

FRANKLIN CAPITAL ASSOCIATES III L.P.
237 Second Avenue South
Franklin, Tennessee 37064

April 14, 1995

Commonwealth of Pennsylvania
Public School Employes' Retirement System
5 North Fifth Street, P.O. Box 125
Harrisburg, Pennsylvania 17108

Ladies and Gentlemen:

This letter agreement is executed and delivered to confirm certain agreements with respect to the investment being made by the Commonwealth of Pennsylvania Public School Employes' Retirement System ("PSERS") in Franklin Capital Associates III L.P. (the "Partnership") and the execution, delivery and performance by PSERS of Amendment No. 1 to the First Amended and Restated Limited Partnership Agreement dated as of March 3, 1995 (the "Partnership Agreement") of the Partnership and its companion Subscription Agreement dated as of even date herewith between the Partnership, the undersigned, being the sole general partner of the Partnership (the "General Partner"), and PSERS. In consideration of the investment by PSERS in the Partnership, the General Partner agrees to the provisions set forth herein. Each capitalized term used and not otherwise defined herein which is defined in the Partnership Agreement shall have the meaning ascribed to it in the Partnership Agreement.

1. Committee. At PSERS' written request and for so long as PSERS continues to own an interest as a Limited Partner in the Partnership, which interest when fully paid for will have an original issue cost to PSERS of at least \$5,000,000, the General Partner shall, pursuant to Paragraphs 5(a) and 6 of the Partnership Agreement, designate and maintain a representative from PSERS as a member of each of the Review Committee and the Advisory Committee of the Partnership.

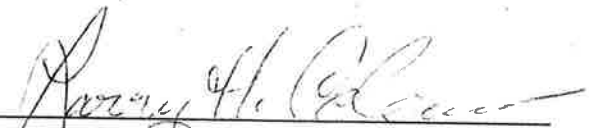
2. Sovereign Immunity. PSERS hereby reserves all immunities, defenses, rights or actions arising out of its sovereign status or under the Eleventh Amendment to the United States Constitution, and no waiver of any such immunities, defenses, rights or actions shall be implied or otherwise deemed to exist by its entering into the Partnership Agreement or the Subscription Agreement, by any express or implied provision of the Partnership Agreement or the Subscription Agreement, or by any actions or omissions to act of PSERS or any representative or agent of PSERS, whether pursuant to the Partnership Agreement, the Subscription Agreement or otherwise.

3. Information and Records. The General Partner hereby agrees to preserve all financial and accounting records pertaining to the Partnership during the term of the Partnership Agreement and for four years thereafter, and during such period, PSERS or any other department or representative of the Commonwealth of Pennsylvania, upon reasonable notice to the Partnership, shall have the right, at its own expense, to audit such financial and accounting records to the fullest extent authorized and permitted by federal law and the laws of the State of Delaware. Such right shall be in addition to PSERS' right as a Limited Partner to receive financial statements and reports pursuant to the terms of the Partnership Agreement.

4. Other Side Letter Agreements. So long as PSERS is a Limited Partner, the General Partner shall furnish to PSERS as soon as practicable a copy of all other side letter agreements, whether presently existing or hereafter delivered, between the General Partner and any other Limited Partner. Further, PSERS shall be entitled to receive substantially the same rights granted by the Partnership in any such other side letter agreement, provided that (i) PSERS notifies the Partnership in writing to that effect within 30 days of the date PSERS receives a copy of such other side letter agreement pursuant to the first sentence of this paragraph, and (ii) the circumstances particular to the recipient of such other side letter agreement which gave rise to the rights granted in such other side letter agreement are generally applicable to PSERS.

Sincerely yours,

FRANKLIN VENTURES III L.P.

By: 
General Partner

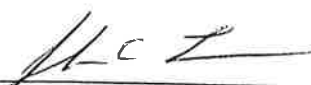
Accepted as of the date first above written.

COMMONWEALTH OF PENNSYLVANIA
PUBLIC SCHOOL EMPLOYEES'
RETIREMENT SYSTEM



Arthur J. Granito
Assistant Executive Director

4/14/95
Date



John C. Lane
Chief Investment Officer

4/14/95
Date