorporation (the "Certificate of Incorporation"), including the applicable Certificate of Designations (the "Certificate of Designations") relating to the Guarantor Preferred Stock of a series. The Certificate of Incorporation and any such Certificate of Designations will be filed as exhibits to or incorporated by reference in the Registration Statement of which this Prospectus forms a part.

GENERAL

The Guarantor is authorized by the Certificate of Incorporation to issue 20,000,000 shares of Series Preferred Stock, which may be issued from time to time in one or more series, the shares of each series to have such powers, designations, preferences and relative, participating, optional or other special rights, and qualifications, limitations or restrictions thereof, as are stated and expressed in the Certificate of Incorporation or in a resolution or resolutions providing for the issue of such series, adopted by the Guarantor's Board of Directors (the "Board of Directors").

The Board of Directors is authorized, subject to the provisions of the Certificate of Incorporation, to fix for each such series of Series Preferred Stock, and the applicable Prospectus Supplement shall set forth with respect to each series of Guarantor Preferred Stock: (i) the number of shares to constitute such series and the distinctive designation thereof; (ii) the dividend rate, the conditions and dates upon which such dividends shall be payable, the preference or relation which such dividends shall bear to the dividends payable on any other class or series of capital stock, and whether such dividends shall be cumulative or noncumulative; (iii) whether the shares of such series shall be subject to redemption, and, if so, the times, prices and other terms and conditions thereof; (iv) the rights of the holders of shares of such series upon the liquidation, dissolution or winding up of the Guarantor; (v) whether the shares of such series shall be subject to a retirement or sinking fund, and, if so, the extent, terms and provisions relative to the operation thereof; (vi) whether the shares of such series shall be convertible into, or exchangeable for, shares of stock of any other class or series of the same class, and, if so, the price or rate of conversion or exchange and any method of adjusting the same; (vii) the limitations and restrictions, if any, to be applicable while any shares of such series are outstanding upon the payment of dividends or making of other distributions on, and upon the purchase, redemption or other acquisition by the Guarantor of, the Common Stock, par value $1.00 per share, of the Guarantor (the "Common Stock") or any other class of stock ranking junior to the shares of such series either as to dividends or upon liquidation; (viii) the conditions or restrictions, if any, upon the creation of indebtedness of the Guarantor or upon the issue of any additional stock (including additional shares of such series or of any other series or of any other class) ranking on a parity with or prior to the shares of such series as to dividends or distribution of assets on liquidation, dissolution or winding up; (ix) the voting rights, if any, of shares of such series in addition to those set forth in "Voting Rights" below; and (x) any other preference and relative, participating, optional, or other special rights, qualifications, limitations or restrictions thereof as shall not be inconsistent with the Certificate of Incorporation.

The Guarantor Preferred Stock will, when issued, be fully paid and nonassessable. All shares of any one series of Guarantor Preferred Stock shall be identical with each other in all respects, except that shares of any one series issued at different times may differ as to the dates from which dividends, if any, thereon shall be cumulative. All series of Guarantor Preferred Stock shall rank equally and be identical in all respects, except as permitted by the Certificate of Incorporation provisions summarized in the preceding paragraph; and all shares of Guarantor Preferred Stock shall rank senior to the Common Stock both as to dividends and upon liquidation. The Common Stock is also subject to all the other powers, rights, privileges, preferences and priorities of the Guarantor Preferred Stock as are stated in the Certificate of Incorporation and as shall be stated and expressed in any resolution or resolutions adopted by the Board of Directors pursuant to the authority summarized in the preceding paragraph. Unless otherwise stated in the applicable Prospectus Supplement, the shares of each series of Guarantor Preferred Stock will upon issuance rank on a parity as to dividends and distributions upon liquidation with the 7.5% Convertible Preferred Stock, 7.5% Convertible Preferred Stock, Series B, Cumulative Participating Convertible Voting Preferred Stock, Series A and 6% Convertible Preferred Stock, of the Guarantor, which the Guarantor is authorized to issue but no shares of which are issued and outstanding as of the date of this Prospectus. The Guarantor Preferred Stock will have no preemptive rights to subscribe for any additional securities that may be issued by the Guarantor.

DIVIDENDS

Unless otherwise set forth in the applicable Prospectus Supplement, before any dividends may be declared or paid to the holders of shares of the Common Stock or of any other capital stock of the Guarantor ranking junior to any

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series of the Guarantor Preferred Stock as to the payment of dividends, the holders of the

Guarantor Preferred Stock of that series will be entitled to receive, when and as declared by the Board of Directors, out of the net profits or net assets of the Guarantor legally available therefor, dividends payable at such times and at such rates as will be specified in the applicable Prospectus Supplement. Such rates may be fixed or variable or both. If variable, the formula used for determining the dividend rate for each dividend period will be specified in the applicable Prospectus Supplement. Unless otherwise set forth in the applicable Prospectus Supplement, dividends will be payable to the holders of record as they appear on the stock transfer records of the Guarantor on such dates as may be fixed by the Board of Directors.

Dividends on any series of Guarantor Preferred Stock may be cumulative or noncumulative, as specified in the applicable Prospectus Supplement. If the Board of Directors fails to declare a dividend payable on a dividend payment date on any series of Guarantor Preferred Stock for which dividends are noncumulative ("Noncumulative Guarantor Preferred Stock"), then the holders of the Guarantor Preferred Stock of that series will have no right to receive a dividend in respect of the dividend period relating to such dividend payment date, and the Guarantor will have no obligation to pay the dividend accrued for such period, whether or not dividends on that series are declared or paid on any future dividend payment dates. If dividends on any series of Guarantor Preferred Stock are not paid in full or declared in full and sums set apart for the payment thereof, then no dividends shall be declared and paid on that series unless declared and paid ratably on all shares of every series of Guarantor Preferred Stock then outstanding, including dividends accrued or in arrears, if any, in proportion to the respective amounts that would be payable per share if all such dividends were declared and paid in full.

The Prospectus Supplement relating to a series of Guarantor Preferred Stock will specify the conditions and restrictions, if any, on the payment of dividends or on the making of other distributions on, or the purchase, redemption or other acquisition by the Guarantor or any subsidiary thereof of, the Common Stock or of any other class of stock of the Guarantor ranking junior to the shares of that series as to dividends or upon liquidation and any other preferences, rights, restrictions and qualifications that are not inconsistent with the Certificate of Incorporation.

LIQUIDATION RIGHTS

In the event of any liquidation, dissolution or winding up of the Guarantor, before any payment or distribution of the assets of the Guarantor (whether capital or surplus) shall be made to or set apart for the holders of Common Stock or any other class or classes of stock of the Guarantor ranking junior to the Guarantor Preferred Stock upon liquidation, the holders of the shares of the Guarantor Preferred Stock shall be entitled to receive payment at the rate specified in the applicable Certificate of Designations for such series, plus (if dividends on shares of such series of Guarantor Preferred Stock shall be cumulative) an amount equal to all unpaid dividends (whether or not earned or declared) accrued to the date of final distribution to such holders; but such holders shall be entitled to no further payment. If, upon any liquidation, dissolution or winding up of the Guarantor, the assets of the Guarantor or proceeds thereof, distributable among the holders of the shares of the Guarantor Preferred Stock shall be insufficient to pay in full the preferential amount aforesaid, then such assets, or the proceeds thereof, shall be distributed among such holders ratably in accordance with the respective amounts which would be payable on such shares if all amounts payable thereon were paid in full. For the purposes hereof, the voluntary sale, conveyance, exchange or transfer (for cash, shares of stock, securities or other consideration) of all or substantially all the property or assets of the Guarantor shall be deemed a voluntary liquidation, dissolution or winding up of the Guarantor, but a consolidation or merger of the Guarantor with one or more other corporations shall not be deemed to be a liquidation, dissolution or winding up, voluntary or involuntary.

REDEMPTION

Any series of Guarantor Preferred Stock may be redeemable, in whole or in part, at the option of the Guarantor or pursuant to a retirement or sinking fund or otherwise, on terms and at the times and the redemption prices specified in the applicable Certificate of Designations. If less than all shares of the series at the time outstanding are to be redeemed, the shares to be redeemed will be selected pro rata or by lot, in such manner as may be prescribed by resolution of the Board of Directors.

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Notice of any redemption of a series of Guarantor Preferred Stock will be given by publication in a newspaper of general circulation in the Borough of Manhattan, The City of New York, such publication to be made not less than 30 nor more than 60 days prior to the redemption date. A similar notice will be mailed by the Guarantor, postage prepaid, not less than 30 nor more than 60 days prior to the redemption date, addressed to the respective holders of record of shares of that series at the addresses shown on the stock transfer records of the Guarantor, but the mailing of such notice will not be a condition of such redemption. In order to facilitate the redemption of shares of Guarantor Preferred Stock, the Board of Directors may fix a record date for the determination of the shares to be redeemed, and such record date will not be more than 60 days nor less than 30 days prior to the redemption date.

Prior to the redemption date, the Guarantor will deposit money for the payment of the redemption price with a bank or trust company doing business in the Borough of Manhattan, The City of New York, and having a capital and surplus of at least $10,000,000. Unless the Guarantor fails to make such deposit, on the redemption date, all dividends on the series of Guarantor Preferred Stock called for redemption will cease to accrue and all rights of the holders of shares of that series as stockholders of the Guarantor shall cease, except the right to receive the redemption price (but without interest). Unless otherwise specified in the applicable Prospectus Supplement, any monies so deposited which remain unclaimed by the holders of the shares of that series at the end of six years after the redemption date will become the property of, and will be paid by the bank or trust company with which it has been so deposited to, the Guarantor.

CONVERSION RIGHTS

Guarantor Preferred Stock will not be convertible into Common Stock.

VOTING RIGHTS

Except as otherwise stated in the Certificate of Incorporation or by the Board of Directors in the resolution providing for the issue of any series of Guarantor Preferred Stock and set forth in the Prospectus Supplement applicable to a particular series of Guarantor Preferred Stock, and except as required by the laws of the State of Delaware, holders of the Guarantor Preferred Stock of that series will not have any voting rights except as set forth below. Whenever dividends on any series of Guarantor Preferred Stock or any other class or series of stock ranking on a parity with that series with respect to the payment of dividends shall be in arrears for dividend periods, whether or not consecutive, containing in the aggregate a number of months equivalent to six calendar quarters, the holders of shares of that series (voting separately as a class with all other series of Guarantor Preferred Stock upon which like voting rights have been conferred and are exercisable) will be entitled to vote for the election of two of the authorized number of directors of the Guarantor at the next annual meeting of stockholders and at each subsequent meeting until all dividends accrued on that series have been fully paid or set apart for payment. The term of office of all directors elected by the holders of a series of Guarantor Preferred Stock shall terminate immediately upon the termination of the right of the holders of that series to vote for directors. Whenever the shares of a series are or become entitled to vote, each holder of shares of that series will have one vote for each share held.

So long as shares of any series of Guarantor Preferred Stock remain outstanding, the Guarantor shall not, without the consent of the holders of at least 66 2/3% of the shares of that series outstanding at the time (voting separately as a class with all other series of Guarantor Preferred Stock upon which like voting rights have been conferred and are exercisable), (i) issue or increase the authorized amount of any class or series of capital stock of the Guarantor ranking senior to the shares of that series as to dividends or upon liquidation or (ii) amend, alter or repeal the provisions of the Certificate of Incorporation or of the resolutions contained in the applicable Certificate of Designations, whether by merger, consolidation or otherwise, so as to materially and adversely affect any power, preference or special right of the outstanding shares of that series or the holders thereof; provided, however, that any increase in the amount of the authorized Common Stock or authorized Guarantor Preferred Stock or the creation and issuance of Common Stock or any other series of Guarantor Preferred Stock ranking on a parity with or junior to a series of Guarantor Preferred Stock as to dividends and upon liquidation, shall not be deemed to materially and adversely affect the powers, preferences or special rights of the shares of that series.

Unless otherwise indicated in the applicable Prospectus Supplement, the transfer agent, dividend disbursing agent and registrar for each series of Guarantor Preferred Stock will be Chemical Bank.

DESCRIPTION OF THE DEPOSITARY SHARES

The following summary and the summary in any Prospectus Supplement of certain terms of the Depositary Shares and Depositary Receipts (as defined

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below) do not purport to be complete and are subject to, and qualified in their entirety by reference to, the Deposit Agreement relating to the applicable series of Guarantor Preferred Stock, the form of which is filed as an exhibit to the Registration Statement of which this Prospectus forms a part.

GENERAL

The Guarantor, at its option, may elect to offer fractional interests in shares of a series of Guarantor Preferred Stock, rather than whole shares. If the option is exercised, the Guarantor will provide for the issuance by a depositary of depositary receipts ("Depositary Receipts") evidencing depositary shares ("Depositary Shares"), each of which will represent a fractional interest (to be specified in the applicable Prospectus Supplement) in a share of a particular series of the Guarantor Preferred Stock as more fully described below.

If the Guarantor offers fractional shares of any series of Guarantor Preferred Stock, those shares will be deposited under a separate deposit agreement (a "Deposit Agreement") among the Guarantor, a bank or trust company selected by the Guarantor and having its principal office in the United States and having a combined capital and surplus of at least $50,000,000 (the "Depositary") and the holders from time to time of the Depositary Receipts issued thereunder by that Depositary. The applicable Prospectus Supplement will set forth the name and address of the Depositary. Subject to the terms of the Deposit Agreement, each owner of a Depositary Share will be entitled, through the Depositary, and in proportion to the applicable fractional interest in a share of Guarantor Preferred Stock underlying such Depositary Share, to all the rights and preferences of the Guarantor Preferred Stock relating thereto, including dividend, voting, redemption and liquidation rights.

Pending the preparation of definitive Depositary Receipts, the Depositary, upon the written order of the Guarantor, shall execute and deliver temporary Depositary Receipts substantially identical to (and entitling the holders thereof to all the rights pertaining to) the definitive Depositary Receipts but not in definitive form. Definitive Depositary Receipts will be prepared thereafter without unreasonable delay, and temporary Depositary Receipts will be exchangeable for definitive Depositary Receipts without charge to the holder.

DIVIDENDS AND OTHER DISTRIBUTIONS

The Depositary will distribute to the holders of Depositary Receipts evidencing Depositary Shares all cash dividends or other cash distributions received in respect of the underlying fractional shares of Guarantor Preferred Stock in proportion to the respective holdings of the Depositary Shares on the relevant record date. However, the Depositary will distribute only the amount that can be distributed without attributing to any holder of Depositary Shares a fraction of one cent, and any balance not so distributed will be held by the Depositary (without liability for interest thereon) and will be added to and treated as part of the next sum received by the Depositary for distribution to holders of Depositary Receipts then outstanding.

If the Guarantor distributes property other than cash in respect of shares of Guarantor Preferred Stock deposited under a Deposit Agreement, the Depositary will distribute the property received by it to the record holders of Depositary Receipts evidencing the Depositary Shares relating to those shares of Guarantor Preferred Stock, in proportion, as nearly as may be practicable, to their respective holdings of the Depositary Shares on the relevant record date, unless the Depositary determines that it is not feasible to make such a distribution, in which case the Depositary may, with the approval of the Guarantor, adopt such method as it deems equitable and practicable to give effect to the distribution, including the sale of the property so received and distribution of the net proceeds from such sale to the holders of the Depositary Receipts.

Each Deposit Agreement will also contain provisions relating to the manner in which any subscription or similar rights offered by the Guarantor to holders of the Guarantor Preferred Stock deposited under such Deposit Agreement will be made available to holders of Depositary Shares.

REDEMPTION OF DEPOSITARY SHARES

If the shares of the Guarantor Preferred Stock deposited under a Deposit Agreement are subject to redemption, in whole or in part, then, upon any such redemption, the Depositary Shares relating to those deposited shares will be redeemed from the proceeds received by the Depositary as a result of the redemption. Whenever the Guarantor redeems shares of Guarantor Preferred Stock held by a Depositary, the Depositary will redeem as of the same redemption date the number of Depositary Shares representing the shares of Guarantor Preferred Stock so redeemed. The Depositary will mail the notice of redemption not less than 20 and not more than 50 days prior to the date fixed for redemption to the record holders of the Depositary Shares to be so redeemed. The redemption price per Depositary Share will be equal to the applicable fraction of the per share

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redemption price of the Guarantor Preferred Stock underlying such Depositary Share. If less than all the Depositary Shares are to be redeemed, the Depositary Shares to be redeemed will be selected by lot or pro rata as may be determined by the Depositary.

If notice of redemption shall have been given as described above, from and after the date fixed for redemption, unless the Guarantor shall have failed to redeem the shares of Guarantor Preferred Stock so called for redemption, the Depositary Shares so called for redemption will no longer be deemed to be outstanding, and all rights of the holders of such Depositary Shares will cease, except for the right to receive the monies payable upon such redemption and any money or other property to which the holders of such Depositary Shares were entitled upon such redemption, upon surrender to the Depositary of the Depositary Receipts evidencing such Depositary Shares.

VOTING RIGHTS

As soon as practicable after receipt of notice of any meeting at which the holders of shares of Guarantor Preferred Stock deposited under a Deposit Agreement are entitled to vote, the Depositary will mail the information contained in that notice of meeting (and any accompanying proxy materials) to the holders of the Depositary Shares relating to such Guarantor Preferred Stock as of the record date for such meeting. Each such holder will be entitled, subject to any applicable restrictions, to instruct the Depositary as to the exercise of the voting rights of the Guarantor Preferred Stock represented by such holder's Depositary Shares. The Depositary will endeavor, insofar as practicable, to vote the Guarantor Preferred Stock represented by those Depositary Shares in accordance with the holder's instructions, and the Guarantor will agree to take all action deemed necessary by the Depositary to enable the Depositary to do so. The Depositary will abstain from voting shares of Guarantor Preferred Stock deposited under a Deposit Agreement as to which it has not received specific instructions from the holders of the Depositary Shares representing those shares.

WITHDRAWAL OF STOCK

Upon surrender of Depositary Receipts at the principal office of the relevant Depositary (unless the Depositary Shares evidenced thereby have previously been called for redemption), and subject to the terms of the related Deposit Agreement, the owner of the Depositary Shares evidenced thereby shall be entitled to delivery of whole shares of Guarantor Preferred Stock and all money and other property, if any, represented by those Depositary Shares. Fractional shares of Guarantor Preferred Stock will not be delivered. If the Depositary Receipts surrendered by the holder evidence Depositary Shares in excess of those representing the number of whole shares of Guarantor Preferred Stock to be withdrawn, the Depositary will deliver to the holder at the same time a new Depositary Receipt evidencing the Depositary Shares. Holders of shares of Guarantor Preferred Stock thus withdrawn will not thereafter be entitled to deposit such shares under a Deposit Agreement or to receive Depositary Shares therefor. The Guarantor does not expect that there will be any public trading market for the Guarantor Preferred Stock, except as represented by Depositary Shares.

AMENDMENT AND TERMINATION OF THE DEPOSIT AGREEMENT

The form of Depositary Receipt evidencing any Depositary Shares and any provision of a Deposit Agreement may at any time and from time to time be amended by agreement between the Guarantor and the Depositary. However, any amendment that materially and adversely alters the rights of the existing holders of Depositary Shares will not be effective unless and until approved by the holders of at least a majority of the Depositary Shares then outstanding under that Deposit Agreement. Each Deposit Agreement will provide that each holder of Depositary Shares at the time an amendment becomes effective who continues to hold those Depositary Shares will be deemed to have consented to the amendment and will be bound thereby. Except as may be necessary to comply with any mandatory provisions of applicable law, no amendment may impair the right, subject to the terms of the related Deposit Agreement, of any holder of any Depositary Shares to surrender the Depositary Receipt evidencing those Depositary Shares to the Depositary together with instructions to deliver to the holder the whole shares of Guarantor Preferred Stock represented by the surrendered Depositary Shares and all money and other property, if any, represented thereby. A Deposit Agreement may be terminated by the Guarantor or the Depositary only if (i) all outstanding Depositary Shares issued thereunder have been redeemed or (ii) there has been a final distribution in respect of the Guarantor Preferred Stock relating to those Depositary Shares in connection with any liquidation, dissolution or winding up of the Guarantor and the amount received by the Depositary as a result of that distribution has been distributed by the Depositary to the holders of those Depositary Shares.

CHARGES OF DEPOSITARY

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The Guarantor will pay all transfer and other taxes and governmental charges arising solely from the existence of the depositary arrangements. The Guarantor will pay charges of any Depositary in connection with the initial deposit of Guarantor Preferred Stock and the initial issuance of the relevant Depositary Shares and any redemption of such Guarantor Preferred Stock. Holders of Depositary Shares will pay any other taxes and charges incurred for their accounts as are provided in the relevant Deposit Agreement.

MISCELLANEOUS

Each Depositary will forward to the holders of Depositary Shares issued by that Depositary all reports and communications from the Guarantor that are delivered to the Depositary and that the Guarantor is required to furnish to the holders of the Guarantor Preferred Stock held by the Depositary. In addition, each Depositary will make available for inspection by the holders of those Depositary Shares, at the principal office of such Depositary and at such other places as it may from time to time deem advisable, all reports and communications received from the Guarantor that are received by such Depositary as the holder of Guarantor Preferred Stock.

Neither any Depositary nor the Guarantor will assume any obligation or will be subject to any liability under a Deposit Agreement to holders of the Depositary Shares other than for its negligence or willful misconduct. Neither any Depositary nor the Guarantor will be liable if it is prevented or delayed by law or any circumstance beyond its control in performing its obligations under a Deposit Agreement. The obligations of the Guarantor and any Depositary under a Deposit Agreement will be limited to performance in good faith of their duties thereunder, and they will not be obligated to prosecute or defend any legal proceeding in respect of any Depositary Shares or Guarantor Preferred Stock unless satisfactory indemnity is furnished. The Guarantor and any Depositary may rely on written advice of counsel or accountants, on information provided by persons presenting Guarantor Preferred Stock for deposit, holders of Depositary Shares or other persons believed in good faith to be competent to give such information and on documents believed to be genuine and to have been signed or presented by the proper party or parties.

RESIGNATION AND REMOVAL OF DEPOSITARY

A Depositary may resign at any time by delivering to the Guarantor notice of its election to do so, and the Guarantor may at any time remove any Depositary, any such resignation or removal to take effect upon the appointment of a successor Depositary and its acceptance of such appointment. Such successor Depositary

must be appointed within 60 days after delivery of the notice of resignation or removal and must be a bank or trust company having its principal office in the United States of America and having a combined capital and surplus of at least $50,000,000.

BOOK-ENTRY PROCEDURES AND SETTLEMENT

Each series of Preferred Interests and each series of Guarantor Preferred Stock (or Depositary Shares) (collectively, the "Securities") may be issued in certificated or book-entry form, as specified in the applicable Prospectus Supplement. The Securities issued in book-entry form from the perspective of the beneficial owners thereof (the "Securityholders") will be issued in the form of a single global stock certificate or a single global Depositary Receipt (as the case may be) registered in the name of the nominee of DTC.

DTC is a limited-purpose trust company created to hold securities for its participating organizations (the "Participants") and to facilitate the clearance and settlement of transactions in those securities between Participants through electronic book-entry changes in the accounts of the Participants. Participants include securities brokers and dealers, banks and trust companies, clearing corporations and certain other organizations. Access to DTC's system is also available to others (such as banks, brokers, dealers and trust companies) that clear through or maintain a custodial relationship with a Participant, either directly or indirectly ("Indirect Participants"). Persons who are not Participants or Indirect Participants may beneficially own securities held by DTC only through Participants or Indirect Participants.

DTC's nominee for all purposes will be considered the sole owner or holder of the securities held in book-entry form. Owners of beneficial interests in the global stock certificate or Depositary Receipt will not be entitled to have the Securities registered in their names, will not receive or be entitled to receive physical delivery of the Securities in definitive form, and will not be considered the holders thereof under the L.L.C. Agreement, the Actions or any Deposit Agreement.

None of the Company, the Guarantor nor the Depositary will have any responsibility or liability for any aspect of the records relating to or

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payments made on account of beneficial ownership interests in the global stock certificate or Depositary Receipt, or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

A Securityholder's ownership of the Securities issued in book-entry form will be recorded on or through the records of the brokerage firm or other entity that maintains that Securityholder's account. In turn, the total number of shares of the Securities held by an individual brokerage firm or other entity for its clients will be maintained on the records of DTC in the name of that brokerage firm or other entity (or in the name of a Participant that acts as agent for the Securityholder's brokerage firm or other entity if it is not a Participant). Therefore, a Securityholder must rely upon the records of the Securityholder's brokerage firm or other entity to evidence the Securityholder's ownership of the Securities and transfer of ownership of those Securities may be effected only through the brokerage firm or other entity that maintains the Securityholder's account.

If less than all of the Preferred Interests of any series are being redeemed, DTC's practice is to determine by lot the amount of the interest of each participant in such series to be redeemed.

Dividends or other distributions payable in respect of the Securities will be paid by the Company, the Guarantor or the Depositary, as the case may be, to DTC. DTC will be responsible for crediting the amount of payments that it receives to the accounts of the Participants in accordance with their respective standard procedures, which currently provide for payment in next-day funds. Each Participant will be responsible for disbursing the payments for which it is so credited to the Securityholders that it represents and to each brokerage firm or other entity for which it acts as agent. Each such brokerage firm or other entity will be responsible for disbursing funds to the Securityholders that it represents. It is suggested that any purchaser of the Securities with accounts at more than one brokerage firm or other entity effect transactions in the Securities only through the brokerage firm or firms or other entity or entities that hold such purchaser's Securities.

If DTC is at any time unwilling or unable to continue as depository in respect of a global certificate or global Depositary Receipt and a successor depository is not appointed by the Company, the Guarantor or the Depositary, as the case may be, within 90 days, the Company or the Guarantor, as the case may be, will issue Securities in definitive form in exchange for the global stock certificate or global Depositary Receipt. In addition, the Company or the Guarantor, as the case may be, may determine at any time not to have the Securities represented by a global stock certificate or global Depositary Receipt (as the case may be), and, in such event, will issue the Securities in definitive form in exchange for such global stock certificate or global Depositary Receipt. In either instance, an owner of a beneficial interest in the global stock certificate or global Depositary Receipt will be entitled to have the Securities equal in aggregate amount to that beneficial interest registered in its name and will be entitled to physical delivery of a definitive certificate or other instrument evidencing such Securities. The registered holder of the Securities will be entitled to receive the dividends or other distributions or, if applicable, the redemption price payable in respect of such Securities, upon surrender of the certificate (or Depositary Receipt) evidencing such Securities to the Company, the Guarantor or the Depositary, as the case may be, in accordance with the procedures set forth in the L.L.C. Agreement, the Actions or Deposit Agreement (as the case may be).

TAXATION

The following is a summary of the principal U.S. Federal income tax consequences, based on the advice of Cravath, Swaine & Moore, of the purchase, ownership, and disposition of the Preferred Interests, to a holder that is a citizen or resident of the United States, a corporation, partnership, or other entity created or organized under the laws of the United States or any state thereof or the District of Columbia, an estate or trust the income of which is subject to U.S. Federal income taxation regardless of source, or a person that is otherwise subject to U.S. Federal income tax on a net income basis with respect to the Preferred Interests (a "U.S. Holder"). Because the Preferred Interests are intended to be offered and sold only to investors that are U.S. Holders, this summary does not address the U.S. Federal income tax consequences to persons other than U.S. Holders.

This summary is based on the U.S. Federal income tax laws, regulations, and rulings and decisions now in effect, all of which are subject to change, possibly on a retroactive basis. It does not include any description of the tax laws of any state or local government or of any foreign government that may be applicable to the Preferred Interests or the holders thereof. This summary considers only initial U.S. Holders (except where otherwise expressly indicated) that hold the Preferred Interests as capital assets, and does not address the tax consequences applicable to subsequent purchasers of Preferred Interests or to investors that may be subject to special tax rules such as banks, insurance

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companies, dealers in stocks, tax exempt persons or persons that will hold the Preferred Interests as a position in a "straddle", as part of a "synthetic security" or "hedge", or as part of a "conversion transaction" or other integrated investment. This summary also does not address the tax consequences to persons that have a functional currency other than the U.S. dollar.

INVESTORS SHOULD CONSULT THEIR OWN TAX ADVISORS IN DETERMINING THE U.S. FEDERAL INCOME TAX CONSEQUENCES OF HOLDING THE PREFERRED INTERESTS AS WELL AS THE APPLICATION OF ANY STATE, LOCAL OR FOREIGN TAX LAWS.

Income from the Preferred Interests

In the opinion of Cravath, Swaine & Moore, the Company will be treated as a partnership for U.S. Federal income tax purposes. Such opinion relies, in part, upon the opinion of Richards, Layton & Finger, P.A., special Delaware counsel to the Company, as to certain matters. Each U.S. Holder will be required to include in its gross income its distributive share of the Company's net income. A U.S. Holder's distributive share of such income will generally equal the amount of such dividends on the Preferred Interests, except (a) income will accrue to a U.S. Holder as interest accrues on the Loan Notes rather than when dividends are paid on the Preferred Interests, and (b) in the limited circumstances described below under "Potential Extension of the Payment Period" and "Use of Convention". Any amount so included in a U.S. Holder's gross income will increase its tax basis in the Preferred Interests and the amount of cash dividends to

the U.S. Holder will reduce its tax basis in the Preferred Interests. No portion of such income will be eligible for the dividends-received deduction.

Disposition of the Preferred Interests

Except as described below under "Redemption of the Preferred Interests in Exchange for Guarantor Preferred Stock", gain or loss will be recognized on a sale, exchange or other disposition of the Preferred Interests (including a distribution of cash in redemption of all of a U.S. Holder's Preferred Interests) equal to the difference between the amount realized and the U.S. Holder's tax basis in such Preferred Interests. In the case of a cash distribution in partial redemption of a U.S. Holder's Preferred Interests, no loss will be recognized, the U.S. Holder's tax basis in the Preferred Interests will be reduced by the amount of the distribution, and the U.S. Holder will recognize gain to the extent, if any, that the amount of the distribution exceeds its tax basis in the Preferred Interests. Gain or loss recognized by a U.S. Holder on the sale or exchange (or on a distribution of cash in redemption) of Preferred Interests held for more than one year will generally be long-term capital gain or loss (although under some circumstances a subsequent U.S. Holder may have ordinary income in such cases).

The Company will not make an election under section 754 of the Internal Revenue Code of 1986, as amended (the "Code"). As a result, a subsequent purchaser of Preferred Interests will not be permitted to adjust its taxable income from the Company to reflect any difference between its purchase price for the Preferred Interests and the Company's underlying tax basis for its assets.

Redemption of the Preferred Interests in Exchange for Guarantor Preferred Stock

The Guarantor will have the right, subject to certain conditions, to issue and deliver to the Company, in exchange for a Loan Note, shares of a series of Guarantor Preferred Stock (or Depositary Shares). As discussed under "Description of the Preferred Interests -- Mandatory Redemption", in the event of such exchange, the Company is obligated to redeem such series of Preferred Interests, as an entirety, solely in exchange for shares of the same series of Guarantor Preferred Stock (or Depositary Shares) so delivered to the Company by the Guarantor. Such an exchange should be treated as a non-taxable exchange to each U.S. Holder (except to the extent any Guarantor Preferred Stock (or Depositary Shares) received is allocable to accrued but unpaid interest on a Loan Note not previously allocated to the U.S. Holder) and should result in the U.S. Holder receiving an aggregate tax basis in the Guarantor Preferred Stock (or Depositary Shares) so received (other than any portion of such stock allocable to such accrued but unpaid interest on a Loan Note) which should be equal to such U.S. Holder's aggregate tax basis in its Preferred Interests. Any Guarantor Preferred Stock (or Depositary Shares) received by a U.S. Holder which is allocable to such accrued but unpaid interest on the Loan Note would be taxable to such U.S. Holder as a payment of such interest in accordance with such U.S. Holder's Federal income tax accounting method and the U.S. Holder would take a fair value tax basis in such Guarantor Preferred Stock (or Depositary Shares). Owners of the Depositary Shares will be treated for Federal income tax purposes as if they were owners of the Guarantor Preferred Stock represented by such Depositary Shares. A U.S. Holder's holding period in the Guarantor Preferred Stock (or Depositary Shares) received in redemption of Preferred Interests will include the period for which the Preferred Interests were held by the U.S. Holder.

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However, it is possible that a U.S. Holder may have a taxable income, gain, loss or deduction equal to the difference, if any, between the fair market value of the Guarantor Preferred Stock (or Depositary Shares) received by a U.S. Holder upon such redemption and the U.S. Holder's tax basis in the Preferred Interests so redeemed. If such a loss (or expense item) is recognized, its deductibility by a U.S. Holder may be subject to limitations (such as the limitation on deductibility of capital losses), the application of which will depend upon the U.S. Holder's personal tax situation. A U.S. Holder's aggregate tax basis in the Guarantor Preferred Stock (or Depositary Shares) received upon such redemption should be equal to such U.S. Holder's aggregate tax basis in the Preferred Interests so redeemed, increased by any gain recognized upon the redemption exchange and reduced by any loss (or expense item) referred to above recognized upon such redemption.

A U.S. Holder will recognize gain or loss measured by the difference, if any, between cash received in respect of a fractional Depositary Share and the U.S. Holder's tax basis in such fractional Depositary Share.

If the Preferred Interests are redeemed in exchange for Guarantor Preferred Stock (or Depositary Shares), any distributions paid on the Guarantor Preferred Stock (or Depositary Shares) will be taxable to a U.S. Holder as ordinary dividend income to the extent of the Guarantor's current and accumulated earnings and profits. To the extent that the amount of distributions paid on such Guarantor Preferred Stock (or Depositary Shares) exceeds the Guarantor's current and accumulated earnings and profits (as determined for U.S. Federal income tax purposes), such excess distributions will be treated first as a return of capital (reducing the U.S. Holder's adjusted tax basis in such Guarantor Preferred Stock (or Depositary Shares)), and then as capital gain. Such capital gain would be long-term capital gain if the U.S. Holder's holding period for the Guarantor Preferred Stock (or Depositary Shares) exceeds one year. To the extent that distributions on the Guarantor Preferred Stock (or Depositary Shares) are treated as dividends, a U.S. Holder that is a corporation may be eligible for the 70% dividends-received deduction, subject to certain limitations and certain holding period requirements (although the benefit of such deduction may be reduced or eliminated by the alternative minimum tax). The dividends-received deduction may also be reduced if the Guarantor Preferred Stock is considered "debt financed" for U.S. Federal income tax purposes.

In addition, if the Guarantor Preferred Stock (or Depositary Shares) are issued in exchange for the Loan Note and at the time of issuance have a fair market value that is less than or exceeds their liquidation preference (such difference, the "discount" or "premium", respectively), then it is possible but not certain that a U.S. Holder receiving such Guarantor Preferred Stock (or Depositary Shares) may be required (a) if the Guarantor Preferred Stock (or Depositary Shares) are issued at a discount, to take the amount of the discount into income as a constructive dividend over some period of time (which period, if the exchange date is prior to March [ ], 1999, would probably end on March [ ], 1999), and (b) if the Guarantor Preferred Stock (or Depositary Shares) are issued at a premium, to treat all actual dividends on the Guarantor Preferred Stock (or Depositary Shares) as "extraordinary dividends", which requires that the holder's tax basis in the Guarantor Preferred Stock (or Depositary Shares) be reduced by the portion of the dividends that are not subject to tax by virtue of the dividends received deduction. These results are uncertain and are subject to change by tax regulations that may be issued prior to (or perhaps after) the issuance of the Guarantor Preferred Stock (or Depositary Shares).

A U.S. Holder of Guarantor Preferred Stock (or Depositary Shares) will recognize capital gain or loss on the sale or other disposition thereof equal to the difference between the amount realized and the U.S. Holder's tax basis therefor. Gain or loss recognized by a U.S. Holder on the sale or exchange of Guarantor Preferred Stock (or Depositary Shares) held for more than one year generally will be long-term capital gain or loss. A redemption of the Guarantor Preferred Stock (or Depositary Shares) for cash will generally be treated as a sale or exchange resulting in capital gain or loss unless the U.S. Holder owns other shares of stock of the Guarantor and certain other conditions apply, in which case such redemption will be treated as a distribution (as described in the preceding paragraph). However, under certain circumstances, a subsequent U.S. Holder who receives Guarantor Preferred Stock in exchange therefor may have ordinary income on a disposition of the Guarantor Preferred Stock.

Potential Extension of the Payment Period

Under the terms of an agreement governing a Loan Note, the Guarantor may be permitted to extend the interest payment period of such Loan Note. If the payment period is extended, the Company will continue to accrue income equal to the amount of the interest payment due at the end of the extended payment period over the term of the extended payment period.

Accrued income for any month will be allocated but not distributed to holders of record of the Preferred Interests on the record date for dividends in

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respect of such month. As a result, holders of record during an extended interest payment period will be required to include in gross income an amount equal to the dividends accrued on the Preferred Interests in advance of the receipt of such dividend in cash. The subsequent receipt of cash in respect of such dividend will not also be includible in gross income.

Use of Convention

The Company will adopt a convention under which all of the net income accrued by the Company in any calendar month will be allocated to holders of record on the record date for dividends in respect of such month. It is unclear whether this convention will be respected for U.S. Federal income tax purposes. If it is not respected, the distributive share of the Company's net income allocable to Preferred Interests in respect of a month in which such interests are sold may be allocated between the seller and the purchaser on some other basis. Any amount so allocated to the holder, whether as seller or purchaser, would be includible in the holder's income and would increase such holder's tax basis in the Preferred Interests.

Company Information Returns and Audit Procedures

The Managing Member will furnish each holder with a Schedule K-1 setting forth such holder's allocable share of the income of the Company. The Schedule K-1 will be furnished within 90 days after the close of the Company's taxable year.

Any person who holds Preferred Interests as a nominee for another person is required by law to furnish to the Company: (a) the name, address, and taxpayer identification number of the beneficial owner and the nominee; (b) notice of whether the beneficial owner is (i) a person that is not a United States person, (ii) a foreign government, an international organization, or any wholly owned agency or instrumentality of either of the foregoing, or (iii) a tax-exempt entity; (c) the amount and description of Preferred Interests held, acquired or transferred for the beneficial owner; and (d) certain information including the dates of acquisitions and transfers, means of acquisitions and transfers and acquisition cost for purchases, as well as the amount of net proceeds from sales. Brokers and financial institutions are required to furnish additional information, including certain information on Preferred Interests that they acquire, hold or transfer for their own account. A penalty of $50 per failure (up to a maximum of $100,000 per calendar year) is imposed by the Code for failure to report such information to the Company.

ERISA MATTERS

The Company, the Guarantor, PaineWebber and other affiliates of the Company or the Guarantor may each be considered a "party in interest" (within the meaning of the Employee Retirement Income Security Act of 1974, as amended ("ERISA")) or a "disqualified person" (within the meaning of Section 4975 of the Code) with respect to many employee benefit plans ("Plans") that are subject to ERISA. The purchase and/or holding of Preferred Interests, Guarantor Preferred Stock or Depositary Shares by a Plan that is subject to the fiduciary responsibility provisions of ERISA or the prohibited transaction provisions of Section 4975 of the Code (including individual retirement arrangements and other plans described in Section 4975(e)(1) of the Code) and with respect to which the Company, the Guarantor, PaineWebber or any other affiliate of the Company or the Guarantor is a service provider (or otherwise is a party in interest or a disqualified person) may constitute or result in a prohibited transaction under ERISA or Section 4975 of the Code, unless such Preferred Interests, Guarantor Preferred Stock or Depositary Shares are acquired pursuant to and in accordance with an applicable exemption, such as Prohibited Transaction Class Exemption ("PTCE") 84-14 (an exemption for certain transactions determined by an independent qualified professional asset manager), PTCE 91-38 (an exemption for certain transactions involving bank collective investment funds) or PTCE 90-1 (an exemption for certain transactions involving insurance company pooled separate accounts). Any pension or other employee benefit plan proposing to acquire any Preferred Interests, Guarantor Preferred Stock or Depositary Shares should consult with its counsel. In addition, prospective purchasers should consider the possible application of John Hancock Mutual Life Ins. Co. v. Harris Bank and Trust, a U.S. Supreme Court case decided December 13, 1993, which interpreted the fiduciary responsibility rules of ERISA to conclude that the assets held in an insurance company's general account may be deemed to be "plan assets" for ERISA purposes under certain circumstances.

PLAN OF DISTRIBUTION

The Company may sell the Preferred Interests being offered hereby (i) directly to one or more purchasers, (ii) through agents designated from time to

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time, (iii) to dealers or (iv) through underwriters or a group of underwriters. The applicable Prospectus Supplement will set forth the terms of the offering of the Preferred Interests, including the name or names of any underwriters, the purchase price of the Preferred Interests and the proceeds to the Company from such sale, any underwriting commissions and other items constituting underwriters' compensation, any initial public offering price, any discounts or concessions allowed or reallowed or paid to dealers and any securities exchanges on which the Preferred Interests may be listed.

If underwriters are used in the sale, Preferred Interests will be acquired by the underwriters for their own account and may be resold from time to time in one or more transactions, including negotiated transactions, at a fixed public offering price or at varying prices determined at the time of sale. The Preferred Interests may be offered to the public either through underwriting syndicates represented by managing underwriters or by underwriters without a syndicate. Such managing underwriter or underwriters may include PaineWebber or other affiliates of the Company or the Guarantor. Unless otherwise set forth in the applicable Prospectus Supplement, the obligations of the underwriters to purchase the Preferred Interests will be subject to certain conditions precedent, and the underwriters will be obligated to purchase all the Preferred Interests if any are purchased. Any initial public offering price and any discounts or concessions allowed or reallowed or paid to dealers may be changed from time to time.

Preferred Interests may be sold directly by the Company or through agents designated by the Company from time to time. Any agents involved in the offer or sale of Preferred Interests will be named, and any commissions payable by the Company to such agents will be set forth, in the applicable Prospectus Supplement. Such agents may include PaineWebber or other affiliates of the Company or the Guarantor. Unless otherwise indicated in the applicable Prospectus Supplement, any such agent will be acting on a best efforts basis for the period of its appointment.

Any underwriters, dealers or agents participating in the distribution of Preferred Interests may be deemed to be underwriters and any discounts or commissions received by them in connection therewith may be deemed to be underwriting discounts and commissions under the Securities Act. Agents and underwriters may be entitled under agreements entered into with the Company and the Guarantor to indemnification by the Company and the Guarantor against certain liabilities, including liabilities under the Securities Act, or to contribution with respect to payments which the agents or underwriters may be required to make in respect thereof. Agents and underwriters may be customers of, engage in transactions with, or perform services for the Guarantor or its affiliates in the ordinary course of business.

PaineWebber or other affiliates of the Guarantor may offer and sell previously issued Preferred Interests, Guarantor Preferred Stock or Depositary Shares of any series from time to time in the course of its or their business as a broker-dealer (subject to obtaining any necessary approvals of the New York Stock Exchange or other national securities exchange or trading market for any such offers and sales). PaineWebber or such other affiliates may act as principal or agent in those transactions. The Preferred Interests, Guarantor Preferred Stock or Depositary Shares may be offered or sold in such transactions on any securities exchange on which such securities may be listed. Sales will be made at prices related to prevailing prices at the time of sale.

All distributions of the Preferred Interests will conform to the requirements set forth in the applicable sections of Schedule E of the By-Laws of the NASD.

LEGAL MATTERS

The validity of the Preferred Interests offered hereby will be passed upon by Richards, Layton & Finger, P.A., special Delaware counsel to the Company. The validity of the Guarantee relating to the Preferred Interests and validity of the Guarantor Preferred Stock (and Depositary Shares representing the same) will be passed upon on behalf of the Company and the Guarantor by Cravath, Swaine & Moore, New York, New York, and on behalf of any underwriters or agents by Davis Polk & Wardwell, New York, New York.

EXPERTS

The consolidated financial statements of the Guarantor for the year December 31, 1992, incorporated by reference in the Guarantor's Annual Report on Form 10-K for the fiscal year ended December 31, 1992, have been audited by Ernst & Young, independent auditors, as set forth in their report thereon included therein and incorporated herein by reference. Such consolidated financial statements are incorporated herein by reference in reliance upon such report given upon the authority of such firm as experts in accounting and auditing.

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No dealer, salesman or any other person has been authorized to give any information or to make any representation not contained in this Prospectus Supplement or the accompanying Prospectus and, if given or made, such information or representation must not be relied upon as having been authorized by the Company, Paine Webber Group Inc. or any agent, underwriter or dealer. Neither this Prospectus Supplement nor the accompanying Prospectus constitutes an offer to sell or a solicitation of an offer to buy any of the securities offered hereby in any jurisdiction to any person to whom it is unlawful to make such offer or solicitation in such jurisdiction. The delivery of this Prospectus Supplement and the accompanying Prospectus at any time does not imply that the information they contain is correct as of any time subsequent to their respective dates.

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[ ] INTERESTS

PAINEWEBBER FINANCE L.L.C.

% EXCHANGEABLE CUMULATIVE
PREFERRED LIMITED LIABILITY
COMPANY INTERESTS,
SERIES A
(LIQUIDATION PREFERENCE
$25 PER SERIES A INTEREST)

GUARANTEED TO THE EXTENT
SET FORTH HEREIN BY

PAINE WEBBER GROUP INC.

PROSPECTUS SUPPLEMENT

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PAINEWEBBER INCORPORATED

[OTHER UNDERWRITERS]

MARCH , 1994

PART II.
INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 14. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION.

The following table sets forth the estimated expenses in connection with the issuance and distribution of the securities being registered. All the amounts shown are estimates.

Registration fee	$137,932
NASD filing fee	30,500
Rating agency fees	20,000
Fees and expenses of accountants	50,000
Fees and expenses of counsel	100,000
Printing and engraving expenses	75,000
Blue Sky fees and expenses	25,000
Miscellaneous	30,000
Total	$468,432

ITEM 15. INDEMNIFICATION OF DIRECTORS AND OFFICERS.

Section 102 of the General Corporation Law of the State of Delaware gives corporations the power to eliminate or limit the personal liability of directors under certain circumstances. Section 145 of the General Corporation Law of the State of Delaware gives corporations the power to indemnify directors and officers under certain circumstances.

Article IX of the Restated Certificate of Incorporation (relating to the elimination of personal liability) of Paine Webber Group Inc. is hereby incorporated by reference to Exhibit 3 to Paine Webber Group Inc.'s Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 1987 filed with the Commission pursuant to the Securities Exchange Act of 1934. Article VII of Paine Webber Group Inc.'s By-Laws (relating to indemnification) is hereby incorporated by reference to Exhibit 3.1 to Paine Webber Group Inc.'s Annual Report on Form 10-K for the fiscal year ended December 31, 1987 filed with the Commission pursuant to the Securities Exchange Act of 1934 (File No. 1-7367.)

Paine Webber Group Inc. also maintains directors and officers liability and corporate reimbursement insurance which provides for coverage against loss arising from claims made against directors and officers in their capacity as such. The general scope of coverage is any breach of duty, neglect, error, misstatement, misleading statement or omission. Such policy does not exclude liabilities under the Securities Act of 1933. Paine Webber Group Inc. also maintains fiduciary liability insurance for losses in connection with claims made against directors or officers for violation of any of the responsibilities, obligations or duties imposed upon fiduciaries under the Employee Retirement Income Security Act of 1974.

See the proposed form of Underwriting Agreement included as Exhibit 1 hereto for certain indemnification provisions.

ITEM 16. EXHIBITS.

1	--	Form of Underwriting Agreement.
3.1	--	Certificate of Formation of PaineWebber Finance L.L.C.
3.2	--	Limited Liability Company Agreement of PaineWebber Finance L.L.C.
4.1	--	Form of Payment and Guarantee Agreement of Paine Webber Group Inc.
4.2	--	Form of Loan Agreement between PaineWebber Finance L.L.C. and Paine Webber Group Inc.

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4.3	-- Restated Certificate of Incorporation of Paine Webber Group Inc. as filed with the Office of the Secretary of State of the State of Delaware on May 4, 1987 (incorporated by reference to Paine Webber Group Inc.'s Form 10-Q for the quarter ended March 31, 1987).
4.4	-- Certificate of Stock Designation (elimination) relating to Paine Webber Group Inc.'s 7% Cumulative Convertible Exchangeable Voting Preferred Stock, Series A as filed with the Office of the Secretary of State of the State of Delaware on November 5, 1992 (incorporated by reference to Exhibit 3.1 of Paine Webber Group Inc.'s Form 10-K for the year ended December 31, 1992).
4.5	-- Certificate of Designation, Preference and Rights relating to Paine Webber Group Inc.'s 7% Cumulative Convertible Exchangeable Voting Preferred Stock, Series A as filed with the Office of the Secretary of State of the State of Delaware on December 15, 1987 (incorporated by reference to Exhibit 3.1 of Paine Webber Group Inc.'s Form 10-Q for the quarter ended June 30, 1988).
4.6	-- Certificate of Amendment to the Restated Certificate of Incorporation of Paine Webber Group Inc. as filed with the Office of the Secretary of State of the State of Delaware on June 3, 1988 (incorporated by reference to Exhibit 3.2 of Paine Webber Group Inc.'s Form 10-Q for the quarter ended June 30, 1988).
4.7	-- Certificate of Powers, Designations, Preferences and Rights relating to Paine Webber Group Inc.'s 7.5% Convertible Preferred Stock as filed with the Office of the Secretary of State of the State of Delaware on January 16, 1992 (incorporated by reference to Exhibit 3.1 to Paine Webber Group Inc.'s Form 10-K for the year ended December 31, 1991).
4.8	-- Certificate of Powers, Designations, Preferences and Rights relating to Paine Webber Group Inc.'s 7.5% Convertible Preferred Stock, Series B, as filed with the Office of the Secretary of State of the State of Delaware on January 16, 1992 (incorporated by reference to Exhibit 3.2 to Paine Webber Group Inc.'s Form 10-K for the year ended December 31, 1991).
4.9	-- Certificate of Designation, Preference and Rights relating to Paine Webber Group Inc.'s Cumulative Participating Convertible Voting Preferred Stock, Series A as filed with the Office of the Secretary of State of the State of Delaware on November 5, 1992 (incorporated by reference to Exhibit 3 of Paine Webber Group Inc.'s Form 10-Q for the quarter ended September 30, 1992).
4.10	-- Certificate of Powers, Designations, Preferences and Rights relating to Paine Webber Group Inc.'s 6% Convertible Preferred Stock as filed with the Office of the Secretary of State of the State of Delaware on February 10, 1994 (to be filed by amendment or incorporated by reference to Paine Webber Group Inc.'s Form 8-K to be filed prior to the effective date of this Registration Statement).
4.11	-- By-Laws of Paine Webber Group Inc. as amended March 1, 1988 (incorporated by reference to Exhibit 3.1 of Paine Webber Group Inc.'s Form 10-K for the year ended December 31, 1987).
4.12	-- Form of Deposit Agreement.
5.1	-- Opinion of Richards, Layton & Finger, P.A. as to legality of the Preferred Interests.
5.2	-- Opinion of Cravath, Swaine & Moore as to legality of the Guarantee and the Guarantor Preferred Stock.
8	-- Opinion of Cravath, Swaine & Moore as to tax matters.
12	-- Computation of Ratio of Earnings to Combined Fixed Charges and Preferred Stock Dividends (incorporated by reference to Exhibit 12.1 to Paine Webber Group Inc.'s Quarterly Report on Form 10-Q for the quarter ended September 30, 1993).
23.1	-- Consent of Ernst & Young.
23.2	-- Consent of Richards, Layton & Finger, P.A. (included in Exhibit 5.1).
23.3	-- Consents of Cravath, Swaine & Moore (included in Exhibits 5.2 and 8).
24	-- Powers of attorney (set forth on the signature pages of this Registration Statement).

</TABLE>

ITEM 17. UNDERTAKINGS.

The undersigned Registrants each hereby undertake:

(a)(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this Registration Statement:

(i) to include any prospectus required by Section 10(a)(3) of the Securities Act of 1933;

(ii) to reflect in the prospectus any facts or events arising after the effective date of the Registration Statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the Registration Statement;

(iii) to include any material information with respect to the plan of distribution not previously disclosed in the Registration Statement or any material change to such information in the Registration Statement;

provided, however, that paragraphs (a)(1)(i) and (a)(1)(ii) do not apply if the information required to be included in a post-effective amendment by those paragraphs is contained in periodic reports filed by Paine Webber

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Group Inc. pursuant to Section 13 or Section 15(d) of the Securities Exchange Act of 1934 that are incorporated by reference in the Registration Statement.

(2) That, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

(b) That, for purposes of determining any liability under the Securities Act of 1933, each filing of Paine Webber Group Inc.'s annual report pursuant to Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934 that is incorporated by reference in the registration statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(c) Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the Registrants pursuant to the provisions described under Item 15 above, or otherwise, the Registrants have been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrants of expenses incurred or paid by a director, officer or controlling person of the Registrants in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, each Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

The undersigned Registrants each hereby undertake:

(d)(1) That, for purposes of determining any liability under the Securities Act of 1933, the information omitted from the form of prospectus filed as part of this Registration Statement in reliance upon Rule 430A and contained in a form of prospectus filed by the Registrants pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this Registration Statement as of the time it was declared effective.

(2) That, for the purpose of determining any liability under the Securities Act of 1933, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

The Company hereby undertakes to provide to the underwriters of the Preferred Interests at the closing specified in the underwriting agreement certificates for such Preferred Interests in such denominations and registered in such names as required by the underwriters to permit prompt delivery to each purchaser thereof.

SIGNATURES OF PAINEWEBBER FINANCE L.L.C.

PURSUANT TO THE REQUIREMENTS OF THE SECURITIES ACT OF 1933, PAINEWEBBER FINANCE L.L.C. CERTIFIES THAT IT HAS REASONABLE GROUNDS TO BELIEVE THAT IT MEETS ALL OF THE REQUIREMENTS FOR FILING ON FORM S-3 AND HAS DULY CAUSED THIS REGISTRATION STATEMENT TO BE SIGNED ON ITS BEHALF BY THE UNDERSIGNED, THEREUNTO DULY AUTHORIZED, IN THE CITY OF NEW YORK, STATE OF NEW YORK, ON MARCH 15, 1994.

PAINEWEBBER FINANCE L.L.C.,

By: PAINE WEBBER GROUP INC.,
as Managing Member

By: /s/ Regina Dolan

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(Regina Dolan, Chief Financial Officer of the Managing Member)

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints REGINA DOLAN, PIERCE R. SMITH and THEODORE A. LEVINE, and each of them (with full power to each of them to act alone), his true and lawful attorney-in-fact and agent, with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign any or all amendments (including post-effective amendments) to this Registration Statement, and to file the same, with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, or his or their substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

PURSUANT TO THE REQUIREMENTS OF THE SECURITIES ACT OF 1933, THIS REGISTRATION STATEMENT AND POWER OF ATTORNEY HAS BEEN SIGNED BY THE FOLLOWING PERSONS IN THE CAPACITIES AND ON THE DATES INDICATED.

SIGNATURE	TITLE	DATE
/s/ REGINA DOLAN (REGINA DOLAN)	Chief Financial Officer of the Managing Member (principal executive officer of PaineWebber Finance L.L.C.)	March 15, 1994
/s/ PIERCE R. SMITH (PIERCE R. SMITH)	Treasurer of the Managing Member (principal financial and accounting officer of PaineWebber Finance L.L.C.)	March 15, 1994

SIGNATURES OF PAINE WEBBER GROUP INC.

PURSUANT TO THE REQUIREMENTS OF THE SECURITIES ACT OF 1933, PAINE WEBBER GROUP INC. CERTIFIES THAT IT HAS REASONABLE GROUNDS TO BELIEVE THAT IT MEETS ALL OF THE REQUIREMENTS FOR FILING ON FORM S-3 AND HAS DULY CAUSED THIS REGISTRATION STATEMENT TO BE SIGNED ON ITS BEHALF BY THE UNDERSIGNED, THEREUNTO DULY AUTHORIZED, IN THE CITY OF NEW YORK, STATE OF NEW YORK, ON MARCH 15, 1994.

PAINE WEBBER GROUP INC.
(Registrant)

By: /s/ DONALD B. MARRON

(Donald B. Marron, Chairman of the Board, Chief Executive Officer and Director)

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints DONALD B. MARRON, PIERCE R. SMITH and THEODORE A. LEVINE, and each of them (with full power to each of them to act alone), his true and lawful attorney-in-fact and agent, with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign any or all amendments (including post-effective amendments) to this Registration Statement, and to file the same, with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, or his or their substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

PURSUANT TO THE REQUIREMENTS OF THE SECURITIES ACT OF 1933, THIS REGISTRATION STATEMENT AND POWER OF ATTORNEY HAS BEEN SIGNED BY THE FOLLOWING PERSONS IN THE CAPACITIES AND ON THE DATES INDICATED.

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SIGNATURE	TITLE	DATE
/s/ DONALD B. MARRON (DONALD B. MARRON)	Chairman of the Board, Chief Executive Officer, Director (principal executive officer)	March 15, 1994
/s/ REGINA DOLAN (REGINA DOLAN)	Vice President and Chief Financial Officer (principal financial and accounting officer)	March 15, 1994
/s/ T. STANTON ARMOUR (T. STANTON ARMOUR)	Director	March 15, 1994
/s/ E. GARRETT BEWKES, JR. (E. GARRETT BEWKES, JR.)	Director	March 15, 1994
/s/ JOHN A. BULT (JOHN A. BULT)	Director	March 15, 1994
/s/ YOZO FUJISAWA (YOZO FUJISAWA)	Director	March 15, 1994

SIGNATURE	TITLE	DATE
/s/ JOSEPH J. GRANO, JR. (JOSEPH J. GRANO, JR.)	Director	March 15, 1994
/s/ PAUL B. GUENTHER (PAUL B. GUENTHER)	Director	March 15, 1994
/s/ JOHN E. KILGORE, JR. (JOHN E. KILGORE, JR.)	Director	March 15, 1994
/s/ ROBERT M. LOEFFLER (ROBERT M. LOEFFLER)	Director	March 15, 1994
/s/ EDWARD RANDALL, III (EDWARD RANDALL, III)	Director	March 15, 1994
/s/ HENRY ROSOVSKY (HENRY ROSOVSKY)	Director	March 15, 1994
/s/ KYOSAKU SORIMACHI (KYOSAKU SORIMACHI)	Director	March 15, 1994

EXHIBIT INDEX

EXHIBIT NO.	DESCRIPTION	SEQUENTIALLY NUMBERED PAGE
1	-- Form of Underwriting Agreement.	

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3.1	-- Certificate of Formation of PaineWebber Finance L.L.C.
3.2	-- Limited Liability Company Agreement of PaineWebber Finance L.L.C.
4.1	-- Form of Payment and Guarantee Agreement of Paine Webber Group Inc.
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4.4	-- Certificate of Stock Designation (elimination) relating to Paine Webber Group Inc.'s 7% Cumulative Convertible Exchangeable Voting Preferred Stock, Series A as filed with the Office of the Secretary of State of the State of Delaware on November 5, 1992 (incorporated by reference to Exhibit 3.1 of Paine Webber Group Inc.'s Form 10-K for the year ended December 31, 1992).
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4.7	-- Certificate of Powers, Designations, Preferences and Rights relating to Paine Webber Group Inc.'s 7.5% Convertible Preferred Stock as filed with the Office of the Secretary of State of the State of Delaware on January 16, 1992 (incorporated by reference to Exhibit 3.1 to Paine Webber Group Inc.'s Form 10-K for the year ended December 31, 1991).
4.8	-- Certificate of Powers, Designations, Preferences and Rights relating to Paine Webber Group Inc.'s 7.5% Convertible Preferred Stock, Series B, as filed with the Office of the Secretary of State of the State of Delaware on January 16, 1992 (incorporated by reference to Exhibit 3.2 to Paine Webber Group Inc.'s Form 10-K for the year ended December 31, 1991).
4.9	-- Certificate of Designation, Preference and Rights relating to Paine Webber Group Inc.'s Cumulative Participating Convertible Voting Preferred Stock, Series A as filed with the Office of the Secretary of State of the State of Delaware on November 5, 1992 (incorporated by reference to Exhibit 3 of Paine Webber Group Inc.'s Form 10-Q for the quarter ended September 30, 1992).

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EXHIBIT NO.	DESCRIPTION	SEQUENTIALLY NUMBERED PAGE
<C>	<C> <S>	<C>
4.10	-- Certificate of Powers, Designations, Preferences and Rights relating to Paine Webber Group Inc.'s 6% Convertible Preferred Stock as filed with the Office of the Secretary of State of the State of Delaware on February 10, 1994 (to be filed by amendment or incorporated by reference to Paine Webber Group Inc.'s Form 8-K to be filed prior to the effective date of this Registration Statement).	
4.11	-- By-Laws of Paine Webber Group Inc. (incorporated by reference to Exhibit 3.1 of Paine Webber Group Inc.'s Form 10-K for the year ended December 31, 1987).	
4.12	-- Form of Deposit Agreement.	
5.1	-- Opinion of Richards, Layton & Finger, P.A. as to legality of the Preferred Interests.	
5.2	-- Opinion of Cravath, Swaine & Moore as to legality of the Guarantee and the Guarantor Preferred Stock.	
8	-- Opinion of Cravath, Swaine & Moore as to tax matters.	
12	-- Computation of Ratio of Earnings to Combined Fixed Charges and Preferred Stock Dividends (incorporated by reference to Exhibit 12.1 to Paine Webber Group Inc.'s Quarterly Report on Form 10-Q for the quarter ended September 30, 1993).	
23.1	-- Consent of Ernst & Young.	
23.2	-- Consent of Richards, Layton & Finger, P.A. (included in Exhibit 5.1).	
23.3	-- Consents of Cravath, Swaine & Moore (included in Exhibits 5.2 and 8).	
24	-- Powers of attorney (set forth on the signature pages of this	

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Registration Statement).
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EXHIBIT 1

[Draft -- 3/16/94]

_____________Series A Interests

PaineWebber Finance L.L.C.

___% Exchangeable Cumulative Preferred Limited Liability Company Interests, Series A

(Liquidation Preference $25 Per Series A Interest)

FORM OF UNDERWRITING AGREEMENT

[date]

________________Series A Interest

PAINEWEBBER FINANCE L.L.C.

___% Exchangeable Cumulative Preferred Limited Liability Company Interests, Series A Interst

(Liquidation Preference $25 Per Series A Interest)

FORM OF UNDERWRITING AGREEMENT

[date]

To the several Underwriters named in Schedule I hereto
c/o PAINEWEBBER INCORPORATED
1285 Avenue of the Americas
New York, New York 10019

Ladies and Gentlemen:

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PaineWebber Finance L.L.C., a limited liability company formed under the laws of Delaware (the "Company"), proposes to issue and sell to the several Underwriters named in Schedule I hereto (the "Underwriters") an aggregate of _______ preferred limited liability company interests (the "Preferred Interests") of its __% Exchangeable Cumulative Preferred Limited Liability Company Interests, Series A (the "Firm Series A Interests"). The Company has also agreed to grant to you and the other Underwriters an option (the "Option") to purchase up to an additional ___ Preferred Interests of its ___% Exchangeable Cumulative Preferred Limited Liability Company Interests, Series A (the "Option Series A Interests") on the terms and for the purposes set forth in Section 1(b). The Firm Series A Interests and the Option Series A Interests are hereinafter collectively referred to as the "Series A Interests." The payment of dividends on the Series A Interests, as well as distributions on redemption and liquidation, will be guaranteed, to the extent set forth in the Final Prospectus (as defined in section 3 (b) hereof), by Paine Webber Group Inc., a Delaware corporation, (the "Guarantor") (the obligations of the Company in respect of such guarantee being referred to herein as the "Backup Undertakings"). The Series A Interests, together with the related Backup

Undertakings, are sometimes referred to collectively as the Securities. Capitalized terms used but not separately defined herein are defined in the Final Prospectus and used herein as so defined.

The Securities are more fully described in the Final Prospectus referred to below [and in Schedule ( ) attached hereto].

1. Agreement to Sell and Purchase. (a) On the basis of the representations, warranties and agreements of the Company and the Guarantor herein contained and subject to all the terms and conditions of this Agreement, the Company agrees to sell to each Underwriter, and each Underwriter, severally and not jointly, agrees to purchase from the Company at the purchase price per Preferred Interest for the Firm Series A Interests to be agreed upon by PaineWebber Incorporated acting as representative (the "Representative") of the several Underwriters named in Schedule I hereto and the Company in accordance with Section 1(c) or 1(d) and set forth in the Price Determination Agreement, the number of Firm Series A Interests set forth opposite the name of such Underwriter in Schedule I, plus such additional number of Firm Series A Interests which such Underwriter may become obligated to purchase pursuant to Section 9 hereof. If the Company elects to rely on Rule 430A (as hereinafter defined), Schedule I may be attached to the Price Determination Agreement.

(b) Subject to all the terms and conditions of this Agreement, the Company grants the Option to the several Underwriters to purchase, severally and not jointly, up to ___ Option Series A Interests from the Company at the

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same price per Preferred Interest as the Underwriters shall pay for the Firm Series A Interests. The Option may be exercised only to cover over-allotments in the sale of the Firm Series A Interests by the Underwriters and may be exercised in whole or in part at any time (but not more than once) on or before the 45th day after the date of the underwriting agreement (this "Agreement") (or, if the Company has elected to rely on Rule 430A, on or before the 45th day after the date of the Price Determination Agreement), upon written or telegraphic notice (the "Option Series A Interests Notice") by the Representative to the Company no later than 12:00 noon, New York City time, at least two and no more than five business days before the date specified for closing in the Option Preferred Series A Interests Notice (the "Option Closing Date") setting forth the aggregate number of Option Series A Interests to be purchased and the time and date for such purchase. On the Option Closing Date, the Company will issue and sell to the

Underwriters the number of Option Series A Interests set forth in the Option Series A Interests Notice, and each Underwriter will purchase such percentage of the Option Series A Interests as is equal to the percentage of Firm Series A Interests that such Underwriter is purchasing, as adjusted by the Representative in such manner as they deem advisable to avoid fractional Prefferred Interests.

(c) If the Company has elected not to rely on Rule 430A, the initial public offering price per Preferred Interest for the Firm Series A Interests and the purchase price per Preferred Interest for the Firm Series A Interests to be paid by the several Underwriters shall be agreed upon and set forth in the Price Determination Agreement, which shall be dated the date hereof, and an amendment to the Registration Statement (as hereinafter defined) containing such Preferred Interest price information shall be filed before the Registration Statement becomes effective.

(d) If the Company has elected to rely on Rule 430A, the initial public offering price per Preferred Interest for the Firm Series A Interests and the purchase price per Preferred Interest for the Firm Series A Interests to be paid by the several Underwrites shall be agreed upon and set forth in the Price Determination Agreement. In the event that the Price Determination Agreement has not been executed by the close of business on the fourth business day following the date on which the Registration Statement becomes effective, this Agreement shall terminate forthwith, without liability of any party to any other party except that Section 7 shall remain in effect.

2. Delivery and Payment. Delivery of the Firm Series A Interests shall be made to the Representative for the accounts of the Underwriters against payment of the purchase price by credit to the account of the Company

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with the Depository Trust Company. Such payments shall be made at 10:00 a.m., New York City time, on the fifth business day following the date of this Agreement or, if the Company has elected to rely on Rule 430A, the fifth business day after the date on which the first bona fide offering of the Firm Series A Interests to the public is made by the Underwriters or at such time on such other date, not later than seven business days after the date of this Agreement, as may be agreed upon by the Company and the Representative (such date is hereinafter referred to as the "Closing Date"). The Guarantor agrees to issue the Backup Undertakings concurrently with the issue and sale of the Firm Series A Interests as contemplated herein. [Series A Interests to be purchased by the Underwriters are sometimes called the Underwriters' Series A Interests.]

To the extent the Option is exercised, delivery of the Option Series A Interests against payment by the Underwriters (in the manner specified above) will take place at the offices specified above for the Closing Date at the time and date (which may be the Closing Date) specified in the Option Series A Interests Notice. [The Series A Interests shall be in temporary or definitive form (and, if in temporary form, exchangeable for the Series A Interests in definitive form, when prepared, without charge) and shall be in such denominations and registered in such names as you may request in writing at least two business day's prior to Closing Date, provided that such Series A Interests may be represented by a global certificate registered in the name of Cede & Co. as nominee of The Depository Trust Company ("Cede") or to such other accounts as you may direct. Such Series A Interests, in either definitive or temporary form, will be made available for examination and packaging by you on or before the first business day prior to Closing Date unless represented by a global certificate.]

The cost of original issue tax stamps, if any, in connection with the issuance and delivery of the Firm Series A Interests and Option Series A Interests by the Company to the respective Underwriters shall be borne by the Company. The Company will pay and save each Underwriter and any subsequent holder of the Series A Interests harmless from any and all liabilities with respect to or resulting from any failure or delay in paying Federal and state stamp and other transfer taxes, if any, which may be payable or determined to be payable in connection with the original issuance or sale to such Underwriter of the Firm Series A Interests and Option Series A Interests.

3. Representations and Warranties of the Company and the Guarantor. Each of the Company and the Guarantor jointly and severally represents and warrants to, and agrees with, the several Underwriters as set forth below in this Section 3. Certain terms used in this Section 3 are defined in paragraph (b) hereof.

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(a) The Company and the Guarantor meet the requirements for the use of Form S-3 under the Securities Act of 1933, as amended (the "1933 Act"), and have prepared and filed with the Securities and Exchange Commission (the "Commission") pursuant to the 1933 Act and the rules and regulations promulgated by the Commission thereunder (the "Regulations"), a registration statement (Registration No.________) on such Form, including a basic prospectus, for registration under the 1933 Act of the offering and sale of the Series A Interests and the Backup Undertakings. The Company and the Guarantor have filed one or more amendments

to such registration statement as may have been required to be filed through the date hereof, and may have used a Preliminary Final Prospectus, each of which has previously been furnished to you. Such registration statement, as so amended, has become effective. The offering of the Series A Interests is a Delayed Offering and, accordingly, it is not necessary that any further information with respect to the Series A Interests and the offering thereof required by the 1933 Act and the Regulations to be included in the Final Prospectus have been included in an amendment to such registration statement prior to the Effective Date. The Company and the Guarantor will next file with the Commission pursuant to Rules 415 and 424(b)(2), (3) or (5) a final supplement to the form of prospectus included in such registration statement relating to the Series A Interests and the offering thereof. As filed, such final prospectus supplement shall include all required information with respect to the Series A Interests and the offering thereof and, except to the extent the Underwriters shall agree in writing to a modification, shall be in all substantive respects in the form furnished to you prior to the Execution Time or, to the extent not completed at the Execution Time, shall contain only such specific additional information and other changes (beyond that contained in the Basic Prospectus and any Preliminary Final Prospectus) as the Company and the Guarantor have advised you, prior to the Execution Time, will be included or made therein.

(b) The terms which follow, when used in this Agreement, shall have the meanings indicated. The term the Effective Date shall mean each date that the Registration Statement and any post-effective amendment or amendments thereto became or become effective. Execution Time shall mean the date and time that this Agreement is executed and delivered by the parties hereto. Basic Prospectus shall mean the prospectus referred to in paragraph (a) above contained in the Registration Statement at the Effective Date including any Preliminary Final Prospectus. Preliminary Final Prospectus shall mean any preliminary prospectus supplement to the Basic Prospectus which describes the Series A Interests and the offering thereof and is used prior to the filing of the Final Prospectus. Final Prospectus shall mean the prospectus supplement

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relating to the Series A Interests that is first filed pursuant to Rule 424(b) after the Execution Time, together with the Basic Prospectus. Registration Statement shall mean the various parts of the registration statement referred to in paragraph (a) above, including all exhibits thereto and the documents incorporated by reference in the Final Prospectus contained in such Registration Statement at the time such part of the Registration Statement becomes

effective, each as amended at the Execution Time (or, if not effective at the Execution Time, in the form in which it shall become effective) and, in the event any post-effective amendment thereto becomes effective prior to the Closing Date (as such term is hereinafter defined), shall also mean such registration statement as so amended. Rule 415, Rule 424 and Regulation S-K refer to such rules or regulations under the 1933 Act. Any reference herein to the Registration Statement, the Basic Prospectus, any Preliminary Final Prospectus or the Final Prospectus shall be deemed to refer to and include the documents incorporated by reference therein pursuant to Item 12 of Form S-3 under the 1933 Act, as of the date of such Registration Statement, Basic Prospectus, Preliminary Final Prospectus, or Final Prospectus, as the case may be; and any reference to any amendment or supplement with respect to the Registration Statement, the Basic Prospectus, any Preliminary Final Prospectus or the Final Prospectus shall be deemed to refer to and include any documents filed under the Securities Exchange Act of 1934, as amended (the "1934 Act"), and incorporated by reference in such Registration Statement, Basic Prospectus, Preliminary Final Prospectus, or Final Prospectus, as the case may be, and any reference to any amendment to the Registration Statement shall be deemed to refer to and include any annual report of the Guarantor filed pursuant to Section 13(a) or 15(d) of the 1934 Act after the Effective Date that is incorporated by reference in such Registrations Statement. A Delayed Offering shall mean an offering of securities pursuant to Rule 415 which does not commence promptly after the effective date of a registration statement, with the result that only information required pursuant to Rule 415 need be included in such registration statement at the effective date thereof with respect to the securities so offered.

(c) Each of the Company and the Guarantor has been duly formed or incorporated and is validly existing as a company or corporation in good standing under the laws of Delaware with corporate power and authority to own, lease and operate its respective properties and to conduct its respective businesses as described in the Final Prospectus and any amendment or supplement thereto; and each of the Company and the Guarantor is duly qualified as a foreign corporation to transact business, and is in good standing, in each jurisdiction in which such qualification is required, whether by reason of the ownership or leasing of property or the conduct of business, except where the

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failure to so qualify would not have a material adverse effect on the operations, business, or properties of the Company or on the Guarantor and its subsidiaries considered as one enterprise.

(d) The Company has the corporate power and authority to enter into this Agreement and to issue, sell and deliver the Series A Interests, and the Guarantor has the corporate power and authority to enter into this Agreement and to issue the Backup Undertakings and the Guarantor Preferred Stock. This Agreement has been duly and validly authorized, executed and delivered by each of the Company and the Guarantor, is a valid and binding agreement of each of the Company and the Guarantor and is enforceable as to each of the Company and the Guarantor in accordance with its terms.

(e) On the Effective Date, and at all times subsequent thereto to and including the Closing Date, and if later the Option Closing Date, and during such longer period as the Final Prospectus may be required to be delivered in connection with sales by the Underwriters or a dealer, and during such longer period until any post-effective amendment to the Registration Statement shall become effective, the Registration Statement (including any post-effective amendment) and the Final Prospectus (as amended or as supplemented if the Company and the Guarantor shall have filed with the Commission any amendment or supplement to the Registration Statement or the Final Prospectus) will contain all statements which are required to be stated therein in accordance with the 1933 Act and the Regulations, will comply with the requirements of the 1933 Act and the Regulations and the 1934 Act and the rules and regulations thereunder, and will not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein in the light of the circumstances in which they were made not misleading, and no event will have occurred which should have been set forth in an amendment or supplement to the Registration Statement or the Final Prospectus which has not then been set forth in such an amendment or supplement: and each Basic Prospectus and each Preliminary Final Prospectus, as of the date filed with the Commission, did not include any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein in light of the circumstances in which they were made not misleading; provided, however, that neither the Company nor the Guarantor makes any representations and warranties as to information contained in or omitted from the Registration Statement, the Basic Prospectus, any Preliminary Final Prospectus, or the Final Prospectus made in reliance upon and in conformity with information furnished to the Company or the Guarantor in writing by any Underwriter expressly for use in the Registration Statement or such Basic Prospectus, Preliminary Final Prospectus, or Final Prospectus, as set

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forth in Section 7. For purposes of this Agreement, the amounts of selling concession and reallowance set forth in the Final Prospectus constitute the only information relating to any Underwriter furnished in writing to the Company by the Representative specifically for inclusion in the Registration Statement or such Basic Prospectus, Preliminary Final Prospectus, or Final Prospectus, as set forth in Section 7. The Company has not distributed any offering material in connection with the offering or sale of the Series A Interests other than the Registration Statement, the Basic Prospectus, the Preliminary Final Prospectus or the Final Prospectus.

(f) Neither the Commission nor the Blue Sky or securities authority of any jurisdiction has issued an order (a "Stop Order") suspending the effectiveness of the Registration Statement, preventing or suspending the use of the Basic Prospectus, any Preliminary Final Prospectus, the Final Prospectus, the Registration Statement or any amendment or supplement thereto, refusing to permit the effectiveness of the Registration Statement, suspending the registration or qualification of the Securities, nor has any of such authorities instituted or, to the knowledge of the Company or the Guarantor, threatened to institute any proceedings with respect to a Stop Order in any jurisdiction in which the Series A Interests are to be sold or in which the Securities may be issued, nor, with respect to accuracy on the Closing Date, has there been any Stop Order instituted or, to the knowledge of the Company or the Guarantor, threatened on or after the effective date of the Registration Statement in any jurisdiction.

(g) The documents incorporated by reference in the Final Prospectus and any amendment or supplement thereto (the "Incorporated Documents"), at the time they were or hereafter are filed with the Commission, complied, or when so filed will comply, in all material respects with the requirements of the 1933 Act or the 1934 Act, as applicable, and the rules and regulations thereunder and did not and will not contain 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, in the light of the circumstances under which they are made, not misleading.

(h) Subsequent to the respective dates as of which information is given in the Registration Statement and the Final Prospectus and prior to the Closing Date, except as set forth in or contemplated by the Registration Statement and the Final Prospectus, (i) there has not been and will not have been any change in the capitalization of the Company, or in the business, properties, business

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prospects, condition (financial or otherwise) or results of operations of the Company or the Guarantor and its subsidiaries considered as one enterprise, arising for any reason whatsoever, (ii) neither the Company nor the Guarantor has incurred, nor will it incur any material liabilities or obligations, direct or contingent, nor has it entered into nor will it enter into any material transactions other than pursuant to this Agreement and the transactions referred to herein and (iii) the Company has not and will not have paid or declared any dividends or other distributions of any kind on any class of its Prefferred Interests.

[(i) The Company has [no] subsidiaries.]

(j) The Series A Interests have been duly authorized (or will have been so authorized prior to each issuance of Series A Interests) by the Company and when the Interests have been issued and delivered against payment therefor as provided in this Agreement, such Series A Interests will have been duly and validly issued and fully paid and non-assessable; the Backup Undertakings and the Guarantor Preferred Stock have been duly authorized (or will have been so authorized prior to each issuance thereof) by the Guarantor, and when the Guarantor Preferred Stock has been issued as provided in this Agreement, such Guarantor Preferred Stock will have been duly and validly issued and fully paid and non-assessable; and when the Backup Undertakings have been issued as provided in this Agreement, such Undertakings will have been duly executed, issued and delivered, will constitute valid and legally binding obligations of the Guarantor and will be enforceable as to the Guarantor in accordance with their terms. The Securities will conform to the descriptions thereof contained in the Final Prospectus.

(k) The execution, delivery and performance of this Agreement, the issuance and sale of the Series A Interests, the issuance of the Backup Undertakings and the Guarantor Preferred Stock and the consummation by the Company and the Guarantor of the transactions contemplated hereby will not (A) conflict with or result in a breach of any of the terms and provisions of, or constitute a default or an event which with notice or lapse of time, or both, would constitute a default or require consent under, or result in the creation or imposition of any lien, charge or encumbrance upon any property or assets of the Company or of the Guarantor or any of its subsidiaries considered as one enterprise pursuant to, the terms of any contract, agreement, indenture, mortgage, loan agreement, note, lease or other instrument, franchise, license or permit to which

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the Company or the Guarantor or any of its subsidiaries is a party or by which the Company or the Guarantor or any of its subsidiaries or the respective properties or assets of the Company, the Guarantor or any of its subsidiaries may be bound or subject, or (B) violate or conflict with any provision of the Certificate of Formation or Limited Liability Company Agreement of the Company or the certificate of incorporation or by-laws of the Guarantor or any of its subsidiaries, or any law, judgment, decree, order, statute, rule or regulation of any court in any public, governmental or regulatory agency or body or any arbitrator having jurisdiction over the Company or the Guarantor or any of its subsidiaries, or any of the respective properties or assets of the Company, the Guarantor or any of its subsidiaries. No consent, approval, authorization, order, registration, filing, qualification, license or permit of or with any court or any public, governmental or regulatory agency or body having jurisdiction over the Company or the Guarantor or any of its subsidiaries, or any of the respective properties or assets of the Company, the Guarantor or any of its subsidiaries, is required for the execution, delivery and performance of this Agreement, and the consummation of the transactions contemplated hereby, including the issuance, sale and delivery of the Series A Interests and the issuance of the Backup Undertakings or the Guarantor Preferred Stock, except (1) such as may be required under state and foreign securities or Blue Sky laws in connection with the purchase and distribution of the Series A Interests by the Underwriters and (2) such as have been made or obtained or will be made or obtained before the Closing Date under the 1933 Act.

(l) There are no holders of securities of the Company, the Guarantor or any subsidiary of the Guarantor who, pursuant to any agreement, understanding or otherwise, have any right to have securities of the Company or the Guarantor or any subsidiary registered under the 1933 Act in connection with the offering contemplated by the Final Prospectus.

(m) Ernst & Young, the accountants who certified the financial statements included or incorporated by reference in the Guarantor's most recent Annual Report on Form 10-K, which is incorporated by reference in the Final Prospectus, were independent public accountants at the time such statements were certified and during the periods covered by such statements as required by the 1933 Act and the Regulations.

(n) The financial statements of the Guarantor and its consolidated subsidiaries included or incorporated by reference in the Registration Statement and the Final Prospectus, and any amendment or supplement thereto, present fairly the consolidated financial position of the Guarantor and its consolidated subsidiaries as of the dates indicated and the consolidated results of their operations for the periods specified; and said financial

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statements have been prepared in conformity with generally accepted accounting principles in the United States applied on a consistent basis. No other financial statements or schedules of the Guarantor are required by the Act, the Regulations, the 1934 Act and the rules and regulations thereunder to be included in the Registration Statement and the Final Prospectus.

(o) Except as may be set forth in the Final Prospectus, there is no action, suit or proceeding before or by any court or governmental agency or body or arbitrator, domestic or foreign, now pending, or, to the knowledge of the Company or the Guarantor, threatened against or affecting, the Company or the Guarantor or any of their respective officers in their capacities as such, except those which do not and in the future will not have a material adverse effect on the financial condition, results of operations, business or properties of the Company, or of the Guarantor and its subsidiaries considered as one enterprise, or which is required to be disclosed in the Registration Statement or the Final Prospectus; and there are no contracts or documents of the Company or the Guarantor which are required to be filed as exhibits to the Registration Statement by the 1933 Act or the Regulations which have not been so filed.

(p) The Company and the Guarantor possess such certificates, licenses, authorities or permits issued by the appropriate state, federal or foreign regulatory agencies or bodies necessary to conduct the business now operated by them, except those which if not obtained, individually or in the aggregate, would not have a material adverse effect on the financial condition, results of operations, business or properties of the Company or the Guarantor and its subsidiaries considered as one enterprise, and neither the Company nor the Guarantor has received any notice of proceedings relating to the revocation or modification of any such certificate, authority or permit which, singly or in the aggregate, if the subject of any unfavorable decision, ruling or finding, would materially and adversely affect the financial condition, results of operations, business or properties of the Company, or of the Guarantor and its subsidiaries considered as one enterprise. Each of the Company and the Guarantor have (i) complied in all

respects with all laws, regulations and orders applicable to it or its business and (ii) performed all its obligations required to be performed by it, and is not, and at the Closing Date will not be, in default, under any indenture, mortgage, deed of trust, voting trust agreement, loan agreement, bond, debenture, note agreement, lease, contract or other agreement or instrument (collectively, a "contract or other agreement") to which it is a party or by which its property is bound or affected. To the best knowledge of the Company, no other party under any contract or other agreement to which it is a party is in default in any respect thereunder. The Company is not on the date hereof,

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nor on the Closing Date will be, in violation of any provision of its Certificate of Formation or the Limited Liability Company Agreement.

(q) The Company maintains a system of internal accounting controls sufficient to provide reasonable assurance that (i) transactions are executed in accordance with management's general or specific authorization, (ii) transactions are recorded as necessary to permit preparation of financial statements in conformity with generally accepted accounting principles and to maintain accountability for assets; (iii) access to assets is permitted only in accordance with management's general or specific authorization; and (iv) the recorded accountability for assets is compared with existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

(r) No statement, representation, warranty or covenant made by the Company or the Guarantor in this Agreement or made in any certificate or document required by this Agreement to be delivered to the Representative was or will be, when made, inaccurate, untrue or incorrect.

(s) Prior to the Closing Date, the Series A Interests will be duly authorized for listing by the New York Stock Exchange Inc. (the "NYSE") upon official notice of issuance.

(t) The Company nor, to the Company's knowledge, any employee or agent of the Company has made any payment of funds of the Company or received or retained any funds in violation of any law, rule or regulation or of a character required to be disclosed in the Final Prospectus.

(u) The Company is not an "investment company" or an "affiliated person" of, or "promotor" or "principal underwriter" for, an "investment company," as such terms are defined in the Investment Company Act of 1940, as amended.

4. Covenants of the Company and the Guarantor. The Company and the Guarantor jointly and severally covenant and agree with the several Underwriters as follows:

(a) The Company and the Guarantor will use their best efforts to cause the Registration Statement, if not effective at the Execution Time, to become effective as promptly as possible. The Company or the Guarantor will notify you immediately, and confirm such notice in writing, (i) when the Registration Statement (including any amendments thereto) becomes effective, (ii) of any request by the Commission for any amendment of or supplement to the Registration Statement or the Final Prospectus or for any additional

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information, (iii) of the issuance by the Commission of a Stop Order suspending the effectiveness of the Registration Statement (including any post-effective amendment thereto) or of the initiation, or the threatening, of any proceedings therefor, (iv) of the receipt of any comments from the Commission and (v) of the receipt by the Company or the Guarantor of any notification with respect to the suspension of the qualification of the Series A Interests for sale or the issuance of the Backup Undertakings in any jurisdiction or the initiation, or threatening, of any proceeding for that purpose. If the Commission shall propose or enter a Stop Order at any time, the Company and the Guarantor will make every reasonable effort to prevent the issuance of any such Stop Order and, if issued, to obtain the withdrawal of such order as soon as possible.

(b) During the time when a prospectus relating to the Securities is required to be delivered hereunder or under the 1933 Act or the Regulations, the Company and the Guarantor will comply so far as each is able with all requirements imposed upon it by the 1933 Act, as now existing and as hereafter amended, and by the Regulations, as from time to time in force, so far as necessary to permit the continuance of sales of, or dealing in, the Securities in accordance with the provisions thereof and the Final Prospectus. If at any time when a prospectus relating to the Securities is required to be delivered under the 1933 Act, any event shall have occurred as a result of which, in the judgment of the Company, the Guarantor, you or your counsel, the Final Prospectus as then amended or supplemented 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, in the light of the circumstances under which they were made, not misleading, or if it shall be necessary at any time to amend or supplement the Final Prospectus or Registration Statement to comply with the 1933 Act or the Regulations, the Company

and the Guarantor will notify you promptly and prepare and file with the Commission an appropriate amendment or supplement (in form and substance satisfactory to you) which will correct such statement or omission and will use its best efforts to have any amendment to the Registration Statement declared effective as soon as possible and will deliver to the several Underwriters, without charge, such number of copies thereof as may be reasonably requested by the Underwriters; provided that the Company and the Guarantor will promptly notify you if such judgment has been reached by it.

(c) The Company or the Guarantor will promptly deliver to you without charge, two signed copies of the Registration Statement, including financial statements and schedules and all exhibits thereto including the Incorporated Documents, and the Company or the Guarantor will promptly deliver without charge to you such number of copies of the Basic Prospectus, any Preliminary Final Prospectus, the Final Prospectus, the Registration Statement,

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and all amendments of and supplements to such documents, if any, as may be reasonably requested by the Underwriters.

(d) The Company and the Guarantor will endeavor in good faith, in cooperation with you to timely qualify the Securities for offering and sale under the securities laws of such jurisdictions as you may designate and to maintain such qualification in effect for so long as required for the distribution thereof; provided that in no event shall the Company or the Guarantor be obligated to qualify to do business in any jurisdiction where it is not now so qualified or to take action which would subject it to general service of process in any jurisdiction where it is not now so subject or to conduct its business in a manner in which it is not currently so conducting its business.

(e) The Guarantor will make generally available (within the meaning of Section 11(a) of the 1933 Act and Rule 158 of the Regulations) to its security holders and to you as soon as practicable, but in no event later than the last day of the fifteenth full calendar month following the calendar quarter in which the Effective Date falls, an earnings statement which need not be audited but which shall satisfy the provisions of Section 11(a) of the 1933 Act and Rule 158 of the Regulations.

(f) The Company and the Guarantor, during the period when the Final Prospectus is required to be delivered under the 1933 Act, will file promptly all documents

required to be filed with the Commission pursuant to Section 13 or 14 of the 1934 Act.

(g) During the period of five years after the date hereof, the Guarantor will furnish to you (i) as soon as publicly available, a copy of each Annual Report on Form 10-K, Quarterly Report on Form 10-Q, Current Report on Form 8-K, annual report to stockholders and definitive proxy statement of the Guarantor filed with the Commission under the 1934 Act or mailed to stockholders and (ii) from time to time, such other information concerning the Guarantor as you may reasonably request.

(h) The Company will apply the proceeds from the sale of the Series A Interests as set forth under the caption Use of Proceeds in the Final Prospectus.

(i) Prior to the Closing Date, the Guarantor shall furnish to you, as soon as they have been prepared, copies of any unaudited interim consolidated financial statements of the Guarantor and its subsidiaries, for

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any periods subsequent to the periods covered by the financial statements appearing or incorporated by reference in the Registration Statement and the Final Prospectus.

(j) Neither the Company nor the Guarantor will file any amendment or supplement to the Registration Statement or the Final Prospectus at any time, whether before or after the effective date of the Registration Statement, unless such filing shall comply with the 1933 Act and the Regulations and unless you shall previously have been advised of such filing and furnished with a copy thereof, and you and your counsel shall have approved such filing.

(k) The Company and the Guarantor will comply with all provisions of all undertakings contained in the Registration Statement.

(l) The Company and the Guarantor consent to the use of the Final Prospectus or any amendment or supplement thereto by you and by all dealers to whom the Series A Interests may be sold, both in connection with the offering or sale of the Series A Interests and for such period of time thereafter as the Final Prospectus is required by law to be delivered in connection therewith.

5. Payment of Expenses. Whether or not the transactions contemplated in this Agreement are consummated or this Agreement is terminated, the Company and the Guarantor hereby covenant and agree with the several

Underwriters that the Company or the Guarantor will pay or cause to be paid all costs and expenses incident to the performance of the obligations of the Company and the Guarantor under this Agreement, including but not limited to the following: (i) the fees, disbursements and expenses of the Company's and the Guarantor's counsel and accountants in connection with the registration of the Securities under the 1933 Act and all other expenses in connection with the preparation, printing and filing of the Registration Statement, the Basic Prospectus, any Preliminary Final Prospectus, the Final Prospectus and amendments and supplements thereto and the mailing and delivering of copies thereof to the Underwriters and dealers; (ii) all costs and expenses related to the issuance and delivery of the Series A Interests to the Underwriters, including any transfer or other taxes payable thereon; (iii) the cost of printing or producing this Agreement, any Blue Sky and legal investment memoranda and any other documents in connection with the offering, purchase, sale and delivery of the Series A Interests; (iv) all expenses in connection with the qualification of the Series A Interests for offering and sale under state securities laws, including the fees, disbursements and expenses of counsel for the Underwriters in connection with such qualification and in connection with the Blue Sky and legal investment memoranda; (v) any fees charged by securities rating agencies for rating the Series A Interests; (vi)

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any filing fees incident to any required reviews by the National Association of Securities Dealers, Inc. (the "NASD") of the terms of the sale of the Series A Interests if the Series A Interests are so rated; (vii) the costs and expenses of any qualified independent underwriter which may be required by the rules and regulations of the NASD; (viii) all costs and expenses incident to listing the Series A Interests on the NYSE or other national securities exchange; (ix) the cost of preparing certificates for the Series A Interests and the cost and charges of The Depository Trust Company and its nominee for acting as depository for the Series A Interests and otherwise effecting any book entry ownership system for the Series A Interests; (x) the cost and charges of any transfer agent, calculation agent, registrar, or disbursing agent; and (xi) all other costs and expenses incident to the performance of the Company's or the Guarantor's obligations hereunder which are not otherwise specifically provided for in this Section. It is understood, however, that, except as provided in this Section and in Sections 7 and 8 hereof, the Underwriters will pay all of their own costs and expenses, including the fees of its counsel, transfer taxes on the resale of any of the Series A Interests by them and any advertising expenses connected with any offers they may make.

If this Agreement is entered into and the purchase of Series A Interests by the Underwriters pursuant to this Agreement is not consummated because any condition to the obligations of the Underwriters set forth in Section 6 hereof is not satisfied, because of any termination pursuant to Section 11(b) hereof or because of any refusal, inability or failure on the part of the Company or the Guarantor to perform any agreement herein or comply with any provision hereof other than by reason of a default by the Underwriters, the Company or the Guarantor will reimburse the Underwriters severally upon demand for all out-of-pocket expenses (including reasonable fees and disbursements of counsel) that shall have been incurred by them in connection with the proposed purchase and sale of the Series A Interests.

6. Conditions of Underwriters' Obligations. The obligations of the several Underwriters to purchase and pay for the Series A Interests, as provided herein, shall be subject to the continuing accuracy of the representations and warranties of the Company and the Guarantor herein contained, as of the date hereof and at the Closing Date, to the absence from any certificates, opinions, written statements or letters furnished to you pursuant to this Section 6 or to Davis Polk & Wardwell (Underwriters' Counsel) pursuant to this Section 6 of any misstatement or omission, to the performance by the Company and the Guarantor of their respective obligations hereunder in all material respects and to the following additional conditions:

(a) If the Registration Statement has not become effective prior to the Execution Time, the Registration Statement shall have become effective not

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later than 5:00 p.m., New York City time, on the date of this Agreement or such later date and time as shall be consented to in writing by you, and, if filing of the Final Prospectus, or any supplement thereto, is required pursuant to Rule 424(b), the Final Prospectus, and any such supplement, shall have been filed in the manner and within the time period required by Rule 424(b).

(b) At the Closing Date (i) no Stop Order suspending the effectiveness of the Registration Statement or any part thereof shall have been issued under the 1933 Act, and no proceeding under the 1933 Act or the 1934 Act therefor shall have been initiated or threatened by the Commission; no order suspending the effectiveness of the qualification or registration of the Series A Interests under the securities or Blue Sky laws of any jurisdiction shall be in effect and no proceeding for such purpose shall

be pending before or threatened or contemplated by the authorities of any such jurisdiction, or, with respect to the filing of any Form 8-A under the 1934 Act, by any national securities exchange; and all requests for additional information on the part of the Commission shall have been complied with or such requests shall have been otherwise satisfied; (ii) the rating assigned by any nationally recognized securities rating agency to any debt securities, preferred stock or other obligations of the Guarantor as of the date of this Agreement shall not have been lowered since the execution of this Agreement and no such agency shall have publicly announced that it has under surveillance or review, with possible negative implications, its rating of any of the debt securities or preferred stock of the Guarantor; and (iii) since the respective dates as of which information is given in the Registration Statement and the Final Prospectus, except as otherwise stated therein or contemplated thereby, there shall not have been any material adverse change in, or any adverse development which materially affects, the financial condition, results of operations, business or properties of the Company or the Guarantor and its subsidiaries considered as one enterprise, the effect of which is in your reasonable judgment so material and adverse as to make it impracticable or inadvisable to proceed with the public offering or the delivery of the Series A Interests on the terms and in the manner contemplated in the Final Prospectus.

(c) Since the respective dates as of which information is given in the Registration Statement and the Final Prospectus, there shall have been no litigation or other proceeding instituted against the Company or any of its respective officers or directors in their capacities as such, before or by any Federal, state or local court, commission, regulatory body, administrative agency or other governmental body, domestic or foreign, in which litigation or proceeding an unfavorable ruling, decision or finding would materially and adversely affect the business, properties, business prospects, condition (financial or otherwise) or results of operations of the Company.

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(d) Each of the representations and warranties of the Company contained herein shall be true and correct in all material respects on the Closing Date and, with respect to the Option Series A Interests, on the Option Closing Date, if applicable, as if made on the Closing Date or on the Option Closing Date, if applicable, and all covenants and agreements herein contained to be performed on the part of the Company and all conditions herein contained to be fulfilled or complied with by the Company on or prior to the Closing Date and, with respect to the Option Series A

Interests, on or prior to the Option Closing Date, if applicable, shall have been duly performed, fulfilled or complied with.

(e) On the Closing Date, you shall have received the opinion of Cravath, Swaine & Moore, counsel for the Company and the Guarantor, dated the date of delivery, substantially in the form set forth in Exhibit [ ] hereto, addressed to the Underwriters and in form and scope reasonably satisfactory to Underwriters' Counsel.

[(f) On the Closing Date, you shall have received the opinion of Cravath, Swaine & Moore, special tax counsel for the Company and the Guarantor, dated the date of delivery, substantially in the form set forth in Exhibit [ ] hereto, addressed to the Underwriters and in form and scope reasonably satisfactory to Underwriters' Counsel.]

(g) On the Closing Date, you shall have received the opinion of _____________, General Counsel of the Guarantor, dated the date of delivery, substantially in the form set forth in Exhibit [ ] hereto, addressed to the Underwriters and in form and scope reasonably satisfactory to Underwriters' Counsel.

(h) On the Closing Date, you shall have received a certificate of the Guarantor in its capacity as managing member [and direct or indirect owner of all the common limited liability company interests (the "Common Interests")] of the Company (the "Managing Member") and of the Chief Financial Officer or the Controller of the Guarantor, dated the Closing Date, to the effect that the conditions set forth in subsections (a) and (b) of this Section 6 have been satisfied, that as of the date hereof and on the Closing Date, the representations and warranties of the Company and the Guarantor set forth in Section 3 hereof are accurate, and that on the Closing Date, the obligations of the Company and the Guarantor to be performed hereunder on or prior to the Closing Date have been duly performed in all material respects. In addition, such certificate shall state that the signer of such certificate has carefully examined the Registration Statement and the Final Prospectus (including the

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Incorporated Documents) and (A) as of the date of such certificate, such documents are true and correct in all material respects and do not omit to state a material fact required to be stated therein or necessary in order to make the statements therein not true or misleading and (B) in the case of the certificate delivered on the Closing Date and the Option Closing Date, if applicable, since the Effective Date no event has occurred as a result of which it is necessary to amend or

supplement the Final Prospectus in order to make the statements therein not untrue or misleading in any material respect and there has been no document required to be filed under the 1934 Act and the rules and regulations thereunder that upon such filing would be deemed to be incorporated by reference into the Final Prospectus that has not been so filed.

(i) Concurrently with the execution and delivery of this Agreement, or, if the Company elects to rely on Rule 430A, on the date of the Final Prospectus, Ernst & Young shall have furnished to the Representative a letter, dated the date of its delivery, addressed to the Representative and in form and substance satisfactory to the Representative, confirming that they are independent accountants with respect to the Company and the Guarantor as required by the Act and the Regulations and with respect to the financial and other statistical and numerical information contained in the Registration Statement or incorporated by reference therein. On the Closing Date and, as to the Option Series A Interests, the Option Closing Date, if applicable, Ernst & Young shall have furnished to the Representative a letter, dated the date of its delivery, which shall confirm, on the basis of a review in accordance with the procedures set forth in the letter from Ernst & Young, that nothing has come to their attention during the period from the date of the letter referred to in the prior sentence to a date (specified in the letter) not more than five days prior to the Closing Date and the Option Closing Date, if applicable, which would require any change in their letter dated the date hereof if it were required to be dated and delivered on the Closing Date and the Option Closing Date, if applicable.

(j) The Underwriters shall have received from Underwriters' Counsel an opinion, dated the Closing Date, with respect to [the Guarantor Preferred Stock and the Depositary Shares evidencing the same] the Registration Statement, the Final Prospectus, and any amendments or supplements to the Registration Statement or Final Prospectus and such other related matters, as you may reasonably require, and the Company and the Guarantor shall have furnished to Underwriters' Counsel such documents as they request for the purpose of enabling them to pass upon such matters.

(k) All proceedings taken in connection with the sale or issuance of

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the Securities as contemplated herein shall be satisfactory in form and scope to you and to Underwriters' Counsel, and prior to the Closing Date, the Company and the Guarantor shall have furnished to you such

further information, certificates and documents as you may reasonably request.

(l) The NASD, upon review of the terms of the public offering of the Series A Interests, shall have no objections to the fairness of the underwriting terms and arrangements of the offering.

(m) The Series A Interests shall be qualified for sale in such states as the Representative may reasonably request, each such qualification shall be in effect and not subject to any stop order or other proceeding on the Closing Date or the Option Closing Date, if applicable.

(n) Prior to the Closing Date, the Series A interests shall have been duly authorized for listing by the NYSE upon official notice of issuance.

(o) The Company shall have furnished to the Representative such certificates, in addition to that specifically mentioned herein, as the Representative may have reasonably requested as to the accuracy and completeness on the Closing Date and the Option Closing Date, if applicable, of any statement in the Registration Statement or the Prospectus or any documents filed under the 1934 Act and deemed to be incorporated by reference into the Final Prospectus, as to the accuracy on the Closing Date and the Option Closing Date, if applicable, of the representations and warranties of the Company herein, as to the performance by the Company of its obligations hereunder, or as to the fulfillment of the conditions concurrent and precedent to the obligations hereunder of the Representative.

(p) If any of the conditions specified in this Section 6 shall not have been fulfilled when and as required by this Agreement, or if any of the certificates, opinions, written statements or letters furnished to you or to Underwriters' Counsel pursuant to this Section 6 shall not be in all material respects reasonably satisfactory in form and scope to you and to Underwriters' Counsel, all your obligations hereunder may be canceled by you on, or at any time prior to, the Closing Date. Notice of such cancellation shall be given to the Company and the Guarantor in writing, or by telephone, telex or telecopy, confirmed in writing.

7. Indemnification. (a) The Company and the Guarantor agree, jointly and severally, to indemnify and hold harmless each Underwriter and each person, if any, who controls any Underwriter within the meaning of Section 15 of

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the 1933 Act or Section 20(a) of the 1934 Act, against any and all losses, liabilities, claims, damages and out-of-pocket expenses whatsoever, joint or several (including but not limited to attorneys' fees and any and all expenses whatsoever reasonably incurred in investigating, preparing or defending against any litigation, commenced or threatened, or any claim whatsoever, and any and all amounts paid in settlement of any claim or litigation), as and when incurred, to which you or any such person may become subject under the 1933 Act, the 1934 Act or otherwise, insofar as such losses, liabilities, claims, damages or expenses (or actions in respect thereof) arise out of or are based upon (i) any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement or any related Basic Prospectus, Preliminary Final Prospectus, or Final Prospectus, or in any supplement thereto or amendment thereof, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein (in the case of the Basic Prospectus, any Preliminary Final Prospectus or the Final Prospectus, in light of the circumstances under which they were made) not misleading or (ii) any breach of any representation, warranty, covenant or agreement of the Company or the Guarantor contained in this Agreement; provided, however, that neither the Company nor the Guarantor will be liable to any Underwriter or any person so controlling such Underwriter in any such case to the extent, but only to the extent, that any such loss, liability, claim, damage or expense arises out of or is based upon (x) any such untrue statement or alleged untrue statement or omission or alleged omission made therein in reliance upon and in conformity with written information furnished to the Company or the Guarantor by or on behalf of any Underwriter through you expressly for use therein, such written information being as set forth in the penultimate sentence of subsection (b) below or (y) any failure of such Underwriter to deliver the Final Prospectus to a purchaser of Series A Interests as required by applicable law. This indemnity agreement will be in addition to any liability which the Company and the Guarantor may otherwise have, including under this Agreement.

(b) Each Underwriter severally, and not jointly, agrees to indemnify and hold harmless the Company and the Guarantor, each of their respective directors, each of their respective officers who shall have signed the Registration Statement, and each other person, if any, who controls the Company or the Guarantor within the meaning of Section 15 of the 1933 Act or Section 20(a) of the 1934 Act to the same

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extent as the foregoing indemnity from the Company and the Guarantor to each Underwriter against any losses, liabilities, claims, damages and expenses whatsoever, joint and several (including but not limited to attorneys' fees and any and all out-of-pocket expenses whatsoever reasonably incurred in investigating, preparing or defending against any litigation, commenced or threatened, or any claim whatsoever and any and all amounts paid in settlement of any claim or litigation), as and when incurred, to which they or any of them may become subject under the 1933 Act, the 1934 Act or otherwise, insofar as such losses, liabilities, claims, damages or expenses (or actions in respect thereof) arise out of or are based upon any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement, or any related Basic Prospectus, Preliminary Final Prospectus or Final Prospectus, or in any amendment thereof or supplement thereto, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein (in the case of a Basic Prospectus, Preliminary Final Prospectus or Final Prospectus, in light of the circumstances under which they were made) not misleading, in each case to the extent, but only to the extent, that any such loss, liability, claim, damage or expense arises out of or is based upon any such untrue statement or alleged untrue statement or omission or alleged omission made therein in reliance upon and in conformity with written information furnished to the Company or the Guarantor by or on behalf of such Underwriter through you expressly for use therein. For all purposes of this Agreement, the amounts of the selling concession and reallowance set forth in the Final Prospectus constitute the only information furnished in writing by or on behalf of any Underwriter expressly for inclusion in any Basic Prospectus or Preliminary Final Prospectus, the Final Prospectus, or the Registration Statement (as from time to time amended or supplemented), or any amendment or supplement thereto. This indemnity will be in addition to any liability which any Underwriter may otherwise have, including under this Agreement; provided, however, that in no case shall any Underwriter be liable or responsible for any amount in excess of the underwriting discounts and commissions received by such Underwriter.

(c) Promptly after receipt by an indemnified party under subsection (a) or (b) above of notice of the commencement of any action, such indemnified party shall, if a claim in respect thereof is to be made against the indemnifying party under such subsection, notify each party against whom indemnification is to be sought in writing of the commencement thereof (but the failure so to notify an

indemnifying party shall not relieve it from any liability which it may have

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under this Section 7 except to the extent that it has been prejudiced in any material respect by such failure or from any liability which it may have otherwise). In case any such action is brought against any indemnified party, and it notifies an indemnifying party of the commencement thereof, the indemnifying party will be entitled to participate therein, and to the extent it may elect by written notice delivered to the indemnified party promptly after receiving the aforesaid notice from such indemnified party, to assume the defense thereof with counsel satisfactory to such indemnified party. Notwithstanding the foregoing, the indemnified party or parties shall have the right to employ its or their own counsel in any such case, but the fees and expenses of such counsel shall be at the expense of such indemnified party or parties unless (i) the employment of such counsel shall have been authorized in writing by one of the indemnifying parties in connection with the defense of such action, (ii) the indemnifying parties shall not have employed counsel to have charge of the defense of such action within a reasonable time after notice of commencement of the action, or (iii) such indemnified party or parties shall have reasonably concluded (based on advice of counsel) that there may be defenses available to it or them which are different from or additional to those available to one or all of the indemnifying parties (in which case the indemnifying parties shall not have the right to direct the defense of such action on behalf of the indemnified party or parties, it being understood, however, that the indemnifying party shall not, in connection with any one such claim, action or proceeding or separate but substantially similar or related claims, actions or proceedings in the same jurisdiction arising out of the same general allegations or circumstances, be liable for the fees and expenses of more than one separate firm (together with appropriate local counsel) at any time for the indemnified party or parties, which firm shall be designated in writing by the indemnified party or parties, unless such indemnified party or parties shall have reasonably concluded that there may be defenses available to it or them which are different from or additional to those available to one or all of the other indemnified parties (in which case the indemnifying party shall be liable for the fees and expenses of only one additional separate firm (together with appropriate local counsel) for such indemnified party or parties at any time), in any of which event such fees and expenses shall be borne by the indemnifying parties. Anything in this Section 7 to the contrary notwithstanding, an indemnifying party shall not be liable for any settlement of any claim or action

effected without its written consent; provided, however, that such consent was not unreasonably withheld.

8. Contribution. In order to provide for just and equitable contribution in circumstances in which the indemnification provided for in Section 7 hereof is for any reason held to be unavailable from the Company and

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the Guarantor or the Underwriters or is insufficient to hold harmless a party indemnified hereunder, the Company, the Guarantor and the Underwriters shall contribute to the aggregate losses, claims, damages, liabilities and out-of-pocket expenses of the nature contemplated by such indemnification provision (including any investigative, legal and other expenses reasonably incurred in connection with, and any amount paid in settlement of, any action, suit or proceeding or any claims asserted, but after deducting in the case of losses, claims, damages, liabilities and expenses suffered by the Company or the Guarantor, any contribution received by the Company or the Guarantor from persons, other than the Underwriters, who may also be liable for contribution, including persons who control the Company or the Guarantor within the meaning of Section 15 of the 1933 Act or Section 20(a) of the 1934 Act, officers of the Company or the Guarantor who signed the Registration Statement and directors of the Company or the Guarantor) to which the Company, the Guarantor and one or more of the Underwriters may be subject, in such proportions as is appropriate to reflect the relative benefits received by the Company and the Guarantor on the one hand and the Underwriters on the other from the offering of the Series A Interests or, if such allocation is not permitted by applicable law or indemnification is not available as a result of the indemnifying party not having received notice as provided in Section 7 hereof, in such proportion as is appropriate to reflect not only the relative benefits referred to above but also the relative fault of the Company and the Guarantor on the one hand and the Underwriters on the other in connection with the statements or omissions which resulted in such losses, claims, damages, liabilities or expenses, as well as any other relevant equitable considerations. The relative benefits received by the Company and the Guarantor on the one hand and the Underwriters on the other shall be deemed to be in the same proportion as the total proceeds from the offering (net of underwriting discounts and commissions but before deducting expenses) received by the Company bear to the underwriting discounts and commissions received by the Underwriters, respectively, in each case as set forth in the table on the cover page of the Final Prospectus. The relative fault of the Company and the Guarantor on the one hand and of the Underwriters on the other shall be determined by reference

to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Company or the Guarantor or by the Underwriters and the parties relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The Company, the Guarantor and the Underwriters agree that it would not be just and equitable if contribution pursuant to this Section 8 were determined by pro rata allocation (even if the Underwriters were treated as one entity for such purpose) or by any other method of allocation which does not take account of the equitable considerations referred to above. Notwithstanding the provisions

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of this Section 8, (i) in no case shall any Underwriter be liable or responsible for any amount in excess of the underwriting discount applicable to the Series A Interests purchased by such Underwriter hereunder, and (ii) 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. For purposes of this Section 8, each person, if any, who controls an Underwriter within the meaning of Section 15 of the 1933 Act or Section 20(a) of the 1934 Act shall have the same rights to contribution as such Underwriter, and each person, if any, who controls the Company or the Guarantor within the meaning of Section 15 of the 1933 Act or Section 20(a) of the 1934 Act, each officer of the Company and of the Guarantor who shall have signed the Registration Statement and each director of the Guarantor shall have the same rights to contribution as the company and the Guarantor, subject in each case to clauses (i) and (ii) of the preceding sentence of this Section 8. Any party entitled to contribution will, promptly after receipt of notice of commencement of any action, suit or proceeding against such party in respect of which a claim for contribution may be made against another party or parties under this Section, notify such party or parties from whom contribution may be sought, but the omission to so notify such party or parties shall not relieve the party or parties from whom contribution may be sought from any obligation it or they may have under this Section 8 or otherwise. No party shall be liable for contribution with respect to any action or claim settled without its consent; provided, however, that such consent was not unreasonably withheld.

The indemnity and contribution agreements contained in this Section 8 and the representations and warranties of the Company contained in this Agreement shall remain operative and in full force and effect regardless of (i) any investigation made by or on behalf of the

Underwriters, (ii) acceptance of any of the Series A Interests and payment therefor or (iii) any termination of this Agreement.

9. Default by an Underwriter. (a) If any Underwriter or Underwriters shall default on the Closing Date, in its or their obligation to purchase Firm Series A Interests hereunder and if the number of Firm Series A Interests with respect to which such default relates does not (after giving effect to arrangements, if any, made by you pursuant to subsection (b) below) exceed in the aggregate 10% of the number of Firm Series A Interests which all Underwriters have agreed to purchase hereunder then such number of Firm Series A Interests to which the default relates shall be purchased by the non-defaulting Underwriters in proportion to their respective commitments hereunder or in such other proportions as the Representative may specify, provided that in no event shall the maximum number of Firm Series A Interests

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which any underwriter has become obligated to purchase pursuant to Section 1 be increased pursuant to this Section 9 by more than one-ninth of the number of Firm Series A Interests agreed to be purchased by such Underwriter without the prior written consent of such underwriter.

(b) If such default relates to more than 10% of the number of Firm Series A Interests, you may in your discretion arrange for yourself or for another party or parties (including any non-defaulting Underwriter or Underwriters who so agree) to purchase such principal amount of Firm Series A Interests to which such default relates on the terms contained herein. If within two calendar days after such a default, you do not arrange for the purchase of such principal amount of Firm Series A Interests to which such default relates as provided in this Section 9, this Agreement shall thereupon terminate, without liability on the part of the Company or the Guarantor with respect thereto (except in each case as provided in Sections 5, 7 and 8 hereof) or the several non-defaulting Underwriters, but nothing in this Agreement shall relieve a defaulting Underwriter or Underwriters of its or their liability, if any, to the other several Underwriters and the Company and the Guarantor for damages occasioned by its or their default hereunder.

(c) If the number of Series A Interests to which the default relates is to be purchased by the non-defaulting Underwriters, or is to be purchased by another party or parties as aforesaid, you or the Company or the Guarantor shall have the right to postpone the Closing Date for a period, not exceeding seven business days, in order to

effect whatever changes may thereby be made necessary in the Registration Statement or the Final Prospectus or in any other documents and arrangements, and the Company and the Guarantor agree to file promptly any amendment or supplement to the Registration Statement or the Final Prospectus which, in the opinion of Underwriters' Counsel, may thereby be made necessary or advisable. The term Underwriter as used in this agreement shall include any party substituted under this Section 9 with like effect as if it had originally been a party to this Agreement with respect to such Series A Interests.

10. Survival of Representations and Agreements. All representations, warranties, covenants and agreements of the Underwriters, the Company and the Guarantor contained in this Agreement, including the representations and warranties contained in Section 3, the agreements contained in Section 5, the indemnity agreements contained in Section 7 and the contribution agreements contained in Section 8, shall remain operative and in full force and effect regardless of any investigation made by or on behalf of any Underwriter or any controlling person thereof or by or on behalf of the Company, the Guarantor, any of their respective officers and directors or any

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controlling person thereof, and shall survive delivery of and payment for the Series A Interests to and by the several Underwriters. The representations contained in Section 3 and the agreements contained in Sections 5, 7, 9 and 12 hereof shall survive the termination of this Agreement including pursuant to Section 11 hereof.

Anything herein to the contrary notwithstanding, the indemnity agreement of the Company and the Guarantor in subsection (a) of Section 7 hereof, the representations and warranties in subsections (c) and (f) of section 3 hereof and any representation or warranty as to the accuracy of the Registration Statement or the Final Prospectus contained in any certificate furnished by the Company or the Guarantor pursuant to Section 6 hereof, insofar as they may constitute a basis for indemnification for liabilities (other than payment by the Company or the Guarantor of expenses incurred or paid in the successful defense of any action, suit or proceeding) arising under the 1933 Act, shall not extend to the extent of and interest therein of a controlling person or partner of an Underwriter who is a director, officer or controlling person of the Company or the Guarantor when the Registration Statement has become effective, except in each case to the extent that an interest of such character shall have been determined by a court of appropriate jurisdiction as not against public policy as expressed in the 1933 Act. Unless in the opinion of counsel for the Company or the Guarantor the matter has been settled by controlling

precedent, the Company or the Guarantor will, if a claim for such indemnification is asserted, submit to a court of appropriate jurisdiction the question whether such interest is against public policy as expressed in the 1933 Act and will be governed by the final adjudication of such issue.

11. Effective Date of this Agreement and Termination. (a) This Agreement shall become effective as of the time, after the Registration Statement becomes effective, of the release by you for publication of the first newspaper advertisement which is subsequently published relating to the Firm Series A Interests or the time, after the Registration Statement becomes effective, when the Firm Series A Interests are first released by you for offering to you or dealers by letter or telegram, whichever shall first occur. You or the Company or the Guarantor may prevent this Agreement from becoming effective without liability of any party to any other party, except as noted below in this Section 11, by giving the notice indicated in Section 11(c) before the time this Agreement becomes effective.

(b) You shall have the right to terminate this Agreement at any time prior to the Closing Date (or the Option Closing Date as the case may be) if, after the date hereof: (i) any domestic or international event or act or

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occurrence has materially disrupted, or in your opinion will in the immediate future materially disrupt, the securities markets; (ii) a general suspension of, or a general limitation on prices for, trading in securities on the NYSE or the American Stock Exchange or in the over-the-counter market shall have occurred; (iii) a banking moratorium shall have been declared either by Federal or New York State authorities; (iv) there shall have occurred any outbreak or material escalation of hostilities or other calamity or crisis the effect of which on the financial markets of the United States or on the United States is such as to make it, in the judgment of the Underwriters, inadvisable to market the Series A Interests on the terms contemplated by the Final Prospectus; (v) any restriction materially adversely affecting the distribution of the Series A Interests which was not in effect on the date hereof shall have become effective; or (vi) there shall have been such change in the market for the securities of the Company or the Guarantor or securities in general or in political, financial or economic conditions as in your judgment makes it inadvisable to proceed with the offering, sale and delivery of the Series A Interests on the terms contemplated by the Final Prospectus.

(c) Any notice of termination pursuant to this Section 11 shall be by telephone, telex, or telegraph, confirmed in writing by letter.

12. Notice. All communications hereunder, except as may be otherwise specifically provided herein, shall be in writing and, if sent to you, shall be mailed, delivered, or telexed or telecopied and confirmed in writing, to such Underwriter c/o PaineWebber Incorporated, 1285 Avenue of the Americas, New York, New York 10019, Attention: Corporate Finance Department; if sent to the Company or the Guarantor, shall be mailed, delivered, or telexed or telecopied and confirmed in writing to the Company or the Guarantor, c/o Paine Webber Group Inc., 1285 Avenue of the Americas, New York, New York 10019, Attention: [Theodore A. Levine].

13. Parties. This Agreement shall inure solely to the benefit of, and shall be binding upon, the several Underwriters, the Company, the Guarantor and the controlling persons, directors, officers, employees and agents referred to in Sections 7 and 8 and their respective successors and assigns, and no other person shall have or be construed to have any legal or equitable right, remedy or claim under or in respect of or by virtue of this Agreement or any provision herein contained. The term successors and assigns shall not include a purchaser, in its capacity as such, of Series A Interests from any of the Underwriters. Notwithstanding anything contained in this Agreement to the contrary, all of the obligations of the Underwriters hereunder are several and not joint.

14. Counterparts. This Agreement may be executed in any number of

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counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

15. Construction. This Agreement shall be construed in accordance with the laws of the State of New York without regard to principles of conflicts of law.

In case any provision in this Agreement shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

The Company, the Guarantor and the Underwriters each hereby irrevocably waive any right they may have to a trial by jury in respect of any claim based upon or arising out of this Agreement or the transactions contemplated hereby.

Please confirm that the foregoing correctly sets forth the agreement among the Company, the Guarantor and the several Underwriters.

Very truly yours,

PAINEWEBBER FINANCE L.L.C.

By:

Title:

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PAINE WEBBER GROUP INC.

By:

Title:

Confirmed as of the date first
above mentioned:

PAINEWEBBER INCORPORATED
Acting on behalf of itself
and as the Representative of the
other several Underwriters
named in Schedule I hereof.

By: PAINEWEBBER INCORPORATED

By:

Title:

SCHEDULE I

UNDERWRITERS

Name of Underwriters	Number of Firm Series A Interests to be Purchased
PaineWebber Incorporated	
Total	----------- ===========

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EXHIBIT A

PAINEWEBBER FINANCE L.L.C.

PRICE DETERMINATION AGREEMENT

[Date]

PAINEWEBBER INCORPORATED
  As Representative of the several Underwriters
c/o PaineWebber Incorporated
1285 Avenue of the Americas
New York, New York 10019

Ladies and Gentlemen:

Reference is made to the Underwriting Agreement, dated _________, 1994 (the "Underwriting Agreement"), among PAINEWEBBER FINANCE L.L.C., a Delaware limited liability company, (the "Company") PAINE WEBBER GROUP INC., a Delaware Corporation, ("PWG") and the several Underwriters named in Schedule I thereto or hereto (the "Underwriters") for whom PaineWebber Incorporated is acting as representative (the "Representative"). The Underwriting Agreement provides for the purchase by the Underwriters from the Company, subject to the terms and conditions set forth therein, of an aggregate of ______ Preferred Interests of the Company's __% Exchangeable Cumulative Preferred Limited Liability Company Interests, Series A (the "Firm Series A Interests"). This Agreement is the Price Determination Agreement referred to in the Underwriting Agreement.

Pursuant to Section 1 of the Underwriting Agreement, the undersigned agree with the Representative as follows:

1. The initial public offering price per Preffered Interest for the Firm Series A Interests shall be $25.00.

2. The purchase price per Series A Interests for the Firm Series A Interests to be paid by the several Underwriters shall be $________ representing an amount equal to the initial public offering price set forth above, less $_____ per Series A Interests.

The Company represents and warrants to each of the Underwriters that the representations and warranties of the Company set forth in Section 3 of the Underwriting Agreement are accurate as though expressly made at and as of the date hereof.

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As contemplated by the Underwriting Agreement, attached as Schedule I is a completed list of the several Underwriters, which shall be a part of this Agreement and the Underwriting Agreement.

THIS AGREEMENT SHALL BE GOVERNED BY THE LAW OF THE STATE OF NEW YORK.

If the foregoing is in accordance with your understanding of the agreement among the Underwriters, the Company and the Guarantor, please sign and return to the Company and the Guarantor a counterpart hereof, whereupon this instrument along with all counterparts and together with the Underwriting Agreement shall be a binding agreement among the Underwriters, the Company and the Guarantor in accordance with its terms and the terms of the Underwriting Agreement.

Very truly yours,

PAINEWEBBER FINANCE L.L.C.

By:

Title:

PAINE WEBBER GROUP INC.

By:

Title:

Confirmed as of the date
first above mentioned

PAINEWEBBER INCORPORATED
Acting on behalf of itself
and as the Representative
of the other several Underwriters
named in Schedule I hereof.

By: PAINEWEBBER INCORPORATED

By:

Title:

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EXHIBIT B
TO
UNDERWRITING AGREEMENT

FORM OF
OPINION OF CRAVATH, SWAINE & MOORE

[Closing Date]

PaineWebber Incorporated
as Representative of the
several Underwriters
c/o PaineWebber Incorporated
1285 Avenue of the Americas
New York, New York 10019

Ladies and Gentlemen:

We have acted as counsel for PaineWebber Finance L.L.C. (the "Company"), a Delaware limited liability company, and Paine Webber Group Inc. ("PWG"), a Delaware corporation, the "Guarantor," in connection with the issuance and sale today by the Company to you of ___ preferred limited liability company interests (the "Preferred Interests") of its % Exchangeable Cumulative Preferred Limited Liability Company Interests, Series A (the "Series A Interests") guaranteed by PWG (the "Guaranties") to the extent set forth in the Final Prospectus relating to the Series A Interests pursuant to the terms of the underwriting agreement among you, the Company and PWG (the "Underwriting Agreement"). This opinion is given pursuant to Section ___ of the Underwriting Agreement. Capitalized terms not otherwise defined herein are defined as set forth in the Underwriting Agreement.

We have participated in the preparation of the Underwriting Agreement, the Payment and Guarantee Agreement, the Loan Agreement, the Deposit Agreement, the Series A Interests, the Guaranties, the Registration Statement, the Prospectus and the supplement to the Prospectus. As to various questions of fact material to our opinion, we have relied upon representations made in the Underwriting Agreement, the Payment and Guarantee Agreement, the Loan Agreement and the Deposit Agreement, and upon certificates of the Managing Member of the Company and officers of PWG. We have also examined such certificates of public officials, corporate documents and records and other certificates,

opinions and instruments and have made such other investigations as we have deemed necessary in connection with the opinions hereinafter set forth.

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Based on the foregoing and upon such investigation as we have deemed necessary, we give you our opinion as follows with respect to the Company.

1. The execution, delivery and performance by the Company of the Limited Liability Agreement and by the Company and PWG of the Underwriting Agreement, the Payment and Guarantee Agreement, the Deposit Agreement and the Loan Agreement have been duly authorized by all requisite corporate action, and the Underwriting Agreement, the Payment and Guarantee Agreement, the Deposit Agreement and the Loan Agreement have been duly executed and delivered by the Company and PWG. The issue and delivery of the Series A Interests have been duly authorized by all requisite corporate action, and the Series A Interests have been duly issued and delivered by the Company.

2. The Underwriting Agreement and the Loan Agreement are legal, valid and binding obligations of the Company and PWG and are enforceable against the Company and PWG in accordance with their terms, except as may be limited by bankruptcy, insolvency or other similar laws affecting the enforcement of creditors' rights in general and except as rights to indemnity and contribution under the Underwriting Agreement may be limited under applicable law. The enforceability of the Company's and PWG's obligations under the Underwriting Agreement and the Loan Agreement are subject to general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

3. The statements in the Prospectus Supplement under "Certain Terms of the Series A Interests," "Description of the Loans," "Certain Terms of the Depositary Shares" and "Certain Terms of the Guarantor Preferred Stock," and in the Basic Prospectus under "Description of Preferred Interests," "Description of Guarantee," and "Description of the Guarantor Preferred Stock," insofar as such statements constitute a summary of the legal matters, documents or proceedings referred to therein, fairly present the information called for with respect to such legal matters, documents and proceedings.

4. The statements made under the caption "Taxation" in the Basic Prospectus, insofar as they describe matters of U.S. law, legal conclusions or the opinion of such counsel, are fair summaries thereof; our opinion filed as Exhibit 8.2 is hereby confirmed; and the Underwriters may rely on such opinion as though it were addressed to them.

5. The Company is not considered an "investment company" under Section 3(a) of the 1940 Act, nor does the ownership of the Common

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Interests by PWG cause PWG to be considered an "investment company" under Section 3(a) of the 1940 Act.

6. The Registration Statement and the Final Prospectus (including any documents incorporated by reference into the Final Prospectus, at the time they were filed) comply or complied in all material respects as to form with the requirements of the Act and the rules and regulations thereunder (except that we express no opinion as to financial statements, schedules and other financial and statistical data contained in the Registration Statement or the Final Prospectus (or incorporated by reference therein).

7. We have participated in the preparation of the Registration Statement and the Final Prospectus and nothing has come to our attention which has caused us to believe that, both as of the Effective Date and as of the date hereof, the Registration Statement, or any amendment thereto, contained or contains any untrue statement of a material fact or omitted or omits to state a material fact required to be stated therein or necessary to make the statements therein not misleading or that any Final Prospectus or any amendment or supplement thereto (including any documents incorporated by reference into the Final Prospectus) at the time such Final Prospectus was issued, at the time any such amended or supplemented Final Prospectus was issued, or on the date hereof, contained or contains any untrue statement of a material fact or omitted or omits to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made not misleading (except that we express no opinion as to financial statements, schedules and other financial or statistical data contained in the Registration Statement or the Final Prospectus (or incorporated by reference therein).

EXHIBIT C
TO
UNDERWRITING AGREEMENT

FORM of OPINION of
[General Counsel of Paine Webber Group Inc.]

[Closing Date]

PaineWebber Incorporated
as Representative of the

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several Underwriters
c/o PaineWebber Incorporated
1285 Avenue of the Americas
New York, New York 10019

Ladies and Gentlemen:

I have acted as general counsel for Paine Webber Group Inc. ("PWG"), a Delaware corporation, the "Guarantor," in connection with the issuance and sale today by PaineWebber Finance L.L.C. (the "Company") to you pursuant to the terms of the underwriting agreement among you, the Company and PWG (the "Underwriting Agreement"), of ________ preferred limited liability company interests (the "Preferred Interests") of its % Exchangeable Cumulative Preferred Limited Liability Company Interests, Series A (the "Series A Interests") guaranteed by PWG (the "Guaranties") to the extent set forth in the Final Prospectus relating to the Series A Interests. This opinion is given pursuant to Section ___ of the Underwriting Agreement. Capitalized terms not otherwise defined herein are defined as set forth in the Underwriting Agreement.

I have participated in the preparation of the Underwriting Agreement, the Payment and Guarantee Agreement, the Loan Agreement, the Deposit Agreement, the Series A Interests, the Guaranties, the Registration Statement, the Prospectus and the supplement to the Prospectus. As to various questions of fact material to my opinion, I have relied upon representations made in the Underwriting Agreement, the Payment and Guarantee Agreement, the Loan Agreement and the Deposit Agreement, and upon certificates of the Managing Member of the Company and officers of PWG. I have also examined such certificates of public officials, corporate documents and records and other certificates, opinions and instruments and have made such other

investigations as I have deemed necessary in connection with the opinions hereinafter set forth.

Based on the foregoing and upon such investigation as I have deemed necessary, I give you my opinion as follows with respect to PWG:

1. PWG has been duly incorporated and is validly existing as a corporation in good standing under the laws of the State of Delaware;

2. Each of PWG's subsidiaries has been duly incorporated and is validly existing as a corporation in good standing under the laws of the state of its incorporation, and all of the outstanding shares of capital stock of each such subsidiary has been duly authorized and validly issued and are fully paid and non-assessable, and (except for directors' qualifying shares, if any) are owned directly or indirectly by PWG;

3. Other than as set forth or contemplated in the Final Prospectus, there are no legal or governmental proceedings pending or threatened involving PWG or any of its subsidiaries of a character required

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to be disclosed in the Registration Statement or Final Prospectus which are not adequately disclosed in the Registration Statement or Final Prospectus;

4. The Underwriting Agreement and the Pricing Agreement with respect to the Series A Interests have been duly authorized, executed and delivered by PWG;

5. Each of the Loan Agreement, the Payment and Guarantee Agreement and the Deposit Agreement has been duly authorized, executed and delivered by PWG and, assuming the due authorization, execution and delivery by the Company, constitutes a valid and legally binding agreement of PWG enforceable in accordance with its terms, subject to (1) bankruptcy, insolvency, reorganization, fraudulent transfer, moratorium and other similar laws now or hereafter in effect relating to or affecting creditors' rights and (2) general principles of equity (regardless of whether considered in a proceeding at law or in equity);

6. On the date hereof, the performance by PWG of its obligations under the Loan Agreement, the Payment and Guarantee Agreement, the Deposit Agreement, the Underwriting Agreement, and the Pricing Agreement with respect to the Series A Interests will not (1) conflict

with or result in a breach or violation by PWG of any of the terms or provisions of, or constitute a default by PWG under, any indenture, mortgage, deed of trust,loan agreement or other similar agreement or instrument known to such counsel to which PWG is a party or by which PWG is bound or to which any of the property or assets of PWG is subject, except, in all such cases, for such conflicts, breaches, violations or defaults as would not have a material adverse effect on the financial condition of PWG and its subsidiaries taken as a whole or would not have a material adverse effect on the issuance or sale of the Series A Interests, and (2) result in any violation of (A) the provisions of the Certificate of Incorporation or By-Laws of PWG or (B) any statute of the United States or the State of Delaware or any order, rule or regulation known to such counsel of any court or governmental agency or body of the United States or the State of Delaware having jurisdiction over PWG or any of its properties, except with respect to clause (B) of this Paragraph (6), such violations as would not have a material adverse effect on the financial condition of PWG and its subsidiaries taken as a whole or would not have a material adverse effect on the issuance or sale of the Series A Interests (and except that for purposes of this paragraph (6) I express no opinion as to any violation of any fraudulent transfer laws or other antifraud laws or as to any violation of any federal or state securities laws or blue sky or insurance laws; provided further, that insofar as performance by PWG of its obligations

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under the Loan Agreement, the Payment and Guarantee Agreement, the Deposit Agreement, the Underwriting Agreement and the Pricing Agreement relating to the Series A Interests is concerned, I express no opinion as to bankruptcy, insolvency, reorganization, moratorium and other similar laws now or hereafter in effect relating to or affecting creditors' rights);

7. The documents incorporated by reference in the Prospectus as amended or supplemented (other than the financial statements and related notes, information as to reserves, the financial statement schedules and the other financial and statistical data included therein or omitted therefrom, as to which I express no opinion), when they became effective or were filed with the Commission, as the case may be, complied as to form in all material respects with the requirements of the Act or the Exchange Act, as applicable, and the rules and regulations of the Commission thereunder; and

8. Under the laws of the State of Delaware and under the federal laws of the United States, no consent, approval, authorization, order, registration, filing or qualification of or with any court or governmental agency or body is required for the issue and sale of the Series A Interests being delivered on the date hereof in accordance with the Underwriting Agreement or the Pricing Agreement relating to the Series A Interests, except for such consents, approvals, authorizations, orders, registrations, filings or qualifications as have been obtained under the Act or made with the Secretary of State of Delaware and such consents, approvals, authorizations, orders, registrations, filings or qualifications as may be required under state securities or Blue Sky laws in connection with the purchase and sale and distribution of the Series A Interests by the Underwriters, and except those which, if not obtained, will not have a material adverse effect on the financial condition of PWG and its subsidiaries taken as a whole.

In addition, I know of no contract or other document (i) of a character required to be filed as an exhibit to the Registration Statement or to any of the documents incorporated by reference into the Final Prospectus as amended or supplemented which is not so filed, (ii) required to be incorporated by reference into the Final Prospectus as amended or supplemented which is not so incorporated by reference or (iii) required to be described in the Registration Statement or the Final Prospectus as amended or supplemented which is not so described.

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EXHIBIT D
TO
UNDERWRITING AGREEMENT

FORM OF
OPINION OF DAVIS POLK & WARDWELL
COUNSEL FOR THE UNDERWRITERS

[Closing Date]

PaineWebber Incorporated
as Representative of the
several Underwriters
c/o PaineWebber Incorporated
1285 Avenue of the Americas
New York, New York 10019

Ladies and Gentlemen:

We have acted as counsel for the several underwriters (the "Underwriters") named in the underwriting agreement dated as of , 1994, among you, PaineWebber Finance L.L.C. (the "Company") and Paine Webber Group Inc. ("PWG") (the "Underwriting Agreement") in connection with the purchase by the several Underwriters of ___ preferred limited liability company interests (the "Preferred Interests" of the Company's % Exchangeable Cumulative Preferred Limited Liability Company Interests, Series A (the "Series A Interests") guaranteed by PWG (the "Guaranties") to the extent set forth in the Final Prospectus relating to the Series A Interests. Capitalized terms not otherwise defined herein are defined as set forth in the Underwriting Agreement.

We have examined originals or copies, certified or otherwise identified to our satisfaction, of such documents, corporate records, certificates of public officials and other instruments as we have deemed necessary or advisable for the purpose of rendering this opinion, including those relating to the authorization, execution and delivery by the Company and PWG of the Underwriting Agreement, the Payment and Guarantee Agreement, the Loan Agreement and the Deposit Agreement, the authorization, issuance and sale of the Series A Interests by the Company and the authorization and issuance by PWG of the Guaranties.

We have participated in the preparation of the Company's and PWG's registration statement on Form S-3

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(Registration No. ________) (other than the documents incorporated by reference in the prospectus included therein (the "Incorporated Documents")) filed with the Securities and Exchange Commission (the "Commission") pursuant to the provisions of the Securities Act of 1933, as amended (the "Act"). Although we did not participate in the preparation of the Incorporated Documents, we have reviewed such documents. In addition, we have reviewed evidence that the registration statement was declared effective under the Act on   , 1994. The registration statement (including the Incorporated Documents) as amended to the date of the Underwriting Agreement is hereinafter referred to as the "Registration Statement", and the prospectus included in the Registration Statement as supplemented by the prospectus supplement specifically relating to the Series A Interests is hereinafter referred to as the "Prospectus".

Based upon the foregoing, we are of the opinion that:

1. each of the Underwriting Agreement, the Payment and Guarantee Agreement, the Loan Agreement and the Deposit Agreement has been duly authorized, executed and delivered by the Company and PWG and is a valid and binding agreement of the Company and PWG, except as rights to indemnity and contribution thereunder may be limited by applicable law; and

2. the statements in the Prospectus Supplement under "Certain Terms of the Series A Interests," "Description of the Loans," "Certain Terms of the Depositary Shares" and "Certain Terms of the Guarantor Preferred Stock," and in the Basic Prospectus under "Description of Preferred Interests," "Description of Guarantee," "Description of the Guarantor Preferred Stock" and "Plan of Distribution," insofar as such statements constitute a summary of the legal matters, documents or proceedings referred to therein, fairly present the information called for with respect to such legal matters, documents and proceedings.

We have not ourselves checked the accuracy or completeness of, or otherwise verified, the information furnished with respect to other matters in the Registration Statement or the Prospectus. We have generally reviewed and discussed with the representative of the Underwriters and with certain officers and employees of, and counsel and independent public accountants for, the Company and PWG the information furnished, whether or not subject to our check or verification, we (i) are of the opinion that (except for

the financial statements and related schedules included therein, as to which we are not called upon to express an opinion) the Registration Statement and the Prospectus comply as to form in all material respects with the Act and the applicable rules and regulations thereunder and (ii) believe that (except for

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the financial statements and related schedules included therein, as to which we are not called upon to express a belief) the Registration Statement and Prospectus on the date of the Underwriting Agreement did not contain any 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, and that the Prospectus (except as aforesaid) does not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading.

We have examined the opinion dated the date hereof of the General Counsel of PWG and the opinion dated the date hereof of Cravath, Swaine & Moore, special counsel to the Company and PWG, delivered to the Underwriters pursuant to the Underwriting Agreement, and we believe that such opinions are responsive to the requirements thereof. We have also examined the letter dated the date hereof of Ernst & Young relating to the financial statements incorporated by reference in the Registration Statement and the other matters referred to in such letter, delivered to the Underwriters pursuant to the Underwriting Agreement. We have participated in discussions with your representative and representatives of Ernst & Young relating to the form of such letter, and we believe that it is substantially in the form agreed to.

We are members of the Bar of the State of New York and the foregoing opinion is limited to the laws of the State of New York, the laws of the State of Delaware and the Federal laws of the United States of America.

This opinion is rendered solely to you in connection with the above matter. This opinion may not be relied upon by you for any other purpose or relied upon by or furnished to any other person without our prior written consent.

Very truly yours,

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EXHIBIT 3.1

CERTIFICATE OF FORMATION

OF

PAINEWEBBER FINANCE L.L.C.

This Certificate of Formation of PaineWebber Finance L.L.C. (the "Company") is being duly executed and filed by Paine Webber Group Inc., as an authorized person, to form a limited liability company under the Delaware Limited Liability Company Act, 6 Del. C. Section 18-101, et seq.:

1. The name of the Company is "PaineWebber Finance L.L.C.".

2. The address of the Company's registered office in the State of Delaware is in care of The Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, Wilmington, New Castle County, Delaware 19801. The name of the Company's agent for service of process in the State of Delaware at such address is The Corporation Trust Company.

3. The latest date on which the Company is to dissolve is March 15, 2109.

IN WITNESS WHEREOF, the undersigned has caused this Certificate of Formation to be duly executed as of the 15th day of March 1994.

PAINE WEBBER GROUP INC., as
an authorized person

by /s/Theodore A. Levine

Name: Theodore A. Levine
Title: Vice President-Secretary

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EXHIBIT 3.2

LIMITED LIABILITY COMPANY AGREEMENT dated as of March 15, 1994 (this "Agreement"), by and among PAINE WEBBER GROUP INC., a Delaware corporation ("PWG"), as a Common Member (as defined herein) and in its capacity as the Managing Member (as defined herein), and the other members (collectively with the Managing Member, the "Members") from time to time of PAINEWEBBER FINANCE L.L.C., a Delaware limited liability company (the "Company").

Preliminary Statement

PWG and PaineWebber Finance Holdings Inc. desire to form the Company under the Delaware Limited Liability Company Act (as amended from time to time, the "Act") for the purpose of the Company issuing Membership Interests (as defined herein), on the terms and conditions set forth herein, and lending the net proceeds thereof to PWG or its subsidiaries in exchange for one or more notes.

In that connection, the Members desire to enter into a written agreement, in accordance with the Act, as to the affairs of the Company and the conduct of its business.

Accordingly, in consideration of the mutual promises made herein, the parties hereto hereby agree as follows:

ARTICLE I

Definitions

SECTION 1.01. Definitions. Capitalized terms used but not otherwise defined herein shall have the meanings assigned to them in the Act.

ARTICLE II

General Provisions

SECTION 2.01. Company Name. The name of the Company is "PaineWebber Finance L.L.C.". The name of the

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Company may be changed from time to time by the Managing Member in its sole discretion.

SECTION 2.02. Registered Office; Registered Agent. (a) The Company shall maintain a registered office in the State of Delaware at, and the name and address of the Company's registered agent in the State of Delaware is, The Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, Wilmington, New Castle County, Delaware 19801. Such office and such agent may be changed from time to time by the Managing Member in its sole discretion.

(b) The business address of the Managing Member is 1285 Avenue of the Americas, New York, New York 10019, or such other place as the Managing Member shall determine in its sole discretion.

SECTION 2.03. Nature of Business Permitted; Powers. The Company may carry on any lawful business, purpose or activity (with the exception of the business of granting policies of insurance, or assuming insurance risks or banking as defined in Section 126 of Title 8 of the Delaware Code), including issuing Membership Interests, on the terms and conditions set forth herein, and lending the net proceeds thereof to PWG or its subsidiaries in exchange for one or more notes. The Company shall possess and may exercise all the powers and privileges granted by the Act or by any other law or by this Agreement, together with any powers incidental thereto, so far as such powers and privileges are necessary or convenient to the conduct, promotion or attainment of the business purposes or activities of the Company.

SECTION 2.04. Business Transactions of a Member with the Company. In accordance with Section 18-107 of the Act, a Member (including the Managing Member) may lend money to, borrow money from, act as surety, guarantor or endorser for, guarantee or assume one or more specific obligations of, provide collateral for, and transact other business with, the Company and, subject to applicable law, shall have the same rights and obligations with respect to any such matter as a person who is not a Member.

SECTION 2.05. Fiscal Year. The fiscal year of the Company (the "Fiscal Year") for financial statement and Federal income tax purposes shall be the same and shall, except as otherwise required in accordance with the Internal

Revenue Code of 1986, as amended (the "Code"), end on December 31 of each year.

SECTION 2.06. Certificate of Information. The Managing Member is hereby designated as an "authorized person", within the meaning of the Act, to execute, deliver and file the Certificate of Formation of the Company (and any amendments, restatements, corrections or cancelation thereof). As soon as practicable following or contemporaneously with the execution of

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this Agreement, the Managing Member shall file the Certificate of Formation of the Company with the office of the Secretary of State of the State of Delaware.

ARTICLE III

Members

SECTION 3.01. Admission of Members. (a) In accordance with the Act, (i) a person shall be admitted as a Member, or shall become an assignee of a Membership Interest or other rights or powers of a Member to the extent assigned, and shall become bound by the terms of this Agreement, (A) if such person (or a representative authorized by such person orally, in writing or by other action such as payment for a Membership Interest) executes this Agreement or any other writing (including, without limitation, a subscription agreement) evidencing the intent of such person to become a Member or assignee, as the case may be, or (B) without execution of this Agreement, if such person acquires a Membership Interest from the Company or by assignment (which shall be the only condition for becoming a Member or assignee) and requests (which request shall be deemed to have been made upon such acquisition or assignment) that the records of the Company reflect such admission or assignment, and (ii) this Agreement shall not be unenforceable by reason of its not having been signed by a person being admitted as a Member or becoming an assignee as provided in the preceding clause (i) or by reason of its having been signed by a representative as provided in the Act.

The Company shall be promptly notified by any assignor of a Membership Interest of any assignment thereof. The Company will reflect admission of a Member in the records of the Company as soon as is reasonably practicable after (i) in the case of a person acquiring a Membership

Interest directly from the Company, the time of payment therefor, and (ii) in the case of an assignment, notification thereof (the Company being entitled to assume, in the absence of actual knowledge to the contrary, that proper payment for a Membership Interest has been made by an assignee thereof).

(b) Whether acquiring a Membership Interest directly from the Company or by assignment, a person shall be admitted as a Member upon the acquisition or assignment, as the case may be, of such Membership Interest and the reflection of such person's admission as a Member in the records of the Company. The consent of any Member (including the Managing Member) shall not be required for the admission of a Member.

(c) Notwithstanding the foregoing, the Company will not register Membership Interests in the name of, or record the transfer or assignment of Membership Interests to, or pay any interim or other distribution on or with respect to Membership Interests to, any holder, if such holder, or

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to the extent any person for whom such holder is acting as a nominee, (i) is known by the Company or its transfer agent to have an address of record outside the United States or (ii) is known by the Company or its transfer agent to be other than (a) a citizen or resident of the United States, (b) a corporation, partnership or other entity organized under the laws of the United States or any of its states or the District of Columbia or (c) an estate or trust that is subject to United States Federal income tax on its worldwide income without regard to source (any such person or entity being a "non-U.S. Person"). The foregoing transfer restrictions shall not preclude the settlement of any transaction in Membership Interests entered into through the facilities of the New York Stock Exchange or other national securities exchange or trading market.

SECTION 3.02. Classes and Voting. (a) The Membership Interests of the Company shall be divided into two classes: (i) series preferred Membership Interests ("Preferred Interests") and (ii) common Membership Interests ("Common Interests"). Members holding Preferred Interests shall be referred to herein as "Preferred Members" and Members holding Common Interests shall be referred to herein as "Common Members". Common Interests shall be non-assignable and non-transferable, and may only be issued to and held by the Managing Member and its affiliates. Any purported assignment or transfer of Common Interests shall

be void and ineffective. Preferred Interests shall be freely assignable and transferable, subject to the provisions of Section 3.01(c).

(b) The Preferred Interests may be issued from time to time in one or more series, the Membership Interests of each series to have such relative rights, powers and duties as may from time to time be established in a written action or actions ("Actions") of the Managing Member providing for the issue of such series as hereinafter provided. Authority is hereby expressly granted to the Managing Member, subject to the provisions of this Section 3.02, to authorize the issue of one or more series of Preferred Interests, and with respect to each such series to establish by an Action or Actions providing for the issue of such series:

(i) the maximum number of Preferred Interests to constitute such series and the distinctive designation thereof;

(ii) whether the Preferred Interests of such series shall have voting rights, in addition to any voting rights provided by law, and, if so, the terms of such voting rights;

(iii) the periodic distribution rate, if any, on the Preferred Interests of such series, the conditions and dates upon which such distributions shall be payable, the preference or relation which such distributions shall bear to the periodic distributions

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payable on any other class or classes of Membership Interests or on any other series of Preferred Interests, and whether such distributions shall be cumulative or noncumulative;

(iv) whether the Preferred Interests of such series shall be subject to redemption by the Company, and, if made subject to redemption, the times, prices and other terms and conditions of such redemption;

(v) the rights of the holders of Preferred Interests of such series upon the liquidation, dissolution or winding up of the Company;

(vi) whether or not the Preferred Interests of such series shall be subject to the operation of a retirement or sinking fund, and, if so, the extent to

and manner in which any such retirement or sinking fund shall be applied to the purchase or redemption of the Preferred Interests of such series for retirement or to other company purposes and the terms and provisions relative to the operation thereof;

(vii) whether or not the Preferred Interests of such series shall be convertible into, or exchangeable for, Membership Interests of any other class or classes, or of any other series of Preferred Interests, or securities of any other kind, including securities issued by the Managing Member or any of its affiliates, and if so convertible or exchangeable, the price or prices or the rate or rates of conversion or exchange and the method, if any, of adjusting the same;

(viii) the limitations and restrictions, if any, to be effective while any Preferred Interests of such series are outstanding upon the payment of periodic distributions or other distributions on, and upon the purchase, redemption or other acquisition by the Company of, Common Interests or any other class or classes of Membership Interests or any other series of Preferred Interests ranking junior to the Preferred Interests of such series either as to periodic distributions or distributions of assets upon liquidation;

(ix) the conditions or restrictions, if any, upon the creation of indebtedness of the Company or upon the issue of any additional Membership Interests (including additional Preferred Interests of such series or of any other series) ranking on a parity with or prior to the Preferred Interests of such series as to periodic distributions or distributions of assets upon liquidation; and

(x) any other relative rights, powers and duties as shall not

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be inconsistent with this Section 3.02.

In connection with the foregoing and without limiting the generality thereof, the Managing Member is hereby expressly authorized to take any action, including the amendment of this Agreement, without the vote or approval of any Member, including any action to create under the provisions of this Agreement a class (or series of a class) or group of Membership Interests that was not previously outstanding. Without the vote or approval of any

Member, the Managing Member may execute, swear to, acknowledge, deliver, file and record whatever documents may be required in connection with the issue from time to time of Preferred Interests in one or more series as shall be necessary, convenient or desirable to reflect the issue of such series. The Managing Member shall do all things it deems to be appropriate or necessary to comply with the Act and is authorized and directed to do all things it deems to be necessary or permissible in connection with any future issuance, including compliance with any statute, rule, regulation or guideline of any federal, state or other governmental agency or any securities exchange.

Any Action or Actions of the Managing Member pursuant to the provisions of this paragraph (b) shall be deemed an amendment and supplement to and part of this Agreement.

(c) All Preferred Interests of any one series shall be identical with each other in all respects, except that Preferred Interests of any one series issued at different times may differ as to the dates from which periodic distributions, if any, thereon shall be cumulative; and all series of Preferred Interests shall rank equally and be identical in all respects, except as permitted by the provisions of paragraph (b) of this Section 3.02; and all Preferred Interests shall rank senior to the Common Interests both as to periodic distributions and distributions of assets upon liquidation.

(d) In the event of any liquidation, dissolution or winding up of the Company, before any payment or distribution of the assets of the Company shall be made to or set apart for the holders of any class or classes of Membership Interests of the Company ranking junior to the Preferred Interests upon liquidation, the holders of the Preferred Interests shall be entitled to receive payment of the amount fixed in the Action or Actions adopted by the Managing Member providing for the issue of such series, plus (if periodic distributions on Preferred Interests of such series shall be cumulative) an amount equal to all periodic distributions (whether or not earned or declared) accumulated to the date of final distribution to such holders; but they shall be entitled to no further payment. If, upon any such liquidation, dissolution or winding up of the Company, the assets of the Company or proceeds thereof, distributable among the Preferred Interests shall be insufficient to pay in full the preferential amounts

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aforesaid, then such assets, or the proceeds thereof, shall be distributed among the Preferred Members ratably in accordance with the respective amounts which would be payable on their respective Preferred Interests if all amounts payable thereon were paid in full (taking into account the relative rank of the respective series of Preferred Interests). For the purposes of this paragraph (d), the voluntary sale, conveyance, exchange or transfer (for cash, shares of stock, securities, or other consideration) of all or substantially all the property or assets of the Company shall be deemed a voluntary liquidation, dissolution or winding up of the Company, but a consolidation or merger of the Company with one or more other business entities shall not be deemed to be a liquidation, dissolution or winding up, voluntary or involuntary.

(e) Except as shall be otherwise established in this Agreement or in any Action or Actions of the Managing Member providing for the issue of any series of Preferred Interests and except as otherwise required by the Act, the Preferred Members shall have no right or power to vote on any question or matter or in any proceeding or to be represented at, or to receive notice of, any meeting of Members.

(f) All Common Interests shall be identical with each other in every respect. The Common Interests shall entitle the holders thereof to the voting rights set forth in Section 4.03.

(g) The Common Interests are subject to all the rights, powers and duties of the Preferred Interests as are established herein and as shall be established in any Action or Actions of the Managing Member pursuant to authority expressly granted to and vested in it by the provisions of this Section 3.02.

(h) The Company may merge with, or consolidate into, another Delaware limited liability company or other business entity (as defined in Section 18-209(a) of the Act) upon the approval of the Managing Member. In accordance with Section 18-209 of the Act (including Section 18-209(f)), notwithstanding anything to the contrary contained in this Agreement, an agreement of merger or consolidation approved by the Managing Member may (a) effect any amendment to this Agreement or (b) effect the adoption of a new limited liability company agreement for the Company if it is

the surviving or resulting limited liability company in the merger or consolidation. Any amendment to this Agreement or adoption of a new limited liability company agreement made pursuant to the foregoing sentence shall be effective at the effective time or date of the merger or consolidation. The provisions of this Section 3.02(h) shall not be construed to limit the accomplishment of a merger or consolidation or of any of the matters referred

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to herein by any other means otherwise permitted by law.

SECTION 3.03. Liability of Members. (a) Except as otherwise provided in the Act and in Section 4.04, the debts, obligations and liabilities of the Company, whether arising in contract, tort or otherwise, shall be solely the debts, obligations and liabilities of the Company; and no Member, other than the Managing Member as provided in Section 4.04, shall be obligated personally for any such debt, obligation or liability of the Company solely by reason of being a Member.

(b) Except as otherwise expressly required by law, a Member, other than the Managing Member as provided in Section 4.04, shall not have any liability in excess of (i) the amount of its capital contribution to the Company, (ii) its share of any assets and undistributed profits of the Company, (iii) its obligation to make other payments, if any, expressly provided for in this Agreement and (iv) the amount of any distributions wrongfully distributed to it.

SECTION 3.04. Events of Cessation of Membership. Notwithstanding the otherwise applicable events set forth in Section 18-304 of the Act, a person shall cease to be a Member only upon the lawful assignment of all its Membership Interests (including upon any redemption or other repurchase by the Company or the Managing Member), and the compliance, in cases other than any such redemption or repurchase, of the assignee with the provisions of Section 3.01.

SECTION 3.05. Access to and Confidentiality of Information; Records. (a) Each Member shall have the right, subject to such reasonable standards (including standards governing time, location and expense) as may be established by the Managing Member from time to time, to obtain from the Company from time to time upon reasonable demand for any purpose reasonably related to the Member's interest as a Member of the Company, the documents and other information described in Section 18-305(a) of the Act.

(b) The Managing Member shall have the right to keep confidential from the Members (or any of them), for such period of time as the Managing Member deems reasonable, any information which the Managing Member reasonably believes to be in the nature of trade secrets or other information the disclosure of which the Managing Member in good faith believes is not in the best interest of the Company or could damage the Company or its business or which the Company is required by law or by agreement with a third party to keep confidential.

(c) Any demand by a Member pursuant to this Section 3.05 shall be in writing and shall state the purpose of such demand.

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SECTION 3.06. Meetings of Members. (a) Meetings of the Members of any class (or series thereof) or of all classes (or series thereof) of the Company's Membership Interests may be called at any time by the Managing Member or as provided in any Action establishing a series of Preferred Interests. Except to the extent otherwise provided in any such Action, the provisions of this Section 3.06 shall apply to meetings of Members.

(b) The Managing Member may fix a date not more than 60 nor less than 10 days preceding the date of any meeting of Members, or preceding the last day on which the consent of Members may be effectively expressed for any purpose without a meeting, as a record date for the determination of the Members entitled (i) to notice of, and to vote at, such meeting and any adjournment thereof or (ii) to express such consent, and, in either such case, such Members, and only such Members as shall be Members of record on the date so fixed, shall be entitled to notice of, and to vote at, such meeting and any adjournment thereof, or to express such consent, as the case may be, notwithstanding any transfer of any Membership Interest on the books of the Company after any such record date fixed as aforesaid.

(c) Except as otherwise provided by law, the holders of a majority of the Membership Interests entitled to vote at the meeting shall constitute a quorum at all meetings of the Members. If a class or series of a class of Membership Interests is entitled to vote as such a class or series at a meeting of Members, a majority of the Membership Interests of each such class or series entitled to vote at such meeting shall constitute a quorum at such meeting. In the absence of a quorum, the holders of a majority of all

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such Membership Interests present in person or by proxy may adjourn any meeting, from time to time, until a quorum shall be present. At any such adjourned meeting at which a quorum shall be present, any business may be transacted which might have been transacted at the meeting as originally called.

(d) Except as otherwise provided by law or by this Agreement, every Member who is entitled to vote shall at every meeting of the Members be entitled to one vote for each Membership Interest held by such Member on the record date. Except as otherwise provided by law, no vote on any question upon which a vote of the Members may be taken need be by ballot unless the Managing Member shall determine that it shall be by ballot or the holders of a majority of the Membership Interests present in person or by proxy and entitled to participate in such vote shall so demand. In a vote by ballot each ballot shall state the number of Membership Interests voted and the name of the Member or proxy voting. Unless otherwise provided by law or by this Agreement (including any Action), all questions shall be decided by the vote of the holders of a majority of the Membership Interests present in person or by proxy at the meeting and entitled to vote on the question.

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(e) Each Member entitled to vote at a meeting of Members or to express consent to Company action in writing without a meeting may authorize another person or persons to act for him by proxy. A proxy acting for any Member shall be duly appointed by an instrument in writing subscribed by such Member.

(f) Any action required to or which may be taken at a meeting of Members may be taken without a meeting, without prior notice and without a vote, if a consent or consents in writing, setting forth the action so taken, shall be signed by the holders of outstanding Membership Interests having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all Membership Interests entitled to vote thereon were present and voted and shall be delivered to the Company by delivery to the Managing Member (who shall have custody of the books in which proceedings of meetings of Members are recorded).

(g) The Managing Member, in its sole discretion, shall establish all other provisions relating to meetings of Members, including notice of the time, place or purpose of any meeting at which any matter is to be voted on by any

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Members, waiver of any such notice, action by consent without a meeting, the establishment of a record date, quorum requirements, voting in person or by proxy or any other matter with respect to the exercise of any such right to vote, in accordance with Section 18-302(c) of the Act.

ARTICLE IV

Management

SECTION 4.01. Management of the Company. The business and affairs of the Company shall be managed, and all actions required under this Agreement shall be determined, solely and exclusively by PWG, in its capacity as a Common Member (in such capacity, the "Managing Member"), which shall have all rights and powers on behalf and in the name of the Company to perform all acts necessary and desirable to the objects and purposes of the Company. There shall not be a "manager" (within the meaning of the Act) of the Company. The Managing Member, to the extent of its rights and powers set forth in this Agreement, is an agent of the Company for the purpose of the Company's business, and the actions of the Managing Member taken in accordance with such rights and powers shall bind the Company. Without limiting the generality of the foregoing, the Managing Member shall have the power to:

(a) authorize and engage in transactions and dealings on behalf of the Company, including transactions and dealings with any Member or any affiliate of any Member (including the Managing Member);

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(b) call meetings of Members or any class or series thereof;

(c) issue Membership Interests, including additional Common Interests to the Managing Member and its affiliates;

(d) pay all expenses incurred in forming the Company;

(e) borrow money on behalf of the Company, issue or guarantee evidences of indebtedness and obtain lines of credit, loan commitments and letters of credit for the account of the Company and secure the same by

mortgage, pledge or other lien on any assets of the Company;

(f) lend money, with or without security, to any person, including any Member or any affiliate of any Member (including the Managing Member);

(g) determine and make distributions, in cash or otherwise, on Membership Interests, in accordance with the provisions of this Agreement and of the Act;

(h) establish or set aside in its sole discretion any reserve or reserves for contingencies and for any other proper Company purpose;

(i) redeem or repurchase on behalf of the Company Membership Interests which may be so redeemed or repurchased;

(j) appoint (and dismiss from appointment) officers, attorneys and agents on behalf of the Company, and employ (and dismiss from employment) any and all persons providing legal, accounting or financial services to the Company, or such other employees or agents as the Managing Member deems necessary or desirable for the management and operation of the Company, including, without limitation, any Member or any affiliate of any Member (including the Managing Member);

(k) incur and pay all expenses and obligations incident to the operation and management of the Company, including, without limitation, the services referred to in the preceding paragraph, taxes, interest, travel, rent, insurance, supplies, salaries and wages of the Company's employees and agents;

(l) acquire and enter into any contract of insurance necessary or desirable for the protection or conservation of the Company and its assets or otherwise in the interest of the Company as the Managing

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Member shall determine;

(m) open accounts and deposit, maintain and withdraw funds in the name of the Company in banks, savings and loan associations, brokerage firms or other financial institutions;

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(n) effect a dissolution of the Company and to act as liquidator or the person winding up the Company's affairs, all in accordance with the provisions of this Agreement and of the Act;

(o) bring and defend (or settle) on behalf of the Company actions and proceedings at law or equity before any court or governmental, administrative or other regulatory agency, body or commission or any arbitrator or otherwise;

(p) prepare and cause to be prepared reports, statements and other relevant information for distribution to Members as may be required or determined to be appropriate by the Managing Member from time to time;

(q) prepare and file all necessary returns and statements and pay all taxes, assessments and other impositions applicable to the assets of the Company; and

(r) execute all other documents or instruments, perform all duties and powers and do all things for and on behalf of the Company in all matters necessary or desirable or incidental to the foregoing.

Notwithstanding any other provisions of this Agreement or of any Action, the Company and the Managing Member on behalf of the Company may enter into and execute, deliver, acknowledge and perform, as the case may be, any registration statement under the Securities Act of 1933, any guarantee agreements and loan agreements in connection with the lending to PWG or its subsidiaries of the proceeds of the issuance of Membership Interests by the Company, and any other contracts or agreements contemplated thereby, or specifically described therein, all without any further act, approval or vote of the Members. Without limiting the generality of the foregoing, the Managing Member is hereby authorized and directed to operate the Company in such a way that the Company would not be deemed to be an "investment company" for purposes of the Investment Company Act of 1940, as amended. In this connection, the Managing Member is authorized to take any action which it determines in its sole discretion to be necessary or desirable to cause the Company to be so operated.

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SECTION 4.02. Contributions by the Managing Member. The Managing Member, in its capacity as a Common Member, shall make such contributions to the Company, either in connection with the purchase of Common Interests or otherwise, so as to cause its Common Interests to be entitled in the aggregate to at least 21% of all interest in the capital, income, gain, loss, deduction, credit and distributions of the Company. In addition, it is understood that the obligations undertaken by the Managing Member under Section 4.04 shall be considered as additional contributions to the Company of the Managing Member.

SECTION 4.03. Classes and Voting. The Common Interests shall entitle the holders thereof to one vote for each such Common Interest upon all matters upon which Common Members have the right to vote regardless of the voting rights of any other Member.

SECTION 4.04. Liability of Managing Member. The Managing Member, in its capacity as a Common Member, shall be liable to creditors of the Company (hereinafter referred to individually as a "Third Party Creditor", and collectively as the "Third Party Creditors") for the debts, obligations and liabilities of the Company, whether arising in contract, tort or otherwise, and shall be obligated personally for all such debts, obligations and liabilities of the Company, in the same way and to the same extent as if the Company were a limited partnership under the Delaware Revised Uniform Limited Partnership Act of which the Managing Member were a general partner. In furtherance but not in limitation of the generality of the foregoing, the Managing Member (a) shall be liable for any and all debts, obligations and other liabilities of the Company, whether arising under contract or by tort, statute, operation of law or otherwise, any and all of which shall be enforceable directly and absolutely against the Managing Member by each Third Party Creditor and (b) shall be deemed to and does assume, as a surety and not as a guarantor, each debt, obligation or other liability of the Company to a Third Party Creditor.

SECTION 4.05. Books and Records; Accounting. (a) The Managing Member shall keep or cause to be kept at the address of the Managing Member (or at such other place as the Managing Member shall determine in its sole discretion) true and full books and records regarding the status of the business and financial condition of the Company.

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(b) The Company's books of account shall be kept on the same basis followed by the Company and the Managing Member for Federal income tax purposes except to the extent otherwise determined by the Managing Member.

SECTION 4.06. Company Tax Returns. (a) The Managing Member shall cause to be prepared and timely filed all tax returns required to be

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filed for the Company. The Managing Member may, in its sole discretion, make or refrain from making any Federal, state or local income or other tax elections for the Company that it deems necessary or advisable; provided, that the Company shall not make an election pursuant to Code Section 754.

(b) The Managing Member is hereby designated as the Company's "Tax Matters Partner" under Code Section 6231(a)(7) and shall have all the powers and responsibilities of such position as provided in the Code. The Managing Member is specifically directed and authorized to take whatever steps the Managing Member, in its sole discretion, deems necessary or desirable to perfect such designation, including filing any forms or documents with the Internal Revenue Service and taking such other action as may from time to time be required under the Regulations issued under the Code. Expenses incurred by the Tax Matters Partner, in its capacity as such, will be borne by the Company.

SECTION 4.07. Reliance by Third Parties. Persons dealing with the Company are entitled to rely conclusively upon the power and authority of the Managing Member herein set forth.

SECTION 4.08. Expenses. Except as otherwise provided in this Agreement, the Company shall be responsible for and shall pay all expenses out of funds of the Company determined by the Managing Member to be available for such purpose, provided that such expenses are those of the Company or are otherwise incurred by the Managing Member in connection with this Agreement, including, without limitation:

(a) all expenses incurred by the Managing Member or its affiliates in organizing the Company;

(b) all expenses related to the business of the Company and all routine administrative expenses of the Company, including the maintenance of books and records

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of the Company, the preparation and dispatch to the Members of checks, financial reports, tax returns and notices required pursuant to this Agreement or in connection with the holding of any meetings of the Members;

(c) all expenses incurred in connection with any indebtedness or guarantees of the Company or any proposed or definitive credit facility or other credit arrangement;

(d) all expenses incurred in connection with any litigation or arbitration involving the Company (including the cost of any investigation and preparation) and the amount of any judgment or settlement paid in connection therewith (other than expenses incurred by the Managing Member in connection with any litigation or

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arbitration brought by or on behalf of any Member against the Managing Member);

(e) all expenses for indemnity or contribution payable by the Company to any Person;

(f) all expenses incurred in connection with the collection of amounts due to the Company from any person;

(g) all expenses incurred in connection with the preparation of amendments to this Agreement; and

(h) all expenses incurred in connection with the liquidation, dissolution and winding up of the Company.

SECTION 4.09. Duties. (a) The Managing Member, or any affiliate thereof, may engage in or possess an interest in any other business ventures of any nature or description, independently or with others, similar or dissimilar to the business of the Company, and neither the Company nor any of the Members shall have any rights by virtue of this Agreement in and to such independent ventures or the income or profits derived therefrom, and the pursuit of any such venture, even if competitive with the business of the Company, shall not be deemed wrongful or improper. The Managing Member, and affiliates thereof, shall not be obligated to present any particular investment opportunity to the Company even if such opportunity is of a character which, if presented to the Company, could be taken by the Company, and the Managing Member, or any affiliate thereof,

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shall have the right to take for its own account (individually or as a stockholder, partner or fiduciary or otherwise) or to recommend to others any such particular investment opportunity.

(b) Whenever in this Agreement a person is permitted or required to make a decision (i) in its "sole discretion", "sole and absolute discretion" or "discretion" or under a grant of similar authority or latitude, the person shall be entitled to consider only such interests and factors as it desires, including its own interests, or (ii) in its "good faith" or under another express standard, the person shall act under such express standard and shall not be subject to any other or different standards imposed by this Agreement or any other agreement contemplated herein or by relevant provisions of law or in equity or otherwise.

(c) To the extent that, at law or in equity, a Covered Person (as defined herein) has duties (including fiduciary duties) and liabilities relating thereto to the Company or to the Members, the Covered Person acting in connection with the Company's business or affairs shall not be liable to the Company or to any Members for its good faith reliance on the provisions of this

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Agreement. The provisions of this Agreement, to the extent that they restrict the duties and liabilities of a Covered Person otherwise existing at law or in equity, are agreed by the Members to replace such other duties and liabilities of such Covered Person.

ARTICLE V

Finance

SECTION 5.01. Form of Contribution. The contribution of a Member to the Company may, as determined by the Managing Member in its sole discretion, be in cash, property or services rendered, or a promissory note or other obligation to contribute cash or property or to perform services.

SECTION 5.02. Allocation of Profits and Losses. The profits and losses of the Company shall, subject to the applicable terms of Section 3.02 and of any Action establishing a series of Preferred Interests, be allocated entirely to the Common Members.

SECTION 5.03. Allocation of Distributions. The distributions of the Company shall, subject to the applicable terms of Section 3.02 and of any Action establishing a series of Preferred Interests, be allocated entirely to the Common Members.

ARTICLE VI

Distributions and Resignations

SECTION 6.01. Interim Distribution. Preferred Members shall receive periodic distributions, if any, in accordance with the applicable terms of Section 3.02 of this Agreement and of any Action establishing a series of Preferred Interests, and Common Members shall receive periodic distributions, subject to the applicable terms of Section 3.02 of this Agreement and of any Action establishing a series of Preferred Interests, and to the provisions of the Act, as and when declared by the Managing Member, in its sole discretion.

SECTION 6.02. Resignation of the Managing Member. The Managing Member and the other Common Members shall have no right to resign from the Company prior to the dissolution and winding up of the Company.

SECTION 6.03. Resignation of Member. A Preferred Member may not resign from the Company prior to the dissolution and winding up of the Company except upon the assignment of its Membership Interests (including any redemption or other repurchase by the Company or the Managing Member) as

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contemplated by Section 3.04 of this Agreement.

SECTION 6.04. Distribution Upon Resignation. Upon resignation any resigning Member shall not be entitled to receive any distribution and shall not otherwise be entitled to receive the fair value of its Membership Interest.

SECTION 6.05. Distribution in Kind. Notwithstanding the provisions of Section 18-605 of the Act, a Member, in the sole discretion of the Managing Member and in accordance with the applicable terms of Section 3.02 and of any Action establishing a series of Preferred Interests, may receive distributions from the Company in any form other than cash, and may be compelled to accept a distribution of

any asset in kind from the Company such that the percentage of the asset distributed to him exceeds a percentage of that asset which is equal to the percentage in which the Member shares in distributions from the Company.

SECTION 6.06. Record Dates. The Managing Member in its sole discretion, and in accordance with the applicable terms of any Action establishing a series of Preferred Interests, shall have the right to establish a record date with respect to allocations and distributions by the Company.

ARTICLE VII

Assignment of Membership Interests

SECTION 7.01. Assignment of Membership Interests. Common Interests shall be non-assignable and non-transferable, and may only be issued to and held by the Managing Member and its affiliates. Any purported assignment or transfer of Common Interests shall be void. Preferred Interests shall be freely assignable and transferable, subject to the provisions of Section 3.01(c).

SECTION 7.02. Right of Assignee to Become a Member. An assignee shall become a Member as contemplated in Section 3.01.

SECTION 7.03. Certificates. Membership Interests in the Company may, in the Managing Member's sole discretion, be evidenced by a certificate of limited liability company interest (including, as appropriate an L.L.C. Certificate (as defined herein)) issued by the Company.

ARTICLE VIII

Dissolution

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SECTION 8.01. Duration and Dissolution. The Company shall be dissolved and its affairs shall be wound up upon the first to occur of the following:

(a) March 15, 2109;

(b) the Managing Member makes an assignment for the benefit of creditors, files a voluntary petition in bankruptcy, is adjudged bankrupt or insolvent, or has entered against it an order for relief, in any bankruptcy or insolvency proceeding, files a petition or answer seeking for itself any reorganization, arrangement, composition, readjustment, liquidation, dissolution or other similar relief under any statute, law or regulation, files an answer or other pleading admitting or failing to contest the material allegations of a petition filed against it in any proceeding of this nature, seeks, consents or acquiesces in the appointment of a trustee, receiver or liquidator of the Managing Member or any substantial part of its properties, or 120 days after the commencement of any proceeding against the Managing Member seeking reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under any statute, law or regulation, if the proceeding has not been dismissed, or if within 90 days after the appointment without its consent or acquiescence of a trustee, receiver or liquidator of the Managing Member or of all or any substantial part of its properties, the appointment is not vacated or stayed, or within 90 days after the expiration of any such stay, the appointment is not vacated;

(c) a decision made in writing by the Managing Member, in its sole discretion, to dissolve the Company;

(d) the written consent of all Members; and

(e) the entry of a decree of judicial dissolution under Section 18-802 of the Act.

Other than as set forth in Section 8.01(b) above, the death, retirement, resignation, expulsion, bankruptcy or dissolution of a Member or the occurrence of any other event which terminates the continued membership of a Member in the Company shall not cause the Company to be dissolved and its affairs wound up so long as there are at all times at least two Members of the Company, and, in any such event, the business and affairs of the Company shall be continued in accordance with the Act without any action and without the consent of any Member.

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SECTION 8.02. Winding Up. Subject to the provisions of the Act, the Managing Member shall have the exclusive right to wind up the Company's affairs in accordance with Section 18-803 of the Act (and shall promptly do so upon dissolution of the Company in accordance with Section 8.01), and shall also have the exclusive right to act as or appoint a liquidating trustee in connection therewith.

SECTION 8.03. Distribution of Assets. Upon the winding up of the Company, the assets shall be distributed in the manner provided in Section 18-804 of the Act, subject to the applicable provisions of Section 3.02 and of any Action establishing a series of Preferred Interests.

ARTICLE IX

Reports

SECTION 9.01. Form K-1. After the end of each fiscal year, the Managing Member shall cause to be prepared and transmitted, as promptly as possible, and in any event within 90 days of the close of the fiscal year, a federal income tax form K-1 for each Member.

SECTION 9.02. Certain Information from Nominees of Members. Any person who holds Preferred Interests as a nominee for another person is required to furnish to the Company: (a) the name, address, and taxpayer identification number of the beneficial owner (which may be a Preferred Security Owner (as defined herein)) and the nominee (which may be a Clearing Agency (as defined herein)); (b) notice of whether the beneficial owner is (i) a person that is not a United States person, (ii) a foreign government, an international organization, or any wholly owned agency or instrumentality of either of the foregoing, or (iii) a tax- exempt entity; (c) the amount and description of Preferred Interests held, acquired, or transferred for the beneficial owner; and (d) certain information including the dates of acquisitions and transfers, means of acquisitions and transfers, and acquisition cost for purchases, as well as the amount of net proceeds from sales. Brokers and financial institutions are required to furnish additional information, including certain information on Preferred Interests that they acquire, hold, or transfer for their own account. A penalty of $50 per failure (up to a maximum of

$100,000 per calendar year) is imposed by the Code for failure to report such information to the Company.

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ARTICLE X

Exculpation and Indemnification

SECTION 10.01. Exculpation. Notwithstanding any other provisions of this Agreement, whether express or implied, or obligation or duty at law or in equity, neither the Managing Member, nor any of its respective officers, directors, stockholders, partners, employees, representatives or agents nor any officer, employee, representative or agent of the Company or any of its affiliates (individually, a "Covered Person" and collectively, the "Covered Persons") shall be liable to the Company or any Member for any act or omission (in relation to the Company, this Agreement, any related document or any transaction or investment contemplated hereby or thereby) taken or omitted in good faith by a Covered Person and in the reasonable belief that such act or omission is in or is not contrary to the best interests of the Company and is within the scope of authority granted to such Covered Person by this Agreement, provided that such act or omission does not constitute fraud, willful misconduct, bad faith or gross negligence.

SECTION 10.02. Indemnification. To the fullest extent permitted by law, the Company shall indemnify and hold harmless each Covered Person from and against any and all losses, claims, demands, liabilities, expenses, judgments, fines, settlements and other amounts arising from any and all claims, demands, actions, suits or proceedings, civil, criminal, administrative or investigative, in which the Covered Person may be involved, or threatened to be involved, as a party or otherwise, by reason of its management of the affairs of the Company or which relates to or arises out of the Company or its property, business or affairs. A Covered Person shall not be entitled to indemnification under this Section 10.02 with respect to any claim, issue or matter in which it has engaged in fraud, willful misconduct, bad faith or gross negligence. To the fullest extent permitted by law, expenses (including legal fees) incurred by a Covered Person in defending any claim, demand, action, suit or proceeding may, from time to time, be advanced by the Company prior to the final disposition of such claim, demand, action, suit or proceeding upon receipt by the Company of an undertaking by or on behalf of the

Covered Person to repay such amount if it shall be determined that the Covered Person is not entitled to be indemnified as authorized in this Section 10.02.

ARTICLE XI

Book-Entry Interests

SECTION 11.01. Definitions. As used in this Article or elsewhere in this Agreement, the following terms shall have the meanings

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specified below:

"Book-Entry Interest" shall mean a beneficial interest in the L.L.C. Certificates, ownership and transfers of which shall be made through book entries by a Clearing Agency as described in Section 11.03.

"Clearing Agency" shall mean an organization registered as a "clearing agency" pursuant to the Exchange Act.

"Clearing Agency Participant" shall mean a broker, dealer, bank, other financial institution or other person for whom from time to time a Clearing Agency effects book-entry transfers and pledges of securities deposited with the Clearing Agency.

"Exchange Act" shall mean the Securities Exchange Act of 1934, as amended.

"L.L.C. Certificate" shall mean a certificate evidencing the Preferred Interest of a Member in the Company, in the form approved by the Managing Member.

"Membership Interest" shall mean the entire limited liability company interest of a Member in the Company at any particular time, including the right of such Member to any and all benefits to which a Member may be entitled as provided in this Agreement, together with the obligations of such Member to comply with all of the terms and provisions of this Agreement.

"Preferred Security Owner" shall mean, with respect to a Book-Entry Interest, a person who is the beneficial owner of such Book-Entry Interest, as reflected on the books of the Clearing Agency, or on the books of a person maintaining an account with such Clearing Agency

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(directly as a Clearing Agency Participant or as an indirect participant, in each case in accordance with the rules of such Clearing Agency).

SECTION 11.02. General. Except to the extent otherwise provided in any Action establishing a series of Preferred Interests or required after consultation with the Clearing Agency, the provisions of this Article shall be applicable to the Preferred Interests.

SECTION 11.03. Book-Entry Interests. The L.L.C. Certificates, on original issuance, will be issued in the form of a typewritten L.L.C. Certificate or L.L.C. Certificates representing the Book-Entry Interests, to be delivered to The Depository Trust Company, the initial Clearing Agency, by, or on behalf of, the Company. Such L.L.C. Certificate or L.L.C. Certificates shall initially be registered on the books and records of the Company in the name of Cede & Co. or another nominee of the initial

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Clearing Agency, and no Preferred Security Owner will receive a definitive L.L.C. Certificate representing such Preferred Security Owner's interests in such L.L.C. Certificate, except as provided in Section 11.05. Unless and until definitive, fully registered L.L.C. Certificates (the "Definitive L.L.C. Certificates") have been issued to the Preferred Security Owners pursuant to Section 11.05:

(i) the provisions of this Section shall be in full force and effect;

(ii) the Company shall be entitled to deal with the Clearing Agency or the Clearing Agency's nominee for all purposes of this Agreement (including the payment of periodic distributions on the L.L.C. Certificates and the giving of instructions or directions hereunder) as the sole holder of the L.L.C. Certificates and shall have no obligation to the Preferred Security Owners;

(iii) the rights of the Preferred Security Owners shall be exercised only through the Clearing Agency and shall be limited to those established by law and agreements between such Preferred Security Owners and Clearing Agency or the Clearing Agency's nominee and/or the Clearing Agency Participants; and, unless or until the Definitive L.L.C. Certificates are issued pursuant to Section 11.05, the initial Clearing Agency will make book-entry transfers among the Clearing Agency Participants and receive and transmit payments of

dividends on the L.L.C. Certificates to such Clearing Agency Participants; and

(iv) whenever this Agreement (including the applicable terms of any Actions establishing a series of Preferred Interests) requires or permits actions to be taken by the Managing Member, a trustee or other person based upon or subject to resolutions, votes, consents, meetings or other instructions or directions of a percentage of the Preferred Interests, the Clearing Agency shall be deemed to represent such percentage only to the extent that it has received instructions to such effect from the Preferred Security Owners and/or Clearing Agency Participants owning or representing, respectively, such required percentage of the beneficial interests in the L.L.C. Certificates and has delivered such instructions to the Managing Member, trustee or other person, as the case may be.

SECTION 11.04. Notices to Clearing Agency. Whenever a notice or other communication to the Preferred Members is required under this Agreement, unless and until Definitive L.L.C. Certificates shall have been issued to the Preferred Security Owners pursuant to Section 11.05, the Managing Member shall give all such notices and communications specified herein to be

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given to the Preferred Members to the Clearing Agency or its nominee, and shall have no obligations to the Preferred Members.

SECTION 11.05. Definitive L.L.C. Certificates. If (i) the Managing Member advises the Company in writing that the Clearing Agency is no longer willing or able to properly discharge its responsibilities with respect to the L.L.C. Certificates and the Managing Member is unable to locate a qualified successor, or (ii) the Company elects to terminate the book-entry system through the Clearing Agency, then the Clearing Agency shall notify all Preferred Security Owners of the occurrence of any such event and of the availability of Definitive L.L.C. Certificates to Preferred Security Owners requesting the same. Upon surrender of the typewritten L.L.C. Certificate or L.L.C. Certificates representing the Book-Entry Interests by the Clearing Agency, accompanied by registration instructions, the Managing Member shall cause Definitive L.L.C. Certificates to be delivered to the Preferred Security Owners in accordance with the instructions of the Clearing Agency. Neither the Managing Member nor the Company shall be liable for any delay in delivery of such

instructions and may conclusively rely on, and shall be protected in relying on, such instructions. Any person receiving a Definitive L.L.C. Certificate shall be deemed to have acquired a Membership Interest from the Company and shall thereupon be admitted to the Company as a Preferred Member as contemplated in Section 3.01. Definitive L.L.C. Certificates shall be printed, lithographed or engraved or may be produced in any other manner as in reasonably acceptable to the Managing Member, as evidenced by its execution thereof (manually or by facsimile).

ARTICLE XII

Miscellaneous

SECTION 12.01. Amendment to the Agreement. Except as otherwise provided in this Agreement or by any applicable terms of any Action establishing a series of Preferred Interests, this Agreement may be amended by, and only by, a written instrument executed by the Managing Member; provided, however, that (a) no amendment shall be made, and any such purported amendment shall be void and ineffective, unless the Company shall have received in advance the written opinion of independent legal counsel that, after giving effect to the amendment, the Company will be treated as a partnership for purposes of United States Federal income taxation and (b) the terms of any Action establishing a series of Preferred Interests may be amended only as set forth in such Action.

SECTION 12.02. Successors; Counterparts. This Agreement (a) shall be binding as to the executors, administrators, estates, heirs and legal successors, or nominees or representatives, of the Members and (b) may be

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executed in several counterparts with the same effect as if the parties executing the several counterparts had all executed one counterpart.

SECTION 12.03. Governing Law; Severability. This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware without giving effect to the principles of conflict of laws thereof. In particular, this Agreement shall be construed to the maximum extent possible to comply with all the terms and conditions of the Act. If, nevertheless, it shall be determined by a court of competent jurisdiction that any provisions or wording of this Agreement shall be invalid or unenforceable under the Act or other applicable law, such invalidity or

unenforceability shall not invalidate the entire Agreement. In that case, this Agreement shall be construed so as to limit any term or provision so as to make it enforceable or valid within the requirements of applicable law, and, in the event such term or provisions cannot be so limited, this Agreement shall be construed to omit such invalid or unenforceable terms or provisions. If it shall be determined by a court of competent jurisdiction that any provision relating to the distributions and allocations of the Company or to any expenses payable by the Company is invalid or unenforceable, this Agreement shall be construed or interpreted so as (a) to make it enforceable or valid and (b) to make the distributions and allocations as closely equivalent to those set forth in this Agreement as is permissible under applicable law.

SECTION 12.04. Filings. Following the execution and delivery of this Agreement, the Managing Member shall promptly prepare any documents required to be filed and recorded under the Act, and the Managing Member shall promptly cause each such document to be filed and recorded in accordance with the Act and, to the extent required by local law, to be filed and recorded or notice thereof to be published in the appropriate place in each jurisdiction in which the Company may hereafter establish a place of business. The Managing Member shall also promptly cause to be filed, recorded and published such statements of fictitious business name and any other notices, certificates, statements or other instruments required by any provision of any applicable law of the United States or any state or other jurisdiction which governs the conduct of its business from time to time.

SECTION 12.05. Power of Attorney. Each Member does hereby constitute and appoint the Managing Member as its true and lawful representative and attorney-in-fact, in its name, place and stead to make, execute, sign, deliver and file (a) a Certificate of Formation of the Company, any amendment thereof required because of an amendment to this Agreement or in order to effectuate any change in the membership of the Company, (b) any amendments to this Agreement and (c) all such other instruments, documents and certificates which may from time to time be required by the laws of the United States of America, the State of Delaware or any other jurisdiction, or any political subdivision or agency thereof, to effectuate, implement and continue

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the valid and subsisting existence of the Company or to dissolve

the Company or for any other purpose consistent with this Agreement and the transactions contemplated hereby.

The power of attorney granted hereby is coupled with an interest and shall (a) survive and not be affected by the subsequent death, incapacity, disability, dissolution, termination or bankruptcy of the Member granting the same or the transfer of all or any portion of such Member's Membership Interest and (b) extend to such Member's successors, assigns and legal representatives.

SECTION 12.06. Headings. Section and other headings contained in this Agreement are for reference purposes only and are not intended to describe, interpret, define or limit the scope or intent of this Agreement or any provision hereof.

SECTION 12.07. Additional Documents. Each Member, upon the request of the Managing Member, agrees to perform all further acts and execute, acknowledge and deliver any documents that may be reasonably necessary to carry out the provisions of this Agreement.

SECTION 12.08. Notices. All notices, requests and other communications to any Member shall be in writing (including telecopier or similar writing) and shall be given to such Member (and any other person designated by such Member) at its address or telecopier number set forth in a schedule filed with the records of the Company or such other address or telecopier number as such Member may hereafter specify for the purpose by notice to the Managing Member (if such party is not the Managing Member) or to all the other Members (if such party is the Managing Member). Each such notice, request or other communication shall be effective (a) if given by telecopier, when transmitted to the number specified pursuant to this Section and the appropriate confirmation is received, (b) if given by mail, 72 hours after such communication is deposited in the mails with first class postage prepaid, addressed as aforesaid, or (c) if given by any other means, when delivered at the address specified pursuant to this Section.

IN WITNESS WHEREOF, the undersigned have duly executed this Agreement as of the date first above written.

PAINE WEBBER GROUP INC.,

by /s/Theodore A. Levine

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Name: Theodore A. Levine
Title: Vice President

PAINEWEBBER FINANCE HOLDINGS INC.,

by /s/F. Daniel Corkery

Name: F. Daniel Corkery
Title: Vice President

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EXHIBIT 4.1
[Draft--3/14/94]

PAYMENT AND GUARANTEE AGREEMENT dated as of March [ ], 1994 ("Guarantee Agreement"), executed and delivered by Paine Webber Group Inc., a Delaware corporation (the "Guarantor"), for the benefit of the Holders (as defined below) from time to time of the Preferred Interests (as defined below) of PaineWebber Finance L.L.C., a Delaware limited liability company (the "Company").

WHEREAS up to 16,000,000 preferred limited liability company interests (the "Preferred Interests") may be issued from time to time by the Company, in addition to the Company's common limited liability company interests (the "Common Interests");

WHEREAS it is intended that the proceeds of the issuance of the Preferred Interests and the Common Interests will be loaned to the Guarantor and its subsidiaries;

NOW, THEREFORE, in consideration of the purchase by each Holder of Preferred Interests, which purchase the Guarantor hereby agrees shall benefit the Guarantor, the Guarantor executes and delivers this Guarantee Agreement for the benefit of the Holders.

ARTICLE I

Certain Definitions

As used in this Guarantee Agreement, the terms set forth shall, unless the context otherwise requires, have the following meanings:

"Guarantee Payments" shall mean the following items, without duplication, to the extent not paid by the Company: (i) any accrued and unpaid periodic distributions ("dividends") which have been theretofore declared on the Preferred Interests of any series out of funds held by the Company and legally available therefor, (ii) the redemption price (including all accrued and unpaid dividends to the date of payment) payable with respect to Preferred Interests of any series called for redemption by the Company as an optional redemption or otherwise out of funds held by the Company and legally available therefor, (iii) the lesser of (a) the aggregate of the liquidation preference of the Preferred Interests of any series and all accrued and unpaid

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dividends to the date of payment and (b) the amount of remaining assets of the Company after satisfaction of other parties having claims which, as a matter of law, are prior to those of the Holders of such series, and (iv) in the event of any redemption by the Company of Preferred Interests in exchange for Depositary Shares in connection with an exchange of such Depositary Shares for a note evidencing Loans, delivery of the proper number of Depositary Shares (and cash payments in lieu of fractional Depositary Shares, if any) to the Paying Agent for further distribution to a Holder whose Preferred Interests are redeemed.

"Holder" shall mean any holder from time to time of any Preferred Interests of any series; provided, however, that in determining whether the Holders of the requisite percentage of Preferred Interests have given any request, notice, consent or waiver hereunder, the term "Holder" shall not include the Guarantor or any entity owned 20% or more by the Guarantor, either directly or indirectly.

"Loan Agreement" shall mean a Loan Agreement pursuant to which the Company will loan to the Guarantor or one or more of its subsidiaries the proceeds received by the Company from the issuance and sale of a series of its Preferred Interests and, to the extent not loaned under a prior Loan Agreement, the Common Interests.

"Loans" shall mean the loans from the Company to the Guarantor or one or more of its subsidiaries pursuant to a Loan Agreement.

"Paying Agent" shall mean Chemical Bank, as registrar, transfer agent and paying agent.

ARTICLE II

The Guarantee

SECTION 2.01. The Guarantor irrevocably and unconditionally agrees to pay in full to the Holders the Guarantee Payments (except to the extent paid by the Company), as and when due, regardless of any defense, right of set-off or counterclaim which the Company may have or assert. The Guarantor's obligation to make a Guarantee Payment may be satisfied by direct payment of the required

amount by the Guarantor to the Holders or by causing the Company to pay such amount to the Holders.

SECTION 2.02. The Guarantor hereby waives notice of acceptance of this Guarantee Agreement and of any liability to which it applies or may apply, presentment, demand for payment, protest, notice of nonpayment, notice of dishonor, notice of redemption and all other notices and demands.

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SECTION 2.03. The obligations, covenants, agreements and duties of the Guarantor under this Guarantee Agreement shall in no way be affected or impaired by reason of the happening from time to time of any of the following:

(a) the release or waiver, by operation of law or otherwise, of the performance or observance by the Company of any express or implied agreement, covenant, term or condition relating to the Preferred Interests of any series to be performed or observed by the Company;

(b) the extension of time for the payment by the Company of all or any portion of the dividends, redemption price, liquidation distributions or any other sums payable under the terms of the Preferred Interests of any series or the extension of time for the performance of any other obligation under, arising out of, or in connection with, the Preferred Interests of any series;

(c) any failure, omission, delay or lack of diligence on the part of the Holders to enforce, assert or exercise any right, privilege, power or remedy conferred on the Holders pursuant to the terms of the Preferred Interests of any series, or any action on the part of the Company granting indulgence or extension of any kind;

(d) the voluntary or involuntary liquidation, dissolution, sale of any collateral, receivership, insolvency, bankruptcy, assignment for the benefit of creditors, reorganization, arrangement, composition or readjustment of debt of, or other similar proceedings affecting, the Company or any of the assets of the Company;

(e) any invalidity of, or defect or deficiency in, any of the Preferred Interests of any series; or

(f) the settlement or compromise of any obligation guaranteed hereby or hereby incurred.

There shall be no obligation of the Holders to give notice to, or obtain consent of, the Guarantor with respect to the happening of any of the foregoing.

SECTION 2.04. This is a guarantee of payment and not of collection. A Holder may enforce this Guarantee Agreement directly against the Guarantor, and the Guarantor hereby waives any right or remedy to require that any action be brought against the Company or any other person or entity before proceeding against the Guarantor. Subject to Section 2.05, all waivers herein contained shall be without prejudice to the Holders' rights at the Holders' option to proceed against the Company, whether by separate action or by

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joinder. The Guarantor agrees that this Guarantee Agreement shall not be discharged except by payment of the Guarantee Payments in full (to the extent not paid by the Company) and by complete performance of all obligations of the Guarantor contained in this Guarantee Agreement.

SECTION 2.05. The Guarantor shall be subrogated to all rights (if any) of the Holders against the Company in respect of any amounts paid to the Holders by the Guarantor under this Guarantee Agreement and shall have the right to waive payment of any amount in respect of which payment has been made to the Holders by the Guarantor pursuant to Section 2.01; provided, however, that the Guarantor shall not (except to the extent required by mandatory provisions of law) exercise any rights which it may acquire by way of subrogation or any indemnity, reimbursement or other agreement, in all cases as a result of a payment under this Guarantee Agreement, if at the time of any such payment, any amounts are due and unpaid under this Guarantee Agreement. If any amount shall be paid to the Guarantor in violation of the preceding sentence, the Guarantor agrees to pay over such amount to the Holders.

SECTION 2.06. The Guarantor acknowledges that its obligations hereunder are independent of the obligations of the Company with respect to the Preferred Interests and that the Guarantor shall be liable as principal and sole debtor hereunder to make Guarantee Payments pursuant to the terms of this Guarantee Agreement notwithstanding the occurrence of any event referred to in subsections (a) through (f), inclusive, of Section 2.03.

ARTICLE III

Certain Covenants of the Guarantor and
Status of the Guarantee

SECTION 3.01. So long as any Preferred Interests of any series remain outstanding, if at such time the Guarantor shall be in default with respect to its obligations under this Guarantee Agreement, neither the Guarantor nor any subsidiary of the Guarantor using funds provided by the Guarantor shall redeem, purchase or acquire or pay a liquidation preference with respect to (a) any preferred stock of the Guarantor ranking pari passu with this Guarantee Agreement, (b) any preferred or preference stock of affiliates of the Guarantor (including the Company) entitled to the benefits of a guarantee of the Guarantor ranking pari passu with this Guarantee Agreement, (c) any preferred or preference stock of affiliates of the Guarantor entitled to the benefits of a guarantee ranking junior to this Guarantee Agreement upon liquidation or (d) any other capital stock of the Guarantor ranking junior to this Guarantee Agreement, except, in each case, any preferred or preference stock redeemed, purchased or otherwise acquired in connection with any employee stock option or benefit plan of the Guarantor. The Guarantor shall take all actions necessary to ensure the compliance of its subsidiaries with this

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Section 3.01.

SECTION 3.02. The Guarantor covenants that, so long as any Preferred Interests of any series remain outstanding (i) it shall maintain ownership, directly or indirectly, of 100% of the Common Interests, (ii) in its capacity as a holder of Common Interests, it shall make such contributions to the Company, either in connection with the purchase of Common Interests or otherwise, so as to cause the Common Interests held by the Guarantor to be entitled in the aggregate to at least 21% of all interest in the capital, income, gain, loss, deduction, credit and distributions of the Company, (iii) it shall not voluntarily dissolve, wind-up or liquidate the Company and (iv) it shall use its reasonable efforts to cause the Company to remain a limited liability company under the laws of the State of Delaware and otherwise continue to be treated as a partnership for United States Federal income tax purposes.

SECTION 3.03. If, at any time the Guarantor is not in compliance with its obligations under this Guarantee Agreement, the Board of Directors of the Guarantor declares

dividends on any shares of capital stock of the Guarantor ranking junior to the Guarantor's obligations under this Guarantee Agreement as to dividends, the Guarantor shall, or shall cause the Company to, set aside for payment in a segregated account at the office of the Paying Agent an amount equal to all accrued and unpaid dividends on the Preferred Interests of each series out of moneys held and legally available therefor and irrevocably instruct the Paying Agent to pay such amounts as dividends on the Preferred Interests of such series on the day prior to the date on which such dividends declared by the Guarantor are payable. The Paying Agent shall make such payment on such day unless it shall have received, prior to 10:00 a.m., New York time, on such day, a certificate from the Guarantor certifying that such dividend declaration has been lawfully rescinded in full. In such case, the amounts deposited in such account shall be remitted forthwith to the Guarantor or the Company, as the case may be. In all cases, any interest accrued on the amounts deposited in such account shall be remitted by the Paying Agent to the Guarantor or the Company, as the case may be.

SECTION 3.04. If, at any time the Guarantor is not in compliance with its obligations under this Guarantee Agreement, the Guarantor (or any subsidiary of the Guarantor using funds provided by the Guarantor) redeems or purchases or otherwise acquires any shares of capital stock of the Guarantor ranking junior to the Guarantor's obligations under this Guarantee Agreement upon liquidation, all accrued and unpaid dividends on the Preferred Interests of each series payable out of moneys held and legally available therefor shall immediately become due and payable under this Guarantee Agreement; provided, however, that no such payment shall be required if any such shares of the Guarantor are redeemed, purchased or otherwise acquired in

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connection with any employee stock option or benefit plan of the Guarantor.

SECTION 3.05. Neither the Guarantor, nor any subsidiary of the Guarantor using funds provided by the Guarantor, shall pay dividends, or make guarantee payments with respect to dividends, on any preferred or preference stock of affiliates of the Guarantor entitled to the benefits of a guarantee ranking junior to this Guarantee Agreement as to dividends of the Guarantor if at such time the Guarantor shall be in default with respect to its obligations under this Guarantee Agreement.

SECTION 3.06. If the Guarantor issues, at any time following the date of the Prospectus dated March [ ], 1994, relating to the Preferred Interests, Guarantor Preferred Stock and Depositary Shares, any preferred shares ranking senior to its obligations under this Guarantee Agreement or enters into any guarantee in respect of any preferred or preference shares of any affiliate of the Guarantor, which guarantee would rank junior to all liabilities of the Guarantor but senior to this Guarantee Agreement as to dividends, upon liquidation or as to rights upon redemption, then this Guarantee Agreement will be deemed to give the holders of Preferred Interests such rights and entitlements as are contained in or attached to such other preferred or preference stock or guarantee such that this Guarantee Agreement ranks pari passu as to such rights and entitlements with any such other preferred or preference stock or other guarantee.

SECTION 3.07. This Guarantee Agreement will constitute an unsecured obligation of the Guarantor and will rank (i) junior in right of payment to all liabilities of the Guarantor, (ii) pari passu with the most senior preferred stock now or hereafter issued by the Guarantor and with any guarantee now or hereafter entered into by the Guarantor in respect of any preferred or preference stock of any affiliate of the Guarantor and (iii) senior to the Guarantor's common stock.

ARTICLE IV

Termination of the Guarantee

This Guarantee Agreement shall terminate and be of no further force and effect as to a series of Preferred Interests upon either (i) full payment of the redemption price (including all accrued and unpaid dividends) for all Preferred Interests of such series, including any redemption of all of a series of Preferred Interests in exchange for a series of Parent Preferred Stock or Depositary Shares (as such terms are defined in the Loan Agreement) or (ii) full payment of the amounts payable to the Holders of such series upon liquidation of the Company; provided, however, that this Guarantee Agreement shall continue to be effective or shall be reinstated, as the case may be, with respect to Preferred Interests of such series if at any time any Holder of

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Preferred Interests of such series must restore payment of any sums paid under the Preferred Interests of such

series or under this Guarantee Agreement for any reason whatsoever.

ARTICLE V

Miscellaneous Agreements and Provisions

SECTION 5.01. All guarantees and agreements contained in this Guarantee Agreement shall bind the successors, assigns, receivers, trustees and representatives of the Guarantor and shall inure to the benefit of the Holders. The Guarantor shall not assign its obligations hereunder without the prior approval of the Holders of not less than 66-2/3% in liquidation preference of all Preferred Interests then outstanding given either in writing or by vote at a duly constituted meeting of such Holders.

SECTION 5.02. Except with respect to any changes which do not materially and adversely affect the rights of Holders (in which case no vote will be required), this Guarantee Agreement may only be amended by an instrument in writing signed by the Guarantor with the prior approval of the Holders of not less than 66-2/3% in liquidation preference of all Preferred Interests then outstanding given either in writing or by vote at a duly constituted meeting of such Holders.

SECTION 5.03. Any notice, request or other communication required or permitted to be given hereunder to the Guarantor shall be given in writing and delivered personally or by telegram or facsimile transmission or by registered or certified mail (return receipt requested) at the following address (and if so given, shall be deemed effective when received), to it:

Paine Webber Group Inc.
1285 Avenue of the Americas
New York, New York 10019
Facsimile No: (212) 713-2114
Attention: Theodore A. Levine
Vice President, General
Counsel & Secretary

Any notice, request or other communication required or permitted to be given hereunder to the Holders shall be given by the Guarantor in the same manner as notices sent by the Company to the Holders.

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SECTION 5.04. The masculine and neuter genders used herein shall include the masculine, feminine and neuter genders.

SECTION 5.05. This Guarantee Agreement is solely for the benefit of the Holders and is not separately transferable from the Preferred Interests.

SECTION 5.06. THIS GUARANTEE AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH THE INTERNAL LAWS OF THE STATE OF NEW YORK.

THIS PAYMENT AND GUARANTEE AGREEMENT is executed as of the day and year first above written.

PAINE WEBBER GROUP INC.,

By: _________________________
Name:
Title:

Accepted and agreed:

PAINEWEBBER FINANCE L.L.C.,

By: Paine Webber Group Inc.,
as Managing Member,

By: ___________________________
Name:
Title:

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EXHIBIT 4.2
[Draft--3/14/94]

LOAN AGREEMENT dated as of [ ], 199[ ], between Paine Webber Group Inc., a Delaware corporation (the "Guarantor"), and PaineWebber Finance L.L.C., a Delaware limited liability company (the "Company").

WHEREAS the sole purpose for which the Company was formed is to issue preferred and common limited liability company interests (respectively, "Preferred Interests" and "Common Interests") and lend the net proceeds thereof to the Guarantor and its subsidiaries (the Guarantor guaranteeing, in connection therewith, certain payment obligations of the Company with respect to such Preferred Interests);

WHEREAS consistent therewith, the Guarantor has asked the Company to make loans to the Guarantor in the aggregate principal amount of up to $[ ]; and

WHEREAS the Company intends to make the aforementioned loans to the Guarantor, on the terms and conditions set forth herein.

NOW, THEREFORE, the Guarantor and the Company hereby agree as follows:

ARTICLE I

The Loans

SECTION 1.01. The Loans. Subject to the terms and conditions herein, (a) the Company agrees to make a loan to the Guarantor on the date hereof in the principal amount of $[ ] in next-day funds, and (b) in the event that the underwriters' over-allotment option described in the Prospectus Supplement dated [ ], 199[ ], relating to the Series [ ] Interests (as defined below) is exercised, the Company agrees to make an additional loan to the Guarantor equal to the aggregate stated liquidation preference of the Series [ ] Interests so sold upon such exercise plus the related aggregate additional cash consideration paid by the Guarantor to the Company for additional Common Interests (each such loan, a "Loan" and, collectively, the "Loans"). The Loans shall be evidenced by a promissory note (a "Note") of the Guarantor to the Company, in substantially the form of Exhibit A hereto.

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SECTION 1.02. Term of the Loans. The entire principal amount of the Loans outstanding shall become due and payable (together with any accrued and unpaid interest thereon) on the earliest of (a) [insert date of the 30th anniversary of the date of this Loan Agreement] (the "Maturity Date"), (b) the date upon which the Guarantor shall be dissolved, wound up or liquidated, (c) the date upon which the Company shall be dissolved, wound up or liquidated, or (d) the date of acceleration of the Loans pursuant to Section 7.01 hereof; provided that all or any portion of the principal amount prepaid or repaid by the Guarantor may be reloaned to the Guarantor, and not used by the Company for redemption of Series [ ] Interests, if at the time of such new loan, and as determined in the judgment of the Guarantor, in its capacity as a holder of Common Interests (in such capacity, the "Managing Member"), and its financial advisor (which may be an affiliate of the Guarantor), (i) the Guarantor is not the subject of a pending case under the United States Bankruptcy Code, (ii) the Guarantor is not in default on any loan pertaining to Preferred Interests of any other series ranking pari passu with the ___% Cumulative Preferred Interests, Series [ ] issued by the Company (the "Series [ ] Interests"), (iii) the Guarantor has timely made all required monthly payments of interest on the Loans for the immediately preceding nine months, (iv) the Company is not in arrearage on payments of dividends on the Series [ ] Interests, (v) the Guarantor is expected to be able to make timely payment of principal and interest on such new loan, (vi) such new loan is being made on terms, and under circumstances, that are no less favorable to the Company than those that a lender would require for a similar loan to an unrelated party, (vii) such new loan is being made at a rate of interest sufficient to provide monthly payments of interest equal to or greater than the amount of monthly dividend payments required in respect of the Series [ ] Interests, (viii) such new loan is being made for a fixed term that is consistent with market circumstances and the Guarantor's financial condition, and (ix) in any event, no new loan shall have a final maturity later than the ninetieth anniversary of the original issuance of the Series [ ] Interests.

SECTION 1.03. Optional Prepayment. The Guarantor shall have the right to prepay the Loans, without premium or penalty,

(a) in whole or in part (together with any accrued but unpaid interest, including Additional Interest (as defined in Section 2.02

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below), if any, on the portion being prepaid) at any time on or after March [ ], 1999; or

(b) in whole (together with all accrued and unpaid interest, including Additional Interest, if any, thereon) at any time after the date hereof if the Guarantor is or would be required to pay any Additional Interest pursuant to the terms of this Agreement or, if such requirement shall relate only to a portion of the Loans, the portion of the Loans affected by any such requirement (together with all accrued and unpaid interest, including Additional Interest, if any, on the portion being prepaid); provided that the Guarantor shall not have the right to prepay the Loans as a result of the payment of Additional Interest unless the payment of such Additional Interest is imposed by reason of a Change of Law (as defined below). Furthermore, in no event shall the Guarantor have the right to prepay the Loan, or any portion thereof, under this clause (b) based on a de mimimis obligation to pay Additional Interest.

The term "Change of Law" shall mean a change in law or regulation, or a written change in interpretation of law or regulation, by any legislative body, court, governmental agency or regulatory authority.

SECTION 1.04. Optional Exchange. On any Series [ ] Interests dividend payment date on or after [insert date of sixth anniversary of the date of this Agreement], the Guarantor shall have the right to issue and deliver to the Company, in exchange for the Note, freely transferable Depositary Shares (the "Depositary Shares") each representing a fractional interest in a new issue of the Guarantor's [ ]% Cumulative Preferred Stock, Series [ ] (the "Guarantor Preferred Stock"), having an aggregate fair market value, as determined by the Guarantor's financial advisor (which may be an affiliate of the Guarantor), or an aggregate liquidation preference, whichever is greater, equal to the unpaid principal amount of the Note plus any accrued and unpaid interest (including Additional Interest, if any) thereon to the date of such exchange; provided, however, that if, on the date that notice of the redemption of the Series [ ] Interests in connection with an exchange for the Note is mailed to holders of Series [ ] Interests, the rating assigned to any outstanding publicly held long-term senior unsecured debt obligation of the Guarantor by either Standard & Poor's Corporation or Moody's Investors Services, Inc. is not at least BBB- and Baa3 (or the equivalent ratings), respectively, then the Guarantor shall be obligated to deliver to the Company in exchange for the Note 1.2 times the number of Depositary Shares which would

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have been deliverable otherwise.

Notwithstanding the foregoing, such exchange of the Depositary Shares for the Note may be made only if, on the date that the Guarantor gives to the Company notice of its intention to effect such exchange and on the date of such exchange, (i) the Guarantor is not in default on any loan made by the Company to the Guarantor, (ii) the Guarantor is not in default under any indebtedness for borrowed money whether or not evidenced by a note (other than indebtedness owing to the Guarantor or a subsidiary and indebtedness in respect of agreements in the ordinary course of business to purchase or repurchase securities or loans), indebtedness secured by purchase money mortgages or conditional sale, finance lease or other title retention agreements and obligations under any other lease of real or personal property, which, in all such cases, would be included in accordance with generally accepted accounting principles in determining total liabilities as shown on the liability side of a balance sheet as at the date as of which such indebtedness is to be determined, which indebtedness or obligations are in excess of $25,000,000 and have been or

could be declared due and payable prior to maturity, (iii) the Guarantor has not generally failed to pay its debts as such debts become due, or admitted in writing its inability to pay its debts generally, or made a general assignment for the benefit of creditors, or voluntarily filed a petition for relief or reorganization under the United States Bankruptcy Code, (iv) no proceeding has been instituted against the Guarantor seeking liquidation, winding up, reorganization, arrangement, adjustment, protection, relief, or composition of the Guarantor or its debt under any law relating to bankruptcy, insolvency or reorganization or relief of debtors, or seeking the entry of an order for relief or the appointment of a receiver, trustee or other similar official, which proceeding has not theretofore been stayed or dismissed, (v) the total consolidated stockholders' equity of the Guarantor, as shown on the most recent publicly available consolidated balance sheet of the Guarantor, is at least $500,000,000, and (vi) there have been fully satisfied such additional conditions, if any, as may be set forth in a supplement or addendum to this Agreement. The Guarantor shall give the Company written notice of its intention to effect such exchange not less than seventy-five (75) days nor more than ninety (90) days prior to the intended date of such exchange.

ARTICLE II

Interest

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SECTION 2.01. Interest on the Loans. The Loans shall bear interest at an annual rate of [ ]% from the date they are made until maturity. Such interest shall be payable on the last day of each calendar month of each year, commencing [ ], 199[ ]. Interest will be computed on the basis of twelve 30-day months and a 360-day year and, for any interest period that is shorter than a full calendar month, will be calculated on the basis of the actual number of days elapsed in such period. If any date on which interest is payable on the Loan is not a Business Day (as defined below), then payment of the interest due on such date will be made on the next succeeding day which is a Business Day (and without any interest or other payment in respect of any such delay), except that, if such Business Day is in the next succeeding calendar year, such payment shall be made on the immediately preceding Business Day, in each case with the same force and effect as if made on such

date. A "Business Day" shall mean each day, other than a Saturday or Sunday, that is not a day on which banks in The City of New York are authorized or obligated by law or executive order to close.

SECTION 2.02. Additional Interest. If at any time following the date hereof the Company shall be required to pay, with respect to its income derived from the interest payments on the Loan, any amounts, for or on account of any taxes, duties or governmental charges of whatever nature imposed by the United States (or any political subdivision thereof or therein), or any other taxing authority, then, in any such case, the Guarantor will pay as interest such additional amounts ("Additional Interest") as may be necessary in order that the net amounts received and retained by the Company after the payment of such taxes, duties, assessments or governmental charges shall result in the Company's having such funds as it would have had in the absence of the obligation to pay such taxes, duties, assessments or governmental charges.

SECTION 2.03. Extension of Interest Payment Period. Notwithstanding the provisions of Section 2.01, the Guarantor shall have the right at any time or times during the term of the Loans, so long as the Guarantor is not in default in the payment of interest on the Loans, to extend the interest payment period by a further period, not to exceed nine months, at the end of which further period the Guarantor shall pay all interest then accrued and unpaid (together with interest thereon at the rate specified for the Loans to the extent permitted by applicable law); provided that, during any such extended interest payment period, or at any time during which there is an uncured Event of Default (as defined herein), the Guarantor shall not pay any

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dividends on, or redeem, purchase, acquire or make a liquidation payment with respect to, any of its shares of capital stock or make any guarantee payments with respect to the foregoing (other than payments under any guarantee of the Series [ ] Interests). Prior to the termination of any such extended interest payment period, the Guarantor may further extend the interest payment period, provided that such further extension of the interest payment period, together with all prior extensions thereof, shall not exceed an aggregate of nine months. The Guarantor shall give the Company notice of its election to extend the interest payment period one Business Day prior to the earlier of (i) the date the Company declares the related dividend on the Series [ ] Interests or (ii) the date the

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Company is required to give notice of the record or payment date of such related dividend to the New York Stock Exchange or other applicable self-regulatory organization, but in any event not less than five Business Days prior to such record date.

ARTICLE III

Payments

SECTION 3.01. Method and Date of Payment. Each payment by the Guarantor of principal and interest (including Additional Interest, if any) on the Loans shall be made to the Company in United States Dollars at such place and to such account as may be designated by the Company.

SECTION 3.02. Set-Off. Notwithstanding anything to the contrary herein, the Guarantor shall have the right to set-off any payment it is otherwise required to make hereunder with and to the extent the Guarantor has theretofore made, or is concurrently on the date of such payment making, a payment under any guarantee of the Series [ ] Interests.

ARTICLE IV

Subordination

SECTION 4.01. Subordination. The Guarantor and the Company covenant and agree that each of the Loans is subordinate and junior in right of payment to all Senior Indebtedness as provided herein. The term "Senior

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Indebtedness" shall mean (a) the principal of, premium, if any, and accrued and unpaid interest (including interest accruing on or after the filing of any petition in bankruptcy or for reorganization relating to the Guarantor) on (i) indebtedness of the Guarantor for money borrowed, whether outstanding on the date of execution of this Agreement or thereafter created, incurred or assumed, (ii) guarantees by the Guarantor of indebtedness for money borrowed by any other person, whether outstanding on the date of execution of this Agreement or thereafter created, incurred or assumed, (iii) indebtedness evidenced by notes, debentures, bonds or other instruments of indebtedness for the payment of which the Guarantor is responsible or liable, by guarantees or otherwise, whether outstanding on the date

of execution of this Agreement or thereafter created, incurred or assumed, (iv) obligations of the Guarantor under any agreement of lease, or any lease of, any real or personal property, whether outstanding on the date of execution of this Agreement or thereafter created, incurred or assumed, and (v) without duplication of the foregoing, indebtedness of the Guarantor under the Indenture dated as of March 15, 1988, between the Guarantor and Chemical Bank (Delaware), as amended, relating to subordinated debt securities of the Guarantor, and indebtedness or guarantees ranking superior or pari passu in right of payment thereto, in each case whether outstanding on the date of this Agreement or thereafter created, incurred or assumed (the Loan being expressly neither superior nor pari passu in right of payment to or with any indebtedness described in this clause (v)), (b) any other indebtedness, liability or obligation, contingent or otherwise, of the Guarantor and any guarantee, endorsement or other contingent obligation of the Guarantor in respect of any indebtedness, liability or obligation, whether outstanding on the date of execution of this Agreement or thereafter created, incurred or assumed, and (c) modifications, renewals, extensions and refundings of any such indebtedness, liabilities, obligations or guarantees; unless, in the instrument creating or evidencing the same or pursuant to which the same is outstanding, it is provided that such indebtedness, liabilities, obligations or guarantees or such modifications, renewals, extensions or refundings thereof are not superior in right of payment to the Loans. The Senior Indebtedness shall continue to be Senior Indebtedness and entitled to the benefits of these subordination provisions irrespective of any amendment, modification or waiver of any term of the Senior Indebtedness or extension or renewal of the Senior Indebtedness.

If (i) the Guarantor shall default in the payment of any principal, or premium, if any, or interest on any Senior Indebtedness when the same becomes due and payable, whether at maturity or at a date fixed for

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prepayment or declaration or otherwise or (ii) an event of default occurs with respect to any Senior Indebtedness permitting the holders thereof to accelerate the maturity thereof and written notice of such event of default is given to the Guarantor by the holders of Senior Indebtedness, then unless and until such default in payment or event of default shall have been cured or waived or shall have ceased to exist, no direct or indirect payment (in cash, property, securities, by set-off or otherwise) shall be made or agreed to be made

on account of the Loans or interest thereon or in respect of any repayment, redemption, retirement, purchase or other acquisition of the Loans. The Guarantor will given prompt written notice to the Company of any default in the payment of any Senior Indebtedness.

In the event of (i) any insolvency, bankruptcy, receivership, liquidation, reorganization, readjustment, composition or other similar proceeding relating to the Guarantor, its creditors or its property, (ii) any proceeding for the liquidation, dissolution or other winding up of the Guarantor, voluntary or involuntary, whether or not involving insolvency or bankruptcy proceedings, (iii) any assignment by the Guarantor for the benefit of creditors, or (iv) any other marshalling of the assets of the Guarantor, all Senior Indebtedness (including, without limitation, interest accruing after the commencement of any such proceeding, assignment or marshalling of assets) shall first be paid in full before any payment or distribution, whether in cash, securities or other property, shall be made by the Guarantor on account of the Loans. In any such event, any payment or distribution, whether in cash, securities or other property (other than securities of the Guarantor or any other corporation provided for by a plan of reorganization or readjustment, the payment of which is subordinate, at least to the extent provided in the subordination provisions hereof with respect to the indebtedness evidenced by the Loans, to the payment of all Senior Indebtedness at the time outstanding and to any securities issued in respect thereof under any such plan of reorganization or readjustment), which would otherwise (but for the subordination provisions hereof) be payable or deliverable in respect of the Loans (including any such payment or distribution which may be payable or deliverable by reason of the payment of any other indebtedness of the Guarantor being subordinated to the payment of the Loans) shall be paid or delivered directly to the holders of Senior Indebtedness or to their representative, or to the trustee under the indenture or agreement (if any) pursuant to which Senior Indebtedness may have been issued, in accordance with the priorities then existing among such holders until all Senior Indebtedness shall have been paid in full. No present or future holder of any Senior Indebtedness shall be

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prejudiced in the right to enforce subordination of the indebtedness constituting the Loans by any act or failure to act on the part of the Guarantor.

Senior Indebtedness shall not be deemed to have been paid in full unless the holders thereof shall have received cash, securities or other property equal to the amount of such Senior Indebtedness then outstanding. Upon the payment in full of all Senior Indebtedness, the Company shall be subrogated to all the rights of any holders of Senior Indebtedness to receive any further payments or distributions applicable to the Senior Indebtedness until the Loans shall have been paid in full, and such payments or distributions received by the Company, by reason of such subrogation, of cash, securities or other property which otherwise would be paid or distributed to the holders of Senior Indebtedness, shall, as between the Guarantor and its creditors other than the holders of Senior Indebtedness, on the one hand, and the Company, on the other, be deemed to be payment by the Guarantor on account of Senior Indebtedness, and not on account of the Loans.

ARTICLE V

Representations and Warranties

SECTION 5.01. Representations and Warranties. The Guarantor represents and warrants to the Company that:

(a) Good Standing. The Guarantor is a corporation duly incorporated and validly existing under the laws of the State of Delaware, with full power and authority to own its properties and conduct its business as now being conducted.

(b) Power and Authority. The Guarantor has full power and authority to enter into this Agreement and to incur and perform the obligations provided for herein, all of which have been duly authorized by all proper and necessary action.

(c) No Conflict. The execution and delivery of this Agreement and the performance by the Guarantor of all its obligations hereunder will not conflict with or result in a breach or violation of any of the terms or provisions of, or constitute a default under, any indenture, mortgage, deed of trust, loan agreement or other agreement or instrument to which the

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Guarantor is a party or by which the Guarantor is bound or subject, nor will this Agreement result in a violation of the provisions of the Guarantor's Restated Certificate of Incorporation or By-laws.

(d) Binding Agreement. This Agreement constitutes the valid and legally binding obligation of the Guarantor enforceable in accordance with its terms, subject to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar laws of general applicability relating to or affecting creditors' rights and to general equity principles.

ARTICLE VI

Covenants

SECTION 6.01. Covenants. (a) The Guarantor agrees that, so long as the Series [ ] Interests are outstanding, (i) it shall not declare or pay any dividend on, or redeem, purchase, acquire or make a liquidation payment with respect to, any of its capital stock, or make any guarantee payments with respect to the foregoing (other than payments pursuant to any guarantee of the Series [ ] Interests) if at such time (x) there shall have occurred any event that, with the giving of notice or the lapse of time or both, would constitute an Event of Default or (y) the Guarantor shall be in default with respect to its payment or other obligations under any guarantee of the Series [ ] Interests, (ii) it shall maintain ownership, directly or indirectly, of 100% of the Common Interests, (iii) in its capacity as a holder of Common Interests, it shall make such contributions to the Company, either in connection with the purchase of Common Interests or otherwise, so as to cause the Common Interests held by the Guarantor to be entitled in the aggregate to at least 21% of all interest in the capital, income, gain, loss, deduction, credit and distributions of the Company, (iv) it shall not voluntarily dissolve, wind-up or liquidate the Company, (v) it shall timely perform all of its duties as the Managing Member (as defined in the Prospectus Supplement dated March [ ], relating to the Series [ ] Interests) of the Company, and (vi) it shall use its reasonable efforts to cause the Company to remain a limited liability company under the laws of the State of Delaware and otherwise continue to be treated as a partnership for United States Federal income tax purposes.

(b) The Guarantor agrees that its obligations under this Agreement will also be for the benefit of the holders from time to time of Series [ ] Interests, and the Guarantor acknowledges and agrees that such

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holders will be

entitled to enforce this Agreement directly against the Guarantor.

(c) The Guarantor agrees not to permit another entity to merge with or into it unless (i) at such time no Event of Default has occurred and is continuing, or would occur as a result of such merger, and (ii) the Guarantor is the survivor of such merger or the entity formed by or resulting from such merger shall expressly assume payment of the principal of and premium, if any, and interest on (and any Additional Interest payable in respect of) the Loans.

ARTICLE VII

Events of Default

SECTION 7.01. Events of Default. If one or more of the following events (each an "Event of Default") shall occur and be continuing:

(a) default in the payment of interest on the Loans (including any Additional Interest) when due that continues for 10 days (whether by virtue of the provisions of Article IV or otherwise); provided, however, that a valid extension of the interest payment period by the Guarantor pursuant to Section 2.03 shall not constitute a default in the payment of interest for this purpose;

(b) default in the payment of principal on the Loans when due (whether by virtue of the provisions of Article IV or otherwise);

(c) the dissolution, winding up or liquidation of the Company;

(d) the bankruptcy, insolvency or liquidation of the Guarantor; or

(e) the breach by the Guarantor of any of its covenants contained herein continued for 30 days after notice to the Guarantor from any holder of the Series [ ] Interests;

then (i) in the case of clauses (a), (b) and (e), and at any time thereafter during the continuance of such event, the Company will have the right to

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declare the principal of and

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the interest on the Loans (including any Additional Interest and any interest subject to an extension of the interest payment period) and any other amounts payable on the Loans to be forthwith due and payable, and (ii) in the case of clauses (c) and (d), the principal of any interest on the Loans (including any Additional Interest and any interest subject to an extension of the interest payment period) and any other amounts payable on the Loans shall automatically become due and payable, whereupon in either case the Loans and any other amounts payable hereunder shall be forthwith due and payable without presentment, demand, protest or other notice of any kind, all of which are hereby expressly waived, anything in this Agreement to the contrary notwithstanding, and the Company will have the right to enforce its other rights as a defaulted creditor with respect to the Loans. The Guarantor expressly acknowledges that under the terms of the Series [ ] Interests, the holders of the outstanding Series [ ] Interests shall have the rights particularly described in the action of the Managing Member establishing the rights and powers of the Series [ ] Interests, including the right to appoint a trustee, which trustee shall be authorized to exercise the Company's rights to accelerate the principal amount of the Loan and to enforce the Company's other rights under this Agreement, and the Guarantor agrees to cooperate with such trustee.

ARTICLE VIII

Miscellaneous

SECTION 8.01. Notices. All notices hereunder shall be deemed given by a party hereto if in writing and delivered personally or by telegram or facsimile transmission or by registered or certified mail (return receipt requested) to the other party at the following address for

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such party (or at such other address as shall be specified by like notice):

If to the Company, to:

PaineWebber Finance L.L.C.
In care of Paine Webber Group Inc.
1285 Avenue of the Americas
New York, NY 10019
Facsimile No.: (212) 713-2114
Attention: Vice President, General
Counsel & Secretary

If to the Guarantor, to:

Paine Webber Group Inc.
1285 Avenue of the Americas
New York, NY 10019
Facsimile No.: (212) 713-2114
Attention: Vice President, General
Counsel & Secretary

Any notice given in accordance with the foregoing shall be effective when received.

SECTION 8.02. Binding Effect. The Guarantor shall have the right at all times to assign any of its rights or obligations under this Agreement to a direct or indirect wholly owned subsidiary of the Guarantor; provided, however, that, in the event of any such assignment, the Guarantor shall remain jointly and severally liable for all such obligations. The Company may not assign any of its rights hereunder without the prior written consent of the Guarantor. Subject to the foregoing, this Agreement shall be binding upon and inure to the benefit of the Guarantor and the Company and their respective successors and assigns. Any assignment by the Guarantor or the Company in contravention of such provisions will be null and void. This Agreement may not otherwise be assigned by the Guarantor or the Company.

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SECTION 8.03. GOVERNING LAW. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE INTERNAL LAWS OF THE STATE OF NEW YORK.

SECTION 8.04. Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which taken together shall constitute one and the same instrument.

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SECTION 8.05. Amendments. This Agreement may be amended by mutual consent of the parties in the manner the parties shall agree; provided, however, that, so long as any of the Series [ ] Interests remain outstanding, no such amendment shall be made that materially and adversely affects the rights of the holders of the Series A Interests, no termination of this Agreement shall occur, and no Event of Default or compliance with any covenant under this Agreement may be waived by the Company, without the prior approval of the holders of at least 66-2/3% in liquidation preference of all Series A Interests then outstanding, in writing or at a duly constituted meeting of such holders, unless and until the Loans and all accrued and unpaid interest thereon (including Additional Interest, if any) shall have been paid in full.

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

PAINE WEBBER GROUP INC.,

by

Name:
Title:

PAINEWEBBER FINANCE L.L.C.,

by Paine Webber Group Inc.,
as Managing Member,

by

Name:
Title:

EXHIBIT A

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PROMISSORY NOTE

U.S. $[ ] Dated: [ ], 199[ ]

FOR VALUE RECEIVED, the undersigned, PAINE WEBBER GROUP INC., a Delaware corporation (the "Borrower"), HEREBY PROMISES TO PAY to PAINEWEBBER FINANCE L.L.C., a Delaware limited liability company (the "Lender"), or its registered assigns the principal sum of [ ] United States Dollars ($[ ]), or if less, the unpaid principal amount of the Loans (as defined in the Loan Agreement referred to below) of the Lender to the Borrower, payable at such times, and in such amounts, as are specified in the Loan Agreement.

The Borrower promises to pay (i) interest on the unpaid principal amount of the Loans from the date hereof until such principal amount is paid in full, at such interest rates, and payable at such times, as are specified in the Loan Agreement and (ii) Additional Interest (as defined in the Loan Agreement referred below), if any.

Both principal and interest are payable in lawful money of the United States of America.

This Promissory Note is the Note referred to in, and is entitled to the benefits of, the Loan Agreement dated as of [ ], 199[ ] (said Agreement, as it may be amended or otherwise modified from time to time, the "Loan Agreement"), between the Borrower and the Lender. The Loan Agreement, among other things, (i) provides for the Loans of the Lender in an aggregate amount not to exceed the United States Dollar amount first above mentioned, the indebtedness of the Borrower resulting from such Loans being evidenced by this Note, (ii) contains provisions for acceleration of the maturity of the unpaid principal amount of this Note upon the happening of certain stated events and also for prepayments on account of the principal hereof prior to the maturity hereof upon the terms and conditions therein specified and (iii) contains provisions regarding the subordination of the Loans to Senior Indebtedness (as defined in the Loan Agreement) of the Borrower.

Demand, presentment, protest and notice of non-payment and protest are hereby waived by the Borrower.

THIS NOTE SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE INTERNAL LAWS OF THE STATE OF NEW YORK.

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PAINE WEBBER GROUP INC.,

by

Name:
Title:

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EXHIBIT 4.12
[Draft--3/14/94]

==

PAINE WEBBER GROUP INC.,

CHEMICAL BANK, as Depositary

AND

THE HOLDERS FROM TIME TO TIME
OF THE DEPOSITARY RECEIPTS HEREIN

Deposit Agreement
relating to [   ]%
Cumulative Preferred Stock,
Series [   ] of
Paine Webber Group Inc.

Dated as of March [   ], 1994

==

EXHIBIT 4.12
[Draft--3/14/94]

DEPOSIT AGREEMENT dated as of March [ ],
1994 among PAINE WEBBER GROUP INC., a

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corporation duly organized and existing under the laws of the State of Delaware, CHEMICAL BANK, a New York banking corporation and the holders from time to time of the Receipts described herein.

WHEREAS it is desired to provide, as hereinafter set forth in this Deposit Agreement, for the deposit of shares of [ ]% Cumulative Preferred Stock, Series [ ] of PAINE WEBBER GROUP INC. with the Depositary for the purposes set forth in this Deposit Agreement and for the issuance hereunder of Receipts (as hereinafter defined) evidencing Depositary Shares (as hereinafter defined) in respect of the Stock (as hereinafter defined) so deposited;

NOW, THEREFORE, in consideration of the premises, the parties hereto agree as follows:

ARTICLE I

Definitions

The following definitions shall for all purposes, unless otherwise indicated, apply to the respective terms used in this Deposit Agreement and the Receipts:

"Certificate of Designations" shall mean the Certificate of Designations filed with the Secretary of State of Delaware establishing the Stock as a series of preferred stock of the Company.

"Certificate of Incorporation" shall mean the Restated Certificate of Incorporation, as amended from time to time, of the Company.

"Company" shall mean Paine Webber Group Inc., a Delaware corporation having its principal office at 1285 Avenue of the Americas, New York, New York 10019, and its successors.

"Deposit Agreement" shall mean this Deposit Agreement, as amended or supplemented from time to time.

"Depositary" shall mean Chemical Bank, a New York banking corporation, and any successor as Depositary hereunder.

"Depositary Shares," shall mean Depositary Preferred Shares, each representing a one-eighth interest in a share of Stock and evidenced by a Receipt.

"Depositary's Agent" shall mean an agent appointed by the Depositary pursuant to Section 7.05.

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"Depositary's Office" shall mean the principal office of the Depositary for purposes hereof, currently located at 450 West 33rd Street, New York, New York, at which at any particular time its depositary receipt business shall be administered.

"Receipt" shall mean one of the depositary receipts issued hereunder, whether in definitive or temporary form.

"Record Holder" as applied with respect to a Receipt shall mean the person in whose name a Receipt is registered on the books of the Depositary maintained for such purpose.

"Registrar" shall mean any bank or trust company which shall be appointed to register ownership and transfers of Receipts as herein provided.

"Stock" shall mean shares of the Company's [ ]% Cumulative Preferred Stock, Series [ ], $20.00 par value.

ARTICLE II

Form of Receipts, Deposit of Stock, Execution and Delivery, Transfer, Surrender and Redemption of Receipts

SECTION 2.01. Form and Transfer of Receipts. Definitive Receipts shall be engraved or printed or lithographed on steel-engraved borders and shall be substantially in the form set forth in Exhibit A annexed to this Deposit Agreement, with appropriate insertions, modifications and omissions, as hereinafter provided. Pending the preparation of definitive Receipts, the Depositary, upon the written order of the Company delivered in compliance with Section 2.02, shall execute and deliver temporary Receipts sub-

stantially identical to (and entitling the holders thereof to all the rights pertaining to) the definitive Receipts but not in definitive form. Temporary Receipts shall be printed, lithographed, typewritten, mimeographed or otherwise substantially of the tenor of the definitive Receipts in lieu of which they are issued and with such appropriate insertions, omissions, substitutions and other variations as the persons executing such Receipts may determine, as evidenced by their execution of such Receipts. If temporary Receipts are issued, the Company and the Depositary will cause definitive Receipts to be prepared without unreasonable delay. After the preparation of definitive Receipts, the temporary Receipts shall be exchangeable for definitive Receipts upon surrender of the temporary Receipts at the Depositary's office, or such other office as the Depositary may designate, without charge to the holder. Upon surrender for cancellation of any one or more temporary Receipts, the depositary shall

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execute and deliver in exchange therefor definitive Receipts representing the same number of Depositary Shares as represented by the surrendered temporary Receipt or Receipts. Such exchange shall be made at the Company's expense and without any charge therefor. Until so exchanged, the temporary Receipts shall in all respects be entitled to the same benefits under this Agreement, and with respect to the Stock, as definitive Receipts.

Receipts shall be executed by the Depositary by the manual signature of a duly authorized officer of the Depositary; provided, that such signature may be a facsimile if a Registrar for the Receipts (other than the Depositary) shall have been appointed and such Receipts are countersigned by manual signature of a duly authorized officer of the Registrar. No Receipt shall be entitled to any benefits under this Deposit Agreement or be valid or obligatory for any purpose unless it shall have been executed manually by a duly authorized officer of the Depositary or, if a Registrar for the Receipts (other than the Depositary) shall have been appointed, by facsimile signature of a duly authorized officer of the Depositary and countersigned manually by a duly authorized officer of such Registrar. The Depositary shall record on its books each Receipt so signed and delivered as hereinafter provided.

Receipts shall be in denominations of any number of whole Depositary Shares.

Receipts may be endorsed with or have incorporated in the text thereof such legends or recitals or changes not inconsistent with the provisions of this Deposit Agreement as may be required by the Depositary or required to comply with any applicable law or any regulation thereunder or with the rules and regulations of any securities exchange upon which the Stock, the Depositary Shares or the Receipts may be listed or to conform with any usage with respect thereto, or to indicate any special limitations or restrictions to which any particular Receipts are subject.

Title to Depositary Shares evidenced by a Receipt which is properly endorsed, or accompanied by a properly executed instrument of transfer, shall be transferable by delivery with the same effect as in the case of a negotiable instrument; provided, however, that until transfer of a Receipt shall be registered on the books of the Depositary as provided in Section 2.04, the Depositary may, notwithstanding any notice to the contrary, treat the record holder thereof at such time as the absolute owner thereof for the purpose of determining the person entitled to distributions of dividends or other distributions or to any notice provided for in this Deposit Agreement and for all other purposes.

SECTION 2.02. Deposit of Stock; Execution and Delivery of Receipts in Respect Thereof. Subject to the terms and conditions of this Deposit Agreement, the Company may from time to time deposit shares of Stock under this Deposit Agreement by delivery to the Depositary of a certificate or

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certificates for the Stock to be deposited, properly endorsed or accompanied, if required by the Depositary, by a duly execute instrument of transfer or endorsement, in form satisfactory to the Depositary, together with all such certifications as may be required by the Depositary in accordance with the provisions of this Deposit Agreement, and together with a written order directing the Depositary to execute and deliver to, or upon the written order of, the person or persons stated in such order a Receipt or Receipts for the number of Depositary Shares representing interests in such deposited Stock.

Deposited Stock shall be held by the Depositary at the Depositary's Office or at such other place or places as the Depositary shall determine.

Upon receipt by the Depositary of a certificate or certificates for Stock deposited in accordance with the

provisions of this Section, together with the other documents required as above specified, and upon recordation of the Stock on the books of the Company in the name of the Depositary or its nominee, the Depositary, subject to the term and conditions of this Deposit Agreement, shall execute and deliver, to or upon the order of the person or persons named in the written order delivered to the Depositary referred to in the first paragraph of this Section, a Receipt for the number of Depositary Shares relating to the Stock so deposited and registered in such name or names as may be requested by such person or persons. The Depositary shall execute and deliver such Receipt at the Depositary's Office or such other offices, if any, as the Depositary may designate. Delivery at other offices shall be at the risk and expense of the person requesting such delivery. However, in each case, such delivery will be made only upon payment to the Depositary of all taxes and governmental charges and fees payable by the depositor, as provided in Section 5.07.

SECTION 2.03. Redemption of Stock. Whenever the Company shall elect to redeem shares of Stock in accordance with the provisions of the Certificate of Incorporation and the Certificate of Designations, it shall (unless otherwise agreed in writing with the Depositary) give the Depositary not less than 30 nor more than 60 days' notice of the date of such proposed redemption of Stock. On the date of such redemption, provided that the Company shall then have paid in full to the Depositary the redemption price of the Stock to be redeemed, plus any accrued and unpaid dividends thereon, the Depositary shall redeem the number of Depositary Shares representing such Stock. The Depositary shall mail notice of such redemption and the proposed simultaneous redemption of the number of Depositary Shares representing the Stock to be redeemed, first-class postage prepaid, not less than 20 and not more than 50 days prior to the date fixed for redemption of such Stock and Depositary Shares (the "Redemption Date"), to the record holders of the Receipts evidencing the Depositary Shares to be so redeemed, at the addresses of such holders as they appear on the records of the Depositary; but neither

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failure to mail any such notice to one or more such holders nor any defect in any notice to one or more such holders shall affect the sufficiency of the proceedings for redemptions to the other holders. Each such notice shall state: (i) the Redemption Date; (ii) the number of Depositary Shares to be redeemed and, if less than all the Depositary Shares held by any such holder are to be redeemed, the number of such Depositary

Shares held by such holder to be so redeemed; (iii) the redemption price (which shall include full cumulative dividends thereon to the Redemption Date); (iv) the place or places where Receipts evidencing Depositary Shares are to be surrendered for payment of the redemption price; and (v) that dividends in respect of the Stock underlying the Depositary Shares to be redeemed will cease to accumulate at the close of business on such Redemption Date. In case less than all the outstanding Depositary Shares are to be redeemed, the Depositary Shares to be so redeemed shall be selected by lot or pro rata as may be determined by the Depositary to be equitable.

Notice having been mailed by the Depositary as aforesaid, from and after the Redemption Date (unless the Company shall have failed to redeem the shares of Stock to be redeemed by it as set forth in the Company's notice provided for in the preceding paragraph) all dividends in respect of the shares of Stock so called for redemption shall cease to accumulate, the Depositary Shares being redeemed from such proceeds shall be deemed no longer to be outstanding, all rights of the holders of Receipts evidencing such Depositary Shares (except the right to receive the redemption price) shall, to the extent of such Depositary Shares, cease and terminate and, upon surrender in accordance with such notice of the Receipts evidencing any such Depositary Shares (properly endorsed or assigned for transfer, if the Depositary shall so require), such Depositary Shares shall be redeemed by the Depositary at a redemption price per Depositary Share equal to one-eighth of the redemption price per share paid in respect of the shares of Stock plus all money and other property, if any, represented by such Depositary Shares, including all amounts paid by the Company in respect of dividends which on the Redemption Date have accumulated on the shares of Stock to be so redeemed and have not theretofore been paid.

If less than all the Depositary Shares evidenced by a Receipt are called for redemption, the Depositary will deliver to the holder of such Receipt upon its surrender to the Depositary, together with the redemption payment, a new Receipt evidencing the Depositary Shares evidenced by such prior Receipt and not called for redemption.

SECTION 2.04. Registration of Transfer of Receipts. Subject to the terms and conditions of this Deposit Agreement, the Depositary shall register on its books from time to time transfers of Receipts upon any

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surrender thereof by the holder in person or by duly authorized attorney, properly endorsed or accompanied by a properly executed instrument of transfer. Thereupon the Depositary shall execute a new Receipt or Receipts evidencing the same aggregate number of Depositary Shares as those evidenced by the Receipt or Receipts surrendered and deliver such new Receipt or Receipts to or upon the order of the person entitled thereto.

SECTION 2.05. Split-ups and Combinations of Receipts; Surrender of Receipts and Withdrawal of Stock. Upon surrender of a Receipt or Receipts at the Depositary's Office or at such other offices as it may designate for the purpose of effecting a split-up or combination of such Receipt or Receipts, and subject to the terms and conditions of this Deposit Agreement, the Depositary shall execute and deliver a new Receipt or Receipts in the authorized denomination or denominations requested, evidencing the aggregate number of Depositary Shares evidenced by the Receipt or Receipts surrendered.

Any holder of a Receipt or Receipts representing any number of whole shares of Stock may withdraw the Stock and all money and other property, if any, represented thereby by surrendering such Receipt or Receipts at the Depositary's Office or at such other offices as the depositary may designate for such withdrawals. Thereafter, without unreasonable delay, the Depositary shall deliver to such holder, or to the person or persons designated by such holder as hereinafter provided, the number of whole shares of Stock and all money and other property, if any, represented by the Receipt or Receipts surrendered for withdrawal, but holders of such whole shares of Stock will not thereafter be entitled to deposit such Stock hereunder or to receive Depositary Shares therefor. If a Receipt delivered by the holder to the Depositary in connection with such withdrawal shall evidence a number of Depositary Shares in excess of the number of Depositary Shares representing the number of whole shares of Stock and such money and other property, if any, to be so withdrawn, deliver to such holder, or (subject to Section 2.04) upon his order, a new Receipt evidencing such excess number of Depositary Shares. Delivery of the Stock and the money and other property being withdrawn may be made by the delivery of such certificates, documents of title and other instruments as the Depositary may deem appropriate.

If the Stock and the money and other property being withdrawn are to be delivered to a person or persons other than the record holder of the Receipt or Receipts being surrendered for withdrawal of Stock, such holder shall execute and deliver to the Depositary a written order so directing the Depositary and the Depositary may require that the Receipt or Receipts surrendered by such holder for withdrawal of such shares of Stock be properly endorsed in blank or accompanied by a properly executed instrument of transfer

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in blank.

Delivery of the Stock and the money and other property, if any, represented by Receipts surrendered for withdrawal shall be made by the Depositary at the Depositary's Office, except that, at the request, risk and expense of the holder surrendering such Receipt or Receipts and for the account of the holder thereof, such delivery may be made at such other place as may be designated by such holder.

SECTION 2.06. Limitation on Execution and Delivery, Transfer, Surrender and Exchange of Receipts. As a condition precedent to the execution and delivery, registration of transfer, split-up, combination, surrender or exchange of any Receipt, the Depositary, any of the Depositary's Agents or the Company may require payment to it of a sum sufficient for the payment (or, in the event that the Depositary or the Company shall have made such payment, the reimbursement to it) of any charges or expenses payable by the holder of a Receipt pursuant to Section 5.07, may require the production of evidence satisfactory to it as to the identity and genuineness of any signature and may also require compliance with such regulations, if any, as the Depositary or the Company may establish consistent with the provisions of this Deposit Agreement.

The deposit of Stock may be refused, the delivery of Receipts against Stock may be suspended, the registration of transfer of Receipts may be refused and the registration of transfer, surrender or exchange of outstanding Receipts may be suspended (i) during any period when the register of stockholders of the Company is closed or (ii) if any such action is deemed necessary or advisable by the Depositary, any of the Depositary's Agents or the Company at any time or from time to time because of any requirement of law or of any government or governmental body or commission or under any provision of this Deposit Agreement.

SECTION 2.07. Lost Receipts, etc. In case any Receipt shall be mutilated, destroyed, lost or stolen, the Depositary in its discretion may execute and deliver a Receipt of like form and tenor in exchange and substitution for such mutilated Receipt, or in lieu of and in substitution for such destroyed, lost or stolen Receipt, upon (i) the filing by the holder thereof with the Depositary of evidence satisfactory to the Depositary of such destruction or loss or theft of such Receipt, of the authenticity thereof and of his or her ownership thereof and (ii) the furnishing of the Depositary with reasonable indemnification satisfactory to it.

SECTION 2.08. Cancellation and Destruction of Surrendered Receipts. All Receipts surrendered to the Depositary or any Depositary's Agent shall be canceled by the Depositary. Except as prohibited by applicable law or regulation, the Depositary is authorized to destroy all receipts so canceled.

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ARTICLE III

Certain Obligations of the Holders of Receipts and the Company

SECTION 3.01. Filing Proofs, Certificates and Other Information. Any holder of a Receipt may be required from time to time to file such proof of residence, or other matters or other information, to execute such certificates and to make such representations and warranties as the Depositary or the Company may reasonably deem necessary or proper. The Depositary or the Company may withhold the delivery, or delay the registration of transfer, redemption or exchange, of any Receipt or the withdrawal of the Stock represented by the Depositary Shares evidenced by any Receipt or the distribution of any dividend or other distribution or the sale of any rights or of the proceeds thereof until such proof or other information is filed or such certificates are executed or such representations and warranties are made.

SECTION 3.02. Payment of Taxes or Other Governmental Charges. Holders of Receipts shall be obligated to make payments to the Depositary of certain charges and expenses, as provided in Section 5.07. Registration of transfer of any Receipt or any withdrawal of Stock and all money or other property, if any, represented by the

Depositary Shares evidenced by such Receipt may be refused until such payment due is made, and any dividends, interest payments or other distributions may be withheld or all or any part of the Stock or other property represented by the Depositary Shares evidenced by such Receipt and not theretofore sold may be sold for the account of the holder thereof (after attempting by reasonable means to notify such holder prior to such sale), and such dividends, interest payments or other distributions or the proceeds of any such sale may be applied to any payment of such charges or expenses, the holder of such Receipt remaining liable of any deficiency.

SECTION 3.03. Warranty as to Stock. The Company hereby represents and warrants that the Stock, when issued, will be validly issued, fully paid and nonassessable. Such representation and warranty shall survive the deposit of the Stock and the issuance of Receipts.

ARTICLE IV

The Deposited Securities; Notices

SECTION 4.01. Cash Distributions. Whenever the Depositary shall receive any cash dividend or other cash distribution on Stock, the Depositary shall, subject to Sections 3.01 and 3.02, distribute to record holders of Receipts on the record date fixed pursuant to Section 4.04 such

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amounts of such dividend or distribution as are, as nearly as practicable, in proportion to the respective numbers of Depositary Shares evidenced by the Receipts held by such holders; provided, however, that in case the Company or the Depositary shall be required to withhold and shall withhold from any cash dividend or other cash distribution in respect of the Stock an amount on account of taxes, the amount made available for distribution or distributed in respect of Depositary Shares shall be reduced accordingly. The Depositary shall distribute or make available for distribution, as the case may be, only such amount, however, as can be distributed without attributing to any holder of Depositary Shares a fraction of one cent, and any balance not so distributable shall be held by the Depositary (without liability for interest thereon) and shall be added to and be treated as part of the next sum received by the Depositary for distribution to record holders of Receipts then outstanding.

SECTION 4.02. Distributions Other than Cash. Whenever the Depositary shall receive any distribution other than cash on Stock, the Depositary shall, subject to Sections 3.01 and 3.02, distribute to record holders of Receipts on the record date fixed pursuant to Section 4.04 such amounts of the securities or property received by it as are, as nearly as practicable, in proportion to the respective number of Depositary Shares evidenced by the Receipts held by such holders, in any manner that the Depositary may deem equitable and practicable for accomplishing such distribution. If in the opinion of the Depositary such distribution cannot be made proportionately among such record holders, or if for any other reason (including any requirement that the Company or the Depositary withhold an amount on account of taxes) the Depositary deems, after consultation with the Company, such distribution not to be feasible, the Depositary may, with the approval of the Company, adopt such method as it deems equitable and practicable for the purpose of effecting such distribution, including the sale (at public or private sale) of the securities or property thus received, or any part thereof, at such place or places and upon such terms as it may deem proper. The net proceeds of any such sale shall, subject to Sections 3.01 and 3.02, be distributed or made available for distribution, as the case may be, by the Depositary to record holders of Receipts as provided by Section 4.01 in the case of a distribution received in cash.

SECTION 4.03. Subscription Rights, Preferences or Privileges. If the Company shall at any time offer or cause to be offered to the persons in whose names Stock is recorded on the books of the Company any rights, preferences or privileges to subscribe for or to purchase any securities or any rights, preferences or privileges of any other nature, such rights, preferences or privileges shall in each such instance be made available by the Depositary to the record holders of Receipts in such manner as the depositary may determine, either by the issue to such record holders of warrants representing such rights, preferences or privileges or by such other method as may be approved by the Depositary in its discretion with the approval of the Company;

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provided, however, that (i) if at the time of issue or offer of any such rights, preferences or privileges the Depositary determines that it is not lawful or (after consultation with the Company) not feasible to make such rights, preferences or privileges available to holders of Receipts by the issue of warrants or otherwise, or (ii) if and to the extent so instructed by holders of Receipts who do not desire to exer-

cise such rights, preferences or privileges, then the Depositary, in its discretion (with the approval of the Company, in any case where the Depositary has determined that it is not reasonable to make such rights, preferences or privileges available), may, if applicable laws or the terms of such rights, preferences or privileges permit such transfer, sell such rights, preferences or privileges at public or private sale, at such place or places and upon such terms as it may deem proper. The net proceeds of any such sales shall be distributed by the Depositary to the record holders of Receipts entitled thereto as provided by Section 4.01 in the case of a distribution received in cash.

If registration under the Securities Act of 1933, as amended, of the securities to which any rights, preferences or privileges relate is required in order for holders of Receipts to be offered or sold the securities to which such rights, preferences or privileges relate, the Company agrees with the Depositary that it will file promptly a registration statement pursuant to such Act with respect to such rights, preferences or privileges and securities and use its best efforts and take all steps available to it to cause such registration statement to become effective sufficiently in advance of the expiration of such rights, preferences or privileges to enable such holders to exercise such rights, preferences or privileges. In no event shall the Depositary make available to the holders of Receipts any right, preference or privilege to subscribe for or to purchase any securities unless and until such a registration statement shall have become effective or unless the offering and sale of such securities to such holders are exempt from registration under the provisions of such Act.

If any other action under the laws of any jurisdiction or any governmental or administrative authorization, consent or permit is required in order for such rights, preferences or privileges to be made available to holders of Receipts, the Company agrees with the Depositary that the Company will use its best efforts to take such action or obtain such authorization, consent or permit sufficiently in advance of the expiration of such rights, preferences or privileges to enable such holders to exercise such rights, preferences or privileges.

SECTION 4.04. Notice of Dividends, etc.; Fixing of Record Date for Holders of Receipts. Whenever any cash dividend or other cash distribution shall become payable or any distribution other than cash shall be

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made, or if

rights, preferences or privileges shall at any time be offered, with respect to Stock, or whenever the Depositary shall receive notice of (a) any meeting at which holders of Stock are entitled to vote or of which holders of Stock are entitled to notice or (b) any election on the part of the Company to redeem any Shares of Stock, the Depositary shall in each such instance fix a record date (which shall be the same date as the record date fixed by the Company with respect to the Stock) for the determination of the holders of Receipts who shall be entitled hereunder to receive a distribution in respect of such dividend, distribution, rights, preferences or privileges or the net proceeds of the sale thereof, or to give instructions for the exercise of voting rights at any such meeting or to receive notice of such meeting or redemption of Stock.

SECTION 4.05. Voting Rights. Upon receipt of notice of any meeting at which the holders of Stock are entitled to vote, the Depositary shall, as soon as practicable thereafter, mail to the record holders of Receipts a notice which shall contain (i) such information as is contained in such notice of meeting and (ii) a statement that the holders may, subject to any applicable restrictions, instruct the Depositary as to the exercise of the voting rights pertaining to the amount of Stock underlying their respective Depositary Shares (including an express indication that instructions may be given to the Depositary to give a discretionary proxy to a person designated by the Company) and a brief statement as to the manner in which such instructions may be given. Upon the written request of the holders of Receipts on such record date, the Depositary shall endeavor insofar as practicable to vote or cause to be voted, in accordance with the instructions set forth in such requests, the maximum number of whole shares of Stock underlying the Depositary Shares evidenced by all Receipts as to which any particular voting instructions are received. The Company hereby agrees to take all action which may be deemed necessary by the Depository in order to enable the Depository to vote such Stock or cause such Stock to be voted. In the absence of specific instructions from the holder of the Receipt, the Depositary will abstain from voting (but, at its discretion, not from appearing at any meeting with respect to such Stock unless directed to the contrary by the holders of all the Receipts) to the extent of the Stock underlying the Depositary Shares evidenced by such Receipt.

SECTION 4.06. Changes Affecting Deposited Securities and Reclassification, Recapitalization, etc. Upon

any change in par or stated value, split-up, combination or any of the reclassification of the Stock, or upon any recapitalization, reorganization, merger, amalgamation or consolidation or sale of all or substantially all the

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Company's assets affecting the Company or to which it is a party, the Depositary may in its discretion with the approval of, and shall upon the instructions of, the Company, and (in either case) in such manner as the Depositary may deem equitable, (i) make such adjustments in (a) the fraction of an interest in one share of Stock underlying one Depositary Share and (b) the ratio of the redemption price per Depositary Share to the redemption price of a share of Stock, in each case as may be necessary fully to reflect the effects of such change in par or stated value, split-up, combination or other reclassification of Stock, or of such recapitalization, reorganization, merger, amalgamation or consolidation or sale and (ii) treat any securities which shall be received by the Depositary in exchange for or upon conversion of or in respect of the Stock as new deposited securities so received in exchange for or upon conversion or in respect of such Stock. In any such case the Depositary may in its discretion, with the approval of the Company, execute and deliver additional Receipts, or may call for the surrender of all outstanding Receipts to be exchanged for new Receipts specifically describing such new deposited securities.

Anything to the contrary herein notwithstanding, holders of Receipts shall have the right from and after the effective date of any such change in par or stated value, split-up, combination or other reclassification of Stock or any such recapitalization, reorganization, merger, amalgamation or consolidation to surrender such Receipts to the Depositary with instructions to convert, exchange or surrender the shares of Stock attributable thereto into or for, as the case may be, the kind and amount of shares of stock and other securities and property and cash into which the Stock represented by such Receipts was converted or for which such Stock was exchanged or surrendered after giving effect to such transaction.

SECTION 4.07. Inspection of Reports. The Depositary shall make available for inspection by holders of Receipts at the Depositary's Office, and at such other places as it may from time to time deem advisable, any reports and communications received from the Company which are received by the Depositary as the holder of Stock.

SECTION 4.08. List of Receipt Holders. Promptly upon request from time to time by the Company, the Depositary shall furnish to it a list, as of a recent date, of the names, addresses and holdings of Stock of all persons in whose names Receipts are registered on the books of the Depositary or Registrar, as the case may be.

ARTICLE V

The Depositary, the Depositary's Agents, the Registrar and the Company

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SECTION 5.01. Maintenance of Offices, Agencies and Transfer Books by the Depositary; Registrar. Upon execution of this Deposit Agreement, the Depositary shall maintain, at the Depositary's Office, facilities for the execution and delivery, registration and registration of transfer, surrender and exchange of Receipts, and at the offices of the Depositary's Agents, if any, facilities of the delivery, registration or transfer, surrender and exchange of Receipts, all in accordance with the provisions of this Deposit Agreement.

The Depositary shall keep books at the Depositary's Office for the registration and registration of transfer of Receipts, which books at all reasonable times shall be open for inspection by the record holders of Receipts; provided, that any such holder requesting to exercise such right shall certify to the Depositary that such inspection shall be for a proper purpose reasonably related to such person's interest as an owner of Depositary Shares evidenced by the Receipts.

The Depositary may close such books, at any time or from time to time, when deemed expedient by it in connection with the performance of its duties hereunder.

If the Receipts or the Depositary Shares evidenced thereby or the Stock underlying such Depositary Shares shall be listed on the New York Stock Exchange, the Depositary may, with the approval of the Company, appoint a Registrar for registration of such Receipts or Depositary Shares in accordance with any requirements of such Exchange. Such Registrar (which may be the Depositary if so permitted by the requirements of such Exchange) may be removed and a substitute Registrar appointed by the Depositary upon the request or with the approval of the company. If the

Receipts, such Depositary Shares or such Stock are listed on one or more other stock exchanges, the Depositary will, at the request of the Company, arrange such facilities for the delivery, registration, registration of transfer, surrender and exchange of such Receipts, such Depositary Shares or such Stock as may be required by law or applicable stock exchange regulation.

SECTION 5.02. Prevention of or Delay in Performance by the Depositary, the Depositary's Agents, the Registrar or the Company. Neither the Depositary nor any Depositary's Agent nor any Registrar nor the Company shall incur any liability to any holder of any Receipt if by reason of any provision of any present or future law, or regulation thereunder, of the United States of America or of any other governmental authority or, in the case of the Depositary, the Depositary's Agent or the Registrar, by reason of any provision, present or future, of the Certificate of Incorporation (including the Certificate of Designations) or by reason of any act of God or war or other circumstance beyond the control of the relevant party, the Depositary, the Depositary's Agent, the Registrar or the Company shall be prevented or

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forbidden from doing or performing any act or thing which the terms of this Deposit Agreement provide shall be done or performed; nor shall the Depositary, any Depositary's Agent, any Registrar or the Company incur any liability to any holder of a Receipt (i) by reason of any nonperformance or delay, caused as aforesaid, in the performance of any act or thing which the terms of this Deposit Agreement provide shall or may be done or performed, or (ii) by reason of any exercise of, or failure to exercise, any discretion provided for in this Deposit Agreement except, in case of any such exercise or failure to exercise discretion not caused as aforesaid, if caused by the negligence or wilful misconduct of the party charged with such exercise or failure to exercise.

SECTION 5.03. Obligations of the Depositary, the Depositary's Agents, the Registrar and the Company. Neither the Depositary nor any Depositary's Agent nor any Registrar nor the Company assumes any obligation or shall be subject to any liability under this Deposit Agreement to holders of Receipts other than for its negligence or wilful misconduct.

Neither the Depositary nor any Depositary's Agent nor any Registrar nor the Company shall be under any obligation to appear in, prosecute or defend any action, suit or other proceeding in respect of the Stock, the Depositary

Shares or the Receipts which in its opinion may involve it in expense or liability unless indemnity satisfactory to it against all expense and liability be furnished as often as may be required.

Neither the Depositary nor any Depositary's Agent nor any Registrar nor the Company shall be liable for any action or any failure to act by it in reliance upon the written advice of legal counsel or accountants, or information from any person presenting Stock for deposit, any holder of a Receipt or any other person believed by it in good faith to be competent to give such information. The Depositary, any Depositary's Agent, any Registrar and the Company may each rely and shall each be protected in acting upon any written notice, request, direction or other document believed by it to be genuine and to have been signed or presented by the proper party or parties.

The Depositary shall not be responsible for any failure to carry out any instruction to vote any of the shares of Stock or for the manner or effect of any such vote, as long as any such action or nonaction is in good faith. The Depositary undertakes, and any Registrar shall be required to undertake, to perform such duties and only such duties as are specifically set forth in this Agreement, and no implied covenants or obligations shall be read into this Agreement against the Depositary or any Registrar. The Depositary will indemnify the Company against any liability which may arise out of acts performed or omitted by the Depositary or its agent due to this or their negligence or bad faith. The Depositary, the Depositary's Agents and any Registrar may own and deal in any class of securities of the Company or its

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affiliates and in Receipts. The Depositary may also act as transfer agent or registrar of any of the securities of the Company and its affiliates.

SECTION 5.04. Resignation and Removal of the Depositary; Appointment of Successor Depositary. The Depositary may at any time resign as Depositary hereunder by notice of its election so to do delivered to the Company, such resignation to take effect upon the appointment of a successor depositary and its acceptance of such appointment as hereinafter provided.

The Depositary may at any time be removed by the Company by notice of such removal delivered to the Depositary, such removal to take effect upon the appointment of a

successor Depositary and its acceptance of such appointment as hereinafter provided.

In case the Depositary acting hereunder shall at any time resign or be removed, the Company shall, within 60 days after the delivery of the notice of resignation or removal, as the case may be, appoint a successor Depositary, which shall be a bank or trust company having its principal office in the United States of America and having a combined capital and surplus of at least $50,000,000. Every successor Depositary shall execute and deliver to its predecessor and to the Company an instrument in writing accepting its appointment hereunder, and thereupon such successor Depositary, without any further act or deed, shall become fully vested with all the rights, powers, duties and obligations of its predecessor and for all purposes shall be the Depositary under this Deposit Agreement, and such predecessor, upon payment of all sums due it and on the written request of the Company, shall execute and deliver an instrument transferring to such successor all rights and powers of such predecessor hereunder, shall duly assign, transfer and deliver all right, title and interest in the Stock and any moneys or property held hereunder to such successor and shall deliver to such successor a list of the record holders of all outstanding Receipts. Any successor Depositary shall promptly mail notice of its appointment to the record holders of Receipts.

Any corporation into or with which the Depositary may be merged, consolidated or converted shall be the successor of such Depositary without the execution or filing of any document or any further act. Such successor Depositary may authenticate the Receipts in the name of the predecessor Depositary or in the name of the successor Depositary.

SECTION 5.05. Corporate Notices and Reports. The Company agrees that it will deliver to the Depositary, and the Depositary will, promptly after receipt thereof, transmit to the record holders of Receipts, in each case at the address recorded in the Depositary's books, copies of all notices and reports (including, without limitation, financial statements) required by law, the rules of any national securities exchange upon which the

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Stock, the Depositary Shares or the Receipts are listed or by the Certificate of incorporation (including the Certificate of Designations) to be furnished by the Company to holders of Stock. Such transmission will be at the Company's expense, and the Company will provide the Depositary with such number of

copies of such documents as the Depositary may reasonably request. In addition, the Depositary will transmit to the holders of Receipts (at the Company's expense) such other documents as may be requested by the Company.

SECTION 5.06. Indemnification by the Company. The Company shall indemnify the Depositary, any Depositary's Agent and any Registrar against, and hold each of them harmless from, any loss, liability or expense (including the costs and expenses of defending itself) which may arise out of (i) acts performed or omitted in connection with this Agreement and the Receipts (a) by the Depositary, any Registrar or any of their respective agents (including any Depositary's Agent), except for any liability arising out of negligence or bad faith on the respective parts of any such person or persons, or (b) by the company or any of its agents (other than the Depositary, the Depositary's Agents, the Registrar, if any, or any of their agents), or (ii) the offer, sale or registration of the Receipts or the Stock pursuant to the provisions hereof.

SECTION 5.07. Charges and Expenses. The Company shall pay all transfer and other taxes and governmental charges arising solely from the existence of the depositary arrangements. The Company shall pay all charges of the Depositary in connection with the initial deposit of the Stock and the initial issuance of the Depositary Shares in any redemption of the Stock at the option of the Company. All other transfer and other taxes and governmental charges shall be at the expense of holders of Depositary Shares. If, at the request of a holder or Receipts, the Depositary incurs charges or expenses for which it is not otherwise liable hereunder, such holder will be liable for such shares and expenses. All other charges and expenses of the Depositary and any Depositary's Agent hereunder and of any Registrar (including, in each case, fees and expenses of counsel) incident to the performance of their respective obligations hereunder will be paid upon consultation and agreement between the Depositary and the Company as to the amount and nature of such charges and expenses. The Depositary shall present its statement for charges and expenses to the Company once every three months or at such other intervals as the Company and the Depositary may agree.

ARTICLE VI

Amendment and Termination

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SECTION 6.01. Amendment. The form of the Receipts and any provisions of this Deposit Agreement may at any time and from time to time be amended by agreement between the Company and the Depositary in any respect which they may deem necessary or desirable; provided, however, that no such amendment which shall materially and adversely alter the rights of the holders of Receipts shall be effective unless such amendment shall have been approved by the holders or at least a majority of the Depositary Shares then outstanding. Every holder of an outstanding Receipt at the time any such amendment becomes effective shall be deemed, by continuing to hold such Receipt, to consent and agree to such amendment and to be bound by the Deposit Agreement as amended thereby. In no event shall any amendment impair the right, subject to the provisions of Sections 2.05 and 2.06 hereof, of any owner of any Depositary Shares to surrender the Receipt evidencing such Depositary Shares with instructions to the Depositary to deliver to the holder the Stock and all money and other property, if any, represented thereby, except in order to comply with mandatory provisions of applicable law.

SECTION 6.02. Termination. This Agreement may be terminated by the Company or the Depositary only after (i) all outstanding Depositary Shares shall have been redeemed pursuant to Section 2.03 or (ii) there shall have been made a final distribution in respect of the Stock in connection with any liquidation, dissolution or winding up of the Company and such distribution shall have been distributed to the holders of Depositary Shares pursuant to Section 4.01 or 4.02, as applicable.

Upon the termination of this Deposit Agreement, the Company shall be discharged from all obligations under this Deposit Agreement except for its obligations to the Depositary, any Depositary's Agent and any Registrar under Sections 5.06 and 5.07.

ARTICLE VII

Miscellaneous

SECTION 7.01. Counterparts. This Deposit Agreement may be executed in any number of counterparts, and by each of the parties hereto on separate counterparts, each of which counterparts, when so executed and delivered, shall be deemed an original, but all such counterparts taken together, shall constitute one and the same instrument.

SECTION 7.02. Exclusive Benefit of Parties. This Deposit Agreement is for the exclusive benefit of the parties hereto, and their respective successors hereunder, and shall not be deemed to give any legal or equitable right, remedy or claim to any other person whatsoever.

SECTION 7.03. Invalidity of Provisions. In case any one or more of the provisions contained in this Deposit Agreement or in the Receipts

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should be or become invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein or therein shall in no way be affected, prejudiced or disturbed thereby.

SECTION 7.04. Notices. Any and all notices to be given to the Company hereunder or under the Receipts shall be in writing and shall be deemed to have been duly given if personally delivered or sent by mail or telegram or telex confirmed by letter, addressed to the Company at 1285 Avenue of the Americas, New York, New York 10019, to the attention of the Secretary, or at any other address of which the Company shall have notified the Depositary in writing.

Any and all notices to be given to the Depositary hereunder or under the Receipts shall be in writing and shall be deemed to have been duly given if personally delivered or sent by mail or by telegram or telex confirmed by letter, addressed to the Depositary at the Depositary's Office, or at any other address of which the Depositary shall have notified the Company in writing.

Any and all notices to be given to any record holder of a Receipt hereunder or under the Receipts shall be in writing and shall be deemed to have been duly given if personally delivered or sent by mail or by telegram or telex confirmed by letter, addressed to such record holder at the address of such record holder as it appears on the books of

the Depositary, or if such holder shall have filed with the Depositary a written request that notices intended for such holder be mailed to some other address, at the address designated in such request.

Delivery of a notice sent by mail or by telegram or telex shall be deemed to be effected at the time when a duly addressed letter containing the same (or a confirmation thereof in the case of a telegram or telex message) is deposited, postage prepaid, in a post office letter box. The Depositary or the Company may, however, act upon any telegram or telex message received by it from the other or from any holder of a Receipt, notwithstanding that such telegram or telex message shall not subsequently be confirmed by letter or as aforesaid.

SECTION 7.05. Depositary's Agents. The Depositary may from time to time appoint Depositary's Agents to act in any respect for the depositary for the purposes of this Deposit Agreement and may at any time appoint additional Depositary's Agents and vary or terminate the appointment of such Depositary's Agents. The Depositary will notify the Company of any such action.

SECTION 7.06. Holders of Receipts Are Parties. The holders of Receipts from time to time shall be parties to this Deposit Agreement and

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shall be bound by all of the terms and conditions hereof and of the Receipts by acceptance of delivery thereof.

SECTION 7.07. GOVERNING LAW. THIS DEPOSIT AGREEMENT AND THE RECEIPTS AND ALL RIGHTS HEREUNDER AND THEREUNDER AND PROVISIONS HEREOF AND THEREOF SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE INTERNAL LAWS OF THE STATE OF NEW YORK.

SECTION 7.08. Inspection of Deposit Agreement. Copies of this Deposit Agreement shall be filed with the Depositary and the Depositary's Agents and shall be open to inspection during business hours at the Depositary's Office and the respective offices of the Depositary's Agents, if any, by any holder of a Receipt.

SECTION 7.09. Headings. The headings of articles and sections in this Deposit Agreement and in the form of the Receipt set forth in Exhibit A hereto have been inserted for convenience only and are not be regarded as a part of this Deposit Agreement or the Receipts or to have any

bearing upon the meaning or interpretation of any provision contained herein or in the Receipts.

IN WITNESS WHEREOF, the Company and the Depositary have duly executed this Agreement, as of the day and year first above set forth, and all holders by Receipts shall become parties hereto by and upon acceptance of them of delivery of Receipts issued in accordance with the terms hereof.

PAINE WEBBER GROUP INC.,

by

Authorized Officer

(Seal]

Attest:

- ----------------------------

CHEMICAL BANK, as Depositary,

by

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----
Authorized Officer

(Seal]

Attest:

- ---------------------------

EXHIBIT A

FORM OF FACE OF DEPOSITARY RECEIPT

DEPOSITARY RECEIPT
FOR
DEPOSITARY SHARES,
EACH REPRESENTING A ONE-EIGHTH
INTEREST IN A SHARE OF [ ]% CUMULATIVE
PREFERRED STOCK, SERIES [ ]
($20.00 par value)

OF

PAINE WEBBER GROUP INC.

(INCORPORATED UNDER THE LAWS OF THE STATE OF DELAWARE)

NUMBER ________ DEPOSITARY SHARES

(EACH DEPOSITARY SHARE REPRESENTS A ONE-EIGHTH INTEREST IN A SHARE OF [ ]% CUMULATIVE PREFERRED STOCK, SERIES [ ] ($20.00 par value) OF PAINE WEBBER GROUP INC.)

CUSIP [ ]

1. Chemical Bank, a New York banking corporation, as Depositary (the "Depositary"), hereby certifies that [ ] is the registered owner of Depositary Shares ("Depositary Shares"), each Depositary Share representing a one-eighth interest in a share of [ ]% Cumulative Preferred Stock, Series [ ], $20.00 par value (the "Preferred Stock"), of Paine Webber Group Inc., a corporation duly organized and existing under the laws of the State of Delaware

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(the "Company"). Subject to the terms of the Deposit Agreement (as defined below), each owner of a Depositary Share is entitled, through the Depositary, and in proportion to the fractional interest in a share of the Preferred Stock underlying the Depositary Shares set forth above, to all the rights and preferences of the Preferred Stock relating thereto, including dividend, voting, redemption and liquidation rights contained in the Company's Restated Certificate of Incorporation (the "Certificate of Incorporation"), and the certificate of designations adopted

by the Company's Board of Directors and filed with the Secretary of State of the State of Delaware establishing the Preferred Stock as a series of preferred stock of the Company and setting forth the number, terms, powers, designations, rights, preferences, qualifications, restrictions and limitations of the Preferred Stock (the "Certificate of Designations"), copies of which are on file at the Depositary's Office located, as of the execution date of the Depositary Agreement, at 450 West 33rd Street, New York, New York.

2. The Deposit Agreement. Depositary Receipts (the "Receipts"), of which this Receipt is one, are made available upon the terms and conditions set forth in the Deposit Agreement, dated as of March [ ], 1994 (the "Deposit Agreement"), among the Company, the Depositary and the holders from time to time of Receipts. The Deposit Agreement (copies of which are on file at the Depositary's Office) sets forth the rights of holders of Receipts and the rights and duties of the Depositary and the Company in respect of the Preferred Stock deposited, and any and all other property and cash deposited from time to time, thereunder. The statements made on the face and the reverse of this Receipt are summaries of certain provisions of the Deposit Agreement and are subject to the detailed provisions thereof, to which reference is hereby made. Unless otherwise expressly herein provided, all capitalized terms used herein shall have the meanings ascribed thereto in the Deposit Agreement.

3. Redemption. Whenever the Company shall be permitted and shall elect to redeem shares of Preferred Stock in accordance with the provisions of the Certificate of Incorporation and the Certificate of Designations, it shall (unless otherwise agreed in writing with the Depositary) give the Depositary not less than 30 nor more than 60 days' notice of the date of such proposed redemption of Preferred Stock. The Depositary shall mail notice of such redemption and the proposed simultaneous redemption of the number of Depositary Shares representing the Preferred Stock to be redeemed, first-class postage prepaid, not less than 20 and not more than 50 days prior to the date fixed for redemption of such Preferred Stock and Depositary Shares (the "Redemption Date") to the record holders of the Receipts evidencing the Depositary Shares to be so redeemed. Each such notice shall state: (a) the Redemption Date;

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(b) the number of Depositary Shares to be redeemed and, if less than all the Depositary Shares held by any such holder are to be redeemed the number of the Depositary Shares held by such holder to be redeemed; (c) the redemption price (which shall include full cumulative dividends thereon to the Redemption Date); (d) the place or places where Receipts evidencing Depositary Shares are to be surrendered for payment of the redemption price; and (e) the dividends in respect of the Preferred Stock underlying the Depositary Shares to be redeemed will cease to accumulate at the close of business on such Redemption Date. In case less than all the outstanding Depositary Shares are to be redeemed, the Depositary Shares to be so redeemed shall be selected by lot or pro rate as may be determined by the Depositary to be equitable. Notice having been mailed by the Depositary as aforesaid, from and after the Redemption Date (unless the Company shall be failed to redeemed the shares of Preferred Stock to be redeemed by it on such date), all dividends in respect of the shares of Preferred Stock so called for redemption shall cease to accumulate, the Depositary Shares being redeemed from such proceeds shall be deemed no longer to be outstanding, all rights of the holders of Receipts evidencing such Depositary Shares (except the right to receive the redemption price) shall, to the extent of such Depositary Shares, cease and terminate and, upon surrender in accordance with such notice of the Receipts evidencing any such Depositary Shares (properly endorsed or assigned for transfer, if the Depositary shall so require), such Depositary Shares shall be redeemed by the Depositary at a redemption price per Depositary Share equal to one-eighth of the redemption price per share paid in respect of the shares of Preferred Stock plus all money and other property, if any, represented by such Depositary Shares, including all amounts paid by the Company in respect of dividends which on the Redemption Date have accumulated on the shares of Preferred Stock to be so redeemed and have not theretofore been paid.

4. Transfer, Split-ups, Combinations. This Receipt is transferable on the books of the Depositary upon surrender of this Receipt of the Depositary by the holder in person or by duly authorized attorney, properly endorsed or accompanied by a properly executed instrument of transfer, and upon such transfer the Depositary shall execute a new Receipt to or upon the order of the person entitled thereto, as provided in the Deposit Agreement. This Receipt may be

split into other Receipts or combined with other Receipts into one Receipt,

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subject to the terms and conditions of the Deposit Agreement, evidencing the same aggregate number of Depositary Shares as the Receipt or Receipts surrendered.

5. Surrender of Receipts and Withdrawal of Preferred Stock. The holder of this Receipt, if this Receipt (together with any other Receipts surrendered by such holder) represents any number of whole shares of Preferred Stock, may withdraw the Preferred Stock and all money and other property, if any, represented hereby by surrendering this Receipt (and such other Receipts) at the Depositary's Office or at such other offices as the Depositary may designated for such withdrawals. Upon such surrender, the Depositary shall deliver to such holder, or upon the order of such other person or persons designated by such holder as provided in the Deposit Agreement, the number of whole shares of Preferred Stock and all money and other property, if any, represented by the Receipt or Receipts so surrendered for withdrawal, but holders of such whole shares of Preferred Stock will not thereafter be entitled to deposit such Preferred Stock under the Deposit Agreement or to receive Depositary Shares therefor. If a Receipt delivered by the holder to a Depositary in connection with such withdrawal shall evidence a number of Depositary Shares in excess of the number of Depositary Shares representing the number of whole shares of Preferred Stock to be so withdrawn, the Depositary shall at the same time, in addition to such number of whole shares of Preferred Stock and such money and other property, if any, to be so withdrawn, deliver to such holder, or (subject to the provisions of the Deposit Agreement) upon his order, a new Receipt evidencing such excess number of Depositary Shares. Delivery of the Preferred Stock and money and other property being withdrawn may be made by the delivery of such certificates, documents of title and other instruments as the Depositary may deem appropriate, which, if required by law, shall be properly endorsed or accompanied by proper instruments of transfer.

If the Preferred Stock and the money and other property being withdrawn are to be delivered to a person or persons other than the record holder of this Receipt or such other Receipts being surrendered for withdrawal of Preferred Stock, such holder shall execute and deliver to the Depositary a written order so directing the Depositary, and

the Depositary may require that this Receipt or such other Receipts surrendered by such holder for withdrawal of such shares of Preferred Stock be properly endorsed in blank or accompanied by a properly executed instrument of transfer in blank.

6. Suspension of Delivery, Transfer, etc. The transfer or surrender of

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this Receipt may be suspended during any period when the register of stockholders of the Company is closed or if any such action is deemed necessary or advisable by the Depositary, any agent of the Depositary or the Company at any time or from time to time because of any requirement of law or any government or governmental body or commission, or under any provision of the Deposit Agreement.

7. Payment of Taxes or Other Governmental Charges. If any tax or other governmental charge shall become payable by or on behalf of the Depositary with respect to this Receipt, such tax (including transfer taxes, if any) or governmental charge shall be payable by the holder hereof, subject to certain exception in the Deposit Agreement. Transfer of this Receipt may be refused until such payment is made, and any dividends, interest payments or other distributions may be withheld or all or any part of the Preferred Stock or other property represented by this Receipt and not theretofore sold may be sold for the account of the holder thereof (after attempting by reasonable means to notify such holder prior to such sale), and such dividends, interest payments or other distributions or the proceeds of any such sale may be applied to any payment of such charges or expenses, the holder of this Receipt remaining liable for any deficiency.

8. Warranty by the Company. The Company has represented and warranted that the Preferred Stock, when issued, will be validly issued, fully paid and nonassessable.

9. Amendment. The form of the Receipts and any provisions of the Deposit Agreement may at any time and from time to time be amended by agreement between the Company and the Depositary in any respect which they deem necessary or desirable; provided, however, that no such amendment which shall materially and adversely alter the rights of the holders of Receipts shall be effective unless such amendment

shall have been approved by the holders of at least a majority of the Depositary Shares then outstanding. A holder of a Receipt at the time any such amendment so becomes effective shall be deemed, by continuing to hold such Receipt, to consent and agree to such amendment and to be bound by the Deposit Agreement as amended thereby. In no event shall any amendment impair the right, subject to the provisions of Sections 2.05 and 2.06 of the Deposit Agreement, of the owner of the Depositary Shares evidenced by this Receipt to surrender this Receipt with instructions to the Depositary to delivery to the holder the number of whole shares of the Preferred Stock and all money and other property, if any, represented thereby, except in order to comply with

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mandatory provisions of applicable law.

Dated: CHEMICAL BANK

Depositary, Transfer Agent and Registrar

By

Authorized Officer

FURTHER CONDITIONS AND AGREEMENTS FORMING PART OF THIS RECEIPT APPEAR ON THE REVERSE SIDE.

FORM OF REVERSE OF DEPOSITARY RECEIPT

10. Charges of Depositary. The Company will pay all transfer and other taxes and governmental charges arising solely from the existence of the depositary arrangements and all charges of the Depositary in connection with the initial deposit of the Preferred Stock and the initial issuance of the Depositary Shares and any redemption of the Preferred Stock at the option of the Company. All other transfer and other taxes and other governmental charges shall be at the expense of the holders of Depositary Shares.

11. Title to Receipts. This Receipt (and the Depositary Shares evidenced hereby), when properly endorsed or accompanied by a properly executed instrument of

transfer, is transferable by delivery with the same effect as in the case of a negotiable instrument; provided, however, that until transfer of a Receipt shall be registered on the books of the Depositary, the Depositary may, notwithstanding any notice to the contrary, treat the record holder hereof at such time as the absolute owner hereof for the purpose of determining the person entitled to distributions of dividends or other distributions or to any notice provided for in the Deposit Agreement, and for all other purposes.

12. Dividends and Distributions. Whenever the Depositary receives any cash dividend or other cash distribution on the Preferred Stock, the Depositary will, subject to the provisions of the Deposit Agreement, make such

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distribution to the Receipt holders as nearly as practicable in proportion to the number of Depositary Shares evidenced by the Receipts held by them; provided, however, that the amount distributed will be reduced by any amounts required to be withheld by the Company or the Depositary on account of taxes. Other distributions received on the Preferred Stock may be distributed to holders of Receipts as provided in the Deposit Agreement.

13. Fixing of Record Date. Whenever any cash dividend or other cash distribution shall become payable or any distribution other than cash shall be made, or if rights, preferences or privileges shall at any time be offered, with respect to the Preferred Stock, or whenever the Depositary shall receive notice of (a) any meeting at which holders of Preferred Stock are entitled to vote or of which holders of Preferred Stock are entitled to notice or (b) any election on the part of the Company to redeem any shares of Preferred Stock, the Depositary shall in each instance fix a record date (which shall be the record date fixed by the Company with respect to the Preferred Stock), for the determination of the holders of Receipts who shall be entitled to receive such dividend, distribution, rights, preferences or privileges or the net proceeds of the sale thereof, or to give instructions for the exercise of voting rights at any such meeting, or who shall be entitled to notice of such meeting or redemption of Preferred Stock or for any other appropriate reasons.

14. Voting Rights. Upon receipt of notice of any meeting at which holders of Preferred Stock are entitled to

vote, the Depositary shall, as soon as practicable thereafter, mail to the record holders of Receipts a notice which shall contain (i) such information as is contained in such notice of meeting and (ii) a statement that the holders may, subject to any applicable restrictions, instruct the Depositary as to the exercise of the voting rights pertaining to the amount of Preferred Stock relating to their respective Depositary Shares (including an express indication that instructions may be given to the Depositary to give a discretionary proxy to a person designated by the Company) and a brief statement as to the manner in which such instructions may be given. Upon the written request of the holders of Receipts on such record date, the Depositary shall endeavor insofar as practicable to vote or cause to be voted, in accordance with the instructions set forth in such request, the maximum number of whole shares of Preferred Stock underlying the Depositary Shares evidenced by all Receipts as to which any particular voting instructions are received. In the absence of specific instructions from the holder of a Receipt, the Depositary will abstain from voting (but, at its discretion, not from appearing at any meeting with respect to such Preferred Stock unless directed to the contrary by the holders

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of all the Receipts) to the extent of the Preferred Stock underlying the Depositary Shares evidenced by such Receipt.

15. Changes Affecting Deposited Securities. Upon any change in par or stated value, split-up, combination or any other reclassification of the Preferred Stock or upon any recapitalization, reorganization, merger amalgamation or consolidation or sale of all or substantially all of the Company's assets affecting the Company or to which it is a party, the Depositary may in its discretion with the approval of, and shall upon the instructions of, the Company, and (in either case) in such manner as the Depositary may deem equitable, (i) make such adjustments in (a) the fraction of an interest in one share of Preferred Stock underlying one Depositary Share and (b) the ratio of the redemption price per Depositary Share to the redemption price of a share of Preferred Stock, in each case as may be necessary fully to reflect the effect of such change in par or stated value, split-up, combination or other reclassification of Preferred Stock, or such recapitalization, reorganization, merger, amalgamation or consolidation or sale and (ii) treat any securities which shall be received by the Depositary in exchange for or upon

conversion or in respect of the Preferred Stock as new deposited securities so received in exchange for or upon conversion or in respect of such Preferred Stock. In any such case, the Depositary may in its discretion, with the approval of the Company, execute and deliver additional Receipts, or it may call for the surrender of outstanding Receipts to be exchanged for new Receipts specifically describing such new deposited securities. Anything to the contrary herein or in the Deposit Agreement notwithstanding, holders of Receipts shall have the right from and after the effective date of any such change in par or stated value, split-up, combination or other reclassification of the Preferred Stock or any such recapitalization, reorganization, merger, amalgamation, consolidation or sale to surrender such Receipts to the Depositary with instructions to convert, exchange or surrender the Preferred Stock represented thereby only into or for, as the case may be, the kind and amount of shares of stock and other securities and property and cash into which the Preferred Stock represented by such Receipts was converted or for which such Preferred Stock was exchanged or surrendered after giving effect to such transaction.

16. Prevention of or Delay in Performance by the Depositary, the Depositary's Agents, the Registrar or the Company. Neither the Depositary nor any Depositary's Agent nor any Registrar nor the Company shall incur any liability to any holder of any Receipt if by reason of any provision of any

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present or future law or regulation thereunder of the United States of America or any other governmental authority or, in the case of the Depositary, the Depositary's Agent or any Registrar, by reason of any provision, present or future, of the Certificate of Incorporation (including the Certificate of Designations) or by reason of any act of God or war or other circumstance beyond their control, the Depositary, the Depositary's Agent, any Registrar or the Company shall be prevented or forbidden from doing or performing any act or thing which the terms of the Deposit Agreement provide shall be done or performed; nor shall the Depositary, any Depositary's Agent, any Registrar or the Company incur any liability to any holder of a Receipt by reason of nonperformance or delay, caused as aforesaid, in performance of any act or thing which by the terms of the Deposit Agreement it is provided shall or may be done or performed, or by reason of any exercise of, or failure to exercise, any discretion provided for in the Deposit

Agreement except, in the case of any exercise or failure to exercise discretion not caused as aforesaid, if caused by the negligence or wilful misconduct of the party charged with the exercise or failure to exercise.

17. Obligations of the Depositary, the Depositary's Agents, the Registrar and the Company. Neither the Depositary nor any Depositary's Agent nor any Registrar nor the Company assumes any obligation or shall be subject to any liability under the Deposit Agreement to holders of Receipts other than for its negligence or wilful misconduct. Neither the Depositary nor any Depositary's Agent nor any Registrar nor the Company shall be under any obligation to appear in, prosecute or defend any action, suit or other proceeding in respect of the Preferred Stock, the Depositary Shares or the Receipts which in its opinion may involve it in expense or liability unless indemnity satisfactory to it against all expense and liability be furnished as often as may be required. Neither the Depositary nor any Depositary's Agent nor any Registrar nor the Company shall be liable for any action or any failure to act by it in reliance upon the written advice of legal counsel or accountants, or information from any person presenting Preferred Stock for deposit, any holder of a Receipt or any other person believed by it in good faith to be competent to give such information. The Depositary, any Depositary's Agent, any Registrar and the Company may each rely and shall each be protected in acting upon any written notice, request, direction or other document believed by it to be genuine and to have been signed or presented by the proper party or parties. The Depositary shall not be responsible for any failure to carry out any instruction to vote any of the share of Preferred Stock or for the manner or effect of any such vote, as long as any such action or non-action is in good faith. The Depositary undertakes, and any Registrar shall be required to undertake, to perform such duties and

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only such duties as are specifically set forth in the Deposit Agreement, and no implied covenants or obligations shall be read into the Deposit Agreement against the Depositary or any Registrar. The Depositary will indemnify the Company against any liability which may arise out of acts performed or omitted by the Depositary or its agents due to its or their negligence or bad faith. The Depositary, the Depositary's Agents and any Registrar may own and deal in any class of securities of the Company and its affiliates and in Receipts. The Depositary may also act

as transfer agent or registrar of any of the securities of the Company and its affiliates.

18. Resignation and Removal of Depositary. The Depositary may at any time (i) resign by written notice of its election to do so delivered to the Company, such resignation to take effect upon the appointment of a successor Depositary and its acceptance of such appointment, or (ii) be removed by the Company by notice of such removal delivered to the Depositary, such removal to take effect upon the appointment of a successor Depositary and its acceptance of such appointment, all as provided in the Deposit Agreement.

19. Termination of Deposit Agreement. The Deposit Agreement may be terminated by the Company or the Depositary only after (i) all outstanding Depositary Shares shall have been redeemed or (ii) there shall have been made a final distribution in respect of the Preferred Stock in connection with any liquidation, dissolution or winding up of the Company and such distribution shall have been distributed to the holders of Receipts. Upon the termination of the Deposit Agreement, the Company shall be discharged from all obligations thereunder except for its obligations to the Depositary, any Depositary's Agent and any Registrar with respect to indemnification, charges and expenses in either case in accordance with the terms of the Deposit Agreement.

20. Governing Law. THIS RECEIPT AND THE DEPOSIT AGREEMENT AND ALL RIGHTS HEREUNDER AND THEREUNDER AND PROVISIONS HEREOF AND THEREOF SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE INTERNAL LAWS OF THE STATE OF NEW YORK.

This Receipt shall not be entitled to any benefits under the Deposit Agreement or be valid or obligatory for any purpose, unless this Receipt shall have been authenticated, manually or, if a Registrar for the Receipts (other than the Depositary) shall have been appointed, by facsimile signature of a duly authorized officer of the Depositary and, if authenticated by facsimile signature of the Depositary, shall have been countersigned manually by such Registrar by the signature of a duly authorized officer.

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A COPY OF THE DEPOSIT AGREEMENT AND A FULL STATEMENT OF THE DESIGNATION, RELATIVE RIGHTS, INTERESTS, PREFERENCES AND RESTRICTIONS OF THE PREFERRED STOCK REPRESENTED BY THIS RECEIPT AND OF EACH CLASS OF SHARES OR SERIES THEREOF THAT THE COMPANY IS AUTHORIZED TO ISSUE WILL BE FURNISHED BY THE COMPANY, WITHOUT CHARGE, TO EACH HOLDER OF A RECEIPT UPON WRITTEN REQUEST TO THE SECRETARY OF THE COMPANY AT 1285 AVENUE OF THE AMERICAS, NEW YORK, NEW YORK 10019.

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto

PLEASE INSERT SOCIAL SECURITY
OR OTHER IDENTIFYING NUMBER OF ASSIGNEE

\- ---

Please print or typewrite name and address of assignee

\- ---

the within Receipt and all rights and interests represented thereby, and hereby irrevocably constitutes and appoints

\- ---

attorney to transfer the same on the books of the within named Depositary, with full power of substitution in the premises.

Dated: ------------- Signature --------------------

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ASSIGNMENT AND TRANSFER SIGNATURE LINES

NOTE: The signature to any endorsement hereon must correspond with the name as written upon the face of this Receipt in every particular, without alteration or enlargement or any change whatever. If the endorsement be executed by an attorney, executor, administrator, trustee

or guardian, the person executing the endorsement must give his full title in such capacity, and proper evidence of authority to act in such capacity, if not on file with the Depositary, must be forwarded with this Receipt. All endorsements or assignments of Receipts must be guaranteed by a New York Stock Exchange member firm or member of the Clearing House of the American Stock Exchange Clearing Corporation or by a bank or trust company having an office or correspondent in (The City of New York).

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EXHIBIT 5.1

RICHARDS, LAYTON & FINGER
ONE RODNEY SQUARE
P.O. BOX 551
WILMINGTON, DELAWARE 19899
TELEPHONE (302) 658-6541
TELECOPIER (302) 658-6548

March 16, 1994

PaineWebber Finance L.L.C.
c/o Paine Webber Group Inc.
1285 Avenue of the Americas
New York, New York 10019

Re: PaineWebber Finance L.L.C.

Gentlemen:

We have acted as special Delaware counsel for PaineWebber Finance L.L.C., a Delaware limited liability company (the "Company"), in connection with the matters set forth herein. At your request, this opinion is being furnished to you.

For purposes of giving the opinions hereinafter set forth, our examination of documents has been limited to the examination of executed or conformed counterparts, or copies otherwise proved to our satisfaction, of the following:

(a) The Certificate of Formation of the Company, dated as of March 15, 1994 (the "Certificate"), as filed in the office of the Secretary of State of the State of Delaware (the "Secretary of State") on March 15, 1994;

(b) The Limited Liability Company Agreement of the Company, dated as of

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March 15, 1994 (the "LLC Agreement");

(c) A registration statement (the "Registration Statement") on Form S-3, including a related preliminary prospectus and prospectus supplement (the "Prospectus"), in a form to be filed by Paine Webber Group Inc., a Delaware corporation, and the Company with the Securities and Exchange Commission on March 16, 1994; and

(d) A Certificate of Good Standing for the Company, dated March 16, 1994, obtained from the Secretary of State.

Initially capitalized terms used herein and not otherwise defined are used as defined in the LLC Agreement.

For purposes of this opinion, we have not reviewed any documents other than the documents listed above, and we have assumed that there exists no provision in any document not listed above that bears upon or is inconsistent with the opinions stated herein. We have conducted no independent factual investigation of our own, but rather have relied solely upon the foregoing documents, the statements and information set

forth therein and the additional matters recited or assumed herein, all of which we have assumed to be true, complete and accurate in all material respects.

With respect to all documents examined by us, we have assumed that (i) all signatures on documents examined by us are genuine, (ii) all documents submitted to us as originals are authentic, and (iii) all documents submitted to us as copies conform with the original copies of those documents.

For purposes of this opinion, we have assumed (i) the due authorization, execution and delivery by all parties thereto of all documents examined by us, (ii) that the LLC Agreement constitutes the entire agreement among the parties thereto with respect to the subject matter thereof, including with respect to the admission of members to, and the creation, operation, management and termination of, the Company, and that the LLC Agreement and the Certificate are in full force and effect and have not been amended, (iii) the due organization or due formation, as the case may be, and valid existence in good standing of each party to the documents examined by us under the laws of the jurisdiction governing its organization or formation, (iv) that the Company is not treated as a corporation for purposes of United States income taxation, (v) that each of the parties to the LLC Agreement has the power and authority to execute and deliver, and to perform its obligations under, the LLC Agreement, (vi) the

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acquisition by each Preferred Member (as defined below) of Preferred

Interests (as defined in the Prospectus), and the payment by each Preferred Member to the Company of the full consideration due from it for the Preferred Interests acquired by it, (vii) that the books and records of the Company set forth all information required by the LLC Agreement and the Delaware Limited Liability Company Act (6 Del. C. $ 18-101, et seq.) (the "Act"), including all information with respect to all persons and entities to be admitted as Preferred Members and their contributions to the Company, and (viii) that the Preferred Interests are issued and sold to the Preferred Members pursuant to a duly established Action and as described in the Registration Statement and the LLC Agreement. Insofar as the opinions expressed herein relate to Preferred Interests and persons and entities to be admitted to the Company as members in connection with their purchase of Preferred Interests (the "Preferred Members"), the opinions expressed herein relate solely to the Preferred Members and to the Preferred Interests to be issued in connection with the Registration Statement. We have not participated in the preparation of the Registration Statement and assume no responsibility for its contents.

This opinion is limited to the laws of the State of Delaware (excluding the securities laws of the State of Delaware), and we have not considered and express no opinion on the laws of any other jurisdiction, including federal laws and rules and regulations relating thereto. Our opinions are rendered only with respect to Delaware laws and rules, regulations and orders thereunder which are currently in effect.

Based upon the foregoing, and upon our examination of such questions of law and statutes of the State of Delaware as we have considered necessary or appropriate, and subject to the assumptions, qualifications, limitations and exceptions set forth herein, we are of the opinion that:

1. The Company has been duly formed and is validly existing in good standing as a limited liability company under the Act.

2. The Preferred Interests to be issued to the Preferred Members will represent valid limited liability company interests and, subject to the

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qualifications set forth herein, will be fully paid and nonassessable limited liability company interests in the Company, as to which the Preferred Members, in their capacity as members of the Company, will have no liability solely by reason of being Preferred Members in excess of their obligations, if any, to make contributions to the Company, their obligations, if any, to make other payments provided for in the LLC Agreement and their share of the Company's assets and undistributed profits (subject to the obligation of a Preferred Member to repay any funds wrongfully distributed to it).

3. The LLC Agreement is a valid and binding agreement of the parties thereto, and is enforceable against the parties thereto, in accordance with its terms.

The opinions expressed in paragraph 3 above are subject to the effect upon the LLC Agreement of (i) bankruptcy, insolvency, moratorium, fraudulent

conveyance, receivership, reorganization, liquidation and other similar laws relating to or affecting the rights and remedies of creditors generally, and (ii) principles of equity (regardless of whether considered and applied in a proceeding in equity or at law). In rendering the opinions expressed in paragraph 3 above, we express no opinion on the effect upon the LLC Agreement of applicable law relating to fiduciary duties.

We understand that you will file this opinion with the Securities and Exchange Commission as to an exhibit to the Registration Statement to be filed by you under the Securities Act of 1933, as amended. In connection with the foregoing, we hereby consent to the filing of this opinion with the Securities and Exchange Commission. We also understand that Cravath, Swaine & Moore will rely as to matters of Delaware law upon this opinion in connection with an opinion to be submitted by it to you to be filed with the Securities and Exchange Commission as an exhibit to the Registration Statement to be filed by you under the Securities Act of 1933, as amended. This opinion is rendered solely for your and Cravath, Swaine & Moore's benefit in connection with the foregoing. We hereby consent to the use of our name under the heading "Legal Matters" in the Prospectus. In giving the foregoing consent, we do not thereby admit that we come within the category of persons whose consent is required under Section 7 of the Securities Act of 1933, as amended, or the rules and regulations of the Securities and Exchange Commission thereunder. Except as stated above, without our prior written consent, this opinion may not be furnished or quoted to, or relied upon by, any other person or entity for any purpose.

Very truly yours,

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RICHARDS, LAYTON & FINGER

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EXHIBIT 5.2

CRAVATH, SWAINE & MOORE
Worldwide Plaza
825 Eighth Avenue
New York, NY 10019

March 16, 1994

Paine Webber Group Inc.
PaineWebber Finance L.L.C.

Dear Sirs:

We have acted as United States counsel for Paine Webber Group Inc. (the "Guarantor") and PaineWebber Finance L.L.C. (the "Company") in connection with the proposed issuance by the Company of up to 16,000,000 Exchangeable Cumulative Preferred Limited Liability Company Interests (the "Preferred Interests") of the Company, the guarantee of certain payment obligations of the Company with respect to the Preferred Interests by the Guarantor and the possible issuance by the Guarantor, in exchange for the Preferred Interests, of Depositary Shares (the "Depositary Shares") representing shares of Series Preferred Stock, par value $20 per share (the "Guarantor Preferred Stock"), of the Guarantor.

In that connection, we have examined originals, or copies certified or otherwise identified to our satisfaction, of such documents, corporate records and other instruments as we have deemed necessary for the purposes of this opinion, including the following: (a) the Restated Certificate of Incorporation of the Guarantor; (b) the By-laws of the Guarantor; (c) the proposed forms of Payment and Guarantee Agreement (the "Guarantee") to be executed and delivered by the Guarantor for the benefit of the holders from time to time of the Preferred Interests and Loan Agreement between the Guarantor and the Company; and (d) the proposed form of Deposit Agreement (a "Deposit Agreement") among the Guarantor, Chemical Bank (the "Depositary") and the holders from time to time of certificates evidencing Depositary Shares.

Based upon the foregoing, we are of opinion as follows:

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1. The Guarantor has been duly incorporated and is a validly existing corporation under the laws of the State of Delaware.

2. The Guarantee has been duly authorized by all requisite corporate action of the Guarantor and will, when executed, constitute a legal, valid and binding obligation of the Guarantor enforceable against the Guarantor in accordance with its terms (subject to applicable bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium or other laws affecting creditors' rights generally from time to time in effect). The enforceability of the Guarantee is also subject to general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

3. Assuming that a valid certificate of designations stating the powers, designations, preferences and relative, participating, optional or other special rights, and qualifications, limitations or restrictions thereof, of any series of Guarantor Preferred Stock has been validly adopted, executed and filed in accordance with the Restated Certificate of Incorporation of the Guarantor and the Delaware General Corporation Law (the "DGCL") and certificates evidencing the Guarantor Preferred Stock have been duly executed and delivered against receipt of consideration approved by the Board of Directors of the Guarantor which is not less than the par value of the Guarantor Preferred Stock and otherwise in accordance with the DGCL, the Guarantor Preferred Stock, when issued and delivered, will be duly authorized, validly issued, fully paid and nonassessable.

4. Assuming due execution and delivery of a Deposit Agreement, that the applicable amount of Guarantor Preferred Stock has been deposited with the Depositary and that certificates representing the Depositary Shares have been duly executed and delivered in accordance with such Deposit Agreement, and making the same assumptions with respect to the issuance of such Guarantor Preferred Stock set forth in the foregoing paragraph 3, the Depositary Shares, when issued and delivered, will be duly and validly issued and will be entitled to the benefits of such Deposit Agreement.

We know that we may be referred to, as counsel who has passed upon the validity of the Guarantee and the issuance of the Guarantor Preferred Stock or Depositary Shares on behalf of the Guarantor, under the heading "LEGAL MATTERS" in the Prospectus forming a part of the Registration Statement on Form S-3 relating to the Preferred Interests, the Guarantee, the Guarantor Preferred Stock and the Depositary Shares, filed with the Securities and Exchange Commission pursuant to the Securities Act of 1933, and we hereby consent to such use of our name in said Registration Statement and to the use of this opinion for filing with said Registration Statement as Exhibit 5.2 thereto.

Very truly yours,

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Paine Webber Group Inc.
1285 Avenue of the Americas
New York, NY 10019

PaineWebber Finance L.L.C.
In care of Paine Webber Group Inc.
1285 Avenue of the Americas
New York, NY 10019

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EXHIBIT 8

CRAVATH, SWAINE & MOORE
Worldwide Plaza
825 Eighth Avenue
New York, NY 10019

March 16, 1994

Paine Webber Group Inc.
PaineWebber Finance L.L.C.

Dear Sirs:

We have acted as special United States tax counsel for Paine Webber Group Inc. (the "Guarantor") and PaineWebber Finance L.L.C. (the "Company") in connection with the proposed issuance by the Company of up to 16,000,000 Exchangeable Cumulative Preferred Limited Liability Company Interests (the "Preferred Interests") of the Company, the guarantee (the "Guarantee") of certain payment obligations of the Company with respect to the Preferred Interests by the Guarantor and the possible issuance by the Guarantor, in exchange for the Preferred Interests, of Depositary Shares (the "Depositary Shares") representing shares of Series Preferred Stock, par value $20 per share (the "Guarantor Preferred Stock"), of the Guarantor.

We hereby confirm that the statements set forth in the Prospectus forming a part of the Registration Statement referred to below (the "Registration Statement") under the heading "TAXATION" accurately describe the material Federal income tax consequences to holders of the Preferred Shares. This opinion relies on the opinion of Richards, Layton & Finger, P.A. (filed as Exhibit 5.1 to the Registration Statement) and assumes (i) that the Certificate of Formation and Limited Liability Company Agreement of the Company are enforceable in accordance with their terms and are not amended, (ii) the initial and continuing accuracy of the facts, representations and assumptions set forth in the Prospectus and Prospectus Supplement forming a part of the

Registration Statement, and (iii) compliance by the Guarantor with all its obligations and covenants related to the transactions contemplated therein, including its covenants and obligations under the Payment and Guarantee Agreement and Loan Agreement as referred to and described in said Prospectus and Prospectus Supplement.

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We know that we may be referred to under the headings "TAXATION" and "LEGAL MATTERS" in the Prospectus forming a part of the Registration Statement on Form S-3 relating to the Preferred Interests, the Guarantee and the Guarantor Preferred Stock and the Depositary Shares, filed with the Securities and Exchange Commission pursuant to the Securities Act of 1933, and we hereby consent to such use of our name in said Registration Statement and to the use of this opinion for filing with said Registration Statement as Exhibit 8 thereto.

Very truly yours,

CRAVATH, SWAINE & MOORE

Paine Webber Group Inc.
1285 Avenue of the Americas
New York, NY 10019

PaineWebber Finance L.L.C.
In care of Paine Webber Group Inc.
1285 Avenue of the Americas
New York, NY 10019

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EXHIBIT 23.1

CONSENT OF INDEPENDENT AUDITORS

We consent to the reference to our firm under the caption "EXPERTS" in the Registration Statement (Form S-3) and related Prospectus of PaineWebber Finance L.L.C. for the registration of 16,000,000 shares of Exchangeable Cumulative Preferred Limited Liability Company Interests of PaineWebber Finance L.L.C. and to the incorporation by reference therein of our report dated January 19, 1993, with respect to the consolidated financial statements and schedules of Paine Webber Group Inc. included or incorporated by reference in its Annual Report (Form 10-K) for the year ended December 31, 1992, filed with the Securities and Exchange Commission.

/s/ ERNST & YOUNG

New York, New York
March 15, 1994

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