

SECURITIES AND EXCHANGE COMMISSION

FORM SC 13D

Schedule filed to report acquisition of beneficial ownership of 5% or more of a class of equity securities

Filing Date: **2002-08-22**
SEC Accession No. [0000897069-02-000629](#)

([HTML Version](#) on [secdatabase.com](#))

SUBJECT COMPANY

CASTLE DENTAL CENTERS INC

CIK: **1018152** | IRS No.: **760486898** | State of Incorporation: **DE** | Fiscal Year End: **1231**
Type: **SC 13D** | Act: **34** | File No.: **005-52917** | Film No.: **02746036**
SIC: **8741** Management services

Business Address
1360 POST OAK BLVD
STE 1300
HOUSTON TX 77056
7134798000

FILED BY

MIDWEST MEZZANINE FUND II LP

CIK: **1060713** | IRS No.: **364211970** | State of Incorporation: **DE** | Fiscal Year End: **1231**
Type: **SC 13D**

Mailing Address
208 S. LASALLE ST
10TH FL
CHICAGO IL 60604

Business Address
208 S LASALLE ST
10TH FLR
CHICAGO IL 60604
3128557140

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 13D
(Rule 13d-101)

INFORMATION TO BE INCLUDED IN STATEMENTS FILED PURSUANT
TO RULE 13d-1(a) AND AMENDMENTS THERETO FILED PURSUANT TO
RULE 13d-2(a)

CASTLE DENTAL CENTERS, INC.
(Name of Issuer)

COMMON STOCK
\$.001 PAR VALUE
(Title of Class of Securities)

14844P105
(CUSIP Number)

Paul G. Kreie
Midwest Mezzanine Funds
208 South LaSalle Street
10th Floor
Chicago, Illinois 60604
(312) 855-7138

(Name, Address and Telephone Number of
Person Authorized to Receive Notices
and Communications)

July 19, 2002

(Date of Event which Requires Filing of this Statement)

If the filing person has previously filed a statement on Schedule 13G
to report the acquisition that is the subject of this Schedule 13D, and is

filing this statement because of Rule 13d-1(e), 13d-1(f) or 13d-1(g), check the following box: |_|

The information required on the remainder of this cover page shall not be deemed to be "filed" for the purpose of Section 18 of the Securities Exchange Act of 1934 (the "Act") or otherwise subject to the liabilities of that section of the Act but shall be subject to all other provisions of the Act (however, see the Notes).

13D

CUSIP No. 14844P105

=====		
1	NAME OF REPORTING PERSONS	Midwest Mezzanine Fund II, L.P.
	I.R.S. IDENTIFICATION NOS. OF ABOVE PERSONS (ENTITIES ONLY)	

2	CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP	(a) [] (b) [X]

3	SEC USE ONLY	

4	SOURCE OF FUNDS	OO

5	CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(d) OR 2(e)	[]

6	CITIZENSHIP OR PLACE OF ORGANIZATION	State of Delaware

NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH:	7 ----- 8 ----- 9 ----- 10 -----	SOLE VOTING POWER ----- SHARED VOTING POWER 47,157,893 (1) (2) ----- SOLE DISPOSITIVE POWER ----- SHARED DISPOSITIVE POWER 17,117,068 (2) -----
11	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON	47,157,893 (1)

12	CHECK BOX IF THE AGGREGATE AMOUNT IN	

13	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)	88.0%
----	---	-------

14	TYPE OF REPORTING PERSON	PN
----	--------------------------	----

- (1) The reporting person and Heller Financial, Inc. (and, indirectly, certain of Heller Financial's affiliates) may be deemed to be a "group" within the meaning of Section 13d-3 of the Securities Exchange Act of 1934, as amended, because of the existence of an agreement between Midwest Mezzanine Fund II, L.P. and Heller Financial, Inc. to vote their shares of capital stock of the issuer in favor of certain designees to the issuer's board of directors. Please see Items 1, 3, 4 and 5 below for additional explanation. The reporting person disclaims beneficial ownership of the 30,040,825 shares held in the name of Heller Financial, Inc.
- (2) 17,117,068 of these shares are held in the name of Midwest Mezzanine Fund II, L.P., and Midwest Mezzanine Fund II, L.P. reports shared voting and dispositive power with respect to these shares because of the affiliation of Midwest Mezzanine Fund II, L.P. with its direct and indirect owners.

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CUSIP No. 14844P105

1	NAME OF REPORTING PERSONS	ABN AMRO Mezzanine Management II, L.P.
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I.R.S. IDENTIFICATION NOS. OF
ABOVE PERSONS (ENTITIES ONLY)

2	CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP	(a) [] (b) [X]
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3	SEC USE ONLY
---	--------------

4	SOURCE OF FUNDS	OO
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5	CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(d) OR 2(e)	[]
---	--	-----

6	CITIZENSHIP OR PLACE OF ORGANIZATION	State of Delaware
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NUMBER OF SHARES	7	SOLE VOTING POWER	
BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH:	8	SHARED VOTING POWER	47,157,893 (1) (2)
	9	SOLE DISPOSITIVE POWER	
	10	SHARED DISPOSITIVE POWER	17,117,068 (2)
11	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON		47,157,893 (1)
12	CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES		[]
13	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)		88.0%
14	TYPE OF REPORTING PERSON		PN

- (1) The reporting person and Heller Financial, Inc. (and, indirectly, certain of Heller Financial's affiliates) may be deemed to be a "group" within the meaning of Section 13d-3 of the Securities Exchange Act of 1934, as amended, because of the existence of an agreement between Midwest Mezzanine Fund II, L.P. and Heller Financial, Inc. to vote their shares of capital stock of the issuer in favor of certain designees to the issuer's board of directors. Please see Items 1, 3, 4 and 5 below for additional explanation. The reporting person disclaims beneficial ownership of the 30,040,825 shares held in the name of Heller Financial, Inc.
- (2) These shares are held in the name of Midwest Mezzanine Fund II, L.P., and shared dispositive power is being disclosed solely because of the affiliation of Midwest Mezzanine Fund II, L.P. with its direct and indirect owners.

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CUSIP No. 14844P105

1	NAME OF REPORTING PERSONS	ABN AMRO Mezzanine Management II, Inc.
	I.R.S. IDENTIFICATION NOS. OF	

ABOVE PERSONS (ENTITIES ONLY)

2	CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP	(a) <input type="checkbox"/> (b) <input checked="" type="checkbox"/>
3	SEC USE ONLY	
4	SOURCE OF FUNDS	OO
5	CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2 (d) OR 2 (e)	<input type="checkbox"/>
6	CITIZENSHIP OR PLACE OF ORGANIZATION	State of Delaware
NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH:	7 8 9 10	SOLE VOTING POWER SHARED VOTING POWER 47,157,893 (1) (2) SOLE DISPOSITIVE POWER SHARED DISPOSITIVE POWER 17,117,068 (2)
11	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON	47,157,893 (1)
12	CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES	<input type="checkbox"/>
13	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)	88.0%
14	TYPE OF REPORTING PERSON	CO

(1) The reporting person and Heller Financial, Inc. (and, indirectly, certain of Heller Financial's affiliates) may be deemed to be a "group" within the meaning of Section 13d-3 of the Securities Exchange Act of 1934, as amended, because of the existence of an agreement between Midwest Mezzanine Fund II, L.P. and Heller Financial, Inc. to vote their shares of capital stock of the issuer in favor of certain designees to the issuer's board of directors. Please see Items 1, 3, 4 and 5 below for additional explanation. The reporting person disclaims beneficial ownership of the 30,040,825 shares held in the name of Heller Financial, Inc.

(2) These shares are held in the name of Midwest Mezzanine Fund II, L.P., and shared dispositive power is being disclosed solely because of the affiliation of Midwest Mezzanine Fund II, L.P. with its direct and indirect

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CUSIP No. 14844P105

=====	
1	NAME OF REPORTING PERSONS ABN AMRO North America, Inc.
	I.R.S. IDENTIFICATION NOS. OF ABOVE PERSONS (ENTITIES ONLY)

2	CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (a) [] (b) [X]

3	SEC USE ONLY

4	SOURCE OF FUNDS OO

5	CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(d) OR 2(e) []

6	CITIZENSHIP OR PLACE OF ORGANIZATION State of Delaware

NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH:	7 SOLE VOTING POWER ----- 8 SHARED VOTING POWER 47,157,893 (1) (2) ----- 9 SOLE DISPOSITIVE POWER ----- 10 SHARED DISPOSITIVE POWER 17,117,068 (2) -----
11	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON 47,157,893 (1)

12	CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES []

13	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11) 88.0%

14	TYPE OF REPORTING PERSON CO
=====	

- (1) The reporting person and Heller Financial, Inc. (and, indirectly, certain of Heller Financial's affiliates) may be deemed to be a "group" within the meaning of Section 13d-3 of the Securities Exchange Act of 1934, as amended, because of the existence of an agreement between Midwest Mezzanine Fund II, L.P. and Heller Financial, Inc. to vote their shares of capital stock of the issuer in favor of certain designees to the issuer's board of directors. Please see Items 1, 3, 4 and 5 below for additional explanation. The reporting person disclaims beneficial ownership of the 30,040,825 shares held in the name of Heller Financial, Inc.
- (2) These shares are held in the name of Midwest Mezzanine Fund II, L.P., and shared dispositive power is being disclosed solely because of the affiliation of Midwest Mezzanine Fund II, L.P. with its direct and indirect owners.

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CUSIP No. 14844P105

=====		
1	NAME OF REPORTING PERSONS	ABN AMRO North America Holding Company
	I.R.S. IDENTIFICATION NOS. OF ABOVE PERSONS (ENTITIES ONLY)	

2	CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP	(a) [] (b) [X]

3	SEC USE ONLY	

4	SOURCE OF FUNDS	00

5	CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(d) OR 2(e)	[]

6	CITIZENSHIP OR PLACE OF ORGANIZATION	State of Delaware

NUMBER OF SHARES BENEFICIALLY OWNED BY	7 ----- 8 -----	SOLE VOTING POWER ----- SHARED VOTING POWER 47,157,893 (1) (2) -----

EACH	9	SOLE DISPOSITIVE POWER	
REPORTING	-----	-----	
PERSON WITH:	10	SHARED DISPOSITIVE POWER	17,117,068 (2)

11	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON		47,157,893 (1)

12	CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES		[]

13	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)		88.0%

14	TYPE OF REPORTING PERSON		CO
=====			

- (1) The reporting person and Heller Financial, Inc. (and, indirectly, certain of Heller Financial's affiliates) may be deemed to be a "group" within the meaning of Section 13d-3 of the Securities Exchange Act of 1934, as amended, because of the existence of an agreement between Midwest Mezzanine Fund II, L.P. and Heller Financial, Inc. to vote their shares of capital stock of the issuer in favor of certain designees to the issuer's board of directors. Please see Items 1, 3, 4 and 5 below for additional explanation. The reporting person disclaims beneficial ownership of the 30,040,825 shares held in the name of Heller Financial, Inc.
- (2) These shares are held in the name of Midwest Mezzanine Fund II, L.P., and shared dispositive power is being disclosed solely because of the affiliation of Midwest Mezzanine Fund II, L.P. with its direct and indirect owners.

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CUSIP No. 14844P105

=====		
1	NAME OF REPORTING PERSONS	ABN AMRO Bank N.V.
	I.R.S. IDENTIFICATION NOS. OF ABOVE PERSONS (ENTITIES ONLY)	

2	CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP	(a) [] (b) [X]

3	SEC USE ONLY	

4	SOURCE OF FUNDS		00
5	CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(d) OR 2(e)		[]
6	CITIZENSHIP OR PLACE OF ORGANIZATION		The Netherlands
NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH:	7 8 9 10	SOLE VOTING POWER SHARED VOTING POWER SOLE DISPOSITIVE POWER SHARED DISPOSITIVE POWER	47,157,893 (1) (2) 17,117,068 (2)
11	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON		47,157,893 (1)
12	CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES		[]
13	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)		88.0%
14	TYPE OF REPORTING PERSON		CO

- (1) The reporting person and Heller Financial, Inc. (and, indirectly, certain of Heller Financial's affiliates) may be deemed to be a "group" within the meaning of Section 13d-3 of the Securities Exchange Act of 1934, as amended, because of the existence of an agreement between Midwest Mezzanine Fund II, L.P. and Heller Financial, Inc. to vote their shares of capital stock of the issuer in favor of certain designees to the issuer's board of directors. Please see Items 1, 3, 4 and 5 below for additional explanation. The reporting person disclaims beneficial ownership of the 30,040,825 shares held in the name of Heller Financial, Inc.
- (2) These shares are held in the name of Midwest Mezzanine Fund II, L.P., and shared dispositive power is being disclosed solely because of the affiliation of Midwest Mezzanine Fund II, L.P. with its direct and indirect owners.

CUSIP No. 14844P105

=====													
1	NAME OF REPORTING PERSONS ABN AMRO Holding N.V.												
	I.R.S. IDENTIFICATION NOS. OF ABOVE PERSONS (ENTITIES ONLY)												

2	CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (a) [] (b) [X]												

3	SEC USE ONLY												

4	SOURCE OF FUNDS OO												

5	CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(d) OR 2(e) []												

6	CITIZENSHIP OR PLACE OF ORGANIZATION The Netherlands												

NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH:	<table border="0"> <tr> <td>7</td> <td>SOLE VOTING POWER</td> <td></td> </tr> <tr> <td>8</td> <td>SHARED VOTING POWER</td> <td>47,157,893 (1) (2)</td> </tr> <tr> <td>9</td> <td>SOLE DISPOSITIVE POWER</td> <td></td> </tr> <tr> <td>10</td> <td>SHARED DISPOSITIVE POWER</td> <td>17,117,068 (2)</td> </tr> </table>	7	SOLE VOTING POWER		8	SHARED VOTING POWER	47,157,893 (1) (2)	9	SOLE DISPOSITIVE POWER		10	SHARED DISPOSITIVE POWER	17,117,068 (2)
7	SOLE VOTING POWER												
8	SHARED VOTING POWER	47,157,893 (1) (2)											
9	SOLE DISPOSITIVE POWER												
10	SHARED DISPOSITIVE POWER	17,117,068 (2)											

11	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON 47,157,893 (1)												

12	CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES []												

13	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11) 88.0%												

14	TYPE OF REPORTING PERSON CO												
=====													

(1) The reporting person and Heller Financial, Inc. (and, indirectly, certain of Heller Financial's affiliates) may be deemed to be a "group" within the meaning of Section 13d-3 of the Securities Exchange Act of 1934, as

amended, because of the existence of an agreement between Midwest Mezzanine Fund II, L.P. and Heller Financial, Inc. to vote their shares of capital stock of the issuer in favor of certain designees to the issuer's board of directors. Please see Items 1, 3, 4 and 5 below for additional explanation. The reporting person disclaims beneficial ownership of the 30,040,825 shares held in the name of Heller Financial, Inc.

- (2) These shares are held in the name of Midwest Mezzanine Fund II, L.P., and shared dispositive power is being disclosed solely because of the affiliation of Midwest Mezzanine Fund II, L.P. with its direct and indirect owners.

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Item 1. Security and Issuer.

This statement on Schedule 13D (this "Statement") relates to the common stock, \$.001 par value per share (the "Common Stock") of Castle Dental Centers, Inc., a Delaware corporation (sometimes referred to herein as "Issuer" or "Castle"). The principal executive offices of Castle are located at 3701 Kirby Drive, Suite 550, Houston, Texas 77098.

This Schedule 13D is being filed jointly by (i) Midwest Mezzanine Fund II, L.P., a Delaware limited partnership ("Midwest"), (ii) ABN AMRO Mezzanine Management II, L.P., a Delaware limited partnership and the general partner of Midwest (the "GP/LP"), (iii) ABN AMRO Mezzanine Management II, Inc., a Delaware corporation and the general partner of the GP/LP (the "Corporate GP"), (iv) ABN AMRO North America, Inc., a Delaware corporation and the owner of all the outstanding capital stock of the Corporate GP ("AANA"), (v) ABN AMRO North America Holding Company, a Delaware corporation and the owner of all the outstanding capital stock of AANA ("AANA Holding"), (vi) ABN AMRO Bank N.V., a Netherlands corporation and the owner of all the outstanding capital stock of AANA Holding ("ABN AMRO Bank"), and (vii) ABN AMRO Holding N.V., a Netherlands corporation and the owner of all the outstanding capital stock of ABN AMRO Bank ("ABN AMRO Holding"). All of the filers of this Schedule 13D are collectively the "Reporting Persons." The joint filing agreement of the Reporting Persons is attached as Exhibit 1. The Reporting Persons, Heller Financial, Inc., a Delaware corporation ("Heller"), and Heller's affiliates, General Electric Capital Corporation, General Electric Capital Services, Inc. and General Electric Company (collectively, the "Heller Group") may be deemed to be a "group" within the meaning of Section 13d-3 of the Securities Exchange Act of 1934, as amended. The filing of this Statement and the information contained in it shall not be deemed an admission by the Reporting Persons that a group exists. The Heller Group has concurrently made a separate Schedule 13D filing with respect to the shares of Common Stock that the Heller Group beneficially owns.

Item 2. Identity and Background.

1. Midwest Mezzanine Fund II, L.P. is a Delaware limited partnership. The principal business of Midwest is providing junior capital to middle-market companies. The address of Midwest's principal business is as follows:

Midwest Mezzanine Fund II, L.P.
208 South LaSalle Street, 10th Floor
Chicago, Illinois 60604

2. ABN AMRO Mezzanine Management II, L.P. is a Delaware limited partnership. The principal business of the GP/LP is to act as the general partner of Midwest. The address of the GP/LP's principal business is as follows:

ABN AMRO Mezzanine Management II, L.P.
208 South LaSalle Street, 10th Floor
Chicago, Illinois 60604

3. ABN AMRO Mezzanine Management II, Inc. is a Delaware corporation. The principal business of the Corporate GP is to act as the general partner of the GP/LP, which is the general partner of Midwest. The address of the Corporate GP's principal business is as follows:

ABN AMRO Mezzanine Management II, Inc.
208 South LaSalle Street, 10th Floor
Chicago, Illinois 60604

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4. ABN AMRO North America, Inc. is a Delaware corporation and a wholly owned subsidiary of AANA Holding. The principal business of AANA, a U.S. multi-bank holding company, is banking and related activities. The address of AANA's principal office is as follows:

ABN AMRO North America, Inc.
135 South LaSalle Street
Chicago, Illinois 60603

5. ABN AMRO North America Holding Company is a Delaware corporation and a wholly owned subsidiary of ABN AMRO Bank. The principal business of AANA Holding, a financial holding company, is banking and related activities. The address of AANA Holding's principal office is as follows:

ABN AMRO North America Holding Company
135 South LaSalle Street
Chicago, Illinois 60603

6. ABN AMRO Bank N.V. is a Netherlands corporation and a wholly-owned subsidiary of ABN AMRO Holding. The principal business of ABN AMRO Bank is banking. The address of ABN AMRO Bank's principal office is as follows:

ABN AMRO Bank N.V.

Gustav Mahlerlaan 10
1082 PP Amsterdam
The Netherlands

7. ABN AMRO Holding N.V. is a Netherlands corporation. The principal business of ABN AMRO Holding, an international multi-bank holding company, is banking and related financial services. The address of ABN AMRO Holding's principal executive office is as follows:

ABN AMRO Holding N.V.
Gustav Mahlerlaan 10
1082 PP Amsterdam
The Netherlands

8. None of the Reporting Persons or, to the Reporting Persons' knowledge, the individuals listed in numbered section 10 below, are required to disclose legal proceedings pursuant to Item 2(d).

9. None of the Reporting Persons or, to the Reporting Persons' knowledge, the individuals listed in numbered section 10 below, are required to disclose legal proceedings pursuant to Item 2(e).

10. Identity and Background of each Executive Officer and Director of:

(a) Midwest Mezzanine Fund II, L.P.

(i) Midwest does not have a separate board of directors or executive officers. Management and investment decisions are made by the GP/LP, which is the general partner of Midwest. The GP/LP acts by and through the board of directors of the Corporate GP, the general partner of the GP/LP.

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(b) ABN AMRO Mezzanine Management II, L.P.

(i) The GP/LP does not have a separate board of directors or executive officers. The GP/LP acts by and through the board of directors of the Corporate GP, the general partner of the GP/LP.

(c) ABN AMRO Mezzanine Management II, Inc.

(i) Board Members:

1. David A. Gezon

(a) Name: See above

(b) Business address:

- 208 South LaSalle Street
10th Floor
Chicago, Illinois 60604
- (c) Principal occupation:
President and CEO of ABN AMRO Mezzanine
Management II, Inc.
- (d) See 8 above
- (e) See 9 above
- (f) Citizenship: United States

2. J. Allan Kayler

- (a) Name: See above
- (b) Business address:
208 South LaSalle Street
10th Floor
Chicago, Illinois 60604
- (c) Principal occupation:
Executive Vice President of ABN AMRO Mezzanine
Management II, Inc.
- (d) See 8 above
- (e) See 9 above
- (f) Citizenship: United States

3. Thomas C. Heagy

- (a) Name: See above
- (b) Business address:
ABN AMRO North America, Inc.
135 South LaSalle Street
Chicago, Illinois 60603
- (c) Principal occupation:
Director, Vice Chairman & Executive
Officer - AANA Holding
Member of the Office of the Chairman
Committee - AANA
- (d) See 8 above
- (e) See 9 above
- (f) Citizenship: United States

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4. Herman Siegelaar

- (a) Name: See above
- (b) Business address:
ABN AMRO North America, Inc.
135 South LaSalle Street
Chicago, Illinois 60603
- (c) Principal occupation: Member of the Corporate

- (d) See 8 above
- (e) See 9 above
- (f) Citizenship: United States

(ii) Executive Officers:

1. Thomas C. Heagy

- (a) Name: See above
- (b) Business address:
ABN AMRO North America, Inc.
135 South LaSalle Street
Chicago, Illinois 60603
- (c) Principal occupation:
Director, Vice Chairman & Executive
Officer - AANA Holding
Member of the Office of the Chairman
Committee - AANA
- (d) See 8 above
- (e) See 9 above
- (f) Citizenship: United States

2. David A. Gezon

- (a) Name: See above
- (b) Business address:
208 South LaSalle Street
10th Floor
Chicago, Illinois 60604
- (c) Principal occupation:
President and CEO of ABN AMRO Mezzanine
Management II, Inc.
- (d) See 8 above
- (e) See 9 above
- (f) Citizenship: United States

3. J. Allan Kayler

- (a) Name: See above
- (b) Business address:
208 South LaSalle Street
10th Floor
Chicago, Illinois 60604

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- (c) Principal occupation:
Executive Vice President of ABN AMRO Mezzanine
Management II, Inc.

- (d) See 8 above
- (e) See 9 above
- (f) Citizenship: United States

4. Dorothy S. King

- (a) Name: See above
- (b) Business address:
208 South LaSalle Street
10th Floor
Chicago, Illinois 60604
- (c) Principal occupation:
Senior Vice President and
Secretary of ABN AMRO
Mezzanine Management II, Inc.
- (d) See 8 above
- (e) See 9 above
- (f) Citizenship: United States

5. C. Michael Foster

- (a) Name: See above
- (b) Business address:
208 South LaSalle Street
10th Floor
Chicago, Illinois 60604
- (c) Principal occupation:
Senior Vice President of ABN AMRO Mezzanine
Management II, Inc.
- (d) See 8 above
- (e) See 9 above
- (f) Citizenship: United States

6. Sherry Bowden

- (a) Name: See above
- (b) Business address:
135 South LaSalle Street
Chicago, Illinois 60603
- (c) Principal occupation:
Group Senior Vice President - AANA
- (d) See 8 above
- (e) See 9 above
- (f) Citizenship: United States

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(d) ABN AMRO North America, Inc.

(i) Board Members

1. Harrison F. Tempest

- (a) Name: See above
- (b) Business address:
ABN AMRO North America, Inc.
135 South LaSalle Street
Chicago, Illinois 60603
- (c) Principal occupation:
Director - AANA Holding
Director & Chairman of the Board - AANA
- (d) See 8 above
- (e) See 9 above
- (f) Citizenship: United States

2. Thomas C. Heagy

- (a) Name: See above
- (b) Business address:
ABN AMRO North America, Inc.
135 South LaSalle Street
Chicago, Illinois 60603
- (c) Principal occupation:
Director - AANA Holding
Director and Vice Chairman - AANA
- (d) See 8 above
- (e) See 9 above
- (f) Citizenship: United States

3. Norman R. Bobbins

- (a) Name: See above
- (b) Business address:
ABN AMRO North America, Inc.
135 South LaSalle Street
Chicago, Illinois 60603
- (c) Principal occupation:
Director, President & Chief Executive Officer
- AANA
- (d) See 8 above
- (e) See 9 above
- (f) Citizenship: United States

4. Joost Ch. L. Kuiper

- (a) Name: See above
- (b) Business address:
ABN AMRO Bank N.V.
Gustav Mahlerlaan 10
1082 PP Amsterdam
The Netherlands

- (c) Principal occupation: Managing Board Member - ABN AMRO Holding and ABN AMRO Bank; Director, President & Chief Executive Officer- AANA Holding; Director - AANA
- (d) See 8 above
- (e) See 9 above
- (f) Citizenship: The Netherlands

5. J.J. Oyevaar

- (a) Name: See above
- (b) Business address:
ABN AMRO Bank N.V.
Gustav Mahlerlaan 10
1082 PP Amsterdam
The Netherlands
- (c) Principal occupation:
Managing Board Member - ABN AMRO Bank;
Director - AANA
- (d) See 8 above
- (e) See 9 above
- (f) Citizenship: The Netherlands

(ii) Executive Officers

1. Harrison F. Tempest

- (a) Name: See above
- (b) Business address:
ABN AMRO North America, Inc.
135 South LaSalle Street
Chicago, Illinois 60603
- (c) Principal occupation:
Director - AANA Holding;
Director & Chairman of the Board - AANA
- (d) See 8 above
- (e) See 9 above
- (f) Citizenship: United States

2. Thomas C. Heagy

- (a) Name: See above
- (b) Business address:
ABN AMRO North America, Inc.
135 South LaSalle Street
Chicago, Illinois 60603
- (c) Principal occupation:

- Director - AANA Holding;
- Director and Vice Chairman - AANA
- (d) See 8 above

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- (e) See 9 above
- (f) Citizenship: United States

3. Norman R. Bobbins

- (a) Name: See above
- (b) Business address:
ABN AMRO North America, Inc.
135 South LaSalle Street
Chicago, Illinois 60603
- (c) Principal occupation:
Director, President & Chief Executive Officer
- AANA
- (d) See 8 above
- (e) See 9 above
- (f) Citizenship: United States

4. Scott Heitmann

- (a) Name: See above
- (b) Business address:
ABN AMRO Bank N.V.
135 South LaSalle Street
Chicago, Illinois 60603
- (c) Principal occupation:
Executive Officer - AANA Holding;
Vice Chairman - AANA
- (d) See 8 above
- (e) See 9 above
- (f) Citizenship: United States

5. A.S.A. Halim

- (a) Name: See above
- (b) Business address:
ABN AMRO North America, Inc.
135 South LaSalle Street
Chicago, Illinois 60603
- (c) Principal occupation:
Executive Officer - AANA
- (d) See 8 above
- (e) See 9 above
- (f) Citizenship: United States

6. M. Hill Hammock

- (a) Name: See above
- (b) Business address:
ABN AMRO North America, Inc.
135 South LaSalle Street
Chicago, Illinois 60603
- (c) Principal occupation:
Executive Officer - AANA

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- (d) See 8 above
- (e) See 9 above
- (f) Citizenship: United States

7. Thomas M. Goldstein

- (a) Name: See above
- (b) Business address:
ABN AMRO North America, Inc.
135 South LaSalle Street
Chicago, Illinois 60603
- (c) Principal occupation:
Chief Financial Officer - AANA Holding
Chief Financial Officer - AANA
- (d) See 8 above
- (e) See 9 above
- (f) Citizenship: United States

8. Stephen C. Mack

- (a) Name: See above
- (b) Business address:
ABN AMRO North America, Inc.
135 South LaSalle Street
Chicago, Illinois 60603
- (c) Principal occupation:
Executive Officer - AANA
- (d) See 8 above
- (e) See 9 above
- (f) Citizenship: United States

9. Willie J. Miller

- (a) Name: See above
- (b) Business address:
ABN AMRO North America, Inc.
135 South LaSalle Street
Chicago, Illinois 60603

- (c) Principal occupation:
Chief Legal Officer - AANA Holding
Chief Legal Officer - AANA
- (d) See 8 above
- (e) See 9 above
- (f) Citizenship: United States

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10. Herman Siegelhaar

- (a) Name: See above
- (b) Business address:
ABN AMRO North America, Inc.
135 South LaSalle Street
Chicago, Illinois 60603
- (c) Principal occupation:
Executive Officer - AANA;
Executive Officer - AANA Holding
- (d) See 8 above
- (e) See 9 above
- (f) Citizenship: United States

11. Marty Penstein

- (a) Name: See above
- (b) Business address:
ABN AMRO North America, Inc.
135 South LaSalle Street
Chicago, Illinois 60603
- (c) Principal occupation:
Executive Officer - AANA
- (d) See 8 above
- (e) See 9 above
- (f) Citizenship: United States

12. Thomas P. Zidar

- (a) Name: See above
- (b) Business address:
ABN AMRO North America, Inc.
135 South LaSalle Street
Chicago, Illinois 60603
- (c) Principal occupation:
Executive Officer - AANA
- (d) See 8 above
- (e) See 9 above
- (f) Citizenship: United States

(e) ABN AMRO North America Holding Company

(i) Board Members:

1. Harrison F. Tempest

- (a) Name: See above
- (b) Business address:
ABN AMRO North America, Inc.
135 South LaSalle Street
Chicago, Illinois 60603

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- (c) Principal occupation:
Director - AANA Holding
Director & Chairman of the Board - AANA
- (d) See 8 above
- (e) See 9 above
- (f) Citizenship: United States

2. Thomas C. Heagy

- (a) Name: See above
- (b) Business address:
ABN AMRO North America, Inc.
135 South LaSalle Street
Chicago, Illinois 60603
- (c) Principal occupation:
Director - AANA Holding
Director & Vice Chairman - AANA
- (d) See 8 above
- (e) See 9 above
- (f) Citizenship: United States

3. Joost Ch. L. Kupier

- (a) Name: See above
- (b) Business address:
ABN AMRO Bank N.V.
Gustav Mahlerlaan 10
1082 PP Amsterdam
The Netherlands
- (c) Principal occupation:
Managing Board Member - ABN AMRO Holding and
ABN AMRO Bank
Director, President & Chief Executive Officer
- AANA Holding
Director - AANA
- (d) See 8 above
- (e) See 9 above

(f) Citizenship: The Netherlands

4. Kristen Fletcher

- (a) Name: See above
- (b) Business address:
ABN AMRO North America, Inc.
135 South LaSalle Street
Chicago, Illinois 60603
- (c) Principal occupation:
Director - AANA Holding
- (d) See 8 above
- (e) See 9 above
- (f) Citizenship: United States

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(ii) Executive Officers:

1. Joost Ch. L. Kupier

- (a) Name: See above
- (b) Business address:
ABN AMRO Bank N.V.
Gustav Mahlerlaan 10
1082 PP Amsterdam
The Netherlands
- (c) Principal occupation:
Managing Board Member - ABN AMRO Holding and
ABN AMRO Bank
Director, President & Chief Executive Officer
- AANA Holding
Director - AANA
- (d) See 8 above
- (e) See 9 above
- (f) Citizenship: The Netherlands

2. Thomas M. Goldstein

- (a) Name: See above
- (b) Business address:
ABN AMRO North America, Inc.
135 South LaSalle Street
Chicago, Illinois 60603
- (c) Principal occupation:
Chief Financial Officer - AANA Holding
Chief Financial Officer - AANA
- (d) See 8 above
- (e) See 9 above
- (f) Citizenship: United States

3. Willie J. Miller

- (a) Name: See above
- (b) Business address:
ABN AMRO North America, Inc.
135 South LaSalle Street
Chicago, Illinois 60603
- (c) Principal occupation:
Chief Legal Officer - AANA Holding
Chief Legal Officer - AANA
- (d) See 8 above
- (e) See 9 above
- (f) Citizenship: United States

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4. Scott Heitmann

- (a) Name: See above
- (b) Business address:
ABN AMRO North America, Inc.
135 South LaSalle Street
Chicago, Illinois 60603
- (c) Principal occupation:
Executive Officer - AANA Holding
Vice Chairman - AANA
- (d) See 8 above
- (e) See 9 above
- (f) Citizenship: United States

5. Herman Siegelaar

- (a) Name: See above
- (b) Business address:
ABN AMRO North America, Inc.
135 South LaSalle Street
Chicago, Illinois 60603
- (c) Principal occupation:
Executive Officer - AANA Holding;
Executive Officer - AANA
- (d) See 8 above
- (e) See 9 above
- (f) Citizenship: United States

(f) ABN AMRO Bank N.V.

- (i) Board Members (known as Supervisory Board Members): Same as the individuals who are members of the Supervisory

Board of ABN AMRO Holding - see (g)(i) below.

- (ii) Executive Officers (known as Managing Board Members):
Same as the individuals who are members of the Managing Board of ABN AMRO Holding - see (g)(ii) below - plus the additional individuals:

1. F.C. Barbosa

- (a) Name: See above
- (b) Business address:
ABN AMRO Brazil
Av. Paulista 1374-3rd Floor
CEP 01310-916
Sao Paulo, Brazil
- (c) Principal occupation: Senior Executive Vice President/
Consumer & Commercial Clients/CEO of the BU Brazil and President of ABN AMRO Brazil
- (d) See 8 above
- (e) See 9 above
- (f) Citizenship: Brazil

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2. Norman R. Bobbins

- (a) Name: See above
- (b) Business address:
ABN AMRO North America, Inc.
135 South LaSalle Street
Chicago, Illinois 60603
- (c) Principal occupation: Senior Executive Vice President/
Consumer & Commercial Clients/President and CEO - AANA/ Member of the Office of the Chairman Committee - AANA
- (d) See 8 above
- (e) See 9 above
- (f) Citizenship: United States

3. A.E.J.M. Cook-Schaapveld

- (a) Name: See above
- (b) Business address:
ABN AMRO Bank N.V.
Gustav Mahlerlaan 10
1082 PP Amsterdam

- The Netherlands
- (c) Principal occupation: Senior Executive Vice President/
Wholesale Clients/BU Head TMTH (including Health Care)
 - (d) See 8 above
 - (e) See 9 above
 - (f) Citizenship: The Netherlands

4. T. Cross-Brown

- (a) Name: See above
- (b) Business address:
ABN AMRO Bank N.V.
82 Bishopsgate
London EC2N 4BN
United Kingdom
- (c) Principal occupation: Senior Executive Vice President/
Private Clients & Asset Management/Asset Management, London
- (d) See 8 above
- (e) See 9 above
- (f) Citizenship: Great Britain

5. F.G.H. Deckers

- (a) Name: See above
- (b) Business address:
ABN AMRO Bank N.V.
Gustav Mahlerlaan 10
1082 PP Amsterdam
The Netherlands

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- (c) Principal occupation: Senior Executive Vice President/
Consumer & Commercial Clients/CEO of the BU Netherlands
- (d) See 8 above
- (e) See 9 above
- (f) Citizenship: The Netherlands

6. K. Edginton

- (a) Name: See above
- (b) Business address:
ABN AMRO Bank N.V.
250 Bishopsgate

- London EC2M 4AA
United Kingdom
- (c) Principal occupation: Senior Executive Vice President/
Wholesale Clients/Chief Operating Officer,
London
- (d) See 8 above
- (e) See 9 above
- (f) Citizenship: Great Britain

7. G.B.J. Hartsink

- (a) Name: See above
- (b) Business address:
ABN AMRO Bank N.V.
Gustav Mahlerlaan 10
1082 PP Amsterdam
The Netherlands
- (c) Principal occupation: Senior Executive Vice President/
Corporate Centre/Group Operations
- (d) See 8 above
- (e) See 9 above
- (f) Citizenship: The Netherlands

8. J.J. Kamp

- (a) Name: See above
- (b) Business address:
ABN AMRO Bank N.V.
Gustav Mahlerlaan 10
1082 PP Amsterdam
The Netherlands
- (c) Principal occupation: Senior Executive Vice President/
Corporate Centre/DG Legal & Compliance
- (d) See 8 above
- (e) See 9 above
- (f) Citizenship: The Netherlands

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9. A.M. Kloosterman

- (a) Name: See above
- (b) Business address:
ABN AMRO Bank N.V.
Gustav Mahlerlaan 10
1082 PP Amsterdam
The Netherlands

- (c) Principal occupation: Senior Executive Vice President/
Wholesale Clients/Country Coverage
- (d) See 8 above
- (e) See 9 above
- (f) Citizenship: The Netherlands

10. Ir E.H. Kok

- (a) Name: See above
- (b) Business address:
ABN AMRO Bank N.V.
Gustav Mahlerlaan 10
1082 PP Amsterdam
The Netherlands
- (c) Principal occupation: Senior Executive Vice President/
Wholesale Clients/Loan Products
- (d) See 8 above
- (e) See 9 above
- (f) Citizenship: The Netherlands

11. G.J.A. Louw

- (a) Name: See above
- (b) Business address:
ABN AMRO Bank N.V.
Gustav Mahlerlaan 10
1082 PP Amsterdam
The Netherlands
- (c) Principal occupation: Senior Executive Vice President/Corporate Centre/Group HR

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- (d) See 8 above
- (e) See 9 above
- (f) Citizenship: The Netherlands

12. J.W. Meeuwis

- (a) Name: See above
- (b) Business address:
ABN AMRO Bank N.V.
Gustav Mahlerlaan 10
1082 PP Amsterdam
The Netherlands
- (c) Principal occupation: Senior Executive Vice President/
Wholesale Clients/Country Coverage Head

- Netherlands
- (d) See 8 above
 - (e) See 9 above
 - (f) Citizenship: The Netherlands
13. R.J. Meuter
- (a) Name: See above
 - (b) Business address:
ABN AMRO Bank N.V.
Gustav Mahlerlaan 10
1082 PP Amsterdam
The Netherlands
 - (c) Principal occupation: Senior Executive Vice President/
Wholesale Clients/Client Coverage Officer NL
 - (d) See 8 above
 - (e) See 9 above
 - (f) Citizenship: The Netherlands
14. H. Mulder
- (a) Name: See above
 - (b) Business address:
ABN AMRO Bank N.V.
Gustav Mahlerlaan 10
1082 PP Amsterdam
The Netherlands
 - (c) Principal occupation: Senior Executive Vice President/
Corporate Centre/Risk Management
 - (d) See 8 above
 - (e) See 9 above
 - (f) Citizenship: The Netherlands
15. M.B.G.M. Oostendorp
- (a) Name: See above
 - (b) Business address:
ABN AMRO Bank N.V.
Gustav Mahlerlaan 10
1082 PP Amsterdam
The Netherlands
 - (c) Principal occupation: Senior Executive Vice President/Corporate Centre/Group Finance
 - (d) See 8 above
 - (e) See 9 above
 - (f) Citizenship: The Netherlands

16. P.S. Overmars

- (a) Name: See above
- (b) Business address:
ABN AMRO Bank N.V.
Gustav Mahlerlaan 10
1082 PP Amsterdam
The Netherlands
- (c) Principal occupation: Senior Executive Vice
President/
Wholesale Clients/Global Financial Markets
- (d) See 8 above
- (e) See 9 above
- (f) Citizenship: The Netherlands

17. J.J. Oyevaar

- (a) Name: See above
- (b) Business address:
ABN AMRO Bank N.V.
Gustav Mahlerlaan 10
1082 PP Amsterdam
The Netherlands
- (c) Principal occupation: Senior Executive Vice
President/
Consumer & Commercial Clients/Special Projects
- (d) See 8 above
- (e) See 9 above
- (f) Citizenship: The Netherlands

18. R.C. van Paridon

- (a) Name: See above
- (b) Business address:
ABN AMRO Bank N.V.
Gustav Mahlerlaan 10
1082 PP Amsterdam
The Netherlands
- (c) Principal occupation: Senior Executive Vice
President/
Wholesale Clients/GTS Custody & Clearing
- (d) See 8 above
- (e) See 9 above
- (f) Citizenship: The Netherlands

19. J.P. Schmittmann

- (a) Name: See above
- (b) Business address:
ABN AMRO Bank N.V.

Gustav Mahlerlaan 10
1082 PP Amsterdam
The Netherlands

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- (c) Principal occupation: Senior Executive Vice President/
Private Clients & Asset Management/Private Clients (+NGM)
- (d) See 8 above
- (e) See 9 above
- (f) Citizenship: The Netherlands

20. J. Sijbrand

- (a) Name: See above
- (b) Business address:
ABN AMRO Bank N.V.
Gustav Mahlerlaan 10
1082 PP Amsterdam
The Netherlands
- (c) Principal occupation: Senior Executive Vice President/
Wholesale Clients/Chief Risk Officer
- (d) See 8 above
- (e) See 9 above
- (f) Citizenship: The Netherlands

21. R. Teerlink

- (a) Name: See above
- (b) Business address:
ABN AMRO Bank N.V.
Gustav Mahlerlaan 10
1082 PP Amsterdam
The Netherlands
- (c) Principal occupation: Senior Executive Vice President/
Wholesale Clients/TOPS
- (d) See 8 above
- (e) See 9 above
- (f) Citizenship: The Netherlands

22. P.N.N. Turner

- (a) Name: See above
- (b) Business address:
ABN AMRO Bank N.V.
250 Bishopsgate

- London EC2M 4AA
United Kingdom
- (c) Principal occupation: Senior Executive Vice President/
Wholesale Clients/Co-Head Corporate Finance
 - (d) See 8 above
 - (e) See 9 above
 - (f) Citizenship: Great Britain

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23. S.M. Zavatti

- (a) Name: See above
- (b) Business address:
ABN AMRO Asia
G.P.O. Box 61
Hong Kong, China
- (c) Principal occupation: Senior Executive Vice President/
Wholesale Clients/Financial Institutions &
Public Sector (FIPS)
- (d) See 8 above
- (e) See 9 above
- (f) Citizenship: United States

(g) ABN AMRO Holding N.V.

(i) Board Members (known as Supervisory Board Members):

1. A. A. Loudon, Chairman

- (a) Name: See above
- (b) Business address:
AKZO Nobel N.V.
P.O. Box 9300
6800 SB Arnhem
The Netherlands
- (c) Principal occupation: Retired
Former Chairman - AKZO NOBEL N.V.
- (d) See 8 above
- (e) See 9 above
- (f) Citizenship: The Netherlands

2. Martin C. van Veen, Vice Chairman

- (a) Name: See above
- (b) Home address:
Herman Heyermansweg 5
1077 WJ Amsterdam

- The Netherlands
- (c) Principal occupation: Retired
Former Chairman of the Board of Management of
Koninklijke Hoogovens N.V.
 - (d) See 8 above
 - (e) See 9 above
 - (f) Citizenship: The Netherlands

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3. W. Overmars

- (a) Name: See above
- (b) Home address:
Heinsbergenstraat 54
5402 EG Uden
The Netherlands
- (c) Principal occupation: Retired
Former Chairman of the Executive Board -
Campina Melkunie B.V.
- (d) See 8 above
- (e) See 9 above
- (f) Citizenship: The Netherlands

4. W. Dik

- (a) Name: See above
- (b) Home address:
Antwerpsebaan 10
5268 KB Helvoirt
The Netherlands
- (c) Principal occupation: Retired
Former Chairman of the Board of Management of
Royal KPN N.V.
- (d) See 8 above
- (e) See 9 above
- (f) Citizenship: The Netherlands

5. C.H. van der Hoeven

- (a) Name: See above
- (b) Business address:
Koninklijke AHOLD N.V.
P.O. Box 3050
1500 HB Zaandam
The Netherlands
- (c) Principal occupation:
President and Chief Executive Officer of Royal
Ahold N.V.
- (d) See 8 above

- (e) See 9 above
- (f) Citizenship: United States

6. A. Burgmans

- (a) Name: See above
- (b) Business address:
Unilever N.V.
P.O. Box 760
3000 DK Rotterdam
The Netherlands
- (c) Principal occupation:
Chairman of the Board of Unilever N.V.

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- (d) See 8 above
- (e) See 9 above
- (f) Citizenship: The Netherlands

7. D.R.J. Baron De Rothschild

- (a) Name: See above
- (b) Business address:
Rothschild & Cie Banque
17, Avenue Matignon (4th floor)
75008 Paris - France
- (c) Principal occupation:
Senior Partner - Rothschild & Cie Banque
- (d) See 8 above
- (e) See 9 above
- (f) Citizenship: France

8. L.S. Groenman

- (a) Name: See above
- (b) Home address:
Schippersgracht 12
3603 BC Maarssen
The Netherlands
- (c) Principal occupation:
Crownmember Sociaal-Economische Raad (SER)
Chairman - Clara Wichman Instituut
- (d) See 8 above
- (e) See 9 above
- (f) Citizenship: The Netherlands

9. T.A. Maas-de-Brouwer

- (a) Name: See above

- (b) Business address:
Hay Group bv
Arnhemse Bovenweg 140
3708 AH Zeist
The Netherlands
- (c) Principal occupation:
Business Developer - Hay Group bv
- (d) See 8 above
- (e) See 9 above
- (f) Citizenship: The Netherlands

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10. P.J. Kalff

- (a) Name: See above
- (b) Business address:
ABN AMRO Bank N.V.
(PAC HQ1091)
P.O. Box 23
1000 EA Amsterdam
The Netherlands
- (c) Principal occupation:
Former Chairman of the Managing Board of ABN
AMRO Holding and ABN AMRO Bank
- (d) See 8 above
- (e) See 9 above
- (f) Citizenship: The Netherlands

11. Arthur C. Martinez

- (a) Name: See above
- (b) Business address:
Sears Tower
Suite 9800
P.O. Box 061079
Chicago, Illinois 60606
- (c) Principal occupation:
Former Chairman, President and Chief Executive
Officer - Sears, Roebuck & Co., Inc., Chicago
- (d) See 8 above
- (e) See 9 above
- (f) Citizenship: United States

(ii) Executive Officers (known as Managing Board Members)

1. Rijkman Groenink

- (a) Name: See above
- (b) Business address:

ABN AMRO Bank N.V.
Gustav Mahlerlaan 10
1082 PP Amsterdam
The Netherlands

- (c) Principal occupation:
Chairman of the Managing Board - ABN AMRO
Holding and ABN AMRO Bank
- (d) See 8 above
- (e) See 9 above
- (f) Citizenship: The Netherlands

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2. Wilco Jiskoot

- (a) Name: See above
- (b) Business address:
ABN AMRO Bank N.V.
Gustav Mahlerlaan 10
1082 PP Amsterdam
The Netherlands
- (c) Principal occupation:
Managing Board Member - ABN AMRO Holding and
ABN AMRO Bank
- (d) See 8 above
- (e) See 9 above
- (f) Citizenship: The Netherlands

3. Tom de Swaan

- (a) Name: See above
- (b) Business address:
ABN AMRO Bank N.V.
Gustav Mahlerlaan 10
1082 PP Amsterdam
The Netherlands
- (c) Principal occupation:
Managing Board Member - ABN AMRO Holding and
ABN AMRO Bank
- (d) See 8 above
- (e) See 9 above
- (f) Citizenship: The Netherlands

4. Joost Kuiper

- (a) Name: See above
- (b) Business address:
ABN AMRO Bank N.V.
Gustav Mahlerlaan 10
1082 PP Amsterdam

- The Netherlands
- (c) Principal occupation:
Managing Board Member - ABN
AMRO Holding and ABN AMRO
Bank; Director and
Executive Officer - AANA
Holding
 - (d) See 8 above
 - (e) See 9 above
 - (f) Citizenship: The Netherlands

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5. Coenraad Hendrik Adolph Collee

- (a) Name: See above
- (b) Business address:
ABN AMRO Bank N.V.
Gustav Mahlerlaan 10
1082 PP Amsterdam
The Netherlands
- (c) Principal occupation:
Managing Board Member - ABN AMRO Holding and
ABN AMRO Bank
- (d) See 8 above
- (e) See 9 above
- (f) Citizenship: The Netherlands

6. Hugh Scott-Barrett

- (a) Name: See above
- (b) Business address:
ABN AMRO Bank N.V.
Gustav Mahlerlaan 10
1082 PP Amsterdam
The Netherlands
- (c) Principal occupation:
Managing Board Member - ABN AMRO Holding and
ABN AMRO Bank
- (d) See 8 above
- (e) See 9 above
- (f) Citizenship: Britain

11. Identity and Background of Each Person Controlling:

- (a) Midwest Mezzanine Fund II, L.P.:
 - (i) ABN AMRO Mezzanine Management II, L.P.
 - (ii) ABN AMRO Mezzanine Management II, Inc.
 - (iii) ABN AMRO North America, Inc.

- (iv) ABN AMRO North America Holding Company
 - (v) ABN AMRO Bank N.V.
 - (vi) ABN AMRO Holding N.V.
- (b) ABN AMRO Mezzanine Management II, L.P.:
- (i) ABN AMRO Mezzanine Management II, Inc.
 - (ii) ABN AMRO North America, Inc.
 - (iii) ABN AMRO North America Holding Company
 - (iv) ABN AMRO Bank N.V.
 - (v) ABN AMRO Holding N.V.

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- (c) ABN AMRO Mezzanine Management II, Inc.:
- (i) ABN AMRO North America, Inc.
 - (ii) ABN AMRO North America Holding Company
 - (iii) ABN AMRO Bank N.V.
 - (iv) ABN AMRO Holding N.V.
- (d) ABN AMRO North America, Inc.:
- (i) ABN AMRO North America Holding Company
 - (ii) ABN AMRO Bank N.V.
 - (iii) ABN AMRO Holding N.V.
- (e) ABN AMRO North America Holding Company:
- (i) ABN AMRO Bank N.V.
 - (ii) ABN AMRO Holding N.V.
- (f) ABN AMRO Bank N.V.:
- (i) ABN AMRO Holding N.V.
- (g) ABN AMRO Holding N.V.: None

12. Identity and Background of Each Director of any Corporation or Other Person Ultimately in Control of:

- (a) Midwest Mezzanine Fund II, L.P.: See 10(b)(i), 10(c)(i), 10(d)(i), 10(e)(i), 10(f)(i) and 10(g)(i) above.
- (b) ABN AMRO Mezzanine Management II, L.P.: See 10(c)(i), 10(d)(i), 10(e)(i), 10(f)(i) and 10(g)(i) above.
- (c) ABN AMRO Mezzanine Management II, Inc.: See 10(d)(i), 10(e)(i), 10(f)(i) and 10(g)(i) above.
- (d) ABN AMRO North America, Inc.: See 10(e)(i), 10(f)(i) and 10(g)(i) above.
- (e) ABN AMRO North America Holding Company: See 10(f)(i) and 10(g)(i)

above.

(f) ABN AMRO Bank N.V.: See 10(g)(i) above.

(g) ABN AMRO Holding N.V.: None

13. Identity and Background of Each Executive Officer of any Corporation or Other Person Ultimately in Control of:

(a) Midwest Mezzanine Fund II, L.P.: See 10(b)(i), 10(c)(ii), 10(d)(ii), 10(e)(ii), 10(f)(ii) and 10(g)(ii) above.

(b) ABN AMRO Mezzanine Management II, L.P.: See 10(c)(ii), 10(d)(ii), 10(e)(ii), 10(f)(ii) and 10(g)(ii) above.

(c) ABN AMRO Mezzanine Management II, Inc.: See 10(d)(ii), 10(e)(ii), 10(f)(ii) and 10(g)(ii) above.

(d) ABN AMRO North America, Inc.: See 10(e)(ii), 10(f)(ii) and 10(g)(ii) above.

(e) ABN AMRO North America Holding Company: See 10(f)(ii) and 10(g)(ii) above.

(f) ABN AMRO Bank N.V.: See 10(g)(ii) above.

(g) ABN AMRO Holding N.V.: None

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Item 3. Source and Amount of Funds or Other Consideration.

On July 19, 2002, (a) Midwest, Heller and Castle entered into a Senior Subordinated Note and Subordinated Convertible Note Exchange Agreement (the "Exchange Agreement"), pursuant to which Castle (i) issued to Midwest 59,760 shares of Series A-1 Convertible Preferred Stock of Castle (the "Series A-1 Preferred Stock") in exchange for all of Midwest's right, title and interest in and to the indebtedness outstanding under those senior subordinated promissory notes dated January 31, 2000, in the aggregate principal amount of \$5,000,000; and (ii) issued to Heller 119,520 shares of Series A-1 Preferred Stock in exchange for all of Heller's right, title and interest in and to the indebtedness outstanding under those senior subordinated promissory notes dated January 31, 2000, in the aggregate principal amount of \$10,000,000 (collectively, the "Exchange"); and (b) Midwest, Heller, Castle and James M. Usdan entered into a Senior Subordinated Note and Warrant Purchase Agreement (the "Purchase Agreement"), pursuant to which, among other things, Castle issued to each of Midwest and Heller (i) a senior subordinated convertible promissory note of Castle in the principal amount of \$500,000 (each, a "Convertible Note"), and (ii) a stock purchase warrant exercisable for 5,286,489 shares of Common Stock (each, a "Warrant") in exchange for \$500,000 cash payable to Castle by each of Midwest and Heller. In addition, in connection with the execution of the Second Amended and Restated Credit Agreement by and among Castle, Heller and certain other senior lenders party thereto, Castle issued to Heller a preferred stock purchase warrant (the "Bank Warrant") exercisable for 10,984 shares of Series A-2 Convertible Preferred Stock of Castle (the "Series A-2 Preferred Stock"). Midwest is not now able to identify the sources of funds that would be used if it were to exercise the Warrant, in whole or in part. It is currently anticipated that such funds would be provided from Midwest's partnership funds.

Upon the conversion and/or exercise of each of the convertible securities held by Midwest and described herein, Castle will issue to Midwest 17,117,068 shares of Common Stock. Upon the conversion and/or exercise of each of the convertible securities held by Heller and described herein, Castle will issue to Heller 30,040,825 shares of Common Stock.

The Certificate of Designations, Rights and Preferences of Series A-1 Convertible Preferred Stock and Series A-2 Convertible Preferred Stock of Castle (the "Certificate of Designation") provides that the holders of the Series A-1 Preferred Stock shall have the exclusive right to elect a number of directors equal to a majority of the members of the Board of Directors of Castle (the "Board of Directors"). In connection with the acquisition of the Series A-1 Preferred Stock and the Convertible Notes, Midwest, Heller and Castle entered into an Investors Agreement, dated as of July 19, 2002 (the "Investors Agreement," together with the Exchange Agreement and all exhibits thereto, and the Purchase Agreement and all exhibits thereto, the "Transaction Documents"), pursuant to which, among other things, the parties acknowledged and agreed to special voting rights with respect to the designation and election of directors of Castle and its subsidiaries, in accordance with the terms and conditions contained therein (see Item 4(d)). Midwest did not pay additional consideration to Heller or Castle in connection with the execution and delivery of the Investors Agreement.

References to, and descriptions of, the Exchange Agreement, the Certificate of Designation, the Purchase Agreement and the Investors Agreement and the transactions contemplated thereby as set forth herein are qualified in their entirety by reference to the copies of the Exchange Agreement, the Certificate of Designation, the Purchase Agreement and the Investors Agreement, respectively, included as Exhibits 2, 3, 4 and 5, respectively, to this Statement, and are incorporated herein in their entirety where such references and descriptions appear.

Item 4. Purpose of Transaction.

(a)-(c) Not applicable.

(d) Pursuant to the Certificate of Designation, the holders of the Series A-1 Preferred Stock and Series A-2 Preferred Stock vote together with the holders of the Common Stock on all matters submitted to a vote of the stockholders of Castle (including election of directors), and have the number of votes per share of

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Preferred Stock equal to 182.7 shares of Common Stock (subject to adjustment pursuant to the terms provided therein). In addition, the holders of the Series A-1 Preferred Stock have the right, voting separately as a class, to elect a majority of the members of the Board of Directors.

Pursuant to the Investors Agreement, each of Heller and Midwest agreed to

take all actions necessary at any time and from time to time including, but not limited to, the voting of its shares of stock of Castle, the execution of written consents, the calling of special meetings, the removal of directors, the filling of vacancies in directorships, the waiving of notice, the attending of meetings and the amendment of Castle's by-laws, so as to cause the Board of Directors to at all times consist of up to five (5) members and to include (i) two members designated by holders holding a majority of the shares of Series A-1 Preferred Stock originally acquired by Heller pursuant to the Exchange Agreement (the "Heller Designees"), (ii) one member designated by holders holding a majority of the shares of Series A-1 Preferred Stock originally acquired by Midwest pursuant to the Exchange Agreement (the "Midwest Designee") and (iii) the Chief Executive Officer of Castle. In addition, Midwest and Heller agreed that, as soon as possible following the execution of the Investors Agreement, the Board of Directors shall initially consist of James M. Usdan, Eddie Kunz, Paul Kreie (as the Midwest Designee) and Ira Glazer (as one of the Heller Designees). Heller further agreed to use its reasonable efforts to designate the second Heller Designee within 75 days following the date of the Investors Agreement. The Investors Agreement terminates at such time as (x) the Convertible Notes have been paid in full or are otherwise no longer outstanding and (y) there are no shares of Series A-1 Preferred Stock outstanding.

(e) Pursuant to a Stockholders Agreement, dated as of July 19, 2002, by and among Castle, Midwest, Heller and certain other stockholders a party thereto (the "Stockholders Agreement"), (i) Castle covenants and agrees to, among other things, within 75 days following the execution of the Transaction Documents, take such actions necessary to cause Castle to have a number of shares of Common Stock authorized for issuance that is sufficient for Castle to issue duly authorized shares of Common Stock to each person holding securities of Castle that are convertible into or exercisable for shares of Common Stock upon such conversion or exercise (the "Authorized Share Amendment") and (ii) Heller and Midwest agree to vote in favor of such Authorized Share Amendment. In addition, pursuant to the Certificate of Designation, the Warrants and the Bank Warrant, Castle is required to take all action necessary to reduce the par value of the shares of Common Stock to the extent necessary to remedy a Par Value Failure (as defined in the Certificate of Designation).

(f) Not applicable.

(g) On July 19, 2002, the Certificate of Designation was filed with the Secretary of the State of Delaware providing that, among other things, the holders of the Series A-1 Preferred Stock have the right to elect a majority of the members of the Board of Directors. In addition, the Investors Agreement provides that certain actions by Castle, including, but not limited to, a sale of all or substantially all of Castle's assets or voting stock, need the approval of (i) a majority of shares of Series A-1 Preferred Stock originally held by Heller, (ii) a majority of shares of Series A-1 Preferred Stock originally held by Midwest and (iii) James M. Usdan.

(h)-(i) Not Applicable.

(j) Other than described above, neither Midwest nor any other Reporting

Person currently has any plan or proposals which relate to, or may result in, any of the matters listed in Items 4(a)-(j) of Schedule 13D (although such persons reserve the right to develop such plans).

References to, and descriptions of, the Exchange Agreement, the Certificate of Designation, the Purchase Agreement, the Investors Agreement and the Stockholders Agreement as set forth above in this Item 4 are qualified in their entirety by reference to the copies of such documents included as Exhibits 2, 3,

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4, 5 and 6, respectively, to this Statement, and incorporated in this Item 4 in their entirety where such references and descriptions appear.

Item 5. Interest in Securities of the Issuer.

(a)-(b) As a result of the consummation of the Exchange and the other transactions contemplated by the Transaction Documents, the Reporting Persons may be deemed to be the beneficial owners of the 17,117,068 shares of Common Stock issuable upon the conversion of the Series A-1 Preferred Stock and the Convertible Note and the exercise of the Warrant currently held by Midwest (the "Midwest Shares"), which represent 31.9% of the shares of Common Stock. As reported on the Heller Group's Schedule 13D, the Heller Group may be deemed to be the beneficial owners of the 30,040,825 shares of Common Stock issuable upon conversion of the Series A-1 Preferred Stock and the Convertible Note and exercise of the Warrant and the Bank Warrant (and subsequent conversion of the Series A-2 Preferred Stock issuable upon exercise of the Bank Warrant) currently held by Heller (the "Heller Shares"), which represent 56.1% of the shares of Common Stock. Collectively, the 47,157,893 shares of Common Stock which may be deemed to be beneficially owned by the Reporting Persons and the Heller Group represent 88% of the shares of Common Stock. All of the above ownership percentages are based on (i) the 6,417,206 shares of Common Stock issued and outstanding as of July 19, 2002, (ii) the Heller Shares and (iii) the Midwest Shares. Based upon the terms of the Investors Agreement, Midwest may be deemed to have a limited form of shared voting power respecting the Heller Shares because Midwest and Heller have agreed to vote their shares of capital stock of Castle in favor of certain designees to the Board of Directors. However, Midwest (i) is not entitled to any other rights (voting or otherwise) with respect to the Heller Shares, including without limitation any right to dispose of or direct the disposition of any such shares (except for Midwest's right of first refusal to purchase certain securities offered for sale by Heller pursuant to the Investors Agreement and as more fully described in Item 6 below), and (ii) disclaims any beneficial ownership of the Heller Shares.

(c) To the knowledge of the Reporting Persons, no transactions in the class of securities reported have been effected during the past sixty (60) days by any person named pursuant to Item 2.

(d) To the knowledge of the Reporting Persons, no person other than the holders thereof has the right to receive or the power to direct the receipt of

dividends from, or the proceeds from the sale of, the securities of Castle that are the subject of the Transaction Documents.

(e) Not applicable.

Item 6. Contracts, Arrangements, Understanding or Relationships With Respect to Securities of the Issuer.

Pursuant to the terms of the Investors Agreement, Midwest and Heller agreed that, except as otherwise provided therein, in the event either Midwest or Heller desires to transfer any of its Series A-1 Preferred Stock or Convertible Notes issued by Castle pursuant to the Transaction Documents to a third party, then Midwest or Heller, as the case may be, shall first offer such securities to the other party on the same terms as offered to such third party. A copy of the Investors Agreement is filed as Exhibit 5 to this Statement and is incorporated by reference herein.

Pursuant to the terms of the Stockholders Agreement, Midwest, Heller and James M. Usdan agreed to permit the Investor Stockholders (as defined in the Stockholders Agreement) to participate in sales of their shares of Series A-1 Preferred Stock, shares of Series A-2 Preferred Stock, the Convertible Note, the Warrant, the Bank Warrant, or shares of Common Stock issuable upon conversion of such convertible securities, in the same transaction and on the same terms as Midwest, Heller or James M. Usdan, as the case may be, subject to certain specific enumerated exceptions to the right to "tag along" in dispositions made by Midwest, Heller or James M. Usdan, as the case may be. In addition, the Stockholders Agreement provides

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that, in the event Castle proposes to sell and issue any new securities, Midwest and the other stockholders party thereto shall have a right of first refusal to purchase any such new securities which Castle may, from time to time, propose to sell and issue. A copy of the Stockholders Agreement is filed as Exhibit 6 to this Statement and is incorporated by reference herein.

Except as set forth or incorporated by reference in this Statement, to the knowledge of the Reporting Persons, there are no contracts, arrangements, understandings or relationships among the persons named in Item 2 and between such persons and any person with respect to any securities of Castle, including, but not limited to, transfer or voting of any of the securities, finder's fees, joint ventures, loan or option arrangement, puts or calls, guarantees of profits, division of profits or loss, or the giving or withholding of proxies.

Item 7. Materials to be Filed as Exhibits.

The following documents are filed as Exhibits to this Schedule 13D:

1. Joint Filing Agreement among the Reporting Persons dated as of the date

hereof.

2. Senior Subordinated Note and Subordinated Convertible Note Exchange Agreement, dated as of July 19, 2002, by and among Castle, Heller and Midwest.

3. Certificate of Designations, Rights and Preferences of the Series A-1 Convertible Preferred Stock and Series A-2 Convertible Preferred Stock, as filed with the Delaware Secretary of State on July 19, 2002.

4. Senior Subordinated Note and Warrant Purchase Agreement, dated as of July 19, 2002, by and among Castle, Heller, Midwest and James M. Usdan.

5. Investors Agreement, dated as of July 19, 2002, by and among Castle, Heller, Midwest and, solely for purposes of Section 5(a) thereof, James M. Usdan.

6. Stockholders Agreement, dated as of July 19, 2002, by and among Castle, Heller, Midwest and certain other stockholders and warrant holders party thereto.

7. Secretary's Certificate of AANA.

8. Secretary's Certificate of AANA Holding.

9. Excerpts from ABN AMRO Bank listing of authorized signatures (Willie J. Miller and Carol L. Tenyak).

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SIGNATURE

After reasonable inquiry and to the best knowledge and belief of the undersigned, the undersigned certifies that the information set forth in this statement is true, complete and correct.

Dated: August 22, 2002

MIDWEST MEZZANINE FUND II, L.P.

By: ABN AMRO Mezzanine Management II, L.P.,
its general partner

By: ABN AMRO Mezzanine Management II, Inc.,
its general partner

By: /s/ J. Allan Kayler

Its: Executive Vice President

ABN AMRO MEZZANINE MANAGEMENT II, L.P.

By: ABN AMRO Mezzanine Management II, Inc.,
its general partner

By: /s/ J. Allan Kayler

Its: Executive Vice President

ABN AMRO MEZZANINE MANAGEMENT II, INC.

By: /s/ J. Allan Kayler

Its: Executive Vice President

ABN AMRO NORTH AMERICA, INC.

By: /s/ Willie J. Miller

Its: Executive Vice President and Secretary

and

By: /s/ Kirk P. Flores

Its: Senior Vice President and Assistant Secretary

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ABN AMRO NORTH AMERICA HOLDING COMPANY

By: /s/ Kirk P. Flores

Its: Vice President and Assistant Secretary

ABN AMRO BANK N.V.

By: /s/ Willie J. Miller, Jr.

Its: Authorized Signer

and

By: /s/ Carol L. Tenyak

Its: Authorized Signer

ABN AMRO HOLDING N.V.

By: /s/ Tom de Swaan

Its: Managing Board Member

and

By: /s/ Wilco Jiskoot

Its: Managing Board Member

EXHIBIT 1

JOINT FILING AGREEMENT

Pursuant to Rule 13d-1(f)(1) under the Securities Exchange Act of 1934, as amended, the undersigned hereby agree that the Schedule 13D to which this Joint Filing Agreement is being filed as an exhibit shall be a joint statement filed on behalf of each of the undersigned.

Dated: August 22, 2002

MIDWEST MEZZANINE FUND II, L.P.

By: ABN AMRO Mezzanine Management II, L.P.,
its general partner

By: ABN AMRO Mezzanine Management II, Inc.,
its general partner

By: /s/ J. Allan Kayler

Its: Executive Vice President

ABN AMRO MEZZANINE MANAGEMENT II, L.P.

By: ABN AMRO Mezzanine Management II, Inc.,
its general partner

By: /s/ J. Allan Kayler

Its: Executive Vice President

ABN AMRO MEZZANINE MANAGEMENT II, INC.

By: /s/ J. Allan Kayler

Its: Executive Vice President

ABN AMRO NORTH AMERICA, INC.

By: /s/ Willie J. Miller

Its: Executive Vice President and Secretary

and

By: /s/ Kirk P. Flores

Its: Senior Vice President and Assistant Secretary

ABN AMRO NORTH AMERICA HOLDING COMPANY

By: /s/ Kirk P. Flores

Its: Vice President and Assistant Secretary

ABN AMRO BANK N.V.

By: /s/ Willie J. Miller, Jr.

Its: Authorized Signer

and

By: /s/ Carol L. Tenyak

Its: Authorized Signer

ABN AMRO HOLDING N.V.

By: /s/ Tom de Swaan

Its: Managing Board Member

and

By: /s/ Wilco Jiskoot

Its: Managing Board Member

=====

SENIOR SUBORDINATED NOTE AND SUBORDINATED CONVERTIBLE NOTE
EXCHANGE AGREEMENT

DATED AS OF JULY 19, 2002

AMONG

CASTLE DENTAL CENTERS, INC.,

HELLER FINANCIAL, INC.,

AND

MIDWEST MEZZANINE FUND II, L.P.

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EXHIBITS AND SCHEDULES

Exhibit A	Form of Certificate of Designations
Exhibit B	Form of Investors Agreement
Exhibit C	Form of Registration Rights Agreement
Exhibit D	Form of Release
Exhibit E	Form of Stockholders Agreement
Exhibit F	Form of Amended and Restated Bylaws
Exhibit G	Form of Compliance Certificate
Schedule 4.06	Capitalization

THIS SENIOR SUBORDINATED NOTE AND SUBORDINATED CONVERTIBLE NOTE EXCHANGE AGREEMENT, dated as of July 19, 2002, is by and among CASTLE DENTAL CENTERS, INC., a Delaware corporation (the "Company"), HELLER FINANCIAL, INC., a Delaware corporation ("Heller"), and MIDWEST MEZZANINE FUND II, L.P., a Delaware limited partnership ("Midwest"; Heller and Midwest are sometimes referred to

individually as a "Holder" and collectively, as the "Holders").

R E C I T A L S

WHEREAS, \$17,928,000 in aggregate principal and interest (including default interest) as of the date hereof (the "Indebtedness") is outstanding under the Senior Subordinated Notes and Subordinated Convertible Notes (collectively, the "Senior Notes") issued to the Holders pursuant to the Senior Subordinated Note Purchase Agreement between the Company and the Holders dated January 31, 2000;

WHEREAS, Heller is the holder of Senior Notes representing \$11,952,000 of the Indebtedness and desires to exchange the Indebtedness held by Heller for shares of Series A-1 Preferred Stock;

WHEREAS, Midwest is the holder of Senior Notes representing \$5,976,000 of the Indebtedness and desires to exchange the Indebtedness held by Midwest for shares of Series A-1 Preferred Stock;

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

ARTICLE I DEFINITIONS AND ACCOUNTING MATTERS

Section 1.01. Certain Defined Terms. As used herein, the following terms shall have the following meanings (all terms defined in this Article I or in other provisions of this Agreement in the singular to have the same meanings when used in the plural and vice versa):

"Affiliate" of any Person shall mean (i) any Person directly or indirectly controlled by, controlling or under common control with such first Person, (ii) any director or officer of such first Person or of any Person referred to in clause (i) above and (iii) if any Person in clause (i) above is an individual, any member of the immediate family (including parents, spouse and children) of such individual and any trust whose principal beneficiary is such individual or one (1) or more members of such immediate family and any Person who is controlled by any such member or trust. For purposes of this definition, any Person which owns directly or indirectly ten percent (10%) or more of the securities having ordinary voting power for the election of directors or other governing body of a corporation or ten percent (10%) or more of the

partnership or other ownership interests of any other Person (other than as a limited partner of such other Person) will be deemed to "control" (including, with its correlative meanings, "controlled by" and "under common control with") such corporation or other Person.

"Agreement" shall mean this Agreement, as the same may from time to time be amended, restated, supplemented or otherwise modified from time to time.

"Authorized Share Amendment" shall have the meaning assigned such term in Section 4.02.

"Business Day" shall mean any day other than a day on which commercial banks are authorized or required to close in Chicago, Illinois.

"Certificate of Designations" means the Certificate of Designations, Preferences and Rights of Series A-1 Convertible Preferred Stock and Series A-2 Convertible Preferred Stock of the Company, in the form attached hereto as Exhibit A.

"Closing Date" shall mean July 19, 2002.

"Code" shall mean the Internal Revenue Code of 1986, as amended from time to time and any successor statute.

"Common Stock" shall mean the common stock, \$.001 par value, of the Company.

"Company" has the meaning set forth in the preamble of this Agreement.

"Consolidated Subsidiaries" shall mean each Subsidiary of the Company (whether now existing or hereafter created or acquired), the financial statements of which shall be (or should have been) consolidated with the financial statements of the Company in accordance with GAAP.

"Corpus Transactions" shall mean, collectively: (a) the Severance Agreement between the Company, Jack H. Castle, Jr. ("Castle"), Goforth, Inc., a Texas corporation ("Goforth"), and Castle 1995 Gift Trust F/b/o Jack H. Castle, Jr. (the "Trust"); (b) the Settlement Agreement between the Company, Jack H. Castle, D.D.S. and the Estate of Jack H. Castle, D.D.S. (collectively, the "Seller"), Castle Dental Centers of Texas, Inc., a Texas corporation ("Castle Texas"), Castle Dental Associates of Texas, P.C. (formerly Jack H. Castle, D.D.S., P.C.), a Texas professional corporation (the "PC"), Castle Interests, Ltd. ("Castle Interests"), and Loretta M. Castle ("Mrs. Castle"); and (c) the sale by the Company of two (2) locations in Corpus Christi, Texas and one (1) location in Beaumont Texas pursuant to the Asset Purchase Agreement ("Asset Purchase Agreement") among Dentists Choice 1 L.P., a Texas limited partnership ("Purchaser"), Castle, Texas Dental Associates, P.A., a Texas professional association ("Purchaser PC"), Castle Texas, and the PC.

"Environmental Laws" shall mean any and all Governmental Requirements pertaining to health or the environment in effect in any and all jurisdictions in which the Company or any Subsidiary is conducting or at any time has

conducted business, or where any Property of the Company or any Subsidiary is located, including without limitation, the Oil Pollution Act of 1990 ("OPA"), the Clean Air Act, as amended, the Comprehensive Environmental, Response, Compensation, and Liability Act of 1980 ("CERCLA"), as amended, the Federal Water Pollution Control Act, as amended, the Occupational Safety and Health Act of 1970, as amended, the Resource Conservation and Recovery Act of 1976 ("RCRA"), as amended, the Safe Drinking Water Act, as amended, the Toxic Substances Control Act, as amended, the Superfund Amendments and Reauthorization Act of 1986, as amended, the Hazardous Materials Transportation Act, as amended, and other environmental conservation or protection laws. The term "oil" shall have the meaning specified in OPA, the terms "hazardous substance" and "release" (or "threatened release") have the meanings specified in CERCLA, and the terms "solid waste" and "disposal" (or "disposed") have the meanings specified in RCRA; provided, however, that (i) in the event either OPA, CERCLA or RCRA is amended so as to broaden the meaning of any term defined thereby, such broader meaning shall apply subsequent to the effective date of such amendment and (ii) to the extent the laws of the state in which any Property of the Company or any Subsidiary is located establish a meaning for "oil," "hazardous substance," "release," "solid waste" or "disposal" which is broader than that specified in either OPA, CERCLA or RCRA, such broader meaning shall apply.

"ERISA" shall mean the Employee Retirement Income Security Act of 1974, as amended from time to time and any successor statute.

"ERISA Affiliate" shall mean each trade or business (whether or not incorporated) which together with the Company or any Subsidiary would be deemed to be a "single employer" within the meaning of section 4001(b)(1) of ERISA or subsections (b), (c), (m) or (o) of section 414 of the Code.

"Exchange" shall have the meaning assigned such term in Section 2.01.

"Exchange Agreement Documents" shall mean this Agreement, the Stockholders Agreement, the Registration Rights Agreement, the Investors Agreement, the Certificate of Designations, and any agreement, certificate or instrument delivered pursuant to or entered into in connection with any such agreement or instrument.

"Existing Seller Notes" shall mean, collectively, each of those certain subordinated promissory notes issued by the Company prior to the Closing Date to: Lester B. Greenberg, D.D.S.; John G. Goodman, D.D.S.; Alexander Soleimani, D.M.D.; Elliot Schlang, D.D.S.; Martin Schechter, D.D.S.; Jeffrey D. Schechter, D.D.S.; Dental Advisory Group, LLC; DCA Limited Partnership, L.L.P.; and Dental Administrators of Texas Limited Partnership, L.L.P., in an aggregate amount outstanding of \$3,650,000 at June 30, 2002 (including principal and interest that has accrued thereunder, but excluding default interest).

"Florida Transaction" shall mean the sale of substantially all of the property, assets and business relating to the Company's dental centers located

in Sarasota and Venice, Florida pursuant to the Asset Purchase Agreement dated as of June 14, 2002, by and among Woolf Dentistry, P.A., a Florida professional association, Castle Dental Centers of Florida, Inc., a Florida corporation, and Castle 1st Dental Care, P.A., a Florida professional association, in exchange for a release of the 9% Subordinated Note of the Company issued to Woolf Dentistry, P.A. on July 9, 1998, in the original principal amount of \$370,000.

"GAAP" shall mean generally accepted accounting principles in the United States of America in effect from time to time.

"Governmental Authority" shall include the country, the state, county, city and political subdivisions in which any Person or such Person's Property is located or which exercises valid jurisdiction over any such Person or such Person's Property, and any court, agency, department, commission, board, bureau or instrumentality of any of them including monetary authorities which exercises valid jurisdiction over any such Person or such Person's Property. Unless otherwise specified, all references to Governmental Authority herein shall mean a Governmental Authority having jurisdiction over, where applicable, the Company, its Subsidiaries or any of their Property or any Holder.

"Governmental Requirement" shall mean any law, statute, code, ordinance, order, determination, rule, regulation, judgment, decree, injunction, franchise, permit, certificate, license, authorization or other directive or requirement (whether or not having the force of law), including, without limitation, Environmental Laws, energy regulations and occupational, safety and health standards or controls, of any Governmental Authority.

"Heller" has the meaning set forth in the preamble of this Agreement.

"Holder" has the meaning set forth in the preamble of this Agreement.

"Indebtedness" has the meaning set forth in the recitals of this Agreement.

"Indemnified Parties" shall have the meaning assigned such term in Section 8.03(a)(ii).

"Indemnity Matters" shall mean any and all actions, suits, proceedings (including any investigations, litigation or inquiries), claims, demands and causes of action made or threatened against a Person and, in connection therewith, all losses, liabilities, damages (including, without limitation, consequential damages) or reasonable costs and expenses of any kind or nature whatsoever incurred by such Person whether caused by the sole or concurrent negligence of such Person seeking indemnification.

"Information Statement" shall have the meaning assigned such term in Section 5.04.

"Information Statement Period" shall have the meaning assigned such term in Section 5.04.

"Investors Agreement" shall mean that certain Investors Agreement, dated as of even date herewith, by and among the Company, Heller and Midwest, in the form attached hereto as Exhibit B.

"Lien" shall mean any interest in Property securing an obligation owed to, or a claim by, a Person other than the owner of the Property, whether such interest is based on the common law, statute or contract, and whether such obligation or claim is fixed or contingent, and including but not limited to the lien or security interest arising from a mortgage, encumbrance, pledge, security agreement, conditional sale or trust receipt or a lease, consignment or bailment for security purposes. The term "Lien" shall include reservations, exceptions, encroachments, easements, rights of way, covenants, conditions, restrictions, leases and other title exceptions and encumbrances affecting Property. For the purposes of this Agreement, the Company or any Subsidiary shall be deemed to be the owner of any Property which it has acquired or holds subject to a conditional sale agreement, or leases under a financing lease or other arrangement pursuant to which title to the Property has been retained by or vested in some other Person in a transaction intended to create a financing.

"Material Adverse Effect" shall mean any material and adverse effect on (i) the assets, liabilities, financial condition, business, operations or affairs of the Company and its Subsidiaries taken as a whole different from those reflected in the financial statements of the Company and its Consolidated Subsidiaries contained in the Company Documents or from the facts represented or warranted in any of the Exchange Agreement Documents or Subordinated Note and Warrant Documents, or (ii) the ability of the Company and its Subsidiaries taken as a whole to carry out their business as at the Closing Date or as proposed as of the Closing Date to be conducted or meet their obligations under the Exchange Agreement Documents or the Restructuring Documents on a timely basis.

"Midwest" has the meaning set forth in the preamble of this Agreement.

"Multiemployer Plan" shall mean a Plan defined as such in Section 3(37) or 4001(a)(3) of ERISA.

"Person" shall mean any individual, corporation, company, voluntary association, partnership, joint venture, trust, unincorporated organization, Governmental Authority or any other form of entity.

"Plan" shall mean any employee pension benefit plan, as defined in Section 3(2) of ERISA, which (i) is currently or hereafter sponsored, maintained or contributed to by the Company, any Subsidiary or an ERISA Affiliate or (ii) was at any time during the preceding six calendar years sponsored, maintained or contributed to, by the Company, any Subsidiary or an ERISA Affiliate.

"Prior Registration Rights Agreement" shall mean that certain Registration Rights Agreement, dated as of January 31, 2000, by and among the Company, Heller Financial, Inc., and Midwest Mezzanine Fund II, L.P..

"Prior Stockholders Agreement" shall mean that certain Stockholders Agreement, dated as of January 31, 2000, by and among the Company, Jack H. Castle, Jr., Heller Financial, Inc., Midwest Mezzanine Fund II, L.P., Delaware State Employees' Retirement Fund, Declaration of Trust For Defined Benefit Plan of ICI American Holdings Inc., Declaration of Trust for Defined Benefit Plan of Zeneca Holdings Inc., Jack H. Castle, Jr., as Trustee of the Castle 1995 Gift Trust F/B/O Jack H. Castle, Jr., Castle Interests, Ltd., Jack H. Castle, D.D.S., Loretta M. Castle, and Gulfstar Investments, Ltd.

"Prior Subordination Agreement" shall mean that certain Subordination and Intercreditor Agreement, dated as of January 31, 2000, by and among Heller, Midwest, the Company, Castle Dental Centers of California, L.L.C., a Delaware limited liability company, Dental World, Inc., a Texas corporation, Castle Dental Centers of Austin, Inc., Castle dental Centers of Florida, Inc., a Florida corporation, Castle Dental Centers of Tennessee, Inc., a Tennessee corporation, Castle Dental Centers of Texas, Inc., a Texas corporation, Dentcor, Inc., a Florida corporation, CDC of California, Inc., a Delaware corporation, Castle Texas Holdings, Inc., a Delaware corporation, Academy for Dental Assistants, Inc., a Florida corporation, and Bank of America, N.A., a national banking association formerly known as NationsBank, N.A.

"Property" shall mean any interest in any kind of property or asset, whether real, personal or mixed, or tangible or intangible.

"Registration Rights Agreement" shall mean that certain Registration Rights Agreement, dated as of even date herewith, by and among the Company, James M. Usdan, Heller, Midwest and the Senior Lenders and certain other stockholders of the Company, in the form attached hereto as Exhibit C.

"Regulation D" shall mean Regulation D of the Board of Governors of the Federal Reserve System (or any successor), as the same may be amended or supplemented from time to time.

"Release" shall mean a letter agreement, in the form attached hereto as Exhibit D, dated as of the Closing Date and executed by the Company and each of its Subsidiaries in favor of Heller and Midwest.

"Responsible Officer" shall mean, as to any Person, the Chief Executive Officer, the President or any Vice President of such Person and, with respect to financial matters, the term "Responsible Officer" shall include the Chief Financial Officer of such Person. Unless otherwise specified, all references to a Responsible Officer herein shall mean a Responsible Officer of the Company.

"Restructuring Transactions" shall mean, collectively, the transactions contemplated by the Exchange Agreement Documents, the Senior Credit Documents and the Subordinated Note and Warrant Documents, the Roisman Settlement, the Seller Debt Exchange, the Corpus Transactions, the San Antonio Transaction and the Florida Transaction.

"Restructuring Documents" shall mean the Senior Credit Documents, the Subordinated Note and Warrant Documents, the Exchange Agreement Documents and each other document executed or delivered in connection with any of the Restructuring Transactions.

"Roisman" shall mean, collectively, Leon D. Roisman, D.M.D., Leon D. Roisman, D.M.D., Inc., a California corporation and Roisman Acquisition Company, a California corporation.

"Roisman Judgment" shall mean that certain judgment in favor of Roisman rendered against CDC of California, Inc. and Castle Dental Centers of California, L.L.C., in LACSC Case # BS058068 dated as of October 23, 2000, in the initial amount of \$1,108,210.62 plus interest at 10% (ten percent) per annum from the date of the judgment.

"Roisman Settlement" shall mean the execution and delivery of that certain Forbearance Agreement dated as of July 3, 2002 by and among, CDC of California, Inc., a Delaware corporation, Castle Dental Centers of California, LLC, a Delaware limited liability company, and Roisman, with respect to the Roisman Judgment.

"San Antonio Transaction" means the issuance of Series A-1 Preferred Stock pursuant to the Settlement Agreement among the Company, Castle Texas, Castle PC, Barry E. Solomon, Marc A. Solomon, Hebron D. Cutrer, Stan E. Faye, Robert B. Grau, Dental Centers of America, Inc., Dental Administrators, Inc., the Senior Agent, the Senior Lenders and the Holders.

"SEC" shall mean the Securities and Exchange Commission or any successor Governmental Authority.

"Seller Debt Exchange" shall mean the exchange by the holders of Existing Seller Notes of all liabilities and obligations owed to them by the Company pursuant to the Existing Seller Notes and all documents related thereto for an aggregate of 32,002 shares of Series A-1 Preferred Stock pursuant to the Seller Note Exchange Agreement.

"Seller Note Exchange Agreement" means, collectively, those certain Exchange Agreements, each dated July 19, 2002, between the Company and each of the holders of the Existing Seller Notes.

"Senior Agent" shall mean Bank of America, N.A., a national banking association formerly known as NationsBank of Texas, N.A. (together with any duly appointed successor) for the Senior Lenders.

"Senior Credit Agreement" shall mean that certain Second Amended and Restated Credit Agreement, dated as of even date herewith, between the Company, the Senior Agent and the Senior Lenders.

"Senior Credit Documents" shall mean the Senior Credit Agreement and the "Loan Documents" (as defined in the Senior Credit Agreement).

"Senior Lenders" shall mean each Person that is or shall become a lender under the Senior Credit Agreement for so long as such Person shall be a party to that Agreement.

"Senior Notes" has the meaning set forth in the recitals to this Agreement.

"Senior Subordinated Note and Warrant Purchase Agreement" means the Senior Subordinated Note and Warrant Purchase Agreement, dated as of the date of this Agreement, by and among the Company, Heller, Midwest and James M. Usdan.

"Series A-1 Preferred Stock" shall mean the Company's Convertible Preferred Stock, Series A-1, par value \$.001 per share, of the Company.

"Special Entity" shall mean any joint venture, limited liability company or partnership, general or limited partnership or any other type of partnership or company other than a corporation in which the Company or one or more of its other Subsidiaries is a member, owner, partner or joint venturer and owns, directly or indirectly, at least a majority of the equity of such entity or controls such entity, but excluding any tax partnerships that are not classified as partnerships under state law. For purposes of this definition, any Person which owns directly or indirectly an equity investment in another Person which allows the first Person to manage or elect managers who manage the normal activities of such second Person will be deemed to "control" such second Person (e.g. a sole general partner controls a limited partnership).

"Stockholders Agreement" shall mean that certain Stockholders Agreement, dated as of even date herewith, by and among the Company, the Senior Lenders, James M. Usdan, Heller and Midwest, in the form attached hereto as Exhibit E.

"Subordinated Note and Warrant Documents" shall mean the Senior Subordinated Note and Warrant Purchase Agreement, the senior subordinated convertible promissory notes and the warrants to be issued pursuant thereto, the Stockholders Agreement, the Registration Rights Agreement and any other agreements, certificates or instruments executed or delivered pursuant to or entered into in connection with any of the foregoing.

"Subsidiary" shall mean (i) any corporation of which at least a majority of the outstanding shares of stock having by the terms thereof ordinary

voting power to elect a majority of the board of directors of such corporation (irrespective of whether or not at the time stock of any other class or classes of such corporation shall have or might have voting power by reason of the happening of any contingency) is at the time directly or indirectly owned or controlled by the

Company or one (1) or more of its Subsidiaries or by the Company and one (1) or more of its Subsidiaries and (ii) any Special Entity. Unless otherwise indicated herein, each reference to the term "Subsidiary" shall mean a Subsidiary of the Company.

Section 1.02. Accounting Terms and Determinations. Unless otherwise specified herein, all accounting terms used herein shall be interpreted, all determinations with respect to accounting matters hereunder shall be made, and all financial statements and certificates and reports as to financial matters required to be furnished to Holders hereunder shall be prepared, in accordance with GAAP, applied on a basis consistent with the audited financial statements of the Company contained in the Company Documents (except for changes concurred with by the Company's independent public accountants).

ARTICLE II TENDER AND EXCHANGE OF SENIOR NOTES

Section 2.01. Tender and Exchange of Senior Notes. Upon the terms and subject to the conditions specified in this Agreement, each Holder hereby agrees to sell, transfer and assign to the Company, and the Company agrees to purchase from each such Holder, on the Closing Date, all of, and not a partial interest in, such Holder's Indebtedness represented by the Senior Notes held by such Holder in exchange for shares of Series A-1 Preferred Stock, with 119,520 shares to be issued to Heller and 59,760 shares to be issued to Midwest (collectively, the "Exchange"). No additional payment will be made for default interest or interest accrued after June 30, 2002 on the Senior Notes, which is hereby irrevocably waived. On the Closing Date, the Company will deliver to the each Holder certificates issued in such Holder's name representing the number of shares of Series A-1 Preferred Stock for which such Holder's Indebtedness is being exchanged against delivery of the original executed copies of the Senior Notes representing the Indebtedness.

Section 2.02. Release.

(a) Effective upon the consummation of the Exchange, each Holder, on behalf of itself, its Affiliates, its successors and assigns, irrevocably and unconditionally releases, relinquishes, waives, and forever discharges the Company and each of the Senior Lenders, and each of their respective subsidiaries, Affiliates, and present and former agents, employees, officers, directors, attorneys, advisors, stockholders, plan fiduciaries, successors and assigns (the "Released Parties") forever, from and against any and all claims,

debts, obligations, demands, actions, suits, causes of action, costs, fees, and all liability whatsoever, whether known or unknown, fixed or contingent, in contract or in tort, or based on any statute or other law, state or federal (collectively "Claims"), which the Exchanging Holder has, had, or may have in the future against the Released Parties, relating to or arising out of the Senior Notes, the previous failure to pay interest and principal thereon, and the issuance thereof.

(b) Each Holder hereby declares and agrees that, on the Closing Date following the consummation of the Exchange, the Senior Notes will be deemed paid in full and in all respects terminated and of no further force or effect.

(c) Each Holder hereby agrees not to bring any claim of any kind against any Released Party concerning any matter released by this Section 2.02. Each Holder agrees that this Agreement constitutes a bar to any such future claim.

ARTICLE III CONDITIONS PRECEDENT

Section 3.01. Conditions to Purchase. The obligation of Holders to exchange their Senior Notes for Series A-1 Preferred Stock pursuant to this Agreement is subject to the receipt by Holders of all of the following documents and satisfaction of the other conditions provided in this Section 3.01, each of which shall be reasonably satisfactory to Holders in form and substance:

(a) A certificate of the Secretary or an Assistant Secretary of the Company, dated the Closing Date, setting forth (i) resolutions of its board of directors with respect to the authorization of the Company to execute and deliver certificates representing the Series A-1 Preferred Stock, the Exchange Agreement Documents and the Restructuring Documents to which it is a party and to enter into the transactions contemplated in those documents (including, without limitation, the filing of the Certificate of Designations and the issuance of the Series A-1 Preferred Stock in connection with the Exchange), (ii) the officers of the Company who are authorized to sign the Exchange Agreement Documents and the Restructuring Documents to which Company is a party and, (iii) specimen signatures of the authorized officers, (iv) the certificate of incorporation of the Company (which shall include the Certificate of Designations) and the bylaws of the Company (which shall be the Amended and Restated Bylaws in the form attached hereto as Exhibit F), certified as being the true and complete certificate of incorporation and bylaws of the Company, respectively, and (v) the members of the board of directors of the Subsidiaries of the Company which shall be James M. Usdan, Paul Kreie, Ira Glazer and Eddie Kunz.

(b) Certificates of the appropriate state agencies with respect to the existence, qualification and good standing of the Company and its Subsidiaries.

(c) Certificates representing the Series A-1 Preferred Stock, duly completed, executed and delivered to each Holder, as applicable.

(d) A compliance certificate which shall be substantially in the form attached hereto as Exhibit G, duly and properly executed by a Responsible Officer and dated as of the Closing Date.

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(e) Opinions of Haynes and Boone, LLP, counsel to the Company, in form and substance satisfactory to Holders, as to such matters incident to the transactions herein contemplated as Holders may reasonably request.

(g) Unaudited pro forma projected consolidated balance sheet of the Company and its Consolidated Subsidiaries at the Closing Date (which pro forma shall be based on the consolidated balance sheet of the Company and its Consolidated Subsidiaries as of March 31, 2002).

(h) Certified copies of the Senior Debt Documents.

(i) The Stockholders Agreement, the Registration Rights Agreement and the Investors Agreement duly completed, executed by the Company and the other signatories thereto and delivered to Holders.

(j) The Release, duly executed by the Company and each of its Subsidiaries.

(k) Consummation of the Restructuring Transactions, including without limitation, the exchange of each of the Existing Seller Notes for an aggregate of 32,002 shares of Series A-1 Preferred Stock, on terms and conditions, and pursuant to the Restructuring Documents, acceptable in form and substance to the Holders.

(l) Termination of the Prior Subordination Agreement, the Prior Registration Rights Agreement and the Prior Stockholders Agreement.

(m) With respect to Midwest, duly executed and completed (i) SBA Form 480 (Size Status Declaration) and SBA Form 652 (Assurance of Compliance), (ii) SBA Form 1031 (Portfolio Finance Report), Part A and B, and (iii) letter regarding SBA matters in form and substance acceptable to Midwest.

(n) Certified copies of the Employment Agreements between the Company and each of James M. Usdan, Joseph P. Keane and John M. Slack.

(o) Payment of all legal fees and other reasonable expensed incurred by Heller and Midwest in connection with the preparation, execution and delivery of this Agreement and the other Exchange Agreement Documents and the transaction

contemplated hereby.

(o) such other documents as Holders or special counsel to Holders may reasonably request.

ARTICLE IV REPRESENTATIONS AND WARRANTIES

The Company represents and warrants to each Holder:

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Section 4.01. Corporate Existence. Each of the Company and each Subsidiary: (i) is a corporation or limited liability company duly organized, legally existing and in good standing under the laws of the jurisdiction of its incorporation or formation; (ii) has all requisite corporate or limited liability company power, and has all material governmental licenses, authorizations, consents and approvals necessary to own its assets and carry on its business as now being or as proposed to be conducted; and (iii) is qualified to do business in all jurisdictions in which the nature of the business conducted by it makes such qualification necessary and where failure so to qualify would have a Material Adverse Effect.

Section 4.02. No Breach. Neither the execution and delivery of the Exchange Agreement Documents or the Restructuring Documents, nor compliance with the terms and provisions hereof or thereof (including, without limitation, the filing of the Certificate of Designations and the issuance of the Series A-1 Preferred Stock pursuant to the Exchange, and, subject to the filing with the Delaware Secretary of State of a certificate of amendment to the Company's certificate of incorporation increasing the number of authorized shares of the Company's common stock or effecting a reverse stock split with respect to the Company's common stock (the "Authorized Share Amendment"), the issuance of the Common Stock upon the conversion of the Series A-1 Preferred Stock) will conflict with or result in a breach of, or require any consent which has not been obtained as of the Closing Date under, the respective charter or by-laws of the Company or any Subsidiary, or any Governmental Requirement or any material agreement or instrument to which the Company or any Subsidiary is a party or by which it is bound or to which it or its Properties are subject, or constitute a default under any such material agreement or instrument, or result in the creation or imposition of any Lien upon any of the revenues or assets of the Company or any Subsidiary pursuant to the terms of any such material agreement or instrument other than the Liens created by the Senior Credit Documents.

Section 4.03. Authority. The Company and each Subsidiary have all necessary corporate power and authority to execute, deliver and perform its respective obligations under the Exchange Agreement Documents and the Restructuring Documents to which it is a party (including, without limitation, the filing of the Certificate of Designations and the issuance of the Series A-1 Preferred Stock pursuant to the Exchange and Common Stock upon conversion of the Series A-1 Preferred Stock). The execution, delivery and performance by the

Company and each Subsidiary of the Exchange Agreement Documents and the Restructuring Documents to which it is a party, have been duly authorized by all necessary corporate action on its part. The Exchange Agreement Documents and the Restructuring Documents constitute the legal, valid and binding obligations of the Company and each Subsidiary, enforceable in accordance with their terms.

Section 4.04. Approvals. No authorizations, approvals or consents of, and no filings or registrations with, any Governmental Authority are necessary for the execution, delivery or performance by the Company or any Subsidiary of the Exchange Agreement Documents or the Restructuring Documents to which it is a party (including, without limitation, the filing of the Certificate of Designations and the issuance of the Series A-1

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Preferred Stock pursuant to the Exchange and the issuance of the Common Stock upon the conversion of the Series A-1 Preferred Stock) or for the validity or enforceability thereof, other than the filing of the Authorized Share Amendment, which will not be filed until it is approved at the Company's next meeting of stockholders, which meeting shall take place no later than 75 days following the date of this Agreement.

Section 4.05. No Material Misstatements. No written information, statement, exhibit, certificate, document or report furnished to Holders by the Company or any Subsidiary in connection with the negotiation of this Agreement contained any material misstatement of fact or omitted to state a material fact or any fact necessary to make the statement contained therein not materially misleading in the light of the circumstances in which made and with respect to the Company and its Subsidiaries taken as a whole. The information contained in the following documents (the "Company Documents") was true and correct in all material respects as of the respective filing date of the applicable Company Document:

- (a) the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2001;
- (b) the Company's Quarterly Reports on Form 10-Q for the fiscal quarter ended March 31, 2002; and
- (c) all other documents, if any, filed by the Company with the Commission since June 30, 2001 pursuant to Section 13, 14 or 15 of the Exchange Act.

As of their respective filing dates, the Company Documents (i) complied in all material respects with the requirements of the Securities and Exchange Act of 1934, as amended (the "Exchange Act") and (ii) did not contain any untrue statement of material fact or omit a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. The Company has timely filed with the SEC

all documents required to be filed by the Company under the Exchange Act.

Section 4.06 Capitalization. The authorized capital stock and other equity securities of each of the Company and each of its Subsidiaries is as set forth on Schedule 4.06. All issued and outstanding shares of capital stock and other equity securities of each of the Company and each of its Subsidiaries are duly authorized and validly issued, fully paid, non-assessable, free and clear of all Liens other than those in favor of Senior Agent, and such shares were issued in compliance with all applicable state and federal laws concerning the issuance of securities. No shares of the capital stock of Company or any of its Subsidiaries, other than those described above, are issued and outstanding. Except as set forth on Schedule 4.06, all of the issued and outstanding capital stock and other equity securities of Subsidiaries of the Company are owned by the Company. Upon issuance, the Series A-1 Preferred Stock will be duly authorized and validly issued, fully paid, non-assessable, free and clear of all Liens. Following the filing of the Authorized Share Amendment, the Common Stock issuable upon conversion of the Series A-1 Preferred Stock will, when issued, be duly authorized, validly issued, fully paid and non-assessable. Except as provided in the Stockholders Agreement and as set forth on Schedule 4.06,

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there are no preemptive or other outstanding rights, options, warrants, conversion rights or similar agreements or understandings for the purchase or acquisition from the Company or any of its Subsidiaries, of any shares of capital stock or other securities of any such entity.

Section 4.07 Offering. Subject in part to the truth and accuracy of the representations of the Holders set forth in this Agreement, the offer, sale and issuance of the Series A-1 Preferred Stock, and the shares of Common Stock issuable upon conversion of the Series A-1 Preferred Stock as contemplated by this Agreement, are exempt from the registration requirements of the Securities Act of 1933, as amended (the "Securities Act") and applicable state securities laws.

Section 4.08 Registration Rights. Except as set forth on Schedule 4.08 and as provided for in the Registration Rights Agreement, as of the Closing Date, the Company is not under any obligation to register under the Securities Act any of its currently outstanding securities or any of its securities which may hereinafter be issued.

Section 4.09 Restructuring Documents. Each of the representations and warranties of the Company and each of its Subsidiaries contained in each of the Restructuring Documents, including, without limitation, the Senior Subordinated Note and Warrant Purchase Agreement, is true, correct and complete and is hereby incorporated herein by this reference thereto. For purposes hereof, if a representation contained in a Restructuring Document is qualified by the term "Material Adverse Effect", then, in making the representation in this Section 4.09 the term "Material Adverse Effect" will mean a "Material Adverse Effect" as

defined herein.

ARTICLE V AFFIRMATIVE COVENANTS

The Company covenants and agrees that, so long as any of the Holders or an Affiliate thereof (including, for such purpose, partners of any Holder which is a partnership) hold Series A-1 Preferred Stock or Common Stock issued upon conversion of all or any portion of the Series A-1 Preferred Stock:

Section 5.01 Reporting Requirements. The Company shall deliver, or shall cause to be delivered, to each Holder:

(a) Annual Financial Statements. As soon as available and in any event within one hundred twenty (120) days after the end of each fiscal year of the Company, the audited consolidated and unaudited consolidating statements of operations, changes in stockholders' equity, changes in financial position and cash flow of the Company and its Consolidated Subsidiaries for such fiscal year, and the related consolidated and consolidating balance sheets of the Company and its Consolidated Subsidiaries as at the end of such fiscal year, and setting forth in each case in comparative form the corresponding figures for the preceding fiscal year, and accompanied by the related opinion of independent public accountants of recognized national

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standing acceptable to Holders which opinion shall state that said financial statements fairly present the consolidated financial condition and results of operations of the Company and its Consolidated Subsidiaries as at the end of, and for, such fiscal year and that such financial statements have been prepared in accordance with GAAP, except for such changes in such principles with which the independent public accountants shall have concurred and such opinion shall not contain a "going concern" or like qualification or exception, and a certificate of such accountants stating that, in making the examination necessary for their opinion, they obtained no knowledge, except as specifically stated, of any default.

(b) Quarterly Financial Statements. As soon as available and in any event within forty five (45) days after the end of each of the first three (3) fiscal quarterly periods of each fiscal year of the Company, consolidated and consolidating statements of income, stockholders' equity, changes in financial position and cash flow of the Company and its Consolidated Subsidiaries for such period and for the period from the beginning of the respective fiscal year to the end of such period, and the related consolidated and consolidating balance sheets as at the end of such period, and setting forth in each case in comparative form the corresponding figures for the corresponding period in the preceding fiscal year, accompanied by the certificate of a Responsible Officer, which certificate shall state that said financial statements fairly present the

consolidated and consolidating financial condition and results of operations of the Company and its Consolidated Subsidiaries in accordance with GAAP, as at the end of, and for, such period (subject to normal year-end audit adjustments).

(c) Monthly Financial Statements. As soon as available and in any event within thirty (30) days after the end of each of the first eleven (11) months of each fiscal year of the Company, consolidated and consolidating statements of income, stockholders' equity, changes in financial position and cash flow of the Company and its Consolidated Subsidiaries for such period and for the period from the beginning of the respective fiscal year to the end of such period, and the related consolidated and consolidating balance sheets as at the end of such period, and setting forth in each case in comparative form the corresponding figures for the corresponding period in the preceding fiscal year, accompanied by the certificate of a Responsible Officer, which certificate shall state that said financial statements fairly present the consolidated and consolidating financial condition and results of operations of the Company and its Consolidated Subsidiaries in accordance with GAAP, as at the end of, and for, such period (subject to normal year-end audit adjustments).

(d) Budget. As soon as available and in any event within thirty (30) days after the end of each fiscal year of the Company, a budget for the Company and its Consolidated Subsidiaries, as approved by the Board of Directors of the Company, for the following fiscal year setting forth in comparative form corresponding figures from the preceding fiscal year, in reasonable detail and certified as to its good-faith preparation by a Responsible Officer.

(e) Other Accounting Reports. Promptly upon receipt thereof, a copy of each other report or letter submitted to the Company or any Subsidiary by independent accountants in connection with any annual, interim or special audit made by them of the books of the Company

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or any of its Subsidiaries, and a copy of any response by the Company or any Subsidiary of the Company, or the Board of Directors of the Company or any Subsidiary of the Company, to such letter or report.

(f) SEC Filings, Etc. Promptly upon its becoming available, each financial statement, report, notice or proxy statement sent by the Company to stockholders generally and each regular or periodic report and any registration statement, prospectus or written communication (other than transmittal letters) in respect thereof filed by the Company with or received by the Company in connection therewith from any securities exchange or the SEC or any successor agency.

(g) Annual Revenue Reports. As soon as available and in any event within one hundred twenty (120) days after the end of each fiscal year of the Company, a report prepared by the Company for each dental center setting forth the revenues, expenses and contributions to profit of such dental center, in

form and substance acceptable to Holders.

(h) Quarterly Revenue Reports. As soon as available and in any event within forty five (45) days after the end of each of the first three (3) fiscal quarterly periods of each fiscal year of the Company, a report by the Company for each dental center setting forth the revenues, expenses and contributions to profit of such dental center, in form and substance acceptable to Holders.

(i) Other Information. From time to time, such other information regarding the business, affairs or financial condition of the Company or any Subsidiary (including, without limitation, any Plan or Multiemployer Plan and any reports or other information required to be filed under ERISA), as any Holder may reasonably request.

Section 5.02 Litigation. The Company shall promptly give to each Holder notice of: (i) all legal or arbitral proceedings, and of all proceedings before any Governmental Authority affecting the Company or any Subsidiary, except proceedings which, if adversely determined, would not have a Material Adverse Effect, and (ii) of any litigation or proceeding against or adversely affecting the Company or any Subsidiary in which the amount involved is not covered in full by insurance (subject to normal and customary deductibles and for which the insurer has not assumed the defense), or in which injunctive or similar relief is sought. The Company will, and will cause each of its Subsidiaries to, promptly notify each Holder of any claim, judgment, Lien or other encumbrance affecting any Property of the Company or any Subsidiary if the value of the claim, judgment, Lien, or other encumbrance affecting such Property shall exceed \$250,000.

Section 5.03 Other Covenants. The Company shall comply with all covenants contained in Sections 8.03, 8.04, and 8.07 of the Senior Subordinated Note and Warrant Purchase Agreement.

Section 5.04 Schedule 14f-1. The Company has duly appointed Paul Kreie, Ira Glazer and Eddie Kuntz to the Company's Board of Directors subject to the expiration of the ten-day period (the "Information Statement Period") following the later of (a) the filing of an Information Statement on Schedule 14f-1 (the "Information Statement") with the SEC disclosing the appointment of new directors to the Company's Board of Directors, and (b) the mailing of the Information Statement to the stockholders of the Company. Immediately following the Information Statement Period, the Company's Board of Directors shall consist solely of James M. Usdan, Paul Kreie, Ira Glazer and Eddi Kunz. On the Closing Date, the Board of Directors of each Subsidiary of the Company shall consist solely of James M. Usdan, Paul Kreie, Ira Glazer and Eddi Kunz. The Company shall file the Information Statement with the SEC and mail the Information Statement to stockholders of the Company by _____. The Company's Board of Directors will not take any action at a meeting of the Board of Directors or pursuant to a written consent, prior to the expiration of the Information Statement Period.

ARTICLE VI
NEGATIVE COVENANTS

The Company covenants and agrees that, so long as any of the Holders or an Affiliate thereof (including, for such purpose, partners of any Holder which is a partnership) hold Series A-1 Preferred Stock or Common Stock issued upon conversion of all or any part of the Series A-1 Preferred Stock:

Section 6.01 Non-Disclosure. The Company will not and will not permit any of its Affiliates to, in the future, issue any press release or other public disclosure using the name of Heller, Midwest or any of their respective Affiliates or referring to this Agreement or referring to the other Exchange Agreement Documents without at least two (2) Business Days prior written notice to Heller or Midwest, as applicable, and without the prior written consent of Heller or Midwest, as applicable, unless (and only to the extent that) the Company or such Affiliate of the Company is required to so disclose under law and then, in any event, the Company or such Affiliate will consult with Heller or Midwest, as applicable, before issuing such press release or other public disclosure. The Company consents to the publication by Heller and/or Midwest of a tombstone or similar advertising material relating to the financing transactions contemplated by this Agreement, the other Exchange Agreement Documents and/or the Restructuring Documents.

ARTICLE VII
HOLDER REPRESENTATIONS AND WARRANTIES

Section 7.01 Investment Representations. Each Holder represents and warrants to the Company that it is an "accredited investor" within the meaning of Regulation D promulgated under the Securities Act.

ARTICLE VIII
MISCELLANEOUS

Section 8.01 Waiver. No failure on the part of a Holder to exercise and no delay in exercising, and no course of dealing with respect to, any right, power or privilege under any of the Exchange Agreement Documents shall operate as a waiver thereof, nor shall any single or partial exercise of any right, power or privilege under any of the Exchange Agreement Documents preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The remedies provided herein are cumulative and not exclusive of any remedies provided by law.

Section 8.02 Notices. All notices and other communications provided for herein and in the other Exchange Agreement Documents (including, without

limitation, any modifications of, or waivers or consents under, this Agreement or the other Exchange Agreement Documents) shall be given or made by telex, telecopy, courier or U.S. Mail or in writing and telexed, telecopied, mailed or delivered to the intended recipient at the "Address for Notices" specified below its name on the signature pages hereof or in the Exchange Agreement Documents; or, as to any party, at such other address as shall be designated by such party in a notice to each other party. Except as otherwise provided in this Agreement or in the other Exchange Agreement Documents, all such communications shall be deemed to have been duly given when transmitted, if transmitted before 1:00 p.m. local time on a Business Day (otherwise on the next succeeding Business Day) by telex or telecopier and evidence or confirmation of receipt is obtained, or personally delivered or, in the case of a mailed notice, three (3) Business Days after the date deposited in the mails, postage prepaid, in each case given or addressed as aforesaid.

Section 8.03 Payment of Expenses, Indemnities, etc.

(a) The Company agrees:

(i) whether or not the transactions hereby contemplated are consummated, to pay all reasonable expenses of Holders in the administration (both before and after the execution hereof and including advice of counsel as to the rights and duties of a Holder with respect thereto) of, and in connection with the negotiation, investigation, preparation, execution and delivery of, preservation of rights under, enforcement of, and renegotiation or restructuring of, the Exchange Agreement Documents and any amendment, waiver or consent relating thereto (including, without limitation, travel, photocopy, mailing, courier, telephone and other similar expenses of Holders, the cost of environmental audits, surveys and appraisals at reasonable intervals, the reasonable fees and disbursements of counsel and other outside consultants for Holders and, in the case of enforcement (including, without limitation, bankruptcy and workout matters); and promptly reimburse a Holder for all amounts expended, advanced or incurred by such Holder to satisfy any obligation of the Company under this Agreement;

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(ii) to indemnify each holder and each of its Affiliates and each of its officers, directors, employees, representatives, agents, attorneys, accountants and experts ("Indemnified Parties") from, hold each of them harmless against and promptly upon demand pay or reimburse each of them for, the Indemnity Matters which may be incurred by or asserted against or involve any of them (whether or not any of them is designated a party thereto) as a result of, arising out of or in any way related to (i) the execution, delivery and performance of the Exchange Agreement Documents, (ii) the operations of the business of

the Company and its Subsidiaries, (iii) the failure of the Company or any Subsidiary to comply with the terms of this Agreement, or with any Governmental Requirement, (iv) any inaccuracy of any representation or any breach of any warranty of the Company set forth in this Agreement or any of the Exchange Agreement Documents, or (v) any other aspect of the this Agreement or any of the Exchange Agreement Documents, including, without limitation, the reasonable fees and disbursements of counsel and all other expenses incurred in connection with investigating, defending or preparing to defend any such action, suit, proceeding (including any investigations, litigation or inquiries) or claim and including all Indemnity Matters arising by reason of the ordinary negligence of any Indemnified Party, but excluding all Indemnity Matters arising solely by reason of the gross negligence or willful misconduct on the part of the Indemnified Party; and

(iii) to indemnify and hold harmless from time to time the Indemnified Parties from and against any and all losses, claims, cost recovery actions, administrative orders or proceedings, damages and liabilities to which any such Person may become subject (i) under any Environmental Law applicable to the Company or any Subsidiary or any of their Properties, including without limitation, the treatment or disposal of hazardous substances on any of their Properties, (ii) as a result of the breach or non-compliance by the Company or any Subsidiary with any Environmental Law applicable to the Company or any Subsidiary, (iii) due to past ownership by the Company or any Subsidiary of any of their Properties or past activity on any of their Properties which, though lawful and fully permissible at the time, could result in present liability, (iv) the presence, use, release, storage, treatment or disposal of hazardous substances on or at any of the Properties owned or operated by the Company or any Subsidiary, or (v) any other environmental, health or safety condition in connection with the Exchange Agreement Documents.

(b) No Indemnified Party may settle any claim to be indemnified without the consent of the indemnitor, such consent not to be unreasonably withheld.

(c) In the case of any indemnification hereunder, the Indemnified Party shall give notice to the Company of any such claim or demand being made against the Indemnified Party and the Company shall have the non-exclusive right to join in the defense against any such claim or demand provided that if the Company provides a defense, the Indemnified Party shall bear its own cost of defense unless there is a conflict between the Company and such Indemnified Party.

(d) The foregoing indemnities shall extend to the Indemnified Parties notwithstanding the sole or concurrent negligence of every kind or character whatsoever, whether active or passive, whether an affirmative act or an omission, including without limitation, all types of negligent conduct identified in the restatement (second) of torts of one or more of the

Indemnified Parties or by reason of strict liability imposed without fault on any one or more of the Indemnified Parties. to the extent that an Indemnified Party is found to have committed an act of gross negligence or willful misconduct, this contractual obligation of indemnification shall continue but shall only extend to the portion of the claim that is deemed to have occurred by reason of events other than the gross negligence or willful misconduct of the Indemnified Party.

(e) The Company's obligations under this Section 8.03 shall survive any termination of this Agreement, and shall continue thereafter in full force and effect.

(f) The Company shall pay any amounts due under this Section 8.03 within thirty (30) days of the receipt by the Company of notice of the amount due.

Section 8.04 Amendments, Etc. Any provision of this Agreement may be amended, modified or waived with the prior written consent of the Company and the holders of sixty-six and two-thirds percent (66 2/3%) of voting power represented by the Series A-1 Preferred Stock and Common Stock issued upon conversion of all or any portion of the Series A-1 Preferred Stock held by the Holders at the time of any such amendment, modification or waiver; provided, however, no amendment, modification or waiver can be effected without the prior written consent of all Holders if, by its terms, such amendment, modification or waiver adversely affects one (1) Holder without having the same adverse effect on all other Holders.

Section 8.05 Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns.

Section 8.06 Assignments.

(a) The Company may not assign its rights or obligations hereunder without the prior consent of Holders.

(b) Prior to the Closing Date, each Holder covenants not to transfer, pledge, hypothecate, assign or grant an option to otherwise acquire any interest in the Senior Notes unless the transferee of such Senior Notes agrees, in writing, to be bound by the terms of this Agreement. Subject to the preceding sentence, applicable securities laws and to the terms and conditions of the Stockholders Agreement, Holders (and its permitted assigns) may assign to one (1) or more assignees all or a portion of its rights and obligations under this Agreement and the other Exchange Agreement Documents to any Person, and any such assignee may further assign such rights and obligations to any Person. Any such assignment will become effective upon the execution and delivery to the assigning Holder of the assignment. Upon the assigning Holder's request, the Company, will, at its own expense, execute and deliver new certificates representing Series A-1 Preferred Stock and/or Common Stock, as applicable, to the assignor and/or assignee,

as appropriate, in accordance with their respective interests as they appear. Upon the effectiveness of any assignment pursuant to this Section 8.06(b), all references to "Holders" or a "Holder" in this Agreement, and the other Exchange Agreement Documents shall mean and include each such assignee, each such assignee shall be deemed a party to this Agreement and bound by all the agreements and covenants of Holders contained herein and all actions which are to be taken, and all consents or waivers to be granted or consents, amendments, waivers and other writings required to be signed by Holders or a party (other than the Company) to this Agreement thereafter shall be, in each case, effective only if taken or executed or delivered by Holders and all such assignees.

(c) A Holder may furnish any information concerning the Company in its possession from time to time to assignees (including prospective assignees); provided that, such Persons agree to be bound by the provisions of Section 8.13.

(d) Notwithstanding any other provisions of this Section 8.06, no transfer or assignment of the interests or obligations of a Holder or any grant of participations therein shall be permitted if such transfer, assignment or grant would require the Company to file a registration statement with the SEC or to qualify the Series A-1 Preferred Stock or Common Stock issued or issuable upon conversion of all or any portion of the Series A-1 Preferred Stock under the "Blue Sky" laws of any state.

Section 8.07 Invalidity. In the event that any one (1) or more of the provisions contained in any of the Exchange Agreement Documents shall, for any reason, be held invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision of this Agreement.

Section 8.08 Counterparts. This Agreement may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, but all of such counterparts shall together constitute but one and the same instrument.

Section 8.09 References. The words "herein," "hereof," "hereunder" and other words of similar import when used in this Agreement refer to this Agreement as a whole, and not to any particular article, section or subsection. Any reference herein to a Section shall be deemed to refer to the applicable Section of this Agreement unless otherwise stated herein. Any reference herein to an exhibit or schedule shall be deemed to refer to the applicable exhibit or schedule attached hereto unless otherwise stated herein.

Section 8.10 Captions. Captions and section headings appearing herein are included solely for convenience of reference and are not intended to affect the interpretation of any provision of this Agreement.

Section 8.11 No Oral Agreements. The Exchange Agreement Documents

embody the entire agreement and understanding between the parties and supersede all other agreements and understandings between such parties relating to the subject matter hereof and thereof. The

Exchange Agreement Documents represent the final agreement between the parties and may not be contradicted by evidence of prior, contemporaneous or subsequent oral agreements of the parties. There are no unwritten oral agreements between the parties.

Section 8.12 Governing Law; Submission to Jurisdiction.

(a) This Agreement shall be governed by, and construed in accordance with, the laws of the State of Illinois.

(b) Subject to Section 8.15, Any legal action or proceeding with respect to the Exchange Agreement Documents shall be brought in the courts of the State of Illinois or of the United States of America for the Northern District of Illinois, and, by execution and delivery of this Agreement, each of the Company and each holder hereby accepts for itself and (to the extent permitted by law) in respect of its Property, generally and unconditionally, the jurisdiction of the aforesaid courts. Each of the Company and each holder hereby irrevocably waives any objection, including, without limitation, any objection to the laying of venue or based on the grounds of forum non conveniens, which it may now or hereafter have to the bringing of any such action or proceeding in such respective jurisdictions.

(c) Nothing herein shall affect the right of any holder to serve process in any other manner permitted by law.

(d) The Company and each holder hereby (i) irrevocably and unconditionally waive, to the fullest extent permitted by law, trial by jury in any legal action or proceeding relating to this Agreement and for any counterclaim therein; (ii) irrevocably waive, to the maximum extent not prohibited by law, any right it may have to claim or recover in any such litigation any special, exemplary, punitive or consequential damages, or damages other than, or in addition to, actual damages; (iii) certify that no party hereto nor any representative or agent of counsel for any party hereto has represented, expressly or otherwise, or implied that such party would not, in the event of litigation, seek to enforce the foregoing waivers, and (iv) acknowledge that it has been induced to enter into this Agreement, and the transactions contemplated hereby, among other things, the mutual waivers and certifications contained in this Section 8.12.

Section 8.13 Confidentiality. In the event that the Company provides to a Holder written confidential information belonging to the Company, if the Company shall denominate such information in writing as "confidential", such Holder shall thereafter maintain such information in confidence in accordance

with the standards of care and diligence that each utilizes in maintaining its own confidential information. This obligation of confidence shall not apply to such portions of the information which (i) are in the public domain, (ii) hereafter become part of the public domain without a Holder breaching its obligation of confidence to the Company, (iii) are previously known by a Holder from some source other than the Company, (iv) are hereafter developed by a Holder without using the Company's information, (v) are hereafter obtained by or available to a Holder from a third party who owes no obligation of confidence to the Company with respect to such information or through any other means other

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than through disclosure by the Company, (vi) are disclosed with the Company's consent, (vii) must be disclosed either pursuant to any Governmental Requirement or to Persons regulating the activities of a Holder, or (viii) as may be required by law or regulation or order of any Governmental Authority in any judicial, arbitration or governmental proceeding. Further, a Holder may disclose any such information to any independent consultants, any independent certified public accountants, any legal counsel employed by such Person in connection with this Agreement, including without limitation, the enforcement or exercise of all rights and remedies thereunder, or any assignee (including prospective assignees) in the Series A-1 Preferred Stock; provided, however, that such Holder shall receive a confidentiality agreement from the Person to whom such information is disclosed such that said Person shall have the same obligation to maintain the confidentiality of such information as is imposed upon such Holder hereunder. Notwithstanding anything to the contrary provided herein, this obligation of confidence shall cease three (3) years from the date the information was furnished, unless the Company requests in writing at least thirty (30) days prior to the expiration of such three year period, to maintain the confidentiality of such information for an additional three year period. The Company waives any and all other rights it may have to confidentiality as against a Holder arising by contract, agreement, statute or law except as expressly stated in this Section 8.13.

Section 8.14 Effectiveness. This Agreement shall be effective on the Closing Date.

Section 8.15 Exculpation Provisions. Each of the parties hereto specifically agrees that it has a duty to read this Agreement and agrees that it is charged with notice and knowledge of the terms of this Agreement; that it has in fact read this Agreement and is fully informed and has full notice and knowledge of the terms, conditions and effects of this Agreement; that it has been represented by independent legal counsel of its choice throughout the negotiations preceding its execution of this Agreement; and has received the advice of its attorney in entering into this Agreement; and that it recognizes that certain of the terms of this Agreement result in one party assuming the liability inherent in some aspects of the transaction and relieving the other party of its responsibility for such liability. Each party hereto agrees and covenants that it will not contest the validity or enforceability of any exculpatory provision of this Agreement on the basis that the party had no

notice or knowledge of such provision or that the provision is not "conspicuous."

- Remainder of Page Intentionally Left Blank -
[Signature Page Follows]

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

COMPANY:

CASTLE DENTAL CENTERS, INC., a
Delaware corporation

By: _____
Name: _____
Title: _____

Address for Notices:

3701 Kirby Drive
Suite 550
Houston, Texas 77098
Telecopier No.: 713.490.8420
Telephone No.: 713.490.8400
Attention: James Usdan

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

HELLER:

HELLER FINANCIAL, INC., a Delaware
corporation

By: _____
Name: _____
Title: _____

Address for Notices:

HELLER FINANCIAL, INC.
c/o Heller Healthcare Financial
Services
500 West Monroe Street
Chicago, Illinois 60661
ATTN: Michael Sznajder
Telecopy: 312.441.7598

With a copy to:

HELLER FINANCIAL, INC.
c/o Heller Healthcare Financial
Services
2 Wisconsin Circle, 4th Floor
Chevy Chase, Maryland 20815
ATTN: Katherine R. Lofft, Esq.
Telecopy: 301.664.9866

Senior Subordinated Note and Subordinated
Convertible Note Exchange Agreement
SrSubExc_.doc

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

MIDWEST:

MIDWEST MEZZANINE FUND II, L.P., a
Delaware limited partnership

By: ABN AMRO Mezzanine Management
II, L.P., its general partner

By: ABN AMRO Mezzanine
Management II, Inc., its
general partner

By: _____
Name: Paul Kreie
Title: _____

Address for Notices:

Midwest Mezzanine Fund II, L.P.
208 South LaSalle Street, 10th floor
Chicago, Illinois 60604-1003
ATTN: J. Allan Kayler

Telecopy: 312.553.6647

Senior Subordinated Note and Subordinated
Convertible Note Exchange Agreement
SrSubExc_.doc

CERTIFICATE OF DESIGNATIONS, PREFERENCES
AND RIGHTS OF SERIES A-1 CONVERTIBLE PREFERRED STOCK
AND SERIES A-2 CONVERTIBLE PREFERRED STOCK
OF
CASTLE DENTAL CENTERS, INC.

Castle Dental Centers, Inc. (the "Company"), a corporation organized and existing under the General Corporation Law of the State of Delaware, does hereby certify that, pursuant to authority conferred upon the Board of Directors of the Company by the Amended and Restated Certificate of Incorporation of the Company, and pursuant to Section 151 of the General Corporation Law of the State of Delaware, the Board of Directors of the Company at a meeting duly held, adopted resolutions (i) authorizing two (2) series of the Company's previously authorized preferred stock, par value \$.001 per share, and (ii) providing for the designations, preferences and relative, participating, optional or other rights, and the qualifications, limitations or restrictions thereof, of Two Hundred Fourteen Thousand (214,000) shares of Series A-1 Convertible Preferred Stock of the Company and Sixty-Two Thousand (62,000) shares of Series A-2 Convertible Preferred Stock of the Company, as follows:

RESOLVED, that the Company is authorized to issue 214,000 shares of Series A-1 Convertible Preferred Stock, par value \$.001 per share (the "Series A-1 Preferred Shares"), and 62,000 shares of Series A-2 Convertible Preferred Stock, par value \$.001 per share (the "Series A-2 Preferred Shares" and, together with the Series A-1 Preferred Shares, the "Preferred Shares"), which shall have the following powers, designations, preferences and other special rights:

(1) Dividends. Except as provided in Section 8, the Preferred Shares shall not bear any dividends.

(2) Conversion of Preferred Shares. The Preferred Shares shall be convertible into shares of the Company's common stock, par value \$.001 per share (the "Common Stock"), on the terms and conditions set forth in this Section 2.

(a) Certain Defined Terms. For purposes of this Certificate of Designations, the following terms shall have the following meanings:

(i) "Business Day" means any day other than Saturday, Sunday or other day on which commercial banks in the city of New York are authorized or required by law to remain closed.

(ii) "Capital Stock" means (i) with respect to any Person that is a corporation, any and all shares, interests, participations, rights in, or other equivalents (however designated and whether voting and/or non-voting) of corporate stock, and (ii) with respect to any other Person, any and all partnership, limited partnership, limited liability company or other equity interest of such Person, whether outstanding on

the Issuance Date or issued after the Issuance Date, and any and all rights or warrants exercisable or exchangeable for or convertible into such Capital Stock.

(iii) "Closing Bid Price" means, for any security as of any date, the last closing bid price for such security on the Principal Market as reported by Bloomberg Financial Markets ("Bloomberg"), or, if the Principal Market begins to operate on an extended hours basis and does not designate the closing bid price, then the last bid price of such security prior to 4:00 p.m. New York Time (or such other time as the Principal Market publicly announces is the official close of trading) as reported by Bloomberg, or, if the foregoing do not apply, the last closing bid price of such security in the over-the-counter market on the electronic bulletin board for such security as reported by Bloomberg, or, if no closing bid price is reported for such security by Bloomberg, the last closing trade price of such security as reported by Bloomberg, or, if no last closing trade price is reported for such security by Bloomberg, the average of the bid prices of any market makers for such security as reported in the "pink sheets" by the National Quotation Bureau, Inc. If the Closing Bid Price cannot be calculated for such security on such date on any of the foregoing bases, the Closing Bid Price of such security on such date shall be the fair market value (the "Fair Market Value") as mutually determined by the Company and a Majority Interest. If the Company and a Majority Interest are unable to agree upon the Fair Market Value, then such dispute shall be resolved pursuant to Section 2(d)(iii) below. All such determinations to be appropriately adjusted for any stock dividend, stock split or other similar transaction during such period.

(iv) "Conversion Amount" means, with respect to each Preferred Share, \$100 (as adjusted for stock splits, stock dividends, stock combinations or other similar events with respect to the Preferred Shares).

(v) "Conversion Price" means initially .547395001, as such price may be subsequently adjusted as provided herein.

(vi) "Exchange Agreement" means that certain Senior Subordinated Note and Subordinated Convertible Note Exchange Agreement, dated as of July 19, 2002, between the Company and certain of the initial holders of the Series A-1 Preferred Shares, as such agreement may be amended from time to time as provided in such agreement.

(vii) "Issuance Date" means the date of issuance of the Series A-1 Preferred Shares pursuant to the Exchange Agreement.

(viii) "Liquidation" means any voluntary or involuntary liquidation, dissolution or winding up of the Company.

(ix) "Majority Interest" means a Series A-1 Majority Interest, voting separately as a single class, and a Series A-2 Majority Interest, voting separately as a single class.

(x) "Note Holders" means, collectively, Heller Financial, Inc., Midwest Mezzanine Fund II, L.P. and James M. Usdan.

(xi) "Person" means an individual, a limited liability company, a partnership, a joint venture, a corporation, a trust, an unincorporated organization and a government or any department or agency thereof.

(xii) "Principal Market" means the principal securities exchange or trading market for the Common Stock.

(xiii) "Senior Bank Warrants" means those certain warrants to purchase Series A-2 Preferred Shares issued to the Senior Lenders, and any warrants issued upon the partial exercise, assignment, transfer, sale exchange or replacement of such warrants.

(xiv) "Senior Lenders" means Banc of America Strategic Solutions, Inc., a Delaware corporation, FSC Corp., a Massachusetts corporation, Amsouth Bank, a national banking association, and Heller Financial Inc., a Delaware corporation.

(xv) "Senior Loan Agreement" means that certain Second Amended and Restated Credit Agreement, dated as of July 19, 2002, between Company and the Senior Lenders.

(xvi) "Senior Securities" means all equity securities (including any rights or options exercisable or convertible for such equity securities) of the Company with which the Preferred Shares rank junior, whether with respect to dividends or upon Liquidation or otherwise.

(xvii) "Series A-1 Majority Interest" means the Persons holding at least seventy-five percent (75%) of the Series A-1 Preferred Shares then outstanding.

(xviii) "Series A-2 Majority Interest" means the Persons holding at least sixty-six and two-thirds percent (66-2/3%) of the sum of (i) Series A-2 Preferred Shares then outstanding, plus (ii) the Senior Bank Warrants then outstanding, being treated for purposes of this definition on an as-exercised basis.

(b) Holder's Conversion Right; Mandatory Conversion. At any time or times on or after the Issuance Date, any holder of Preferred Shares shall, at the option of such holder, be entitled to convert any whole or fractional number of Preferred Shares into fully paid and nonassessable shares of Common Stock in accordance with Section 2(d), at the Conversion Rate (as defined below). The Company shall not issue any fraction of a share of Common Stock upon any conversion. All shares of Common Stock (including fractions thereof) issuable upon conversion of more than one Preferred Share by a holder thereof shall be aggregated for purposes of determining whether the conversion would result in the issuance of a fraction of a share of Common Stock. If, after the aforementioned aggregation, the issuance would result in the issuance of a fraction of a share of Common Stock, the Company shall round such fraction of a share of Common Stock up or down to the nearest whole share.

(c) Conversion Rate. The number of shares of Common Stock issuable upon conversion of each Preferred Share pursuant to Section 2(b) shall be determined according to the following formula (the "Conversion Rate"):

$$\frac{\text{Conversion Amount}}{\text{Conversion Price}}$$

(d) Mechanics of Conversion. The conversion of Preferred Shares shall be conducted in the following manner:

(i) Holder's Delivery Requirements. To convert Preferred Shares into shares of Common Stock on any date (the "Conversion Date"), the holder thereof shall (A) transmit, by facsimile (or otherwise deliver), for receipt on or prior to 11:59 p.m. New York Time on such date, a copy of an executed conversion notice in the form attached hereto as Exhibit I (the "Conversion Notice") ----- to the Company and (B) if all the Preferred Shares then represented by the certificate are being converted, surrender to a common carrier for delivery to the Company as soon as practicable following such date the original certificates representing the Preferred Shares being converted (or an indemnification undertaking with respect to such shares in the case of their loss, theft or destruction) (the "Preferred Stock Certificates").

(ii) Company's Response. Upon receipt by the Company of a copy of a Conversion Notice, the Company (I) shall promptly and in no event later than two (2) Business Days after receipt deliver, via facsimile, a confirmation of receipt of such Conversion Notice to such holder and the Company's designated transfer agent (the "Transfer Agent"), which confirmation shall constitute an instruction to the Transfer Agent to process such Conversion Notice in accordance with the terms herein, and (II) on or before the third (3rd) Business Day following the date of receipt by the Company of such Conversion Notice (the "Share Delivery Date") (A) provided that the Transfer Agent is participating in The Depository Trust Company ("DTC") Fast Automated Securities Transfer Program and provided that the holder is eligible to receive shares

through DTC, upon the request of the holder, credit the number of shares of Common Stock to which such holder is entitled to such holder's balance

account with DTC through its Deposit Withdrawal Agent Commission system or (B) issue and deliver to the address as specified in the Conversion Notice, a certificate, registered in the name of such holder, for the number of shares of Common Stock to which such holder is entitled. If a certificate is delivered to the Company by a holder and the number of Preferred Shares represented by the Preferred Stock Certificate(s) submitted for conversion is greater than the number of Preferred Shares that have been converted, then the Company shall, as soon as practicable and in no event later than three (3) Business Days after receipt of the Preferred Stock Certificate(s) (the "Preferred Stock Delivery Date") and at its own expense, issue and deliver to the holder a new Preferred Stock Certificate representing the number of Series A-1 Preferred Shares or Series A-2 Preferred Shares, as the case may be, not converted.

(iii) Dispute Resolution. In the case of a dispute as to the determination of the arithmetic calculation of the Conversion Rate, the Company shall instruct the Transfer Agent to issue to the holder the number of shares of Common Stock that is not disputed and shall transmit an explanation of the disputed arithmetic calculations to the holder via facsimile within two (2) Business Days of receipt of such holder's Conversion Notice or other date of determination. If such holder and the Company are unable to agree upon the determination of the arithmetic calculation of the Conversion Rate within one (1) Business Day of such disputed arithmetic calculation being transmitted to the holder, then the Company shall within one (1) Business Day submit via facsimile the disputed arithmetic calculation of the Conversion Rate to the Company's independent, outside accountant. Furthermore, in the event a Majority Interest, on the one hand, and the Company, on the other hand, are unable to agree on the Fair Market Value in accordance with the definition of Closing Bid Price, then the Company shall submit as soon as reasonably practicable after it becomes apparent that the Company and such holders do not agree as to the Fair Market Value, the disputed determination of the Fair Market Value to an independent, reputable investment bank selected by the Company and approved by a Majority Interest. The Company shall cause the investment bank or the accountant, as the case may be, to perform the determinations or calculations and notify the Company and the holders of the Preferred Shares of the results no later than forty-eight (48) hours from the time it receives the disputed determinations or calculations. Such investment bank's or accountant's determination or calculation, as the case may be, shall be binding upon the Company and the holders of the Preferred Shares then outstanding. Within one (1)

Business Day of the accountant's determination of the calculation of the Conversion Rate, the Company shall deliver to the holder of Preferred Shares the balance of Common Stock that such holder is entitled to as provided herein (such date also deemed to be a Share Delivery Date) and any failure to do so will subject the Company to the provisions of subsection (v) below.

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(iv) Record Holder. The Person or Persons entitled to receive the shares of Common Stock issuable upon a conversion of Preferred Shares shall be treated for all purposes as the legal and record holder or holders of such shares of Common Stock on the Conversion Date.

(v) Company's Failure to Timely Convert.

(A) Cash Damages. If within three (3) Business Days after the Company's receipt of a Conversion Notice the Company shall fail (i) to issue and deliver a certificate to a holder or, at the holder's election, credit such holder's balance account with DTC for the number of shares of Common Stock to which such holder is entitled upon such holder's conversion of Preferred Shares or (ii) to issue a new Preferred Stock Certificate representing the number of Series A-1 Preferred Shares or Series A-2 Preferred Shares, as the case may be, to which such holder is entitled pursuant to Section 2(d)(ii), then, in addition to all other available remedies which such holder may pursue hereunder and under any other agreement between the Company and such holder (including, but not limited to, indemnification thereunder) or otherwise, the Company shall pay additional damages to such holder for each day after the Share Delivery Date such conversion is not timely effected and/or each day after the Preferred Stock Delivery Date such Preferred Stock Certificate is not delivered in an amount equal to 0.5% of the sum of (a) the product of (I) the number of shares of Common Stock not issued to the holder on or prior to the Share Delivery Date and to which such holder is entitled and (II) the Closing Bid Price of the Common Stock on the Share Delivery Date, and (b) in the event the Company has failed to deliver a Preferred Stock Certificate to the holder on or prior to the Preferred Stock Delivery Date, the product of (y) the number of shares of Common Stock issuable upon conversion (without regard to any limitations on conversions herein or elsewhere, including, but not limited to, any limitations as a result of the actual number of shares of Common Stock authorized for issuance by the Company) of the Preferred Shares represented by such Preferred Stock Certificate, as of the Preferred Stock Delivery Date, and (z) the Closing Bid Price of the Common Stock on the Preferred Stock Delivery Date. If the Company

fails to pay the additional damages set forth in this Section 2(d)(v) within five (5) Business Days of the date incurred, then the holder entitled to such payments shall have the right at any time, so long as the Company continues to fail to make such payments, to require the Company, upon written notice, to immediately issue, in lieu of such cash damages, the number of shares of Common Stock equal to the quotient of (X) the aggregate amount of the damages payments described herein divided by (Y) the Conversion Price in effect on such Conversion Date as specified by the holder in the Conversion Notice.

(B) Void Conversion Notice; Adjustment to Conversion Price. If for any reason a holder has not received all of the shares of Common Stock to which it is entitled prior to the tenth (10th) Business Day after the Share Delivery Date with respect to a conversion of Preferred Shares, then the holder, upon written notice to the Company, may void its Conversion Notice with respect to, and retain or have returned, as the case may be, any Preferred Shares that were to be converted pursuant to such holder's Conversion Notice; provided that the voiding of a holder's Conversion Notice shall not affect the Company's obligations to make any payments which have accrued prior to the date of such notice pursuant to Section 2(d)(v)(A) or otherwise.

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(vi) Book-Entry. Notwithstanding anything to the contrary set forth herein, upon conversion of Preferred Shares in accordance with the terms hereof, the holder thereof shall not be required to physically surrender the certificate representing the Preferred Shares to the Company unless the full number of Preferred Shares represented by the certificate are being converted. The holder and the Company shall maintain records showing the number of Preferred Shares so converted and the dates of such conversions or shall use such other method, reasonably satisfactory to the holder and the Company, so as to account for the number of Series A-1 Preferred Shares or Series A-2 Preferred Shares, as the case may be, that are represented by a certificate representing such Preferred Shares where conversions have occurred without the physical surrender of the certificate. Notwithstanding the foregoing, if Preferred Shares represented by a certificate are converted as aforesaid, the holder may not transfer the certificate representing the Preferred Shares unless the holder first physically surrenders the certificate representing the Preferred Shares to the Company, whereupon the Company will forthwith issue and deliver upon the order of the holder a new certificate of like tenor, registered as the holder may request, representing in the aggregate the remaining number of Series A-1 Preferred Shares or Series A-2 Preferred Shares, as the case may be, represented by such certificate. Each

certificate for Preferred Shares shall bear the following legend:

ANY TRANSFEREE OF THIS CERTIFICATE SHOULD CAREFULLY REVIEW THE TERMS OF THE COMPANY'S CERTIFICATE OF DESIGNATIONS, PREFERENCES AND RIGHTS OF THE PREFERRED SHARES REPRESENTED BY THIS CERTIFICATE, INCLUDING SECTION 2(d)(vi) THEREOF. THE NUMBER OF PREFERRED SHARES REPRESENTED BY THIS CERTIFICATE MAY BE LESS THAN THE NUMBER OF PREFERRED SHARES STATED ON THE FACE HEREOF PURSUANT TO SECTION 2(d)(vi) OF THE CERTIFICATE OF DESIGNATIONS, PREFERENCES AND RIGHTS.

(e) Taxes. The Company shall pay any and all taxes that may be payable with respect to the issuance and delivery of Common Stock upon the conversion of Preferred Shares.

(f) Adjustments to Conversion Price. The Conversion Price will be subject to adjustment from time to time as provided in this Section 2(f).

(i) Adjustment of Conversion Price upon Subdivision or Combination of Common Stock. If the Company at any time subdivides (by any stock split, stock dividend, recapitalization or otherwise) one or more classes of its outstanding shares of Common Stock into a greater number of shares, the Conversion Price in effect immediately prior to such subdivision will be proportionately reduced. If the Company at any time combines (by combination,

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reverse stock split or otherwise) one or more classes of its outstanding shares of Common Stock into a smaller number of shares, the Conversion Price in effect immediately prior to such combination will be proportionately increased.

(ii) Other Events. If any event occurs of the type contemplated by the provisions of this Section 2(f) but not expressly provided for by such provisions, then the Company's Board of Directors will make an appropriate adjustment in the Conversion Price so as to protect the rights of the holders of the Preferred Shares.

(iii) Notices.

(A) Immediately upon any adjustment of the Conversion Price, the Company will give written notice thereof to the holders of the Preferred Shares of such adjustment and a certificate of a firm of independent public accountants of recognized national standing selected by the Board of Directors of the Company (who shall be appointed at the Company's expense and who may be the independent public accountants regularly employed by the Company) setting forth

the number of shares of Common Stock and the Conversion Price of such shares after such adjustment, setting forth a brief statement of the facts requiring such adjustment and setting forth the computation by which such adjustment was made.

(B) The Company will give written notice to each holder of Preferred Shares at least twenty (20) Business Days prior to the date on which the Company closes its books or takes a record (I) with respect to any dividend or distribution upon the Common Stock, (II) with respect to any pro rata subscription offer to holders of Common Stock or (III) for determining rights to vote with respect to any Organic Change (as defined in Section 3(a)) or Liquidation, provided that such information shall have been made known to the public prior to or in conjunction with such notice being provided to such holder.

(C) The Company will also give written notice to each holder of Preferred Shares at least twenty (20) days prior to the date on which any Organic Change or Liquidation will take place, provided that such information shall have been made known to the public prior to or in conjunction with such notice being provided to such holder.

(3) Other Rights of Holders.

(a) Reorganization, Reclassification, Consolidation, Merger or Sale. Any recapitalization, reorganization, reclassification, consolidation, merger, sale of all or substantially all of the Company's assets to another Person, conveyance to another Person of the property of the Company as an entirety or substantially as an entirety or other transaction which is effected in such a way that holders of Common Stock are entitled to receive (either directly or upon subsequent Liquidation) Capital Stock, securities or assets with respect to or in exchange for Common Stock is referred to herein as an "Organic Change." Prior to the consummation of, and as a condition to, any (i) sale or other conveyance of all or substantially all of the Company's assets to an acquiring Person or (ii) other Organic Change, the Company, or such other successor or purchasing Person, as the case may be, shall make lawful and adequate provision whereby the

holders of Preferred Shares shall have the right thereafter to receive on complete conversion of the Preferred Shares the kind and amount of securities and property receivable upon such Organic Change by a holder of the number of securities issuable upon the complete conversion of such Preferred Stock immediately prior to such Organic Change. The above provisions of this Section 3(a) shall similarly apply to successive Organic Changes.

(b) Purchase Rights. If at any time the Company grants, issues or sells any Options, Convertible Securities or rights to purchase stock, warrants, securities or other property pro rata to the record holders of any class of Common Stock (the "Purchase Rights"), then the holders of Preferred Shares will be entitled to acquire, upon the terms applicable to such Purchase Rights, the aggregate Purchase Rights which such holder could have acquired if such holder had held the number of shares of Common Stock acquirable upon complete conversion of such holder's Preferred Shares (without taking into account any limitations or restrictions on the convertibility of the Preferred Shares, including, but not limited to, any limitations as a result of the actual number of shares of Common Stock authorized for issuance by the Company) immediately before the date on which a record is taken for the grant, issuance or sale of such Purchase Rights, or, if no such record is taken, the date as of which the record holders of Common Stock are to be determined for the grant, issue or sale of such Purchase Rights. For purposes of this Section 3(b), (i) "Convertible Securities" means any stock or securities (other than Options) directly or indirectly convertible into or exchangeable or exercisable for Common Stock, and (ii) "Options" means any rights, warrants or options to subscribe for or purchase Common Stock or Convertible Securities.

(4) Reservation of Shares.

(a) Valid Issuance. The Company agrees that all shares of Common Stock issued upon the conversion of Preferred Shares will, upon issuance, be validly issued, fully paid and nonassessable, not subject to any preemptive rights, and free from all taxes, liens, security interests, charges, and other encumbrances with respect to the issuance thereof, other than taxes in respect of any transfer occurring contemporaneously with such issue.

(b) Reservation. The Company shall, so long as any of the Preferred Shares are outstanding, take all action necessary to reserve and keep available out of its authorized and unissued Common Stock, solely for the purpose of effecting the conversion of the Preferred Shares, such number of shares of Common Stock as shall from time to time be sufficient to effect the conversion of all of the Preferred Shares then outstanding (the "Required Reserve Amount").

(c) Insufficient Authorized Shares. If at any time while any of the Preferred Shares remain outstanding the Company does not have a sufficient number of authorized and unreserved shares of Common Stock to satisfy its obligation to reserve for issuance upon conversion of the Preferred Shares at least a number of shares of Common Stock equal to the Required Reserve Amount (an "Authorized Share Failure"), then the Company shall immediately take all action necessary to cause the number of the Company's authorized shares of Common Stock to be sufficient to allow the Company to reserve the Required Reserve Amount for the Preferred Shares then outstanding. Without limiting the generality of the foregoing sentence, as soon as practicable after the date of the occurrence of an Authorized Share

Failure, but in no event later than 75 days after the occurrence of such Authorized Share Failure, the Company shall hold a meeting of its stockholders for the authorization of either an increase in the number of authorized shares of Common Stock or a reverse stock split with respect to the Common Stock. In addition, if at any time while the Senior Bank Warrants are outstanding, the exercise price of such warrants is less than the aggregate par value of the number of shares of Common Stock issuable upon conversion of the Series A-2 Preferred Shares issuable upon exercise of such warrants (a "Par Value Failure"), the Company shall immediately take all action necessary to reduce the par value of the shares of Common Stock to the extent necessary to remedy such Par Value Failure. Without limiting the generality of the foregoing sentence, as soon as practicable after the date of the occurrence of a Par Value Failure, but in no event later than 75 days after the occurrence of such Par Value Failure, the Company shall hold a meeting of its stockholders for the authorization of a reduction in the par value of the Common Stock. In connection with such meeting or meetings, the Company shall provide each stockholder with a proxy statement and shall use its best efforts to solicit its stockholders' approval of such increase in authorized shares of Common Stock, reverse stock split or change in par value, as appropriate, and to cause its board of directors to recommend to the stockholders that they approve such proposal.

(5) Voting Rights.

(a) Generally. Except as otherwise required by applicable law or as otherwise provided herein, each holder of Preferred Shares shall be entitled to vote together with the Common Stock and all other series and classes of stock permitted to vote with the Common Stock on all matters submitted to a vote of the stockholders of the Corporation (including election of directors), and to have the number of votes per Preferred Share equal to the number of shares of Common Stock into which such Preferred Share is then convertible pursuant to the provisions hereof (without regard to any limitations on conversions herein or elsewhere, including, but not limited to, any limitations as a result of the actual number of shares of Common Stock authorized for issuance by the Company). Each holder of Preferred Shares shall be entitled to notice of any stockholders' meeting in accordance with the bylaws of this Corporation at the same time and in the same manner as notice is given to all other stockholders entitled to vote at such meetings.

(b) Directors. The holders of Series A-1 Preferred Shares shall have, in addition to the other voting rights set forth herein, the exclusive right, voting separately as a single class, to elect a number of directors equal to a majority of the number of members of the Company's Board of Directors. The foregoing right of holders of Series A-1 Preferred Shares may be exercised at any annual meeting of stockholders or at a special meeting of holders of Series A-1 Preferred Shares held for such purpose or at any adjournment thereof, or by the written consent, delivered to the Secretary of the Company, of the holders of the minimum number of shares required to take such action. Each director elected by the holders of Series A-1 Preferred Shares as provided herein shall, unless his or her term shall expire earlier in accordance with the provisions contained herein, hold office until the annual meeting of stockholders at which

directors of the class stand for election or until his or her successor, if any, is elected and qualified. Any director elected by the holders of shares of Series A-1 Preferred Shares voting separately as a single class may be removed from office with or without cause by the vote or written consent of a Series A-1 Majority Interest at the time of removal. If any director elected

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by the holders of the Series A-1 Preferred Shares shall cease to serve as a director before his or her term shall expire (for whatever reason), the holders of the Series A-1 Preferred Shares then outstanding and entitled to vote for such director may, by written consent, or at a special meeting of such holders, elect a successor to hold office for the unexpired term of the director whose place shall be vacant.

(6) Liquidation, Dissolution, Winding-Up. In the event of Liquidation, the holders of the Preferred Shares shall be entitled to receive in cash out of the assets of the Company, whether from capital or from earnings available for distribution to its stockholders (the "Liquidation Funds"), before any amount shall be paid to the holders of any of the Capital Stock of the Company of any class junior in rank to the Preferred Shares in respect of the preferences as to the distributions and payments on Liquidation, an amount per Series A-1 Preferred Share equal to \$100.00 (as adjusted for stock splits, stock dividends, stock combinations, or other similar events with respect to the Series A-1 Preferred Shares) plus declared but unpaid dividends (the "Series A-1 Liquidation Preference") and an amount per Series A-2 Preferred Share equal to \$47.341 (as adjusted for stock splits, stock dividends, stock combinations or other similar events with respect to the Series A-2 Preferred Shares) plus declared but unpaid dividends (the "Series A-2 Liquidation Preference" and, together with the Series A-1 Liquidation Preference, the "Liquidation Preference"); provided that, if the Liquidation Funds are insufficient to pay the full amount due to the holders of Preferred Shares and holders of shares of other classes or series of preferred stock of the Company that are of equal rank with the Preferred Shares as to payments of Liquidation Funds (the "Pari Passu Shares"), then each holder of Preferred Shares and Pari Passu Shares shall receive a percentage of the Liquidation Funds equal to the full amount of Liquidation Funds payable to such holder as a liquidation preference, in accordance with their respective Certificate of Designations, Preferences and Rights, as a percentage of the full amount of Liquidation Funds payable to all holders of Preferred Shares and Pari Passu Shares. For purposes hereof, a Change of Control (as defined below) shall not be deemed to be a Liquidation. For purposes of this Section 6, "Change of Control" means at any time Heller Financial, Inc., a Delaware corporation, and Midwest Mezzanine Fund II, L.P., a Delaware limited partnership, together, cease to have the right to appoint a majority of the members of the Board of Directors of the Company. In addition to the foregoing, a holder of Preferred Shares shall be entitled to all amounts previously accrued with respect to amounts owed hereunder. Notwithstanding the foregoing, a holder of Preferred Shares may convert its Preferred Shares into Common Stock pursuant to Section 2 prior to a Liquidation.

(7) Preferred Rank. All shares of Common Stock and all other series of preferred stock (other than Senior Securities and Pari Passu Shares) shall be of junior rank to all Preferred Shares with respect to the preferences as to distributions and payments upon Liquidation. The rights of the shares of Common Stock and all other series of preferred stock (other than Senior Securities and Pari Passu Shares) shall be subject to the preferences and relative rights of the Preferred Shares.

(8) Participation. The holders of the Preferred Shares shall, as holders of Preferred Shares, be entitled to such dividends paid and distributions made to the holders of Common Stock to the same extent as if such holders of Preferred Shares had converted the Preferred Shares into Common Stock (without regard to any limitations on conversion herein or

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elsewhere, including, but not limited to, any limitations as a result of the actual number of shares of Common Stock authorized for issuance by the Company) and had held such shares of Common Stock on the record date for such dividends and distributions. Payments under the preceding sentence shall be made concurrently with the dividend or distribution to the holders of Common Stock.

(9) Restriction on Cash Dividends. Until all of the Preferred Shares have been converted or redeemed as provided herein, the Company shall not, directly or indirectly, redeem, or declare or pay any dividend or distribution on, its Capital Stock without the prior express written consent of a Majority Interest.

(10) Vote to Change the Terms of Preferred Shares.

(a) The affirmative vote, at a meeting duly called for such purpose or the written consent without a meeting, of a Series A-1 Majority Interest, voting separately as a single class, shall be required for (A) any change to this Certificate of Designations or the Company's Certificate of Incorporation which would amend, alter, change or repeal any of the powers, designations, preferences and rights of the Series A-1 Preferred Shares and (B) the issuance of Preferred Shares, other than pursuant to the Exchange Agreement or the Senior Bank Warrants.

(b) The affirmative vote at a meeting duly called for such purpose or the written consent without a meeting, of a Series A-2 Majority Interest, voting separately as a single class, shall be required for (A) any change to this Certificate of Designations or the Company's Certificate of Incorporation which would amend, alter, change or repeal any of the powers, designations, preferences and rights of the Series A-2 Preferred Shares and (B) the issuance of Preferred Shares, other than pursuant to the Exchange Agreement or the Senior Bank Warrants.

(c) Notwithstanding the foregoing, the Company will not, by amendment of its Certificate of Incorporation or by-laws, by filing any resolution of the Board of Directors of the Company with the Secretary of State of Delaware or through any reorganization, transfer of assets, consolidation, merger, dissolution, issue or sale of securities, or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms to be observed or performed by it hereunder, but will at all times in good faith assist in the carrying out of all the provisions of this Certificate of Designations and in the taking of all such action as may reasonably be requested by the holders of the Preferred Shares in order to protect the conversion privilege of the holders of the Preferred Shares, consistent with the tenor and purpose of this Certificate of Designations.

(11) Lost or Stolen Certificates. Upon receipt by the Company of evidence reasonably satisfactory to the Company of the loss, theft, destruction or mutilation of any Preferred Stock Certificates representing the Preferred Shares, and, in the case of loss, theft or destruction, of an indemnification undertaking by the holder to the Company in customary form and, in the case of mutilation, upon surrender and cancellation of the Preferred Stock Certificate(s), the Company shall execute and deliver new preferred stock certificate(s) of like tenor and date; provided, however, the Company shall not be obligated to re-issue preferred

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stock certificates if the holder contemporaneously requests the Company to convert such Preferred Shares into Common Stock.

(12) Remedies, Characterizations, Other Obligations, Breaches and Injunctive Relief. The remedies provided in this Certificate of Designations shall be cumulative and in addition to all other remedies available under this Certificate of Designations, at law or in equity (including a decree of specific performance and/or other injunctive relief), no remedy contained herein shall be deemed a waiver of compliance with the provisions giving rise to such remedy and nothing herein shall limit a holder's right to pursue actual damages for any failure by the Company to comply with the terms of this Certificate of Designations. The Company covenants to each holder of Preferred Shares that there shall be no characterization concerning this instrument other than as expressly provided herein. Amounts set forth or provided for herein with respect to payments, conversion and the like (and the computation thereof) shall be the amounts to be received by the holder thereof and shall not, except as expressly provided herein, be subject to any other obligation of the Company (or the performance thereof). The Company acknowledges that a breach by it of its obligations hereunder will cause irreparable harm to the holders of the Preferred Shares and that the remedy at law for any such breach may be inadequate. The Company therefore agrees that, in the event of any such breach or threatened breach, the holders of the Preferred Shares shall be entitled, in addition to all other available remedies, to an injunction restraining any breach, without the necessity of showing economic loss and without any bond or

other security being required.

(13) Specific Shall Not Limit General; Construction. No specific provision contained in this Certificate of Designations shall limit or modify any more general provision contained herein. This Certificate of Designations shall be deemed to be jointly drafted by the Company and all of the holders of the Preferred Shares and shall not be construed against any person as the drafter hereof.

(14) Failure or Indulgence Not Waiver. No failure or delay on the part of a holder of Preferred Shares in the exercise of any power, right or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such power, right or privilege preclude other or further exercise thereof or of any other right, power or privilege.

(15) Notice. Whenever notice is required to be given under this Certificate of Designations, unless otherwise provided herein, such notice shall be given in accordance with Section 8.02 of the Exchange Agreement with respect to the holders of Series A-1 Preferred Shares and Section 12.02 of the Senior Loan Agreement with respect to the holders of Series A-2 Preferred Shares.

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IN WITNESS WHEREOF, the Company has caused this Certificate of Designations to be signed by Joseph P. Keane, its Chief Financial Officer, as of the 19th day of July, 2002.

CASTLE DENTAL CENTERS, INC.

By:

Joseph P. Keane, Chief Financial
Officer

EXHIBIT I

ISSUER
CONVERSION NOTICE

Reference is made to the Certificate of Designations, Preferences and Rights for the Series A-1 Convertible Preferred Stock and Series A-2 Convertible Preferred Stock of Castle Dental Centers, Inc. (the "Certificate of Designations"). In accordance with and pursuant to the Certificate of Designations, the undersigned hereby elects to convert the number of shares of Series A-1 Convertible

Preferred Stock, par value \$.001 per share (the "Series A-1 Preferred Shares") or Series A-2 Convertible Preferred Stock, par value \$.001 per share (the "Series A-2 Preferred Shares" and, together with the Series A-1 Preferred Shares, the "Preferred Shares"), of Castle Dental Centers, Inc., a Delaware corporation (the "Company"), indicated below into shares of Common Stock, par value \$.001 per share (the "Common Stock"), of the Company, by tendering the stock certificate(s) representing the share(s) of Preferred Shares specified below as of the date specified below.

Date of Conversion:

Number and Series of Preferred Shares to be converted:

Stock certificate no(s). of Preferred Shares to be converted:

Please confirm the following information:

Conversion Price:

Number of shares of Common Stock to be issued:

Please issue the Common Stock into which the Preferred Shares are being converted in the following name and to the following address:

Issue to:

Facsimile Number:

Authorization:

By:

Title:

Dated:

Account Number (if electronic book entry transfer):

Transaction Code Number (if electronic book entry transfer):

ACKNOWLEDGMENT

The Company hereby acknowledges this Conversion Notice and hereby directs [TRANSFER AGENT] to issue the above indicated number of shares of Common Stock in accordance with the Transfer Agent Instructions dated _____, 20__ from the Company and acknowledged and agreed to by [TRANSFER AGENT].

CASTLE DENTAL CENTERS, INC.

By: _____

Name: _____

Its: _____

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SENIOR SUBORDINATED NOTE AND WARRANT PURCHASE AGREEMENT

DATED AS OF JULY 19, 2002

AMONG

CASTLE DENTAL CENTERS, INC.,

HELLER FINANCIAL, INC.,

MIDWEST MEZZANINE FUND II, L.P.

AND

JAMES M. USDAN

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EXHIBITS AND SCHEDULES

Exhibit A	Form of Notes
Exhibit B	Form of Warrants
Exhibit C	Form of Compliance Certificate
Schedule 7.02	Liabilities
Schedule 7.03	Litigation
Schedule 7.14	Subsidiaries
Schedule 7.19	Insurance
Schedule 7.21	Material Agreements
Schedule 7.22	Hedging Agreements
Schedule 7.23	Capitalization
Schedule 8.01(e)	Reporting Regions
Schedule 9.01	Debt
Schedule 9.02	Liens
Schedule 9.03	Investments, Loans and Advances

THIS SENIOR SUBORDINATED NOTE AND WARRANT PURCHASE AGREEMENT, dated as

of July 19, 2002, is by and among CASTLE DENTAL CENTERS, INC., a Delaware corporation (the "Company"), HELLER FINANCIAL, INC., a Delaware corporation ("Heller"), MIDWEST MEZZANINE FUND II, L.P., a Delaware limited partnership ("Midwest") and JAMES M. USDAN, an individual ("Usdan"; Heller, Midwest and Usdan are sometimes referred to individually as a "Holder" and collectively, as the "Holders").

R E C I T A L S

WHEREAS, the Company desires to sell to Holders and Holders desire to purchase from the Company (i) certain senior subordinated convertible promissory notes in the aggregate principal amount of \$1,700,000, which initially may be converted into 3,105,618 shares of Common Stock of the Company and (ii) warrants to acquire 17,974,062 shares of Common Stock of the Company, upon the terms and subject to the conditions hereinafter set forth;

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

ARTICLE I

DEFINITIONS AND ACCOUNTING MATTERS

Section 1.01 Terms Defined Above. As used in this Agreement, the terms "Company", "Heller", "Midwest", "Usdan" and "Holder" shall have the meanings indicated above.

Section 1.02 Certain Defined Terms. As used herein, the following terms shall have the following meanings (all terms defined in this Article I or in other provisions of this Agreement in the singular to have the same meanings when used in the plural and vice versa):

"Affiliate" of any Person shall mean (i) any Person directly or indirectly controlled by, controlling or under common control with such first Person, (ii) any director or officer of such first Person or of any Person referred to in clause (i) above and (iii) if any Person in clause (i) above is an individual, any member of the immediate family (including parents, spouse and children) of such individual and any trust whose principal beneficiary is such individual or one (1) or more members of such immediate family and any Person who is controlled by any such member or trust. For purposes of this definition, any Person which owns directly or indirectly ten percent (10%) or more of the securities having ordinary voting power for the election of directors or other governing body of a corporation or ten percent (10%) or more of the partnership or other ownership interests of any other Person (other than as a limited partner of such other Person) will be deemed to "control" (including, with its correlative meanings,

"controlled by" and "under common control with") such corporation or other Person.

"Agreement" shall mean this Agreement, as the same may from time to time be amended, restated, supplemented or otherwise modified from time to time.

"Annual Meeting" shall have the meaning assigned to such term in Section 8.08.

"Authorized Share Amendment" shall have the meaning assigned to such term in Section 7.06.

"Business Day" shall mean any day other than a day on which commercial banks are authorized or required to close in Chicago, Illinois.

"California LLC" shall mean Castle Dental Centers of California, L.L.C., a Delaware limited liability company.

"Capital Expenditures" shall mean, for any period and with respect to any Person, the aggregate of all expenditures (whether paid in cash or other consideration or accrued as a liability and including that portion of capital leases that is capitalized on the balance sheet of such Person including in connection with a sale-leaseback transaction) by such Person and its Subsidiaries for the acquisition or leasing of fixed or capital assets or additions to equipment (including replacements, capitalized repairs and improvements during such period) which are required to be capitalized under GAAP on a consolidated balance sheet of such Person and its Subsidiaries.

"Castle PC" shall mean Castle Dental Associates of Texas, P.C., a Texas professional corporation formerly known as Jack H. Castle D.D.S., P.C.

"Castle Texas" shall mean Castle Dental Centers of Texas, Inc., a Texas corporation.

"CDC California" shall mean CDC of California, Inc., a Delaware corporation.

"Change of Control" shall mean at any time, Heller and Midwest, together, cease to have the right to appoint to the Board of Directors of the Company a majority of the members of the Board of Directors of the Company.

"Closing Date" shall mean July 19, 2002.

"Code" shall mean the Internal Revenue Code of 1986, as amended from time to time and any successor statute.

"Common Stock" shall mean the common stock, \$.001 par value, of the Company.

"Consolidated Net Income" shall mean with respect to the Company and its Consolidated Subsidiaries, for any period, the aggregate of the net income (or loss) of the Company and its Consolidated Subsidiaries after allowances for taxes for such period, determined on a consolidated basis in accordance with GAAP; provided that there shall be excluded from such net income (to the extent otherwise included therein) the following: (i) the net income of any Person in which the Company or any Consolidated Subsidiary has an interest (which interest does not cause the net income of such other Person to be consolidated with the net income of the Company and its Consolidated Subsidiaries in accordance with GAAP), except to the extent of the amount of dividends or distributions actually paid in such period by such other Person to the Company or to a Consolidated Subsidiary, as the case may be; (ii) the net income (but not loss) of any Consolidated Subsidiary to the extent that the declaration or payment of dividends or similar distributions or transfers or loans by that Consolidated Subsidiary is not at the time permitted by operation of the terms of its charter or any agreement, instrument or Governmental Requirement applicable to such Consolidated Subsidiary, or is otherwise restricted or prohibited in each case determined in accordance with GAAP; (iii) the net income (or loss) of any Person acquired in a pooling-of-interests transaction for any period prior to the date of such transaction; (iv) any nonrecurring gains or losses acceptable to Holders and any extraordinary gains or losses, including gains or losses attributable to Property sales not in the ordinary course of business; and (v) the cumulative effect of a change in accounting principles and any gains or losses attributable to writeups or write downs of assets.

"Consolidated Subsidiaries" shall mean each Subsidiary of the Company (whether now existing or hereafter created or acquired), the financial statements of which shall be (or should have been) consolidated with the financial statements of the Company in accordance with GAAP.

"Corpus Transactions" shall mean, collectively: (i) the execution and delivery of that certain Severance Agreement dated as of June 12, 2002 by and among the Company, Jack Castle, Goforth, Inc., a Texas corporation, and Castle 1995 Gift Trust f/b/o Jack H. Castle, Jr., (ii) the execution and delivery of that certain Settlement Agreement dated as of June 12, 2002 by and among the Company, Jack H. Castle, D.D.S. and the Estate of Jack H. Castle, D.D.S., Castle Texas, Castle PC, Castle Interests Ltd. and Loretta M. Castle, an individual, and (iii) the sale by the Company of two (2) locations in Corpus Christi, Texas and one (1) location in Beaumont, Texas pursuant to that certain Asset Purchase Agreement dated as of June 12, 2002 by and among Dentists Choice 1 L.P., a Texas limited partnership, Jack Castle, Texas Dental Associates, P.A., a Texas professional association, Castle Texas and Castle PC.

"Debt" shall mean, for any Person the sum of the following (without duplication): (i) all obligations of such Person for borrowed money or evidenced by bonds, debentures, notes or other similar instruments (including principal, interest, fees and charges); (ii) all obligations of such Person (whether contingent or otherwise) in respect of bankers' acceptances, letters of credit, surety or other bonds and similar instruments; (iii) all obligations of such Person to pay the deferred purchase price of Property or services (other than

for borrowed money); (iv) all

obligations under leases which shall have been, or should have been, in accordance with GAAP, recorded as capital leases in respect of which such Person is liable (whether contingent or otherwise); (v) all obligations under leases which require such Person or its Affiliate to make payments over the term of such lease, including payments at termination, which are substantially equal to at least eighty percent (80%) of the purchase price of the Property subject to such lease plus interest as an imputed rate of interest; (vi) all Debt (as described in the other clauses of this definition) and other obligations of others secured by a Lien on any asset of such Person, whether or not such Debt is assumed by such Person; (vii) all Debt (as described in the other clauses of this definition) and other obligations of others guaranteed by such Person or in which such Person otherwise assures a creditor against loss of the debtor or obligations of others; (viii) all obligations or undertakings of such Person to maintain or cause to be maintained the financial position or covenants of others or to purchase the Debt or Property of others; (ix) obligations to deliver goods or services in consideration of advance payments; and (x) all obligations of such Person under Hedging Agreements.

"Default" shall mean an Event of Default or an event which with notice or lapse of time or both would become an Event of Default.

"Dollars" and "\$" shall mean lawful money of the United States of America.

"EBITDA" shall mean, for any period, the sum of Consolidated Net Income for such period plus each of the following expenses or charges to the extent deducted from Consolidated Net Income in such period: interest, taxes, depreciation, depletion and amortization.

"Environmental Laws" shall mean any and all Governmental Requirements pertaining to health or the environment in effect in any and all jurisdictions in which the Company or any Subsidiary is conducting or at any time has conducted business, or where any Property of the Company or any Subsidiary is located, including without limitation, the Oil Pollution Act of 1990 ("OPA"), the Clean Air Act, as amended, the Comprehensive Environmental, Response, Compensation, and Liability Act of 1980 ("CERCLA"), as amended, the Federal Water Pollution Control Act, as amended, the Occupational Safety and Health Act of 1970, as amended, the Resource Conservation and Recovery Act of 1976 ("RCRA"), as amended, the Safe Drinking Water Act, as amended, the Toxic Substances Control Act, as amended, the Superfund Amendments and Reauthorization Act of 1986, as amended, the Hazardous Materials Transportation Act, as amended, and other environmental conservation or protection laws. The term "oil" shall have the meaning specified in OPA, the terms "hazardous substance" and "release" (or "threatened release") have the meanings specified in CERCLA, and the terms "solid waste" and "disposal" (or "disposed") have the meanings specified in

RCRA; provided, however, that (i) in the event either OPA, CERCLA or RCRA is amended so as to broaden the meaning of any term defined thereby, such broader meaning shall apply subsequent to the effective date of such amendment and (ii) to the extent the laws of the state in which any Property of the Company or any Subsidiary is located establish a meaning for "oil," "hazardous substance," "release," "solid waste" or "disposal" which is broader than that specified in either

OPA, CERCLA or RCRA, such broader meaning shall apply.

"ERISA" shall mean the Employee Retirement Income Security Act of 1974, as amended from time to time and any successor statute.

"ERISA Affiliate" shall mean each trade or business (whether or not incorporated) which together with the Company or any Subsidiary would be deemed to be a "single employer" within the meaning of section 4001(b)(1) of ERISA or subsections (b), (c), (m) or (o) of section 414 of the Code.

"ERISA Event" shall mean (i) a "Reportable Event" described in Section 4043 of ERISA and the regulations issued thereunder, (ii) the withdrawal of the Company, any Subsidiary or any ERISA Affiliate from a Plan during a plan year in which it was a "substantial employer" as defined in Section 4001(a)(2) of ERISA, (iii) the filing of a notice of intent to terminate a Plan or the treatment of a Plan amendment as a termination under Section 4041 of ERISA, (iv) the institution of proceedings to terminate a Plan by the PBGC or (v) any other event or condition which might constitute grounds under Section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Plan.

"Event of Default" shall have the meaning assigned such term in Section 10.01.

"Excepted Liens" shall mean: (i) Liens for taxes, assessments or other governmental charges or levies not yet due or which are being contested in good faith by appropriate action and for which adequate reserves have been maintained; (ii) Liens in connection with workmen's compensation, unemployment insurance or other social security, old age pension or public liability obligations not yet due or which are being contested in good faith by appropriate action and for which adequate reserves have been maintained in accordance with GAAP; (iii) operators', vendors', carriers', warehousemen's, repairmen's, mechanics', workmen's, materialmen's, construction or other like Liens arising by operation of law in the ordinary course of business or statutory landlord's liens, each of which is in respect of obligations that have not been outstanding more than ninety (90) days or which are being contested in good faith by appropriate proceedings and for which adequate reserves have been maintained in accordance with GAAP; (iv) any Liens reserved in leases for rent and for compliance with the terms of leases in the case of leasehold estates, to the extent that any such Lien referred to in this clause does not materially

impair the use of the Property covered by such Lien for the purposes for which such Property is held by the Company or any Subsidiary or materially impair the value of such Property subject thereto; (v) encumbrances (other than to secure the payment of borrowed money or the deferred purchase price of Property or services), easements, restrictions, servitudes, permits, conditions, covenants, exceptions or reservations in any rights of way or other Property of the Company or any Subsidiary for the purpose of roads, pipelines, transmission lines, transportation lines, distribution lines for the removal of gas, oil, coal or other minerals or timber, and other like purposes, or for the joint or common use of real estate, rights of way, facilities and equipment, and defects, irregularities, zoning restrictions and deficiencies in title of any rights of

way or other Property which in the aggregate do not materially impair the use of such rights of way or other Property for the purposes of which such rights of way and other Property are held by the Company or any Subsidiary or materially impair the value of such Property subject thereto; (vi) deposits of cash or securities to secure the performance of bids, trade contracts, leases, statutory obligations and other obligations of a like nature incurred in the ordinary course of business; and (vii) Liens permitted by the Senior Credit Documents.

"Existing Seller Notes" shall mean, collectively, each of those certain subordinated promissory notes issued by the Company prior to the Closing Date to Lester B. Greenberg, D.D.S.; John G. Goodman, D.D.S.; Alexander Soleimani, D.M.D.; Elliot Schlang, D.D.S.; Martin Schechter, D.D.S.; Jeffrey D. Schechter, D.D.S.; Dental Advisory Group, LLC; DCA Limited Partnership, L.L.P.; and Dental Administrators of Texas Limited Partnership, L.L.P., in an aggregate amount outstanding of \$3,650,000 (including principal and interest that has accrued thereunder, but excluding default interest).

"Financial Statements" shall mean the financial statement or statements of the Company and its Consolidated Subsidiaries described or referred to in Section 7.02.

"Florida Transaction" shall mean the sale of substantially all of the property, assets and business relating to the Company's dental centers located in Sarasota and Venice, Florida pursuant to that certain Asset Purchase Agreement dated as of June 14, 2002, by and among Woolf Dentistry, P.A., a Florida professional association, Castle Dental Centers of Florida, Inc., a Florida corporation, and Castle 1st Dental Care, P.A., a Florida professional association, in exchange for a release of that certain nine percent (9%) Subordinated Note issued by the Company to Woolf Dentistry, P.A. on July 9, 1998, in the original principal amount of \$370,000.

"GAAP" shall mean generally accepted accounting principles in the United States of America in effect from time to time.

"Governmental Authority" shall include the country, the state, county, city and political subdivisions in which any Person or such Person's Property is

located or which exercises valid jurisdiction over any such Person or such Person's Property, and any court, agency, department, commission, board, bureau or instrumentality of any of them including monetary authorities which exercises valid jurisdiction over any such Person or such Person's Property. Unless otherwise specified, all references to Governmental Authority herein shall mean a Governmental Authority having jurisdiction over, where applicable, the Company, its Subsidiaries or any of their Property or any Holder.

"Governmental Requirement" shall mean any law, statute, code, ordinance, order, determination, rule, regulation, judgment, decree, injunction, franchise, permit, certificate, license, authorization or other directive or requirement (whether or not having the force of law), including, without limitation, Environmental Laws, energy regulations and occupational, safety and health standards or controls, of any Governmental Authority.

"Hedging Agreements" shall mean any interest rate swap, cap, floor, collar, forward agreement or other protection agreements or any option with respect to any such transaction.

"Heller/Midwest Debt Exchange" shall mean the exchange by Heller and Midwest of all liabilities and obligations owed to them by the Company pursuant to that certain Senior Subordinated Note Purchase Agreement dated as of January 31, 2000 by and among Heller, Midwest and the Company for 119,520 and 59,760 shares of Series A Preferred Stock, respectively.

"Highest Lawful Rate" shall mean the maximum nonusurious interest rate, if any, that at any time or from time to time may be contracted for, taken, reserved, charged or received on the Notes or on other Indebtedness under laws applicable to Holders which are presently in effect or, to the extent allowed by law, under such applicable laws which may hereafter be in effect and which allow a higher maximum nonusurious interest rate than applicable laws now allow.

"Indebtedness" shall mean any and all amounts owing or to be owing by the Company or any Subsidiary to Holders in connection with the Subordinated Note and Warrant Documents, now or hereafter entered into between or among the Company, any of its Subsidiaries and any Holder, and all renewals, extensions and/or rearrangements of any of the above.

"Indemnified Parties" shall have the meaning assigned such term in Section 12.03(a)(ii).

"Indemnity Matters" shall mean any and all actions, suits, proceedings (including any investigations, litigation or inquiries), claims, demands and causes of action made or threatened against a Person and, in connection therewith, all losses, liabilities, damages (including, without limitation, consequential damages) or reasonable costs and expenses of any kind or nature

whatsoever incurred by such Person whether caused by the sole or concurrent negligence of such Person seeking indemnification.

"Investors Agreement" shall mean that certain Investors Agreement of even date herewith by and among the Company, Heller and Midwest.

"Jack Castle" shall mean Jack H. Castle, Jr., an individual

"Lien" shall mean any interest in Property securing an obligation owed to, or a claim by, a Person other than the owner of the Property, whether such interest is based on the common law, statute or contract, and whether such obligation or claim is fixed or contingent, and including but not limited to the lien or security interest arising from a mortgage, encumbrance, pledge, security agreement, conditional sale or trust receipt or a lease, consignment or bailment for security purposes. The term "Lien" shall include reservations, exceptions, encroachments, easements, rights of way, covenants, conditions, restrictions, leases and other title exceptions and

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encumbrances affecting Property. For the purposes of this Agreement, the Company or any Subsidiary shall be deemed to be the owner of any Property which it has acquired or holds subject to a conditional sale agreement, or leases under a financing lease or other arrangement pursuant to which title to the Property has been retained by or vested in some other Person in a transaction intended to create a financing.

"Majority Lenders" shall mean the "Majority Lenders" as defined in the Senior Credit Agreement.

"Material Adverse Effect" shall mean any material and adverse effect on (i) the assets, liabilities, financial condition, business, operations or affairs of the Company and its Subsidiaries taken as a whole different from those reflected in the Financial Statements or from the facts represented or warranted in any Subordinated Note and Warrant Document, or (ii) the ability of the Company and its Subsidiaries taken as a whole to carry out their business as at the Closing Date or as proposed as of the Closing Date to be conducted or meet their obligations under the Subordinated Note and Warrant Documents or the Restructuring Documents on a timely basis.

"Multiemployer Plan" shall mean a Plan defined as such in Section 3(37) or 4001(a)(3) of ERISA.

"Notes" shall have the meaning assigned such term in Section 2.01(a).

"Other Taxes" shall have the meaning assigned such term in Section 4.03(b).

"PBGC" shall mean the Pension Benefit Guaranty Corporation or any

entity succeeding to any or all of its functions.

"Person" shall mean any individual, corporation, company, voluntary association, partnership, joint venture, trust, unincorporated organization, Governmental Authority or any other form of entity.

"Plan" shall mean any employee pension benefit plan, as defined in Section 3(2) of ERISA, which (i) is currently or hereafter sponsored, maintained or contributed to by the Company, any Subsidiary or an ERISA Affiliate or (ii) was at any time during the preceding six calendar years sponsored, maintained or contributed to, by the Company, any Subsidiary or an ERISA Affiliate.

"Post-Default Rate" shall mean, in respect of any principal of any Note or any other amount payable by the Company under this Agreement or any other Subordinated Note Document, a rate per annum during the period commencing on the date of occurrence of an Event of Default until such amount is paid in full or all Events of Default are cured or waived equal to eighteen percent (18%) per annum.

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"Prior Registration Rights Agreement" shall mean that certain Registration Rights Agreement dated as of January 31, 2000, by and among the Company, Heller and Midwest.

"Prior Stockholders Agreement" shall mean that certain Stockholders Agreement dated as of January 31, 2000, by and among the Company, Jack Castle, Heller, Midwest, Delaware State Employees' Retirement Fund, Declaration of Trust For Defined Benefit Plan of ICI American Holdings Inc., Declaration of Trust for Defined Benefit Plan of Zeneca Holdings Inc., Jack H. Castle, Jr., as Trustee of the Castle 1995 Gift Trust F/B/O Jack H. Castle, Jr., Castle Interests, Ltd., Jack H. Castle, D.D.S., Loretta M. Castle, and Gulfstar Investments, Ltd.

"Prior Subordination Agreement" shall mean that certain Subordination and Intercreditor Agreement dated as of January 31, 2000 by and among Heller, Midwest, the Company, Castle Dental Centers of California, L.L.C., a Delaware limited liability company, Dental World, Inc., a Texas corporation, Castle Dental Centers of Austin, Inc., Castle dental Centers of Florida, Inc., a Florida corporation, Castle Dental Centers of Tennessee, Inc., a Tennessee corporation, Castle Dental Centers of Texas, Inc., a Texas corporation, Dentcor, Inc., a Florida corporation, CDC of California, Inc., a Delaware corporation, Castle Texas Holdings, Inc., a Delaware corporation, Academy for Dental Assistants, Inc., a Florida corporation, and Bank of America, N.A., a national banking association formerly known as NationsBank, N.A.

"Property" shall mean any interest in any kind of property or asset, whether real, personal or mixed, or tangible or intangible.

"Proposal" shall have the meaning assigned to such term in Section 8.08

"Quarterly Date" shall mean the fifteenth (15th) day of each January, April, July and October, commencing October 15, 2002; provided, however, that if any such day is not a Business Day, such Quarterly Date shall be the next succeeding Business Day.

"Registration Rights Agreement" shall mean that certain Registration Rights Agreement, dated as of even date herewith, by and among the Company and the stockholders party thereto.

"Regulation D" shall mean Regulation D of the Board of Governors of the Federal Reserve System (or any successor), as the same may be amended or supplemented from time to time.

"Regulatory Change" shall mean any change after the Closing Date in any Governmental Requirement (including Regulation D) or the adoption or making after such date of any interpretations, directives or requests applying to a class of lenders of or under any Governmental Requirement (whether or not having the force of law) by any Governmental Authority charged with the interpretation or administration thereof.

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"Reporting Region" shall mean the dental centers and other business operations for each of Houston, Austin, Dallas/Fort Worth, San Antonio, Tennessee, Florida and California, all as more fully set forth in Schedule 8.01(e).

"Responsible Officer" shall mean, as to any Person, the Chief Executive Officer, the President or any Vice President of such Person and, with respect to financial matters, the term "Responsible Officer" shall include the Chief Financial Officer of such Person. Unless otherwise specified, all references to a Responsible Officer herein shall mean a Responsible Officer of the Company.

"Restructuring Transactions" shall mean, collectively, the Heller/Midwest Debt Exchange, the Roisman Settlement, the Seller Debt Exchange, the San Antonio Transaction, the Florida Transaction, the Corpus Transactions and the amendment of the Certificate of Incorporation of the Company to create the Series A Preferred Stock.

"Restructuring Documents" shall mean the Senior Credit Documents and each other document executed or delivered in connection with any of the Restructuring Transactions, in each instance as in effect on the date hereof and as the same may be amended, modified or supplemented from time to time as permitted herein.

"Roisman" shall mean, collectively, Leon D. Roisman, D.M.D., Leon D. Roisman, D.M.D., Inc., a California corporation and Roisman Acquisition Company, a California corporation.

"Roisman Judgment" shall mean that certain judgment rendered against CDC California, and California LLC, in favor of Roisman in Los Angeles County, California Superior Court Case No. BS058068 on October 23, 2000, in the initial amount of \$1,108,210.62 plus interest at ten percent (10%) per annum from the date of such judgment.

"Roisman Settlement" shall mean the execution and delivery of that certain Forbearance Agreement dated as of July 3, 2002 by and among CDC California, California LLC and Roisman with respect to the Roisman Judgment.

"San Antonio Transaction" means the issuance of Series A Preferred Stock pursuant to the Settlement Agreement among the Company, Castle Texas, Castle PC, Barry E. Solomon, Marc A. Solomon, Hebron D. Cutrer, Stan E. Faye, Robert B. Grau, Dental Centers of America, Inc., Dental Administrators, Inc., Senior Agent, Senior Lenders, General Electric Capital Corporation, a Delaware corporation, Heller and Midwest.

"SEC" shall mean the Securities and Exchange Commission or any successor Governmental Authority.

"Seller Debt Exchange" shall mean the exchange by the holders of Existing Seller Notes

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of all liabilities and obligations owed to them by the Company pursuant to the Seller Notes and all documents related thereto for an aggregate 32,002 shares of Series A Preferred Stock.

"Senior Agent" shall mean Bank of America, N.A., a national banking association formerly known as NationsBank of Texas, N.A. (together with any duly appointed successor) for the Senior Lenders.

"Senior Credit Agreement" shall mean that certain Second Amended and Restated Credit Agreement dated as of even date herewith, by and among the Company, the Senior Agent and the Senior Lenders, as the same may hereafter be amended, restated, supplemented or otherwise modified and in effect from time to time as permitted herein and in the Subordination Agreement.

"Senior Credit Documents" shall mean the Senior Credit Agreement and the "Loan Documents" (as defined in the Senior Credit Agreement) in each instance as in effect on the date hereof and as the same may be amended, modified or supplemented from time to time as permitted herein.

"Senior Indebtedness" shall mean "Senior Debt" as such term is defined in the Subordination Agreement.

"Senior Funded Debt" shall mean, at any date and with respect to the

Company and its Subsidiaries, all Debt for borrowed money (excluding the Indebtedness and other Debt expressly subordinated to the Indebtedness in form and substance satisfactory to the Holders), any capital lease obligations and any guaranty with respect to Senior Funded Debt of another Person.

"Senior Lenders" shall mean each Person that is or shall become a lender under the Senior Credit Agreement for so long as such Person shall be a party to that Agreement.

"Series A Preferred Stock" shall mean the Series A-1 Convertible Preferred Stock, \$.001 par value per share, of the Company.

"Special Entity" shall mean any joint venture, limited liability company or partnership, general or limited partnership or any other type of partnership or company other than a corporation in which the Company or one or more of its other Subsidiaries is a member, owner, partner or joint venturer and owns, directly or indirectly, at least a majority of the equity of such entity or controls such entity, but excluding any tax partnerships that are not classified as partnerships under state law. For purposes of this definition, any Person which owns directly or indirectly an equity investment in another Person which allows the first Person to manage or elect managers who manage the normal activities of such second Person will be deemed to "control" such second Person (e.g. a sole general partner controls a limited partnership).

"Stockholders Agreement" shall mean that certain Stockholders Agreement, dated as of

even date herewith, by and among the Company and the stockholders party thereto.

"Subordinated Note and Warrant Documents" shall mean this Agreement, the Notes, the Warrants, the Stockholders Agreement, the Registration Rights Agreement and any other stockholder, registration or intercreditor agreement between or among the holders of such stock, notes, warrants, debentures or other instruments.

"Subordination Agreement" shall mean that certain Subordination and Intercreditor Agreement of even date herewith among the Company, Holders, Subsidiaries and the Senior Agent, as such Agreement may be amended from time to time as provided therein.

"Subsidiary" shall mean (i) any corporation of which at least a majority of the outstanding shares of stock having by the terms thereof ordinary voting power to elect a majority of the board of directors of such corporation (irrespective of whether or not at the time stock of any other class or classes of such corporation shall have or might have voting power by reason of the happening of any contingency) is at the time directly or indirectly owned or controlled by the Company or one (1) or more of its Subsidiaries or by the

Company and one (1) or more of its Subsidiaries and (ii) any Special Entity. Unless otherwise indicated herein, each reference to the term "Subsidiary" shall mean a Subsidiary of the Company.

"Taxes" shall have the meaning assigned such term in Section 4.03(a).

"Wholly-Owned Subsidiary" shall mean, as to the Company, any Subsidiary of which all of the outstanding shares of capital stock or other equity interests, on a fully-diluted basis, are owned by the Company or one or more of the Wholly-Owned Subsidiaries or by the Company and one or more of the Wholly-Owned Subsidiaries.

Section 1.03 Accounting Terms and Determinations. Unless otherwise specified herein, all accounting terms used herein shall be interpreted, all determinations with respect to accounting matters hereunder shall be made, and all financial statements and certificates and reports as to financial matters required to be furnished to Holders hereunder shall be prepared, in accordance with GAAP, applied on a basis consistent with the audited financial statements of the Company referred to in Section 7.02 (except for changes concurred with by the Company's independent public accountants).

ARTICLE II

PURCHASE AND SALE OF NOTES AND WARRANTS

Section 2.01 Purchase and Sale of Notes and Warrants.

(a) Subject to the terms and conditions herein set forth, the Company agrees that it will issue and sell to each of Heller, Midwest and Usdan, and each of Heller, Midwest and Usdan

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agrees that it will acquire from the Company, on the Closing Date, for the purchase price of \$500,000, \$500,000 and \$700,000, respectively, the Company's fifteen percent (15%) senior subordinated convertible promissory notes in original principal amounts of \$500,000, \$500,000 and \$700,000 each, respectively, in substantially the form attached hereto as Exhibit A (together with any and all renewals, extensions for any period, increases, rearrangements, substitutions or modifications thereof, the "Notes"), which Notes shall initially be convertible into 913,417, 913,417 and 1,278,784 shares of Common Stock of the Company, respectively, constituting an aggregate of three and three tenths percent (3.30%) of the fully diluted Common Stock of the Company as of the date hereof. The holders of Notes will be entitled to the benefits of the Stockholders Agreement and the Registration Rights Agreement.

(b) Subject to the terms and conditions herein set forth, the Company agrees that it will issue and sell to each of Heller, Midwest and Usdan, and each of Heller, Midwest and Usdan agrees that it will acquire from the Company,

on the Closing Date, for the purchase price of \$0, \$0 and \$0, respectively, warrants of the Company representing the right to acquire 5,286,489, 5,286,489 and 7,401,084 shares of Common Stock of the Company each, respectively, constituting an aggregate of nineteen and four tenths of one percent (19.4%) of the fully diluted Common Stock of the Company as of the date hereof, in substantially the form attached hereto as Exhibit B (together with any and all renewals, extensions for any period, increases, rearrangements, substitutions or modifications thereof, the "Warrants"). The holders of Warrants will be entitled to the benefits of the Stockholders Agreement and the Registration Rights Agreement.

(c) The Company and each Holder acknowledge that the purchase prices set forth above for each of the Notes and Warrants represent their relative fair market values and agree to be bound by this allocation for all tax purposes pursuant to Treasury Regulation ss.1.1273-2(h).

ARTICLE III

PAYMENTS OF PRINCIPAL AND INTEREST

Section 3.01 Payment of Notes. The aggregate outstanding principal balance of the Notes and all accrued and unpaid interest thereon shall be payable on June 30, 2007.

Section 3.02 Interest.

(a) Interest Rates. Interest on the unpaid principal amount of the Notes for the period commencing on the Closing Date to, but excluding, the date such Notes shall be paid in full, shall accrue at the rate per annum equal to fifteen percent (15%), except as provided in Section 5.01.

(b) Post-Default Rate. Interest at the applicable Post-Default Rate shall accrue on

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any principal of any Note, and (to the fullest extent permitted by law) on any other amount payable by the Company hereunder or under any Subordinated Note Document, for the period commencing on the date of an Event of Default until the same is paid in full or all Events of Default are cured or waived.

(c) Due Dates. Interest on the unpaid principal amount of the Notes at the rate of fifteen percent (15%) per annum from the Closing Date or the immediately preceding Quarterly Date, as applicable, shall be capitalized, be compounded and added to the then unpaid principal amount of the Notes as of each Quarterly Date. As used herein and in the other Subordinated Note and Warrant Documents, the phrase "unpaid principal amount of the Notes" and other similar phrases shall mean the original aggregate principal amount of \$1,700,000, as

reduced by payments of principal and increased by capitalized interest as provided herein.

Section 3.03 Prepayments.

(a) Voluntary Prepayments. The Company shall not be permitted to voluntarily prepay the Notes.

(b) Mandatory Prepayments. Concurrently with the consummation of a Change in Control, Company shall pay the outstanding principal of the Notes (together with accrued interest and, if applicable, the prepayment fee described below).

(c) Pro Rata Payments and Treatment; Notice to Holders.

(i) All interest payments and payments of principal shall be made and applied pro rata on all outstanding Notes in accordance with the respective unpaid principal amounts thereof.

(ii) If any Holder (a "Benefited Holder") shall at any time receive any payment under such Benefited Holder's Note or Notes, (whether from the Company, any of its Subsidiaries, affiliates or otherwise and whether by set-off, exercise of subrogation rights or otherwise) in a greater proportion than its ratable share as set forth in clause (i) above, then such Benefited Holder shall deliver such excess payment ratably to the other Holders and thereafter shall be deemed to have purchased for cash from such other Holders such participations in the other Holders' Notes as shall be necessary to cause the Benefited Holder to share the excess ratably with the other Holders; provided, however, if all or any portion of such excess payment is thereafter recovered from the Benefited Holder, such purchase shall be rescinded, and the excess payment shall be returned to the Benefited Holder to the extent of such recovery, but without interest. The Company agrees that each Holder so purchasing a participation in another Holder's Note may exercise all rights of payment (including, without limitation, rights of set-off, and subrogation) with respect to such participation so purchased as if such Holder was the direct creditor of the Company in the amount of such participation.

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(iii) Each Holder agrees to give prior notice as soon as reasonably practicable of its intention to: (A) receive a Mandatory Prepayment or (B) issue a notice accelerating its Note under Section 10.2(a).

ARTICLE IV

Section 4.01 Payments. Except to the extent otherwise provided herein, all payments of principal, interest and other amounts to be made by the Company under this Agreement and the Notes shall be made in Dollars, in immediately available funds, to each Holder at such account as such Holder shall specify by notice to the Company from time to time, not later than 11:00 a.m. Chicago time on the date on which such payments shall become due (each such payment made after such time on such due date to be deemed to have been made on the next succeeding Business Day). Such payments shall be made without (to the fullest extent permitted by applicable law) defense, set-off or counterclaim. If the due date of any payment under this Agreement or any Note would otherwise fall on a day which is not a Business Day such date shall be extended to the next succeeding Business Day and interest shall be payable for any principal so extended for the period of such extension.

Section 4.02 Computations. Interest shall be computed on the basis of a year of 360 days and actual days elapsed (including the first day but excluding the last day) occurring in the period for which such interest is payable, unless such calculation would exceed the Highest Lawful Rate, in which case interest shall be calculated on the per annum basis of a year of 365 or 366 days, as the case may be.

Section 4.03 Taxes.

(a) Payments Free and Clear. Any and all payments by the Company hereunder shall be made, in accordance with Section 4.01, free and clear of and without deduction for any and all present or future taxes, levies, imposts, deductions, charges or withholdings, and all liabilities with respect thereto, excluding, in the case of any Holder, taxes imposed on its income, and franchise or similar taxes imposed on it, by (i) any jurisdiction (or political subdivision thereof) of which such Holder is a citizen or resident, (ii) the jurisdiction (or any political subdivision thereof) in which such Holder is organized, or (iii) any jurisdiction (or political subdivision thereof) in which such Holder is presently doing business which taxes are imposed solely as a result of doing business in such jurisdiction (all such non-excluded taxes, levies, imposts, deductions, charges, withholdings and liabilities being hereinafter referred to as "Taxes"). If the Company shall be required by law to deduct any Taxes from or in respect of any sum payable hereunder to any Holder (i) the sum payable shall be increased by the amount necessary so that after making all required deductions (including deductions applicable to additional sums payable

under this Section 4.03) such Holder shall receive an amount equal to the sum it would have received had no such deductions been made, (ii) the Company shall make such deductions and (iii) the Company shall pay the full amount deducted to the relevant taxing authority or other Governmental Authority in accordance with

applicable law and provide such Holder with a receipt thereof.

(b) Other Taxes. In addition, to the fullest extent permitted by applicable law, the Company agrees to pay any present or future stamp or documentary taxes or any other excise or property taxes, charges or similar levies that arise from any payment made hereunder or from the execution, delivery or registration of, or otherwise with respect to, this Agreement, any assignment of the Notes, the Warrants, Common Stock issued upon conversion of all or any portion of the Notes or exercise of all or any portion of the Warrants (hereinafter referred to as "Other Taxes").

(c) INDEMNIFICATION. TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, THE COMPANY WILL INDEMNIFY EACH HOLDER FOR THE FULL AMOUNT OF TAXES AND OTHER TAXES (INCLUDING, BUT NOT LIMITED TO, ANY TAXES OR OTHER TAXES IMPOSED BY ANY GOVERNMENTAL AUTHORITY ON AMOUNTS PAYABLE UNDER THIS SECTION 4.03) PAID BY SUCH HOLDER AND ANY LIABILITY (INCLUDING PENALTIES, INTEREST AND EXPENSES) ARISING THEREFROM OR WITH RESPECT THERETO, WHETHER OR NOT SUCH TAXES OR OTHER TAXES WERE CORRECTLY OR LEGALLY ASSERTED UNLESS THE PAYMENT OF SUCH TAXES WAS NOT CORRECTLY OR LEGALLY ASSERTED AND SUCH HOLDER'S PAYMENT OF SUCH TAXES OR OTHER TAXES WAS THE RESULT OF ITS GROSS NEGLIGENCE OR WILLFUL MISCONDUCT. ANY PAYMENT PURSUANT TO SUCH INDEMNIFICATION SHALL BE MADE WITHIN THIRTY (30) DAYS AFTER THE DATE A HOLDER MAKES WRITTEN DEMAND THEREFOR. IF A HOLDER RECEIVES A REFUND OR CREDIT IN RESPECT OF ANY TAXES OR OTHER TAXES FOR WHICH SUCH HOLDER HAS RECEIVED PAYMENT FROM THE COMPANY IT SHALL PROMPTLY NOTIFY THE COMPANY OF SUCH REFUND OR CREDIT AND SHALL, IF NO DEFAULT HAS OCCURRED AND IS CONTINUING, WITHIN THIRTY (30) DAYS AFTER RECEIPT OF A REQUEST BY THE COMPANY (OR PROMPTLY UPON RECEIPT, IF THE COMPANY HAS REQUESTED APPLICATION FOR SUCH REFUND OR CREDIT PURSUANT HERETO), PAY AN AMOUNT EQUAL TO SUCH REFUND OR CREDIT TO THE COMPANY WITHOUT INTEREST (BUT WITH ANY INTEREST SO REFUNDED OR CREDITED), PROVIDED THAT THE COMPANY, UPON THE REQUEST OF A HOLDER, AGREES TO RETURN SUCH REFUND OR CREDIT (PLUS PENALTIES, INTEREST OR OTHER CHARGES) TO SUCH HOLDER IN THE EVENT SUCH HOLDER IS REQUIRED TO REPAY SUCH REFUND OR CREDIT.

ARTICLE V

CAPITAL ADEQUACY

Section 5.01 Capital Adequacy.

(a) Capital Adequacy. The Company shall pay directly to each affected Holder from time to time on request such amounts as such Holder may reasonably determine to be necessary to compensate itself or its parent or holding company for any costs which it determines are attributable to the maintenance by such Holder or its parent or holding company, pursuant to any Governmental Requirement following any Regulatory Change, of capital in respect of the Notes, such compensation to include, without limitation, an amount equal to any reduction of the rate of return on assets or equity of such Holder or its parent

or holding company to a level below that which such Holder or its parent or holding company could have achieved but for such Governmental Requirement. Each affected Holder will notify the Company that it is entitled to compensation pursuant to this Section 5.01(a) as promptly as practicable after it determines to request such compensation.

(b) Compensation Procedure. Upon notifying the Company of the incurrence of additional costs under this Section 5.01, the affected Holder shall in such notice to the Company set forth in reasonable detail the basis and amount of its request for compensation. Determinations and allocations by such Holder for purposes of this Section 5.01 of the amounts required to compensate such Holder under this Section 5.01, shall be conclusive and binding for all purposes, provided that such determinations and allocations are made on a reasonable basis. Any request for additional compensation under this Section 5.01 shall be paid by the Company within thirty (30) days of the receipt by the Company of the notice described in this Section 5.01(b).

ARTICLE VI

CONDITIONS PRECEDENT

Section 6.01 Conditions to Purchase.

The obligation of Holders to purchase the Notes and Warrants is subject to the receipt by Holders of all of the following documents and satisfaction of the other conditions provided in this Section 6.01, each of which shall be reasonably satisfactory to Holders in form and substance:

(a) A certificate of the Secretary or an Assistant Secretary of the Company setting forth (i) resolutions of its board of directors with respect to the authorization of the Company to execute and deliver the Subordinated Note and Warrant Documents and the Restructuring

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Documents to which it is a party and to enter into the transactions contemplated in those documents, (ii) the officers of the Company (y) who are authorized to sign the Subordinated Note and Warrant Documents and the Restructuring Documents to which Company is a party and (z) who will, until replaced by another officer or officers duly authorized for that purpose, act as its representative for the purposes of signing documents and giving notices and other communications in connection with this Agreement and the transactions contemplated hereby, (iii) specimen signatures of the authorized officers, and (iv) the articles or certificate of incorporation and bylaws of the Company, certified as being true and complete. Holders may conclusively rely on such certificate until it receives notice in writing from the Company to the contrary.

(b) A certificate of the Secretary or an Assistant Secretary of each

Subsidiary setting forth (i) resolutions of its board of directors with respect to the authorization of such Subsidiary to execute and deliver the Subordinated Note and Warrant Documents and the Restructuring Documents to which it is a party and to enter into the transactions contemplated in those documents, (ii) the officers of such Subsidiary (y) who are authorized to sign the Subordinated Note and Warrant Documents and the Restructuring Documents to which such Subsidiary is a party and (z) who will, until replaced by another officer or officers duly authorized for that purpose, act as its representative for the purposes of signing documents and giving notices and other communications in connection with this Agreement and the transactions contemplated hereby, (iii) specimen signatures of the authorized officers, and (iv) the articles or certificate of incorporation and bylaws of such Subsidiary, certified as being true and complete. Holders may conclusively rely on such certificate until they receive notice in writing from such Subsidiary to the contrary.

(c) Certificates of the appropriate state agencies with respect to the existence, qualification and good standing of the Company and its Subsidiaries.

(d) A compliance certificate which shall be substantially in the form of Exhibit C hereto, duly and properly executed by a Responsible Officer and dated as of the Closing Date.

(e) The Notes and the Warrants, duly completed, executed and delivered to each Holder, as applicable.

(f) Opinions of Haynes and Boone, LLP, counsel to the Company and Subsidiaries, in form and substance satisfactory to Holders, as to such matters incident to the transactions herein contemplated as Holders may reasonably request.

(g) A certificate of insurance coverage of the Company evidencing that the Company is carrying insurance in accordance with Section 7.19.

(h) Unaudited pro forma projected consolidated balance sheet of the Company and its Consolidated Subsidiaries at the Closing Date (which pro forma shall be based on the

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consolidated balance sheet of the Company and its Consolidated Subsidiaries as of March 31, 2002).

(i) Certified copies of the Senior Credit Documents, the promissory notes evidencing the Debt described on Schedule 9.01 and the Subordination Agreement.

(j) Stockholders Agreement, Investors Agreement and Registration Rights Agreement duly completed, executed and delivered to Holders.

(k) payment of all legal fees and other reasonable expenses incurred by Heller and Midwest incurred in connection with the preparation, execution and delivery of this Agreement and the transactions contemplated hereby.

(l) consummation of the Restructuring Transactions on terms and conditions and pursuant to the Restructuring Documents acceptable in form and substance to the Holders.

(m) termination of the Prior Subordination Agreement, the Prior Registration Rights Agreement and the Prior Stockholders Agreement.

(n) with respect to Midwest, duly executed and completed (i) SBA Form 480 (Size Status Declaration) and SBA Form 652 (Assurance of Compliance), (ii) SBA Form 1031 (Portfolio Finance Report), Part A and B, and (iii) letter regarding SBA matters in form and substance acceptable to Midwest.

(o) such other documents as Holders or special counsel to Holders may reasonably request.

ARTICLE VII

REPRESENTATIONS AND WARRANTIES

The Company represents and warrants to each Holder:

Section 7.01 Corporate Existence. Each of the Company and each Subsidiary: (i) is a corporation or limited liability company duly organized, legally existing and in good standing under the laws of the jurisdiction of its incorporation or formation; (ii) has all requisite corporate or limited liability company power, and has all material governmental licenses, authorizations, consents and approvals necessary to own its assets and carry on its business as now being or as proposed to be conducted; and (iii) is qualified to do business in all jurisdictions in which the nature of the business conducted by it makes such qualification necessary and where failure so to qualify would have a Material Adverse Effect.

Section 7.02 Financial Condition. The audited consolidated balance sheet of the Company and its Consolidated Subsidiaries as at December 31, 2001 and the related consolidated statement of income, stockholders' equity and cash flow of the Company and its Consolidated Subsidiaries for the fiscal year ended on said date, with the opinion thereon of Pricewaterhouse Coopers L.L.P. heretofore furnished to Holders and the unaudited consolidated balance sheet of the Company and its Consolidated Subsidiaries as at May 31, 2002 and their related consolidated statements of income, stockholders' equity and cash flow of the Company and its Consolidated Subsidiaries for the five (5) month period

ended on such date heretofore furnished to Holders, are complete and correct and fairly present the consolidated financial condition of the Company and its Consolidated Subsidiaries as at said dates and the results of its operations for the fiscal year and the five (5) month period on said dates, all in accordance with GAAP, as applied on a consistent basis (subject, in the case of the interim financial statements, to normal year-end adjustments). Neither the Company nor any Subsidiary has on the Closing Date any material Debt, contingent liabilities, liabilities for taxes, unusual forward or long-term commitments or unrealized or anticipated losses from any unfavorable commitments, except as referred to or reflected or provided for in the Financial Statements or in Schedule 7.02. Since December 31, 2001, there has been no change or event having a Material Adverse Effect. Since the date of the Financial Statements, neither the business nor the Properties of the Company or any Subsidiary have been materially and adversely affected as a result of any fire, explosion, earthquake, flood, drought, windstorm, accident, strike or other labor disturbance, embargo, requisition or taking of Property or cancellation of contracts, permits or concessions by any Governmental Authority, riot, activities of armed forces or acts of God or of any public enemy. The unaudited pro forma projected consolidated balance sheet of the Company and its Consolidated Subsidiaries at the Closing Date (which proforma shall be based on the consolidated balance sheet of the Company and its Consolidated Subsidiaries as of March 31, 2002, adjusted to reflect the transactions contemplated herein), and the unaudited pro forma projected consolidated statement of income of the Company and its Consolidated Subsidiaries as of the Closing Date, heretofore furnished to Holders, represent Company's best estimate of the pro forma projected consolidated financial condition of the Company and its Consolidated Subsidiaries as at the Closing Date after giving effect to the transactions contemplated herein provided projections as to future performance should not be construed as a guarantee of future performance.

Section 7.03 Litigation. Except as set forth on Schedule 7.03, at the Closing Date there is no litigation, legal, administrative or arbitral proceeding, investigation or other action of any nature pending or, to the knowledge of the Company threatened against or affecting the Company or any Subsidiary which could reasonably be expected to have a Material Adverse Effect.

Section 7.04 No Breach. Neither the execution and delivery of the Subordinated Note and Warrant Documents or the Restructuring Documents, nor compliance with the terms and provisions hereof or thereof will conflict with or result in a breach of, or require any consent which has not been obtained as of the Closing Date under, the respective charter or by-laws of

the Company or any Subsidiary, or any Governmental Requirement or any material agreement or instrument to which the Company or any Subsidiary is a party or by which it is bound or to which it or its Properties are subject, or constitute a default under any such material agreement or instrument, or result in the creation or imposition of any Lien upon any of the revenues or assets of the

Company or any Subsidiary pursuant to the terms of any such material agreement or instrument other than the Liens created by the Senior Credit Documents.

Section 7.05 Authority. The Company and each Subsidiary have all necessary corporate power and authority to execute, deliver and perform its respective obligations under the Subordinated Note and Warrant Documents and the Restructuring Documents to which it is a party. The execution, delivery and performance by the Company and each Subsidiary of the Subordinated Note and Warrant Documents and the Restructuring Documents to which it is a party, have been duly authorized by all necessary corporate action on its part. The Subordinated Note and Warrant Documents and the Restructuring Documents constitute the legal, valid and binding obligations of the Company and each Subsidiary, enforceable in accordance with their terms.

Section 7.06 Approvals. No authorizations, approvals or consents of, and no filings or registrations with, any Governmental Authority are necessary for the execution, delivery or performance by the Company or any Subsidiary of the Subordinated Note and Warrant Documents or the Restructuring Documents to which it is a party or for the validity or enforceability thereof, other than the filing with the Secretary of State of Delaware of a certificate of amendment to the certificate of incorporation of the Company which either increases the number of authorized shares of the Common Stock of the Company or effects a reverse stock split (the "Authorized Share Amendment"), which will be filed when it is approved at the next meeting of the stockholders of the Company.

Section 7.07 Use of Note and Warrant Proceeds. The proceeds of the sale of the Notes and Warrants hereunder shall be used to provide financing for (i) payment of costs and expenses payable to Senior Agent and the Senior Lenders pursuant to the Senior Credit Agreement and (ii) payment of other costs and expenses incurred by the Company incurred with respect to the Restructuring Transactions. The Company is not engaged principally, or as one of its important activities, in the business of extending credit for the purpose, whether immediate, incidental or ultimate, of buying or carrying margin stock (within the meaning of Regulation T, U or X of the Board of Governors of the Federal Reserve System) and no part of the proceeds of the Notes will be used to buy or carry any margin stock.

Section 7.08 ERISA.

(a) The Company, each Subsidiary and each ERISA Affiliate have complied in all material respects with ERISA and, where applicable, the Code regarding each Plan.

(b) Each Plan is, and has been, maintained in substantial compliance with ERISA

and, where applicable, the Code.

(c) No act, omission or transaction has occurred which could result in imposition on the Company, any Subsidiary or any ERISA Affiliate (whether directly or indirectly) of (i) either a civil penalty assessed pursuant to section 502(c), (i) or (l) of ERISA or a tax imposed pursuant to Chapter 43 of Subtitle D of the Code or (ii) breach of fiduciary duty liability damages under section 409 of ERISA.

(d) No liability to the PBGC (other than for the payment of current premiums which are not past due) by the Company, any Subsidiary or any ERISA Affiliate has been or is expected by the Company, any Subsidiary or any ERISA Affiliate to be incurred with respect to any Plan. No ERISA Event with respect to any Plan has occurred.

(e) Full payment when due has been made of all amounts which the Company, any Subsidiary or any ERISA Affiliate is required under the terms of each Plan or applicable law to have paid as contributions to such Plan, and no accumulated funding deficiency (as defined in section 302 of ERISA and section 412 of the Code), whether or not waived, exists with respect to any Plan.

(f) The actuarial present value of the benefit liabilities under each Plan which is subject to Title IV of ERISA does not, as of the end of the Company's most recently ended fiscal year, exceed the current value of the assets (computed on a plan termination basis in accordance with Title IV of ERISA) of such Plan allocable to such benefit liabilities. The term "actuarial present value of the benefit liabilities" shall have the meaning specified in section 4041 of ERISA.

(g) None of the Company, any Subsidiary or any ERISA Affiliate sponsors, maintains, or contributes to an employee welfare benefit plan, as defined in section 3(1) of ERISA, including, without limitation, any such plan maintained to provide benefits to former employees of such entities, that may not be terminated by the Company, a Subsidiary or any ERISA Affiliate in its sole discretion at any time without any material liability.

(h) None of the Company, any Subsidiary or any ERISA Affiliate sponsors, maintains or contributes to, or has at any time in the preceding six calendar years, sponsored, maintained or contributed to, any Multiemployer Plan.

(i) None of the Company, any Subsidiary or any ERISA Affiliate is required to provide security under section 401(a)(29) of the Code due to a Plan amendment that results in an increase in current liability for the Plan.

Section 7.09 Taxes. Each of the Company and its Subsidiaries has filed all United States Federal income tax returns and all other tax returns which are required to be filed by them and have paid all material taxes due pursuant to such returns or pursuant to any assessment

received by the Company or any Subsidiary. The charges, accruals and reserves on the books of the Company and its Subsidiaries in respect of taxes and other governmental charges are, in the opinion of the Company, adequate. No tax lien has been filed and, to the knowledge of the Company, no claim is being asserted with respect to any such tax, fee or other charge.

Section 7.10 Titles, etc.

(a) Each of the Company and its Subsidiaries has good and defensible title to its material (individually or in the aggregate) Properties, free and clear of all Liens, except Liens permitted by Section 9.02.

(b) All leases and agreements necessary for the conduct of the business of the Company and its Subsidiaries are valid and subsisting, in full force and effect and there exists no default or event or circumstance which with the giving of notice or the passage of time or both would give rise to a default under any such lease or leases, which would affect in any material respect the conduct of the business of the Company and its Subsidiaries.

(c) The licenses, rights, Properties and other assets presently owned, leased or licensed by the Company and its Subsidiaries, include all rights, Properties and other assets necessary to permit the Company and its Subsidiaries to conduct their business in all material respects in the same manner as its business has been conducted prior to the Closing Date.

(d) All of the assets and Properties of the Company and its Subsidiaries which are reasonably necessary for the operation of its business are in good working condition and are maintained in accordance with prudent business standards.

Section 7.11 No Material Misstatements. No written information, statement, exhibit, certificate, document or report furnished to Holders by the Company or any Subsidiary in connection with the negotiation of this Agreement contained any material misstatement of fact or omitted to state a material fact or any fact necessary to make the statement contained therein not materially misleading in the light of the circumstances in which made and with respect to the Company and its Subsidiaries taken as a whole.

Section 7.12 Investment Company Act. Neither the Company nor any Subsidiary is an "investment company" or a company "controlled" by an "investment company," within the meaning of the Investment Company Act of 1940, as amended.

Section 7.13 Public Utility Holding Company Act. Neither the Company nor any Subsidiary is a "holding company," or a "subsidiary company" of a "holding company," or an "affiliate" of a "holding company" or of a "subsidiary company" of a "holding company," or a "public utility" within the meaning of the Public Utility Holding Company Act of 1935, as amended.

Section 7.14 Subsidiaries. Except as set forth on Schedule 7.14, the Company has no Subsidiaries. In the event that a new Subsidiary is formed or acquired, Company will provide Holders with a new, updated Schedule 7.14.

Section 7.15 Location of Business and Offices. The Company's principal place of business and chief executive offices are located at the address stated on the signature page of this Agreement. The principal place of business and chief executive office of each Subsidiary are located at the addresses stated on Schedule 7.14.

Section 7.16 Defaults. Neither the Company nor any Subsidiary is in default nor has any event or circumstance occurred which, but for the expiration of any applicable grace period or the giving of notice, or both, would constitute a default under any agreement or instrument to which the Company or any Subsidiary is a party or by which the Company or any Subsidiary is bound which default would have a Material Adverse Effect. No Default hereunder or under the Senior Credit Documents has occurred and is continuing.

Section 7.17 Environmental Matters. Except as would not have a Material Adverse Effect, neither any Property of the Company nor any Subsidiary nor the operations conducted thereon violate any law, order or requirement of any court or Governmental Authority or any Environmental Laws.

Section 7.18 Compliance with the Law. Neither the Company nor any Subsidiary has violated any Governmental Requirement or failed to obtain any license, permit, franchise or other governmental authorization necessary for the ownership of any of its Properties or the conduct of its business, which violation or failure would have (in the event such violation or failure were asserted by any Person through appropriate action) a Material Adverse Effect.

Section 7.19 Insurance. Schedule 7.19 attached hereto contains an accurate and complete description of all material policies of fire, liability, workmen's compensation and other forms of insurance owned or held by the Company and each Subsidiary. All such policies are in full force and effect, all premiums with respect thereto covering all periods up to and including the date of the closing have been paid, and no notice of cancellation or termination has been received with respect to any such policy. Such policies are sufficient for compliance with all requirements of law and of all agreements to which the Company or any Subsidiary is a party; are valid, outstanding and enforceable policies; provide adequate insurance coverage in at least such amounts and against at least such risks (but including in any event public liability) as are usually insured against in the same general area by companies engaged in the same or a similar business for the assets and operations of the Company and each Subsidiary; will remain in full force and effect through the respective dates set forth in Schedule 7.19 without the payment of additional premiums; and will not in any way be affected by, or terminate or lapse by reason of, the transactions contemplated by this Agreement. Schedule 7.19 identifies all

material risks, if any, which the Company and its Subsidiaries and their respective Board of Directors or officers have designated as being self insured. Neither the Company nor any Subsidiary has been refused

any insurance with respect to its assets or operations, nor has its coverage been limited below usual and customary policy limits, by an insurance carrier to which it has applied for any such insurance or with which it has carried insurance during the last three (3) years. In the event that a new Subsidiary is formed or acquired, Company will provide Holders with a new, updated Schedule 7.19.

Section 7.20 Restriction on Liens. Neither the Company nor any of its Subsidiaries is a party to any agreement or arrangement (other than the Senior Credit Agreement and the Senior Credit Documents), or subject to any order, judgment, writ or decree, which either restricts or purports to restrict its ability to grant Liens to other Persons on or in respect of their respective assets or Properties, except for Property subject to Liens permitted under Section 9.02.

Section 7.21 Material Agreements. Set forth on Schedule 7.21 hereto is a complete and correct list of all material credit agreements, indentures, purchase agreements, obligations in respect of letters of credit, guarantees, joint venture agreements, and other instruments in effect or to be in effect as of the Closing Date (other than Hedging Agreements) providing for, evidencing, securing or otherwise relating to any Debt of the Company or any of its Subsidiaries in excess of \$250,000, and all obligations of the Company or any of its Subsidiaries to issuers of surety or appeal bonds issued for account of the Company or any such Subsidiary in excess of \$250,000, and such list correctly sets forth the names of the debtor or lessee and creditor or lessor with respect to the Debt or lease obligations outstanding or to be outstanding and the Property subject to any Lien securing such Debt or lease obligation. In the event that a new Subsidiary is formed or acquired, Company will provide each Holder with a new, updated Schedule 7.21.

Section 7.22 Hedging Agreements. Schedule 7.22 sets forth, as of the Closing Date, a true and complete list of all Hedging Agreements of the Company, the material terms thereof (including the type, term, effective date, termination date and notional amounts or volumes), the net mark to market value thereof, all credit support agreements relating thereto (including any margin required or supplied), and the counterparty to each such agreement.

Section 7.23 Capitalization. The authorized capital stock and other equity securities of each of the Company and each of its Subsidiaries is as set forth on Schedule 7.23. All issued and outstanding shares of capital stock and other equity securities of each of the Company and each of its Subsidiaries are duly authorized and validly issued, fully paid, non-assessable, free and clear of all Liens other than those in favor of Senior Agent, and such shares were

issued in compliance with all applicable state and federal laws concerning the issuance of securities. No shares of the capital stock of Company or any of its Subsidiaries, other than those described above, are issued and outstanding. Except as set forth on Schedule 7.23, all of the issued and outstanding capital stock and other equity securities of Subsidiaries of the Company are owned by the Company. Following the filing of the Authorized Share Amendment, the Common Stock issuable upon conversion of the Notes and the Common Stock issuable upon exercise of the Warrants will, when issued, be duly authorized, validly issued, fully paid and non-assessable.

Except as provided in the Stockholders Agreement and as set forth on Schedule 7.23, there are no preemptive or other outstanding rights, options, warrants, conversion rights or similar agreements or understandings for the purchase or acquisition from Company or any of its Subsidiaries, of any shares of capital stock or other securities of any such entity.

Section 7.24 Restructuring Documents. Each of the representations and warranties of the Company and each of its Subsidiaries contained in each of the Restructuring Documents is true, correct and complete and is hereby incorporated herein by this reference thereto.

ARTICLE VIII

AFFIRMATIVE COVENANTS

The Company covenants and agrees that, so long as any of the Notes are outstanding and, with respect to Sections 8.01(a), 8.01(b), 8.01(c), 8.01(d) and 8.03, so long as any of the Warrants or Common Stock issued upon conversion of all or any portion of the Notes or exercise of all or any portion of the Warrants are outstanding and held by a Holder or an Affiliate thereof (including, for such purpose, partners of any Holder which is a partnership):

Section 8.01 Reporting Requirements. The Company shall deliver, or shall cause to be delivered, to each Holder:

(a) Annual Financial Statements. As soon as available and in any event within one hundred five (105) days after the end of each fiscal year of the Company, the audited consolidated and unaudited consolidating statements of income, stockholders' equity, changes in financial position and cash flow of the Company and its Consolidated Subsidiaries for such fiscal year, and the related consolidated and consolidating balance sheets of the Company and its Consolidated Subsidiaries as at the end of such fiscal year, and setting forth in each case in comparative form the corresponding figures for the preceding fiscal year, and accompanied by the related opinion of independent public accountants of recognized national standing acceptable to the Holders which opinion shall state that said financial statements fairly present in all

material respects the consolidated and consolidating financial condition and results of operations of the Company and its Consolidated Subsidiaries as at the end of, and for, such fiscal year and that such financial statements have been prepared in accordance with GAAP, except for such changes in such principles with which the independent public accountants shall have concurred and such opinion shall not contain a "going concern" or like qualification or exception, and a certificate of such accountants stating that, in making the examination necessary for their opinion, they obtained no knowledge, except as specifically stated, of any Default.

(b) Quarterly Financial Statements. As soon as available and in any event within fifty (50) days after the end of each of the first three (3) fiscal quarterly periods of each fiscal year of the Company, consolidated and consolidating statements of income, stockholders' equity, changes in financial position and cash flow of the Company and its Consolidated Subsidiaries for

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such period and for the period from the beginning of the respective fiscal year to the end of such period, and the related consolidated and consolidating balance sheets as at the end of such period, and setting forth in each case in comparative form the corresponding figures for the corresponding period in the preceding fiscal year, accompanied by the certificate of a Responsible Officer, which certificate shall state that said financial statements fairly present in all material respects the consolidated and consolidating financial condition and results of operations of the Company and its Consolidated Subsidiaries in accordance with GAAP, as at the end of, and for, such period (subject to normal year-end audit adjustments).

(c) Monthly Financial Statements. As soon as available and in any event within thirty (30) days after the end of each calendar month, the Company-prepared consolidated and consolidating statements of income and cash flow of the Company and its Consolidated Subsidiaries for such period and for the period from the beginning of the respective fiscal year to the end of such period, and the related consolidated and consolidating balance sheets as at the end of such period, and setting forth in each case in comparative form the corresponding figures for the corresponding period in the preceding fiscal year, accompanied by the certificate of a Responsible Officer, which certificate shall state that said financial statements fairly present the consolidated and consolidating financial condition and results of operations of the Borrower and its Consolidated Subsidiaries in accordance with GAAP, as at the end of, and for, such period (subject to normal year end audit adjustments).

(d) Accounts Receivable. As soon as available and in any event within thirty (30) days after the end of each calendar month, (i) a report in form reasonably satisfactory to the Holders reflecting the aging and collection of the receivables of the Company and its Subsidiaries and (ii) such other reports with respect to receivables as deemed reasonably necessary by the Holders.

(e) Quarterly Regional Reports. As soon as available and in any event within forty five (45) days after the end of each of quarterly period of each fiscal year of the Company, statements of EBITDA for each Reporting Region for such period and for the period from the beginning of the fiscal year to the end of such period. Such statements shall be accompanied by a certificate of a Responsible Officer as to the good faith preparation of such report.

(f) Monthly Regional Statements. As soon as available and in any event within thirty (30) days after the end of each calendar month of each fiscal year of the Company, statements of EBITDA for each Reporting Region for such period and for the period from the beginning of the respective fiscal year to the end of such period. Such statements shall be accompanied by a certificate of a Responsible Officer as to the good faith preparation of such report.

(g) Excess Cash Flow. As soon as available but no later than thirty (30) days after April 30 of each year commencing April 30, 2003, a copy of the "Excess Cash Flow Certificate" (as such term is defined in the Senior Credit Agreement) of a Responsible Officer of the Company setting forth in reasonable detail the Company's calculation of "Excess Cash Flow" (as such term is defined in the Senior Credit Agreement) and for each month after April 30 of each

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year for which an "Annual Cash Flow Payment" (as such term is defined in the Senior Credit Agreement) remains unpaid and is outstanding, and, on the last day of each month thereafter until such Annual Cash Flow Payment is received by the Senior Agent in accordance with the terms of the Senior Credit Agreement, a "Cash Flow Differential Certificate" (as such term is defined in the Senior Credit Agreement) of a Responsible Officer of the Company setting forth in reasonable detail the Company's calculation of current "Cash on Hand" (as such term is defined in the Senior Credit Agreement) and the amount of the unpaid Annual Cash Flow Payment (as such term is defined in the Senior Credit Agreement) due for such month.

(h) Cash Flow Forecast. Monthly, a rolling thirteen (13) week cash flow forecast.

(i) Budget. As soon as available and in any event within thirty (30) days after the end of each fiscal year of the Company, a budget for the Company and its Consolidated Subsidiaries, as approved by the board of directors of the Company, for the following fiscal year setting forth in comparative form corresponding figures from the preceding fiscal year, in reasonable detail.

(j) Notice of Default, Etc. Promptly after the Company knows that any Default or any Material Adverse Effect has occurred, a notice of such Default or Material Adverse Effect, describing the same in reasonable detail and the action the Company proposes to take with respect thereto.

(k) Other Accounting Reports. Promptly upon receipt thereof, (i) a copy

of each other report or letter submitted to the Company or any Subsidiary by independent accountants in connection with any annual, interim or special audit made by them of the books of the Company and its Subsidiaries, (ii) a copy of any response by the Company or any Subsidiary of the Company, or the Board of Directors of the Company or any Subsidiary of the Company, to such letter or report and (iii) any reports which the Holders, Senior Agent or Senior Lenders may reasonably request.

(l) SEC Filings, Etc. Promptly upon its becoming available (and no later than 10 Business Days after a filing by the Company), each financial statement, report, notice or proxy statement sent by the Company to stockholders generally and each regular or periodic report and any registration statement, prospectus or written communication (other than transmittal letters) in respect thereof filed by the Company with or received by the Company in connection therewith from any securities exchange or the SEC (including forms 10K, 10Q and 8K) or any successor agency.

(m) Notices Under Other Loan Agreements. Promptly after the furnishing thereof, copies of any material statement, report or notice furnished to or any Person pursuant to the terms of any indenture, loan or credit or other similar agreement, other than this Agreement and not otherwise required to be furnished to the Holders pursuant to any other provision of this Section 8.01.

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(n) Annual Revenue Reports. As soon as available and in any event within ninety (90) days after the end of each fiscal year of the Company, a report prepared by the Company for each dental center setting forth the revenues, expenses and contributions to profit of such dental center in form and substance acceptable to the Holders.

(o) Quarterly Revenue Reports. As soon as available and in any event within forty five (45) days after each of the first three (3) fiscal quarterly periods of each fiscal year of the Company, a report by the Company for each dental center generally in the form previously provided by the Company and otherwise in form and substance reasonably acceptable to the Holders.

(p) Plan Report. From time to time such other information regarding the business, affairs or financial condition of the Company or any Subsidiary (including, without limitation, any Plan or Multiemployer Plan and any reports or other information required to be filed under ERISA) as the Holders may reasonably request.

(q) Capital Expenditures Budget. Promptly upon becoming available and in any event within thirty (30) days after the end of each fiscal year of the Company, a capital expenditure budget for the next (or present, as applicable) fiscal year setting forth all proposed Capital Expenditures to be incurred during such fiscal year.

(r) Modifications of Management Services Agreements, etc. Promptly upon the execution thereof, executed copies of any modification or amendment of any "Management Services Agreement" or "Accounts Receivable Purchase Agreement" (as such terms are defined in the Senior Credit Agreement).

(s) Further Certification. The Company shall furnish to each Holder, at the time it furnishes each set of financial statements pursuant to paragraph (a) or (b) above, a certificate substantially in the form of Exhibit C hereto executed by a Responsible Officer (i) certifying as to the matters set forth therein and stating that no Default has occurred and is continuing (or, if any Default has occurred and is continuing, describing the same in reasonable detail), and (ii) setting forth in reasonable detail the computations necessary to determine the Company's Total Funded Debt, Senior Funded Debt and EBITDA and whether the Company is in compliance with Sections 9.11, 9.14, 9.15 and 9.16 as of the end of the respective fiscal quarter or fiscal year.

Section 8.02 Litigation. The Company shall promptly give to each Holder notice of: (i) all legal or arbitral proceedings, and of all proceedings before any Governmental Authority affecting the Company or any Subsidiary, except proceedings which, if adversely determined, would not have a Material Adverse Effect, and (ii) of any litigation or proceeding against or adversely affecting the Company or any Subsidiary in which the amount involved is not covered in full by insurance (subject to normal and customary deductibles and for which the insurer has not assumed the defense), or in which injunctive or similar relief is sought. The Company will, and will cause each of its Subsidiaries to, promptly notify each Holder of any claim, judgment, Lien or other encumbrance affecting any Property of the Company or any Subsidiary if the value

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of the claim, judgment, Lien, or other encumbrance affecting such Property shall exceed \$250,000.

Section 8.03 Maintenance, Etc.

(a) Generally. The Company shall and shall cause each Subsidiary to: preserve and maintain its corporate existence and all of its material rights, privileges and franchises; keep books of record and account in which full, true and correct entries will be made of all dealings or transactions in relation to its business and activities; comply with all Governmental Requirements if failure to comply with such requirements, individually or in the aggregate, will have a Material Adverse Effect; pay and discharge all taxes, assessments and governmental charges or levies imposed on it or on its income or profits or on any of its Property prior to the date on which penalties attach thereto, except for any such tax, assessment, charge or levy the payment of which is being contested in good faith and by proper proceedings and against which adequate reserves are being maintained; upon reasonable notice, permit representatives of each Holder, during normal business hours, to examine, copy and make extracts

from its books and records, to inspect its Properties, and to discuss its business and affairs with its officers, all to the extent reasonably requested by such Holder; and keep, or cause to be kept, insured by financially sound and reputable insurers all Property of a character usually insured by Persons engaged in the same or similar business similarly situated against loss or damage of the kinds and in the amounts customarily insured against by such Persons and carry such other insurance as is usually carried by such Persons including, without limitation, environmental risk insurance to the extent reasonably available.

(b) Proof of Insurance. Contemporaneously with the delivery of the financial statements required by Section 8.01(a) to be delivered for each year, the Company will furnish or cause to be furnished to each Holder a certificate of insurance coverage from the insurer in form and substance satisfactory to Holders and, if requested, will furnish Holders copies of the applicable policies.

(c) Operation of Properties. The Company will and will cause each Subsidiary to operate its Properties or cause such Properties to be operated in a careful and efficient manner in accordance with the practices of the industry and in compliance with all applicable contracts and agreements and in compliance in all material respects with all Governmental Requirements.

Section 8.04 Environmental Matters.

(a) Establishment of Procedures. The Company will and will cause each Subsidiary to establish and implement such procedures as may be reasonably necessary to continuously determine and assure that (i) all Property of the Company and its Subsidiaries and the operations conducted thereon and other activities of the Company and its Subsidiaries are, in all material respects, in compliance with and do not violate the requirements of any Environmental Laws, and (ii) no oil, hazardous substances or solid wastes are disposed of or otherwise released on or

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to any Property owned by any such party except in compliance with Environmental Laws.

(b) Notice of Action. The Company will promptly notify each Holder in writing of any threatened action, investigation or inquiry by any Governmental Authority of which the Company has knowledge in connection with any Environmental Laws, excluding routine testing and corrective action.

Section 8.05 Further Assurances. The Company will and will cause each Subsidiary to cure promptly any defects in the creation and issuance of the Notes and the execution and delivery of this Agreement. The Company at its expense will and will cause each Subsidiary to promptly execute and deliver to each Holder upon request all such other documents, agreements and instruments to

comply with or accomplish the covenants and agreements of the Company or any Subsidiary, as the case may be, in any of the Subordinated Note and Warrant Documents, or to correct any omissions in any of the Subordinated Note and Warrant Documents, or to state more fully the security obligations set out herein or in any of the other Subordinated Note and Warrant Documents, or to make any recordings, to file any notices or obtain any consents, all as may be necessary or appropriate in connection therewith.

Section 8.06 Performance of Obligations. The Company will pay the Notes according to the reading, tenor and effect thereof; and the Company will and will cause each Subsidiary to do and perform every act and discharge all of the obligations to be performed and discharged by them under this Agreement, at the time or times and in the manner specified.

Section 8.07 ERISA Information and Compliance. The Company will promptly furnish and will cause the Subsidiaries and any ERISA Affiliate to promptly furnish to each Holder (i) promptly after the filing thereof with the United States Secretary of Labor, the Internal Revenue Service or the PBGC, copies of each annual and other report with respect to each Plan or any trust created thereunder, (ii) immediately upon becoming aware of the occurrence of any ERISA Event or of any "prohibited transaction," as described in section 406 of ERISA or in section 4975 of the Code, in connection with any Plan or any trust created thereunder, a written notice signed by a Responsible Officer specifying the nature thereof, what action the Company, the Subsidiary or the ERISA Affiliate is taking or proposes to take with respect thereto, and, when known, any action taken or proposed by the Internal Revenue Service, the Department of Labor or the PBGC with respect thereto, and (iii) immediately upon receipt thereof, copies of any notice of the PBGC's intention to terminate or to have a trustee appointed to administer any Plan. With respect to each Plan (other than a Multiemployer Plan), the Company will, and will cause each Subsidiary and ERISA Affiliate to, (i) satisfy in full and in a timely manner, without incurring any late payment or underpayment charge or penalty and without giving rise to any lien, all of the contribution and funding requirements of section 412 of the Code (determined without regard to subsections (d), (e), (f) and (k) thereof) and of section 302 of ERISA (determined without regard to sections 303, 304 and 306 of ERISA), and (ii) pay, or cause to be paid, to the PBGC in a timely manner, without incurring any late payment or underpayment charge or penalty, all premiums required pursuant to sections 4006 and 4007 of ERISA.

Section 8.08 Authorized Share Amendment; Issuance. The Company will place on the agenda for its next annual meeting of stockholders, which will take place on or before the 75th day following the Closing Date (the "Annual Meeting"), proposals (the "Proposals") to: (a) approve the Authorized Share Amendment, which shall be sufficient for the Company to issue duly authorized shares of Common Stock to each Person holding securities of the Company that are convertible into or exercisable for shares of Common Stock upon such conversion or exercise, including without limitation the Notes and Warrants, (b) amend its

certificate of incorporation to delete Article IX thereof, which prohibits the taking of any action requiring a vote of the stockholders of the Company by written consent in lieu of a meeting of the stockholders, and (c) delete Section 2.14 of the Company's Bylaws. At the Annual Meeting, the Company will recommend to its stockholders that they vote in favor of, and to solicit proxies for the purpose of voting in favor of, the Proposals. Upon approval of the Proposals, the Company will authorize and reserve a sufficient number of shares of Common Stock with respect to the conversion of the Notes and the exercise of the Warrants.

Section 8.09 Corresponding Amendment. Company agrees that, in the event any change or amendment is made to the Senior Credit Documents in consideration of a waiver of an actual or contemplated default or event of default thereunder, a corresponding change or amendment shall automatically and simultaneously be deemed to have been made to this Agreement without further action; provided Company agrees to execute such documents as any Holder may reasonably request to further memorialize such change or amendments.

ARTICLE IX

NEGATIVE COVENANTS

The Company covenants and agrees that, so long as any of the Notes are outstanding, the Company shall perform and comply with, and shall cause each of its Subsidiaries to perform and comply with, all covenants in this Article IX applicable to such Person; provided, however, Section 9.18, the proviso to Section 9.23 and Section 9.25 shall survive repayment of the Notes and the Company shall perform and comply with such proviso so long as any of the Holders hold a Warrant or Common Stock issued upon conversion of all or any part of any Note or exercise of all or any part of any Warrant:

Section 9.01 Debt. Neither the Company nor any Subsidiary will incur, create, assume or permit to exist any Debt, except:

(a) the Notes, the Indebtedness or any guaranty of or suretyship arrangement for the Notes or the Indebtedness;

(b) accounts payable (for the deferred purchase price of Property or services)

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from time to time incurred in the ordinary course of business which, if greater than ninety (90) days past the invoice or billing date, are being contested in good faith by appropriate proceedings and reserves adequate under GAAP shall have been established therefor;

(c) Debt under capital leases (as required to be reported on

the financial statements of the Company pursuant to GAAP) and purchase money Debt incurred after the Closing Date, in a combined amount not to exceed \$500,000 per year or \$2,000,000 in the aggregate outstanding at any one time;

(d) Debt of the Company under Hedging Agreements with a Senior Lender or otherwise approved by Holders;

(e) Debt in existence on the date hereof and described on Schedule 9.01; and

(f) Senior Indebtedness.

Section 9.02 Liens. Neither the Company nor any Subsidiary will create, incur, assume or permit to exist any Lien on any of its Properties (now owned or hereafter acquired), except:

(a) Liens securing the payment of any Senior Indebtedness;

(b) Excepted Liens;

(c) Liens disclosed on Schedule 9.02.

(d) Liens securing capital leases and purchase money Debt allowed under Section 9.01(c), but only on the Property leased with such capital leases or financed with such purchase money Debt.

(e) Liens originally created to secure purchase money Debt permitted under Section 9.01(e), which in each case shall not exceed one hundred percent (100%) of the lesser of the total purchase price and the fair market value of the Property acquired as determined at the time of acquisition; provided, that, (i) the Property to be purchased with the proceeds of such Debt shall be purchased not more than sixty (60) days prior to the date of the creation of such Lien and (ii) such Lien encumbers only the Property so acquired.

Section 9.03 Investments, Loans and Advances. Neither the Company nor any Subsidiary will make or permit to remain outstanding any loans or advances to or investments in any Person, except that the foregoing restriction shall not apply to:

(a) investments, loans or advances reflected in the Financial Statements or which are disclosed in Schedule 9.03;

(b) accounts receivable arising in the ordinary course of business;

(c) direct obligations of the United States or any agency thereof, or obligations guaranteed by the United States or any agency thereof, in each case maturing within one year from the date of creation thereof;

(d) commercial paper maturing within one (1) year from the date of creation thereof rated in the highest grade by Standard & Poor's Corporation or Moody's Investors Service, Inc.;

(e) deposits maturing within one (1) year from the date of creation thereof with, including certificates of deposit issued by, any Senior Lender or any office located in the United States of any other bank or trust company which is organized under the laws of the United States or any state thereof, has capital, surplus and undivided profits aggregating at least \$100,000,000.00 (as of the date of such Senior Lender's or bank or trust company's most recent financial reports) and has a short term deposit rating of no lower than A2 or P2, as such rating is set forth from time to time, by Standard & Poor's Corporation or Moody's Investors Service, Inc., respectively; or

(f) deposits in money market funds investing exclusively in investments described in Section 9.03(c), 9.03(d) or 9.03(e).

Section 9.04 Dividends, Distributions and Redemptions. The Company will not declare or pay any dividend, purchase, redeem or otherwise acquire for value any of its stock, or options or warrants to acquire such stock, now or hereafter outstanding, return any capital to its stockholders or make any distribution of its assets to its stockholders, other than pursuant to cashless exercise provisions of such securities; provided, however, as long as no Defaults or Events of Default have occurred and are continuing and in the event no Default or Event of Default would arise therefrom, the Company may redeem for cash any equity securities required to be repurchased by the Company upon the termination of employment of Usdan in accordance with the terms of that certain Employment Agreement dated as of even date herewith by and between the Company and Usdan.

Section 9.05 Sales and Leasebacks. Neither the Company nor any Subsidiary will enter into any arrangement, directly or indirectly, with any Person whereby the Company or any Subsidiary shall sell or transfer any of its Property, whether now owned or hereafter acquired, and whereby the Company or any Subsidiary shall then or thereafter rent or lease as lessee such Property or any part thereof or other Property which the Company or any Subsidiary intends to use for substantially the same purpose or purposes as the Property sold or transferred; provided, however, so long as the Senior Credit Agreement is in effect, this provision shall not prohibit any such transaction to the extent approved by the Majority Lenders and provided no Default or

Event of Default exists.

Section 9.06 Nature of Business. Neither the Company nor any Subsidiary will allow any material change to be made in the character of its business.

Section 9.07 Mergers, Etc. Neither the Company nor any Subsidiary will merge into or with or consolidate with any other Person, or sell, lease or otherwise dispose of (whether in one transaction or in a series of transactions) all or substantially all of its Property or assets to any other Person, another Subsidiary, except that any Subsidiary may merge into the Company or into any Wholly-Owned Subsidiary.

Section 9.08 Proceeds of Notes. The Company will not permit the proceeds of the Notes to be used for any purpose other than those permitted by Section 7.07. Neither the Company nor any Person acting on behalf of the Company has taken or will take any action which might cause any of the Subordinated Note and Warrant Documents or the Restructuring Documents to violate Regulation T, U or X or any other regulation of the Board of Governors of the Federal Reserve System or to violate Section 7 of the Securities Exchange Act of 1934 or any rule or regulation thereunder, in each case as now in effect or as the same may hereinafter be in effect.

Section 9.09 ERISA Compliance. The Company will not at any time:

(a) Engage in, or permit any Subsidiary or ERISA Affiliate to engage in, any transaction in connection with which the Company, any Subsidiary or any ERISA Affiliate could be subjected to either a civil penalty assessed pursuant to section 502(c), (i) or (l) of ERISA or a tax imposed by Chapter 43 of Subtitle D of the Code;

(b) Terminate, or permit any Subsidiary or ERISA Affiliate to terminate, any Plan in a manner, or take any other action with respect to any Plan, which could result in any material liability to the Company, any Subsidiary or any ERISA Affiliate to the PBGC;

(c) Fail to make, or permit any Subsidiary or ERISA Affiliate to fail to make, full payment when due of all amounts which, under the provisions of any Plan, agreement relating thereto or applicable law, the Company, a Subsidiary or any ERISA Affiliate is required to pay as contributions thereto;

(d) Permit to exist, or allow any Subsidiary or ERISA Affiliate to permit to exist, any accumulated funding deficiency within the meaning of Section 302 of ERISA or section 412 of the Code, whether or not waived, with respect to any Plan;

(e) Permit, or allow any Subsidiary or ERISA Affiliate to permit, the actuarial present value of the benefit liabilities under any Plan maintained by the Company, any Subsidiary or any ERISA Affiliate which is regulated under Title IV of ERISA to exceed the current value of the

assets (computed on a plan termination basis in accordance with Title IV of ERISA) of such Plan allocable to such benefit liabilities. The term "actuarial present value of the benefit liabilities" shall have the meaning specified in section 4041 of ERISA;

(f) Contribute to or assume an obligation to contribute to, or permit any Subsidiary or ERISA Affiliate to contribute to or assume an obligation to contribute to, any Multiemployer Plan;

(g) Acquire, or permit any Subsidiary or ERISA Affiliate to acquire, an interest in any Person that causes such Person to become an ERISA Affiliate with respect to the Company, any Subsidiary or any ERISA Affiliate if such Person sponsors, maintains or contributes to, or at any time in the six-year period preceding such acquisition has sponsored, maintained, or contributed to, (1) any Multiemployer Plan, or (2) any other Plan that is subject to Title IV of ERISA under which the actuarial present value of the benefit liabilities under such Plan exceeds the current value of the assets (computed on a plan termination basis in accordance with Title IV of ERISA) of such Plan allocable to such benefit liabilities;

(h) Incur, or permit any Subsidiary or ERISA Affiliate to incur, a liability to or on account of a Plan under sections 515, 4062, 4063, 4064, 4201 or 4204 of ERISA;

(i) Contribute to or assume an obligation to contribute to, or permit any Subsidiary or ERISA Affiliate to contribute to or assume an obligation to contribute to, any employee welfare benefit plan, as defined in section 3(1) of ERISA, including, without limitation, any such plan maintained to provide benefits to former employees of such entities, that may not be terminated by such entities in their sole discretion at any time without any material liability; or

(j) Amend or permit any Subsidiary or ERISA Affiliate to amend, a Plan resulting in an increase in current liability such that the Company, any Subsidiary or any ERISA Affiliate is required to provide security to such Plan under section 401(a)(29) of the Code.

Section 9.10 Sale or Discount of Receivables. Neither the Company nor any Subsidiary will discount or sell (with or without recourse) any of its notes receivable or accounts receivable; provided, however, so long as the Senior Credit Agreement is in effect, this provision shall not prohibit any such transaction to the extent approved by the Majority Lenders and provided no Default or Event of Default exists.

Section 9.11 Minimum EBITDA. The Company will not permit its EBITDA as of the end of any fiscal quarter, calculated on a rolling four (4) quarter basis (except for the quarter ending September 30, 2002, which shall be calculated on

the basis of the three (3) prior fiscal quarters ending on such date), to be less than the amount for the relevant periods set forth below.

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Fiscal Quarter Ending	Minimum EBITDA
September 30, 2002	\$3,870,000
December 31, 2002	\$5,310,000
March 31, 2003	\$5,940,000
June 30, 2003	\$6,210,000
September 30, 2003	\$6,480,000
December 31, 2003	\$6,750,000
March 31, 2004	\$7,110,000
June 30, 2004	\$7,380,000
September 30, 2004	\$7,470,000
December 31, 2004	\$7,650,000
March 31, 2005	\$7,920,000
June 30, 2005 and each fiscal quarter ending thereafter	\$8,100,000

Section 9.12 Reserved.

Section 9.13 Reserved.

Section 9.14 Debt Service Coverage Ratio. The Company will not permit its Debt Service Coverage Ratio as of the end of any fiscal quarter, calculated on a rolling four (4) quarter basis (except for the quarter ending September 30, 2002, which shall be calculated on the basis of the three (3) prior fiscal quarters ending on such date), to be less than the ratio for the relevant periods set forth below.

Fiscal Quarter Ending	Ratio
September 30, 2002	0.90
December 31, 2002	0.95
March 31, 2003	0.95
June 30, 2003	0.90
September 30, 2003	0.90
December 31, 2003	0.81
March 31, 2004	0.81
June 30, 2004	0.81
September 30, 2004	0.72

December 31, 2004	0.72
March 31, 2005	0.68
June 30, 2005	0.81
September 30, 2005 and each fiscal quarter ending thereafter	0.90

For purposes of this Section 9.14, "Debt Service Coverage Ratio" shall mean the ratio for the relevant period of (i) EBITDA less taxes payable in cash less any unfinanced Capital Expenditures to (ii) cash interest plus principal payments scheduled during the period.

Section 9.15 Reserved.

Section 9.16 Capital Expenditures. The Company will not make any Capital Expenditures if, after giving effect thereto, the aggregate of all such expenditures would, in the case of the twelve (12) month periods ending on the last day of any fiscal quarter, exceed \$2,500,000.

Section 9.17 Environmental Matters. Neither the Company nor any Subsidiary will cause or permit any of its Property to be in violation of, or do anything or permit anything to be done which will subject any such Property to any remedial obligations under any Environmental Laws, assuming disclosure to the applicable Governmental Authority of all relevant facts, conditions and circumstances, if any, pertaining to such Property where such violations or remedial obligations would have a Material Adverse Effect.

Section 9.18 Transactions with Affiliates. Neither the Company nor any Subsidiary will enter into any transaction, including, without limitation, any purchase, sale, lease or exchange of Property or the rendering of any service, with any Affiliate unless such transactions are otherwise permitted under this Agreement, are in the ordinary course of its business and are upon fair and reasonable terms no less favorable to it than it would obtain in a comparable arm's length transaction with a Person not an Affiliate.

Section 9.19 Subsidiaries. The Company shall not and shall not permit any Subsidiary to sell or to issue any stock of a Subsidiary or any interest in a Special Entity. The Company shall not permit any Subsidiary to issue any stock except to the Company or any other Subsidiary.

Section 9.20 Negative Pledge Agreements. Neither the Company nor any Subsidiary will create, incur, assume or suffer to exist any contract, agreement or understanding (other than the Senior Credit Documents and the Subordinated Note and Warrant Documents) which in any way prohibits or restricts the granting, conveying, creation or imposition of any Lien on any of its Property

or restricts any Subsidiary from paying dividends to the Company, or which requires

the consent of or notice to other Persons in connection therewith.

Section 9.21 Other Agreements. The Company will not and will not permit any of its Subsidiaries directly or indirectly to change or amend the terms of any of the Senior Credit Documents if the effect of such amendment is in violation of the terms of the Subordination Agreement.

Section 9.22 Amendment of Castle West LLC Agreement. Neither the Company nor any Subsidiary shall make or permit any material amendment or modification of the Limited Liability Company Agreement of Castle Dental Centers of California, L.L.C., a Delaware limited liability company, without the prior written consent of Holders.

Section 9.23 Restriction on Fundamental Changes. The Company will not and will not permit any of its Subsidiaries directly or indirectly to amend, modify or waive any term or provision of its organizational documents, including without limitation its articles of incorporation, certificates of designations pertaining to preferred stock, by-laws, partnership agreement or members' agreement; provided, however, after repayment in full of the Notes, the Company shall not amend, modify or waive any term or provision of its organizational documents pertaining to Common Stock, or the rights of any holder thereof, as in effect on the Closing Date, in a manner which is adverse to any Holder that holds a Warrant or Common Stock issued upon conversion of any Note or exercise of any Warrant.

Section 9.24 Disposal of Assets or Subsidiary Stock. The Company will not and will not permit any of its Subsidiaries directly or indirectly to convey, sell, lease, sublease, transfer or otherwise dispose of, or grant any Person an option to acquire, in one (1) transaction or a series of transactions, any of its property, business or assets, or the capital stock of or other equity interests in any of its Subsidiaries, whether now owned or hereafter acquired, except for (a) bona fide sales of inventory to customers for fair value in the ordinary course of business and dispositions of obsolete equipment not used or useful in the business and (b) asset dispositions if all of the following conditions are met: (i) the market value of assets sold or otherwise disposed of in any fiscal year of the Company does not exceed \$1,000,000; (ii) the consideration received is at least equal to the fair market value of such assets; and (iii) no Default or Event of Default then exists or shall result from such asset disposition.

Section 9.25 Non-Disclosure. The Company will not and will not permit any of its Affiliates to, in the future, issue any press release or other public disclosure using the name of Heller, Midwest or any of their respective Affiliates or referring to this Agreement or referring to the other Subordinated

Note and Warrant Documents without at least two (2) Business Days prior written notice to Heller or Midwest, as applicable, and without the prior written consent of Heller or Midwest, as applicable, unless (and only to the extent that) the Company or such affiliate of the Company is required to so disclose under law and then, in any event, the Company or such Affiliate will consult with Heller or Midwest, as applicable, before issuing such press release or other public disclosure. The Company consents to the publication by Heller

and/or Midwest of a tombstone or similar advertising material relating to the financing transactions contemplated by this Agreement, the other Subordinated Note and Warrant Documents and/or the Restructuring Documents.

ARTICLE X

EVENTS OF DEFAULT; REMEDIES

Section 10.01 Events of Default. One (1) or more of the following events shall constitute an "Event of Default":

(a) the Company shall default in the payment or prepayment when due of any principal of any Note, or any fees or other amount payable by it hereunder; provided, however, if such default is a default in the payment of fees, such default shall continue unremedied for a period of thirty (30) days; or

(b) the Company or any Subsidiary shall default in the payment when due of any principal of or interest on any of its other Debt (other than Senior Debt) aggregating \$250,000 or more, or any event specified in any note, agreement, indenture or other document evidencing or relating to any such Debt shall occur if the effect of such event is to cause, or (with the giving of any notice or the lapse of time or both) to permit the holder or holders of such Debt (or a trustee or an agent on behalf of such holder or holders) to cause, such Debt to become due prior to its stated maturity; or

(c) any representation, warranty or certification made or deemed made herein or in any of the other Subordinated Note and Warrant Documents or any of the Restructuring Documents by the Company or any Subsidiary, or any certificate furnished to any Holder pursuant to the provisions hereof or the other Subordinated Note and Warrant Documents or of the Restructuring Documents, shall prove to have been materially false or misleading as of the time made or furnished in any material respect; or

(d) (i) the Company shall default in the performance of any of its obligations under Article IX, any other Article of this Agreement other than under Article VIII or Section 8.08 (other than the payment of amounts due, which shall be governed by Section 10.01(a)); or (ii) the Company shall default in the performance of any of its obligations under Article VIII (other than Section 8.08) and such default shall continue unremedied for a period of thirty (30) days after the earlier to occur of (x) notice thereof to the Company by any

Holder or (y) the Company otherwise becoming aware of such default; or

(e) the Company shall admit in writing its inability to, or be generally unable to, pay its debts as such debts become due; or

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(f) the Company shall (i) apply for or consent to the appointment of, or the taking of possession by, a receiver, custodian, trustee or liquidator of itself or of all or a substantial part of its property, (ii) make a general assignment for the benefit of its creditors, (iii) commence a voluntary case under the Federal Bankruptcy Code (as now or hereafter in effect), (iv) file a petition seeking to take advantage of any other law relating to bankruptcy, insolvency, reorganization, winding-up, liquidation or composition or readjustment of debts, (v) fail to controvert in a timely and appropriate manner, or acquiesce in writing to, any petition filed against it in an involuntary case under the Federal Bankruptcy Code, or (vi) take any corporate action for the purpose of effecting any of the foregoing; or

(g) a proceeding or case shall be commenced, without the application or consent of the Company, in any court of competent jurisdiction, seeking (i) its liquidation, reorganization, dissolution or winding-up, or the composition or readjustment of its debts, (ii) the appointment of a trustee, receiver, custodian, liquidator or the like of the Company of all or any substantial part of its assets, or (iii) similar relief in respect of the Company under any law relating to bankruptcy, insolvency, reorganization, winding-up, or composition or adjustment of debts, and such proceeding or case shall continue undismissed, or an order, judgment or decree approving or ordering any of the foregoing shall be entered and continue unstayed and in effect, for a period of sixty (60) days; or (iv) an order for relief against the Company shall be entered in an involuntary case under the Federal Bankruptcy Code; or

(h) a judgment or judgments for the payment of money in excess of \$250,000 in the aggregate shall be rendered by a court against the Company or any Subsidiary and the same shall not be discharged (or provision shall not be made for such discharge), or a stay of execution thereof shall not be (i) fully covered by insurance owned or held by the Company or such Subsidiary, as applicable, under a policy or policies which are in full force and effect, or (ii) procured, within thirty (30) days from the date of entry thereof and the Company or such Subsidiary shall not, within said period of thirty (30) days, or such longer period during which execution of the same shall have been stayed, appeal therefrom and cause the execution thereof to be stayed during such appeal; or

(i) the Company discontinues its usual business; or

(j) any Subsidiary takes, suffers or permits to exist any of the events or conditions referred to in paragraphs (e), (f), (g) or (h) hereof; or

(k) a Change of Control occurs; or

(l) the Company or any of its Subsidiaries shall default in their performance of any obligations in any documents executed or delivered in connection with the Restructuring Transactions and any applicable cure period provided for in such document has passed; or

(m) the Company shall default in the payment or performance of any obligations in

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the Senior Credit Documents after any applicable cure period provided for in such document and as a result any Senior Lender causes the Senior Indebtedness to be accelerated or the Company shall default in the repayment of such Senior Indebtedness at final maturity.

Section 10.02 Remedies.

(a) In the case of an Event of Default other than one referred to in clauses (e), (f) or (g) of Section 10.01 or in clauses (j) to the extent it relates to clauses (e), (f) or (g), each Holder may, by notice to the Company, declare the principal amount then outstanding of, and the accrued interest on, the Notes held by it and all other amounts payable to it by the Company hereunder and under the Notes to be forthwith due and payable, whereupon such amounts shall be immediately due and payable without presentment, demand, protest, notice of intent to accelerate, notice of acceleration or other formalities of any kind, all of which are hereby expressly waived by the Company.

(b) In the case of the occurrence of an Event of Default referred to in clauses (e), (f) or (g) of Section 10.01 or in clauses (k) and (l) to the extent they relate to clauses (e), (f) or (g), the principal amount then outstanding of, and the accrued interest on, the Notes and all other amounts payable by the Company hereunder and under the Notes shall become automatically immediately due and payable without presentment, demand, protest, notice of intent to accelerate, notice of acceleration or other formalities of any kind, all of which are hereby expressly waived by the Company.

(c) All proceeds received after maturity of the Notes, whether by acceleration or otherwise shall be applied first to reimbursement of expenses and indemnities provided for in this Agreement; second to accrued interest on the Notes; third to fees; fourth pro rata to principal outstanding on the Notes and other Indebtedness; and any excess shall be paid to the Company or as otherwise required by any Governmental Requirement.

(d) Upon the occurrence and during the continuance of any one (1) or more Events of Default, any Holder may proceed to protect and enforce its rights

hereunder by suit in equity, action at law or by other appropriate proceeding, whether for the specific performance of any covenant or agreement contained in this Agreements, the Notes, the other Subordinated Note and Warrant Documents or the Restructuring Documents or in aid of the exercise of any power granted in this Agreement or the Notes, or may proceed to enforce the payment of the Notes, or to enforce any other of its legal or equitable rights.

ARTICLE XI

HOLDER REPRESENTATIONS AND WARRANTIES

Section 11.01 Accredited Investor. Each Holder represents, as to itself, that it is an

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"accredited investor" within the meaning of Regulation D promulgated under the Securities Act.

ARTICLE XII

MISCELLANEOUS

Section 12.01 Waiver. No failure on the part of a Holder to exercise and no delay in exercising, and no course of dealing with respect to, any right, power or privilege under any of the Subordinated Note and Warrant Documents shall operate as a waiver thereof, nor shall any single or partial exercise of any right, power or privilege under any of the Subordinated Note and Warrant Documents preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The remedies provided herein are cumulative and not exclusive of any remedies provided by law.

Section 12.02 Notices. All notices and other communications provided for herein and in the other Subordinated Note and Warrant Documents (including, without limitation, any modifications of, or waivers or consents under, this Agreement or the other Subordinated Note and Warrant Documents) shall be given or made by telex, telecopy, courier or U.S. Mail or in writing and telexed, telecopied, mailed or delivered to the intended recipient at the "Address for Notices" specified below its name on the signature pages hereof or in the Subordinated Note and Warrant Documents; or, as to any party, at such other address as shall be designated by such party in a notice to each other party. Except as otherwise provided in this Agreement or in the other Subordinated Note and Warrant Documents, all such communications shall be deemed to have been duly given when transmitted, if transmitted before 1:00 p.m. local time on a Business Day (otherwise on the next succeeding Business Day) by telex or telecopier and evidence or confirmation of receipt is obtained, or personally delivered or, in the case of a mailed notice, three (3) Business Days after the date deposited in

the mails, postage prepaid, in each case given or addressed as aforesaid.

Section 12.03 Payment of Expenses, Indemnities, etc.

(a) The Company agrees:

(i) whether or not the transactions hereby contemplated are consummated, to pay all reasonable expenses of Holders in the administration (both before and after the execution hereof and including advice of counsel as to the rights and duties of a Holder with respect thereto) of, and in connection with the negotiation, syndication, investigation, preparation, execution and delivery of, recording or filing of, preservation of rights under, enforcement of, and refinancing, renegotiation or restructuring of, the Subordinated Note and Warrant Documents and any amendment, waiver or consent relating thereto (including, without limitation, travel, photocopy, mailing, courier, telephone and other similar expenses of Holders, the cost of environmental audits,

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surveys and appraisals at reasonable intervals, the reasonable fees and disbursements of counsel and other outside consultants for Holders and, in the case of enforcement (including, without limitation, bankruptcy and workout matters), the reasonable fees and disbursements of counsel for Holders; and promptly reimburse a Holder for all amounts expended, advanced or incurred by such Holder to satisfy any obligation of the Company under this Agreement;

(ii) TO INDEMNIFY EACH HOLDER AND EACH OF ITS AFFILIATES AND EACH OF ITS OFFICERS, DIRECTORS, EMPLOYEES, REPRESENTATIVES, AGENTS, ATTORNEYS, ACCOUNTANTS AND EXPERTS ("INDEMNIFIED PARTIES") FROM, HOLD EACH OF THEM HARMLESS AGAINST AND PROMPTLY UPON DEMAND PAY OR REIMBURSE EACH OF THEM FOR, THE INDEMNITY MATTERS WHICH MAY BE INCURRED BY OR ASSERTED AGAINST OR INVOLVE ANY OF THEM (WHETHER OR NOT ANY OF THEM IS DESIGNATED A PARTY THERETO) AS A RESULT OF, ARISING OUT OF OR IN ANY WAY RELATED TO (I) ANY ACTUAL OR PROPOSED USE BY THE COMPANY OF THE PROCEEDS OF ANY OF THE NOTES, (II) THE EXECUTION, DELIVERY AND PERFORMANCE OF THE SUBORDINATED NOTE AND WARRANT DOCUMENTS, (III) THE OPERATIONS OF THE BUSINESS OF THE COMPANY AND ITS SUBSIDIARIES, (IV) THE FAILURE OF THE COMPANY OR ANY SUBSIDIARY TO COMPLY WITH THE TERMS OF THIS AGREEMENT, OR WITH ANY GOVERNMENTAL REQUIREMENT, (V) ANY INACCURACY OF ANY REPRESENTATION OR ANY BREACH OF ANY WARRANTY OF THE COMPANY OR ANY SUBSIDIARY SET FORTH IN ANY OF THE SUBORDINATED NOTE AND WARRANT DOCUMENTS OR (VI) ANY OTHER ASPECT OF THE SUBORDINATED NOTE AND WARRANT DOCUMENTS, INCLUDING, WITHOUT LIMITATION, THE REASONABLE FEES AND DISBURSEMENTS OF COUNSEL AND ALL OTHER EXPENSES INCURRED IN CONNECTION WITH INVESTIGATING, DEFENDING OR PREPARING TO DEFEND ANY SUCH ACTION, SUIT, PROCEEDING (INCLUDING ANY INVESTIGATIONS, LITIGATION

OR INQUIRIES) OR CLAIM AND INCLUDING ALL INDEMNITY MATTERS ARISING BY REASON OF THE ORDINARY NEGLIGENCE OF ANY INDEMNIFIED PARTY, BUT EXCLUDING ALL INDEMNITY MATTERS ARISING SOLELY BY REASON OF THE GROSS NEGLIGENCE OR WILLFUL MISCONDUCT ON THE PART OF THE INDEMNIFIED PARTY; AND

(iii) TO INDEMNIFY AND HOLD HARMLESS FROM TIME TO TIME THE INDEMNIFIED PARTIES FROM AND AGAINST ANY AND ALL LOSSES, CLAIMS, COST RECOVERY ACTIONS, ADMINISTRATIVE ORDERS OR PROCEEDINGS, DAMAGES AND LIABILITIES TO WHICH ANY SUCH PERSON MAY BECOME SUBJECT (I) UNDER ANY ENVIRONMENTAL LAW APPLICABLE TO THE COMPANY OR ANY SUBSIDIARY OR ANY OF THEIR PROPERTIES, INCLUDING WITHOUT LIMITATION, THE TREATMENT OR DISPOSAL OF HAZARDOUS SUBSTANCES ON ANY OF THEIR PROPERTIES, (II) AS A RESULT OF THE BREACH OR NON-COMPLIANCE BY THE COMPANY OR ANY SUBSIDIARY WITH ANY ENVIRONMENTAL LAW APPLICABLE TO THE COMPANY OR ANY SUBSIDIARY, (III) DUE TO PAST OWNERSHIP BY THE COMPANY OR ANY SUBSIDIARY OF ANY OF THEIR PROPERTIES OR PAST ACTIVITY ON ANY OF THEIR PROPERTIES WHICH, THOUGH

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LAWFUL AND FULLY PERMISSIBLE AT THE TIME, COULD RESULT IN PRESENT LIABILITY, (IV) THE PRESENCE, USE, RELEASE, STORAGE, TREATMENT OR DISPOSAL OF HAZARDOUS SUBSTANCES ON OR AT ANY OF THE PROPERTIES OWNED OR OPERATED BY THE COMPANY OR ANY SUBSIDIARY, OR (V) ANY OTHER ENVIRONMENTAL, HEALTH OR SAFETY CONDITION IN CONNECTION WITH THE SUBORDINATED NOTE AND WARRANT DOCUMENTS.

(b) No Indemnified Party may settle any claim to be indemnified without the consent of the indemnitor, such consent not to be unreasonably withheld.

(c) In the case of any indemnification hereunder, the Indemnified Party shall give notice to the Company of any such claim or demand being made against the Indemnified Party and the Company shall have the non-exclusive right to join in the defense against any such claim or demand provided that if the Company provides a defense, the Indemnified Party shall bear its own cost of defense unless there is a conflict between the Company and such Indemnified Party.

(d) THE FOREGOING INDEMNITIES SHALL EXTEND TO THE INDEMNIFIED PARTIES NOTWITHSTANDING THE SOLE OR CONCURRENT NEGLIGENCE OF EVERY KIND OR CHARACTER WHATSOEVER, WHETHER ACTIVE OR PASSIVE, WHETHER AN AFFIRMATIVE ACT OR AN OMISSION, INCLUDING WITHOUT LIMITATION, ALL TYPES OF NEGLIGENT CONDUCT IDENTIFIED IN THE RESTATEMENT (SECOND) OF TORTS OF ONE OR MORE OF THE INDEMNIFIED PARTIES OR BY REASON OF STRICT LIABILITY IMPOSED WITHOUT FAULT ON ANY ONE OR MORE OF THE INDEMNIFIED PARTIES. TO THE EXTENT THAT AN INDEMNIFIED PARTY IS FOUND TO HAVE COMMITTED AN ACT OF GROSS NEGLIGENCE OR WILLFUL MISCONDUCT, THIS CONTRACTUAL OBLIGATION OF INDEMNIFICATION SHALL CONTINUE BUT SHALL ONLY EXTEND TO THE PORTION OF THE CLAIM THAT IS DEEMED TO HAVE OCCURRED BY REASON OF EVENTS OTHER THAN THE GROSS NEGLIGENCE OR WILLFUL MISCONDUCT OF THE

(e) The Company's obligations under this Section 12.03 shall survive any termination of this Agreement, conversion and payment of the Notes and shall continue thereafter in full force and effect.

(f) The Company shall pay any amounts due under this Section 12.03 within thirty (30) days of the receipt by the Company of notice of the amount due.

Section 12.04 Amendments, Etc. Any provision of this Agreement may be amended, modified or waived with the prior written consent of the Company and the holders of fifty one percent (51%) of the then-outstanding principal balance of the Notes; provided, however, that no amendment, modification or waiver can be effected if, by its terms, such amendment, modification or waiver adversely affects one (1) Holder without having the same adverse effect on all other Holders without the prior written consent of the adversely affected Holder.

Section 12.05 Successors and Assigns. This Agreement shall be binding upon and inure

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to the benefit of the parties hereto and their respective successors and permitted assigns.

Section 12.06 Assignments.

(a) The Company may not assign its rights or obligations hereunder or under the Notes or the Warrants without the prior consent of Holders.

(b) Subject to applicable securities laws and to the terms and conditions of the Stockholders Agreement, Holders (and its permitted assigns) may assign to one (1) or more assignees all or a portion of its rights and obligations under this Agreement and the other Subordinated Note and Warrant Documents to any Person, and any such assignee may further assign such rights and obligations to any Person. Any such assignment will become effective upon the execution and delivery to the assigning Holder of the assignment. Upon the assigning Holder's request, the Company, will, at its own expense, execute and deliver new Notes and Warrants, as applicable, to the assignor and/or assignee, as appropriate, in accordance with their respective interests as they appear. Upon the effectiveness of any assignment pursuant to this Section 12.06(b), all references to "Holders" or a "Holder" in this Agreement, the Notes, the Warrants and the other Subordinated Note and Warrant Documents shall mean and include each such assignee, each such assignee shall be deemed a party to this Agreement and bound by all the agreements and covenants of Holders (other than the covenant to purchase a Note or a Warrant) contained herein and all actions which are to be taken, and all consents or waivers to be granted or consents, amendments, waivers and other writings required to be signed by Holders or a

party (other than the Company) to this Agreement thereafter shall be, in each case, effective only if taken or executed or delivered by Holders and all such assignees.

(c) A Holder may furnish any information concerning the Company in its possession from time to time to assignees (including prospective assignees); provided that, such Persons agree to be bound by the provisions of Section 12.15.

(d) Notwithstanding any other provisions of this Section 12.06, no transfer or assignment of the interests or obligations of a Holder or any grant of participations therein shall be permitted if such transfer, assignment or grant would require the Company to file a registration statement with the SEC or to qualify the Notes under the "Blue Sky" laws of any state.

Section 12.07 Invalidity. In the event that any one (1) or more of the provisions contained in any of the Subordinated Note and Warrant Documents shall, for any reason, be held invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision of the Notes or this Agreement.

Section 12.08 Counterparts. This Agreement may be executed in any number of counterparts, all of which taken together shall constitute one (1) and the same instrument and any of the parties hereto may execute this Agreement by signing any such counterpart.

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Section 12.09 References. The words "herein," "hereof," "hereunder" and other words of similar import when used in this Agreement refer to this Agreement as a whole, and not to any particular article, section or subsection. Any reference herein to a Section shall be deemed to refer to the applicable Section of this Agreement unless otherwise stated herein. Any reference herein to an exhibit or schedule shall be deemed to refer to the applicable exhibit or schedule attached hereto unless otherwise stated herein.

Section 12.10 Survival. The obligations of the parties, other than under, but subject to the introductory statement to, Article VIII and Article IX, shall survive the repayment and conversion of the Notes. To the extent that any payments on the Indebtedness are subsequently invalidated, declared to be fraudulent or preferential, set aside or required to be repaid to a trustee, debtor in possession, receiver or other Person under any bankruptcy law, common law or equitable cause, then to such extent, the Indebtedness so satisfied shall be revived and continue as if such payment or proceeds had not been received and Holders' rights, powers and remedies under this Agreement shall continue in full force and effect.

Section 12.11 Captions. Captions and section headings appearing herein

are included solely for convenience of reference and are not intended to affect the interpretation of any provision of this Agreement.

Section 12.12 NO ORAL AGREEMENTS. THE SUBORDINATED NOTE AND WARRANT DOCUMENTS EMBODY THE ENTIRE AGREEMENT AND UNDERSTANDING BETWEEN THE PARTIES AND SUPERSEDE ALL OTHER AGREEMENTS AND UNDERSTANDINGS BETWEEN SUCH PARTIES RELATING TO THE SUBJECT MATTER HEREOF AND THEREOF. THE SUBORDINATED NOTE AND WARRANT DOCUMENTS REPRESENT THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

Section 12.13 GOVERNING LAW; SUBMISSION TO JURISDICTION.

(a) THIS AGREEMENT AND THE NOTES SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF ILLINOIS.

(b) SUBJECT TO SECTION 12.17, ANY LEGAL ACTION OR PROCEEDING WITH RESPECT TO THE SUBORDINATED NOTE AND WARRANT DOCUMENTS SHALL BE BROUGHT IN THE COURTS OF THE STATE OF ILLINOIS OR OF THE UNITED STATES OF AMERICA FOR THE NORTHERN DISTRICT OF ILLINOIS, AND, BY EXECUTION AND DELIVERY OF THIS AGREEMENT, EACH OF THE COMPANY AND EACH HOLDER HEREBY ACCEPTS FOR ITSELF AND (TO THE EXTENT PERMITTED BY LAW) IN RESPECT OF ITS PROPERTY, GENERALLY AND UNCONDITIONALLY, THE JURISDICTION OF THE AFORESAID COURTS. EACH OF THE COMPANY AND EACH HOLDER HEREBY IRREVOCABLY WAIVES ANY OBJECTION, INCLUDING, WITHOUT

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LIMITATION, ANY OBJECTION TO THE LAYING OF VENUE OR BASED ON THE GROUNDS OF FORUM NON CONVENIENS, WHICH IT MAY NOW OR HEREAFTER HAVE TO THE BRINGING OF ANY SUCH ACTION OR PROCEEDING IN SUCH RESPECTIVE JURISDICTIONS.

(c) NOTHING HEREIN SHALL AFFECT THE RIGHT OF ANY HOLDER TO SERVE PROCESS IN ANY OTHER MANNER PERMITTED BY LAW.

(d) THE COMPANY AND EACH HOLDER HEREBY (I) IRREVOCABLY AND UNCONDITIONALLY WAIVE, TO THE FULLEST EXTENT PERMITTED BY LAW, TRIAL BY JURY IN ANY LEGAL ACTION OR PROCEEDING RELATING TO THIS AGREEMENT AND FOR ANY COUNTERCLAIM THEREIN; (II) IRREVOCABLY WAIVE, TO THE MAXIMUM EXTENT NOT PROHIBITED BY LAW, ANY RIGHT IT MAY HAVE TO CLAIM OR RECOVER IN ANY SUCH LITIGATION ANY SPECIAL, EXEMPLARY, PUNITIVE OR CONSEQUENTIAL DAMAGES, OR DAMAGES OTHER THAN, OR IN ADDITION TO, ACTUAL DAMAGES; (III) CERTIFY THAT NO PARTY HERETO NOR ANY REPRESENTATIVE OR AGENT OF COUNSEL FOR ANY PARTY HERETO HAS REPRESENTED, EXPRESSLY OR OTHERWISE, OR IMPLIED THAT SUCH PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVERS, AND (IV) ACKNOWLEDGE THAT IT HAS BEEN INDUCED TO ENTER INTO THIS AGREEMENT AND THE TRANSACTIONS CONTEMPLATED HEREBY BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS CONTAINED IN THIS SECTION 12.13.

Section 12.14 Interest. It is the intention of the parties hereto that

Holders shall conform strictly to usury laws applicable to it. Accordingly, if the transactions contemplated hereby would be usurious as to Holders under laws applicable to it (including the laws of the United States of America and the State of Illinois or any other jurisdiction whose laws may be mandatorily applicable to Holders notwithstanding the other provisions of this Agreement), then, in that event, notwithstanding anything to the contrary in any of the Subordinated Note and Warrant Documents or any agreement entered into in connection with or as security for the Notes, it is agreed as follows: (i) the aggregate of all consideration which constitutes interest under law applicable to Holders that is contracted for, taken, reserved, charged or received by Holders under any of the Subordinated Note and Warrant Documents or agreements or otherwise in connection with the Notes shall under no circumstances exceed the maximum amount allowed by such applicable law, and any excess shall be canceled automatically and if theretofore paid shall be credited by Holders on the principal amount of the Indebtedness (or, to the extent that the principal amount of the

Indebtedness shall have been or would thereby be paid in full, refunded by Holders to the Company); and (ii) in the event that the maturity of the Notes is accelerated by reason of an election of the holder thereof resulting from any Event of Default under this Agreement or otherwise, or in the event of any required or permitted prepayment, then such consideration that constitutes interest under law applicable to Holders may never include more than the maximum amount allowed by such applicable law, and excess interest, if any, provided for in this Agreement or otherwise shall be canceled automatically by Holders as of the date of such acceleration or prepayment and, if theretofore paid, shall be credited by Holders on the principal amount of the Indebtedness (or, to the extent that the principal amount of the Indebtedness shall have been or would thereby be paid in full, refunded by Holders to the Company). All sums paid or agreed to be paid to Holders for the use, forbearance or detention of sums due hereunder shall, to the extent permitted by law applicable to Holders, be amortized, prorated, allocated and spread throughout the full term of the Notes until payment in full so that the rate or amount of interest on account of any Notes hereunder does not exceed the maximum amount allowed by such applicable law. If at any time and from time to time (i) the amount of interest payable to Holders on any date shall be computed at the Highest Lawful Rate applicable to Holders pursuant to this Section 12.14 and (ii) in respect of any subsequent interest computation period the amount of interest otherwise payable to Holders would be less than the amount of interest payable to Holders computed at the Highest Lawful Rate applicable to Holders, then the amount of interest payable to Holders in respect of such subsequent interest computation period shall continue to be computed at the Highest Lawful Rate applicable to Holders until the total amount of interest payable to Holders shall equal the total amount of interest which would have been payable to Holders if the total amount of interest had been computed without giving effect to this Section 12.14.

Section 12.15 Confidentiality. In the event that the Company provides

to a Holder written confidential information belonging to the Company, if the Company shall denominate such information in writing as "confidential", such Holder shall thereafter maintain such information in confidence in accordance with the standards of care and diligence that each utilizes in maintaining its own confidential information. This obligation of confidence shall not apply to such portions of the information which (i) are in the public domain, (ii) hereafter become part of the public domain without a Holder breaching its obligation of confidence to the Company, (iii) are previously known by a Holder from some source other than the Company, (iv) are hereafter developed by a Holder without using the Company's information, (v) are hereafter obtained by or available to a Holder from a third party who owes no obligation of confidence to the Company with respect to such information or through any other means other than through disclosure by the Company, (vi) are disclosed with the Company's consent, (vii) must be disclosed either pursuant to any Governmental Requirement or to Persons regulating the activities of a Holder, or (viii) as may be required by law or regulation or order of any Governmental Authority in any judicial, arbitration or governmental proceeding. Further, a Holder may disclose any such information to any independent consultants, any independent certified public accountants, any legal counsel employed by such Person in connection with this Agreement, including without limitation, the enforcement or exercise of all rights and remedies thereunder, or any assignee (including prospective assignees) in the Notes; provided, however, that such Holder shall receive a confidentiality agreement from the Person to whom such information is disclosed such that said Person shall have the same obligation to maintain the confidentiality of such information as is imposed upon such Holder hereunder. Notwithstanding anything to the contrary provided herein, this obligation of confidence shall cease three (3) years from the date the information was furnished, unless the Company requests in writing at least thirty (30) days prior to the expiration of such three year period, to maintain the confidentiality of such information for an additional three year period. The Company waives any and all other rights it may have to confidentiality as against a Holder arising by contract, agreement, statute or

law except as expressly stated in this Section 12.15.

Section 12.16 Effectiveness. This Agreement shall be effective on the Closing Date.

Section 12.17 EXCULPATION PROVISIONS. EACH OF THE PARTIES HERETO SPECIFICALLY AGREES THAT IT HAS A DUTY TO READ THIS AGREEMENT AND AGREES THAT IT IS CHARGED WITH NOTICE AND KNOWLEDGE OF THE TERMS OF THIS AGREEMENT; THAT IT HAS IN FACT READ THIS AGREEMENT AND IS FULLY INFORMED AND HAS FULL NOTICE AND KNOWLEDGE OF THE TERMS, CONDITIONS AND EFFECTS OF THIS AGREEMENT; THAT IT HAS BEEN REPRESENTED BY INDEPENDENT LEGAL COUNSEL OF ITS CHOICE THROUGHOUT THE NEGOTIATIONS PRECEDING ITS EXECUTION OF THIS AGREEMENT; AND HAS RECEIVED THE ADVICE OF ITS ATTORNEY IN ENTERING INTO THIS AGREEMENT; AND THAT IT RECOGNIZES THAT CERTAIN OF THE TERMS OF THIS AGREEMENT RESULT IN ONE PARTY ASSUMING THE

LIABILITY INHERENT IN SOME ASPECTS OF THE TRANSACTION AND RELIEVING THE OTHER PARTY OF ITS RESPONSIBILITY FOR SUCH LIABILITY. EACH PARTY HERETO AGREES AND COVENANTS THAT IT WILL NOT CONTEST THE VALIDITY OR ENFORCEABILITY OF ANY EXCULPATORY PROVISION OF THIS AGREEMENT ON THE BASIS THAT THE PARTY HAD NO NOTICE OR KNOWLEDGE OF SUCH PROVISION OR THAT THE PROVISION IS NOT "CONSPICUOUS."

Section 12.18 Subordination. Each of the Company, the Subsidiaries and Holders, by their acceptance of this Agreement, agree that all of the Indebtedness, all payments in respect thereof (prior to the payment in full of the Senior Indebtedness) and any renewals, refinancings or extensions thereof shall be subordinate and junior in right to all Senior Indebtedness as set forth and subject to the terms of the Subordination Agreement.

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[Signature Page Follows]

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

COMPANY:

CASTLE DENTAL CENTERS, INC., a
Delaware corporation

By: _____
Name: _____
Title: _____

Address for Notices:

3701 Kirby Drive
Suite 550
Houston, Texas 77098
Telecopier No.: 713.490.8420
Telephone No.: 713.490.8400
Attention: James Usdan

Note and Warrant Purchase Agreement

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

HELLER:

HELLER FINANCIAL, INC., a Delaware corporation

By: _____
Name: _____
Title: _____

Address for Notices:

HELLER FINANCIAL, INC.
c/o Heller Healthcare Financial
Services
500 West Monroe Street
Chicago, Illinois 60661
ATTN: Michael Sznajder
Telecopy: 312.441.7598

With a copy to:

HELLER FINANCIAL, INC.
c/o Heller Healthcare Financial
Services
2 Wisconsin Circle, 4th Floor
Chevy Chase, Maryland 20815
ATTN: Katherine R. Lofft, Esq.
Telecopy: 301.664.9866

Note and Warrant Purchase Agreement

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

MIDWEST:

MIDWEST MEZZANINE FUND II, L.P., a Delaware limited partnership

By: ABN AMRO Mezzanine

Management II, L.P.,
its general partner

By: ABN AMRO Mezzanine
Management II, Inc., its
general partner

By: _____
Name: J. Allan Kayler
Title: Senior Vice
President

Address for Notices:

Midwest Mezzanine Fund II, L.P.
208 South LaSalle Street, 10th floor
Chicago, Illinois 60604-1003
ATTN: J. Allan Kayler
Telecopy: 312.553.6647

Note and Warrant Purchase Agreement

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

USDAN:

JAMES M. USDAN, an individual

By: _____
Name: James M. Usdan

Address for Notices:

c/o Castle Dental Centers, Inc.
3701 Kirby Drive
Suite 550
Houston, Texas 77098
Telecopier No.: 713.490.8420
Telephone No.: 713.490.8400
Attention: James Usdan

INVESTORS AGREEMENT

This INVESTORS AGREEMENT (this "Agreement"), dated as of July 19, 2002, is by and among CASTLE DENTAL CENTERS, INC., a Delaware corporation (the "Corporation"), HELLER FINANCIAL, INC., a Delaware corporation ("Heller"), MIDWEST MEZZANINE FUND II, L.P., a Delaware limited partnership ("Midwest") and, solely for purposes of Section 5(a) hereof, James M. Usdan ("Usdan").

RECITALS

A. Pursuant to the terms of that certain Senior Subordinated Note and Subordinated Convertible Note Exchange Agreement, dated July 19, 2002 among the Corporation, Heller and Midwest (the "Exchange Agreement"), the Corporation (i) issued to Heller 119,520 shares of Series A-1 Convertible Preferred Stock of the Corporation, par value \$.001 per share (the "Series A-1 Preferred Stock"), and (ii) issued to Midwest 59,760 shares of Series A-1 Preferred Stock.

B. Pursuant to the terms of that certain Senior Subordinated Note and Warrant Purchase Agreement dated July 19, 2002 among the Corporation, Heller, Midwest and Usdan (the "Note Purchase Agreement"), the Corporation, among other things, issued to each of Heller and Midwest senior subordinated convertible promissory notes of the Corporation (collectively, the "New Money Notes") which may be converted in the aggregate into 1,826,834 shares of the fully-diluted common stock of the Corporation, par value \$.001 per share (the "Common Stock").

C. The parties hereto desire to enter into this Agreement to provide for, among other things, (i) a right of first refusal between Heller and Midwest with respect to transfers of the Series A-1 Preferred Stock and the New Money Notes, (ii) special voting rights with respect to the designation and election of directors of the Corporation and its Subsidiaries and (iii) certain covenants to be complied with by the Corporation.

AGREEMENT

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

Section 1. Definitions. In addition to capitalized terms defined elsewhere in this Agreement, the following capitalized terms shall have the following respective meanings when used in this Agreement:

"Affiliate" of any Person shall mean (i) any Person directly or indirectly controlled by, controlling or under common control with such first Person, (ii) any director or officer of such first Person or of any Person referred to in clause (i) above and (iii) if any Person in clause (i) above is an individual, any member of the immediate family (including parents, spouse and children) of such individual or any trust whose principal beneficiary is such

individual or one (1) or more members of such immediate family and any Person who is controlled by any such member or trust. For purposes of this definition, any Person which owns directly or indirectly

ten percent (10%) or more of the securities having ordinary voting power for the election of directors or other governing body of a corporation or ten percent (10%) or more of the partnership or other ownership interests of any other Person (other than as a limited partner of such other Person) will be deemed to "control" (including, with its correlative meanings, "controlled by" and "under common control with") such corporation or other Person.

"Board Options" means options to purchase up to 1,389,747 Common Shares issued to non-employee directors of the Corporation pursuant to the Corporation's 2002 Stock Option Plan.

"Business Day" means any day other than a day on which commercial banks are authorized or required to close in Chicago, Illinois.

"Common Shares" means the shares of Common Stock.

"Debt" means for any Person the sum of the following (without duplication): (i) all obligations of such Person for borrowed money or evidenced by bonds, debentures, notes or other similar instruments (including principal, interest, fees and charges); (ii) all obligations of such Person (whether contingent or otherwise) in respect of bankers' acceptances, letters of credit, surety or other bonds and similar instruments; (iii) all obligations of such Person to pay the deferred purchase price of property or services (other than for borrowed money); (iv) all obligations under leases which shall have been, or should have been, in accordance with GAAP, recorded as capital leases in respect of which such Person is liable (whether contingent or otherwise); (v) all obligations under leases which require such Person or its Affiliate to make payments over the term of such lease, including payments at termination, which are substantially equal to at least eighty percent (80%) of the purchase price of the property subject to such lease plus interest as an imputed rate of interest; (vi) all Debt (as described in the other clauses of this definition) and other obligations of others secured by a lien, claim or other encumbrance on any asset of such Person, whether or not such Debt is assumed by such Person; (vii) all Debt (as described in the other clauses of this definition) and other obligations of others guaranteed by such Person or in which such Person otherwise assures a creditor against loss of the debtor or obligations of others; (viii) all obligations or undertakings of such Person to maintain or cause to be maintained the financial position or covenants of others or to purchase the Debt or property of others; (ix) obligations to deliver goods or services in consideration of advance payments; and (x) all obligations of such Person under Hedging Agreements.

"GAAP" means generally accepted accounting principles in the United States of America in effect from time to time.

"Hedging Agreements" means any interest rate swap, cap, floor, collar, forward agreement or other protection agreements or any option with respect to any such transaction.

"Heller Holders" means Heller and its successors and assigns, together with any transferee(s) of the Securities initially held by Heller.

"Holders" means collectively the Heller Holders and the Midwest Holders.

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"Indebtedness" means any and all amounts owing or to be owing by the Corporation or any of its Subsidiaries to Note Holders in connection with the Subordinated Note and Warrant Documents, now or hereafter entered into between or among the Corporation or any of its Subsidiaries and any Note Holder, and all renewals, extensions and/or rearrangements of any of the above.

"Management Options" means option to purchase up to 13,897,471 shares of the Corporation's Common Stock issued to officers, employees or consultants of the Corporation or its Subsidiaries pursuant to the Corporation's 2002 Stock Option Plan.

"Midwest" means Midwest and its successors and assigns, together with any transferee(s) of the Securities initially held by Midwest.

"Note Holders" means, collectively, Heller, Midwest and Usdan.

"Notes" means the New Money Notes issued to Heller and Midwest pursuant to the Note Purchase Agreement, and any note or notes issued in exchange for such notes.

"Person" means any individual, corporation, company, voluntary association, partnership, limited liability company, joint venture, trust, unincorporated organization or government or any agency, instrumentality or political subdivision thereof, or any other form of entity.

"Preferred Shares" means the Series A-1 Preferred Shares and the Series A-2 Preferred Shares.

"Registration Rights Agreement" means that certain Registration Rights Agreement dated July 19, 2002 by and among the Corporation, the Senior Lenders, Heller, Midwest, Usdan and certain other stockholders party thereto.

"Securities" means collectively the Series A-1 Preferred Shares and the Notes.

"Senior Bank Warrants" means those certain warrants to purchase Series

A-2 Preferred Shares issued to the Senior Lenders pursuant to the Senior Loan Agreement.

"Senior Indebtedness" means "Senior Debt" as such term is defined in the Subordination Agreement.

"Senior Lenders" means Banc of America Strategic Solutions, Inc., a Delaware corporation, Fleet National Bank, a national banking association, Amsouth Bank, a national banking association, and Heller.

"Senior Loan Agreement" means that certain Second Amended and Restated Credit Agreement dated as of July 19, 2002 between the Corporation and the Senior Lenders.

"Series A-1 Preferred Shares" means the shares of Series A-1 Preferred Stock and any shares issued in exchange for such shares (other than Common Shares).

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"Series A-2 Preferred Shares" means the shares of Series A-2 Convertible Preferred Stock of the Corporation, par value \$.001 per share, and any shares issued in exchange for such shares (other than Common Shares).

"Stockholders Agreement" means that certain Stockholders Agreement dated July 19, 2002 among the Corporation, Heller, Midwest and certain other holders of the Corporation's capital stock and other securities.

"Sub-Debt Warrants" means those certain warrants to purchase Common Shares issued pursuant to the Note Purchase Agreement.

"Subordinated Note and Warrant Documents" means collectively the Note Purchase Agreement, the Notes, the Sub-Debt Warrants, the Subordinated Guaranty Agreement entered into pursuant to the Note Purchase Agreement, the Stockholders Agreement, the Registration Rights Agreement and any other agreements, certificates or instruments executed or delivered pursuant to or entered into in connection with any of the foregoing.

"Subordination Agreement" means that certain Subordination and Intercreditor Agreement dated as of the date hereof among the Corporation, certain guarantors named therein, Heller, Midwest, and Bank of America, N.A., a national banking association (together with any duly appointed successor), as agent for the Senior Lenders.

"Subsidiary" means any corporation, association or other business entity of which securities or other ownership interests representing more than fifty percent (50%) of the ordinary voting power are, at the time as of which any determination is being made, owned or controlled by the Corporation or one

or more Subsidiaries of the Corporation or by the Corporation and one or more Subsidiaries of the Corporation.

"Transfer" means any sale, gift, bequest, assignment, distribution, conveyance, pledge, hypothecation, encumbrance or other transfer or disposition, whether voluntary or involuntary by operation of law or otherwise, and whether inter vivos or testamentary.

Section 2. Right of First Refusal.

(a) Except for dispositions permitted by Section 3, if a Holder desires to Transfer any Securities (collectively, the "Offered Securities") to a third party, such Holder (the "Selling Holder") will, prior to making or offering to make any such Transfer or accepting any such offer, give written notice (the "Offer Notice") to the other Holders (the "Non-Selling Holders") and to Usdan stating (i) the name of the proposed transferee of the Offered Securities (the "Proposed Transferee"), (ii) the number and type of Offered Securities, (iii) the purchase price therefor, and (iv) other material terms and conditions upon which the Selling Holder proposes to sell such Offered Securities to such proposed transferee and making an offer to sell such Offered Securities (the "Offer") to each of the Non-Selling Holders pursuant to the terms and conditions of this Section, at the price and on the other terms described in the Offer Notice. The date upon which the Offer Notice is given to the Non-Selling Holders is called the "Offer Notice Date." The Offer shall remain open and irrevocable for the period of ten (10) Business Days following the Offer Notice Date.

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(b) Each Non-Selling Holder may accept the offer to purchase all the Offered Securities by giving written notice thereof (each, a "Holder's Acceptance Notice") to the Selling Holder within 10 Business Days following the Offer Notice Date, such notice to set forth the maximum number of Offered Securities such Non-Selling Holder is willing to purchase. In the event that the Holder's Acceptance Notice(s) reflect a willingness on the part of Non-Selling Holders to purchase, in the aggregate, more than the number of Offered Securities available, the Non-Selling Holders shall be entitled to purchase such Offered Securities pro rata among themselves on the basis of the number of Common Shares into which the Series A Preferred Shares and the Notes held by each such Non-Selling Holder are then convertible.

(c) In the event after compliance with Section 2(b) above, the Offer has been accepted in its entirety by the Non-Selling Holders, the Selling Holder shall sell the Offered Securities to the Non-Selling Holders, and the Non-Selling Holders shall purchase the Offered Securities, on the terms and conditions set forth in the Offer Notice and the closing shall take place 25 Business Days after the Offer Notice Date, unless a later date is agreed to by parties to such transaction.

(d) In the event after compliance with Section 2(b) above, the Offer has not been accepted in its entirety by the Non-Selling Holders, the Selling Holder may, within 25 Business Days thereafter, sell the Offered Securities to the Proposed Transferee on the terms set forth in the Offer Notice. The Proposed Transferee, as a condition to such Transfer, shall agree in writing to be bound by the terms of this Agreement to the same extent as the Selling Holder. If such sale has not been completed within such 25-Business Day period, such sale may not be carried out without complying again with the provisions of this Section. Any Transfer in violation of this Section 2 shall be void and ineffective.

Section 3. Permitted Transfers. Notwithstanding anything herein to the contrary, a Holder may Transfer its Securities free of the restrictions contained in Section 2 to the partners, members or Affiliates of such Holder, provided that such transferee is not engaged in the business of providing dental services in the United States and provided further that any such transferee first agrees in a writing to be bound by the terms of this Agreement to the same extent as such transferring Holder.

Section 4. Voting Agreement; Initial Designation of Directors.

(a) Each of the Holders acknowledges and agrees to take all action within their respective power, including, but not limited to, the voting of capital stock of the Corporation, required to (i) cause the Board of Directors of the Corporation to at all times consist of up to five (5) members, (ii) cause the Board of Directors as soon as possible following the execution of this Agreement to initially consist of James M. Usdan, Eddie Kunz, Paul Kreie, as the Midwest Designee (as defined below) and Ira Glazer, as one of the Heller Designees (as defined below), and (iii) thereafter cause to be elected to the Board of Directors the Chief Executive Officer of the Corporation.

(b) Each of the Holders acknowledges and agrees that the holders of the Series A-1 Preferred Shares have the exclusive right, pursuant to the terms of the Certificate of Incorporation of the Corporation, voting separately as a single class, to elect a majority of the number of the members of the Corporation's Board of Directors. Each of the Holders agrees

that, (i) Holders holding a majority of the Series A-1 Preferred Shares originally acquired by Heller pursuant to the Exchange Agreement shall have the right to designate, at any time and from time to time, two members of the Corporation's Board of Directors (the "Heller Designees"), and (ii) Holders holding a majority of the Series A-1 Preferred Shares originally acquired by Midwest pursuant to the Exchange Agreement shall have the right to designate, at any time and from time to time, one member of the Corporation's Board of Directors (the "Midwest Designee"). Each of the Holders agrees to take all actions necessary at any time and from time to time including, but not limited to, the voting of its shares of stock of the Corporation, the execution of written consents, the calling of special meetings, the removal of directors, the

filling of vacancies in directorships, the waiving of notice, the attending of meetings and the amendment of the Corporation's by-laws, so as to cause the Corporation's Board of Directors to include the designees of Heller and Midwest. Concurrently with the consummation of the transactions contemplated by the Exchange Agreement, Midwest hereby designates Paul Kreie as the initial Midwest Designee, and Heller hereby designates Ira Glazer as one of its initial Heller Designees. The Corporation acknowledges that as of the date hereof, there is one vacancy on the Corporation's Board of Directors, which is a vacancy of a Series A-1 Director (as defined in the Certificate of Designation of the Series A Preferred Shares). Heller shall use its reasonable efforts to designate an additional Heller Designee that is reasonably acceptable to Midwest and Usdan within 75 days of the date hereof.

Section 5. Covenants of the Corporation.

(a) So long as any Series A-1 Preferred Shares are outstanding, the Corporation shall not, without first obtaining the written consent of (1) Holders holding a majority of the Series A-1 Preferred Shares originally acquired by Heller pursuant to the Exchange Agreement, (2) Holders holding a majority of the Series A-1 Preferred Shares originally acquired by Midwest pursuant to the Exchange Agreement and (3) Usdan, so long as he holds at least seventy-five percent (75%) of the principal amount of the Note originally acquired by him pursuant to the Note Purchase Agreement:

(i) authorize or issue, or enter into any agreement providing for the issuance (contingent or otherwise) of, (A) any equity securities of the Corporation or any securities convertible into or exchangeable for equity securities of the Corporation or permit any Subsidiary to authorize or issue, or enter into any agreement providing for the issuance (contingent or otherwise) of, any equity securities of such Subsidiary or any securities convertible into or exercisable for equity securities of such Subsidiary, any notes or debt securities containing equity features, including, but not limited to, any notes or debt securities convertible into or exchangeable for equity securities, issued in connection with the issuance of equity securities or containing profit participation features, or (B) any capital appreciation or profit participation rights, except, in each case, (w) for the Preferred Shares, Senior Bank Warrants, the Management Options, the Board Options, the Sub-Debt Warrants, the Notes and the capital stock issuable upon conversion, exercise or exchange of any of the foregoing, (x) for profit participation rights issued in the ordinary course of business consistent with past practice, (y) for up to 150,000 Common Shares issued to directors of the Corporation in office on the date of this Agreement, and (z) pursuant to customary management compensation arrangements approved by the Compensation Committee;

(ii) directly or indirectly repurchase, redeem or retire any shares of capital stock of the Corporation (or any capital stock of a Subsidiary) other than pursuant to (x) the Employment Agreement between the Corporation and Usdan, dated as of the date hereof, (y) contractual rights to repurchase Common Shares held by employees, directors or consultants of the Corporation upon termination of their employment or services or (z) cashless exercise provisions;

(iii) merge or consolidate with any Person or permit any Subsidiary to merge or consolidate with any Person (other than a merger of a wholly-owned Subsidiary into the Corporation or another wholly-owned Subsidiary);

(iv) sell, lease or otherwise dispose of all or substantially all (or a substantial portion) of the Corporation's (or its Subsidiaries') assets or sell or otherwise dispose of, or permit any Subsidiary to issue, sell or otherwise dispose of, any shares of the capital stock of any Subsidiary;

(v) liquidate, dissolve or effect a recapitalization or reorganization (or permit a Subsidiary to liquidate, dissolve or effect a recapitalization or reorganization unless the assets of such Subsidiary are transferred to the Corporation or another Subsidiary);

(vi) acquire another company or business (or permit a Subsidiary to acquire another company or business);

(vii) directly or indirectly, declare or pay, any dividends, or make any distributions on any of the Corporation's capital stock;

(viii) establish, acquire or permit to exist any Subsidiary other than Subsidiaries existing on the date hereof and other wholly-owned Subsidiaries;

(ix) increase or decrease the size of the Corporation's or any Subsidiary's board of directors to a number greater than or less than five (5) members;

(x) change the Corporation's primary business or enter into or permit a Subsidiary of the Corporation to enter into, the ownership, management or operation of any business other than the business conducted by the Corporation on the date hereof;

(xi) amend the Certificate of Incorporation (including, but not limited to, filing or amending any certificate of designations) or by-laws of the Corporation (or any Subsidiary);

(xii) enter into, or permit any Subsidiary to enter into, any transaction with any of its or any Subsidiary's Affiliates, except in the ordinary course of business and upon fair and reasonable terms no

less favorable to the Corporation or any Subsidiary than would be obtained by the Corporation or any Subsidiary in a comparable arm's length transaction with a Person who is not the Corporation's or any Subsidiary's Affiliate; provided, however, nothing in this clause (xii) shall be deemed to prohibit payments to officers, directors and other agents of the Corporation or any Subsidiary pursuant to employment arrangements on customary terms or indemnities contained in the

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Corporation's or any Subsidiary's certificate of incorporation, by-laws or any indemnity agreement to which the Corporation or any Subsidiary is a party; or

(xiii) incur, create, assume or permit to exist any Debt, except:

(A) the Notes, the Indebtedness or any guaranty of or suretyship arrangement for the Notes or the Indebtedness;

(B) material accounts payable (for the deferred purchase price of property or services) from time to time incurred in the ordinary course of business which, if greater than one hundred twenty (120) days past the invoice or billing date, are being contested in good faith by appropriate proceedings and reserves adequate under GAAP shall have been established therefor;

(C) debt under capital leases (as required to be reported on the financial statements of the Corporation pursuant to GAAP) and purchase money Debt incurred after July 19, 2002, in a combined amount not to exceed \$500,000 per year or \$2,000,000 in the aggregate outstanding at any one time;

(D) debt of the Corporation under Hedging Agreements with a lender under the Senior Loan Agreement or otherwise approved by the Note Holders;

(E) debt in existence on July 19, 2002 and described in the Note Purchase Agreement; and

(F) Senior Indebtedness.

(b) The Corporation shall not take any of the following actions without the affirmative vote of at least three directors of the Corporation:

(i) make capital expenditures or permit a Subsidiary to make capital expenditures in excess of the annual budgeted amount approved by the Board of Directors;

(ii) make, or permit any Subsidiary to make, any loans or advances to, or guarantees for the benefit of, any Person, other than loans to employees of the Corporation and its affiliated practices not to exceed \$25,000 at any one time per individual and \$200,000 at any one time in the aggregate;

(iii) make or permit to exist, or permit any Subsidiary to make or permit to exist, any investment other than: (A) investments existing on the date hereof, (B) investments in short-term obligations issued by, or guaranteed by, the United States government, (C) investments in negotiable certificates of deposit, bankers' acceptances or money market securities issued by any bank or branch of a bank having capital and surplus of at least \$300,000,000 in the aggregate at all times, and (D) investments in commercial paper rated P1 or A1 by Moody's Investors Service, Inc. or Standard & Poor's Corporation, respectively;

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(iv) approve any budget of the Corporation, or any material amendment or modification thereto;

(v) make, or permit any Subsidiary to make, any material changes in accounting methods, practices or principles, except in accordance with GAAP; and

(vi) sell shares of capital stock of the Corporation or any Subsidiary of the Corporation to the public or register such a sale, whether for the Corporation's own account or the account of another, pursuant to a registration statement under the Securities Act, except for registrations and sales made pursuant to demand registrations requested pursuant to the Registration Rights Agreement.

(c) The Board of Directors shall have a compensation committee (the "Compensation Committee"), which shall perform such functions as are customarily performed by compensation committees, specifically: (i) hiring and firing of members of management or other significant senior executives and setting or changing their compensation; and (ii) adoption and administration of any employee compensation or benefit plan by the Corporation or its Subsidiaries, including bonus plans, profit sharing arrangements and incentive compensation programs (other than those plans adopted prior to the date hereof). The Compensation Committee and any other committee established or empowered by the Board of Directors shall consist of no more than three (3) members, one of whom shall be a Heller Designee and one of whom shall be a Midwest Designee.

(d) The Corporation shall cause the board of directors of each Subsidiary to at all times be composed of the same members as the Corporation's Board of Directors.

(e) Not more than 20 Business Days after the date hereof, the Corporation shall provide evidence reasonably satisfactory to the Heller Designees and the Midwest Designee that the Corporation has obtained directors' and officers' liability insurance in an amount reasonably acceptable to the Heller Designees and the Midwest Designee (the "D&O Insurance"). The Corporation shall maintain the D&O Insurance, in amounts reasonably acceptable to the then-current Heller Designees and the Midwest Designee, at all times that the holders of the Series A-1 Preferred Shares have the right to designate members to the Corporation's Board of Directors. Not more than 20 Business Days after the date hereof, the Corporation shall have entered into indemnification agreements with the Heller Designees and the Midwest Designee, in form and substance reasonably acceptable to each such Designee, pursuant to which the Corporation shall agree to indemnify each such Designee to the fullest extent permitted by law in connection with such Designees' service on the Corporation's Board of Directors. The Corporation further agrees to enter into substantially similar indemnification agreements with the successors to the Heller Designees and the Midwest Designee.

Section 6. Term. This Agreement shall terminate and be of no further force and effect at such time as (a) the Notes have been paid in full or are otherwise no longer outstanding and (b) there are no Series A-1 Preferred Shares outstanding.

Section 7. Legend. The Corporation will cause the Notes and each certificate representing Series A-1 Preferred Shares governed by this Agreement to be stamped or otherwise

imprinted, throughout the term of this Agreement, with a legend in substantially the following form:

The securities represented by this certificate are subject to certain restrictions on transfer and certain voting agreements all as set forth in a certain Investors Agreement of Castle Dental Centers, Inc., dated as of July 19, 2002, a copy of which will be mailed to the holder without charge within five days of a written request therefor."

Section 8. Notices to the Corporation and the Holders. Any notices desired, required or permitted to be given hereunder shall be delivered personally or mailed, certified or registered mail, return receipt requested, postage prepaid or delivered by commercial overnight courier service, charges prepaid to the following addresses, or such other addresses as shall be given by notice delivered hereunder, and shall be deemed to have been given upon delivery, if delivered personally, three Business Days after mailing, if mailed, or one Business Day after delivery to the overnight courier service, if delivered by overnight courier service:

If to the Corporation to:

Castle Dental Centers, Inc.
3701 Kirby Drive, Suite 550
Houston, Texas 77098
Attention: James M. Usdan

If to Heller to:

Heller Financial, Inc.
c/o Heller Healthcare Financial Services
500 West Monroe Street
Chicago, Illinois 60661
Attention: Michael Sznajder

If to Midwest to:

Midwest Mezzanine Fund II, L.P.
208 South LaSalle Street
10th Floor
Chicago, Illinois 60604
Attention: J. Allan Kayler

Any party may change the address to which notices to it are to be sent by giving written notice given pursuant to this Section to the other parties hereto.

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Section 9. Successors. All the covenants and provisions of this Agreement by or for the benefit of the Corporation shall bind and inure to the benefit of its respective successors and permitted assigns hereunder.

Section 10. Governing Law. This Agreement shall be deemed to be a contract made under the laws of the State of Illinois and for all purposes shall be construed in accordance with the internal laws of said State.

Section 11. Counterparts. This Agreement may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original, and all such counterparts shall together constitute but one and the same instrument.

Section 12. Amendment; Waiver. This Agreement cannot be amended without the prior written consent of the Holders and the Corporation. No provision of this Agreement may be waived except by an instrument in writing signed by the party to be bound. No failure or delay by any party in exercising any right or

remedy hereunder shall operate as a waiver thereof, and a waiver of a particular right or remedy on one occasion shall not be deemed a waiver of any other right or remedy or a waiver of the same right or remedy on any subsequent occasion.

[REMAINDER OF PAGE INTENTIONALLY BLANK. SIGNATURE PAGE FOLLOWS.]

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

CASTLE DENTAL CENTERS, INC.

By: _____
Its: _____

HELLER FINANCIAL, INC.

By: _____
Its: _____

MIDWEST MEZZANINE FUND II, L.P.

By: ABN AMRO Mezzanine Management
II, L.P., its General Partner

By: ABN AMRO Mezzanine Management
II, Inc., its General Partner

By: _____
Its: _____

Solely for purposes of
Section 5(a) hereof:

James M. Usdan

Stockholders Agreement

by and among

CASTLE DENTAL CENTERS, INC.,
a Delaware corporation
(the "Company"),

and

Bank of America Strategic Solutions, Inc.,
a Delaware corporation
("B of A"),

FSC Corp.,
a Massachusetts corporation
("Fleet"),

Amsouth Bank,
a national banking association
("Amsouth"),

Heller Financial, Inc.,
a Delaware corporation
("Heller"),

Midwest Mezzanine Fund II, L.P.,
a Delaware limited partnership
("Midwest"),

and

James M. Usdan

July 19, 2002

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STOCKHOLDERS AGREEMENT

Stockholders Agreement (this "Agreement") dated as of July 19, 2002, by and among Castle Dental Centers, Inc., a Delaware corporation (the "Company"), and (a) Banc of America Strategic Solutions, Inc., a Delaware corporation ("B of A"), FSC Corp., a Massachusetts corporation ("Fleet"), Amsouth Bank, a national banking association ("Amsouth") and Heller Financial, Inc., a Delaware corporation ("Heller"), as initial holders of the Bank Warrants (as defined below), (b) Heller and Midwest Mezzanine Fund II, L.P., a Delaware limited partnership ("Midwest"), as initial holders of Series A-1 Stock (as defined below), and (c) Heller, Midwest and James M. Usdan ("Usdan"), as initial holders of the New Money Warrants and Convertible Notes (each as defined below). Capitalized terms used and not otherwise defined herein have the respective meanings ascribed thereto in Article I.

RECITALS

WHEREAS, contemporaneously with the execution and delivery of this Agreement, the Company and the Preferred Stockholders will enter into a Senior Subordinated Note and Subordinated Convertible Note Exchange Agreement (the "Exchange Agreement"); and

WHEREAS, contemporaneously with the execution and delivery of this Agreement, the Company will issue a Bank Warrant to each of B of A, Fleet, Amsouth and Heller; and

WHEREAS, contemporaneously with the execution and delivery of this Agreement, the Company and the New Money Stockholders will enter into a Note and Warrant Purchase Agreement (the "Note Purchase Agreement"); and

WHEREAS, pursuant to the Exchange Agreement, the Preferred Stockholders will be issued the Series A-1 Stock; and

WHEREAS, pursuant to the Note Purchase Agreement, the New Money Stockholders will be issued the New Money Warrants and the Convertible Notes; and

WHEREAS, each of the Bank Stockholders, the Preferred Stockholders, the New Money Stockholders, the Management Stockholders (as hereinafter defined) and the Company desire to enter into this Agreement to regulate certain aspects of their relationship and to provide for, among other things, restrictions on the transfer or other disposition of securities of the Company.

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NOW, THEREFORE, the parties hereto hereby agree as follows:

ARTICLE I.
CERTAIN DEFINITIONS

Section 1.01 Defined Terms.

(a) The following capitalized terms, when used in this Agreement, have the respective meanings set forth below:

"2002 Options" means options to purchase up to 15,287,218 shares of Common Stock issued to officers, directors, employees or consultants of the Company or its Subsidiaries pursuant to the Company's 2002 Stock Option Plan.

"2002 Stock Option Plan" means the Castle Dental Centers, Inc. 2002 Stock Option Plan dated July 19, 2002.

"Affiliate" of any Person means (i) any Person directly or indirectly controlled by, controlling or under common control with such first Person, (ii) any director or officer of such first Person or of any Person referred to in clause (i) above and (iii) if any Person in clause (i) above is an individual, any member of the immediate family (including parents, spouse and children) of such individual and any trust whose principal beneficiary is such individual or one (1) or more members of such immediate family and any Person who is controlled by any such member or trust. For purposes of this definition, any Person which owns directly or indirectly ten percent (10%) or more of the

securities having ordinary voting power for the election of directors or other governing body of a corporation or ten percent (10%) or more of the partnership or other ownership interests of any other Person (other than as a limited partner of such other Person) will be deemed to "control" (including, with its correlative meanings, "controlled by" and "under common control with") such corporation or other Person.

"Agreement" shall have the meaning set forth in the preamble.

"Amsouth" shall have the meaning set forth in the preamble.

"Annual Meeting" shall have the meaning set forth in Section 4.02.

"B of A" shall have the meaning set forth in the preamble.

"Bank Stockholders" means B of A, Fleet, Amsouth and Heller in their capacity as the initial holders of the Bank Warrants, any Permitted Transferee, any

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Person to whom any of the foregoing shall Transfer any Restricted Securities pursuant to Section 2.03 or Section 3.01 of this Agreement, and any Person to whom B of A, Fleet, Amsouth, Heller and their Permitted Transferees shall Transfer any Restricted Securities in compliance with Section 2.01(b) (other than pursuant to an Open Market Sale or an effective registration statement under the Securities Act); provided, however, in each case, such transferee has agreed to be bound by the terms of this Agreement by executing a Joinder Agreement. Heller shall not be considered a Bank Stockholder with respect to the Series A-1 Stock, New Money Warrants or Convertible Notes issued to it, or any shares of Common Stock issued or issuable upon conversion or exercise of any of the Series A-1 Stock, New Money Warrants or Convertible Notes issued to it.

"Bank Warrants" means the warrants to purchase Series A-2 Stock issued to the Bank Stockholders contemporaneously with the execution and delivery of this Agreement and any warrants issued upon the partial exercise, Transfer, exchange or replacement of such warrants.

"Business Day" means any day other than a Saturday, Sunday or a day on which commercial banks in the City of New York, New York are authorized or required by law or executive order to remain closed.

"Buyer" means any Person to whom Restricted Securities are to be Transferred Subject to the Tag-Along Rights set forth in Section 2.03.

"Commission" means the Securities and Exchange Commission or any other federal agency at the time administering the Securities Act.

"Common Stock" means the common stock of the Company, par value \$.001

per share, any securities into which such Common Stock shall have been changed or any securities resulting from any reclassification or recapitalization of such Common Stock and all other securities of any class or classes (however designated) of the Company the holders of which have the right, without limitation as to amount, after payment on any securities entitled to a preference on dividends or other distributions upon any dissolution, liquidation or winding up, either to all or to a share of the balance of payments upon such dissolution, liquidation or winding up.

"Common Stock Equivalents" means the number of shares of Common Stock owned by a Stockholder directly or which are issued or issuable to such Stockholder upon (a) conversion of the Series A-1 Stock, (b) conversion of the Convertible Notes, (c) exercise of the New Money Warrants, and/or (d) conversion of the Series A-2 Stock issued or issuable upon exercise of the Bank Warrants.

"Company" shall have the meaning set forth in the preamble.

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"Convertible Notes" means the notes dated the date hereof in the aggregate principal amount of \$1,700,000 initially convertible into approximately 3,105,618 shares of Common Stock, issued to the New Money Stockholders pursuant to the Note Purchase Agreement, and any notes issued upon the partial conversion, assignment, transfer, sale, exchange or replacement of such notes.

"Exchange Act" means the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

"Exchange Agreement" shall have the meaning set forth in the recitals.

"Fleet" shall have the meaning set forth in the preamble.

"GAAP" means generally accepted accounting principles, consistently applied.

"Heller" shall have the meaning set forth in the preamble.

"Heller Designee" shall have the meaning set forth in Section 4.01.

"Investor Rights Agreement" means that certain Investor Rights Agreement dated as of July 19, 2002, among the Company, Heller and Midwest.

"Investor Stockholders" means, so long as any such Person shall hold Restricted Securities, the Bank Stockholders, the Preferred Stockholders, and the New Money Stockholders. Usdan shall be considered an Investor Stockholder with respect to all shares of Common Stock issued or issuable upon exercise or conversion of New Money Warrants or Convertible Notes issued to him.

"Lien" means any lien, claim, charge, encumbrance, security interest or other adverse claim of any kind, other than any restrictions imposed under this Agreement or under federal or state securities laws.

"Liquidation" means the voluntary or involuntary liquidation, dissolution or winding up of the Company.

"Management Stockholder" means Usdan, a Permitted Transferee of Usdan and any Person (other than an Investor Stockholder) to whom Usdan shall Transfer any Restricted Securities pursuant to Section 2.03 of this Agreement; provided, however, in each case, such transferee has agreed to be bound by the terms of this Agreement by executing a Joinder Agreement. Usdan shall not be considered a Management Stockholder with respect to the New Money Warrants and Convertible Notes issued to him, or any shares of Common Stock issued or

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issuable upon conversion exercise of any of the New Money Warrants or Convertible Notes issued to him.

"Midwest" shall have the meaning set forth in the preamble.

"New Money Stockholders" means Heller, Midwest and Usdan in their capacity as the initial holders of the New Money Warrants and Convertible Notes, any Permitted Transferee, and any Person to whom any of the foregoing shall Transfer any Restricted Securities pursuant to Section 2.03 or Section 3.01 of this Agreement; provided, however, in each case, such transferee has agreed to be bound by the terms of this Agreement by executing a Joinder Agreement. Heller shall not be considered a New Money Stockholder with respect to the Series A-1 Stock, Series A-2 Stock issued or issuable upon exercise of Bank Warrants, or Bank Warrants issued to it, or any shares of Common Stock issued or issuable upon conversion of any of the Series A-1 Stock or Series A-2 Stock issued to it. Midwest shall not be considered a New Money Stockholder with respect to the Series A-1 Stock issued to it, or any shares of Common Stock issued or issuable upon conversion of any of the Series A-1 Stock issued to it.

"New Money Warrants" means the warrants to purchase Common Stock of the Company issued to the New Money Stockholders pursuant to the Note Purchase Agreement, and any warrants issued upon the partial exercise, assignment, transfer, sale, exchange or replacement of such warrants.

"New Securities" means (i) any capital stock of the Company or any other securities or other obligations of the Company, including any equity or profit participation rights, whether now authorized or not, (ii) any rights, options, or warrants to purchase any such capital stock or rights, or to purchase any securities of any type whatsoever that are, or may become, convertible into any such capital stock, and (iii) any securities of any type whatsoever that are, or may become convertible into any such capital stock;

provided, however, the "New Securities" will not include (A) securities offered to the public pursuant to a registration statement under the Securities Act, (B) options or securities issued or issuable to, or securities issued upon exercise of options issued to, officers, directors, consultants or employees of the Company (or its Subsidiaries) pursuant to stock option plans or agreements approved by the Board of Directors of the Company, (C) securities issued upon conversion of the Series A-1 Stock or Series A-2 Stock, (D) securities issued pursuant to the Bank Warrants, the New Money Warrants or the Convertible Notes, (E) Common Stock issued upon exercise of options outstanding on the date hereof, and (F) up to 150,000 shares of Common Stock issued to the directors of the Company on the date hereof.

"Note Purchase Agreement" shall have the meaning set forth in the recitals.

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"Offeree" shall have the meaning set forth in Section 2.03(a).

"Open Market Sale" means a sale of shares of Common Stock pursuant to a "brokers' transaction" within the meaning of Section 4(4) of the Securities Act or in a transaction directly with a "market maker", as that term is defined in Section 3(a) (38) of the Exchange Act.

"Open Market Sales Threshold" means, as of any particular date, a number of shares of Restricted Securities which represent a number of Common Stock Equivalents equal to the lesser of (i) 1% of the total number of shares of Common Stock then outstanding, without giving effect to the conversion, exchange or exercise of any securities, and (ii) 50% of the average weekly trading volume of the Company's Common Stock for the four consecutive calendar weeks immediately prior to the week in which such date occurs.

"Permitted Transfer" means the Transfer of Restricted Securities (i) to a Permitted Transferee, (ii) pursuant to a public offering pursuant to a registration statement which shall have become effective under the Securities Act, (iii) pursuant to Section 2.03 of this Agreement, (iv) pursuant to an Open Market Sale, (v) pursuant to Section 3.01 of this Agreement, (vi) to Heller Holders or Midwest Holders pursuant to the Investor Rights Agreement, (vii) by a Preferred Stockholder to any person for an aggregate price per Common Stock Equivalent equal to or less than the aggregate liquidation preference of such securities divided by the number of shares of Common Stock issuable upon conversion of the Series A-1 Stock to be Transferred (or the aggregate liquidation preference of the Series A-1 Stock that was converted into the shares of Common Stock to be Transferred divided by the number of shares of Common Stock issued upon such conversion), not in violation of Section 2.03, or (viii) by Usdan pursuant to the terms of the Employment Agreement dated July 19, 2002 between Usdan and the Company.

"Permitted Transferee" means, (a) for a Stockholder who is an individual: (i) the spouse or lineal descendants of any Stockholder, (ii) any

trust for the benefit of such Stockholder or the benefit of the spouse or lineal descendants of such Stockholder, any corporation or partnership in which such Stockholder, the spouse and the lineal descendants of such Stockholder are the direct and beneficial owners of all of the equity interests (provided such Stockholder, spouse and lineal descendants agree in writing to remain the direct and beneficial owners of all of the equity interests thereof), or (iii) the personal representative of such Stockholder upon such Stockholder's death for purposes of administration of such Stockholder's estate or upon such Stockholder's incompetency for purposes of the protection and management of the assets of such Stockholder; and (b) with respect to a Stockholder that is a corporation, partnership, trust, limited liability company, or other entity, any Affiliate or partner of such Stockholder; provided, however, in each case, that

such transferee must agree to be bound by the terms of this Agreement by executing a Joinder Agreement.

"Person" means an individual, partnership, corporation, limited liability company, trust, unincorporated organization, joint venture, government (or agency or political subdivision thereof) or any other entity of any kind.

"Preferred Stockholders" means Heller and Midwest in their capacity as the initial holders of the Series A-1 Stock, any Permitted Transferee, and any Person to whom any of the foregoing shall Transfer any Restricted Securities pursuant to Section 2.03 or Section 3.01 of this Agreement or clause (vii) of the definition of Permitted Transfer; provided, however, in each case, such transferee has agreed to be bound by the terms of this Agreement by executing a Joinder Agreement. Heller shall not be considered a Preferred Stockholder with respect to the New Money Warrants, Convertible Notes, Bank Warrants, or Series A-2 Stock issued or issuable upon exercise of Bank Warrants issued to it, or any shares of Common Stock issued or issuable upon conversion or exercise of any of the New Money Warrants, Convertible Notes, or Series A-2 Stock issued to it. Midwest shall not be considered a Preferred Stockholder with respect to the New Money Warrants or Convertible Notes issued to it, or any shares of Common Stock issued or issuable upon conversion or exercise of any of the New Money Warrants or Convertible Notes issued to it.

"Proposals" shall have the meaning set forth in Section 4.02.

"Regulatory Problem" means any set of facts or circumstances wherein any Investor Stockholder reasonably believes it is not entitled to hold, or exercise any significant right with respect to, the Series A-1 Stock, Series A-2 Stock, or Common Stock.

"Restricted Securities" means the Series A-1 Stock, the Series A-2 Stock, the Bank Warrants, the New Money Warrants, the Convertible Notes, the Stock Options, the Common Stock or Series A-2 Stock issued or issuable upon conversion or exercise of any of the foregoing, and any securities issued with respect thereto as a result of any stock dividend, stock split,

reclassification, recapitalization, reorganization, merger, consolidation or similar event or upon the conversion, exchange or exercise thereof. As to any particular Restricted Securities, once issued, such securities shall cease to be Restricted Securities when such securities are Transferred (i) pursuant to a public offering pursuant to a registration statement which shall have become effective under the Securities Act, or (ii) pursuant to an Open Market Sale.

"Securities Act" means the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

"Senior Securities" means all equity securities (including any rights or options exercisable or convertible for such equity securities) of the Company with which the Series A-1 Stock and Series A-2 Stock rank junior, whether with respect to dividends or upon Liquidation or otherwise.

"Series A-1 Stock" means the Convertible Preferred Stock, Series A-1, of the Company issued to the Preferred Stockholders pursuant to the Exchange Agreement.

"Series A-2 Stock" means the Convertible Preferred Stock, Series A-2, of the Company issued or issuable upon exercise of the Bank Warrants.

"Stock Options" means incentive stock options or nonqualified stock options issued by the Company.

"Stockholder" means the Bank Stockholders, the Preferred Stockholders, the New Money Stockholders, and the Management Stockholders.

"Subsidiary" means any corporation, association or other business entity of which securities or other ownership interests representing more than fifty percent (50%) of the ordinary voting power are, at the time as of which any determination is being made, owned or controlled by the Company or one or more Subsidiaries of the Company or by the Company and one or more Subsidiaries of the Company.

"Tag-Along Notice" shall have the meaning set forth in Section 2.03(a).

"Tag-Along Offer" shall have the meaning set forth in Section 2.03(a).

"Tag-Along Right" shall have the meaning set forth in Section 2.03(b).

"Transfer," including the correlative term "Transferred" and any noun or verb tense of such word, means, directly or indirectly, any sale, transfer, assignment, hypothecation, pledge or other disposition of any Restricted Securities or any interests therein.

"Transferor" means a Stockholder proposing to Transfer Restricted Securities subject to the Tag-Along rights set forth in Section 2.03.

"Transferor Shares" means the Restricted Securities proposed to be Transferred by Transferor subject to the Tag-Along rights set forth in Section 2.03.

"Usdan" shall have the meaning set forth in the preamble.

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(b) Unless otherwise provided herein, all accounting terms used in this Agreement shall be interpreted in accordance with U.S. GAAP as in effect from time to time.

ARTICLE II.
TRANSFERS OF RESTRICTED SECURITIES

Section 2.01 Restrictions Generally; Securities Act.

(a) Each Stockholder, other than the Bank Stockholders, agrees that it will not, directly or indirectly, Transfer any Restricted Securities unless such Transfer is a Permitted Transfer. Any attempt to Transfer any Restricted Securities, other than pursuant to a Permitted Transfer, shall be null and void and neither the issuer of such securities nor any transfer agent of such securities shall give any effect to such attempted Transfer in its stock records.

(b) Each Stockholder agrees that, in addition to the other requirements herein relating to a Transfer, it will not Transfer any Restricted Securities except pursuant to an effective registration statement under the Securities Act, or upon receipt by the Company of an opinion of counsel to the Stockholder, reasonably satisfactory to the Company, or counsel to the Company, or other evidence, reasonably acceptable to the Company, to the effect that any such Transfer will not be in violation of the Securities Act or other applicable securities laws of any state, or any rules or regulations promulgated thereunder.

Section 2.02 Legend.

(a) Each certificate representing Restricted Securities shall be endorsed with the following legends and such other legends as may be required by applicable state securities laws:

THE SECURITIES REPRESENTED BY THIS CERTIFICATE AND THE SECURITIES ISSUABLE UPON EXERCISE OR CONVERSION THEREOF HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR ANY STATE SECURITIES LAWS. THE SECURITIES

REPRESENTED BY THIS CERTIFICATE AND ANY INTEREST THEREIN MAY NOT BE SOLD, TRANSFERRED, PLEDGED, HYPOTHECATED OR OTHERWISE DISPOSED OF, EXCEPT PURSUANT TO (i) AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND APPLICABLE STATE SECURITIES LAWS OR (ii) AN EXEMPTION FROM REGISTRATION UNDER SUCH ACTS.

THE SHARES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO CERTAIN RESTRICTIONS SET FORTH IN A STOCKHOLDERS AGREEMENT, DATED AS OF JULY 19, 2002. A COPY OF SUCH AGREEMENT MAY BE OBTAINED BY THE HOLDER HEREOF AT THE COMPANY'S PRINCIPAL PLACE OF BUSINESS WITHOUT CHARGE.

(b) The legend regarding the status of the Restricted Securities under the Securities Act set forth above shall be removed and the Company shall issue a certificate without such legend to the holder of the Restricted Securities upon which it is stamped, if, unless otherwise required by state securities laws, (i) a registration statement with respect to such Restricted Securities shall have become effective under the Securities Act, and such Restricted Securities shall have been disposed of in accordance with such registration statement, (ii) in connection with a Transfer permitted under or made in compliance with this Agreement, such holder provides the Company, at the Company's expense, with an opinion of counsel, in a generally acceptable form, to the effect that a public sale, assignment or transfer of the Restricted Securities may be made without registration under the Securities Act, or (iii) the Restricted Securities can be sold pursuant to Rule 144 under the Securities Act without any restriction as to the number of securities acquired as of a particular date that can then be immediately sold.

(c) The legend regarding the applicability of this Agreement to the Restricted Securities set forth above shall be removed and the Company shall issue a certificate without such legend to the holder of the Restricted Securities upon which it is stamped, if the Restricted Securities have been Transferred pursuant to a Permitted Transfer (other than a Permitted Transfer to a Permitted Transferee, pursuant to the Investor Rights Agreement or pursuant to Section 2.03).

Section 2.03 Tag-Along Rights.

(a) If (x) any Management Stockholder or New Money Stockholder proposes to Transfer any Restricted Securities to any Person, or (y) any Preferred Stockholder proposes to Transfer any Restricted Securities to any Person for an aggregate price per Common Stock Equivalent in excess of the aggregate liquidation preference of such securities divided by the number of shares of Common Stock issuable upon conversion of the Series A-1 Stock to be Transferred (or the aggregate liquidation preference of the Series A-1 Stock that was converted into the shares of Common Stock to be Transferred divided by the number of shares of Common Stock issued upon such conversion), in each case

other than (i) to a Permitted Transferee, (ii) pursuant to an Open Market Sale, (iii) to Heller or Midwest pursuant to the Investor Rights Agreement, or (iv) pursuant to a public offering pursuant to a registration statement which shall have become effective under the Securities Act, then, as a condition to such Transfer, the Transferor shall cause the Buyer to include an offer (the "Tag-Along Offer") to each of the Investor Stockholders

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(collectively, the "Offerees"), to purchase from each Offeree, at the option of each Offeree, up to a number of shares of Restricted Securities determined in accordance with Section 2.03(b), on the same terms and conditions as are applicable to the Transferor Shares. The Transferor shall provide a written notice (the "Tag-Along Notice") of the Tag-Along Offer to each Offeree, which may accept the Tag-Along Offer by providing a written notice of acceptance of the Tag-Along Offer to the Transferor within 15-days of delivery of the Tag-Along Notice.

(b) Each Offeree shall have the right (a "Tag-Along Right") to sell pursuant to the Tag-Along Offer up to a number of shares of Common Stock Equivalents equal to: (i) the number of shares of Common Stock Equivalents that the Buyer is willing to purchase from the Transferor and the Offerees, in the aggregate, multiplied by (ii) a fraction, the numerator of which is the number of shares of Common Stock Equivalents owned by such Offeree and the denominator of which is the number of shares of Common Stock Equivalents owned by the Transferor and all of the Offerees exercising their respective Tag-Along Rights; provided, however, that, if all Common Stock Equivalents beneficially owned by all Offerees are permitted to be sold to the Buyer, the Transferor shall be entitled to sell the number of shares set forth in the Tag-Along Offer which any Offeree has chosen not to sell without providing additional notice to the Offerees.

(c) Upon exercise of a Tag-Along Right, at the closing of the proposed Transfer (which date, place and time shall be designated by the Transferor and provided to the Offerees in writing at least five Business Days prior thereto), each Offeree shall deliver to the Buyer a certificate or certificates representing (x) the shares of Common Stock to be sold or otherwise disposed of pursuant to the Tag-Along Offer by such Offeree or (y), at the election of the Offeree, Restricted Securities representing the number of shares of Common Stock Equivalents to be sold or otherwise disposed of pursuant to the Tag-Along Offer by such Offeree (plus an amount of cash or, if such Restricted Securities have a cashless exercise option, additional Restricted Securities necessary to pay the exercise price, if any, on any Restricted Securities so delivered (other than Common Stock) which is required to be paid under the terms of such Restricted Securities in order to acquire the number of shares of Common Stock to be sold or otherwise disposed of pursuant to the Tag-Along Offer by such Offeree), in either case free and clear of all Liens, against delivery of the purchase price therefor; provided that neither the Transferor nor any Offeree shall sell any Restricted Securities to any Buyer if such Buyer does not purchase,

simultaneously and pursuant to the same terms, all of the Restricted Securities which the Offerees are entitled to sell to such Buyer pursuant to Section 2.03(b).

In the event that, following delivery of a Tag-Along Notice, the 15-day period set forth in Section 2.03(a) shall have expired and the Transferor shall not have received a written notice from any Offeree pursuant to Section 2.03(a), the

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Transferor shall have the right, during the remainder of the 120-day period following the expiration of such 15-day period, to sell the Transferor Shares to the proposed Buyer, at a price not less than the price specified in the Tag-Along Offer and on terms no more favorable to such proposed Buyer than the terms of the Tag-Along Offer.

(d) Promptly after the consummation of the sale or other disposition of the Transferor Shares and shares of Common Stock Equivalents of the Offerees to the Buyer pursuant to the Tag-Along Offer, the Transferor shall notify the Offerees thereof, and the Buyer shall pay to the Transferor and each of the Offerees their respective portions of the sales price of the shares of Common Stock Equivalents sold or otherwise disposed of pursuant thereto, and shall furnish such other evidence of the completion of such sale or other disposition and the terms thereof as may be reasonably requested by the Offerees.

Section 2.04 Notice of Open Market Sales. In any 90-day period, a Management Stockholder may not sell a number of shares of Restricted Securities in excess of the Open Market Sales Threshold then in effect unless and until all of the following criteria shall have been met: (a) all of the Restricted Securities then held by the Investor Stockholders either are (i) then registered for resale under the Securities Act on a Form S-3 (or any successor or similar short-form registration statement) that remains effective as of the date of such sale and during the ten Business Days prior thereto, or (ii) freely transferable in Open Market Sales, other than restrictions with respect to the number of securities that can be sold pursuant to Rule 144; and (b) no less than two Business Days prior to the placing with a broker of an order to execute such sale or the execution directly with a market maker of such sale, such Management Stockholder shall have filed with the Commission a notice of proposed sale on Form 144 with respect to such sale and shall have delivered a copy thereof to each of the Investor Stockholders.

Section 2.05 Right of First Refusal.

(a) Each of the Investor Stockholders shall have the right of first refusal to purchase its proportionate number, or any lesser number, of any New Securities which the Company may, from time to time, propose to sell and issue. For purposes of this Section 2.05, each such Investor Stockholder's "proportionate number" means the product obtained by multiplying the number of

New Securities proposed to be sold and issued by a fraction, the numerator of which will be the number of shares of Common Stock Equivalents owned (or deemed owned) by such stockholder and the denominator of which will be the total number of shares of Common Stock Equivalents owned (or deemed owned) by all Investor Stockholders.

(b) In the event the Company proposes to undertake an issuance of New Securities, it will give each of the Investor Stockholders written notice of its

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intention to do so, describing the New Securities and the price and terms upon which the Company proposes to issue the same, and setting forth the number of shares which such Investor Stockholder is entitled to purchase and the aggregate purchase price therefor. Each such Investor Stockholder will have 15 days from the date of receipt of any notice to agree to purchase up to its proportionate number of such New Securities, for the price and upon the terms specified in the notice by giving written notice to the Company and stating therein the quantity of New Securities to be purchased.

(c) In the event any Investor Stockholder fails to exercise such right of first refusal within said 15-day period, the Company will have 90 days thereafter to sell or enter into a binding and unconditional agreement (pursuant to which the sale of New Securities covered thereby will be, and is, consummated within 90 days from the date of said agreement) to sell the New Securities as to which such Stockholder's rights were not exercised, at a price and upon such other terms no more favorable to the purchasers thereof than those specified in the Company's notice. In the event the Company has not sold such New Securities within said 90-day period (or sold and issued New Securities in accordance with the foregoing within 90 days from the date of said agreement), the Company will not thereafter issue or sell any New Securities without first offering such New Securities to the Investor Stockholders, in the manner provided above.

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ARTICLE III. COMPANY OBLIGATIONS

Section 3.01 Regulatory Problem. In the event an Investor Stockholder determines that it has a Regulatory Problem, such Investor Stockholder shall have the right to transfer its entire interest in the Company without regard to any restriction on transfer set forth in this Agreement (other than federal and state securities laws restrictions), and the Company agrees to take all such actions as are reasonably requested by such Investor Stockholder in order to (i) effectuate and facilitate any transfer by such Investor Stockholder of its interests to any person designated by such Investor Stockholder (subject to compliance with applicable federal and state securities laws) or (ii) permit such Investor Stockholder (or any Affiliate thereof) to exchange all or any portion of the

Series A-1 Stock, Series A-2 Stock, or Common Stock then held by, or issuable to, it on a "share-for-share" basis for interests of a class of non-voting preferred stock or common stock of the Company, which non-voting preferred stock or common stock shall be identical in all respects to such Series A-1 Stock, Series A-2 Stock, or Common Stock, as the case may be, except such stock shall be non-voting preferred stock or common stock and shall be convertible into voting common stock on such terms as are requested by such Investor Stockholder in light of regulatory considerations then prevailing. The Company and each Stockholder agree to enter into such additional agreements, adopt such amendments hereto and to the certificate of incorporation of the Company and to take such additional actions as are reasonably requested by such Investor Stockholder in order to effectuate the intent of the foregoing.

ARTICLE IV. OTHER AGREEMENTS

Section 4.01 Agreement Regarding Conversion. Each of the Stockholders hereby agrees that until the 76th day after the date of this Agreement not to convert any shares of Series A-1 Stock or Series A-2 Stock or Convertible Notes into Common Stock or exercise New Money Warrants.

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Section 4.02 Annual Meeting. The Company agrees to place on the agenda for its next annual meeting of stockholders or a special meeting of the stockholders, which will take place on or before the 75th day following the date of this Agreement (the "Annual Meeting"), (a) a proposal to amend its certificate of incorporation to increase the number of authorized shares of Common Stock or cause a reverse stock split, in either case, sufficient to cause the Company to have a number of shares of Common Stock authorized for issuance that is sufficient for the Company to issue duly authorized shares of Common Stock to each Person holding securities of the Company that are convertible into or exercisable for shares of Common Stock upon such conversion or exercise, (b) a proposal to amend its certificate of incorporation to delete Article IX thereof which prohibits the taking of any action requiring a vote of the stockholders of the Company by written consent in lieu of a meeting of the stockholders, (c) a proposal to reduce the par value of the Common Stock such that the par value is at or below the price required by Section 153(a) of the Delaware General Corporation Law, or any successor statute, to enable the full exercise of the Bank Warrants and the subsequent full conversion of the Series A-2 Stock, and (d) a proposal (together with the previous proposals, the "Proposals") to amend the bylaws of the Company to delete Section 2.14 thereof. If the Proposals are approved by the Company's stockholders, the Company shall file appropriate amendments to its certificate of incorporation to effect the actions set forth in the Proposals within one Business Day following such stockholder approval. In addition, the Company shall take all actions necessary to effect the Proposals. Furthermore, the Company agrees to recommend to its stockholders that they vote in favor of, and to solicit proxies for the purpose of voting in favor of, the

Proposals at the Annual Meeting. In furtherance of the foregoing, each of the Stockholders agrees to take all actions within their respective power required to approve the Proposals, including without limitation, the voting of all capital stock of the Company held by the Stockholders in favor of the Proposals; provided that the foregoing shall not require any Stockholder to convert securities into voting securities of the Company or exercise any warrant or other right to purchase voting securities of the Company.

Section 4.03 Approval of Issuances. So long as any of the Bank Warrants or the Series A-2 Stock issuable upon the exercise of the Bank Warrants are outstanding and held by the Bank Stockholders, the Company shall not, without first obtaining (by written consent or at a special meeting of such holders) the approval of at least sixty six and two-thirds percent (66 2/3%) of the Common Stock Equivalents represented by the then outstanding Bank Warrants and shares of Series A-2 Preferred Stock held by the Bank Stockholders, (i) issue Senior Securities in exchange for any consideration other than cash; or (ii) issue options or securities issued or issuable to, or securities issued upon exercise of options issued to, any officer, director, consultant or employee of the Company or any of its Subsidiaries other than the 2002 Options and Common Stock issued upon exercise of the 2002 Options.

ARTICLE V.
MISCELLANEOUS

Section 5.01 Governing Law; Submission to Jurisdiction.

(a) This Agreement shall be governed by, and construed in accordance with, the laws of the State of Delaware.

(b) Any legal action or proceeding with respect to this Agreement shall be brought in the courts of the State of Delaware or of the United States of America for the district of Delaware, and, by execution and delivery of this Agreement, each of the Company and each Stockholder hereby accepts for itself and (to the extent permitted by law) in respect of its property, generally and unconditionally, the jurisdiction of the aforesaid courts. The Company and each Stockholder hereby irrevocably waives any objection, including, without limitation, any objection to the laying of venue or based on the grounds of forum non conveniens, which it may now or hereafter have to the bringing of any such action or proceeding in such respective jurisdictions.

(c) Nothing herein shall affect the right of any holder to serve process in any other manner permitted by law.

(d) The Company and each Stockholder hereby (i) irrevocably and unconditionally waive, to the fullest extent permitted by law, trial by jury in any legal action or proceeding relating to this Agreement and for any

counterclaim therein; (ii) irrevocably waive, to the maximum extent not prohibited by law, any right it may have to claim or recover in any such litigation any special, exemplary, punitive or consequential damages, or damages other than, or in addition to, actual damages; (iii) certify that no party hereto nor any representative or agent of counsel for any party hereto has represented, expressly or otherwise, or implied that such party would not, in the event of litigation, seek to enforce the foregoing waivers, and (iv) acknowledge that it has been induced to enter into this Agreement and the transactions contemplated hereby among other things, the mutual waivers and certifications contained in this Section 5.01.

Section 5.02 Entire Agreement; Amendments. This Agreement constitutes the entire agreement of the parties with respect to the subject matter hereof and supersedes any and all previous oral or written communications, representations or agreements. The provisions of this Agreement may be amended, modified, supplemented or waived only by a written instrument duly executed by the Company and (i) Bank Stockholders holding sixty-six and two-thirds percent (66 2/3%) of the Common Stock Equivalents then held by Bank Stockholders subject to this Agreement, (ii) New Money Stockholders holding a majority of the Common Stock Equivalents then held by New Money Stockholders subject to this Agreement, and (iii) Preferred Stockholders holding a majority of the Common Stock Equivalents then held by Preferred Stockholders subject to this Agreement; provided, however, no amendment, modification, supplement or waiver can be effected if, by its terms, such amendment, modification, supplement or waiver adversely affects one Bank Stockholder, New Money Stockholder or Preferred Stockholder without having the same adverse effect on all Bank Stockholders, New Money Stockholders or Preferred Stockholders, as the case may be, without the prior written consent of such adversely affected Bank Stockholder, New Money Stockholder or Preferred Stockholder.

Section 5.03 Term. This Agreement will terminate at such time as the Restricted Securities owned by the Investor Stockholders, in the aggregate, represent less than 25% of the Company's outstanding shares of Common Stock on a fully diluted basis.

Section 5.04 Inspection. For so long as this Agreement shall remain in effect, this Agreement shall be made available for inspection by any Stockholder at the principal executive offices of the Company.

Section 5.05 Recapitalization, Exchanges, Etc., Affecting Restricted Securities. The provisions of this Agreement shall apply, to the full extent set forth herein with respect to the Restricted Securities, to any and all shares of the Company's capital stock or any successor or assign of the Company (whether by merger, consolidation, sale of assets, or otherwise, including shares issued by a parent corporation in connection with a triangular merger) which may be issued in respect of, in exchange for, or in substitution of, Restricted Securities and

shall be appropriately adjusted for any stock dividends, splits, reverse splits, combinations, reclassifications and the like occurring after the date hereof.

Section 5.06 Waiver. No waiver by any party of any term or condition of this Agreement, in one or more instances, shall be valid unless in writing, and no such waiver shall be deemed to be construed as a waiver of any subsequent breach or default of the same or similar nature.

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Section 5.07 Successors and Assigns. Except as otherwise expressly provided herein, this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective heirs, personal representatives, successors and permitted assigns, as the case may be; provided, however, that nothing contained herein shall be construed as granting any Stockholder the right to transfer any of its Restricted Securities except in accordance with this Agreement.

Section 5.08 Remedies. In the event of a breach by any party to this Agreement of its obligations under this Agreement, the loss of any right as provided in this Agreement as a result of such breach shall not be the sole and exclusive remedy of any party injured by such breach. Any such injured party will be entitled to specific performance of its rights under this Agreement, in addition to being entitled to exercise all rights granted by law, including recovery of damages. The parties agree that the provisions of this Agreement shall be specifically enforceable, it being agreed by the parties that the remedy at law, including monetary damages, for breach of any such provision will be inadequate compensation for any loss and that any defense in any action for specific performance that a remedy at law would be adequate is waived.

Section 5.09 Invalid Provisions. If any provision of this Agreement is held to be illegal, invalid or unenforceable under any present or future law, and if the rights or obligations of any party hereto under this Agreement will not be materially and adversely affected thereby, (i) such provision will be fully severable, (ii) this Agreement will be construed and enforced as if such illegal, invalid or unenforceable provision had never comprised a part hereof, (iii) the remaining provisions of this Agreement will remain in full force and effect and will not be affected by the illegal, invalid or unenforceable provision or by its severance herefrom and (iv) in lieu of such illegal, invalid or unenforceable provision, there will be added automatically as a part of this Agreement a legal, valid and enforceable provision as similar in terms to such illegal, invalid or unenforceable provision as may be possible.

Section 5.10 Headings. The headings used in this Agreement have been inserted for convenience of reference only and do not define or limit the provisions hereof.

Section 5.11 Further Assurances. Each party hereto shall cooperate and shall

take such further action and shall execute and deliver such further documents as may be reasonably requested by any other party in order to carry out the provisions and purposes of this Agreement.

Section 5.12 Gender. Whenever the pronouns "he" or "his" are used herein they shall also be deemed to mean "she" or "hers" or "it" or "its" whenever applicable words in the singular shall be read and construed as though in the plural and words in the plural shall be construed as though in the singular in all cases where they would so apply.

Section 5.13 Counterparts. This Agreement may be executed in any number of counterparts, each of which will be deemed an original, but all of which together will constitute one and the same instrument.

Section 5.14 Notices. All notices and other communications provided for herein (including, without limitation, any modifications of, or waivers or consents under, this Agreement) shall be given or made by telex, telecopy, courier or U.S. Mail or in writing and telexed, telecopied, mailed or delivered to the intended recipient at the address specified below; or, as to any party, at such other address as shall be designated by such party in a notice to each other party:

If to the Company:

Castle Dental Centers, Inc.
3701 Kirby Drive, Suite 550
Houston, Texas 77098
Attention: James M. Usdan
Telecopy: (713) 490-8601

If to Heller Financial, Inc.

Heller Financial, Inc.
500 West Monroe
Chicago, Illinois 60661
Attention: Michael Sznajder
Telecopy: (312) 441-7598

If to Midwest Mezzanine Fund II, L.P.

Midwest Mezzanine Fund II, L.P.
208 South LaSalle, Tenth Floor
Chicago, Illinois
Attention: Paul Kreie
Telecopy: (312) 553-6647

If to Banc of America Strategic Solutions, Inc.

Banc of America Strategic Solutions, Inc.
 901 Main St., 11th Floor
 TX1-492-11-05
 Dallas, Texas 75202-3714
 Attention: Mark Henze
 Telecopy: 214-209-3444

If to FSC Corp.

FSC Corp.
 c/o Banc Boston Capital Inc.
 175 Federal Street, 10th Floor
 Boston, MA 02110
 Attention: John J. Quintal
 Telecopy: (617) 434-7891

If to Amsouth Bank

Amsouth Bank
 315 Deaderick Street, 8th Floor
 Nashville, TN 37021
 Attention: Tim McCarthy
 Telecopy: (615) 736-6633

If to James M. Usdan

James M. Usdan
 3701 Kirby Dr., Suite 550
 Houston, Texas 77098
 Telecopy: (713) 490-8420

Except as otherwise provided in this Agreement, all such communications shall be deemed to have been duly given when transmitted, if transmitted before 1:00 p.m. local time on a Business Day (otherwise on the next succeeding Business Day) by telex or telecopier and evidence or confirmation of receipt is obtained, or personally delivered or, in the case of a mailed notice, three (3) Business Days after the date deposited in the mails, postage prepaid, in each case given or addressed as aforesaid.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties hereto have executed and delivered this Stockholders Agreement as of the date first above written.

COMPANY

Castle Dental Centers, Inc.

By: _____
Name: _____
Title: _____

STOCKHOLDERS:

Heller Financial, Inc.

By: _____
Name: _____
Title: _____

Midwest Mezzanine Fund II, L.P.

By: ABN AMRO Mezzanine Management
II, L.P., its general partner

By: ABN AMRO Mezzanine Management
II, Inc., its general partner

By: _____
Name: _____
Title: _____

Banc of America Strategic Solutions, Inc.

By: _____
Name: _____
Title: _____

FSC Corp.

By: _____
Name: _____
Title: _____

Amsouth Bank

By: _____
Name: _____
Title: _____

James M. Usdan

Exhibit A

Form of Joinder Agreement

Castle Dental Centers, Inc.
3701 Kirby Drive, Suite 550
Houston, Texas 77098

Gentlemen:

In consideration of the transfer to the undersigned of _____ shares of Common Stock, par value \$.001 per share, [Describe any other security being transferred] of Castle Dental Centers, Inc., a Delaware corporation (the "Company"), the undersigned represents that it is a Permitted Transferee of [Insert name of transferor] and agrees that, as of the date written below, [he] [she] [it] shall become a party to, and a Permitted Transferee as defined in, that certain Stockholders Agreement dated as of July 19, 2002, as such agreement may have been amended from time to time (the "Agreement"), among the Company and the persons named therein, and as a Permitted Transferee shall be fully bound by, and subject to, all of the covenants, terms and conditions of the Agreement that were applicable to the undersigned's transferor, as though an original party thereto and shall be deemed a [Bank] [Preferred] [New Money] [Management] Stockholder for purposes thereof.

Executed as of the _____ day of _____.

TRANSFeree:

Address: _____

ACKNOWLEDGED AND ACCEPTED:

CASTLE DENTAL CENTERS, INC.

By: _____
Name: _____
Title: _____

CERTIFICATE RE: RESOLUTION OF THE BOARD OF DIRECTORS
OF
ABN AMRO NORTH AMERICA, INC.

I, Carol L. Tenyak, Assistant Secretary of ABN AMRO North America, Inc. (the "Corporation" or "AANA"), do hereby certify that the Board of Directors of the Corporation, by unanimous consent of directors in lieu of meeting dated as of April 10, 1996, adopted the following resolutions, which remain in full force and effect at this date:

RESOLVED, that any two of the following officers: the Chairman of the Board; any Vice Chairman; the President; the Chief Executive Officer; the Chief Operating Officer; the Chief Financial Officer; the Treasurer; the Controller; any Executive Vice President; any Group Senior Vice President; any Senior Vice President; any Group Vice President; any First Vice President; any Vice President; any Assistant Vice President; any Senior Managing Director; any Managing Director; any Director; any General Counsel; any Associate or Assistant General Counsel; any Counsel; any Assistant Counsel and any other officer of the Corporation designated by any of the foregoing officers, acting together, are authorized in their discretion, to do or perform any or all corporate and official acts in carrying on the business of the Corporation, and they are hereby empowered in their discretion to appoint all necessary agents and attorneys; also, to make, execute and acknowledge all deeds, conveyances, mortgages, releases, leases, agreements, contracts, bills of sale, assignments, powers of attorney, or of substitution, proxies, certificates, declarations, receipts, discharges, satisfactions, settlements, petitions, schedules, accounts, affidavits, indemnity bonds and other instruments in writing in connection with the purchase, sale, mortgage, exchange, lease, assignment, transfer, management or handling in any way of any property, real or personal, of any description, held or controlled by the Corporation, and either the secretary, or any assistant secretary is authorized to attest and affix the corporate seal to any and all instruments in writing, requiring such attestation, or which are executed under seal. The enumeration of particular powers in this resolution shall not restrict or be taken to restrict in any way, the general powers and authorities otherwise given to said officers or any of them.

FURTHER RESOLVED, that the foregoing resolution shall supersede all prior resolutions establishing officer signing authority and shall remain in effect until revoked or rescinded by further action of this board of directors.

FURTHER RESOLVED, that any of the above-named officers is authorized to certify to third parties the adoption and continuing effect of the foregoing resolutions on forms approved from time to time by the Secretary or an Assistant Secretary of the Corporation.

I further certify that the following persons hold the titles in the Corporation indicated below and are therefore authorized to act for and on behalf of the Corporation pursuant to the foregoing resolutions, and that the

specimen signatures of such officers appear below:

/s/ Willie J. Miller, Jr.

/s/ Kirk P. Flores

Name: Willie J. Miller, Jr.
Title: Executive Vice President
and Secretary

Name: Kirk P. Flores
Title: Senior Vice President and
Assistant Secretary

Witness my hand this 8th day of August, 2002.

/s/ Carol L. Tenyak

Name: Carol L. Tenyak
Title: Assistant Secretary

Approved as to form 4/96: Kirk P. Flores
Assistant Secretary

CERTIFICATE RE: RESOLUTION OF THE BOARD OF DIRECTORS
OF
ABN AMRO NORTH AMERICA HOLDING COMPANY

I, Carol L. Tenyak, Assistant Secretary of ABN AMRO North America Holding Company (the "Corporation" or "AANA Holding"), do hereby certify that the Board of Directors of the Corporation, by unanimous consent of directors in lieu of meeting dated as of August 30, 2000, adopted the following resolution, which remains in full force and effect at this date:

RESOLVED, that any one of the chairman of the board of directors, or any vice chairman of the board of directors, or the president or any co-president, or any executive vice president, or any senior vice president, or any vice president, or any managing director, or the chief executive officer or any co-chief executive officer, or the chief financial officer, or the chief operating officer, or the chief legal officer, or the treasurer or any such other officers as are designated by the board of directors, is authorized in his or her discretion, to do or perform any or all corporate and official acts in carrying on the business of the Corporation, and he or she is hereby empowered in his or her discretion to appoint all necessary agents and attorneys; also, to make, execute and acknowledge all deeds, conveyances, mortgages, releases, leases, agreements, contracts, bills of sale, assignments, powers of attorney, or of substitution, proxies, certificates, declarations, receipts, discharges, satisfactions, settlements, petitions, schedules, accounts, affidavits, indemnity bonds and other instruments in writing in connection with the purchase, sale, mortgage, exchange, lease, assignment, transfer, management or handling in any way of any property, real or personal, of any description, held or controlled by the Corporation, and the secretary or any assistant secretary is authorized to attest and affix the corporate seal to any and all instruments in writing, requiring such attestation, or which are executed under seal. The enumeration of particular powers in this resolution shall not restrict or be taken to restrict in any way, the general powers and authorities otherwise given to said officers or any of them.

I further certify that the following person holds the title in the Corporation indicated below and is therefore authorized to act for and on behalf of the Corporation pursuant to the foregoing resolution, and that the specimen signature of such officer appears below:

/s/ Kirk P. Flores

Name: Kirk P. Flores
Title: Vice President and Assistant Secretary

Witness my hand this 8th day of August, 2002.

/s/ Carol L. Tenyak

Name: Carol L. Tenyak
Title: Assistant Secretary

ABN AMRO BANK 1

Authorised signatures

Head-Office

June 2002

Every new issue renders this copy void. Please destroy previous copies.

Introduction

With reference to the officers authorised to legally engage our Bank we inform you of the following:

1. The company shall be represented by two members of the Managing Board or one member of the Managing Board plus a holder of a power of attorney who is duly authorised to do so; the company may also be represented by holders of powers of attorney, with due observance of the restrictions on their representative authority, as determined by the Managing Board.
2. The officers so authorised, with due observance of the arrangements mentioned hereunder, are:
 - a. the officers indicated by the letter V or N, who are authorised to represent the company, excluding the branches and offices abroad;
 - b. the officers indicated by the letter K or P, who are only authorised to represent the relevant branches and offices in the Netherlands as indicated; and
 - c. the officers indicated by the letter A or B, who are only authorised to represent the relevant branches and offices abroad as indicated.
3. As a general rule, applying to all authorisations, two signatures are

required.

Counter-signatures indicated by the letter N and P shall not be valid if placed jointly with another signature indicated by the letter N or P and counter-signatures indicated by the letter B shall not be valid if placed jointly with another signature indicated by the letter B.

There are two exceptions to the general rule:

- For some branches and offices only one signature will suffice as has been indicated by an asterisk (*), but two signatures are always required for the issue of guarantees or surety bonds, the guaranteeing of bills, the acceptance of drafts and bearer documents and the issue of promissory notes and the opening and confirmation of documentary credits. Furthermore the one signature authorisation does not involve amounts of over EURO 50.000,
- The following documents may always bear only one signature, as far as they do not exceed an amount of EURO 2.500, receipts, bills of exchange, cheques endorsements, invoices, payment orders, credit notes, statements of account, and statements of securities.

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4. The signatures of the officers mentioned in 2b above are only valid for the branches and offices in the municipality where the branche or office to which they are appointed is situated, as well as for other branches and offices as specifically indicated.

Yours faithfully, ABN AMRO Bank N.V.

Issued by:
ABN AMRO Bank N.V.
P.O. Box 283
1000 EA Amsterdam
The Netherlands

/s/ R. W. J. Groenink

R. W. J. Groenink

/s/ W. G. Jiskoot

W. G. Jiskoot

Trade Register of the Chamber of Commerce
in Amsterdam nr. 33002587

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W. J. Miller
Executive Vice President
V

/s/ Willie J. Miller, Jr.

Willie J. Miller, Jr.

Mrs. C. L. Tenyak
V

/s/ Carol L. Tenyak

Carol L. Tenyak

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ABN AMRO BANK 3

Authorised signatures

Foreign Branches

June 2002

Every new issue renders this copy void. Please destroy previous copies.

Introduction

With reference to the officers authorised to legally engage our Bank we inform

you of the following:

1. The company shall be represented by two members of the Managing Board or one member of the Managing Board plus a holder of a power of attorney who is duly authorised to do so; the company may also be represented by holders of powers of attorney, with due observance of the restrictions on their representative authority, as determined by the Managing Board.
2. The officers so authorised, with due observance of the arrangements mentioned hereunder, are:
 - a. the officers indicated by the letter V or N, who are authorised to represent the company, excluding the branches and offices abroad;
 - b. the officers indicated by the letter K or P, who are only authorised to represent the relevant branches and offices in the Netherlands as indicated; and
 - c. the officers indicated by the letter A or B, who are only authorised to represent the relevant branches and offices abroad as indicated.
3. As a general rule, applying to all authorisations, two signatures are required.

Counter-signatures indicated by the letter N and P shall not be valid if placed jointly with another signature indicated by the letter N or P and counter-signatures indicated by the letter B shall not be valid if placed jointly with another signature indicated by the letter B.

There are two exceptions to the general rule:

- For some branches and offices only one signature will suffice as has been indicated by an asterisk (*), but two signatures are always required for the issue of guarantees or surety bonds, the guaranteeing of bills, the acceptance of drafts and bearer documents and the issue of promissory notes and the opening and confirmation of documentary credits. Furthermore the one signature authorisation does not involve amounts of over EURO 50.000,
- The following documents may always bear only one signature, as far as they do not exceed an amount of EURO 2.500, receipts, bills of exchange, cheques endorsements, invoices, payment orders, credit notes, statements of account, and statements of securities.

4. The signatures of the officers mentioned in 2b above are only valid for the branches and offices in the municipality where the branche or office to which they are appointed is situated, as well as for other branches and offices as specifically indicated.

Issued by:
ABN AMRO Bank N.V.
P.O. Box 283
1000 EA Amsterdam
The Netherlands

Yours faithfully, ABN AMRO Bank N.V.

/s/ R. W. J. Groenink

R. W. J. Groenink
Group Senior Vice President

/s/ W. G. Jiskoot

W. G. Jiskoot

Trade Register of the Chamber of Commerce
in Amsterdam nr. 33002587

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W. J. Miller Jr.
Group Senior Vice President
A

/s/ Willie J. Miller, Jr.

Willie J. Miller, Jr.

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