

Registration No. _____

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM SB-2

REGISTRATION STATEMENT
UNDER THE
SECURITIES ACT OF 1933

THE FEMALE HEALTH COMPANY
(NAME OF SMALL BUSINESS ISSUER IN ITS CHARTER)

<TABLE>			
<S>		<C>	<C>
	WISCONSIN	3069	39-1144397
NO.)	(STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION)	(PRIMARY STANDARD INDUSTRIAL CLASSIFICATION CODE NUMBER)	(I.R.S. EMPLOYER IDENTIFICATION)
	875 NORTH MICHIGAN AVENUE SUITE 3660 CHICAGO, ILLINOIS 60611 (312) 280-1119	O.B. PARRISH, CHAIRMAN OF THE BOARD AND CHIEF EXECUTIVE OFFICER 875 NORTH MICHIGAN AVENUE SUITE 3660 CHICAGO, ILLINOIS 60611 (312) 280-1119	
	(ADDRESS AND TELEPHONE NUMBER OF PRINCIPAL EXECUTIVE OFFICES AND PRINCIPAL PLACE OF BUSINESS)	(NAME, ADDRESS AND TELEPHONE NUMBER OF AGENT FOR SERVICE)	
</TABLE>			

COPIES TO:

JAMES S. BEDORE, ESQ.
REINHART, BOERNER, VAN DEUREN
NORRIS & RIESELBACH, S.C.
1000 NORTH WATER STREET, SUITE 2100
MILWAUKEE, WI 53202
(414) 298-1000

APPROXIMATE DATE OF PROPOSED SALE TO THE PUBLIC: AS SOON AS PRACTICABLE AFTER THE EFFECTIVE DATE OF THIS REGISTRATION STATEMENT.

IF ANY OF THE SECURITIES BEING REGISTERED ON THIS FORM ARE TO BE OFFERED ON A DELAYED OR CONTINUOUS BASIS PURSUANT TO RULE 415 UNDER THE SECURITIES ACT OF 1933, CHECK THE FOLLOWING BOX.

IF THIS FORM IS FILED TO REGISTER ADDITIONAL SECURITIES FOR AN OFFERING PURSUANT TO RULE 462(B) UNDER THE SECURITIES ACT, CHECK THE FOLLOWING BOX AND LIST THE SECURITIES ACT REGISTRATION STATEMENT NUMBER OF THE EARLIER EFFECTIVE REGISTRATION STATEMENT FOR THE SAME OFFERING.

IF THIS FORM IS A POST-EFFECTIVE AMENDMENT FILED PURSUANT TO RULE 462(C) UNDER THE SECURITIES ACT, CHECK THE FOLLOWING BOX AND LIST THE SECURITIES ACT REGISTRATION STATEMENT NUMBER OF THE EARLIER EFFECTIVE REGISTRATION STATEMENT FOR THE SAME OFFERING.

IF DELIVERY OF THE PROSPECTUS IS EXPECTED TO BE MADE PURSUANT TO RULE 434, PLEASE CHECK THE FOLLOWING BOX.

CALCULATION OF REGISTRATION FEE

<TABLE>				
<CAPTION>				
	TITLE OF EACH CLASS OF SECURITIES TO BE REGISTERED	AMOUNT TO BE REGISTERED(1)	PROPOSED MAXIMUM OFFERING PRICE PER SHARE	PROPOSED MAXIMUM AGGREGATE OFFERING PRICE
<S>		<C>	<C> <C>	AMOUNT OF REGISTRATION FEE
	COMMON STOCK, PAR VALUE \$.01 PER SHARE	2,213,124	\$1.375 (2)	\$3,043,046
				\$1,026

COMMON STOCK, PAR VALUE \$.01 PER SHARE, ISSUABLE UPON EXERCISE OF A WARRANT </TABLE>	200,000	\$2.17 (3)	\$ 434,000
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(1) IN THE EVENT OF A STOCK SPLIT, STOCK DIVIDEND OR SIMILAR TRANSACTION INVOLVING THE REGISTRANT'S COMMON STOCK, IN ORDER TO PREVENT DILUTION, THE NUMBER OF SHARES REGISTERED SHALL AUTOMATICALLY BE INCREASED TO COVER THE ADDITIONAL SHARES IN ACCORDANCE WITH RULE 416(A) UNDER THE SECURITIES ACT.

(2) ESTIMATED SOLELY FOR PURPOSES OF CALCULATING THE REGISTRATION FEE PURSUANT TO RULE 457(C) UNDER THE SECURITIES ACT, ON THE BASIS OF THE AVERAGE OF THE HIGH AND LOW REPORTED SALE PRICES OF THE REGISTRANT'S COMMON STOCK ON DECEMBER 3, 1998, AS REPORTED ON THE AMERICAN STOCK EXCHANGE.

(3) REPRESENTS THE WARRANT'S EXERCISE PRICE PER SHARE FOR PURPOSES OF CALCULATING THE AMOUNT OF THE REGISTRATION FEE IN ACCORDANCE WITH RULE 457(G) UNDER THE SECURITIES ACT.

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

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PROSPECTUS
PRELIMINARY PROSPECTUS
SUBJECT TO COMPLETION - DATED _____

THE FEMALE HEALTH COMPANY

2,413,124 SHARES OF COMMON STOCK

This Prospectus may be used only by Kingsbridge Capital Limited (the "Selling Stockholder") in connection with its resale, from time to time, of up to 2,413,124 shares (the "Shares") of Common Stock, par value \$.01 per share (the "Common Stock") of The Female Health Company, a Wisconsin corporation ("FHC" or the "Company"). The Shares represent 2,213,124 Shares of Common Stock (the "Equity Line Shares") which may be issued pursuant to a Private Equity Line of Credit Agreement dated November 19, 1998 (the "Equity Line Agreement") between the Company and the Selling Stockholder and 200,000 Shares of Common Stock which the Selling Stockholder may receive upon exercise of a warrant (the "Warrant") held by the Selling Stockholder. The Company will not receive any proceeds from the sale of the Shares by the Selling Stockholder. The expenses incurred in registering the sale of the Shares, including legal and accounting fees, will be paid by the Company, except for commissions, transfer taxes and certain other expenses associated with the sale of the Shares, which will be paid by the Selling Stockholder.

The Company will sell the Equity Line Shares to the Selling Stockholder pursuant to the terms of the Equity Line Agreement. On the date of each purchase under the Equity Line Agreement, the Selling Stockholder will pay the Company a per Share purchase price equal to (a) 88% of the Share's market price (as defined in the Equity Line Agreement), if such market price is \$2 or more or (b) 82% of the Share's market price if such market price is less than \$2. The Company has agreed to indemnify the Selling Stockholder against certain liabilities, including liabilities arising under the Securities Act of 1933, as amended (the "Securities Act").

The Selling Stockholder may offer, pursuant to this Prospectus, the Shares to purchasers from time to time in transactions on the American Stock Exchange, in negotiated transactions, or otherwise, or by a combination of these methods, at fixed prices that may be changed, at market prices prevailing at the time of the sale, at prices related to the market prices or at negotiated prices. The Selling Stockholder may effect these transactions by selling the Shares to or through broker-dealers, who may receive compensation in the form of discounts or commissions from the Selling Stockholder or from the purchasers of the Shares for whom the broker-dealers may act as an agent or to whom they may sell as a principal, or both. The Selling Stockholder is an "underwriter" within the meaning of the Securities Act in connection with the sale of the Shares offered hereby. See "Plan of Distribution."

The Common Stock is listed for quotation on the American Stock Exchange under the symbol "FHC." On December 2, 1998, the closing sale price of the Common Stock was \$1.50.

THE SECURITIES OFFERED HEREBY INVOLVE A HIGH DEGREE OF RISK. SEE "RISK FACTORS" BEGINNING ON PAGE 7.

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

THE DATE OF THIS PROSPECTUS IS _____

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No person is authorized to give any information or to make any representations, other than those contained or incorporated by reference in this Prospectus, in connection with the offering described herein, and, if given or made, such information or representations must not be relied upon as having been authorized by the Company or the Selling Stockholder or any underwriters, brokers or agents. This Prospectus does not constitute an offer to sell, or a solicitation of an offer to buy, nor shall there be any sale of these securities by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. Neither the delivery of this Prospectus nor any sale made hereunder shall under any circumstances create an implication that the information contained herein is correct as of any time subsequent to the date hereof.

AVAILABLE INFORMATION

The Company is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as a "small business issuer" as defined under Regulation S-B promulgated under the Securities Act. In accordance with the Exchange Act, the Company files reports, proxy statements and other information with the Commission. Such reports, proxy statements and other information may be inspected and copied at, and copies of such materials can be obtained at prescribed rates from, the Public Reference Room of the Commission located at 450 Fifth Street, N.W., Washington, D.C. and the Commission's Pacific Regional Office located at 5670 Wilshire Boulevard, 11th Floor, Los Angeles, California, the Commission's Northeast Regional Office located at 7 World Trade Center, Suite 1300, New York, New York and at the Commission's Midwest Regional Office located at Citicorp Center, 500 West Madison Street, Suite 1400, Chicago, Illinois. The public may obtain information concerning the operation of the Public Reference Room by calling the Commission at 1-800-SEC-0330. In addition, the Company has filed the registration statement of which this Prospectus is a part and other filings pursuant to the Exchange Act with the Commission through its Electronic Data Gathering, Analysis and Retrieval ("EDGAR") system, and such filings are publicly available through the Commission's site on the World Wide Web on the Internet located at <http://www.sec.gov>.

This Prospectus does not contain all of the information set forth in the registration statement of which this Prospectus is a part and which the Company has filed with the Commission. For further information with respect to the Company and the securities offered hereby, reference is made to the registration

statement, including the exhibits filed as a part thereof, copies of which can be expected at, or obtained at prescribed rates from, the Public Reference Branch of the Commission at the address set forth above. Additional updating information with respect to the Company may be provided in the future by means of appendices or supplements to this Prospectus. The Company's Common Stock is traded on the American Stock Exchange and copies of the foregoing materials may also be inspected and copied at such exchange.

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PROSPECTUS SUMMARY

The following summary is qualified in its entirety by the more detailed information and financial statements and notes thereto contained elsewhere in this Prospectus. The risks of an investment in these securities are described under "RISK FACTORS." Each prospective investor is urged to read this Prospectus in its entirety.

FORWARD-LOOKING STATEMENTS

This Prospectus contains forward-looking statements within the meaning of section 27A of the Securities Act and section 21E of the Exchange Act. In light of the important factors that can materially affect results, including those set forth below, the inclusion of forward-looking information herein should not be regarded as a representation by the Company or any other person that the objectives or plans for the Company will be achieved. Assumptions relating to budgeting, research, sales, results and market penetration and other management decisions are subjective in many respects and thus susceptible to interpretations and periodic revisions based on actual experience and business developments, the impact of which may cause the Company to alter its capital expenditure or other budgets, which may in turn affect the Company's business, financial position, results of operations and cash flows. The reader is, therefore, cautioned not to place undue reliance on forward-looking statements contained herein, which speak as of the date of this Prospectus. Factors that might cause actual results to differ from those anticipated in the forward-looking statements include, but are not limited to, those described in "Risk Factors."

THE COMPANY

The Company is essentially a global start-up company. Its business consists solely of the manufacture and sale of the female condom, known in the United States as REALITY(R) and under various other trade names in foreign countries. The Company was incorporated in Wisconsin in 1971 and established in its current form as The Female Health Company on February 1, 1996.

Initially, the Company expended significant time and resources in the development of the female condom and securing FDA approval to market the female condom in the United States. During this time, the Company also operated its original business of marketing specialty chemical and branded consumer products for the leisure time, household and institutional health care markets under the name Wisconsin Pharmacal (the "Recreational Products Business"). After considering various alternatives, in 1995 the Board of Directors selected the female condom as the central focus for the Company's strategic direction. As a result, in January 1996, the Company sold its Recreational Products Business, changed its name to The Female Health Company and devoted itself solely to the commercialization of the female condom.

As part of this restructuring, on February 1, 1996, the Company acquired the stock of Chartex Resources Limited (which, together with its wholly-owned subsidiary, Chartex International, Plc, is referred to in this Prospectus collectively as "Chartex"), the manufacturer and owner of certain worldwide rights to, and the Company's then sole supplier of, the female condom. As a result of these transactions, the Company's sole business now consists of the manufacture, marketing and sale of the female condom. The Company owns certain global intellectual property rights for the female condom, including patents in the United States, the European Union, Japan and various other countries, regulatory approvals in certain countries, including a Pre-Market Approval ("PMA") granted by the United States Food and Drug Administration ("FDA") approving and permitting marketing of the female condom in the United States (which PMA is required to market the product in the United States since the FDA determined that the product was a Class III medical device regulated by the FDA), and CE mark in the European Union ("EU") (representing that the product, as a medical device, has been approved by the EU for marketing in the member countries of the EU) and certain proprietary manufacturing technology. In addition, the Company leases a state of the art manufacturing facility in London, England, capable of producing 60 million female condoms per year. The facility has been inspected and approved by the FDA and the EU.

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Clinical trials have established the female condom as safe and effective. Studies show the following:

<S>	<C>	<C>
Reduction in STDs(1)	34%	(Results when female condom was available as an option vs. when only the male condom was available.)
Reduction in Acts of Unprotected Sex(1)	25%	(When used properly with every sex act.)
Effectiveness in Preventing Pregnancy(2)	95%(3)	(When used properly with every sex act.)

</TABLE>

- (1) Supported by UNAIDS
- (2) Supported by The U.S. Agency for International Development (USAID) and conducted by Family Health International (FHI).
- (3) Recent studies completed in Japan evaluating the female condom's effectiveness in preventing pregnancy, which were submitted to the Japanese regulatory authorities in connection with their review of the product, showed the female condom to be approximately 98% effective when used consistently and correctly.

The Company believes the female condom has global potential to help prevent sexually transmitted diseases ("STDs") and unintended pregnancy. UNAIDS estimates that 30 million people worldwide now have HIV/AIDS, that there are 16,000 new cases per day, and at the present rate 40 million children will be orphaned by AIDS by the year 2010. In addition, HIV/AIDS is decimating the social and economic structures in many developing countries. There are now 13 Sub-Saharan African countries in which 10% or more of the population is infected. In the United States, the Center for Disease Control notes that five of the ten most frequently reported diseases are STDs and that one in five Americans over the age of 12 has Herpes. In a recent study, the National Academy of Science estimated that \$17 billion is spent annually in the United States on treating STDs. However, for every \$1 spent on prevention of STDs, \$43 is spent on treatment of STDs.

The female condom is made of polyurethane which is approximately 40% stronger than latex, the material of which most male condoms are made. It is thin, comfortable and, unlike the male condom, can be put in place prior to sexual arousal. As a result, it is less disruptive to the natural flow of the sex act. In addition, to date, there have been no reported allergic reactions to the female condom. However, it is estimated that 7% of all individuals are allergic to latex, the material most often used in male condoms.

The Company's strategy is to position itself as a manufacturer and capitalize on its proprietary position by selling the product through global public sector and country-specific public and private sector partners which have established female/consumer marketing organizations with sufficient resources to penetrate the market. Existing global public sector and country-specific partners purchase the female condom ex-factory and are responsible for all marketing and shipping expenses.

Global Public Sector: UNAIDS and the Company have entered into a multi-year global public sector agreement for FHC to provide the female condom to developing countries at a special reduced price based on worldwide volume. During the last year, product launches were made in Zimbabwe, Bolivia, Haiti, South Africa and Zambia. It is anticipated that multiple launches will occur during the next two years, including launches in Kenya, Nigeria, Uganda, Ghana, Cambodia, Bangladesh, Columbia and Central America. Population Services International (PSI), an organization that performs social marketing of various products in developing countries, launched the product in Zimbabwe under the UNAIDS agreement. Based on its success in Zimbabwe, PSI, in collaboration with UNAIDS, is now marketing the female condom in seven countries. In PSI's current annual report, PSI indicates that, in collaboration with UNAIDS, PSI plans to launch the female condom worldwide. PSI also notes in its report that, in 1997, it distributed 539 million male condoms.

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United States Public Sector: In the United States, currently 10 major cities and 15 states, including the States of New York, Pennsylvania, Florida, Connecticut, Hawaii, Louisiana, Maryland, New Jersey, South Carolina and Illinois, and the cities of Miami, Washington, D.C., Chicago, Philadelphia, New York and Houston, have purchased the female condom. In addition, all of the cities and states have reordered product since their initial orders.

Commercial Markets: The Company markets the product directly in the United States and United Kingdom. The Company has commercial partners which have recently launched the product in Canada, Brazil, Venezuela, Taiwan, South Korea and Holland. The Company has signed distribution agreements in Japan and Bangladesh where launches are expected in the coming year. In Japan, the market

for male condoms exceeds 600 million units. In Japan, the Company has entered into a relationship with Taiho Pharmaceutical Co., Inc. ("Taiho"), a \$1 billion division of a \$5 billion Japanese health care company. Taiho will market the female condom in Japan once it receives Japanese regulatory approval. In October 1997, Taiho submitted an application to Koseisho (the Japanese equivalent of the United States FDA) seeking approval to market the female condom in Japan. The application is currently under review, with Taiho expecting to receive approval to commence marketing the female condom in Japan during the Company's 1999 fiscal year. The Company's partner in Japan has invested more than \$2 million to date in pre-launch development expenses.

The Company is in discussions with potential partners for key European countries, India, Mexico, the People's Republic of China and Russia.

The Company believes sales volume will continue to grow as more public health officials and consumers become familiar with the female condom and its effectiveness in preventing STDs, including HIV/AIDS, and in reducing health care costs.

As a result of the earlier investment by Chartex, the Company has a \$70 million tax loss carryforward in the United Kingdom.

The Company's principal executive offices are located at 875 North Michigan Avenue, Suite 3660, Chicago, Illinois 60611, and its telephone number is 312-280-1119.

THE OFFERING

<TABLE>	
<S>	<C>
Securities to be offered by the Selling Stockholder (1).....	Up to 2,413,124 Shares of Common Stock
Common Stock outstanding as of November 17, 1998	10,441,227 Shares(2)
American Stock Exchange symbol.....	FHC
</TABLE>	

- (1) The Company may sell to the Selling Stockholder up to \$6 million worth of the Company's Common Stock in tranches pursuant to the Equity Line Agreement. The amount and timing of such sales will be determined by the Company, subject to certain restrictions set forth in the Equity Line Agreement. See "The Equity Line Agreement."
- (2) Does not include (a) 1,408,534 Shares of Common Stock issuable upon exercise of warrants outstanding as of September 30, 1998 (including 200,000 Shares issuable upon exercise of the Warrant); (b) 1,174,478 Shares of Common Stock issuable upon exercise of stock options outstanding as of September 30, 1998; (c) 680,000 Shares of Common Stock issuable upon conversion of outstanding preferred stock; and (d) Shares of Common Stock issuable to the Selling Stockholder pursuant to the Equity Line Agreement.

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SUMMARY FINANCIAL INFORMATION

The summary financial information set forth below is derived from the financial statements appearing elsewhere in this Prospectus. This information should be read in conjunction with such financial statements, including the notes thereto.

<TABLE>				
<CAPTION>				
	Year Ended September 30		Nine Months Ended June 30	
	1996	1997	1997	1998
<S>	<C>	<C>	<C>	<C>
STATEMENTS OF OPERATIONS DATA:				
Net revenues.....	\$2,064,258	\$2,916,408	\$2,016,419	\$4,040,672
Cost of products sold.....	4,719,979	3,475,709	2,859,138	4,082,175
Advertising and Promotion.....	1,976,289	1,642,347	1,480,639	371,421
Net loss.....	(8,798,303)	(6,251,149)	(5,369,941)	(2,702,645)
Loss per common and dilutive common equivalent share.....	\$(1.33)	\$(0.74)	\$(0.66)	\$(0.37)
</TABLE>				

<TABLE>
<CAPTION>

September 30, 1997

June 30, 1998

<S>	<C>	<C>
CONSOLIDATED BALANCE SHEET		
DATA:		
Working capital.....	\$1,312,106	\$1,899,704
Total assets.....	8,339,335	7,724,158
Long-term debt and capital lease obligations.....	538,969	9,591
Stockholders' Equity.....	3,554,638	3,594,778

</TABLE>

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RISK FACTORS

Prospective investors should carefully consider the risk factors set forth below, as well as the other information contained in this Prospectus.

ADDITIONAL CAPITAL REQUIRED; POTENTIAL DILUTION

Sales of the Company's sole product, the female condom, are currently insufficient to cover fixed manufacturing overhead, advertising and general and administrative costs. Consequently, management recognizes that the Company must secure additional capital to fund operating losses. At this stage in the Company's development, the amount and timing of the Company's future capital requirements cannot be precisely determined. Management believes that the capital which it may raise through sales of Common Stock under the Equity Line Agreement will be sufficient to satisfy its current and expected funding requirements. If the conditions required to sell Common Stock to the Selling Stockholder under the Equity Line Agreement are not satisfied or the Company does not receive shareholder approval to increase its authorized Common Stock to enable it to sell a sufficient number of shares under the Equity Line Agreement, the Company may need to raise additional capital in the immediate future. The Company may seek such additional capital through the sale of debt or equity securities or the sale of Company assets or rights, or by discounting receivables and/or letters of credit or by other means available to the Company. However, factors affecting the Company's capital requirements, including new market launches by the Company's international partners and sales orders from existing customers, are outside the control of management. Some of these factors may increase the amount of capital required or accelerate the date when additional capital will be required, or both. No assurance can be given that the Company will be successful in raising additional capital. Further, there can be no assurance that such amount, if raised, will be sufficient to operate the Company until sales of the female condom generate sufficient revenues to fund operations. In addition, any such funds raised may be costly to the Company and/or dilutive to existing shareholders.

RELIANCE ON PRODUCT LINE

The Company expects to derive its future revenues from sales of the female condom, its sole current product. The product is in the early stages of its commercialization. Accordingly, the ultimate level of acceptance of the female condom by public health advocates as well as users around the world, which includes the decision to use the female condom versus other available products, is not yet known.

The Company's current level of expenditures has been established to support a higher level of revenues associated with the female condom. For the Company to begin generating cash from operations, sales of the female condom will have to increase approximately two times the current annualized level (\$454,000 per month). If sales do not increase from current levels to this degree or if the cost to obtain this level of sales is prohibitive, the Company will continue to incur operating losses and, ultimately, the Company's viability will be in jeopardy.

CONTINUED LISTING ON THE AMERICAN STOCK EXCHANGE

The Company's Common Stock is listed for trading on the American Stock Exchange (the "Exchange"). The Constitution of the Exchange provides that its Board of Governors may, in its discretion, at any time, remove any security from listing. Although the determination as to whether a security warrants delisting is not based on any precise mathematical formula, the Exchange has adopted a number of guidelines which it will consider when deciding whether to delist an Exchange-traded security. Certain of these guidelines address the issuer's financial condition. For example, the Exchange will consider delisting the securities of an issuer which has stockholders' equity of less than \$2 million if the Company has sustained losses from continuing operations and/or net losses in two of its three most recent fiscal years (which the Company has) or which has stockholders' equity of less than \$4 million if the Company has sustained losses from continuing operations and/or net losses in three of its four most recent fiscal years (which the Company has). As of June 30, 1998, the Company had stockholders' equity of approximately \$3.6 million. On February 5, 1998, the

Company received a letter from the Exchange noting that the Company has fallen below certain of the Exchange's continued listing guidelines and indicating that the Exchange will review the Company's listing eligibility. The letter specifically noted that the Company has fallen

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below the Exchange's continued listing guidelines triggered by both (1) five years of losses and (2) equity below \$4 million since the Company had losses in three of its four most recent fiscal years. There can be no assurance that the Exchange will permit the continued listing of the Company's Common Stock on the Exchange. If the Exchange delists trading of the Company's Common Stock, investors would likely find it more difficult to obtain accurate quotations of the price of the Company's Common Stock and to sell the Common Stock on the open market.

HISTORY OF LOSSES; SUFFICIENCY OF CAPITAL; INDEPENDENT AUDITOR'S GOING CONCERN OPINION

The Company incurred a loss of \$6.3 million for the year ended September 30, 1997 and a loss of \$2.7 million for the nine months ended June 30, 1998. As of June 30, 1998, the Company had an accumulated deficit of \$40.6 million. At June 30, 1998, the Company had working capital of \$1.9 million and stockholders' equity of \$3.6 million. Historically, the Company has incurred cash operating losses relating to expenses incurred to develop, manufacture and promote the female condom. Consistent with the availability of resources, the Company expects to incur substantial expenditures in fiscal 1999 in an effort to support its manufacturing operations and increase awareness and distribution of the female condom around the globe. Until internally generated funds are sufficient to meet cash requirements, the Company will remain dependent upon its ability to generate sufficient capital from outside sources. There can be no assurance that the Company will achieve a profitable level of operations in the near term or at all.

The independent auditor's report on the Company's consolidated financial statements for the years ended September 30, 1997 and 1996 was qualified as to the Company's ability to continue as a going concern. While many factors are considered by the auditor in reaching its opinion, the primary reason for the going concern opinion on the Company's financial statements was due to continued deficit cash flows from operations, driven largely by continued operating losses. For the year ended September 30, 1997, the Company's net cash used in operations was \$5 million. For the nine months ended June 30, 1998, the net cash used in operations totalled \$2.6 million.

In the near term, the Company's management expects operating costs to continue to exceed funds generated from operations due principally to the Company's fixed manufacturing costs relative to current production volumes. While management believes that revenue from sales of the female condom will eventually exceed operating costs and that ultimately operations will generate sufficient funds to meet capital requirements, there can be no assurance that such level of operations will be achieved in the near term. Management believes that the Company must first achieve, on a continuing basis, positive cash flow from operations and net operating profits in order for the Company's independent auditors to re-evaluate the going concern opinion.

COMPETITION

The Company believes that there is currently no other female condom sold in the world. However, other parties may seek to develop an intravaginal pouch which does not infringe the Company's patents. These products, if developed, could be distributed by companies with greater financial resources and customer contacts than the Company.

There are a number of other products currently marketed which have a higher degree of accepted efficacy for preventing pregnancy. These products include birth control pills, Norplant and Depo Provera. However, other than the female condom, only the latex male condom is generally recognized as being efficacious in preventing unintended pregnancies and STDs. Companies manufacturing these products are generally larger than the Company and have access to greater resources than the Company. In addition, the female condom is generally sold at the retail level at prices comparatively greater than the price of the latex male condom. Accordingly, the female condom will not be able to compete with the latex male condom solely on the basis of price.

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FUTURE SALES OF COMMON STOCK

Sales of the Company's Common Stock in the public market or the perception that such sales may occur, could adversely affect the market price of the Company's Common Stock. As of November 17, 1998, the Company had outstanding 10,441,227 shares of Common Stock and 680,000 shares of convertible preferred stock which are convertible into an equal number of shares of Common Stock. All of these shares are eligible for resale in the public market by persons other than "affiliates" of the Company (generally, a person who has a control

relationship with the Company) without regard to any resale limitations under Rule 144 of the Securities Act. In addition, the Equity Line Agreement provides that the Company will issue at least \$1 million (up to a maximum of \$6 million) of Common Stock during its term, which commences on the effective date of the registration statement of which this Prospectus is a part (the "Effective Date") and continues until the earlier of (1) the date the Company sells \$6 million of Common Stock to the Selling Stockholder under the Equity Line Agreement, (2) the date the Company fails to meet certain obligations under the Equity Line Agreement or (3) 24 months after the Effective Date. (If the Company does not issue the minimum \$1 million of stock to the Selling Stockholder, the Company must pay the Selling Stockholder an amount equal to the portion of the \$1 million not sold, multiplied by 12% (17% if the failure to sell the required minimum is due to certain specified events).) The Shares of Stock which the Company may sell to the Selling Stockholder under the Equity Line Agreement will be available for immediate resale to the public pursuant to this Prospectus. Further, the Company has issued options and warrants to purchase an aggregate of 2,383,012 shares of Common Stock. The Company has filed or intends to file registration statements under the Securities Act to register the sale of the shares underlying these options and warrants and, accordingly, any shares received upon exercise of these options or warrants will also be freely tradable without restriction by persons other than affiliates. The resale of the Shares pursuant to the Equity Line Agreement and the outstanding stock options and warrants, or the prospect of such resales, may have an adverse effect on the market price of the Common Stock.

DILUTIVE AND OTHER EFFECTS OF EQUITY LINE AGREEMENT

While the equity line arrangement governed by the Equity Line Agreement will help provide the Company with additional future financing, the sale of Shares thereunder will have a dilutive impact on other stockholders of the Company. As a result, the Company's net income (loss) per share could be materially decreased (increased) in future periods, and the market price of the Common Stock could be materially and adversely affected. In addition, the Common Stock to be issued under the Equity Line Agreement will be issued at a discount to the then prevailing market price of the Common Stock. These discounted sales could have an immediate adverse effect on the market price of the Common Stock.

The Company has also agreed to pay Hartinvest-Medical Ventures ("HMV"), the entity that solicited the Selling Stockholder, a commission of 7% on all amounts received by the Company under the Equity Line Agreement. This commission may, at the option of HMV, be paid in shares of the Company's Common Stock valued at the same price at which Shares of Common Stock are sold to the Selling Stockholder under the Equity Line Agreement. As further consideration, the Company has agreed to issue to HMV warrants to purchase Shares of Common Stock equal to 10% of the number of Shares actually sold by the Company to the Selling Stockholder under the Equity Line Agreement. The warrants will have a three-year term and be exercisable at a price per share equal to \$2.17 (which was 120% of the last sale price of the Company's Common Stock on the date the Equity Line Agreement was executed). As further consideration for entering into the Equity Line Agreement, the Company issued to the Selling Stockholder the Warrant, which is exercisable over a three-year period at an exercise price of \$2.17 (which was equal to 120% of the last sale price of the Company's Common Stock on the date the Equity Line Agreement was executed). The issuance or resale of the Shares would have a further dilutive effect on the Company's stockholders and could have an adverse effect on the Company's stock price. The Equity Line Agreement will not be available under certain conditions which could require the Company to seek funds from other sources (with the intended risk factor set forth in the preceding paragraph).

VOLATILITY OF STOCK PRICE

The market price of the Company's Common Stock has been and may continue to be affected by quarter-to-quarter variations in the Company's operating results, announcements by the Company's competitors and other factors. In addition, the stock market has from time to time experienced extreme price and volume fluctuations,

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particularly among emerging growth company stock, which have often been unrelated to the operating performance of particular companies. Factors not directly related to the Company's performance, such as governmental regulation or negative industry reports, may also have a significant adverse impact on the market price of the Company's Common Stock.

DEPENDENCE ON KEY PERSONNEL

The Company's success will depend in large part upon its ability to attract and retain highly qualified personnel. The Company is particularly dependent upon the services of O.B. Parrish, its Chairman of the Board and Chief Executive Officer, and Mary Ann Leeper, Ph.D., its President and Chief Operating Officer. The Company has entered into an employment agreement with Dr. Leeper. The loss of the services of these or certain other key individuals, or the failure of the Company to attract and retain other skilled personnel, could have

a material adverse impact on the Company. The Company has not purchased keyman life insurance insuring the lives of any of its executive officers or key employees.

PENNY STOCK RULES

The Securities Enforcement and Penny Stock Reform Act of 1990 requires additional disclosure in connection with trades in any stock defined as a "penny stock." The Securities and Exchange Commission's regulations generally define a penny stock to be an equity security that has a price of less than \$5.00 per share, subject to certain exceptions (including equity securities listed on the American Stock Exchange) or issued by an issuer that has (1) net tangible assets in excess of \$2 million, if such issuer has been in continuous operation for at least three years; (2) net tangible assets in excess of \$5 million, if such issuer has been in continuous operation for less than three years; or (3) average annual revenues of at least \$6 million for the last three years. Unless an exception is available, the regulations require the delivery, prior to any transaction involving a penny stock, of a disclosure schedule explaining the penny stock market and the risks associated therewith.

In addition, if the Company's Common Stock falls within the definition of "penny stock," trading in the Company's securities would be covered by Rule 15c-9 promulgated under the Exchange Act. Under this rule, generally broker-dealers who recommend such securities to persons other than established customers and certain accredited investors must make a special written suitability determination for the purchaser and receive the purchaser's written agreement to the transaction prior to the sale of such securities.

Although the Company believes that its securities will, as of the date of this Prospectus, be outside the definitional scope of a penny stock, as they will be listed on the American Stock Exchange, in the event the Common Stock were subsequently to become characterized as penny stock, the market liquidity for the Company's securities could be adversely affected. In such an event, the regulations on penny stocks could limit the ability of broker-dealers to sell the Company's securities and thus the ability of purchasers in this offering to sell their securities in the secondary market.

CONTINGENT LIABILITIES

The Company has entered into an exclusive North American licensing agreement with the owner of the "reality" trademark and a royalty agreement with a nonprofit organization that previously conducted a major study to assess the safety and efficacy of the female condom. The Company's fiscal 1997 trademark royalty expense was approximately \$5,700. During fiscal 1998, the Company incurred a royalty expense to the nonprofit organization of approximately \$1,600.

PRODUCT LIABILITY

The nature of the Company's product may expose the Company to significant product liability risks. The Company maintains product liability insurance with coverage limits of \$5 million per year on the female condom. There can be no assurance that the Company will be able to maintain such insurance on acceptable terms or that such insurance will provide adequate coverage against product liability claims. While no product liability claims

on the female condom have been brought against the Company to date, a successful product liability claim against the Company in excess of the Company's insurance coverage could have a material adverse effect on the Company.

FOREIGN CURRENCY AND MARKET RISK

The Company manufactures the female condom in a facility located in London, England. Further, a material portion of the Company's future sales are likely to be in foreign markets. Manufacturing costs and sales to foreign markets are subject to normal currency risks associated with changes in the exchange rate of foreign currencies relative to the United States dollar. To date, the Company's management has not deemed it necessary to utilize currency hedging strategies to manage its currency risks. On an ongoing basis, management continues to evaluate its commercial transactions and is prepared to employ currency hedging strategies when it believes such strategies are appropriate. In addition, some of the Company's future international sales may be in developing nations where dramatic political or economic changes are possible. Such factors may adversely affect the Company's results of operations and financial condition.

GOVERNMENT REGULATION

The female condom is subject to regulation by the FDA, pursuant to the federal Food, Drug and Cosmetic Act (the "FDC Act"), and by other state and foreign regulatory agencies. Under the FDC Act, medical devices must receive FDA

clearance before they can be sold. FDA regulations also require the Company to adhere to certain "Good Manufacturing Practices, which include testing, quality control and documentation procedures. The Company's compliance with applicable regulatory requirements is monitored through periodic inspections by the FDA. The failure to comply with applicable regulations may result in fines, delays or suspensions of clearances, seizures or recalls of products, operating restrictions and criminal prosecutions and could have a material adverse effect on the Company.

MANAGEMENT OF OPERATIONS

The Company's future short-term and long-term success will be dependent upon its ability to effectively anticipate, respond to and manage changing business conditions. The Company believes that current management will be able to properly manage the Company's future operations. However, there can be no assurance that the Company will be able to adapt its manufacturing operations or administrative and financial functions to manage the Company's growth or to otherwise address the future needs of the business.

YEAR 2000 ISSUES

The Company's State of Readiness. The Company's main financial and manufacturing hardware and software systems have been tested and are either now Year 2000 compliant or are expected to be by December 31, 1998. This was accomplished primarily through systems upgrades and maintenance done over the last few years. The Company is in the process of surveying major customers and suppliers regarding their Year 2000 readiness and, to date, the Company is not aware of any significant Year 2000 issues at these entities that would materially affect the Company's business. The Company believes that if a Year 2000 problem develops at any of the Company's vendors whereby the vendor becomes unable to address the Company's needs, alternative vendors are readily available that could furnish the Company with the same or similar supplier or services without material undue delay or expense.

Costs to Address the Company's Year 2000 Issues. The majority of the Company's Year 2000 issues were corrected either through systems upgrades or normal maintenance contracts. The cost of these improvements to date has been approximately \$20,000.

Risks to the Company for Year 2000 Issues. With regard to systems under the Company's control, the Company knows of no significant exposure that the Company has to the Year 2000 issue since, if necessary, the Company's systems are capable of accepting manually entered data. The worst case scenario is that the Company has to revert back to certain manual systems. The Company believes that its customers and vendors are at various

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stage of compliance but the Company has not been made aware of significant Year 2000 issues that would materially affect its business with them. The Company will continue to monitor Year 2000 compliance with its customers and vendors throughout 1999 but it will not be able to achieve the same degree of certainty that it can with its own internal systems.

The Company's Contingency Plan. To the extent that the Company discovers minor internal systems that are not Year 2000 compliant by mid-1999, it will have time to implement manual systems by year-end 1999 which the Company believes will significantly reduce the financial risk to the Company.

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THE EQUITY LINE AGREEMENT

Effective November 19, 1998, the Company entered into the Equity Line Agreement with Kingsbridge Capital Limited, a private investor (the "Selling Stockholder"), pursuant to which the Company may issue and sell, from time to time, shares of its Common Stock for cash consideration up to an aggregate of \$6 million. Pursuant to the requirements of the Equity Line Agreement, the Company has filed a registration statement, of which this Prospectus forms a part, in order to permit the Selling Stockholder to resell to the public any Shares that it acquires pursuant to the Equity Line Agreement. Commencing as of the date the registration statement of which this Prospectus forms a part is declared effective by the Securities and Exchange Commission and continuing for a period of 24 months thereafter, the Company may from time to time at its sole discretion, and subject to certain restrictions set forth in the Equity Line Agreement, sell ("put") Shares of its Common Stock to the Selling Stockholder at a price equal to (a) 88% of the then current average market price of a Share of the Company's Common Stock, as determined under the Equity Line Agreement, if such average market price is at least \$2 or (b) 82% of such average market price if the average market price is less than \$2. Puts can be made every 20 trading

days in amounts ranging from a minimum of \$100,000 to a maximum of \$1,000,000, depending on the trading volume and the market price of the Common Stock at the time of each put. The Company is required to put at least \$1,000,000 of its Common Stock to the Selling Stockholder over the two-year life of the Equity Line Agreement. If the Company does not put at least \$1 million of the Common Stock to the Selling Stockholder during the term of the Equity Line Agreement, the Company must pay the Selling Stockholder at the end of such two-year term an amount equal to the portion of the \$1 million not so put, multiplied by 12% (17% if the failure to put the required minimum occurs as a result of certain specified events). As of the date of this Prospectus, no Shares of Common Stock have been sold to the Selling Stockholder under the Equity Line Agreement.

Under the Equity Line Agreement, the average market price of the Company's Common Stock for purposes of calculating the purchase price to be paid by the Selling Stockholder will be calculated as the average of the lowest bid prices of the Common Stock (as reported by Bloomberg L.P.) on each of the five days on which the Exchange is open for business (a "trading day"), during the period which includes the two trading days preceding the day on which the Company delivers notice to the Selling Stockholder that the Company is exercising a put (a "Put Notice"), the trading day on which the Put Notice is delivered, and the two trading days following the trading day on which the Put Notice is delivered.

The Company's ability to put Shares of its Common Stock, and the Selling Stockholder's obligation to purchase the Shares, is conditioned upon the satisfaction of certain conditions. These conditions include: (1) the registration statement of which this Prospectus forms a part must have been declared effective by the Securities and Exchange Commission; (2) the representations and warranties of the Company set forth in the Equity Line Agreement must be accurate as of the date of each put; (3) the Company must have performed and complied with all obligations under the Equity Line Agreement, the Registration Rights Agreement entered into between the Company and the Selling Stockholder in connection with the Equity Line Agreement and the Warrant required to be performed as of the date of each put; (4) no statute, rule, regulation, executive order, decree, ruling or injunction may be in effect which prohibits or directly and adversely affects any of the transactions contemplated by the Equity Line Agreement; (5) at the time of a put, there may not have been any material adverse change in the Company's business, operations, properties, prospects or financial condition since the date of filing of the Company's most recent periodic report filed with the Securities and Exchange Commission pursuant to the Exchange Act; (6) the Company's Common Stock must not have been delisted from the Exchange nor suspended from trading; (7) the number of Shares to be put to the Selling Stockholder, together with any Shares then held by the Selling Stockholder, may not exceed 9.9% of all shares of Common Stock of the Company that would be outstanding upon completion of the put; (8) the Company's Common Stock must have a minimum bid price of \$1.00 per share at the time of the put; and (9) the average trading volume of the Company's Common Stock for 20 consecutive trading days immediately preceding a put must be at least 17,000 shares per day. In addition, at present the Company has approximately 1,300,000 shares of Common Stock authorized but unissued and unreserved. Accordingly, until the Company increases its authorized Common Stock by amending its Articles of Incorporation (which requires shareholder approval), the Company cannot sell more than approximately 1,300,000 shares of Common Stock to the Selling Stockholder. The Company intends to seek shareholder approval to amend its Articles of Incorporation to increase its authorized Common Stock at its 1999 annual shareholder meeting.

The Selling Stockholder has agreed that it will not engage in short sales of the Company's Common Stock except that the Selling Stockholder may enter into any short sale or other hedging arrangement it deems appropriate with respect to Shares it receives under the Equity Line Agreement after it receives a Put Notice with respect to such Shares so long as such short sales or arrangements do not involve more than the number of such Shares with respect to that Put Notice.

In conjunction with the Equity Line Agreement, effective November 19, 1998, the Company issued to the Selling Stockholder the Warrant, which entitles the holder to purchase 200,000 shares of the Company's Common Stock at a price of \$2.17 per share (which represents 120% of the closing price of a share of the Company's Common Stock on the date the Equity Line Agreement was executed). The Warrant is exercisable at any time beginning on May 19, 1999 and ending on May 19, 2002. The Warrant contains provisions that protect against dilution by adjustment of the exercise price and the number of shares issuable thereunder upon the occurrence of certain events, such as a merger, stock split or reverse stock split, stock dividend or recapitalization. The exercise price of the Warrant is payable either (a) in cash or (b) by a "cashless exercise," in which that number of Shares of Common Stock underlying the Warrant having a fair market value at the time of exercise equal to the aggregate exercise price are cancelled as payment of the exercise price.

Prior to entering into the Equity Line Agreement, on May 1, 1998 and renewed on November 13, 1998, the Company entered into a Fund-Raising Agreement with Hartinvest-Medical Ventures ("HMV"). Pursuant to this agreement, HMV agreed to solicit potential purchasers of the Company's Common Stock and the Company agreed to pay HMV a commission if it was successful in attracting such purchasers. Pursuant to this agreement, HMV solicited the Selling Stockholder. Accordingly, HMV is entitled to receive a commission equal to 7% of the amount of funds received by the Company under the Equity Line Agreement. HMV may elect to receive this commission in cash or stock valued at the same price as the Selling Stockholder pays under the Equity Line Agreement. As further consideration, pursuant to this agreement, the Company is required to issue to HMV three-year warrants to purchase shares of the Company's Common Stock equal to 10% of the number of Shares purchased by the Selling Stockholder under the Equity Line Agreement. The exercise price per share under these warrants is \$2.17, representing 120% of the closing price of a share of the Company's Common Stock on the date the Equity Line Agreement was executed.

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USE OF PROCEEDS

The proceeds from the sale of the Shares will be received directly by the Selling Stockholder. No proceeds will be received by the Company from the sale of the Shares offered hereby.

However, the Company will receive the put price paid pursuant to the Equity Line Agreement if and to the extent Common Stock is sold by the Company pursuant thereto. The put price equals 88% of the then current average market price of the Company's Common Stock, as determined under the Equity Line Agreement, if such average market price is at least \$2 and 82% of the average market price if such average market price is less than \$2. The Company will also receive the proceeds, if any, relating to the exercise of the Warrant and the warrants issued to HMV. The exercise price of the Warrant is \$2.17 per share. See "The Equity Line Agreement."

The funds received by the Company will be used for general working capital purposes.

PRICE RANGE OF COMMON STOCK

The Company's Common Stock is currently listed on the American Stock Exchange under the symbol "FHC." As of November 17, 1998, there were approximately 480 holders of record of the Common Stock.

The following table sets forth the historical high and low sale prices of a share of Common Stock on the Exchange for the periods indicated:

<TABLE>
<CAPTION>

	Common Stock Sale Price	
	High	Low
	<C>	<C>
<S>		
Year ended September 30, 1997		
Quarter ended:		
December 31, 1996	6-1/4	3-3/4
March 31, 1997	4-1/8	1-13/16
June 30, 1997	3-3/8	1-11/16
September 30, 1997	4	2-7/8
Year ended September 30, 1998:		
Quarter ended:		
December 31, 1997	4-5/16	3
March 31, 1998	3-1/2	2-1/2
June 30, 1998	3-5/8	2-1/2
September 30, 1998	3-1/2	1-7/16

</TABLE>

The foregoing sale price quotations reflect inter-dealer prices, without retail mark-ups, mark-downs or commissions.

DIVIDEND POLICY

The Company has not paid a dividend on its Common Stock and does not anticipate paying any such dividends in the foreseeable future.

DETERMINATION OF OFFERING PRICE

The Common Stock offered by this Prospectus may be offered for sale from time to time in transactions on the Exchange, in negotiated transactions, or otherwise, or by a combination of these methods, at fixed prices which may be changed, at market prices at the time of sale, at prices related to market prices or at negotiated prices. As such, the offering price is indeterminate as of the date of this Prospectus. See "Plan of Distribution."

CAPITALIZATION

The following table sets forth the unaudited capitalization of the Company as of June 30, 1998:

<TABLE>	<C>
<S>	
Short-term indebtedness:	
Current portion of long-term debt and capital lease obligations.....	\$ 641,173
Notes payable to shareholders.....	767,538

	\$1,408,711
Long-term debt and capital lease obligations, less current maturities.....	\$ 206,029
Stockholders' equity:	
Class A Preferred Stock, par value \$.01 per share, 5,000,000 shares of Series 1 Preferred authorized, 680,000 shares outstanding	6,800
Common Stock, par value \$.01 per share, 15,000,000 shares authorized	
10,415,757 shares issued and outstanding.....	104,158
Additional paid-in capital.....	43,667,433
Foreign currency translation gain.....	426,641

Accumulated deficit.....	(40,610,254)

Total stockholders' equity.....	3,594,778

Total Capitalization.....	\$5,209,518
	=====

</TABLE>

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL
CONDITION AND RESULTS OF OPERATIONS

The following discussion is intended to provide an analysis of the Company's financial condition and results of operations and should be read in conjunction with the Company's financial statements and the notes thereto contained elsewhere in this Prospectus. The discussion also includes certain forward-looking statements. See "PROSPECTUS SUMMARY--Forward-Looking Statements."

OVERVIEW

Over the past few years, the Company completed significant aspects of the development and commercialization of the female condom. These initiatives have resulted in the attainment of proprietary manufacturing technology and product design patents, necessary regulatory approvals, endorsements from various organizations within the world medical community and the development of significant manufacturing capacity. These steps, taken as part of the Company's plan to develop and sell a product with global commercial and humanitarian value, have required the expenditure of significant amounts of capital and resulted in significant operating losses including the period 1996 through the present.

The Company has begun the process of developing the market for the female condom around the world. As part of this plan, the Company has completed a number of distribution agreements and is pursuing other arrangements for the marketing and sale of the female condom. Management believes that as the number of markets in which the female condom is sold increases, sales will grow and, at certain levels, the Company will become profitable. However, there can be no assurance that such level of sales will be achieved in the near term or at all.

RESULTS OF OPERATIONS

NINE MONTHS ENDED JUNE 30, 1998 COMPARED TO NINE MONTHS ENDED JUNE 30, 1997

For the nine months ended June 30, 1998, sales increased \$2,024,253, or 100%, compared with the same period last year. The higher sales are due to increased unit sales to domestic public sector agencies and the global public

sector.

The Female Health Company had net revenues of \$4,040,672 and a net loss of \$2,702,645 (\$0.28 per common share) for the nine months ended June 30, 1998 compared to revenues of \$2,016,419 and a net loss of \$5,369,941 (\$0.66 per common share) for the nine months ended June 30, 1997. As discussed more fully below, the decrease in the Company's net loss was principally related to increased sales volume, reduced expenditures for advertising and promotion, adjustments to inventory reserves and reduced interest expense.

Cost of goods sold increased \$1,223,037, or 43%, to \$4,082,175 for the nine months ended June 30, 1998 from \$2,859,138 for the same period last year. Increases in the costs of goods sold, which are related to higher sales volumes, were offset, in part, by a \$649,387 reduction in the Company's reserve for inventory obsolescence. The FDA's decision to extend the useful life of the female condom to five years from three years and the reduction of finished goods inventories resulting from the increased level of sales were the factors leading to the inventory reserve adjustment. The Company did not adjust inventory reserves during the same period last year.

Advertising and promotional expenditures decreased \$1,109,218, or 75%, to \$371,421 for the nine months ended June 30, 1998 from \$1,480,639 for the same period in the prior year. Advertising and promotion relates almost exclusively to the U.S. consumer market, and includes the costs of print advertising, trade and consumer promotions, product samples and other marketing costs. Through expenditures to date, the Company has established that the female condom is responsive to promotion; but due to the Company's size, it doesn't possess the resources to conduct a significant marketing program. Accordingly, the Company is in discussions with potential partners for the U.S. that have the resources to conduct such a marketing program. The prior period amounts largely reflect expenditures for the Company's previous print advertising campaign and single market test of the Company's television commercial.

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Selling, general and administrative expenses increased \$62,504, or 3%, to \$2,165,007 for the nine months ended June 30, 1998 from \$2,102,503 for the same period last year. The Company's initiatives to reduce spending in all administrative areas have resulted in reductions in the expenses associated with telecommunication, legal and financial matters in the United States and United Kingdom. These reductions were offset by charges related to the award of stock to key employees in lieu of cash raises.

Net interest and non-operating expenses decreased \$819,366 to \$124,714 for the nine months ended June 30, 1998 from \$944,080 for the same period the prior year. During the prior year, the Company had a higher level of debt resulting from the issuance of convertible debentures. The subsequent conversion of the debentures to Common Stock has lowered the outstanding debt and decreased interest expense.

For the nine months ended June 30, 1998, total operating expenses were \$2,536,428, a decrease of \$1,046,714, or 29% compared with the \$3,583,142 total operating expenses for the same period last year. For the nine months ended June 30, 1998, total operating expenses decreased to 63% of net revenues. For the same period last year, total operating expenses were 177% of net revenues.

In addition, during the nine months ended June 30, 1997, the Company amortized \$642,000 of discounts related to certain beneficial conversion features included with the convertible debentures issued by the Company. See note 7 of Notes to Unaudited Condensed Consolidated Financial Statements.

FISCAL YEAR ENDED SEPTEMBER 30, 1997 ("FY1997") COMPARED TO FISCAL YEAR ENDED SEPTEMBER 30, 1996 ("FY1996")

The Company had revenues of \$2.9 million and a net loss of (\$5.6) million ((\$0.67) per share) in FY1997 compared to net revenues of \$2.1 million and a net loss of (\$8.7) million ((\$1.31) per share) in FY1996.

As discussed more fully below, the FY1997 loss principally resulted from fixed manufacturing overhead and administrative costs, configured to support significantly greater volume levels. Over the past two years, the Company has acquired manufacturing capacity and created an organizational structure which management believes will enable it to increase the sales of the female condom and manage the accompanying growth.

Revenues increased \$0.8 million (41%) in FY1997 over the prior year. The increase in revenues principally related to initial shipments to developing countries under the Company's agreement with UNAIDS and increased U.S. trade sales, partially offset by a decline in U.S. public sector sales due, in part, to a reduction in selling price.

In 1997, cost of goods sold declined \$1.2 million from \$4.7 million in

FY1996 to \$3.5 million in FY1997, principally due to a \$1.1 million favorable adjustment to the Company's inventory reserves in the fourth quarter, as a result of the FDA's approval of an extension in the product's useful life to five years from three years. In FY1996, based on the then existing three-year useful life, cost of goods sold included a \$1.0 million charge for a reduction in the expected realizable value of the Company's inventory.

Excluding the effects of the inventory reserves, cost of goods sold increased \$0.9 million (23%) in FY1997 due to both increased sales and the inclusion of a full year of costs from the Company's manufacturing operations compared to eight months in FY1996. During FY1997 and FY1996, gross margins were negatively affected by excess capacity at the Company's U.K.-based manufacturing facility. For both FY1997 and FY1996, output at its manufacturing facility was less than 5% of the facility's annual capacity.

Advertising and promotion expenditures decreased 17% to \$1.6 million in FY1997 compared to \$2.0 million in FY1996. Advertising and promotion relates almost exclusively to the U.S. market and includes the costs of print advertising, trade and consumer promotions, product samples and other marketing costs incurred to increase consumer awareness and purchases of the female condom. The Company's decision to secure a marketing and distribution partner for the U.S. and European markets limited such spending in the second half of FY1997.

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Selling, general and administrative expenses totalled \$3.0 million for FY1997 compared to \$3.3 million for FY1996 representing an 8% reduction. Research and development expenditures decreased by \$0.3 million (83%) from \$0.4 million in FY1996 to \$0.1 million in FY1997 while reductions in selling expenses were offset by increased expenditures for investor relations, legal and compensation.

Nonoperating expense for FY1997 decreased \$0.3 million (49%) to \$0.4 million from \$0.7 million in FY1996. Additional nonoperating income of \$0.1 million for FY1997 and a FY1996 charge of \$0.2 million to reduce the estimated value of warehouse space provided as part of the consideration for the sale of the Recreational Products Business accounted for the overall decrease.

FACTORS THAT MAY AFFECT OPERATING RESULTS AND FINANCIAL CONDITION

The Company's future operating results and financial condition are dependent on the Company's ability to increase consumer demand for and to cost-effectively manufacture sufficient quantities of the female condom. Inherent in this process are a number of factors that the Company must successfully manage in order to achieve favorable future results and improve its financial condition.

Reliance on a Single Product

The Company expects to derive the vast majority, if not all, of its future revenues from the female condom, its sole current product. While management believes the global potential for the female condom is significant, the product is in the early stages of commercialization and, as a result, the ultimate level of consumer demand around the world is not yet known. To date, sales of the female condom have not been sufficient to cover the Company's fixed operating costs.

Distribution Network

The Company's strategy is to act as a manufacturer and to develop a global distribution network for the female condom through forming relationships with representatives of city, state and country public health agencies in the global public sector and by completing partnership arrangements with private sector companies who have the necessary marketing and financial resources for local market distribution. To date, this strategy has resulted in numerous in-country distributions in the public sector, particularly in Africa and Latin America. Several partnership agreements have been completed for the commercialization of the female condom in private sector markets around the world. However, the Company is dependent on country governments as well as city and state public health departments within the United States to continue their commitment to prevention of STDs, including AIDS, by including female condoms in their programs. The Company is also dependent on finding appropriate partners for the private sector markets around the world. Once an agreement is completed, the Company is reliant on the effectiveness of the partners to market and distribute the product. Failure by the Company's partners to successfully market and distribute the female condom or failure of country governments to implement prevention programs which include distribution of barrier methods against the AIDS crisis, or an inability of the Company to secure additional agreements for new markets either in the public or private sectors could adversely affect the Company's financial condition and results of operations.

Inventory and Supply

All of the key components for the manufacture of the female condom are essentially available from either multiple sources or multiple locations within a source.

Global Market Risks

The Company manufactures the female condom in a leased facility located in London, England. Further, a material portion of the Company's future sales are likely to be in foreign markets. Manufacturing costs and sales to foreign markets are subject to normal currency risks associated with changes in the exchange rate of foreign currencies relative to the United States dollar. In addition, some of the Company's future international sales may

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be in developing nations where dramatic political or economic changes are possible. Such factors may adversely affect the Company's results of operations and financial condition.

Regulatory Risks

The manufacture and marketing of the female condom is regulated by the FDA. Failure to comply with the conditions of FDA approval invalidates the approval order. Under certain circumstances, failure to comply with the conditions of FDA approval could result in fines or suspension or withdrawal of FDA approval. The Company's operating results and financial condition could be materially adversely affected in the event of a withdrawal of approval from the FDA.

LIQUIDITY AND SOURCES OF CAPITAL

Historically, the Company has incurred significant operating losses. Cash used in continuing operations was \$5.0 million and \$4.1 million in FY1997 and FY1996, respectively, and was \$2.6 million and \$4.5 million for the nine months ended June 30, 1998 and 1997, respectively. Historically, the Company has funded operating losses and capital costs, in large part, through the sale of Common Stock or debt securities convertible into Common Stock.

During FY1997, the Company received approximately \$1.0 million in proceeds from newly-issued notes payable, \$1.9 million (net of transaction costs) from the issuance of convertible debentures and warrants, and \$1.6 million (net of transaction costs) from the sale of convertible preferred stock and \$0.2 million from the issuance of Common Stock upon exercise of options. The Company also sold its U.K. manufacturing building for \$3.4 million in a sale leaseback transaction. For the nine months ended June 30, 1998, the Company received approximately \$1.82 million (net of transaction costs) in proceeds from the sale of a series of convertible preferred stock. FHC used these amounts to fund current operations of the Company and to repay existing liabilities.

In the near term, FHC management expects operating and capital costs to continue to exceed funds generated from operations due principally to the Company's fixed manufacturing costs relative to current production volumes and the ongoing need to commercialize the female condom around the world.

On September 29, 1997, the Company entered into an agreement with Vector Securities International, Inc. ("Vector"), an investment banking firm specializing in providing advice to health care and life companies. Pursuant to this agreement, for a one-year period, Vector will act as the Company's exclusive financial advisor for the purposes of identifying and evaluating opportunities available to the Company for increasing shareholder value. These opportunities may include selling all or a portion of the business, assets or stock of the Company or entering into one or more distribution arrangements relating to the Company's product. However, no specific such opportunity has yet been identified and there can be no assurance that any such opportunities will be available to the Company or, if so available, that the Company will ultimately elect or be able to consummate any such transaction.

On November 19, 1998, the Company executed an agreement with a private investor (the "Equity Line Agreement"). This agreement provides for the Company, at its sole discretion, subject to certain restrictions, to sell ("put") to the investor up to \$6 million of the Company's Common Stock, subject to a minimum put of \$1 million over the duration of the agreement. The Equity Line Agreement expires 24 months after the effective date of the registration statement of which this Prospectus is a part and, among other things, provides for minimum and maximum puts ranging from \$100,000 to \$1,000,000 depending on the Company's stock price and trading volume. Puts cannot occur more frequently than every 20 trading days. Upon a proper put under this agreement, the investor purchases Common Stock at a discount of (a) 12% from the then current average market price of the Company's Common Stock, as determined under the Equity Line Agreement, if such average market price is at least \$2 or (b) 18% from the then current average market price if such average market price is less than \$2. In addition,

the Company is required to pay its placement agent sales commissions in Common Stock or cash, at the placement agent's discretion, equal to 7% of the funds raised under the Equity Line Agreement and issue warrants to the placement agent to purchase shares of Common Stock, at an exercise price of \$2.17 per share, equal to 10% of the Shares sold

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by the Company under the Equity Line Agreement. In addition, pursuant to the Equity Line Agreement, the Company issued the investor the Warrant to purchase 200,000 shares of Common Stock at \$2.17 per share.

While the Company believes that its existing capital resources (including expected proceeds from sales of Common Stock pursuant to the Equity Line Agreement) will be adequate to fund its currently anticipated capital needs, if they are not or the Company does not receive shareholder approval to amend its Articles of Incorporation to increase its authorized Common Stock, enabling the Company to sell sufficient Shares under the Equity Line Agreement, the Company may need to raise additional capital until its sales increase sufficiently to cover operating expenses. In addition, there can be no assurance that the Company will satisfy the conditions required for it to exercise puts under the Equity Line Agreement. Accordingly, the Company may not be able to realize all or any of the funds available to it under the Equity Line Agreement.

Until internally generated funds are sufficient to meet cash requirements, FHC will remain dependent upon its ability to generate sufficient capital from outside sources. While management believes that revenues from sales of the female condom will eventually exceed operating costs, and that ultimately operations will generate sufficient funds to meet capital requirements, there can be no assurance that such level of operations will ultimately be achieved, or be achieved in the near term. Likewise, there can be no assurance that the Company will be able to source all or any portion of its required capital through the sale of debt or equity or, if raised, the amount will be sufficient to operate the Company until sales of the female condom generate sufficient revenues to fund operations. In addition, any funds raised may be costly to the Company and/or dilutive to stockholders. If the Company is not able to source the required funds or any future capital which becomes required, the Company may be forced to sell certain of its assets or rights or cease operations.

As of November 16, 1998, the Company had approximately \$877,000 in cash, net trade accounts receivable of \$837,000 and current trade accounts payable of \$762,000. It is estimated that the Company's cash burn rate, without revenues, is approximately \$0.4 million per month.

IMPACT OF INFLATION AND CHANGING PRICES

Although the Company cannot accurately determine the precise effect of inflation, the Company has experienced increased costs of product, suppliers, salaries and benefits, and increased general and administrative expenses. Historically, the Company has absorbed increased costs and expenses without increasing selling prices.

NEW ACCOUNTING PRONOUNCEMENTS

Earnings Per Share

Statement of Financial Accounting Standards No. 128, "Earnings per Share," which supersedes APB Opinion No 15, was issued in February 1997 by the Financial Accounting Standards Board. The Statement changes the computation and presentation of earnings per share by all entities that have common stock or potential common stock, such as options, warrants and convertible securities, outstanding that trade in a public market. Those entities that have only common stock outstanding are required to present basic earnings per-share amounts. All other entities are required to present basic and diluted per-share amounts. Diluted per share amounts assume the conversion, exercise or issuance of all potential common stock instruments unless the effect is to reduce a loss or increase the income per common share from continuing operations. All entities required to present per-share amounts must initially apply Statement No. 128 for annual and interim periods ending after December 15, 1997. Earlier application is not permitted.

The Company has numerous issues of potential common stock outstanding, including options to employees and stock purchase warrants that become exercisable if certain conditions are met and preferred stock that is convertible to common stock. Each of these potential common stock instruments must be separately evaluated to determine whether they are dilutive, and various adjustments to income and share amounts are computed. Due to the complexities involved, management has not completed its assessment of the effects that the application of Statement No. 128 will have on the per-share information presented in the accompanying financial statements.

Capital Structure

Statement of Financial Accounting Standard No. 129, "Disclosure of Information about Capital Structure," was issued in February 1997 by the Financial Accounting Standards Board. The Statement requires an entity to explain the pertinent rights and privileges of the various securities outstanding. The standard is effective for financial statement periods ending after December 15, 1997. The Company does not believe the adoption of the Standard will have a material impact on the consolidated financial statements.

Comprehensive Income

The Financial Accounting Standards Board has issued Statement No. 130, "Reporting Comprehensive Income," that the Company will be required to adopt for its year ended September 30, 1998, and disclose in its interim financial statements beginning with the period ending December 31, 1997. This pronouncement is not expected to have a significant impact on the Company's financial statements. The Statement establishes standards for the reporting and presentation of comprehensive income and its components. The statement requires that items recognized as components of comprehensive income be reported in a financial statement. The statement also requires that a company classify items of other comprehensive income by their nature in a financial statement, and display the accumulated balance of other comprehensive income separately from retained earnings and additional paid-in capital in the equity section of a statement of financial position. For the years ended September 30, 1997 and 1996, the Company's components of comprehensive income (loss) consisted of its reported net (loss) and foreign currency translation adjustments.

Segments of an Enterprise

Statement of Financial Accounting Standard No. 131, "Disclosures about Segments of an Enterprise and Related Information," was issued in July 1997 by the Financial Accounting Standards Board. The Statement requires the Company to disclose the factors used to identify reportable segments including the basis of organization, differences in products and services, geographic areas, and regulatory environments. The Statement additionally requires financial results to be reported in the financial statements for each reportable segment. The Statement is effective for financial statement periods beginning after December 15, 1997. The Company does not believe the adoption of the statement will have a material impact on the consolidated financial statements.

Derivatives

In June 1998, the FASB issued Statement No. 133, Accounting for Derivative Instruments and Hedging Activities (FAS 133). FAS 133 requires companies to record derivatives on the balance sheet as assets or liabilities at fair value. Depending on the use of the derivative and whether it qualifies for hedge accounting, gains or losses resulting from changes in the value of those derivatives would either be recorded as a component of net income or as a change in stockholders' equity. The Company is required to adopt this new standard for the quarter and year beginning October 1, 1999. The Company currently has no derivative instruments and, accordingly, the adoption of this statement has no impact on its consolidated financial statements.

BUSINESS

GENERAL

The Female Health Company ("FHC" or the "Company") markets, manufactures and sells the female condom, the only FDA-approved product under a woman's control which can prevent unintended pregnancy and sexually transmitted diseases ("STDs"), including HIV/AIDS.

The female condom has undergone extensive testing for efficacy, safety and acceptability, not only in the United States but also in over 25 additional countries. Certain of these studies show that having the female condom available allows women to have more options, resulting in an approximately 30% increase in protected sex acts. Furthermore, studies show that when the female condom is available as a choice, there is an approximately 35% decrease in STDs, including HIV/AIDS.

The product is currently sold or available in either or both commercial (private sector) and public sector markets in 30 countries. It is commercially marketed directly by the Company in the United States and the United Kingdom and through marketing partners in Canada, Holland, Brazil, Venezuela, South Korea and Taiwan. The Company has signed distribution agreements in Japan and Bangladesh, and the Company anticipates that the product will be marketed in these countries in the coming months. The Company's partner in Japan, Taiho

Pharmaceutical Co., Ltd. ("Taiho"), submitted a formal application for regulatory approval with Koseisho, the Japanese regulatory agency in October 1997 and expects to receive approval to begin marketing the female condom during the Company's 1999 fiscal year. The Company is currently in discussions with potential distributors for key European countries, India, The People's Republic of China and other countries.

As noted above, the female condom is sold to the public sector. In particular, the product is marketed to city and state public health clinics as well as not-for-profit organizations such as Planned Parenthood in the United States. Following several years of testing the efficacy and acceptability of the female condom, the product received a formal endorsement by The World Health Organization ("WHO") and the Joint United Nations Programme on AIDS ("UNAIDS"). In 1996, the Company entered into a three-year agreement with UNAIDS, whereby UNAIDS will facilitate the availability and distribution of the female condom in the developing world and the Company will sell the product to developing countries at a reduced price based on the total number of units purchased. The current price is 38 pence sterling (approximately \$0.64 per unit). Pursuant to this agreement, the product is currently being marketed in Zambia, Zimbabwe, Tanzania, Cote d' Ivoire, Bolivia, Haiti, South Africa and other countries. The Company anticipates multiple launches will occur during the next two years under this agreement, including launches in Kenya, Nigeria, Uganda, Ghana, Cambodia, Bangladesh, Columbia and Central American countries.

PRODUCT

The female condom is made of polyurethane, a thin but strong material which is resistant to rips and tears during use. The female condom consists of a soft, loose fitting sheath and two flexible O rings. One of the rings is used to insert the device and hold it in place. The other ring remains outside the vagina after insertion. The female condom lines the vagina, preventing skin from touching skin during intercourse. The female condom is prelubricated and disposable and is intended for use during only one sex act.

GLOBAL MARKET POTENTIAL

WHO estimates there are more than 300 million new cases of STDs worldwide each year, excluding HIV, and most of those diseases are more easily transmitted to women than to men. UNAIDS estimates that there are currently approximately 30 million people worldwide who are infected with HIV/AIDS and there are approximately 16,000 people per day who are newly infected. In the United States, the Center for Disease Control noted that in 1995, five of the ten most frequently reported diseases were STDs. The Center also has noted that one in five Americans over the age of 12 has Herpes. Women are currently the fastest growing group infected with

HIV and are expected to comprise the majority of new cases by the year 2000. The following highlights the substantial and growing market for protection against STDs.

<TABLE>
<S>

<C>

Worldwide:	
Number of people with HIV/AIDS(1)	30 million
Number of new cases of HIV/AIDS daily(1)	16,000
Number of children expected to be orphaned by AIDS by 2010 (at current rate) (1)	40 million
Examples of decreases in life expectancy due to HIV/AIDS(1)	
Zimbabwe	22 years
Cote d'Ivoire	11 years
Number of Sub-Saharan African countries where more than 10% of population is HIV positive(1)	13

(1) Source: UNAIDS

United States:	
Number of top ten most frequently reported diseases in the United States in 1995 that were STDs(1)	5
Ratio of individuals over 12 years of age with Herpes(1)	1 in 5
Annual expenditures to treat STDs(2)	\$17 billion

The United States has one of the highest rates of teenage pregnancy in Western nations--Each year one in nine teenage women (ages 15-19) becomes pregnant(3)

</TABLE>

- (1) Source: Center for Disease Control
- (2) Source: National Academy of Sciences
- (3) Source: Alan Guttmacher Institute

At the 1988 World AIDS Conference, the following points were emphasized:

- - New drugs help some AIDS patients in Western nations. However, they are of little value in developing countries due to cost and complexity of administration.

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- - Simple, inexpensive treatments for HIV/AIDS--or a vaccine to prevent infection from HIV--are unlikely in the near term.
- - Prevention is essential.

Currently, there are only two products that prevent the transmission of HIV/AIDS through sexual intercourse--the latex male condom and the female condom.

MALE CONDOM MARKET: It is estimated the global annual market for male condoms is 4.7 billion units. However, the majority of all acts of sexual intercourse, excluding those intended to result in pregnancy, are completed without protection. As a result, it is estimated the potential market for protection is much larger than the identified male condom market.

ADVANTAGES VERSUS THE MALE CONDOM

The female condom is currently the only available barrier method which is controlled by the woman and allows her to protect herself against STDs, including HIV/AIDS and unintended pregnancy. Although latex male condoms also offer protection against STDs, the female condom possesses a certain number of advantages. The most important advantage is that a woman can control whether or not she is protected. Many men do not like to wear male condoms and may refuse to do so.

The material that is used for the female condom, polyurethane, offers a number of benefits over latex, the material that is most commonly used in male condoms. Polyurethane is 40% stronger than latex, reducing the probability that the female condom sheath will tear during use. Clinical studies and everyday use have shown that latex male condoms can tear between 4% to 8% of the times they are used, while studies show that the female condom tears in less than 1% of uses. Unlike latex, polyurethane quickly transfers heat, so the female condom immediately warms to body temperature when it is inserted, which may result in increased pleasure and sensation during use. The product offers an additional benefit to the 7% to 10% of the population that is allergic to latex and who, as a result, may be irritated by latex male condoms. There is no reported allergy to date to polyurethane. The female condom is also more convenient, providing the option of insertion hours before sexual arousal and as a result is less disruptive during sex than the male condom which requires sexual arousal for application.

SAFETY AND EFFICACY

Based on use of the product in clinical trials and approximately five years of worldwide marketing, the female condom has been proven to be safe and effective. The following information reflects the results of various trials:

<TABLE>		
<S>	<C>	<C>
Reduction in STDs(1)	34%	(Results when female condom was available as an option vs. when only the male condom was available.)
Reduction in Acts of Unprotected Sex(1)	25%	
Effectiveness in Preventing Pregnancy(2)	95%(3)	(When used properly with every sex act.)
</TABLE>		

- (1) Supported by UNAIDS
- (2) Supported by The U.S. Agency for International Development (USAID) and conducted by Family Health International (FHI).
- (3) Recent studies completed in Japan evaluating the female condom's effectiveness in preventing pregnancy, which were submitted to the Japanese regulatory authorities in connection with their review of

the product, showed the female condom to be approximately 98% effective when used consistently and correctly.

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COST EFFECTIVENESS

At the 1998 World AIDS Conference held in Geneva, Switzerland, UNAIDS presented the results from its cost-effectiveness study which indicated that making the female condom available is highly cost effective in reducing public health costs in developing countries.

ENDORSEMENTS

Currently, the female condom is endorsed for use by the World Health Organization (WHO), the United Nations Joint Programme on AIDS (UNAIDS), the United States Agency for International Development (USAID), many nongovernment organizations around the world and a number of city and state public health departments in the United States.

WORLDWIDE REGULATORY APPROVALS

The female condom received PMA approval as a Class III Medical Device from the FDA in 1993. The extensive clinical testing and scientific data required for FDA approval laid the foundation for approvals throughout the rest of the world, including receipt of a CE Mark in 1997 which allows the Company to market the female condom throughout the EU. In addition to the United States and the EU, several other countries have approved the female condom for sale, including Canada, Russia, Australia, South Korea and Taiwan. The Company expects the female condom to receive approval in Japan in fiscal year 1999.

The Company believes that the female condom's PMA approval and FDA classification as a Class III Medical Device create a significant barrier to entry by competitive products. The Company estimates that it would take a minimum of four to six years to implement, execute and receive FDA approval or a PMA to market another type of female condom.

The Company believes there are no material issues or material costs associated with the Company's compliance with environmental laws related to the manufacture and distribution of the female condom.

STRATEGY

The Company's strategy is to act as a manufacturer, selling the female condom to the global public sector, United States public sector and commercial partners for country-specific marketing. The public sector and commercial partners assume the cost of shipping and marketing the product. As a result, as volume increases, the Company's operating expenses will not increase significantly.

COMMERCIAL MARKETS

The Company markets the product directly in the United States and United Kingdom. The Company has commercial partners which have recently launched the product in Canada, Brazil, Venezuela, Taiwan, South Korea and Holland. The Company has signed agreements with partners in Japan and Bangladesh where launches are expected during the coming year.

JAPANESE MARKET

In Japan, the market for male condoms exceeds 600 million units. Oral contraceptives have never been approved in Japan and, as a result, 85% of Japanese couples seeking protection use condoms. FHC's partner in Japan is Taiho, a \$1 billion subsidiary of Otsuka Pharmaceutical Co., Ltd., a \$5 billion Japanese health care company. The agreement between the Company and Taiho requires Taiho to perform clinical testing of the product in Japan and obtain the necessary regulatory approvals. After approval, expected during the Company's 1999 fiscal year, the Company will manufacture the product and supply it to Taiho, which will have responsibility for marketing and distributing the female condom in Japan. Studies completed in Japan show an acceptance rate of 70% among Japanese women. Taiho plans to market the female condom under the name "Mylura Femy."

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RELATIONSHIPS AND AGREEMENTS WITH PUBLIC SECTOR ORGANIZATIONS

Currently, it is estimated that more than 1.5 billion male condoms are distributed worldwide by the public sector each year. The female condom is seen as an important addition to prevention strategies by the public sector because studies show that the availability of the female condom decreases the incidence of unprotected sex by as much as 30% over male condoms alone.

The Company has a multi-year agreement with UNAIDS to supply the female

condom to developing countries at a reduced price which is negotiated each year based on volume. The current price is 38 pence sterling (approximately \$0.64) per unit. During the last year, the female condom has been launched in the countries of Zimbabwe, Tanzania, Bolivia, Haiti, South Africa and Zambia. It is anticipated that multiple product launches will occur in several countries during the next two years, including in the countries of Kenya, Nigeria, Uganda, Ghana, Cambodia, Bangladesh, Columbia and Central America. Population Services International (PSI), an organization that performs social marketing of various products in developing countries, launched the female condom in Zimbabwe under the UNAIDS agreement. Based on its success in Zimbabwe, PSI, in collaboration with UNAIDS, is now marketing the female condom in seven countries. In PSI's current annual report, PSI indicates that, in collaboration with UNAIDS, it plans to launch the female condom worldwide. PSI also notes in its report that in 1997 it distributed 539 million male condoms.

In the United States, the product is marketed to city and state public health clinics, as well as not-for-profit organizations such as Planned Parenthood. Currently, 10 major cities and 15 state governments, including New York, Pennsylvania, Florida, Connecticut, Hawaii, Louisiana, Maryland, New Jersey, South Carolina, Illinois, Chicago, Philadelphia, New York and Houston, have purchased the product for distribution with a number of others expressing interest. All major cities and states have re-ordered product after their initial shipments.

STATE-OF-ART MANUFACTURING FACILITY

The Company manufactures the female condom in a 40,000 square foot leased facility in London, England. The facility is currently capable of producing 60 million units per year. With additional equipment, this capacity can be significantly increased.

GOVERNMENT REGULATION

In the U.S., the female condom is regulated by the FDA. Pursuant to section 515(a)(3) of the Safe Medical Amendments Act of 1990 (the "SMA Act"), the FDA may temporarily suspend approval and initiate withdrawal of the PMA if the FDA finds that the female condom is unsafe or ineffective, or on the basis of new information with respect to the device, which, when evaluated together with information available at the time of approval, indicates a lack of reasonable assurance that the device is safe or effective under the condition of use prescribed, recommended or suggested in the labeling. Failure to comply with the conditions of FDA approval invalidates the approval order. Commercial distribution of a device that is not in compliance with these conditions is a violation of the SMA Act.

COMPETITION

The Company's female condom competes in part with male condoms. Latex male condoms typically cost less and have brand names that are more widely recognized than the female condom. In addition, male condoms are generally manufactured and marketed by companies with significantly greater financial resources than the Company. It is also possible that other parties may develop a female condom. These competing products could be manufactured, marketed and sold by companies with significantly greater financial resources than those of the Company.

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EMPLOYEES

As of November 16, 1998, the Company's operations had 74 full-time employees within the U.S. and the U.K. and 2 part-time employees. No Company employees are represented by a labor union. The Company believes that its employee relations are good.

BACKLOG

At November 16, 1998, the Company had unfilled orders of \$451,000. The comparable amount as of the same date of the prior year was \$1,121,000. All of these unfilled orders are expected to be filled during fiscal 1999.

PATENTS AND TRADEMARKS

The Company currently holds product and technology patents in the United States, Japan, the United Kingdom, France, Italy, Germany, Spain, the European Patent Convention, Canada, The People's Republic of China, New Zealand, Singapore, Hong Kong and Australia. Additional product and technology patents are pending in Brazil, South Korea, Germany, Japan and several other countries. The patents cover the key aspects of the female condom, including its overall design and manufacturing process. The Company licenses the trademark "Realty" in the United States and has trademarks on the names "femidom" and "femy" in certain foreign countries. The Company has also secured, or applied for, 27 trademarks in 14 countries to protect the various names and symbols used in marketing the product around the world. In addition, the experience that has

been gained through years of manufacturing the female condom has allowed the Company to develop trade secrets and know-how, including certain proprietary production technologies, that further secure its competitive position.

RESEARCH AND DEVELOPMENT

In FY1997 and FY1996, the Company incurred research and development costs from continuing operations of \$60,811 and \$361,094, respectively. For the nine months ended June 30, 1998 and 1997, respectively, the Company incurred research and development costs of \$0 and \$48,777, respectively. These expenditures were related to conducting acceptability studies.

INDUSTRY SEGMENTS AND FINANCIAL INFORMATION ABOUT FOREIGN AND DOMESTIC OPERATIONS

See Note 11 to Notes to Consolidated Financial Statements, included herein.

HISTORY

The female condom was invented by a Danish physician who obtained a U.S. patent for the product in 1988. The physician subsequently sold certain rights to the condom to Chartex Resources Limited. In the years that followed, Chartex, with resources provided by a nonprofit Danish foundation, developed the manufacturing processes and completed other activities associated with bringing the female condom to market in certain non-U.S. countries. Wisconsin Pharmacal Company, Inc., which then owned certain rights to the female condom in the U.S., Canada and Mexico, pursued the pre-clinical and clinical studies and overall development of the product for worldwide use and U.S. FDA approval of the product.

FHC is the successor to Wisconsin Pharmacal Company, Inc., a company which previously manufactured and marketed a wide variety of disparate specialty chemical and branded consumer products in addition to owning certain rights to the female condom described above. A summary of the Company's origins follows.

In fiscal 1995, the Company's Board of Directors approved a plan to complete a series of actions designed, in part, to maximize the potential of the female condom. First, the Company restructured and transferred all of the assets and liabilities of the Company, other than those related primarily to the female condom, to a newly-formed, wholly-owned company, WPC Holdings, Inc. ("Holdings"). In January 1996, the Company sold Holdings to an unrelated third party. Then, in February 1996, the Company acquired Chartex (renamed The Female Health Company - UK in 1997), the manufacturer and owner of certain worldwide rights to, and the Company's then sole

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supplier of, the female condom. As a result of the sale of Holdings and the acquisition of Chartex, FHC evolved to its current state with its sole business consisting of the manufacture, marketing and sale of the female condom.

The FDA approved the female condom for distribution in 1993 and the Company's manufacturing facility in 1994. Since that time, the Company has sold over 23 million female condoms around the world.

PROPERTIES

The Company leases approximately 4,500 square feet of office space at 875 North Michigan Avenue, Suite 3660, Chicago, Illinois 60611 under a lease that expires in 2001. The Company also leases approximately 1,900 square feet for corporate offices at 919 North Michigan Avenue, Suite 2208, Chicago, Illinois 60611 under a lease that expires January 31, 2001. However, the Company has subleased these premises to a third party. The Company utilizes warehouse space and sales fulfillment services of an independent public warehouse located near Minneapolis, Minnesota, for storage and distribution of the female condom. The Company manufactures the female condom in a 40,000 square foot leased facility located in London, England. The FDA-approved manufacturing process is subject to periodic inspections by the FDA. Current capacity at the manufacturing facility is approximately 60 million female condoms per year. Management believes the properties are adequately insured.

LEGAL PROCEEDINGS

The Company is not involved in any material pending legal proceedings.

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MANAGEMENT

DIRECTORS AND EXECUTIVE OFFICERS

The Company's directors and executive officers are as follows:

<TABLE>	<CAPTION>		
<S>	Name	Title	Age
	O.B. Parrish	Chairman of the Board, Chief Executive Officer, acting Chief Financial Officer and Director	<C>
	Mary Ann Leeper, Ph.D.	President, Chief Operating Officer and Director	65
	William R. Gargiulo, Jr.	Secretary and Director	58
	Jack Weissman	Vice President-Trade Sales	70
	Michael Pope	Vice President of the Company, Director of Chartex Resources Limited, Director and General Manager of Chartex International, Plc	50
	David R. Bethune	Director	42
	Stephen M. Dearholt	Director	58

O.B. Parrish has served as Chief Executive Officer of the Company since 1994, as acting Chief Financial Officer since February 1996 and as the Chairman of the Board and a Director of the Company since 1987. Mr. Parrish is a shareholder and has served as the President and as a Director of Phoenix Health Care of Illinois, Inc. ("Phoenix of Illinois") since 1987. Phoenix of Illinois owns approximately 270,000 shares of the Company's outstanding Common Stock. Mr. Parrish also was the Co-Chairman and a Director of Inhalon Pharmaceuticals, Inc. until its sale to Medeva, Plc. and is Chairman and a Director of ViatiCare, L.L.C. and a director of Microbyx. Mr. Parrish is also a trustee of Lawrence University. From 1977 until 1986, Mr. Parrish was the President of the Global Pharmaceutical Group of G.D. Searle & Co. ("Searle"). From 1974 until 1977, Mr. Parrish was the President of Searle International, the foreign sales operation of Searle. Prior to that, Mr. Parrish was Executive Vice President of Pfizer's International Division.

William R. Gargiulo, Jr. has served as Secretary of the Company from 1996 to present, as Vice President from 1996 to September 30, 1998, as Assistant Secretary of the Company from 1989 to 1996, as Vice President - International of The Female Health Company Division from 1994 until 1996, as Chief Operating Officer of the Company from 1989 to 1994, and as General Manager of the Company from 1988 to 1994. Mr. Gargiulo has also served as a Director of the Company since 1987. Mr. Gargiulo is a Trustee of a trust which is a shareholder of Phoenix of Illinois. From 1984 until 1986, Mr. Gargiulo was the Executive Vice-President of Searle's European operations. From 1976 until 1984, Mr. Gargiulo was the Vice President of Searle's Latin American operations.

Dr. Leeper has served as the President and Chief Operating Officer of the Company since 1996 and as President and Chief Executive Officer of The Female Health Company Division from May 1994 until January 1996, as Senior Vice President - Development of the Company from 1989 until January 1996 and as a Director of the Company since 1987. Dr. Leeper is a shareholder and has served as a Vice President and Director of Phoenix of Illinois since 1987. Previously, Dr. Leeper served as Vice President - Market Development for Searle's

Pharmaceutical Group and in various Searle research and development management positions. As Vice President - Market Development, Dr. Leeper was responsible for worldwide licensing and acquisition, marketing and market research. In earlier positions, she was responsible for preparation of new drug applications and was a liaison with the FDA.

Mr. Weissman has served as Vice President - Trade Sales of The Female Health Company since June 1995. From 1992 until 1994, Mr. Weissman was Vice President - Sales for Capital Spouts, Inc., a small manufacturing company. During the period from 1989 to 1992, Mr. Weissman acted as General Manager - HTV Group, an investment group involved in the development of retail stores. Mr. Weissman joined Searle's consumer products group in 1979 and held positions of increasing responsibility, including National Account Manager and Military Sales Manager from 1985 to 1989. Mr. Weissman was Account Manager - Retail Business Development, for the NutraSweet Company, a Searle subsidiary. Prior to Searle, Mr. Weissman worked in the consumer field as Account Manager and Territory Manager for Norfolk Thayer & Whitehall Laboratories.

Mr. Pope has served as Vice President of the Company since 1996 and as General Manager of Chartex International, Plc since the Company's 1996 acquisition of Chartex. Mr. Pope has also served as a Director of Chartex Resources Limited and Chartex International, Plc since 1995. Previously, Mr. Pope was Director of Technical Operations for Chartex which included responsibility for manufacturing, engineering, process development and quality assurance. Mr. Pope was responsible for the development of the high speed proprietary manufacturing technology for the female condom and securing the necessary approvals of the manufacturing process by regulatory organizations, including the FDA. Mr. Pope was also instrumental in developing and securing Chartex's relationship with its Japanese marketing partner. Prior to joining Chartex, Mr. Pope was Production Manager and Technical Manager for Franklin Medical, a manufacturer of disposable medical devices. Prior to that, Mr. Pope was Site Manager, Engineering and Production Manager, Development Manager and Silicon Manager for Warne Surgical Products.

Mr. Bethune has served as a Director of the Company since January 1996. Mr. Bethune is a business consultant to the pharmaceutical industry and previously held the position of President and Chief Operating Officer of the IVAX Corporation. Prior to IVAX, Mr. Bethune was Group Vice President of American Cyanamid Company and a member of its Executive Committee until the sale of the company to American Home Products. He had global executive authority for human biologicals, consumer health products, pharmaceuticals and ophthalmics, as well as medical research. Previously, he was President of the Lederle Laboratories Division of American Cyanamid Company. Mr. Bethune rejoined Lederle from Searle, where he was President of Operations in the United States, Canada and the Caribbean since December 1986. From 1984 until his appointment as President of Operations, Mr. Bethune served as Vice President and General Manager, United States Pharmaceuticals. Mr. Bethune is on the Board of Directors of the Southern Research Institute, Atrix Pharmaceuticals and the American Foundation for Pharmaceutical Education, Partnership for Prevention. He is a founding trustee of the American Cancer Society Foundation and an associate member of the National Wholesale Druggists' Association and the National Association of Chain Drug Stores. He is the founding chairman of the Corporate Council of the Children's Health Fund in New York City and served on the Arthritis Foundation Corporate Advisory Council.

Mr. Dearholt has served as a Director of the Company since April 1996. Mr. Dearholt is a co-founder and partner in Response Marketing, one of the largest privately owned life insurance marketing organizations in the United States. He has over 23 years of experience in direct response advertising and data based marketing of niche products. Since 1985, he has been a 50% owner of R.T. of Milwaukee, a private investment holding company which operates a stock brokerage business in Milwaukee, Wisconsin. In late 1995, Mr. Dearholt arranged, on very short notice, a \$1 million bridge loan which assisted the Company in its purchase of Chartex.

The Company's Board of Directors has an Audit Committee and a Compensation Committee. The Board's Audit Committee is comprised of Messrs. Bethune and Dearholt. The responsibilities of the Audit Committee, in addition to such other duties as may be specified by the Board of Directors, include the following: (1) recommendation to the Board of Directors of independent auditors for the Company; (2) review of the timing, scope and results of the independent auditors' audit examination; (3) review of periodic comments and recommendations by the auditors and of the Company's response thereto; and (4) review of the scope and adequacy

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of internal accounting controls. The Audit Committee did not meet during the fiscal year ended September 30, 1998.

The Board's Compensation Committee is comprised of Messrs. Gargiulo and Bethune. The responsibility of the Compensation Committee, in addition to such other duties as may be specified by the Board of Directors, is to make recommendations to the Board of Directors with respect to compensation for the executive officers and to administer the Company's 1989, 1990, 1994 and Outside Director Stock Option Plans. The Compensation Committee met two times during the fiscal year ended September 30, 1998.

There is no standing nominating or similar committee of the Board of Directors.

Directors who are not also employees of the Company receive a one-time grant of options to purchase 30,000 shares of the Company's Common Stock upon their initial election to the Company's Board of Directors. The options are granted at an exercise price equal to the last sale price of the Company's Common Stock on the date of grant. The Company also pays each such outside director \$1,000 for each meeting of the Board of Directors attended by such director and reimburses the outside director for his expenses incurred in attending the meeting.

All directors serve until the next annual meeting of the Company's

shareholders and until his or her successor has been duly elected or until his or her prior death, resignation or removal. Each executive officer holds office until his or her successor has been duly appointed or until his or her prior death, resignation or removal.

EXECUTIVE COMPENSATION

SUMMARY COMPENSATION TABLE

The table below sets forth all annual, long-term and other compensation paid by the Company to each of its executive officers whose total annual salary and bonus exceeded \$100,000 for services rendered during any of the years indicated below. The foregoing individuals are referred to herein as the "named executive officers."

<TABLE>
<CAPTION>

Name and Principal Position	Fiscal Year	Annual Compensation Salary (\$)	Long-Term Compensation Awards	
			Restricted Stock Awards(1) (\$)	Securities Underlying Options/SARs (#)
O.B. Parrish Chairman and Chief Executive Officer	1998 1997 1996	90,000 90,000 90,000	117,955 (2) -- --	-- 100,000 120,000
Mary Ann Leeper, Ph.D. President and Chief Operating Officer	1998 1997 1996	225,000 225,000 225,000	84,210 (2) -- --	-- 90,000 --

</TABLE>

(1) Represents fair market value of restricted Common Stock on the date of grant based on the \$2.88 closing price of the Company's Common Stock on such date.

(2) At September 30, 1998, the named executive officer owned 25,000 shares of restricted Common Stock, having a fair market value of \$71,875 on such date, based on the closing price of the Company's Common Stock on such date. For Mr. Parrish, also includes his pro rata portion of 25,000 shares of restricted stock granted to Phoenix Health Care of Illinois, Inc. ("Phoenix of Illinois"), based on his 64% ownership of such entity. For Dr. Leeper, also includes her pro rata portion of such restricted stock based on her approximately 16.7% ownership of such entity. All of these shares were granted on May 5, 1998 and vest in full on the first anniversary of the grant date. The owner is entitled to receive any dividends declared on these shares of restricted stock.

FISCAL YEAR-END OPTION/SAR VALUES

The following table sets forth the number and value of unexercised options held by the named executive officers at September 30, 1998:

<TABLE>
<CAPTION>

Name	Number of Securities Underlying Unexercised Options at Fiscal Year End September 30, 1998	Value of Unexercised In-the-Money Options at Year-End
	Exercisable/Unexercisable	Exercisable/Unexercisable
O.B. Parrish	88,000/176,000	\$0
Mary Ann Leeper, Ph.D.	96,667/193,333	\$0

</TABLE>

EMPLOYMENT AGREEMENTS

Dr. Leeper entered into an employment agreement with the Company effective May 1, 1994. The original term of Dr. Leeper's employment extended to April 30, 1997 and thereafter her employment term renews automatically for additional three-year terms unless notice of termination is given. The employment agreement is terminable by the Company at any time if such termination is for cause (as

defined in the employment agreement). If Dr. Leeper is terminated without cause, the Company is obligated to continue to pay Dr. Leeper her base salary and any bonus to which she would otherwise have been entitled for a period equal to the longer of two years from date of termination or the remainder of the then applicable term of the employment agreement. In addition, the Company is obligated to continue Dr. Leeper's participation in any health, life insurance or disability plan sponsored by the Company and in which Dr. Leeper participated prior to her termination of employment. Dr. Leeper's employment agreement provides for a base salary of \$175,000, \$195,000 and \$225,000, respectively, for each of the first three years of her employment term, subject to the achievement of certain performance goals established by Dr. Leeper and the Company. If the employment agreement is renewed beyond the initial three-year term, the base salary will be increased annually by the Board of Directors based upon Dr. Leeper's performance and such other factors as the Board of Directors deems appropriate. For fiscal 1998, Dr. Leeper's base salary was set at \$225,000 and for fiscal 1999 it was set at \$225,000. The employment agreement also provides Dr. Leeper with certain fringe benefits including an annual cash bonus of up to 100% of her base salary if certain performance goals established by the Board of Directors are achieved.

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PRINCIPAL SHAREHOLDERS

The following table sets forth certain information regarding the beneficial ownership of Common Stock as of November 17, 1998 by (1) each shareholder known by the Company to be the beneficial owner of more than 5% of the Common Stock; (2) each director; (3) each named executive officer; and (4) all directors and executive officers as a group.

<TABLE>
<CAPTION>

Name	Shares	
	Beneficially Owned Number	Percent
<S>	<C>	<C>
O.B. Parrish (1)	494,001	4.68%
William R. Gargiulo, Jr. (1)	366,668	3.50%
Mary Ann Leeper, Ph.D. (1)	455,668	4.31%
David R. Bethune (2)	50,000	*
Phoenix Health Care of Illinois, Inc.(3)	324,501	3.10%
Stephen M. Dearholt (4)	1,125,466	11.07%
State of Wisconsin Investment Board	635,000	6.08%
All directors and executive officers as a group (eight persons) (1) (2) (4)	1,987,801	17.37%

</TABLE>

* Less than 1%.

- (1) Includes 269,501 shares owned by and 30,000 shares under option to Phoenix Health Care of Illinois, Inc. ("Phoenix of Illinois"). Messrs. Parrish and Gargiulo and Dr. Leeper may be deemed to share voting and dispositive power as to such shares since Mr. Gargiulo is a trustee of a trust which is a shareholder, and Mr. Parrish and Dr. Leeper are officers, directors and shareholders, of Phoenix of Illinois. For Dr. Leeper, also includes 9,500 shares owned by and 96,667 shares under option to her (which options are exercisable within 60 days); for Mr. Parrish, also includes 56,500 shares owned by and 88,000 shares under option to him (which options are exercisable within 60 days); and for Mr. Gargiulo, also includes 500 shares owned by and 16,667 shares under option to him, which options are exercisable within 60 days.
- (2) Represents options which are currently exercisable.
- (3) Includes 269,501 shares owned by and 30,000 shares under options to Phoenix of Illinois.
- (4) Includes 238,057 shares owned directly by Mr. Dearholt. Also includes 69,500 shares held by the Dearholt, Inc. Profit Sharing Plan, 9,680 shares held by Response Marketing Money Purchase Plan, 5,000 and 148,129 shares held by trusts (of which Mr. Dearholt is a trustee) and 45,100 shares held by Mr. Dearholt's minor children. Also includes warrants to purchase 610,000 shares of Common Stock and options to purchase 30,000 shares.

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CERTAIN TRANSACTIONS

On March 25, 1997 and again on March 25, 1998, the Company extended a \$1 million one-year promissory note payable by the Company to Mr. Dearholt in connection with a previous loan Mr. Dearholt made to the Company. The promissory note is now payable in full on March 25, 1999 and bears interest at 12% per annum payable monthly. The note proceeds were initially used by the Company to provide working capital needed to fund the initial stages of the Company's U.S. marketing campaign (\$0.2 million) and to fund operating losses (\$0.8 million). The borrowing transactions were effected in the form of a promissory note from the Company to Mr. Dearholt and related Note Purchase and Warrant Agreements and Stock Issuance Agreements. Under the 1997 and 1998 Note Purchase and Warrant Agreements, the Company issued to Mr. Dearholt warrants to purchase 200,000 and 200,000 shares of the Company's Common Stock in 1997 and 1998, respectively, at exercise prices of \$1.848 and \$2.25 per share, respectively. The warrants expire upon the earlier of their exercise or five years after the date of their issuances. Under the Stock Issuance Agreements, if the Company fails to pay the \$1 million under the note when due, the Company must issue 200,000 shares of its Common Stock to Mr. Dearholt. This issuance will not, however, alleviate the Company from its liability under the note. The Company also granted Mr. Dearholt certain securities registration rights with respect to any Common Stock he receives from the Company under these warrants or the Stock Issuance Agreement. Mr. Dearholt has agreed that, if the Company requests, he will extend the promissory note for an additional one-year term to be due and payable on March 25, 2000 upon the same terms as the prior note extensions. In consideration of this agreement, the Company extended the term of certain warrants held by Mr. Dearholt to purchase 200,000 shares of the Company's Common Stock which expire March 25, 2001 to March 25, 2002.

On July 27, 1997, a trust of which Stephen M. Dearholt, a director of the Company, is a trustee, purchased 60,000 shares of the Company's Class A Convertible Preferred Stock--Series 1 at a price of \$2.50 per share, which represented the per share price offered to all subscribers in the private placement of these shares.

It has been and currently is the policy of the Company that transactions between the Company and its officers, directors, principal shareholders or affiliates are to be on terms no less favorable to the Company than could be obtained from unaffiliated parties. The Company intends that any future transactions between the Company and its officers, directors, principal shareholders or affiliates will be approved by a majority of the directors who are not financially interested in the transaction.

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DESCRIPTION OF CAPITAL STOCK

The authorized capital stock of the Company consists of 15,000,000 shares of Common Stock, \$.01 par value per share and 5,000,000 shares of Class A Preferred Stock, \$.01 par value per share (the "Class A Preferred Stock"). The Class A Preferred Stock may be issued in series, at such times and with such terms, as the Board of Directors deems appropriate. To date, the Board of Directors has authorized for issuance 1,040,000 shares of Class A Preferred Stock--Series 1, of which 680,000 shares are currently outstanding and 1,500,000 shares of Class A Preferred Stock--Series 2, of which no shares are currently issued and outstanding since the 729,927 shares of Class A Preferred Stock--Series 2 which were previously issued have all converted into a like number of shares of Common Stock. The Company's Amended and Restated Articles of Incorporation provide that any shares of Class A Preferred Stock which are issued and subsequently converted into Common Stock may not be reissued by the Company. Accordingly, the Company currently has 2,460,000 shares of Class A Preferred Stock authorized and available for issuance in series designated by the Board.

COMMON STOCK

Holders of Common Stock are entitled to one vote for each share held of record on all matters to be voted on by the shareholders. Subject to the prior rights of the holders of Class A Preferred Stock, as described below, holders of Common Stock are entitled to receive dividends when and as declared by the Board of Directors out of funds legally available therefor. Upon liquidation or dissolution of the Company, holders of Common Stock are entitled to share ratably in the remaining assets of the Company which may be available for distribution after payment of the Company's creditors and satisfaction of any accrued but unpaid dividends on, and the liquidation preferences, if any, of, the Class A Preferred Stock. Holders of Common Stock have no preemptive, subscription or redemption rights. The Common Stock has no cumulative voting rights. As a result, holders of more than 50% of the outstanding shares of Common Stock can elect all of the directors of the Company.

All outstanding shares of Common Stock, including the Shares to be sold

in this offering, are, or upon payment therefor, will be, fully paid and nonassessable. Wisconsin law, however, may make shareholders of the Company personally liable for unpaid wages due employees for up to six months' services, but not in an amount greater than the consideration paid for such shares.

CLASS A PREFERRED STOCK

The Company's Board of Directors is authorized, subject to the limitations described below, to issue from time to time, without shareholder authorization, in one or more designated series, shares of Class A Preferred Stock and to determine the dividend, redemption, liquidation, sinking fund and conversion rights of each particular series. No dividends or other distributions will be payable on the Common Stock unless dividends are paid in full on the Class A Preferred Stock and all sinking fund obligations for the Class A Preferred Stock, if any, are fully funded. Dividends on the Class A Preferred Stock will be cumulative from the date of issuance. In the event of a liquidation or dissolution of the Company, the Class A Preferred Stock would have priority over the Common Stock to receive the amount of the liquidation preference as specified in each particular series, together with any accrued but unpaid dividends thereon out of the remaining assets of the Company. Holders of shares of Class A Preferred Stock will have the right, at any time on or before the redemption of such shares, to surrender the certificate evidencing the shares of Class A Preferred Stock and receive upon conversion thereof, a certificate evidencing one share of Common Stock for each share of Class A Preferred Stock so surrendered. The holders of Class A Preferred Stock shall be entitled to cast one vote per share held of record by them at all meetings of the shareholders of the Company.

Class A Preferred Stock--Series 1

Pursuant to the Company's Articles of Incorporation, on August 15, 1997, the Board of Directors by resolution designated the relative rights and preferences of the first series of Class A Preferred Stock which was designated "Class A Preferred Stock--Series 1." The Board authorized for issuance 1,040,000 shares of this Series 1 Preferred Stock and 680,000 shares were issued and are currently outstanding. The Company has no

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present intention of issuing any additional shares of Series 1 Preferred Stock. The Series 1 Preferred Stock accrues dividends on a daily basis at the rate of 8% per year on the "liquidation value" of the Series 1 Preferred Stock (\$2.50 per share subject to adjustment and increase for accrued dividends). The dividends will accrue through the earliest of the date of repurchase of the Series 1 Preferred Stock, its conversion into Common Stock or the liquidation of the Company. Dividends on the Series 1 Preferred Stock must be paid in full before dividends may be paid on any other class of stock of the Company or before any sums may be set aside for the redemption or purchase of any of the Preferred Stock. Dividends will accrue whether or not they have been declared and whether or not there are funds legally available therefore. Dividends are payable on October 1 of each year. Dividends which are not paid on such dividend reference date will accrue and be added to the liquidation value of each share of Series 1 Preferred Stock. No dividends can be declared and set aside for any shares of Common Stock unless the Board declares a dividend payable on the outstanding shares of Series 1 Preferred Stock, in addition to the dividends which the Series 1 Preferred Stock is otherwise entitled as described above. Such additional dividends on the Series 1 Preferred Stock must be declared in the same amount per share of Series 1 Preferred Stock as would be declared payable on the shares of Common Stock into which each share of Series 1 Preferred Stock could be converted.

On or after August 1, 1998, each share of Series 1 Preferred Stock is convertible into one share of Common Stock. Upon conversion, certificates for shares of Common Stock will be issued together with, to the extent legally available, an amount of cash equal to the remaining accrued but unpaid dividends on the shares of Series 1 Preferred Stock so converted. The Series 1 Preferred Stock is redeemable by the Company on or after August 1, 2000 (subject to prior conversion by the holder) at a price of \$2.50 per share plus all accrued but unpaid dividends. Upon a liquidation of the Company, the Series 1 Preferred Stock is entitled to a liquidation preference equal to \$2.50 per share plus any accrued but unpaid dividends. This amount must be paid prior to any distribution on shares of Common Stock. Except as provided above, the Series 1 Preferred Stock will have the same rights, preferences and limitations as any other series of Preferred Stock to be issued in the future, whenever designated and issued

Class A Preferred Stock--Series 2

On December 30, 1997, the Company's Board of Directors by resolution designated the relative rights and preferences of the second series of Class A Preferred Stock which is designated "Class A Preferred Stock--Series 2." The Board authorized for issuance 1,500,000 shares of this Series 2 Preferred Stock and, shortly thereafter, 729,927 shares were issued. However, as of the date of this Prospectus, no shares of Series 2 Preferred Stock are issued and

outstanding since they all converted into shares of Common Stock on a one-for-one basis on April 3, 1998. The Series 2 Preferred Stock does not carry any dividend preference. Upon a liquidation of the Company, each share of the Series 2 Preferred Stock outstanding at the time of such liquidation is entitled to a liquidation preference equal to the purchase price paid for such share. This amount must be paid prior to any distribution on shares of Common Stock, however, the liquidation preference on the Series 1 Preferred Stock must be paid before the liquidation preference on the Series 2 Preferred Stock is paid.

The issuance of one or more series of Class A Preferred Stock could have an adverse effect on certain rights, including voting rights, of the holders of Common Stock. Such shares are also available for issuance to defend against the threat of a takeover, if the Board of Directors deems such takeover not to be in the best interests of the Company or its shareholders. This could occur even if such a takeover of the Company was favored by a majority of shareholders and was at a premium to the market price of the Common Stock. The Company has no current plans or intention to issue additional shares of Class A Preferred Stock.

WARRANTS

The Warrant issued to the Selling Stockholder entitles the holder to purchase 200,000 Shares of Common Stock at a price of \$2.17 per share. The Warrant is exercisable at any time beginning on May 19, 1999 and ending three years thereafter. The Shares of Common Stock underlying the Warrant, when issued upon exercise of the Warrant in whole or in part, will be fully

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paid and nonassessable (subject to the last sentence under "Common Stock" above), and the Company will pay any transfer tax incurred as a result of the issuance of Common Stock to the holder upon its exercise.

The Warrant contains provisions that protect the holder against dilution by adjustment of the exercise price and number of shares to be received upon exercise. Such adjustments will occur in the event, among others, of a merger, stock split or reverse stock split, stock dividend or recapitalization. The Company is not required to issue fractional shares upon the exercise of the Warrant. The holder of the Warrant will not possess any rights as a stockholder of the Company until such holder exercises the Warrant.

The Warrant may be exercised upon surrender on or before the expiration date of the Warrant at the offices of the Company, with an exercise form completed and executed as indicated, accompanied by payment of the exercise price for the number of shares with respect to which the Warrant is being exercised. The exercise price is payable either (i) by check or bank draft payable to the order of the Company or by wire transfer to an account designated by the Company or (ii) by a "cashless exercise," in which that number of shares of Common Stock underlying the Warrant having a fair market value equal to the aggregate exercise price are cancelled as payment of the exercise price.

For the life of the Warrant, the holder thereof has the opportunity to profit from a rise in the market price of the Common Stock without assuming the risk of ownership of the shares of Common stock issuable upon the exercise of the Warrant. The Warrant holder may be expected to exercise the Warrant at a time when the Company would, in all likelihood, be able to obtain any needed capital by an offering of Common Stock on terms more favorable than those provided for by the Warrant. Furthermore, the terms on which the Company could obtain additional capital during the life of the Warrant may be adversely affected.

In addition to the Warrant issued to the Selling Stockholder, the Company is required to issue warrants to its placement agent in connection with the Equity Line Agreement. Such warrants will be issued at such time or times as the Company receives funds from the Selling Stockholder under the Equity Line Agreement. The placement agent is entitled to receive warrants exercisable for Shares of Common Stock representing 10% of the Shares of Common Stock sold by the Company to the Selling Stockholder under the Equity Line Agreement. Each warrant will have a three-year term and will be exercisable at the same price per share and will have terms and conditions similar to the Warrant issued to the Selling Stockholder described above.

TRANSFER AGENT

The transfer agent and registrar for the Common Stock is Firststar Trust Company, Milwaukee, Wisconsin.

CERTAIN STATUTORY PROVISIONS

Section 180.1150 of the Wisconsin Business Corporation Law provides that the voting power of shares of public corporations, such as the Company, which are held by any person holding in excess of 20% of the voting power of such Company shall be limited to 10% of the full voting power of such shares.

This statutory voting restriction is not applicable to shares acquired directly from the Company, acquired in a transaction incident to which the shareholders of the Company vote to restore the full voting power of such shares and under certain other circumstances more fully described in section 180.1150. In addition, this statutory voting restriction is not applicable to shares of Common Stock acquired before April 22, 1986.

Section 180.1141 of the Wisconsin Business Corporation Law provides that a "resident domestic corporation," such as the Company, may not engage in a "business combination" with an "interested shareholder" (a person beneficially owning 10% or more of the aggregate voting power of the stock of the Company) for three years after the date (the "stock acquisition date") the interested shareholder acquired his 10% or greater interest, unless the business combination (or the acquisition of the 10% or greater interest) was approved before the stock acquisition date by the Company's Board of Directors. After the three-year period, a business combination that was not so approved can be consummated only if it is approved by a majority of the outstanding voting shares not held by the interested shareholder or is made at a specified price intended to provide a fair price for the shares held by

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noninterested shareholders. Section 180.1141 is not applicable to shares of Common Stock acquired by a shareholder prior to the registration of the Common Stock under the Exchange Act and shares acquired before September 10, 1987.

INDEMNIFICATION

The Company's directors and officers are entitled to certain statutory rights to be indemnified by the Company against certain litigation-related liabilities and expenses, provided the director or officer is either successful in the defense of such litigation or is otherwise determined not to have engaged in willful misconduct, knowingly violated the law, failed to deal fairly with the Company or its shareholders or derived an improper personal benefit in the performance of his duties to the Company. These rights are incorporated in the Company's By-Laws. Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the Company pursuant to the foregoing provisions or otherwise, the Company has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable.

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SELLING STOCKHOLDER

The following table sets forth certain information regarding beneficial ownership of the Company's Common Stock by the Selling Stockholder as of , 1998. Upon the completion of the offering and assuming the sale by the Selling Stockholder of all of the Shares of Common Stock available for resale under this Prospectus, the Selling Stockholder will not own more than 1% of the outstanding Common Stock of the Company.

<TABLE>
<CAPTION>

	Shares Owned Before Offering		Shares Being Offered	Shares Owned After Offering
	Number	Percent		
<S>	<C>	<C>	<C>	<C>
Kingsbridge Capital Limited P.O. Box 3340 Dawson Building Main Street Tortola, British Virgin Islands Total	2,413,124 (1)	20% (2)	2,413,124 (1)	0 (3)

</TABLE>

- (1) Includes 2,213,124 Shares of Common Stock which may be issued pursuant to the Equity Line Agreement and 200,000 Shares of Common Stock which are issuable upon exercise of the Warrant.
- (2) As of the date of this Prospectus, the Selling Stockholder does not own any shares of the Company's Common Stock. If all of the Shares offered hereby were purchased and held by the Selling Stockholder, it would hold approximately 20% of the outstanding Common Stock of the Company.
- (3) Assumes that all Shares acquired pursuant to the Equity Line Agreement and the Warrant are sold pursuant to this Prospectus.

The Selling Stockholder has not had any material relationship with the Company or any of its affiliates within the past three years other than as a result of the ownership of Common Stock or as a result of the negotiation and the execution of the Equity Line Agreement.

The Shares offered hereby by the Selling Stockholder are to be acquired pursuant to the Equity Line Agreement between the Company and the Selling Stockholder or upon exercise of the Warrant. Under the Equity Line Agreement, the Company agreed to register the Shares for resale by the Selling Stockholder to permit the resale of such Shares from time to time by the Selling Stockholder in the market or in privately-negotiated transactions. The Company will prepare and file such amendments and supplements to the registration statement as may be necessary in accordance with the rules and regulations of the Securities Act to keep it effective for a period of approximately 30 months.

The Company has agreed to bear certain expenses (other than broker discounts and commissions, if any) in connection with the registration statement.

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PLAN OF DISTRIBUTION

The Company has been advised by the Selling Stockholder that the Selling Stockholder may sell the Shares from time to time in transactions on the American Stock Exchange, in negotiated transactions, or otherwise, or by a combination of these methods, at fixed prices which may be changed, at market prices at the time of sale, at prices related to market prices or at negotiated prices. The Selling Stockholder may effect these transactions by selling the Shares to or through broker-dealers, who may receive compensation in the form of discounts, concessions or commissions from the Selling Stockholder or the purchasers of the Shares for whom the broker-dealer may act as an agent or to whom they may sell the Shares as a principal, or both. The compensation to a particular broker-dealer may be in excess of customary commissions.

The Selling Stockholder is an "underwriter" within the meaning of the Securities Act in connection with the sale of the Shares offered hereby. Broker-dealers who act in connection with the sale of the Shares may also be deemed to be underwriters. Profits on any resale of the Shares as a principal by such broker-dealers and any commissions received by such broker-dealers may be deemed to be underwriting discounts and commissions under the Securities Act.

Any broker-dealer participating in such transactions as agent may receive commissions from the Selling Stockholder (and, if they act as agent for the purchaser of such Shares, from such purchaser). Broker-dealers may agree with the Selling Stockholder to sell a specified number of Shares at a stipulated price per share and, to the extent such a broker-dealer is unable to do so acting as agent for the Selling Stockholder, to purchase as principal any unsold Shares at the price required to fulfill the broker-dealer commitment to the Selling Stockholder. Broker-dealers who acquire Shares as principal may thereafter resell such Shares from time to time in transactions (which may involve crosses and block transactions and which may involve sales to and through other broker-dealers, including transactions of the nature described above) in the over-the-counter market, in negotiated transactions or otherwise at market prices prevailing at the time of sale or at negotiated prices, and in connection with such resales may pay to or receive from the purchasers of such Shares commissions computed as described above. To the extent required under the Securities Act, a supplemental prospectus will be filed, disclosing (a) the name of any such broker-dealers; (b) the number of Shares involved; (c) the price at which such Shares are to be sold; (d) the commissions paid or discounts or concessions allowed to such broker-dealers, where applicable; (e) that such broker-dealers did not conduct any investigation to verify the information set out or incorporated by reference in this Prospectus, as supplemented; and (f) other facts material to the transaction.

Under applicable rules and regulations under the Exchange Act, any person engaged in a distribution of the Shares may not simultaneously engage in market making activities with respect to such securities for a period beginning when such person becomes a distribution participant and ending upon such person's completion of participation in a distribution, including stabilization activities in the Common Stock to effect covering transactions, to impose penalty bids or to effect passive market making bids. In addition and without limiting the foregoing, in connection with transactions in the Shares, the Company and the Selling Stockholder will be subject to applicable provisions of the Exchange Act and the rules and regulations thereunder, including, without limitation, Rule 10b-5 and, insofar as the Company and the Selling Stockholder are distribution participants, Regulation M and Rules 100, 101, 102, 103, 104 and 105 thereof. All of the foregoing may affect the marketability of the Shares.

The Selling Stockholder has agreed that it will not engage in short sales of the Company's Common Stock except that the Selling Stockholder may enter into any short sale or other hedging arrangement it deems appropriate with

respect to Shares it receives under the Equity Line Agreement after it receives a Put Notice with respect to such Shares so long as such short sales or arrangements do not involve more than the number of such Shares with respect to that Put Notice.

The Selling Stockholder will pay all commissions and certain other expenses associated with the sale of the Shares. The Shares offered hereby are being registered pursuant to contractual obligations of the Company, and the Company has paid the expenses of the preparation of this Prospectus. The Company has also agreed to indemnify the Selling Stockholder with respect to the Shares offered hereby against certain liabilities, including,

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without limitation, certain liabilities under the Securities Act, or, if such indemnity is unavailable, to contribute toward amounts required to be paid in respect of such liabilities.

LEGAL MATTERS

The validity of the securities offered hereby will be passed upon for the Company by Reinhart, Boerner, Van Deuren, Norris & Rieselbach, s.c., Milwaukee, Wisconsin.

EXPERTS

The consolidated financial statements of the Company at September 30, 1997 and for the two years in the period ended September 30, 1997 included in this Prospectus have been audited by McGladrey & Pullen LLP, independent auditors, as set forth in their report (which contains an explanatory paragraph with respect to conditions which raise substantial doubt about the Company's ability to continue as a going concern), in reliance upon such report given upon the authority of such firm as experts in accounting and auditing. The consolidated financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or amounts and classification of liabilities that might result from the outcome of that uncertainty.

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THE FEMALE HEALTH COMPANY INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

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</TABLE>

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Stockholders
The Female Health Company and Subsidiaries
Chicago, Illinois

We have audited the accompanying consolidated balance sheet of The Female Health Company and subsidiaries, as of September 30, 1997, and the related statements of operations, stockholders' equity, and cash flows for the years ended September 30, 1997 and 1996. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Female Health Company and subsidiaries as of September 30, 1997, and the results of their operations and their cash flows for the years ended September 30, 1997 and 1996, in conformity with generally accepted accounting principles.

The accompanying consolidated financial statements have been presented assuming that The Female Health Company will continue as a going concern. As more fully described in Note 15, the Company has experienced slower than expected growth in revenues from its sole product, which has adversely affected the Company's current results of operations and liquidity. These conditions raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 15. The consolidated financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classification of liabilities that may result from the outcome of this uncertainty.

As described in Note 16 to the financial statements, the Company changed its method of accounting for discounts on convertible debentures. This change has been applied retroactively to 1996 and, accordingly, all prior financial statements have been restated.

McGLADREY & PULLEN, LLP

/s/ MCGLADREY & PULLEN, LLP

Schaumburg, Illinois
November 20, 1997

THE FEMALE HEALTH COMPANY AND SUBSIDIARIES

Consolidated Balance Sheet

<TABLE>
<CAPTION>

	September 30, 1997

<S>	<C>
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	\$1,633,467
Accounts receivable, net of allowances of \$292,000	610,951

Inventories, net of allowances of \$894,000	947,081
Prepaid expenses and other current assets	293,590

TOTAL CURRENT ASSETS	3,485,089
OTHER ASSETS	
Note receivable	750,000
Intellectual property, net of accumulated amortization of \$199,248	996,360
Other assets	243,782
PROPERTY, PLANT AND EQUIPMENT	
Equipment, furniture and fixtures	3,863,859
Less: accumulated depreciation	(999,735)

	2,864,124

	\$8,339,355
	=====
LIABILITIES AND STOCKHOLDERS' EQUITY	
CURRENT LIABILITIES	
Notes payable, related party, net of unamortized discount of \$133,209	\$866,791
Current maturities of long-term debt and capital lease obligations	43,996
Accounts payable	874,908
Accrued expenses and other current liabilities	372,323
Preferred dividends payable	14,965

TOTAL CURRENT LIABILITIES	2,172,983
LONG-TERM LIABILITIES	
Long term debt and capital lease obligations, less current maturities	538,969
Deferred gain on sale of facility	1,767,612
Other long term liabilities	305,153

	4,784,717
STOCKHOLDERS' EQUITY	
Convertible Preferred Stock, par value \$.01 per share. Authorized 5,000,000 shares; issued and outstanding 680,000 shares 6,800	
Common Stock, par value \$.01 per share. Authorized 15,000,000 shares; issued and outstanding 9,514,430 shares	95,145
Additional paid-in capital	40,238,387
Foreign currency translation gain	203,195
Accumulated deficit	(36,988,889)

	3,554,638

	\$8,339,355
	=====

</TABLE>

See notes to consolidated financial statement

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THE FEMALE HEALTH COMPANY AND SUBSIDIARIES

Consolidated Statements of Operations

<TABLE>
<CAPTION>

	Years ended September 30	
	1997	1996
	-----	-----
<S>	<C>	<C>
NET REVENUES	\$2,916,408	\$2,064,258
COST OF PRODUCTS SOLD:		
Cost of goods sold	4,530,185	3,769,979
Change in obsolescence reserve	(1,054,476)	950,000
	-----	-----
	3,475,709	4,719,979
	-----	-----
GROSS PROFIT (LOSS)	(559,301)	(2,655,721)
OPERATING EXPENSES		
Advertising and promotion	1,642,347	1,976,289
Selling, general and administrative	3,036,765	3,303,717
	-----	-----

Total Operating Expenses	4,679,112	5,280,006
Operating (loss)	(5,238,413)	(7,935,727)
NONOPERATING INCOME (EXPENSE)		
Interest expense	(1,268,980)	(662,916)
Interest income	176,717	106,708
Nonoperating income/(expense)	79,527	(301,907)
	(1,012,736)	(858,115)
(LOSS) FROM CONTINUING OPERATIONS	(6,251,149)	(8,793,842)
Income (loss) from discontinued operations and gain on sale, net of applicable income tax expense	---	(4,461)
Net (loss)	(6,251,149)	(8,798,303)
Preferred dividends	14,965	---
Net (loss) attributable to common stockholders	(6,266,114)	(8,798,303)
Net (loss) per common share outstanding		
Continuing Operations	(\$0.74)	(\$1.33)
Discontinued Operations	.00	.00
	(\$0.74)	(\$1.33)
Weighted average common shares outstanding	8,453,266	6,611,796

</TABLE>

See notes to consolidated financial statement

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THE FEMALE HEALTH COMPANY AND SUBSIDIARIES
Consolidated Statements of Stockholders' Equity

<TABLE>
<CAPTION>

	Preferred Stock <C>	Common Stock <C>	Additional Paid-in Capital <C>
<S>			
Balance at September 30, 1995	\$ ---	\$63,928	29,411,702
Net loss	---	---	---
Issuance of 700,000 shares of Common Stock (net of offering costs of \$293,313)	---	7,000	2,779,417
Issuance of 13,350 shares of Common Stock upon exercise of stock options	---	133	46,741
Issuance of 105,580 shares of Common Stock for consulting and other services	---	1,056	626,712
Issuance of warrants with convertible debentures	---	---	90,000
Issuance of beneficial conversion feature with convertible debentures	---	---	382,000
Issuance of warrants with short-term notes payable	---	---	340,000
Issuance of warrants for consulting and other services	---	---	78,500
Translation adjustment	---	---	---
Balance at September 30, 1996	---	\$72,117	\$33,755,072
Net loss	---	---	---
Issuance of 2,128,371 shares of Common Stock upon conversion of debt	---	21,284	3,670,281
Issuance of 39,833 shares of Common Stock upon exercise of stock options	---	398	178,268
Issuance of 124,564 shares of Common Stock for consulting services	---	1,246	206,617
Issuance of 10,000 shares of Common Stock under Stock Bonus Plan	---	100	53,025
Issuance of warrants with convertible debentures	---	---	30,176
Issuance of beneficial conversion feature with convertible debentures	---	---	398,000
Issuance of warrants with short-term notes payable	---	---	250,000
Issuance of 680,000 shares of Preferred Stock (net of offering costs of \$96,252)	6,800	---	1,596,948
Issuance of warrants for consulting services	---	---	89,500
Revaluation of options for legal services	---	---	10,500

Preferred stock dividends	---	---	---
Translation adjustment	---	---	---
	-----	-----	-----
Balance at September 30, 1997	\$6,800	\$95,145	\$40,238,387
	=====	=====	=====

</TABLE>

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THE FEMALE HEALTH COMPANY AND SUBSIDIARIES
Consolidated Statements of Stockholders' Equity

<TABLE>
<CAPTION>

	Deficit	Accumulated	Foreign
	<C>	Gain (Loss)	Currency
		<C>	Translation
			Total
	<C>	<C>	<C>
Balance at September 30, 1995	\$ (21,924,472)	---	\$7,551,158
Net loss	(8,798,303)	---	(8,798,303)
Issuance of 700,000 shares of Common Stock (net of offering costs of \$293,313)	---	---	2,786,417
Issuance of 13,350 shares of Common Stock upon exercise of stock options	---	---	46,874
Issuance of 105,580 shares of Common Stock for consulting and other services	---	---	627,768
Issuance of warrants with convertible debentures	---	---	90,000
Issuance of beneficial conversion feature with convertible debentures	---	---	382,000
Issuance of warrants with short-term notes payable	---	---	340,000
Issuance of warrants for consulting and other services	---	---	78,500
Translation adjustment	---	83,858	83,858
	-----	-----	-----
Balance at September 30, 1996	(30,722,775)	83,858	3,188,272
Net loss	(6,251,149)	---	(6,251,149)
Issuance of 2,128,371 shares of Common Stock upon conversion	---	---	3,691,565
Issuance of 39,833 shares of Common Stock upon exercise of stock options	---	---	178,666
Issuance of 124,564 shares of Common Stock for consulting services	---	---	207,863
Issuance of 10,000 shares of Common Stock under Stock Bonus Plan	---	---	53,125
Issuance of warrants with convertible debentures	---	---	30,176
Issuance of beneficial conversion feature with convertible debentures	---	---	398,000
Issuance of warrants with short-term notes payable	---	---	250,000
Issuance of 680,000 shares of Preferred Stock (net of offering costs of \$96,252)	---	---	1,603,748
Revaluation of warrants for consulting services	---	---	89,500
Revaluation of options for legal services	---	---	10,500
Preferred stock dividends	(14,965)	---	(14,965)
Preferred stock dividends	---	---	---

</TABLE>

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<TABLE>
<CAPTION>

	<C>	<C>	<C>
Translation adjustment	---	119,337	119,337
	-----	-----	-----
Balance at September 30, 1997	\$ (36,988,889)	\$203,195	\$3,554,638
	=====	=====	=====

</TABLE>

See notes to consolidated financial statements.

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THE FEMALE HEALTH COMPANY AND SUBSIDIARIES

Consolidated Statements of Cash Flows

<TABLE>
<CAPTION>

	Years ended September 30	
	1997	
	-----	-----
1996		
OPERATING ACTIVITIES		

<S>	<C>	<C>
Net (loss)	(\$6,251,149)	
(\$8,798,303)		
Adjustments to reconcile net (loss) to net cash (used in) operating activities:		
Depreciation	553,298	
349,061		
Amortization of intellectual property rights	121,741	
76,023		
Provision for (recovery of) inventory obsolescence	(1,054,476)	
950,000		
Provision for doubtful accounts, returns and discounts	119,274	
120,126		
Gain on sale of Holdings	---	
(224,538)		
(Gain) loss on disposal of equipment	(84,646)	
37,576		
Issuance and revaluation of warrants and options	360,988	
706,268		
Amortization of debenture issuance costs	27,507	
4,278		
Amortization of discount on note receivable and interest earned on lease deposit	(29,140)	
(29,703)		
Amortization of discounts on notes payable and convertible debentures	954,820	
304,570		
Amortization of other assets	---	
250,000		
Write down of note receivable to realizable value	92,471	

Amortization of deferred gain on sale and leaseback of building	(70,119)	

Changes in operating assets and liabilities of continuing operations, excluding effect of purchase of Chartex in 1996:		
Accounts receivable	(271,173)	
47,269		
Inventories	1,086,999	
1,935,923		
Prepaid expenses and other current assets	28,260	
177		
Accounts payable	138,532	
(914,876)		
Accrued expenses and other current liabilities	(730,929)	
1,133,407		
Due to stockholder	---	
(19,795)		

NET CASH (USED IN) OPERATING ACTIVITIES	(5,007,742)	
(4,072,537)		
INVESTING ACTIVITIES		
Capital expenditures	(24,597)	
(596,402)		
Purchase of Chartex, less \$71,417 cash received	---	
(5,103,088)		
Sale of Holdings, net of expenses and cash sold	---	
5,213,263		
Proceeds from sale of property and equipment	3,376,056	

Proceeds from return of lease deposits	91,171	

Payments for lease deposits	(245,953)	

NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	3,196,677	
(486,227)		
FINANCING ACTIVITIES		
Proceeds from issuance of preferred stock	1,603,748	

Proceeds from issuance of common stock	---	
3,080,000		
Proceeds from issuance of common stock upon exercise of options	178,666	
46,874		

Costs of common stock issuance (293,583)	---	
Proceeds from related party notes issued 2,160,000	1,000,000	
Proceeds from convertible debentures issued 2,000,000	2,020,000	
Payments on notes payable, related party	(2,160,000)	

Costs to issue convertible debentures (154,000)	(155,400)	
Increase (decrease) in notes payable (109,503)	---	
Payments on long-term debt and capital lease obligations (768,613)	(1,912,430)	
-----		-----
NET CASH PROVIDED BY FINANCING ACTIVITIES	574,584	
5,961,175		
Effect of exchange rate changes on cash and equivalents (9,675)	(44,132)	
-----		-----
Increase (decrease) in cash and cash equivalents	(1,280,613)	
1,392,736		

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<TABLE>		
<CAPTION>		
<S>	<C>	<C>
Cash and cash equivalents at beginning of year	2,914,080	
1,521,344		
-----		-----
Cash and cash equivalents at end of year	\$1,633,467	
\$2,914,080		
=====		=====

See notes to consolidated financial statements.

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THE FEMALE HEALTH COMPANY AND SUBSIDIARIES

Consolidated Statements of Cash Flows

<TABLE>		
<CAPTION>		
		Years ended September
30		1997
1996		
-----		-----
<S>	<C>	<C>
Supplemental cash flow disclosures:		
Interest paid	\$273,714	
\$457,280		
Supplemental schedule of noncash investing and financing activities:		
Convertible debentures converted to common stock, net of unamortized discounts and issuance costs	3,691,565	
Issuance of warrants on convertible debentures and notes payable	280,176	
430,000		
Capital lease obligations incurred for equipment	56,588	
Preferred dividends declared	14,965	
Sale of manufacturing facility:		
Proceeds from sale	3,365,000	
Depreciated cost of property	(1,398,819)	

Deferred gain on sale	1,966,181	
Sale of WPC Holdings, Inc.:		
Selling price		
8,285,000		
Liabilities assumed by buyer		
(916,060)		
Note receivable taken		
(785,000)		

Other assets received
(250,000)

Cash received
6,333,940
Expenses on sale and cash sold
(1,120,677)

\$5,213,263
Purchase of Chartex:
Assets acquired:
Trade receivables
203,613
Inventories
644,268
Other current assets
82,053
Property and equipment
3,870,167
Intellectual property rights
1,127,469

5,927,570
Liabilities assumed:
Accounts payable and accrued expenses
(835,725)
Bank debt
(1,615,229)
Other long-term debt
(1,109,235)

3,560,189
Net assets acquired, net of cash received of \$71,417 2,367,381 Settlement of
intercompany assets and liabilities:
Prepaid royalties
(1,875,491)
Accrued royalties
4,761,198
Option fee paid
(150,000)

Cash paid in 1996
\$5,103,088

=====
</TABLE>

See notes to consolidated financial statements.

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Note 1. Nature Of Business and Significant Accounting Policies

Principles of consolidation and nature of operations: The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, The Female Health Company - UK and The Female Health Company - UK, plc, previously Chartex Resources Limited and Chartex International, plc ("Chartex"), respectively. All significant intercompany transactions and accounts have been eliminated in consolidation. The Female Health Company ("FHC" or the "Company") is currently engaged in the marketing, manufacture and distribution of a consumer health care product known as the Reality female condom, "Reality," in the U.S. and "femidom" or "femy" outside the U.S. The Female Health Company - UK, is the holding company of The Female Health Company - - UK, plc, which operates a 40,000 sq. ft. leased manufacturing facility located in London, England.

The Company changed its name from Wisconsin Pharmacal, Inc. to The Female Health Company concurrently with the sale of WPC Holdings, Inc. on January 29, 1996.

The Company sells primarily to public sector institutions, wholesalers, distributors, and drug, general merchandise, and grocery retailers in the U.S. and United Kingdom.

Use of estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and use assumptions that affect certain reported amounts and disclosures. Actual results may differ from those estimates. Significant accounting estimates include the following:

Allowances for price discounts and product returns: Receivables include a provision for sales returns and trade allowances, which is based on management's estimate of future product returns from customers in connection with unsold product which has expired or is expected to expire before it is sold. The estimated cost for product returns, price discounts and trade allowances are accrued when the initial sale is recorded.

Allowances against inventories: The market value of inventory is based on management's best estimate of future sales and the time remaining before the existing inventories reach their expiration dates.

Intellectual property: The Company evaluates intellectual property rights for impairment by comparing the net present value of the asset's estimated future income stream to the asset's carrying value.

Although management uses the best information available, it is reasonably possible that the estimates used by the Company will be materially different from the actual results. These differences could have a material effect on the Company's future results of operations and financial condition.

Cash equivalents: The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Substantially all of the Company's cash was on deposit with one financial institution.

Inventories: Inventories are valued at the lower of cost or market. The cost is determined using the first-in, first-out (FIFO) method.

Foreign currency translation: In accordance with Financial Accounting Standards No. 52, "Foreign Currency Translation", the financial statements of the Company's international subsidiaries are translated into U.S. dollars using the exchange rate at each balance sheet date for assets and liabilities, the historical exchange rate for stockholders' equity and a weighted average exchange rate for each period for revenues, expenses, and gains and losses. Translation adjustments are recorded as a separate component of stockholders' equity as the local currency is the functional currency.

Building, equipment, furniture and fixtures and assets under capital leases: Depreciation and amortization is computed by the estimated useful lives of the respective assets which range as follows:

<TABLE>	<C>
<S>	
Equipment	5 - 10 years
Furniture and fixtures	3 years

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Amortization of assets under capital lease is included with depreciation and amortization for owned assets.

Intellectual property rights: The Company holds patents on the Female Condom in the United States, the European Union, Japan, Canada, Australia and The People's Republic of China and holds patents on the manufacturing technology in various countries. The Company also licenses the trademark "Reality" in the United States and has trademarks on the names "femidom" and "femy" in certain foreign countries. Intellectual property rights are amortized on a straight-line basis over their estimated useful life of twelve years.

Financial instruments: The Company has no financial instruments for which the carrying value materially differs from fair value.

Revenue Recognition: Revenues from product sales are recognized as the products are shipped to the customers.

Research and Development Costs: Research and development costs are expensed as incurred. The amount of costs expensed for the years ended September 1997 and 1996 was \$60,811 and \$361,094, respectively.

Stock-Based Compensation: The value of stock options awarded to employees is measured using the intrinsic value method prescribed by Accounting Principles Board Opinion No. 25 (APB 25), "Accounting for Stock Issued to Employees." The Company has provided pro forma disclosures of net income as if the fair value-based method prescribed by Financial Accounting Standard No. 123,

"Accounting for Stock-Based Compensation", ("FAS 123"). was used in measuring compensation expense in Note 7.

Income Taxes: The Company files separate income tax returns for its foreign subsidiaries. Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" (FAS 109) requires recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements or tax returns. Under this method, deferred tax assets and liabilities are determined based on the differences between the financial statements and tax basis of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. Deferred tax assets are also provided for carryforwards for income tax purposes. In addition, the amount of any future tax benefits is reduced by a valuation allowance to the extent such benefits are not expected to be realized.

Advertising: The Company's policy is to expense production costs in the period in which the advertisement is initially presented to consumers.

Net (Loss) Per Common Share: Net (loss) per common share is computed using the weighted average number of shares of common stock outstanding. Fully diluted income per share is not presented for each of the periods since the effect of including common equivalent shares would be anti-dilutive.

Reclassifications: Certain prior year amounts have been reclassified on the Consolidated Statements of Operations and the Consolidated Statements of Cash Flows to conform to the 1997 presentation.

Note 2. Inventories

The components of inventory consist of the following at September 30, 1997:

<S>	<C>
Raw material	\$ 237,315
Work in process	60,879
Finished goods	1,542,887
Less allowance for obsolescence	(894,000)

Net Inventory	\$ 947,081
	=====

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Note 3. Leases

Property, plant and equipment include the following amounts for leases which have been capitalized at September 30, 1997:

<S>	<C>
Leasehold interest in equipment, furniture and fixtures	\$189,124
Less accumulated amortization	148,478

	\$ 40,646
	=====

The Company entered into a seven year operating lease with a third party for office space effective September 12, 1994. The lease is cancelable at the end of the 60th month of the term of the lease upon payment of a termination fee of \$63,867. The Company also has an informal agreement to reimburse an affiliate for office space used by the officers of the Company. The affiliate's lease is with an unrelated third party which expires January 31, 2001.

On December 10, 1996, the Company entered into what is in essence a sale and leaseback agreement with respect to its 40,000 square foot manufacturing facility located in London, England. The Company received \$3,365,000 (Pounds) 1,950,000 for leasing the facility to a third party for a nominal annual rental charge and for providing the third party with an option to purchase the facility for one pound during the period December 2006 to December 2027.

As part of the same transaction, the Company entered into an agreement to lease the facility back from the third party for base rents of \$336,000 (Pounds) 195,000 per year payable quarterly until 2016. The lease is renewable through December 2027. The Company was also required to make a security deposit of \$336,000 (Pounds) 195,000 to be reduced in subsequent years. The facility had a net book value of \$1,398,819 (Pounds) 810,845 on the date of the transaction. The \$1,966,181 (Pounds) 1,139,155 gain which resulted from this transaction will be recognized ratably over the initial term of the lease. Unamortized deferred

gain as of September 30, 1997 was \$1,767,612 (Pounds) 1,096,441. Concurrent with this transaction, the Company repaid the mortgage loan on this property of \$1,834,000 (Pounds) 1,062,500.

In 1987, a subsidiary entered into a lease for office space expiring March 3, 1999. In 1993, these offices were vacated and subsequently this space was subleased to a third party for a period expiring February 28, 1999. At the time the sublease was entered into a liability was established for all future costs to the end of the lease, net of expected sublease receipts. Details of lease rent expense in total and separately for transactions with related parties is as follows:

<TABLE>
<CAPTION>

	September 30	
	1997	1996
	-----	-----
<S>	<C>	<C>
Operating lease expense:		
Factory and office leases	\$579,197	\$ --
Office space used by officers	51,255	57,640
Other	88,772	114,684
	-----	-----
Total lease expense	719,224	172,324
Discontinued operations	---	32,035
	-----	-----
Continuing operations	\$719,224	\$140,289
	=====	=====

</TABLE>

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Future minimum payments under capital and operating leases, including planned reimbursement of affiliate for office space used by officers, consisted of the following at September 30, 1997:

<TABLE>
<CAPTION>

	Capital	Operating	Rentals Receivable Under Subleases
	-----	-----	-----
<S>	<C>	<C>	<C>
1998	\$44,897	\$ 592,741	\$65,664
1999	23,156	485,201	12,038
2000	---	459,607	---
2001	---	431,983	---
2002	---	320,110	---
Thereafter	---	4,401,513	---
	-----	-----	-----
Total minimum payments	\$68,053	\$6,691,155	\$77,702
		=====	=====
Amount representing interest	(901)		

	\$67,152		
	=====		

</TABLE>

Note 4. Notes Payable and Long-Term Debt

During 1997, the Company repaid and then subsequently borrowed \$1,000,000 from Mr. Dearholt, a current director of the Company. The outstanding note payable bears interest at 12% and is payable in full in 1998. As part of the transaction, the Company issued Mr. Dearholt warrants to purchase 200,000 shares of the Company's common stock at \$1.848 per share, which represented the average trading price for the five trading days prior to the closing date for the transaction and resulted in an initial discount on the note of \$250,000. Any stock issued under the warrants carry certain registration rights. The warrants expire in 2004. In addition, if the Company defaults on its obligation under the note, the Company is required to issue an additional 200,000 shares of its common stock to Mr. Dearholt in addition to all other remedies to which Mr. Dearholt may be entitled. The note is recorded at September 30, 1997, net of unamortized discount of \$133,209. The discount in combination with the note's 12% coupon resulted in an effective interest rate of 53 percent on the note.

During 1997, the Company repaid \$1,000,000 borrowed from an affiliate of Mr. Dearholt, and \$160,000 borrowed from Mr. Parrish, a current officer and director

of the Company.

Long-term debt and capital lease obligations at September 30, 1997, consisted of the following:

<TABLE>	
<S>	<C>
Foundation note, noninterest bearing, due 1999, net of unamortized discount of \$80,676, interest imputed at 11%	\$ 515,813
Capital lease obligations	67,152

Total long-term debt and capital leases	582,965
Less current maturities	43,996

Long-term portion	\$ 538,969
	=====
</TABLE>	

The Foundation note for \$515,813 (Pounds) 319,957 is a noninterest bearing Economic Development Grant provided by the United Kingdom Regional Selective Assistance Program. The grant is repayable by the Company if certain conditions of the grant are not satisfied.

On February 20, 1997, the Company issued convertible debentures for \$1,989,824 which is net of \$30,176 in unamortized discount; (the Debentures) at 8% maturing in 1999. These Debentures are convertible in the Company's common stock at the lesser of \$2.875 (representing the average market price for the five

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days preceding the date the Debentures were sold) or 80% of the market price at the time the debentures are converted into FHC common stock. The discount relates to the valuation of the detachable warrants for 67,333 shares of common stock. During fiscal 1997, the debentures were all converted into 1,364,625 shares of common stock.

At September 30, 1996, there were convertible debentures of \$1,910,000 (net of \$90,000 in unamortized discount) with detachable warrants for 40,201 shares of common stock (the Debentures) at 8% maturing in 1999. These Debentures were convertible into the Company's common stock at the lesser of \$5.275 (representing the average market price for the five days preceding the date the Debentures were sold) or 80% of the market price at the time the debentures are converted into FHC common stock. All of these debentures were converted in 763,746 shares of common stock in fiscal 1997.

Upon conversion of the debentures, \$277,610 of issuance costs and \$110,007 of unamortized discount were charged to equity and \$59,182 of accrued interest was credited to equity.

Note 5. Income Taxes

A reconciliation of income tax expense and the amount computed by applying the statutory Federal income tax rate to loss from continuing operations before income taxes as of September 30, 1997 and 1996, are as follows:

<TABLE>		
<CAPTION>		
	September 30	
	1997	1996
	-----	-----
<S>	<C>	<C>
Tax credit statutory rates	\$(2,130,479)	\$(2,942,986)
Nondeductible expenses	223,368	---
State income tax, net of federal benefits	(241,660)	(231,219)
Benefit of net operating loss not recognized, increase in valuation allowance	2,073,129	3,153,062
Other	75,642	(21,143)
	-----	-----
	\$ ---	\$ ---
	=====	=====
</TABLE>		

As of September 30, 1997, the Company had federal net operating loss carryforwards of approximately \$25,700,000 and state net operating loss carryforwards of \$28,400,000, respectively, for income tax purposes expiring in years 2005 to 2013. The benefit relating to \$1,489,218 of these net operating losses relates to exercise of Common stock options and will be credited directly to stockholders' equity when realized. The Company also has investment tax and research and development credit carryforwards for income tax purposes aggregating approximately \$181,000 at September 30, 1997, expiring in years 1998

to 2008. The Company's Chartex subsidiary has U.K. net operating loss carryforwards of approximately \$68,900,000 as of September 30, 1997. These U.K. net operating loss carryforwards can be carried forward indefinitely to be used to offset future U.K. taxable income. Significant components of the Company's deferred tax assets and liabilities are as follows at September 30, 1997:

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<TABLE>	<C>
<S>	
Deferred tax assets:	
Federal net operating loss carryforwards	\$8,727,724
State net operating loss carryforwards	1,843,911
Foreign net operating loss carryforwards	22,752,873
Tax credit carryforwards	181,210
Inventory obsolescence	328,043
Accounts receivable allowances	90,373
Other	22,330

Total gross deferred tax assets	33,946,464
Valuation allowance for deferred tax assets (33,930,605)	

Deferred tax assets net of valuation allowance	15,859
Deferred tax liabilities: Equipment, furniture and fixtures (15,859)	

Net deferred tax assets	\$ --- =====

</TABLE>

Reconciliations of the valuation allowance for deferred tax assets for the year ended September 30, 1997, is as follows:

<TABLE>	<C>
<S>	
Balance, beginning	\$ (31,857,476)
Increase in valuation allowance charged to current operations	(2,073,129)

Balance, ending	\$ (33,930,605) =====

</TABLE>

The valuation allowance reported in the financial statements for the year ended September 30, 1996, was decreased by approximately \$559,000 due primarily to changes in the deferred tax asset related to net operating loss carryforwards acquired in the purchase of Chartex.

Note 6. Royalty and Licensing Agreements

The Company has an exclusive license (except for licensor's rights) with Meijers Inc. to use the trademark "Reality" in the U.S. and Canada. For this exclusive license to the Reality trademark, the Company agreed to pay the licensor the greater of (a) \$0.015 per Female Condom sold in the U.S. thereafter or (b) a minimum annual royalty equal to 50% of the average annual royalties paid during the period beginning five years immediately preceding the year for which the royalties are due or \$4,500 whichever is greater. The amount of trademark royalty expense was approximately \$5,700 and \$8,900 for 1997 and 1996, respectively.

Effective September 24, 1992, the Company entered into an agreement with Family Health International ("FHI"), a nonprofit organization. FHI, in conjunction with the Contraceptive Research and Development Program ("CONRAD"), conducted a major study to assess the safety and efficacy of the Female Condom. The agreement with FHI provides that FHI may not use, or permit the use of, the data supporting the study in connection with any company competitive with the Company or product competitive with the Female Condom. The agreement also provides that FHI will be paid a royalty on U.S. private sector sales of the Female Condom. The royalty is calculated on a sliding scale based on the number of units sold beginning with quantities sold over 10 million units and subject to a cumulative maximum royalty of \$10 million. Since less than 10 million units have been sold to date no royalties have been incurred.

Prior to the 1996 acquisition of Chartex, the Company paid royalties under a series of licensing agreements to market the Female Condom in the United States, Canada and Mexico. These royalty agreements have ceased upon the acquisition and

unpaid royalties were settled at the acquisition date.

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Note 7. Common Stock

Stock Option Plans

In October 1989, in conjunction with an amendment of the officer/stockholder's employment agreement, the Company adopted the 1989 Stock Option Plan which granted the officer/stockholder (now "former officer") options to purchase up to 50,000 shares of Common Stock at the price per share in the Company's initial public offering (\$6.00). During a previous year, 30,000 of these options were canceled. The remaining options for 20,000 shares are currently exercisable.

On April 6, 1991 the Company entered into a stock option agreement with this same former officer. Under the agreement, the Company granted the former officer the option to purchase up to 130,000 shares of Common Stock at the market price at the date of the grant (\$4.75 per share). Exercise of the option was contingent upon the market price of the Common Stock equaling at least \$9.50 per share within a three-day period immediately preceding the date of exercise. On July 31, 1996, the Board of Directors amended the plan entitling the exercise of these options for 130,000 shares of Common Stock at any time prior to the expiration of the option period. In October, 1996 36,000 of these shares were exercised. At September 30, 1997 options to purchase 94,000 shares of Common Stock were outstanding under this agreement.

In 1990, the Company provided for the award of options to purchase up to 200,000 shares of the Company's common stock to key Company employees. The options generally expire in eight years from date of grant and become exercisable evenly over a four-year period. At September 30, 1997, 108,279 options are outstanding under the 1990 plan, 97,779 of which are exercisable.

The Company has various stock option plans established in 1994 and 1997 under which it may grant to employees responsible for the growth and financial success of the Company options to purchase shares of Common Stock. These options generally expire ten years from the date of grant and become exercisable based on continued employment in one-third increments as follows: (i) on the first anniversary of the grant date (ii) on the date when the average sale price of the Company's common stock is at least \$7.50 per share and (iii) on the date when the Company and its subsidiaries, on a consolidated basis, achieve a positive cash flow for a six-month period, as determined by the Company's independent auditors.

In 1997, the exercise price for The Female Health Company employee stock options granted under the 1997 Plan and the 1994 Stock Option Plan (the "1994 Plan") were amended to \$2.00 per share (the last sale price of the Company's common stock as of April 22, 1997).

Under the 1994 plan, the Company provided for the award of options to purchase up to 449,000 shares of the Company's common stock. At September 30, 1997, 433,867 options were granted and are outstanding under the 1994 plan, 143,734 of which were exercisable.

Under the 1997 plan, the Company provided for the award of options to purchase up to 600,000 shares of the Company's common stock. At September 30, 1997, 444,600 options were granted and are outstanding under the 1997 Plan, none of which were exercisable.

Directors who are employees of the Company do not receive compensation for serving in such capacity. Directors who are not employees of the Company each receive \$1,000 for attendance at each Board meeting or a meeting of a committee of which he or she is a member. In addition, during 1996 the Company established a stock option plan for outside directors (the "Outside Director Plan"). The Outside Director Plan provides each director who is not an employee of the Company receives a grant of options to purchase 30,000 shares, 150,000 total shares, of the Company's common stock at an exercise price equal to the last sale price on the date of grant. The options generally expire ten years after the grant date and vest in one-third increments on the grant date and each of the two successive anniversaries thereafter provided the director continues to serve on the Board. In 1997, options to purchase 60,000 shares of common stock at \$2.00 per share were granted and the exercise price on 60,000 options granted in 1996

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was lowered to \$2.00. At September 30, 1997, 120,000 options were outstanding

under the Outside Director Plan, of which 60,000 were exercisable.

During 1995, Phoenix Health Care of Illinois, Inc. ("Phoenix"), a related party was awarded options to purchase 90,000 shares of Common Stock at \$6.00 per share. The options vest in accordance with the same vesting criteria as the 1990 and 1994 stock option plan above. During 1997, the exercise price was amended to \$2.00 per share (the last sale price of the Company's common stock as of April 22, 1997). No compensation expense was recognized. At September 30, 1997, 30,000 shares were exercisable.

During 1996, the Compensation Committee of the Board granted special stock options to outside legal counsel to purchase 30,000 shares and an officer of the Company to purchase 120,000 shares at an exercise price of \$3.875. The Company recognized a charge to income of \$91,000 in connection with the issuance of options to a nonemployee under FAS 123. During 1997, the Company amended the exercise price on the 30,000 options to outside legal counsel to \$2.00 per share resulting in additional expense of \$10,500. The options vest in accordance with the same vesting criteria under the 1994 Plan as described above. At September 30, 1997, 150,000 options were outstanding, 50,000 of which were exercisable.

Summarized information regarding all of the Company's stock options is as follows:

<TABLE>
<CAPTION>

	Number of Shares -----	Weighted- Average Exercise Price -----
<S>	<C>	<C>
Outstanding at September 30, 1995	837,638	\$6.04
Granted	350,900	4.17
Exercised	(13,350)	3.51
Expired or canceled	(160,384)	4.75

Outstanding at September 30, 1996	1,014,804	4.89
Granted	504,600	2.00
Exercised	(39,833)	4.49
Expired or canceled	(18,825)	6.53

Outstanding at September 30, 1997	1,460,746	2.92

Exercisable at September 30, 1997	495,513	\$4.30

</TABLE>

<TABLE>
<CAPTION>

	September 30	
	1997 -----	1996 -----
<S>	<C>	<C>
Exercisable shares	495,513	396,904
Available for future grants	200,533	92,100

</TABLE>

Stock options have been granted to employees at, or in excess of, fair market value at the date of grant. Accordingly, in accordance with APB 25 and related interpretations, no compensation cost has been recognized related to such stock option grants.

Had compensation cost for the Company's stock option plans been determined based on the fair value at the grant dates for all awards during Fiscal 1996 and 1997 consistent with the method set forth under FASB Statement No. 123, "Accounting for Stock-Based Compensation" ("FAS 123") the Company's net loss and loss per share would have been increased to the pro forma amounts indicated below:

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<TABLE>
<CAPTION>

	Year ending September 30 -----	
	1997	1996
	Earnings per share	Earnings per share

<S>	<C>	<C>	<C>	<C>
Net loss attributable to common stockholders	\$ (6,266,114)	(.74)	\$ (8,798,303)	(1.33)
Compensation expense related to stock options granted	(688,975)	(.08)	\$ (566,487)	(.09)
	\$ (6,955,089)	(.82)	\$ (9,364,790)	(1.42)
	=====	=====	=====	=====

</TABLE>

As the provisions of FAS 123 have been applied only to options granted since September 30, 1995, the resulting pro forma compensation cost is not representative of that to be incurred in future years, when the pro forma cost would be fully reflected.

The fair value of options was estimated at the date of grant using the Black-Scholes option pricing model assuming expected volatility of 69.1% and 74.1%, risk-free interest rates of 5.86% and 5.51% for 1997 and 1996, respectively, and expected lives of one to three years and 0.0% dividend yield in both periods. The weighted average fair value of options granted or options with reduced exercise price was \$.84 and \$1.57 for the years ended September 30, 1997 and 1996, respectively.

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options which have no vesting restrictions and are fully transferable. Because the Company's employee stock options have characteristics different from those of traded options, and because changes in the input assumptions can materially affect the fair value estimate, the model may not provide a reliable single measure of the fair value of its employee stock options.

Stock Bonus Plan

During 1997, the Company adopted the 1997 Stock Bonus Plan ("1997 Bonus Plan") to provide stock bonuses in lieu of cash bonuses to key employees who are responsible for the Company's future growth and financial success. The 1997 Bonus Plan provides for the award of up to 200,000 shares which are nontransferable and subject to a risk of forfeiture for one year subsequent to grant date. At September 30, 1997, 10,000 shares of restricted stock had been issued to one employee under the 1997 Bonus Plan.

Common Stock Purchase Warrants

During 1996, the Company entered into a consulting agreement (the "Consulting Agreement") with a third party to provide investor relations services. In connection with the Consulting Agreement, the Company granted the consultant common stock purchase warrants to purchase 150,000 shares of the Company's common stock. In 1997, the Company amended the consulting agreement, reducing the exercise price to \$2.00 per share. The Company recognized compensation of \$89,500 and \$78,500 in 1997 and 1996, respectively, under FAS 123 in connection with the exercisable shares. At September 30, 1997, 50,000 warrants were exercisable.

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No warrants were exercised during 1997. At September 30, 1997, the following warrants were outstanding:

<TABLE>
<CAPTION>

	Number Outstanding

<S>	<C>
Warrant in connection with the consulting agreement	150,000
Warrant to the lender and the guarantor in connection with a \$1,000,000 note	20,000
Warrant to the lender and the guarantor in connection with a \$1,000,000 note	220,000
Warrants issued in connection with Convertible Debentures	40,201

Warrants outstanding as of September 30, 1996	430,201
Issued during 1997 in connection with:	
Note payable (Note 4)	200,000
Convertible Debentures (See Note 4)	67,333
Convertible Preferred Stock (See Note 8)	52,000

Outstanding at September 30, 1997	749,534

</TABLE>

At September 30, 1997, the Company had reserved a total of 2,610,813 shares of

its common stock for the exercise of options and warrants outstanding. This amount includes shares reserved to satisfy obligations due if the Company defaults on the payment of interest or principal on an \$1 million note due March 25, 1998.

Issuance of Stock

During 1997, the Company issued 124,564 shares of common stock with a market value of approximately \$330,000. The stock was issued to various consultants for providing investor relation services. Consulting expense of \$206,617 and \$127,188 was recognized during the years ended September 30, 1997 and 1996, respectively.

In 1996, the Company sold in a public offering 700,000 shares of common stock. The proceeds were used to repay a (Pounds) 312,000 promissory note and make a partial prepayment on another promissory note and to fund the Company's operating and working capital requirements. Net proceeds to the Company from the offering, after deduction of associated expenses were \$2.8 million. In addition, 27,000 shares of common stock were issued to the placement agent in November, 1996 for accrued offering expenses.

Note 8. Preferred Stock

In 1997, FHC raised approximately \$1.6 million proceeds, net of issuance costs of \$96,252, in a private placement of 680,000 shares of 8% cumulative convertible preferred stock. In addition, 52,000 common stock purchase warrants were issued to the placement agents. Each share of preferred stock is convertible into one share of the Company's common stock on or after August 1, 1998. Annual preferred stock dividends will be paid if and as declared by the Company's Board of Directors. No dividends or other distributions will be payable on the Company's common stock unless dividends are paid in full on the preferred stock. The preferred stock may be redeemed at the option of FHC, in whole or in part, on or after August 1, 2000, subject to certain conditions, at \$2.50 per share plus accrued and unpaid dividends. In the event of a liquidation or dissolution of the Company, the preferred stock would have priority over the Company's common stock.

Note 9. Acquisition and Disposition

In 1996, the Company sold WPC Holdings, Inc. ("Holdings"), which owned all of the assets and liabilities of the Company other than those related primarily to the Female Condom, and purchased Chartex Resources Limited ("Chartex"), the owner of certain worldwide rights to, and sole manufacturer of, the Female Condom.

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In 1996, the Company completed the sale of the net assets of Holdings for total consideration of \$8.75 million, valued for accounting purposes at \$8.285 million. Total consideration included a \$1 million note receivable with interest at 8 percent, principal due in four equal annual installments beginning January 1999. This note receivable was discounted using an effective rate of interest of 15 percent and, as a result, was valued at inception at \$785,000. The carrying value of the note was reduced to \$750,000 at September 30, 1997 in expectation of early repayment of the note for an amount less than face value.

During the period beginning with the Company's Board of Directors approval of the plan to sell Holdings until the sale was completed, Holdings was accounted for as a discontinued operation. Results of Holdings for the period October 1, 1995 through January 29, 1996 were as follows:

<TABLE>	<C>
<S>	
Net revenues	\$3,258,346
Gross profit	1,524,302
Operating expenses	1,623,100

Operating income (loss)	(98,798)
Nonoperating expense	(130,201)

Income (loss) from operations	(228,999)
Gain on sale of discontinued operations	224,538

Income (loss) from discontinued operations	\$ (4,461)
	=====

</TABLE>

Interest expense included in discontinued operations totaled \$81,731 for the year ended September 30, 1996. The purchaser of Holdings has assumed responsibility for all of Holdings obligations. However, the Company remains contingently liable for certain obligations incurred prior to the sale of

Holdings (See Note 12 - Contingent Liabilities).

In, 1996, the Company completed its purchase of all of the issued and outstanding share capital of Chartex Resources Limited the parent company and sole owner of stock in Chartex International, PLC (collectively referred to as "Chartex"). Chartex is based in London, England and owns certain worldwide intellectual property and proprietary manufacturing technology for the female condom.

The acquisition of Chartex was accounted for as a purchase. The purchase price of \$5.2 million was less than the fair value of net assets purchased by \$7.5 million. The excess of the fair value of the net assets acquired over the purchase price was allocated to reduce long-term assets on a pro rata basis in order to arrive at the purchase accounting values for the assets and liabilities acquired.

The results of Chartex are combined with the Company after the February 1, 1996 acquisition date. The following unaudited summary, prepared on a pro forma basis, combines the operating results of the Company and Chartex as if the acquisition of Chartex had occurred on October 1, 1995:

<TABLE>
<CAPTION>

	(millions, except per share data)
<S>	<C>
Net revenues	\$2.1
Net loss	(9.3)
Net loss per share	(\$1.41)

</TABLE>

The above amounts reflect adjustments for amortization of intangibles and depreciation based upon purchase accounting values, imputed interest on borrowed funds, and elimination of intercompany transactions. The pro forma information is not necessarily indicative of the results that would have occurred had the purchase been made at the beginning of the period or of the future results of the combined operations.

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Note 10. Employee Retirement Plan

Effective October 1, 1997, the Company adopted a Simple Individual Retirement Account (IRA) plan for its employees. Employees are eligible to participate in the plan if their compensation reaches certain minimum levels and are allowed to contribute up to a maximum of \$6,000 annual compensation to the plan. The Company has elected to match 100% of employee contributions to the plan up to a maximum of 1% of employee compensation for the year.

Note 11. Industry Segments And Financial Information About Foreign and Domestic Operations

The Company currently operates primarily in one industry segment which includes the development, manufacture and marketing of consumer health care products.

Since the Company's 1996 acquisition of Chartex, the Company has operated in foreign and domestic regions. Information about the Company's operations in different geographic areas (determined by the location of the operating unit) is as follows.

<TABLE>
<CAPTION>

	September 30	
(Amounts in thousands)	1997	1996
<S>	<C>	<C>
Net revenues:		
United States	\$2,050	\$1,514
International	866	550
Operating profit (loss):		
United States	(3,120)	(6,071)
International	(2,118)	(1,865)
Identifiable assets:		
United States	3,349	4,946
International	4,990	6,320

</TABLE>

On occasion, the Company's U.S. unit sells product directly to customers located outside the U.S. Were such transaction reported by geographic destination of the sale rather than the geographic location of the unit, U.S. revenues would be decreased and International revenues increased by \$293,000 in 1997.

Note 12. Contingent Liabilities

Prior to the sale of Holdings, the Company entered into an employment agreement with Mr. Wundrock and an agreement for the lease of the Holdings' facilities. Each of these agreements was assigned to Holdings and assumed by the buyer of Holdings. However, because the third party creditor did not release the Company from any future liability under these employment and lease agreements at the time of their assignment, the Company remains contingently liable if Holdings defaults in making any payments under the agreements. At September 30, 1997, the total future payments for these contingent liabilities was \$3.1 million for the lease of Holdings' facilities and \$.6 million for the employment agreement.

The testing, manufacturing and marketing of consumer products by the Company entail an inherent risk that product liability claims will be asserted against the Company. The Company maintains product liability insurance coverage for claims arising from the use of its products. The coverage amount is currently \$5,000,000 for FHC's consumer health care product.

The Year 2000 compliance issue exists because many computer systems and applications currently use two-digit fields to designate a year. As the century date change occurs, date-sensitive systems may either fail or not operate properly unless the underlying programs are modified or replaced. The Company is assessing the extent of programming changes required to address this issue. Although final cost estimates have not been determined, it is not expected that these expenses will have a material impact on the Company's financial condition, liquidity, or results of operations.

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Note 13. Related Party Transactions

For 1997, the Company paid the rent for office space leased by Phoenix but used by two officers of the Company. No agreement currently exists between the Company and Phoenix regarding the lease, however, it is the Company's intention to continue paying the rent in order to provide office space for its employees.

It has been and currently is the policy of the Company that transactions between the Company and its officers, directors, principal shareholders or affiliates are to be on terms no less favorable to the Company than could be obtained from unaffiliated parties. The Company intends that any future transactions between the Company and its officers, directors, principal shareholders or affiliates will be approved by a majority of the directors who are not financially interested in the transaction.

Note 14. Current Accounting Pronouncements

Earnings Per Share

Statement of Financial Accounting Standards No. 128, "Earnings per Share," which supersedes APB Opinion No 15, was issued in February 1997 by the Financial Accounting Standards Board. The Statement changes the computation and presentation of earnings per share by all entities that have common stock or potential common stock, such as options, warrants and convertible securities, outstanding that trade in a public market. Those entities that have only common stock outstanding are required to present basic earnings per-share amounts. All other entities are required to present basic and diluted per-share amounts. Diluted per share amounts assume the conversion, exercise or issuance of all potential common stock instruments unless the effect is to reduce a loss or increase the income per common share from continuing operations. All entities required to present per-share amounts must initially apply Statement No. 128 for annual and interim periods ending after December 15, 1997. Earlier application is not permitted.

The Company has numerous issues of potential common stock outstanding, including options to employees and stock purchase warrants that become exercisable if certain conditions are met and preferred stock that is convertible to common stock. Each of these potential common stock instruments must be separately evaluated to determine whether they are dilutive, and various adjustments to income and share amounts are computed. Due to the complexities involved, management has not completed its assessment of the effects that the application of Statement No. 128 will have on the per-share information presented in the accompanying financial statements.

Capital Structure

Statement of Financial Accounting Standard No. 129, "Disclosure of Information

about Capital Structure," was issued in February 1997 by the Financial Accounting Standards Board. The Statement requires an entity to explain the pertinent rights and privileges of the various securities outstanding. The standard is effective for financial statement periods ending after December 15, 1997. The Company does not believe the adoption of the Standard will have a material impact on the consolidated financial statements.

Comprehensive Income

The Financial Accounting Standards Board has issued Statement No. 130, "Reporting Comprehensive Income," that the Company will be required to adopt for its year ended September 30, 1998, and disclose in its interim financial statements beginning with the period ending December 31, 1997. This pronouncement is not expected to have a significant impact on the Company's financial statements. The Statement establishes standards for the reporting and presentation of comprehensive income and its components. The statement requires that items recognized as components of comprehensive income be reported in a financial statement. The statement also requires that a company classify items of other comprehensive income by their nature in a financial statement, and display the accumulated balance of

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other comprehensive income separately from retained earnings and additional paid-in capital in the equity section of a statement of financial position. For the years ended September 30, 1997 and 1996, the Company's components of comprehensive income (loss) consisted of its reported net (loss) and foreign currency translation adjustments.

Segments of an Enterprise

Statement of Financial Accounting Standard No. 131, "Disclosures about Segments of an Enterprise and Related Information," was issued in July 1997 by the Financial Accounting Standards Board. The Statement requires the Corporation to disclose the factors used to identify reportable segments including the basis of organization, differences in products and services, geographic areas, and regulatory environments. The Statement additionally requires financial results to be reported in the financial statements for each reportable segment. The Statement is effective for financial statement periods beginning after December 15, 1997. The Company does not believe the adoption of the statement will have a material impact on the consolidated financial statements.

Note 15. Continuing Operations

The Company's consolidated financial statements have been prepared on a going concern basis which contemplates the realization of assets and the settlement of liabilities and commitments in the normal course of business. The Company incurred a loss of \$6.3 million for the year ended September 30, 1997, and as of September 30, 1997, had an accumulated deficit of \$37.0 million. At September 30, 1997, the Company had working capital of \$1.3 million and stockholders' equity of \$3.6 million. The Company expects to incur substantial expenditures in an effort to increase consumer awareness and acceptance of the Female Condom. As a result, operations in the near future are expected to continue to use working capital. Management recognizes that the Company's continued operations depend on its ability to raise additional capital through a combination of equity or debt financing, strategic alliances and increased sales volumes.

At various points during the developmental stage of the product, the Company was able to secure resources, in large part through the sale of equity and debt securities, to satisfy its funding requirements. As a result, the Company was able to obtain FDA approval, worldwide rights, manufacturing facilities and equipment and to commercially launch the Female Condom. Management believes that recent developments, including the Company's agreement with the UNAIDS, a joint United Nations program on HIV/AIDS, provide an indication of the Company's early success in broadening awareness and distribution of the Female Condom and may benefit efforts to raise additional capital and to secure additional agreement to promote and distribute the Female Condom throughout other parts of the world.

Management has held preliminary discussions with potential investors and financial institutions regarding the Company's capital requirements. These parties have expressed interest in providing financing under certain circumstances that may satisfy the Company's currently anticipated requirements. Specifically, the Company entered into an agreement with Vector Securities International, Inc. (Vector), an investment banking company specializing in providing advice to pharmaceutical medical devices and managed care companies. Pursuant to this agreement, for a one-year period, Vector will act as the Company's exclusive financial advisor for the purpose of identifying and evaluating opportunities available to the Company for increasing shareholder value. These opportunities may include selling all or a portion of the business, assets or stock of the Company or entering into one or more distribution arrangements relating to the Company's product. However, no specific opportunity has yet been identified and there can be no assurance that any such

opportunities will be available to the Company or, if so available, that the Company will ultimately elect to consummate any such transaction. Further, there can be no assurance, assuming the Company successfully raises additional funds or enters into business agreements with third parties, that the Company will achieve profitability or positive cash flow. If the Company is unable to obtain adequate financing, management will be required to sharply curtail the Company's efforts to promote the Female Condom and to curtail certain other of its operations or, ultimately, cease operations.

Note 16. Restatement of 1996 and 1997 Financial Statements.

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In March 1998, the Company discovered that it did not properly report a charge to interest expense for the amortization of discounts associated with a "beneficial conversion feature" on two sets of convertible debentures issued in August 1996 and February 1997.

As disclosed in Note 4, the first set of debentures was issued in August 31, 1996 for \$2,000,000 at 8% and the second set of debentures was issued February 20, 1997 for \$2,020,000 at 8%, both maturing after 3 years. Both sets of convertible debentures included a conversion feature that was "in the money" as of the date of issuance (a "beneficial conversion feature"). The beneficial conversion feature allowed the debentures to be converted into company stock at the lesser of \$5.275 per share for debentures No. 1 and \$2.875 per share for debentures No. 2 (representing the average market price for the five preceding days of the date the debentures were sold) or 80% of the market price at the time the conversion occurs. Fifty percent of the debentures could be converted into company stock after 45 days and the remainder after 65 days for both debentures.

In March 1997, the SEC staff concluded that a beneficial conversion feature should be recognized and measured by allocating a portion of the proceeds equal to the intrinsic value of that feature to additional paid-in capital. That amount should be calculated at the date of issue as the difference between the conversion price and the fair value of the common stock into which the security is convertible, multiplied by the number of shares into which the security is convertible. Any discount resulting from the beneficial conversion feature increases the effective interest rate of the security and should be reflected as charge to interest expense.

The intrinsic value of the beneficial conversion feature as of date of issuance was \$382,000 on debentures No. 1 and \$398,000 on debentures No. 2 and, as a result, the Company has restated the previously reported financial statements for 1997 and 1996 as follows:

<TABLE>
<CAPTION>

	September 30,	
	----- 1997	1996 -----
<S>	<C>	<C>
Restated statement of operations:		
Increase in interest expense and increase		
in net (loss) attributable to common stockholders	\$642,000	\$138,000
Increase in net (loss) per common share	(\$0.07)	(\$0.02)
Restated balance sheet:		
Increase in accumulated deficit and		
increase in additional paid-in capital	780,000	

</TABLE>

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THE FEMALE HEALTH COMPANY AND SUBSIDIARIES

Unaudited Condensed Consolidated Balance Sheet

<TABLE>
<CAPTION>

	June 30, 1998 -----
<S>	<C>

ASSETS	
Current Assets:	
Cash and equivalents	\$2,203,481
Accounts receivable, net	862,357
Inventories, net	784,636
Prepaid expenses and other current assets	213,384

TOTAL CURRENT ASSETS	4,063,858
Intellectual property rights, net	938,956
Other assets	162,776
PROPERTY, PLANT AND EQUIPMENT	4,006,640
Less accumulated depreciation and amortization	(1,448,072)

Net Property, plant, and equipment	2,558,568

TOTAL ASSETS	\$7,724,158
	=====
LIABILITIES AND STOCKHOLDERS' EQUITY	
Current Liabilities:	
Notes payable, net of unamortized discount	\$ 767,538
Trade accounts payable	337,080
Accrued expenses and other current liabilities	301,677
Debt due within one year	641,173
Preferred dividends payable	116,686

TOTAL CURRENT LIABILITIES	2,164,154
Capital lease obligations	9,591
Deferred gain on lease of facility (see Note 3)	1,759,197
Other long-term liabilities	196,438

TOTAL LIABILITIES	4,129,380
STOCKHOLDERS' EQUITY:	
Convertible preferred stock	6,800
Common stock	104,158
Additional Paid-in-capital	43,667,433
Accumulated deficit	(40,610,254)
Translation gain	426,641

Total Stockholders' Equity	3,594,778

TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 7,724,158
	=====

</TABLE>

See notes to unaudited condensed consolidated financial statements.

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THE FEMALE HEALTH COMPANY AND SUBSIDIARIES

Unaudited Condensed Consolidated Statements of Operations

<TABLE>
<CAPTION>

	Three Months Ended June 30,	
	1998	1997 (a)
	-----	-----
<S>	<C>	<C>
Net revenues	\$1,114,919	
\$814,403		
Cost of products sold	990,383	799,239
	-----	-----
Gross margin (loss)	124,536	
15,164		
Advertising & Promotion	92,193	
173,158		
Selling, general and administrative	908,339	759,403

---	Total Operating Expenses	1,000,532	932,561
---	Operating loss (917,397)	(875,996)	
	Interest, net and other expense	39,109	153,348
---	Pretax loss (1,070,745)	(915,105)	
-	Provision for income taxes	----	---
---	Net loss (1,070,745)	(915,105)	
	Preferred dividends accreted, Series 2 (see Note 8)	----	----
-	Preferred dividends, Series 1	33,907	---
---	Net loss attributable to Common stockholders (1,070,745)	(949,012)	
=====			
	Basic and diluted net loss per common share outstanding	\$ (0.09)	
\$ (0.12)	Weighted average number of common shares outstanding	10,371,469	
9,161,125			
</TABLE>			

(a) Amounts have been restated see Note 7 of notes to unaudited condensed consolidated financial statements.

See notes to unaudited condensed consolidated financial statements.

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THE FEMALE HEALTH COMPANY AND SUBSIDIARIES
Unaudited Condensed Consolidated Statements of Operations

<TABLE>
<CAPTION>

	Nine Months Ended June 30,	
	1998	1997 (a)

<S>	<C>	<C>
Net revenues	\$4,040,672	
\$2,016,419		
Cost of products sold	4,082,175	2,859,138

Gross margin (loss)	(41,503)	
(842,719)		
Advertising & Promotion	371,421	
1,480,639		
Selling, general and administrative	2,165,007	2,102,503

Total Operating Expenses	2,536,428	3,583,142

---		-----	-----
---	Operating loss	(2,577,931)	
	(4,425,861)		
	Interest, net and other expense	124,714	944,080
---		-----	-----
---	Pretax loss	(2,702,645)	
	(5,369,941)		
	Provision for income taxes	----	---
-		-----	-----
---	Net loss	\$ (2,702,645)	
	\$(5,369,941)		
	Preferred dividends accreted, Series 2 (see Note 8)	817,000	----
	Preferred dividends, Series 1	101,720	---
-		-----	-----
---	Net loss attributable to Common stockholders	\$ (3,621,365)	
	\$(5,369,941)		
		=====	
	Basic and diluted net loss per common share outstanding	\$ (0.37)	\$
	(0.66)		
	Weighted average number of common shares outstanding	9,821,778	
	8,095,955		
	</TABLE>		

(a) Amounts have been restated see Note 7 of notes to unaudited condensed consolidated financial statements.

See notes to unaudited condensed consolidated financial statements.

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THE FEMALE HEALTH COMPANY AND SUBSIDIARIES

Unaudited Condensed Consolidated Statements of Cash Flows

<TABLE>
<CAPTION>

	----- Nine Months ended June 30, -----	
	1998	1997 (a)
	-----	-----
<S>	<C>	<C>
OPERATIONS:		
Net (loss)	\$ (2,702,645)	
\$(5,369,941)		
Adjusted for noncash and nonoperating items:		
Depreciation and amortization	442,140	
495,135		
Noncash interest expense	243,419	
577,574		
Amortization of discounts on convertible debentures	----	
642,000		
Reduction in inventory reserves	(652,192)	-

Reduction in accounts receivable reserves	(101,386)	-

Amortization of other assets	8,008	

Changes in operating assets and liabilities	148,006	
(809,443)		
	-----	-----

Net cash provided (used) in operating activities	(2,614,650)	
(4,464,675)		
INVESTING ACTIVITIES:		
Capital expenditures	(16,918)	
(82,178)		
Proceeds from repayment of note receivable	750,000	-

Lease of facility (see Note 3)	----	
3,291,410		

Net cash provided in investing activities	733,082	
3,209,232		
FINANCING ACTIVITIES:		
Borrowings	1,000,000	
2,507,602		
Debt repayments	(1,040,347)	
(4,040,848)		
Proceeds from the issuance of preferred stock	1,843,384	-

Proceeds from the issuance of common stock upon exercise of options and warrants	480,175	
776,352		

Net cash provided (used) by financing activities	2,283,212	
(756,894)		
Effect of exchange rate change on cash and equivalents	168,370	
(39,840)		

INCREASE (DECREASE) IN CASH AND EQUIVALENTS	570,014	
(2,052,177)		
Cash and equivalents at beginning of period	1,633,467	
2,914,080		
=====		
CASH AND EQUIVALENTS AT END OF PERIOD	\$2,203,481	
\$861,903		
=====		
Schedule of noncash financing and investing activities:		
Preferred dividends declared, Series 1	\$101,720	-

Preferred dividends accreted, Series 2	817,000	
Issuance of warrants on notes payable	297,500	-

Conversion of Preferred Stock into Common Stock	7,299	
Conversion of Convertible Debentures into Common Stock	----	
\$4,020,000		

</TABLE>

(a) Amounts have been restated see Note 7 of notes to unaudited condensed consolidated financial statements.

See notes to unaudited condensed consolidated financial statements.

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NOTE 1 - Basis of Presentation

The accompanying financial statements are unaudited but in the opinion of management contain all the adjustments (consisting of those of a normal recurring nature) considered necessary to present fairly the financial position and the results of operations and cash flow for the periods presented in conformity with generally accepted accounting principles for interim financial information and the instructions to Form 10-QSB and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements.

Operating results for the three months ended June 30, 1998 are not necessarily indicative of the results that may be expected for the fiscal year ending September 30, 1998. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's annual report on Form

NOTE 2 - Earnings Per Share

Basic and diluted net (loss) per Common share outstanding is based on the weighted average of shares of Common Stock outstanding during the period.

In February 1997, the Financial Accounting Standards Board issued Statement No. 128, Earnings Per Share. Statement No. 128 replaced the previously reported primary and fully diluted earnings per share with basic and diluted earnings per share. Unlike primary earnings per share, basic earnings per share excludes any dilutive effects of options, warrants, and convertible securities. Diluted earnings per share is very similar to the previously reported fully dilutive earnings per share. All earnings per share in the accompanying financial statements have been presented to conform to Statement No. 128 requirements. The Company has "in the money" options and warrants outstanding of 1,357,866 and 670,400 as of June 30, 1998 and 1997, respectively. The Company also has preferred stock outstanding as of June 30, 1998, which is convertible into 680,000 shares of common stock (see Note 5). The inclusion of the options, warrants and convertible preferred stock in the computation of diluted earnings per share would have resulted in a reduction of the loss per share (antidilutive) and therefore both basic and diluted earnings per share amounts were the same for each of the periods presented in the accompanying financial statements.

NOTE 3 - Lease of Manufacturing Facility

On December 10, 1996, the Company entered into what is in essence a sale and leaseback agreement with respect to its 40,000 square foot manufacturing facility located in London, England. The Company received 1,950,000 (Pounds) representing approximately \$3,365,000 for leasing the facility to a third party for a nominal annual rental charge and for providing the third party an option to purchase the facility for one pound during the period December 2006 to December 2027.

As part of the same transaction, the Company entered into an agreement to lease the facility back from the third party for base rents per year payable quarterly until 2016 of 195,000 (Pounds) representing approximately \$336,000. The lease is renewable through 2027. The Company was also required to make a security deposit of 195,000 (Pounds) representing approximately \$336,000 to be reduced in subsequent years. The facility had a net book value of 810,845 (Pounds) representing approximately \$1,398,819 on the date of the transaction. The 1,139,155 (Pounds) representing approximately \$1,966,181 gain which resulted from this transaction will be recognized ratably over the initial term of the lease.

Concurrent with this transaction, the Company repaid the mortgage loan on this property of 1,062,500 (Pounds) representing approximately \$1,834,000.

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NOTE 4 - Inventories

The components of inventory consist of the following:

<TABLE>
<CAPTION>

	June 30, 1998

<S>	<C>
Raw Material and work in process	\$ 569,585
Finished Goods	459,664

Inventory, Gross	1,029,249
Less: Inventory reserves	(244,613)
	=====
Inventory, net	\$ 784,636
	=====

</TABLE>

NOTE 5 - Sale of Convertible Preferred Stock

On December 31, 1997, the Company completed a private placement of 729,927 shares of Class A Convertible Preferred Stock - Series 2 (the "Series 2

Preferred Stock") and Warrants to purchase 240,000 shares of Common Stock. The Series 2 Preferred Stock was sold at a per share price of \$2.74, resulting in net proceeds to the Company of \$1.82 million, after commissions and expenses. The Series 2 Preferred Stock automatically converted into Common Stock on a one-for-one basis, on April 3, 1998, the date in which the registration statement registering the resale of the Common Stock was declared effective by the SEC. The investors received four-year Warrants to purchase 240,000 shares of Common Stock exercisable at a price per share equal to the lesser of \$3.425 or the average of the three closing bid prices per share of Common Stock for any three consecutive trading days chosen by the investor during the 30 trading day period ending on the trading day immediately prior to the exercise of the Warrants. Individuals providing services to the Company's placement agent for the above convertible Preferred Stock received Warrants to purchase 4,000 shares of Common Stock exercisable at any time prior to December 31, 2001, at \$4.11 per share.

In September 1997, the Company raised approximately \$1.6 million net proceeds, after issuance costs of \$96,252, in a private placement of 680,000 shares of 8% cumulative convertible Preferred Stock - Series 1. In addition, warrants to purchase 52,000 shares of Common Stock were issued to the placement agents. Each share of Preferred Stock is convertible into one share of the Company's Common Stock on or after August 1, 1998. Annual Preferred Stock dividends will be paid if and as declared by the Company's Board of Directors. No dividends or other distributions will be payable on the Company's Common Stock unless dividends are paid in full on the Preferred Stock. The shares may be redeemed at the option of the Company, in whole or in part, on or after August 1, 2000, subject to certain conditions, at \$2.50 per share plus accrued and unpaid dividends. In the event of a liquidation or dissolution of the Company, the Preferred Stock - Series 1 would have priority over the Company's Common Stock.

NOTE 6 - Financial Condition

The Company's consolidated financial statements have been prepared on a going concern basis which contemplates the realization of assets and the settlement of liabilities and commitments in the normal course of business. The Company incurred a loss of \$6.3 million for the year ended September 30, 1997, a loss of \$2.7 million for the nine months ended June 30, 1998 and as of June 30, 1998 had an accumulated deficit of \$40.6 million. At June 30, 1998, the Company had working capital of \$1.9 million and stockholders' equity of \$3.6 million. In the future, the Company expects to continue to broaden distribution of the Female Condom(TM) through expanding partnerships in the major markets including the United States, the European market and the developing World and to support its manufacturing operations to meet the increased demand. As a result, operations in the near future are expected to continue to use working capital. Management recognizes that the Company's continued operations depend on its ability to raise additional capital through a combination of equity or debt financing, strategic alliances and increased sales volumes. At various points during the developmental stage of the product, the Company was able to secure resources, in large part through the sale of equity and debt securities, to satisfy its

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funding requirements. As a result, the Company was able to obtain FDA approval, worldwide rights, manufacturing facilities and equipment and to commercially launch The Female Condom(TM).

Management believes that recent developments, including the broadening of distribution of the product under the Company's agreement with the UNAIDS, a joint United Nations program on HIV/AIDS, provide an indication of the Company's continued success in broadening awareness and distribution of the Female Condom. The expanding distribution may benefit efforts to raise additional capital and to secure additional agreements to promote and distribute the Female Condom throughout other parts of the world.

Management has held preliminary discussions with potential investors and financial institutions regarding the Company's capital requirements. These parties have expressed interest in providing financing under certain circumstances that may satisfy the Company's currently anticipated short-term requirements. Previously, the Company entered into an agreement with Vector Securities, International, Inc. (Vector), an investment banking firm specializing in providing financial advisory services to health care and life-science companies. Pursuant to this agreement, Vector is acting as the Company's exclusive financial advisor for the purpose of identifying and evaluating opportunities available to the Company for increasing shareholder value. These opportunities may include selling all or a portion of the business,

assets or stock of the Company or entering into one or more distribution arrangements relating to the Company's product. However, no specific opportunity has yet been identified and there can be no assurance that any such opportunities will be available to the Company or, if so available, that the Company will ultimately elect to consummate any such transaction. Further, there can be no assurance, assuming the Company raises additional funds or enters into business agreements with third parties, that the Company will achieve profitability or positive cashflow. If the Company is unable to obtain adequate financing, management will be required to curtail certain of the Company's operations or ultimately cease operations.

Note 7 - Restatement of 1997 Financial Statements

In March 1998, the Company discovered that its reporting of a charge to interest expense for the amortization of discounts associated with a "beneficial conversion feature" on two sets of convertible debentures issued in August 1996 and February 1997 was not in accord with a March, 1997 SEC decision regarding the reporting of such transactions. The first set of debentures was issued August 12, 1996 for \$2,000,000 at 8% and the second set of debentures was issued February 20, 1997 for \$2,020,000 at 8%, both maturing after 3 years. Both sets of convertible debentures included a conversion feature that was "in the money" as of the date of issuance (a "beneficial conversion feature"). The beneficial conversion feature allowed the debentures to be converted into Company Common stock at the lesser of \$5.275 per share for debentures No. 1 and \$2.875 per share for debentures No. 2 (representing the average market price for the five days preceding the date the debentures were sold) or 80% of the market price at the time the conversion occurs. Fifty percent of the debentures could be converted into Company Common stock after 45 days from the date of issuance and the remaining after 65 days for both debentures.

In March 1997, the SEC staff concluded that a beneficial conversion feature should be recognized and measured by allocating a portion of the proceeds equal to the intrinsic value of that feature to additional paid-in capital. That amount should be calculated at the date of issue as the difference between the conversion price and the fair value of the common stock into which the security is convertible. Any discount resulting from the beneficial conversion feature increases the effective interest rate of the security and should be reflected as a charge to interest expense. The intrinsic value of the beneficial conversion feature as of the date of issuance was \$382,000 on debentures No. 1 and \$398,000 on debentures No. 2 and, as a result, the Company has restated the previously reported unaudited condensed consolidated statements of operations for 1997 as follows:

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<TABLE>
<CAPTION>

	June 30, 1997	
	Three Months Ended	Six Months Ended
Increase in interest expense and increase in net loss attributable to common stockholders	\$ 98,000	\$ 642,000
Increase in net loss per common share outstanding	\$ (0.01)	\$ (0.08)

</TABLE>

Note 8 - Preferred Dividends, Series 2

The Company's \$2.0 million private placement of convertible Preferred Stock - Series 2 on December 31, 1997 included a beneficial conversion feature valued at \$500,000 and four-year warrants to purchase additional shares of common stock valued at \$317,000. In accordance with new SEC reporting requirements for such transactions, the Company recorded the value of the beneficial conversion feature and warrants, a total of \$817,000 as additional paid-in capital. The corresponding discount of \$817,000, associated with the issuance of the convertible preferred stock is a one-time, non-recurring charge that has been fully amortized and reflected as preferred dividends accreted in the consolidated statements of operations for the quarter and nine months ended June 30, 1998. The dividend accretion had no impact on the Company's cashflow from operations.

No dealer, salesperson or any other person has been authorized by the Company to give any information or to make any representations other than those contained in this Prospectus in connection with the offering made hereby, and, if given or made, such information or representations may not be relied upon. This Prospectus does not constitute an offer to sell or the solicitation of an offer to buy any securities other than those specifically offered hereby or an offer to sell, or a solicitation of an offer to buy, to any person in any jurisdiction in which such offer or solicitation would be unlawful. Neither the delivery of this Prospectus nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Company since any of the dates as of which information is furnished or since the date of this Prospectus.

THE FEMALE HEALTH COMPANY

2,413,124 SHARES OF COMMON STOCK

PROSPECTUS

_____, 1998

PART II

INFORMATION NOT REQUIRED IN THE PROSPECTUS

Item 24. Indemnification of Directors and Officers.

Pursuant to sections 180.0850 to 180.0859 of the Wisconsin Business Corporation Law, directors and officers of the Company are entitled to mandatory indemnification from the Company against certain liabilities and expenses (i) to the extent such officers or directors are successful in the defense of a proceeding and (ii) in proceedings in which the director or officer is not successful in the defense thereof, unless (in the latter case only) it is determined that the director or officer breached or failed to perform his duties to the Company and such breach or failure constitute: (a) willful failure to deal fairly with the Company or its shareholders in connection with a matter in which the director or officer had a material conflict of interest; (b) a violation of the criminal law unless the director or officer had reasonable cause to believe his or her conduct was lawful or had no reasonable cause to believe his or her conduct was unlawful; (c) a transaction from which the director or officer derived an improper personal profit; or (d) willful misconduct. It should be noted that section 180.0859 of the Wisconsin Business Corporation Law specifically states that it is the public policy of Wisconsin to require or permit indemnification in connection with a proceeding involving securities regulation, as described therein, to the extent required or permitted under sections 180.0850 to 180.0858 as described above. Additionally, under the Wisconsin Business Corporation law, directors of the Company are not subject to personal liability to the Company, its shareholders or any person asserting rights on behalf thereof for certain breaches or failures to perform any duty resulting solely from their status as such directors, except in circumstances paralleling those in subparagraphs (a) through (d) outlined above.

Consistent with sections 180.0850 to 180.0859 of the Wisconsin Business Corporation Law, Article VIII of the Company's By-Laws provides that the Company shall indemnify any person in connection with legal proceedings threatened or brought against him by reason of his present or past status as an

officer or director of the Company in the circumstances described above. Article VIII of the By-Laws also provides that the directors of the Company are not subject to personal liability to the Company, its shareholders or persons asserting rights on behalf thereof, as provided in the Wisconsin Business Corporation Law. The By-Laws also contain a nonexclusivity clause which provides in substance that the indemnification rights under the By-Laws shall not be deemed exclusive of any other rights to which those seeking indemnification may be entitled under any agreement with the Company, any By-Law or otherwise.

The indemnification provided as set forth above is not exclusive of any other rights to which a director or an officer of the Company may be entitled.

The general effect of the foregoing provisions is to reduce the circumstances in which an officer or director may be required to bear the economic burdens of the foregoing liabilities and expenses.

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Item 25. Other Expenses of Issuance and Distribution.

The expenses in connection with the offering are as follows:

Item	Amount*
Registration fee.....	\$ 1,026
American Stock Exchange Listing expenses.....	17,500
Printing expenses.....	5,000
Legal fees and expenses.....	25,000
Accounting fees and expenses.....	10,000
Miscellaneous expenses.....	5,000

Total.....	\$63,526
	=====

* All amounts estimated except the registration fee and the American Stock Exchange Listing expenses.

Item 26. Recent Sales of Unregistered Securities.

On November 21, 1995, the Company borrowed \$1 million from an affiliate of Mr. Dearholt, a current director of the Company, under a one-year note payable in full on November 20, 1996. As part of this transaction, Mr. Dearholt guaranteed the Company's obligations under the \$1 million promissory note. In consideration of the transaction, the Company issued warrants to each of Mr. Dearholt and the lender, which entitle each of them to purchase 10,000 shares of the Company's Common Stock at \$3.00 per share, which represented the average trading price of the Company's Common Stock for the five trading days prior to the issuance of such warrants. The warrants expire on November 20, 2000.

On March 12, 1996, the Company entered into an agreement with John A. Wundrock and Thomas J. Bonesho, two of its former directors. Pursuant to this agreement, the Company acknowledged the Mr. Wundrock and Mr. Bonesho incurred \$67,186.87 of expenses in connection with the Company's special meeting proxy related to the approval of the sale of WPC Holdings, Inc., a former subsidiary of the Company, and the change in the Company's name. In accordance with this agreement, the Company agreed to reimburse Messrs. Wundrock and Bonesho for such expenses by issuing them 15,580 shares of the Company's Common Stock, representing the number of shares required to reimburse them for such expenses based on the last sale price of the Company's Common Stock on March 11, 1996.

On March 25, 1996, the Company borrowed \$1 million from Mr. Dearholt under a one-year note payable in full on April 25, 1997. As part of the transaction, the Company issued to Mr. Dearholt and his affiliate, warrants to purchase 200,000 and 20,000 shares of the Company's Common Stock, respectively, at \$3.10 per share. The \$3.10 per share price represented the average trading price of the Company's Common Stock for the five trading days immediately prior to the transaction. The warrants expire on March 25, 2001.

On March 25, 1997, the Company refinanced its \$1 million borrowing from Mr. Dearholt by extending the one-year note payable for an additional year to be payable in full on March 25, 1998. Then again on March 25, 1998, the Company and Mr. Dearholt agreed to extend the promissory note for an additional one year to be payable in full on March 25, 1999. As part of these transactions, on the date of each extension, the Company issued to Mr. Dearholt warrants to purchase 200,000 shares of the Company's Common Stock at exercise prices of \$1.848 and \$2.25 per share, respectively. These exercise prices represented the average

trading price of the Company's Common Stock for the five trading days immediately prior to each of the refinancings. The warrants expire on the earlier of their exercise or five years after the date of their issuance.

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The Company believes that the sales described above were exempt from registration under section 4(2) of the Securities Act and/or Regulation D promulgated under the Securities Act because such sales were made to a limited group of persons, each of whom was believed to have been a sophisticated investor and each of whom had a pre-existing business or personal relationship with the Company or its management and since each person was purchasing for investment without a view to further distribution. Restrictive legends were placed on all instruments evidencing the securities described above.

On September 12, 1996, the Company completed a Regulation S offering to five offshore institutional investors selling to such investors 8% cumulative convertible debentures for an aggregate principal amount of \$2 million. The debentures are convertible into the Company's Common Stock. In addition, the debenture holders received warrants to purchase 40,201 shares of the Company's Common Stock at an exercise price of \$5.72 per share.

On February 20, 1997, the Company sold \$2,020,000 of 8% convertible debentures and related warrants to eight foreign investors pursuant to the exemption from the securities registration requirement provided by Regulation S promulgated under the Securities Act of 1933, as amended. The convertible debentures mature on January 31, 2000 and bear interest at 8% per annum, payable semiannually. The convertible debentures are convertible at the election of the holders into shares of Common Stock in accordance with their terms. As required by Regulation S, the Company offered and sold the convertible debentures and warrants in an offshore transaction only to non-U.S. persons. The Company did not use the services of an underwriter in this offering but, rather, European American Services, Inc. acted as a distributor for the offering. For its services as the distributor, European American Services, Inc. received a placement fee of 7% of the principal amount of the debentures sold. In connection with this Regulation S offering, the investors also received warrants to purchase a total of 67,333 shares of the Company's Common Stock at an exercise price of \$5.00 per share. The warrants expire on October 30, 1999.

The Company believes the above transactions were exempt from the securities registration requirement pursuant to Regulation S promulgated under the Securities Act because such sales were made to nonresidents of the United States in an offshore transaction without any directed selling efforts made in the United States by the Company, any distributor or any of their respective affiliates or any persons acting on behalf of any of such parties. In addition, the Company believes it implemented all offering restrictions and complied with all of the terms and conditions of Regulation S which were imposed on the issuer of the securities as of the date of each offering.

On July 29, 1997, the Company completed a private placement of 680,000 shares of Class A Convertible Preferred Stock--Series 1 (the "Series 1 Preferred Stock") to a group of accredited investors. Each share of the Series 1 Preferred Stock was sold for \$2.50. In connection with this private placement, the Company issued to the placement agents in the offering warrants exercisable for a total of 52,000 shares of Common Stock at an exercise price of \$2.50 per share. The Company also paid the placement agents a cash commission equal to 7% of the proceeds received by the Company from sales made by the placement agents. The Company raised approximately \$1.6 million of proceeds, net of issuance costs of \$96,252. The Company believes that it has satisfied the exemption from the securities registration requirement provided by section 4(2) of the Securities Act and Regulation D promulgated thereunder in this offering in that the securities were sold in a private placement to only accredited investors, most of whom had a pre-existing personal or business relationship with the Company or its officers or directors and each of whom provided representations which the Company deemed necessary to satisfy itself that they were accredited investors and were purchasing for investment and not with a view to resale in connection with a public offering.

On December 31, 1997, the Company sold 729,927 shares of Class A Convertible Preferred Stock--Series 2 ("Series 2 Preferred Stock") and warrants to purchase 240,000 shares of the Company's Common Stock to three institutional accredited investors pursuant to section 4(2) of the Securities Act and Regulation D promulgated thereunder. Each share of Series 2 Preferred Stock was sold for \$2.74. This

private placement netted the Company \$1.82 million, after deduction for expenses and commissions. In connection with this private placement, the Company issued to its placement agent in the offering warrants to purchase 4,000 shares of the Company's Common Stock at an exercise price of \$4.11 per share. The Company also paid the placement agent a commission equal to 7% of the gross proceeds raised by the Company in this offering. The warrants issued to the investors are exercisable at an exercise price per share equal to the lesser of (a) \$3.25 or (b) the average of the three closing bid prices per share of the Company's Common Stock for any three consecutive trading days selected by the holder in the 30 consecutive trading day period ending on the trading day immediately prior to the date of exercise. Both the warrants issued to the investors and the warrants issued to the Company's placement agent in this offering expire on December 31, 2001. The Company believes that it has satisfied the exemption from the securities registration requirement provided by section 4(2) of the Securities Act and Regulation D promulgated thereunder in this offering in that the securities were sold in a private placement to only sophisticated, institutional, accredited investors, each of whom provided representations which the Company deemed necessary to satisfy itself that they were accredited investors and were purchasing for investment and not with a view to resale in connection with a public offering.

Item 27. Exhibits. The following exhibits are filed as part of this Registration Statement.

<TABLE>

<CAPTION>

Exhibit No.	Description
<S>	<C>
3.1	Amended and Restated Articles of Incorporation of the Company.1
3.2	Amended and Restated By-Laws of the Company.2
4.1	Amended and Restated Articles of Incorporation (same as Exhibit 3.1).1
4.2	Articles II, VII and XI of the Amended and Restated By-Laws of the Company (included in Exhibit 3.2).2
4.3	Private Equity Line of Credit Agreement between the Company and Kingsbridge Capital Limited dated November 19, 1998.
4.4	Registration Rights Agreement between the Company and Kingsbridge Capital Limited dated as of November 19, 1998.
4.5	Warrant to Purchase up to 200,000 shares of Common Stock of the Company issued to Kingsbridge Capital Limited as of November 19, 1998.
10.1	Employment Agreement between John Wundrock and the Company dated October 1, 1989.1
10.2	Wisconsin Pharmacal Company, Inc. (k/n/a The Female Health Company) 1990 Stock Option Plan.3
10.3	Commercial Building Lease dated May 1, 1992 covering the Jackson, Wisconsin, office and manufacturing facility.4
10.4	Reality Female Condom Clinical Trial Data Agreement between the Company and Family Health International dated September 24, 1992.5
10.5	Trademark License Agreement for Reality Trademark.6

</TABLE>

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<TABLE>

<S>	<C>
10.6	Office space lease between the Company and John Hancock Mutual Life Insurance Company dated June 1, 1994.7
10.7	Employment Agreement dated September 10, 1994 between the Company and Dr. Mary Ann Leeper.8
10.8	1994 Stock Option Plan.9
10.9	Investor relations and development services Consulting Agreement between the Company and C.C.R.I. Corporation dated March 13, 1995.10
10.10	Consultant Warrant Agreement dated March 13, 1995 between the Company

and C.C.R.I. Corporation, as amended on April 22, 1996.11

- 10.11 Offshore Securities Subscription Agreement for the sale of 370,000 shares of Company Common Stock dated February 7, 1995.10
- 10.12 Offshore Securities Subscription Agreement for the sale of 100,000 shares of Company Common Stock dated February 7, 1995.10
- 10.13 Offshore Securities Subscription Agreement for the sale of 500,000 shares of Company Common Stock dated February 7, 1995.10
- 10.14 Settlement Agreement and Mutual Release of All Claims between WPC Holdings, Inc., Reflect, Inc. and the Company dated June 15, 1995.11
- 10.15 Stock Purchase Agreement by and between WPC Acquisition Corporation and the Company dated June 20, 1995.12
- 10.16 Agreement relating to the acquisition of the entire issued share capital of Chartex Resources Limited and exhibits thereto.13
- 10.17 Company Promissory Note payable to Stephen M. Dearholt for \$1 million dated March 25, 1996 and related Note Purchase and Warrant Agreement, Warrants and Stock Issuance Agreement.12
- 10.18 Outside Director Stock Option Plan.11
- 10.19 Exclusive Distribution Agreement between Chartex International Plc and Taiho Pharmaceutical Co., Ltd. dated October 18, 1994.14
- 10.20 Supply Agreement between Chartex International Plc and Deerfield Urethane, Inc. dated August 17, 1994.14
- 10.21 Employment Letter dated February 28, 1990 from Chartex Resources Ltd. to Michael Pope and Board amendments thereto.14

</TABLE>

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<TABLE>

- <S>
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Grant Letter dated March 7, 1996 from the Government Office for London of the Secretary of State of Trade and Industry regarding economic development grant to the Company.14
- 10.23 Letter Amendment to Asset Sale Agreement dated April 29, 1996 between the Company and Dowty Seals Limited and Chartex International Plc.14
- 10.24 Form of Offshore Securities Subscription Agreement entered into between the Company and certain foreign investors on September 12, 1996.15
- 10.25 Form of 8% Convertible Debenture due August 31, 1999 issued by the Company to certain foreign investors on September 12, 1996.15
- 10.26 Form of Warrant issued by the Company to certain foreign investors as of September 12, 1996.15
- 10.27 Fund Raising Agreement dated May 1, 1998 by and between Hartinvest-Medical Ventures and the Company.
- 21 Subsidiaries of Registrant.
- 23 Consent of McGladrey & Pullen, LLP

</TABLE>

[FN]
1 Incorporated herein by reference to the Company's Registration Statement on Form S-18, Registration No. 33-35096, as filed with the Securities and Exchange Commission on May 25, 1990.

2 Incorporated herein by reference to the Company's 1995 Form 10-KSB.

- 3 Incorporated herein by reference to the Company's December 31, 1990 Form 10-Q.
- 4 Incorporated herein by reference to the Company's June 30, 1992 Form 10-Q.
- 5 Incorporated herein by reference to Pre-Effective Amendment No. 1 to the Company's Registration Statement on Form S-1, Registration No. 33-51586, as filed with the Securities and Exchange Commission on September 28, 1992.
- 6 Incorporated herein by reference to the Company's 1992 Form 10-KSB.
- 7 Incorporated herein by reference to the Company's June 30, 1994 Form 10-Q.
- 8 Incorporated herein by reference to the Company's Registration Statement on Form S-2, Registration No. 33-84524, as filed with the Securities and Exchange Commission on September 28, 1994.
- 9 Incorporated herein by reference to the Company's 1994 Form 10-KSB.
- 10 Incorporated herein by reference to the Company's March 31, 1995 Form 10-Q.
- </FN>

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- [FN]
- 11 Incorporated herein by reference to the Company's Form S-1 Registration Statement filed with the Securities and Exchange Commission on April 23, 1996.
- 12 Incorporated herein by reference to the Company's June 30, 1995 Form 10-Q.
- 13 Incorporated herein by reference to the Company's Current Report on Form 8-K dated November 20, 1995.
- 14 Incorporated herein by reference to Pre-Effective Amendment No. 1 to the Company's Form S-1 Registration Statement filed with the Securities and Exchange Commission on June 5, 1996.
- 15 Incorporated herein by reference to the Company's 1996 Form 10-K.
- [FN]

Item 28. Undertakings.

The small business issuer hereby undertakes as follows:

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

(b) File, during any period in which offers and sales of securities may be made pursuant to this registration, a post-effective amendment to this registration statement to:

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

(ii) reflect in the prospectus any facts or events which, individually or together, represent a fundamental change in the information in the registration statement; and

(iii) include any additional or changed material information on the plan of distribution.

(c) For determining liability under the Securities Act, treat each post-effective amendment as a new registration statement of the securities offered, and the offering of the securities at that time to be the initial bona fide offering.

(d) File a post-effective amendment to remove from registration any of the securities that remain unsold at the end of the offering.

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SIGNATURES

In accordance with the requirements of the Securities Act of 1933, the registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form SB-2 and authorized this Registration Statement to be signed on its behalf by the undersigned, in the City of Chicago, State of Illinois, on the 1st day of December, 1998.

THE FEMALE HEALTH COMPANY

BY /s/ O.B. Parrish

Its Chief Executive Officer

Pursuant to the requirements of the Securities Act of 1933, this registration statement has been signed below by the following persons in the capacities and on the dates indicated:

<TABLE>
<CAPTION>

Signature <S>	Title <C>	Date <C>
<u>/s/ O.B. Parrish</u> O.B. Parrish	Chairman of the Board, Chief Executive Officer, acting Principal Financial Officer, acting Principal Accounting Officer and Director	December 1, 1998
<u>/s/ William R. Gargiulo, Jr.</u> William R. Gargiulo, Jr.	Secretary and Director	December 1, 1998
<u>/s/ Mary Ann Leeper, Ph.D.</u> Mary Ann Leeper, Ph.D.	President and Chief Operating Officer and Director	December 1, 1998
<u>David R. Bethune</u>	Director	_____, 1998
<u>/s/ Stephen M. Dearholt</u> Stephen M. Dearholt	Director	December 1, 1998

</TABLE>

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EXHIBIT INDEX

<TABLE>
<CAPTION>

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4.4	Registration Rights Agreement between the Company and Kingsbridge Capital Limited dated November 19, 1998	

4.5	Warrant to purchase up to 200,000 shares of Common Stock of the Company issued to Kingsbridge Capital Limited as of November 19, 1998
10.27	Fund-Raising Agreement dated May 1, 1998 by and between Hartinvest-Medical Ventures and the Company
21	Subsidiaries of Registrant
23	Consent of McGladrey & Pullen, LLP

</TABLE>

EXHIBIT 4.3

PRIVATE EQUITY LINE AGREEMENT

BY AND BETWEEN

KINGSBRIDGE CAPITAL LIMITED

AND

THE FEMALE HEALTH COMPANY

DATED AS OF NOVEMBER 19, 1998

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PRIVATE EQUITY LINE AGREEMENT

BY AND BETWEEN

KINGSBRIDGE CAPITAL LIMITED

AND

THE FEMALE HEALTH COMPANY

DATED AS OF NOVEMBER 19, 1998

This PRIVATE EQUITY LINE AGREEMENT is entered into as of the 19th day of November, 1998 (this "Agreement"), by and between KINGSBRIDGE CAPITAL LIMITED (the "Investor"), an entity organized and existing under the laws of the British Virgin Islands, and The Female Health Company, a corporation organized and existing under the laws of the State of Wisconsin (the "Company").

WHEREAS, the parties desire that, upon the terms and subject to the conditions contained herein, the Company shall issue and sell to the Investor, from time to time as provided herein, and the Investor shall purchase, up to \$6,000,000 of the Common Stock (as defined below); and

WHEREAS, such investments will be made in reliance upon the provisions of Section 4(2) ("Section 4(2)") and Regulation D ("Regulation D") of the United States Securities Act of 1933, as amended and the rules and regulations promulgated thereunder (the "Securities Act"), and/or upon such other exemption from the registration requirements of the Securities Act as may be available with respect to any or all of the investments in Common Stock to be made hereunder.

NOW, THEREFORE, the parties hereto agree as follows:

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ARTICLE I
CERTAIN DEFINITIONS

Section 1.1 "Average Daily Trading Volume" Section 1.1 Average Daily Trading Volume Section 1.1 Average Daily Trading Volume shall mean, with respect to any date, the average of the daily trading volumes for the Common Stock on the Principal Market for the twenty (20) Trading Days immediately preceding such date.

Section 1.2 "Bid Price" Section 1.2 Bid Price Section 1.2 Bid Price shall mean the closing bid price (as reported by Bloomberg L.P.) of the Common Stock on the Principal Market.

Section 1.3 "Blackout Shares" Section 1.3 Blackout Shares Section 1.3 Blackout Shares shall have the meaning assigned to them in Section 2.6.

Section 1.4 "Capital Shares" Section 1.4 Capital Shares Section 1.4 Capital Shares shall mean the Common Stock and any shares of any other class of common stock whether now or hereafter authorized, having the right to participate in the distribution of dividends (as and when declared) and assets (upon liquidation of the Company).

Section 1.5 "Ceiling Price" shall mean one hundred fifty percent (150%) of the Bid Price of the Common Stock on the Subscription Date. Section 1.5 "Ceiling Price" shall mean one hundred fifty percent (150%) of the Bid Price of the Common Stock on the Subscription Date. Section 1.5 "Ceiling Price" shall mean one hundred fifty percent (150%) of the Bid Price of the Common Stock on the Subscription Date.

Section 1.6 "Closing" shall mean one of the closings of a purchase and sale of the Common Stock pursuant to Section 2.1.

Section 1.7 "Closing Date" Section 1.7 Closing Date Section 1.7 Closing Date shall mean, with respect to a Closing, the third Trading Day following the Put Date related to such Closing, provided all conditions to such Closing have been satisfied on or before such Trading Day.

Section 1.8 "Commitment Period" Section 1.8 Commitment Period Section 1.8 Commitment Period shall mean the period commencing on the earlier to occur of (i) the Effective Date or (ii) such earlier date as the Company and the Investor may mutually agree in writing, and expiring on the earlier to occur of (x) the date on which the Investor shall have purchased Put Shares pursuant to this

Agreement for an aggregate Purchase Price of the Maximum Commitment Amount, (y) the date this Agreement is terminated pursuant to Section 2.4, or (z) the date occurring twenty four (24) months from the date of commencement of the Commitment Period.

Section 1.9 "Common Stock" Section 1.9 Common Stock Section 1.9 Common Stock shall mean the Company's common stock, \$.01 par value per share.

Section 1.10 "Common Stock Equivalents" Section 1.10 Common Stock Equivalents Section 1.10 Common Stock Equivalents shall mean any securities that are convertible into or exchangeable for Common Stock or any warrants, options or other rights to subscribe for or purchase Common Stock or any such convertible or exchangeable securities.

Section 1.11 "Condition Satisfaction Date" Section 1.11 Condition Satisfaction Date Section 1.11 Condition Satisfaction Date shall have the meaning set forth in Section 7.2 of this Agreement.

Section 1.12 "Damages" Section 1.12 Damages Section 1.12 Damages shall mean any loss, claim, damage, liability, costs and expenses (including, without limitation, reasonable attorneys' fees and disbursements and costs and expenses of expert witnesses and investigation).

Section 1.13 "Discount" Section 1.13 Discount Section 1.13 Discount shall mean twelve percent (12%); provided, however, that if the Market Price of the Common Stock for a Valuation Period is less than two dollars (\$2.00) then the Discount shall be eighteen percent (18%) in respect of the applicable Put.

Section 1.14 "Effective Date" Section 1.14 Effective Date Section 1.14 Effective Date shall mean the date on which the SEC first declares effective a Registration Statement registering resale of the Registrable Securities as set forth in Section 7.2(a).

Section 1.15 "Escrow Agreement" Section 1.15 Escrow Agreement Section 1.15 Escrow Agreement shall mean the escrow agreement in the form of Exhibit A entered into pursuant to Section 7.2(o) hereof.

Section 1.16 "Exchange Act" Section 1.16 Exchange Act Section 1.16 Exchange Act shall mean the Securities Exchange Act of 1934, as amended and the rules and regulations promulgated thereunder.

Section 1.17 "Floor Price" Section 1.17 Floor Price Section 1.17 Floor Price shall mean one dollar (\$1.00) per share.

Section 1.18 "Investment Amount" Section 1.18 Investment Amount Section 1.18 Investment Amount shall mean the dollar amount (within the range specified in Section 2.2) to be invested by the Investor to purchase Put Shares with respect to any Put Date as notified by the Company to the Investor in accordance with Section 2.2 hereof.

Section 1.19 "Legend" Section 1.19 Legend Section 1.19 Legend shall have the meaning specified in Section 8.1.

Section 1.20 "Market Price" Section 1.20 Market Price Section 1.20 Market Price on any given date shall mean the average of the lowest intra-day bid prices of the Common Stock over the Valuation Period. "Lowest intra-day bid price" shall mean the lowest price bid for the Common Stock (as reported by Bloomberg L.P.) during any Trading Day.

Section 1.21 "Maximum Commitment Amount" Section 1.21 Maximum Commitment Amount Section 1.21 Maximum Commitment Amount shall mean \$6,000,000.

Section 1.22 "Minimum Commitment Amount" Section 1.22 Minimum Commitment Amount Section 1.22 Minimum Commitment Amount shall mean \$1,000,000.

Section 1.23 "Material Adverse Effect" Section 1.23 Material Adverse Effect Section 1.23 Material Adverse Effect shall mean any effect on the business, operations, properties or financial condition of the Company that is material and adverse to the Company or to the Company and such other entities controlling or controlled by the Company, taken as a whole, and/or any condition, circumstance, or situation that would prohibit or otherwise interfere with the ability of the Company to enter into and perform its obligations under any of (i) this Agreement, (ii) the Registration Rights Agreement, (iii) the Escrow Agreement and (iv) the Warrant.

Section 1.24 "Maximum Put Amount" Section 1.24 Maximum Put Amount Section 1.24 Maximum Put Amount shall mean with respect to any Put the amount determined in accordance with the table set forth on Annex A hereto.

Section 1.25 "Minimum Put Amount" Section 1.25 Minimum Put Amount Section 1.25 Minimum Put Amount shall mean \$100,000.

Section 1.26 "NASD" Section 1.26 NASD Section 1.26 NASD shall mean the National Association of Securities Dealers, Inc.

Section 1.27 "Outstanding" Section 1.27 Outstanding Section 1.27 Outstanding when used with reference to Common Shares or Capital Shares (collectively the "Shares"), shall mean, at any date as of which the

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number of such Shares is to be determined, all issued and outstanding Shares, and shall include all such Shares issuable in respect of outstanding scrip or any certificates representing fractional interests in such Shares; provided, however, that "Outstanding" shall not refer to any such Shares then directly or indirectly owned or held by or for the account of the Company.

Section 1.28 "Person" Section 1.28 Person Section 1.28 Person shall mean an individual, a corporation, a partnership, an association, a trust or other entity or organization, including a government or political subdivision or an agency or instrumentality thereof.

Section 1.29 "Preferred Stock" Section 1.29 Preferred Stock Section 1.29 Preferred Stock shall mean the Company's Class A preferred stock, par value \$.01 per share, in whatever series issued.

Section 1.30 "Principal Market" Section 1.30 Principal Market Section 1.30 Principal Market shall mean the American Stock Exchange, the Nasdaq National Market, the Nasdaq SmallCap Market or the New York Stock Exchange, whichever is at the time the principal trading exchange or market for the Common Stock.

Section 1.31 "Purchase Price" Section 1.31 Purchase Price Section 1.31 Purchase Price shall mean, with respect to a Put, the Market Price on the applicable Put Date (or such other date on which the Purchase Price is calculated in accordance with the terms and conditions of this Agreement) less the product of the Discount and the Market Price; provided, however, that in no event shall the Purchase Price be greater than the Ceiling Price.

Section 1.32 "Put" Section 1.32 Put Section 1.32 Put shall mean each occasion the Company elects to exercise its right to tender a Put Notice requiring the Investor to purchase a specified amount of the Company's Common Stock, subject to the terms and conditions of this Agreement.

Section 1.33 "Put Date" Section 1.33 Put Date Section 1.33 Put Date shall mean the Trading Day during the Commitment Period that a Put Notice to sell Common Stock to the Investor is deemed delivered pursuant to Section 2.2(b) hereof.

Section 1.34 "Put Notice" Section 1.34 Put Notice Section 1.34 Put Notice shall mean a written notice to the Investor setting forth the Investment Amount that the Company intends to require the Investor to purchase pursuant to the terms of this Agreement.

Section 1.35 "Put Shares" Section 1.35 Put Shares Section 1.35 Put Shares shall mean all shares of Common Stock issued or issuable pursuant to a Put that has been exercised or may be exercised in accordance with the terms and conditions of this Agreement.

Section 1.36 "Registrable Securities" Section 1.36 Registrable Securities Section 1.36 Registrable Securities shall mean the (i) Put Shares, (ii) the Warrant Shares, (iii) the Blackout Shares and (iv) any securities issued or issuable with respect to any of the foregoing by way of exchange, stock dividend or stock split or in connection with a combination of shares, recapitalization, merger, consolidation or other reorganization or otherwise. As to any particular Registrable Securities, once issued such securities shall cease to be Registrable Securities when (w) the Registration Statement has been declared effective by the SEC and all Registrable Securities have been disposed of pursuant to the Registration Statement, (x) all Registrable Securities have been sold under circumstances under which all of the applicable conditions of Rule 144 (or any similar provision then in force) under the Securities Act ("Rule 144") are met, (y) such time as all Registrable Securities have been otherwise transferred to holders who may trade such shares without restriction under the

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Securities Act, and the Company has delivered a new certificate or other evidence of ownership for such securities not bearing a restrictive legend or (z) in the opinion of counsel to the Company, which counsel shall be reasonably acceptable to the Investor, all Registrable Securities may be sold without registration or the need for an exemption from any registration requirements and without any time, volume or manner limitations pursuant to Rule 144(k) (or any similar provision then in effect) under the Securities Act.

Section 1.37 "Registration Rights Agreement" Section 1.37 Registration Rights Agreement Section 1.37 Registration Rights Agreement shall mean the registration rights agreement in the form of Exhibit B hereto.

Section 1.38 "Registration Statement" Section 1.38 Registration Statement Section 1.38 Registration Statement shall mean a registration statement on Form SB-2 (if use of such form is then available to the Company pursuant to the rules of the SEC and, if not, on such other form promulgated by the SEC for which the Company then qualifies and which counsel for the Company shall deem appropriate and which form shall be available for the resale of the Registrable Securities to be registered thereunder in accordance with the provisions of this Agreement, the Registration Rights Agreement, and the Warrant and in accordance with the intended method of distribution of such securities), for the registration of the resale by the Investor of the Registrable Securities under the Securities Act.

Section 1.39 "Regulation D" Section 1.39 Regulation D Section 1.39 Regulation D shall have the meaning set forth in the recitals of this Agreement.

Section 1.40 "SEC" Section 1.40 SEC Section 1.40 SEC shall mean the Securities and Exchange Commission.

Section 1.41 "Section 4(2)" Section 1.41 Section 4(2) Section 1.41 Section 4(2) shall have the meaning set forth in the recitals of this Agreement.

Section 1.42 "Securities Act" Section 1.42 Securities Act Section 1.42 Securities Act shall have the meaning set forth in the recitals of this Agreement.

Section 1.43 "SEC Documents" Section 1.43 SEC Documents Section 1.43 SEC Documents shall mean the Company's latest Form 10-K as of the time in question, all Forms 10-Q and 8-K filed thereafter, and the Proxy Statement for its latest fiscal year as of the time in question until such time the Company no longer has an obligation to maintain the effectiveness of a Registration Statement as set forth in the Registration Rights Agreement.

Section 1.44 "Subscription Date" Section 1.44 Subscription Date Section 1.44 Subscription Date shall mean the date on which this Agreement is executed and delivered by the parties hereto.

Section 1.45 "Trading Cushion" Section 1.45 Trading Cushion Section 1.45 Trading Cushion shall mean the mandatory twenty (20) Trading Days between Put Dates.

Section 1.46 "Trading Day" Section 1.46 Trading Day Section 1.46 Trading Day shall mean any day during which the Principal Market shall be open for business.

Section 1.47 "Underwriter" Section 1.47 Underwriter Section 1.47 Underwriter shall mean any underwriter participating in any disposition of the Registrable Securities on behalf of the Investor pursuant to the Registration Statement.

Section 1.48 "Valuation Event" Section 1.48 Valuation Event Section 1.48 Valuation Event shall mean an event in which the Company at any time during a Valuation Period takes any of the following actions:

- (a) subdivides or combines its Common Stock;
- (b) pays a dividend in its Capital Stock or makes any other distribution of its Capital Shares, except for dividends paid with respect to the Preferred Stock;
- (c) issues any additional Capital Shares ("Additional Capital Shares"), otherwise than as provided in the foregoing Subsections (a) and (b) above, at a price per share less, or for other consideration lower, than the Bid Price in effect immediately prior to such issuance, or without consideration;

(d) issues any warrants, options or other rights to subscribe for or purchase any Additional Capital Shares and the price per share for which Additional Capital Shares may at any time thereafter be issuable pursuant to such warrants, options or other rights shall be less than the Bid Price in effect immediately prior to such issuance;

(e) issues any securities convertible into or exchangeable for Capital Shares and the consideration per share for which Additional Capital Shares may at any time thereafter be issuable pursuant to the terms of such convertible or exchangeable securities shall be less than the Bid Price in effect immediately prior to such issuance;

(f) makes a distribution of its assets or evidences of indebtedness to the holders of its Capital Shares as a dividend in liquidation or by way of return of capital or other than as a dividend payable out of earnings or surplus legally available for dividends under applicable law or any distribution to such holders made in respect of the sale of all or substantially all of the Company's assets (other than under the circumstances provided for in the foregoing subsections (a) through (e)); or

(g) takes any action affecting the number of Outstanding Capital Shares, other than an action described in any of the foregoing Subsections (a) through (f) hereof, inclusive, which in the opinion of the Company's Board of Directors, determined in good faith, would have a materially adverse effect upon the rights of the Investor at the time of a Put or exercise of the Warrant.

Section 1.49 "Valuation Period" Section 1.49 Valuation Period Section 1.49 Valuation Period shall mean the period of five (5) Trading Days during which the Purchase Price of the Common Stock is valued, which period shall be with respect to the Purchase Price on any Put Date, the two (2) Trading Day preceding and the two (2) Trading Days following the Trading Day on which the applicable Put Notice is deemed to be delivered, as well as the Trading Day on which such notice is deemed to be delivered; provided, however, that if a Valuation Event occurs during any Valuation Period, a new Valuation Period shall begin on the Trading Day immediately after the occurrence of such Valuation Event and end on the fifth Trading Day thereafter.

Section 1.50 "Warrant" Section 1.50 Warrant Section 1.50 Warrant shall mean the Warrant in the form of Exhibit C hereto issued pursuant to Section 2.5 of this Agreement.

Section 1.51 "Warrant Shares" Section 1.51 Warrant Shares Section 1.51 Warrant Shares shall mean all shares of Common Stock issued or issuable pursuant to exercise of the Warrant.

ARTICLE II
PURCHASE AND SALE OF COMMON STOCK; TERMINATION OF
OBLIGATIONS; WARRANT; BLACKOUT SHARES

Section 2.1 Investments Section 2.1 Investments Section 2.1 Investments.

(a) Puts. Upon the terms and conditions set forth herein (including, without limitation, the provisions of Article VII hereof), on any Put Date the Company may exercise a Put by the delivery of a Put Notice. The number of Put Shares that the Investor shall receive pursuant to such Put shall be determined by dividing the Investment Amount specified in the Put Notice by the Purchase Price with respect to such Put Date.

(b) Minimum Amount of Puts. The Company shall, in accordance with Section 2.2(a), issue and sell Put Shares to the Investor and the Investor shall purchase Put Shares from the Company totaling (in aggregate Purchase Prices) at least the Minimum Commitment Amount. If the Company for any reason (other than the failure of the Investor to satisfy the conditions set forth in Section 7.1 hereof) fails to issue and deliver such Put Shares during the Commitment Period, on the first Trading Day after the expiration of the Commitment Period, the Company shall wire to Investor a sum in immediately available funds equal to the product of (X) the Minimum Commitment Amount minus the aggregate Investment Amounts of the Put Shares delivered to the Investor hereunder and (Y) the 12% Discount;

provided, however, that if this Agreement is terminated pursuant to Section 2.4 hereof, the Discount shall be increased by five (5) percentage points for purposes of this Section.

(c) Maximum Amount of Puts. Unless the Company obtains the requisite approval of its shareholders in accordance with the corporate laws of Wisconsin and the applicable rules of the Principal Market, no more than 19.9% of the Outstanding shares of Common Stock as of the Subscription Date may be issued and sold pursuant to Puts.

Section 2.2 Mechanics Section 2.2 Mechanics Section 2.2 Mechanics.

(a) Put Notice. At any time during the Commitment Period, the Company may deliver a Put Notice to the Investor, subject to the conditions set forth in Section 7.2; provided, however, the Investment Amount for each Put as designated by the Company in the applicable Put Notice shall be neither less than the Minimum Put Amount nor more than the Maximum Put Amount.

(b) Date of Delivery of Put Notice. A Put Notice shall be deemed delivered on (i) the Trading Day it is received by facsimile or otherwise by the Investor if such notice is received prior to 12:00 noon

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New York time, or (ii) the immediately succeeding Trading Day if it is received by facsimile or otherwise after 12:00 noon New York time on a Trading Day or at any time on a day which is not a Trading Day. No Put Notice may be deemed delivered, on a day that is not a Trading Day.

Section 2.3 Closings Section 2.3 Closings Section 2.3 Closings. On each Closing Date for a Put, (i) the Company shall deliver into escrow one or more certificates, at the Investor's option, representing the Put Shares to be purchased by the Investor pursuant to Section 2.1 herein, registered in the name of the Investor and (ii) the Investor shall deliver into escrow the Investment Amount specified in the Put Notice by wire transfer of immediately available funds to the account provided for in the Escrow Agreement. In addition, on or prior to such Closing Date, each of the Company and the Investor shall deliver to the other all documents, instruments and writings required to be delivered or reasonably requested by either of them pursuant to this Agreement in order to implement and effect the transactions contemplated herein. Payment of the Investment Amount to the Company and delivery of such certificate(s) to the Investor shall occur out of escrow in accordance with the Escrow Agreement; provided, however, that to the extent the Company has not paid the fees, expenses and disbursements of the Investor's counsel in accordance with Section 12.1, the amount of such fees, expenses and disbursements shall be paid in immediately available funds, at the direction of the Investor, to Investor's counsel with no reduction in the number of Put Shares issuable to the Investor on such Closing Date; further, that so long as the Investor shall maintain professional liability, errors and omissions and/or directors' and officers' insurance for its activities related to the Put Shares, the Warrant Shares or the Blackout Shares, three percent (3%) of such Investment Amount shall be either (i) retained by the Investor in respect of such insurance or (ii) paid in immediately available funds, at the direction of the Investor in respect of such insurance, in either case, with no reduction in the number of Put Shares issuable to the Investor on such Closing Date.

Section 2.4 Termination of Investment Obligation Section 2.4 Termination of Investment Obligation Section 2.4 Termination of Investment Obligation. The Investor's obligation to purchase shares of Common Stock hereunder shall automatically terminate (including with respect to any Put, notice of which has been given but the applicable Closing Date has not yet occurred) and the Investor may, at its sole discretion, terminate this Agreement in the event that (i) the Registration Statement is not effective within ninety (90) days following the date required therefor in the Registration Rights Agreement or (ii) there shall occur any stop order or suspension of the effectiveness of the Registration Statement for an aggregate of sixty (60) Trading Days during the Commitment Period, for any reason other than deferrals or suspension during a Blackout Period in accordance with the Registration Rights Agreement, as a result of corporate developments subsequent to the Subscription Date that would require such Registration Statement to be amended to reflect such event in order to maintain its compliance with the disclosure requirements of the Securities Act or (iii) the Company shall at any time fail to comply with the requirements of Section 6.3, 6.4, 6.5 or 6.6.

Section 2.5 The Warrant Section 2.5 The Warrant Section 2.5 The Warrant. On the Subscription Date, the Company shall issue the Warrant to the Investor. The

Warrant shall be delivered by the Company to the Investor upon execution of this Agreement by the parties hereto. The Warrant Shares shall be registered for resale pursuant to the Registration Rights Agreement.

Section 2.6 Blackout Shares Section 2.6 Blackout Shares Section 2.6 Blackout Shares. In the event that, (a) within five (5) Trading Days following any Closing Date, the Company gives a Blackout Notice to the Investor of a Blackout Period in accordance with the Registration Rights Agreement, and (b) the Bid Price

on the Trading Day immediately preceding such Blackout Period ("Old Bid Price") is greater than the Bid Price on the first Trading Day following such Blackout Period that the Investor may sell its Registrable Securities pursuant to an effective Registration Statement ("New Bid Price"), then the Company shall issue to the Investor the number of additional shares of Registrable Securities (the "Blackout Shares") equal to the difference between (X) the product of the number of Registrable Securities issued to the Investor in respect of such Closing Date and held by Investor immediately prior to the Blackout Period multiplied by the Old Bid Price, divided by the New Bid Price, and (Y) the number of Registrable Securities issued to the Investor in respect of such Closing Date and held by Investor immediately prior to the Blackout Period.

Section 2.7 Liquidated Damages Section 2.7 Liquidated Damages Section 2.7 Liquidated Damages. The parties hereto acknowledge and agree that the sum payable under Section 2.1(b) and the requirement to issue Blackout Shares under Section 2.6 above shall give rise to liquidated damages and not penalties. The parties further acknowledge that (a) the amount of loss or damages likely to be incurred is incapable or is difficult to precisely estimate, (b) the amounts specified in such Sections bear a reasonable proportion and are not plainly or grossly disproportionate to the probable loss likely to be incurred by the Investor in connection with the failure by the Company to make Puts with aggregate Purchase Prices totalling at least the Minimum Commitment Amount or in connection with a Blackout Period under the Registration Rights Agreement, and (c) the parties are sophisticated business parties and have been represented by sophisticated and able legal and financial counsel and negotiated this Agreement at arm's length.

ARTICLE III
REPRESENTATIONS AND WARRANTIES OF INVESTOR

The Investor represents and warrants to the Company that:

Section 3.1 Intent Section 3.1 Intent Section 3.1 Intent. The Investor is entering into this Agreement for its own account and the Investor has no present arrangement (whether or not legally binding) at any time to sell the Common Stock to or through any person or entity; provided, however, that by making the representations herein, the Investor does not agree to hold the Common Stock for any minimum or other specific term and reserves the right to dispose of the Common Stock at any time in accordance with federal and state securities laws applicable to such disposition.

Section 3.2 Sophisticated Investor Section 3.2 Sophisticated Investor Section 3.2 Sophisticated Investor. The Investor is a sophisticated investor (as described in Rule 506(b)(2)(ii) of Regulation D) and an accredited investor (as defined in Rule 501 of Regulation D), and Investor has such experience in business and financial matters that it is capable of evaluating the merits and risks of an investment in Common Stock. The Investor acknowledges that an investment in the Common Stock is speculative and involves a high degree of risk.

Section 3.3 Authority Section 3.3 Authority Section 3.3 Authority. Each of this Agreement, the Registration Rights Agreement, and the Escrow Agreement has been duly authorized by all necessary corporate action and no further consent or authorization of the Investor, or its Board of Directors or stockholders is required. Each of this Agreement, the Registration Rights Agreement, and the Escrow Agreement was validly executed and delivered by the Investor and each is a valid and binding agreement of the Investor enforceable against it in accordance with its terms, subject to applicable bankruptcy, insolvency, or similar laws relating to, or affecting generally the

enforcement of, creditors' rights and remedies or by other equitable principles of general application.

Section 3.4 Not an Affiliate Section 3.4 Not an Affiliate Section 3.4 Not an Affiliate. The Investor is not an officer, director or "affiliate" (as that term is defined in Rule 405 of the Securities Act) of the Company.

Section 3.5 Organization and Standing Section 3.5 Organization and Standing Section 3.5 Organization and Standing. Investor is duly organized, validly existing, and in good standing under the laws of the British Virgin Islands.

Section 3.6 Absence of Conflicts Section 3.6 Absence of Conflicts Section 3.6 Absence of Conflicts. The execution and delivery of this Agreement and any other document or instrument contemplated hereby, and the consummation of the transactions contemplated thereby, and compliance with the requirements thereof, will not (a) violate any law, rule, regulation, order, writ, judgment, injunction, decree or award binding on Investor, (b) violate any provision of any indenture, instrument or agreement to which Investor is a party or is subject, or by which Investor or any of its assets is bound, (c) conflict with or constitute a material default thereunder, (d) result in the creation or imposition of any lien pursuant to the terms of any such indenture, instrument or agreement, or constitute a breach of any fiduciary duty owed by Investor to any third party, or (e) require the approval of any third-party (that has not been obtained) pursuant to any material contract to which Investor is subject or to which any of its assets, operations or management may be subject.

Section 3.7 Disclosure; Access to Information Section 3.7 Disclosure; Access to Information Section 3.7 Disclosure; Access to Information. The Investor has received all documents, records, books and other information pertaining to Investor's investment in the Company that have been requested by Investor. The Investor has reviewed or received copies of the SEC Documents. The Investor has been afforded opportunities to ask questions and receive answers from management of the Company.

Section 3.8 Manner of Sale Section 3.8 Manner of Sale Section 3.8 Manner of Sale. At no time was Investor presented with or solicited by or through any leaflet, public promotional meeting, television advertisement or any other form of general solicitation or advertising.

ARTICLE IV REPRESENTATIONS AND WARRANTIES OF THE COMPANY

The Company represents and warrants to the Investor that:

Section 4.1 Organization of the Company Section 4.1 Organization of the Company Section 4.1 Organization of the Company. The Company is a corporation duly organized, validly existing and in good standing under the laws of the State of Wisconsin and has all requisite corporate power and authority to own, lease and operate its properties and to carry on its business as now being conducted. Except as set forth in the SEC Documents, the Company does not own more than fifty percent (50%) of the outstanding capital stock of or control any other business entity. The Company is duly qualified as a foreign corporation to do business and is in good standing in every jurisdiction in which the nature of the business conducted or property owned by it makes such qualification necessary, other than those in which the failure so to qualify would not have a Material Adverse Effect.

Section 4.2 Authority Section 4.2 Authority Section 4.2 Authority. (i) The Company has the requisite corporate power and authority to enter into and perform its obligations under this Agreement, the Registration Rights Agreement, the Warrant and the Escrow Agreement and to issue the Put Shares, the Warrant, the Warrant Shares and the Blackout Shares; (ii) the execution and delivery

of this Agreement and the Registration Rights Agreement, and the execution, issuance and delivery of the Warrant, by the Company and the consummation by it of the transactions contemplated hereby and thereby have been duly authorized by all necessary corporate action and no further consent or authorization of the Company or its Board of Directors or stockholders is required; and (iii) each of this Agreement and the Registration Rights Agreement has been duly executed and delivered, and the Warrant has been duly executed, issued and delivered, by the Company and constitute valid and binding obligations of the Company enforceable against the Company in accordance with their respective terms, except as such enforceability may be limited by applicable bankruptcy, insolvency, or similar laws relating to, or affecting generally the enforcement of, creditors' rights and remedies or by other equitable principles of general application.

Section 4.3 Capitalization Section 4.3 Capitalization Section 4.3 Capitalization. As of June 30, 1998, the authorized capital stock of the Company consisted of 15,000,000 shares of Common Stock, of which 10,415,757 shares were issued and outstanding, and 5,000,000 shares of blank-check preferred stock designated as "Class A Preferred Stock," of which two series have been designated, the first being Series 1, of which 1,040,000 shares have been authorized and 680,000 shares were issued and outstanding and the second being Series 2, of which 1,500,000 shares have been authorized and no shares were issued and outstanding. Except for (i) options to purchase not more than 1,192,454 shares of Common Stock with purchase prices between \$.01 and \$15.25 per share (as more specifically described on Schedule 4.3 hereof); (ii) warrants to purchase not more than 1,133,534 shares of Common Stock with purchase prices between \$1.848 and \$5.72 per share (as more particularly described on Schedule 4.3 hereof) and (iii) Common Stock issuable in exchange for shares of Class A Series 1 Preferred Stock on a one for one basis, there are no options, warrants, or rights to subscribe to, securities, rights or obligations convertible into or exchangeable for or giving any right to subscribe for any shares of capital stock of the Company. All of the outstanding shares of Common Stock of the Company have been duly and validly authorized and issued and are fully paid and nonassessable (except as set forth in Wisconsin Statutes Section 180.0822(2)(b), as interpreted).

Section 4.4 Common Stock Section 4.4 Common Stock Section 4.4 Common Stock. The Company has registered its Common Stock pursuant to Section 12(b) or 12(g) of the Exchange Act and is in full compliance with all reporting requirements of the Exchange Act, and the Common Stock is currently listed or quoted on the Principal Market. As of the date hereof, the Principal Market is the American Stock Exchange.

Section 4.5 SEC Documents Section 4.5 SEC Documents Section 4.5 SEC Documents. The Company has delivered or made available to the Investor true and complete copies of the SEC Documents (including, without limitation, proxy information and solicitation materials). The Company has not provided to the Investor any information that, according to applicable law, rule or regulation, should have been disclosed publicly prior to the date hereof by the Company, but which has not been so disclosed. As of their respective dates, the SEC Documents complied in all material respects with the requirements of the Securities Act or the Exchange Act, as the case may be, and other federal, state and local laws, rules and regulations applicable to such SEC Documents, and none of the SEC Documents contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading. The financial statements of the

Company included in the SEC Documents comply as to form and substance in all material respects with applicable accounting requirements and the published rules and regulations of the SEC or other applicable rules and regulations with respect thereto. Such financial statements have been prepared in accordance with generally accepted accounting principles applied on a consistent basis during the periods involved (except (i) as may be otherwise indicated in such financial statements or the notes thereto or (ii) in the case of unaudited interim statements, to the extent they may not include footnotes or may be condensed or summary statements) and fairly present in all material respects the financial position of the Company as of the dates thereof and the results of operations and cash flows for the periods then ended (subject, in the case of unaudited statements, to normal year-end audit adjustments).

Section 4.6 Exemption from Registration; Valid Issuances Section 4.6 Exemption from Registration; Valid Issuances Section 4.6 Exemption from Registration; Valid Issuances. The sale and issuance of the Warrant, the Warrant Shares, the Put Shares and any Blackout Shares in accordance with the terms and on the bases of the representations and warranties set forth in this Agreement, may and shall be properly issued pursuant to Rule 4(2), Regulation D and/or any applicable state law. When issued and paid for as herein provided, the Put Shares, the Warrant Shares and any Blackout Shares shall be duly and validly issued, fully paid, and nonassessable (except as set forth in Wisconsin Statutes Section 180.0822(2)(b), as interpreted). Neither the sales of the Put Shares, the Warrant, the Warrant Shares or any Blackout Shares pursuant to, nor the Company's performance of its obligations under, this Agreement, the Registration Rights Agreement, or the Warrant shall (i) result in the creation or imposition of any liens, charges, claims or other encumbrances upon the Put Shares, the Warrant Shares, any Blackout Shares or any of the assets of the Company, or (ii) entitle the holders of Outstanding Capital Shares to preemptive or other rights to subscribe to or acquire the Capital Shares or other securities of the Company. The Put Shares, the Warrant Shares and any Blackout Shares shall not subject the Investor to personal liability by reason of the ownership thereof

(except as set forth in Wisconsin Statutes Section 180.0822(2) (b), as interpreted).

Section 4.7 No General Solicitation or Advertising in Regard to this Transaction
Section 4.7 No General Solicitation or Advertising in Regard to this Transaction
Section 4.7 No General Solicitation or Advertising in Regard to this Transaction. Neither the Company nor any of its affiliates nor any distributor or any person acting on its or their behalf (i) has conducted or will conduct any general solicitation (as that term is used in Rule 502(c) of Regulation D) or general advertising with respect to any of the Put Shares, the Warrant, the Warrant Shares or any Blackout Shares, or (ii) made any offers or sales of any security or solicited any offers to buy any security under any circumstances that would require registration of the Common Stock issued to the Investor hereunder under the Securities Act.

Section 4.8 Corporate Documents Section 4.8 Corporate Documents Section 4.8 Corporate Documents. The Company has furnished or made available to the Investor true and correct copies of the Company's Certificate of Incorporation, as amended and in effect on the date hereof (the "Certificate"), and the Company's Amended and Restated By-Laws, as so amended and restated and in effect on the date hereof (the "By-Laws").

Section 4.9 No Conflicts Section 4.9 No Conflicts Section 4.9 No Conflicts. The execution, delivery and performance of this Agreement by the Company and the consummation by the Company of the transactions contemplated hereby, including without limitation the issuance of the Put Shares, the Warrant, the Warrant Shares and the Blackout Shares do not and will not (i) result in a violation of the Certificate or By-Laws or (ii) conflict with, or constitute a material default (or an event that with

notice or lapse of time or both would become a default) under, or give to others any rights of termination, amendment, acceleration or cancellation of, any material agreement, indenture, instrument or any "lock-up" or similar provision of any underwriting or similar agreement to which the Company is a party, or (iii) result in a violation of any federal, state, local or foreign law, rule, regulation, order, judgment or decree (including federal and state securities laws and regulations) applicable to the Company or by which any property or asset of the Company is bound or affected (except for such conflicts, defaults, terminations, amendments, accelerations, cancellations and violations as would not, individually or in the aggregate, have a Material Adverse Effect) nor is the Company otherwise in violation of, conflict with or in default under any of the foregoing; provided, however, that for purposes of the Company's representations and warranties as to violations of foreign law, rule or regulation referenced in clause (iii), such representations and warranties are made only to the best of the Company's knowledge insofar as the execution, delivery and performance of this Agreement by the Company and the consummation by the Company of the transactions contemplated hereby are or may be affected by the status of the Investor under or pursuant to any such foreign law, rule or regulation. The business of the Company is not being conducted in violation of any law, ordinance or regulation of any governmental entity, except for possible violations that either singly or in the aggregate do not and will not have a Material Adverse Effect. The Company is not required under federal, state or local law, rule or regulation to obtain any consent, authorization or order of, or make any filing or registration with, any court or governmental agency in order for it to execute, deliver or perform any of its obligations under this Agreement or issue and sell the Common Stock or the Warrant in accordance with the terms hereof (other than any SEC, NASD or state securities filings that may be required to be made by the Company subsequent to any Closing, any registration statement that may be filed pursuant hereto, and any shareholder approval or filing required by the rules applicable to companies whose common stock trades on the American Stock Exchange); provided that, for purposes of the representation made in this sentence, the Company is assuming and relying upon the accuracy of the relevant representations and agreements of the Investor herein.

Section 4.10 No Material Adverse Change Section 4.10 No Material Adverse Change
Section 4.10 No Material Adverse Change. Since December 31, 1997, to the Company's knowledge, no event has occurred that would have a Material Adverse Effect on the Company, except as disclosed in the SEC Documents.

Section 4.11 No Undisclosed Liabilities Section 4.11 No Undisclosed Liabilities
Section 4.11 No Undisclosed Liabilities. To the Company's knowledge, the Company has no liabilities or obligations that are material, individually or in the aggregate, and that are not disclosed in the SEC Documents or otherwise publicly announced, other than those incurred in the ordinary course of the Company's businesses since December 31, 1997 and which, individually or in the

aggregate, do not or would not have a Material Adverse Effect on the Company.

Section 4.12 No Undisclosed Events or Circumstances Section 4.12 No Undisclosed Events or Circumstances Section 4.12 No Undisclosed Events or Circumstances. Since December 31, 1997, no event or circumstance has occurred or exists with respect to the Company or its businesses, properties, prospects, operations or financial condition, that, under applicable law, rule or regulation, requires public disclosure or announcement prior to the date hereof by the Company but which has not been so publicly announced or disclosed in the SEC Documents.

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Section 4.13 No Integrated Offering Section 4.13 No Integrated Offering Section 4.13 No Integrated Offering. Neither the Company, nor any of its affiliates, nor any person acting on its or their behalf has, directly or indirectly, made any offers or sales of any security or solicited any offers to buy any security, other than pursuant to this Agreement, under circumstances that would require registration of the Common Stock issued to the Investor hereunder under the Securities Act.

Section 4.14 Litigation and Other Proceedings Section 4.14 Litigation and Other Proceedings Section 4.14 Litigation and Other Proceedings. Except as may be set forth in the SEC Documents, there are no lawsuits or proceedings pending or to the best knowledge of the Company threatened, against the Company, nor has the Company received any written or oral notice of any such action, suit, proceeding or investigation, which would be reasonably likely to have a Material Adverse Effect. Except as set forth in the SEC Documents, no judgment, order, writ, injunction or decree or award has been issued by or, so far as is known by the Company, requested of any court, arbitrator or governmental agency which would be reasonably likely to result in a Material Adverse Effect.

Section 4.15 No Misleading or Untrue Communication Section 4.15 No Misleading or Untrue Communication Section 4.15 No Misleading or Untrue Communication. The Company, any Person representing the Company, and, to the knowledge of the Company, any other Person selling or offering to sell the Put Shares, the Warrant, the Warrant Shares or the Blackout Shares in connection with the transactions contemplated by this Agreement, have not made, at any time, any oral communication in connection with the offer or sale of the same which contained any untrue statement of a material fact or omitted to state any material fact necessary in order to make the statements, in the light of the circumstances under which they were made, not misleading.

Section 4.16 Material Non-Public Information Section 4.16 Material Non-Public Information Section 4.16 Material Non-Public Information. The Company is not in possession of, nor has the Company or its agents disclosed to the Investor, any material non-public information that (i) if disclosed, would, or could reasonably be expected to have, an effect on the price of the Common Stock or (ii) according to applicable law, rule or regulation, should have been disclosed publicly by the Company prior to the date hereof but which has not been so disclosed.

ARTICLE V
COVENANTS OF THE INVESTOR

Section 5.1 Compliance with Law. The Investor's trading activities with respect to shares of the Company's Common Stock will be in compliance with all applicable state and federal securities laws, rules and regulations and the rules and regulations of the Principal Market on which the Company's Common Stock is listed. Section 5.1 Compliance with Law. The Investor's trading activities with respect to shares of the Company's Common Stock will be in compliance with all applicable state and federal securities laws, rules and regulations and the rules and regulations of the Principal Market on which the Company's Common Stock is listed. Section 5.1 Compliance with Law. The Investor's trading activities with respect to shares of the Company's Common Stock will be in compliance with all applicable state and federal securities laws, rules and regulations and the rules and regulations of the Principal Market on which the Company's Common Stock is listed.

Section 5.2 Limitation on Short Sales. The Investor and its Affiliates shall not engage in short sales of the Company's Common Stock; provided, however, that the Investor may enter into any short sale or other hedging or similar arrangement it deems appropriate with respect to Put Shares after it receives a Put Notice with respect to such Put Shares so long as such sales or arrangements do not involve more than the number of such Put Shares (determined as of the date of such Put Notice).

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ARTICLE VI
COVENANTS OF THE COMPANY

Section 6.1 Registration Rights Section 6.1 Registration Rights Section 6.1
Registration Rights. The Company shall cause the Registration Rights Agreement
to remain in full force and effect and the Company shall comply in all respects
with the terms thereof.

Section 6.2 Reservation of Common Stock Section 6.2 Reservation of Common Stock
Section 6.2 Reservation of Common Stock. As of the date hereof, the Company has
available and the Company shall reserve and keep available at all times, free of
preemptive rights, 1,500,000 shares of Common Stock for the purpose of enabling
the Company to satisfy any obligation to issue the Put Shares, the Warrant
Shares and the Blackout Shares. The Company covenants and agrees to use its
reasonable best efforts to obtain shareholder approval for the authorization of
such additional shares of Common Stock as shall be necessary to fulfill the
Company's obligations to issue the Put Shares, the Warrant Shares and the
Blackout Shares.

Section 6.3 Listing of Common Stock Section 6.3 Listing of Common Stock Section
6.3 Listing of Common Stock. The Company shall use its reasonable best efforts
to maintain the listing of the Common Stock on a Principal Market, and as soon
as practicable (but in any event prior to the commencement of the Commitment
Period) will cause the Put Shares, the Warrant Shares and any Blackout Shares to
be listed on the Principal Market. The Company further shall, if the Company
applies to have the Common Stock traded on any other Principal Market, include
in such application the Put Shares, the Warrant Shares and any Blackout Shares,
and shall take such other action as is necessary or desirable in the opinion of
the Investor to cause the Common Stock to be listed on such other Principal
Market as promptly as possible. The Company shall use its reasonable best
efforts to continue the listing and trading of its Common Stock on the Principal
Market and will comply in all respects with the Company's reporting, filing and
other obligations under the bylaws or rules of the NASD and the Principal
Market.

Section 6.4 Exchange Act Registration Section 6.4 Exchange Act Registration
Section 6.4 Exchange Act Registration. The Company shall (i) cause its Common
Stock to continue to be registered under Section 12(g) or 12(b) of the Exchange
Act, will comply in all respects with its reporting and filing obligations under
said Act, and will not take any action or file any document (whether or not
permitted by said Act or the rules thereunder) to terminate or suspend such
registration or to terminate or suspend its reporting and filing obligations
under said Act.

Section 6.5 Legends Section 6.5 Legends Section 6.5 Legends. The certificates
evidencing the Put Shares, the Warrant Shares and the Blackout Shares shall be
free of legends, except as provided for in Article VIII.

Section 6.6 Corporate Existence Section 6.6 Corporate Existence Section 6.6
Corporate Existence. The Company shall take all steps necessary to preserve and
continue the corporate existence of the Company.

Section 6.7 Notice of Certain Events Affecting Registration; Suspension of Right
to Make a Put Section 6.7 Notice of Certain Events Affecting Registration;
Suspension of Right to Make a Put Section 6.7 Notice of Certain Events Affecting
Registration; Suspension of Right to Make a Put. The Company shall immediately
notify the Investor upon the occurrence of any of the following events in
respect of a registration statement or related prospectus in respect of an
offering of Registrable Securities: (i) receipt of any request for additional
information by the SEC or any other federal or state governmental authority
during the period of effectiveness of the

registration statement for amendments or supplements to the registration
statement or related prospectus; (ii) the issuance by the SEC or any other
federal or state governmental authority of any stop order suspending the
effectiveness of the Registration Statement or the initiation of any proceedings
for that purpose; (iii) receipt of any notification with respect to the
suspension of the qualification or exemption from qualification of any of the
Registrable Securities for sale in any jurisdiction or the initiation or
threatening of any proceeding for such purpose; (iv) the happening of any event
that makes any statement made in such Registration Statement or related
prospectus or any document incorporated or deemed to be incorporated therein by

reference untrue in any material respect or that requires the making of any changes in the registration statement, related prospectus or documents so that, in the case of the Registration Statement, it will not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading, and that in the case of the related prospectus, it will not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; and (v) the Company's reasonable determination that a post-effective amendment to the registration statement would be appropriate, and the Company shall promptly make available to the Investor any such supplement or amendment to the related prospectus. The Company shall not deliver to the Investor any Put Notice during the continuation of any of the foregoing events.

Section 6.8 Expectations Regarding Put Notices Section 6.8 Expectations Regarding Put Notices Section 6.8 Expectations Regarding Put Notices. Within ten (10) days after the commencement of each calendar quarter occurring subsequent to the commencement of the Commitment Period, the Company undertakes to notify the Investor as to its reasonable expectations as to the dollar amount it intends to raise during such calendar quarter, if any, through the issuance of Put Notices. Such notification shall constitute only the Company's good faith estimate with respect to such calendar quarter and shall in no way obligate the Company to raise such amount during such calendar quarter or otherwise limit its ability to deliver Put Notices during such calendar quarter in amounts greater or less than the amount specified by the Company as its reasonable expectations regarding such calendar quarter. The failure by the Company to comply with this provision can be cured by the Company's notifying the Investor at any time as to its reasonable expectations with respect to the current calendar quarter.

Section 6.9 Consolidation; Merger Section 6.9 Consolidation; Merger Section 6.9 Consolidation; Merger. The Company shall not, at any time after the date hereof, effect any merger or consolidation of the Company with or into, or a transfer of all or substantially all of the assets of the Company to, another entity unless the resulting successor or acquiring entity (if not the Company) assumes by written instrument the obligation to deliver to the Investor such shares of stock and/or securities as the Investor is entitled to receive pursuant to this Agreement and the Warrant.

Section 6.10 Issuance of Put Shares, Warrant Shares and Blackout Shares Section 6.10 Issuance of Put Shares, Warrant Shares and Blackout Shares Section 6.10 Issuance of Put Shares, Warrant Shares and Blackout Shares. The sale of the Put Shares, the issuance of the Warrant Shares pursuant to exercise of the Warrant and the issuance of any Blackout Shares shall be made in accordance with the provisions and requirements of Regulation D and any applicable state law. Issuance of the Warrant Shares pursuant to exercise of the Warrant through a cashless exercise shall be made in accordance with the provisions and requirements of Section 3(a)(9) under the Securities Act and any applicable state law.

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Section 6.11 Legal Opinion on Subscription Date Section 6.11 Legal Opinion on Subscription Date Section 6.11 Legal Opinion on Subscription Date. The Company's independent counsel shall deliver to the Investor on the Subscription Date an opinion in the form of Exhibit E.

Section 6.12 No Other Equity Lines Section 6.12 No Other Equity Lines Section 6.12 No Other Equity Lines. The Company shall refrain from entering into any other agreements, arrangements or understandings granting to the Company the right to put shares of its securities to one or more investors in private placements.

ARTICLE VII
CONDITIONS TO DELIVERY OF
PUT NOTICES AND CONDITIONS TO CLOSING

Section 7.1 Conditions Precedent to the Obligation of the Company to Issue and Sell Common Stock Section 7.1 Conditions Precedent to the Obligation of the Company to Issue and Sell Common Stock Section 7.1 Conditions Precedent to the Obligation of the Company to Issue and Sell Common Stock. The obligation hereunder of the Company to issue and sell the Put Shares to the Investor incident to each Closing is subject to the satisfaction, at or before each such Closing, of each of the conditions set forth below.

(a) Accuracy of the Investor's Representation and Warranties. The representations and warranties of the Investor shall be true and correct in all material respects as of the date of this Agreement and as of the date of each such Closing as though made at each such

time.

(b) Performance by the Investor. The Investor shall have performed, satisfied and complied in all respects with all covenants, agreements and conditions required by this Agreement to be performed, satisfied or complied with by the Investor at or prior to such Closing.

Section 7.2 Conditions Precedent to the Right of the Company to Deliver a Put Notice and the Obligation of the Investor to Purchase Put Shares Section 7.2 Conditions Precedent to the Right of the Company to Deliver a Put Notice and the Obligation of the Investor to Purchase Put Shares Section 7.2 Conditions Precedent to the Right of the Company to Deliver a Put Notice and the Obligation of the Investor to Purchase Put Shares. The right of the Company to deliver a Put Notice and the obligation of the Investor hereunder to acquire and pay for the Put Shares incident to a Closing is subject to the satisfaction, on (i) the applicable Put Date and (ii) the applicable Closing Date (each a "Condition Satisfaction Date"), of each of the following conditions:

(a) Registration of the Registrable Securities with the SEC. As set forth in the Registration Rights Agreement, the Company shall have filed with the SEC a Registration Statement with respect to the resale of the Registrable Securities by the Investor that shall have been declared effective by the SEC prior to the first Put Date, but in no event later than one hundred twenty (120) days after Subscription Date.

(b) Effective Registration Statement. As set forth in the Registration Rights Agreement, the Registration Statement shall have previously become effective and shall remain effective on each Condition Satisfaction Date and (i) neither the Company nor the Investor shall have received notice that the SEC has issued or intends to issue a stop order with respect to the Registration Statement or that the

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SEC otherwise has suspended or withdrawn the effectiveness of the Registration Statement, either temporarily or permanently, or intends or has threatened to do so (unless the SEC's concerns have been addressed and the Investor is reasonably satisfied that the SEC no longer is considering or intends to take such action), and (ii) no other suspension of the use or withdrawal of the effectiveness of the Registration Statement or related prospectus shall exist.

(c) Accuracy of the Company's Representations and Warranties. The representations and warranties of the Company shall be true and correct in all material respects as of each Condition Satisfaction Date as though made at each such time (except for representations and warranties specifically made as of a particular date).

(d) Performance by the Company. The Company shall have performed, satisfied and complied in all respects with all covenants, agreements and conditions required by this Agreement, the Registration Rights Agreement and the Warrant to be performed, satisfied or complied with by the Company at or prior to each Condition Satisfaction Date.

(e) No Injunction. No statute, rule, regulation, executive order, decree, ruling or injunction shall have been enacted, entered, promulgated or adopted by any court or governmental authority of competent jurisdiction that prohibits the transactions contemplated by this Agreement or otherwise has a Material Adverse Effect, and no actions, suits or proceedings shall be in progress, pending or threatened by any Person, that seek to enjoin or prohibit the transactions contemplated by this Agreement or otherwise could reasonably be expected to have a Material Adverse Effect. For purposes of this paragraph (e), no proceeding shall be deemed pending or threatened unless one of the parties has received written or oral notification thereof prior to the applicable Closing Date.

(f) No Suspension of Trading In or Delisting of Common Stock. The trading of the Common Stock shall not have been suspended by the SEC, the Principal Market or the NASD and the Common Stock shall have been approved for listing or quotation on and shall not have been delisted from the Principal Market. The issuance of shares of Common Stock with respect to the applicable Closing, if any, shall

not violate the shareholder approval requirements of the Principal Market.

(g) Legal Opinion. The Company shall have caused to be delivered to the Investor, within five (5) Trading Days of the effective date of the Registration Statement, an opinion of the Company's independent counsel in the form of Exhibit E hereto, addressed to the Investor.

(h) Due Diligence. No dispute between the Company and the Investor shall exist pursuant to Section 7.3 as to the adequacy of the disclosure contained in the Registration Statement.

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(i) Ten Percent Limitation. On each Closing Date, the number of Put Shares then to be purchased by the Investor shall not exceed the number of such shares that, when aggregated with all other shares of Registerable Securities then owned by the Investor beneficially or deemed beneficially owned by the Investor, would result in the Investor owning more than 9.9% of all of such Common Stock as would be outstanding on such Closing Date, as determined in accordance with Section 16 of the Exchange Act and the regulations promulgated thereunder. For purposes of this Section, in the event that the amount of Common Stock outstanding as determined in accordance with Section 16 of the Exchange Act and the regulations promulgated thereunder is greater on a Closing Date than on the date upon which the Put Notice associated with such Closing Date is given, the amount of Common Stock outstanding on such Closing Date shall govern for purposes of determining whether the Investor, when aggregating all purchases of Common Stock made pursuant to this Agreement and, if any, Warrant Shares and Blackout Shares, would own more than 9.9% of the Common Stock following such Closing Date.

(j) Minimum Bid Price. The Bid Price equals or exceeds the Floor Price throughout the applicable Valuation Period (or, with respect to any Put Date, the portion of the Valuation Period preceding such Put Date).

(k) Minimum Average Daily Trading Volume. The Average Daily Trading Volume for the Common Stock with respect to the applicable Put Date and Closing Date equals or exceeds 17,000 shares per Trading Day.

(l) No Knowledge. The Company shall have no knowledge of any event more likely than not to have the effect of causing such Registration Statement to be suspended or otherwise ineffective (which event is more likely than not to occur within the fifteen Trading Days following the Trading Day on which such Notice is deemed delivered).

(m) Trading Cushion. The Trading Cushion shall have elapsed since the immediately preceding Put Date.

(n) Shareholder Vote. The issuance of shares of Common Stock with respect to the applicable Closing, if any, shall not violate the shareholder approval requirements of the Principal Market.

(o) Escrow Agreement. The parties hereto shall have entered into the Escrow Agreement.

(p) Other. On each Condition Satisfaction Date, the Investor shall have received and been reasonably satisfied with such other certificates and documents as shall have been reasonably requested by the Investor in order for the Investor to confirm the Company's satisfaction of the conditions set forth in this Section 7.2.,

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including, without limitation, a certificate in substantially the form and substance of Exhibit F hereto, executed in either case by an executive officer of the Company and to the effect that all the

conditions to such Closing shall have been satisfied as at the date of each such certificate.

Section 7.3 Due Diligence Review; Non-Disclosure of Non-Public Information.

(a) The Company shall make available for inspection and review by the Investor, advisors to and representatives of the Investor (who may or may not be affiliated with the Investor and who are reasonably acceptable to the Company), any Underwriter, any Registration Statement or amendment or supplement thereto or any blue sky, NASD or other filing, all financial and other records, all SEC Documents and other filings with the SEC, and all other corporate documents and properties of the Company as may be reasonably necessary for the purpose of such review, and cause the Company's officers, directors and employees to supply all such information reasonably requested by the Investor or any such representative, advisor or Underwriter in connection with such Registration Statement (including, without limitation, in response to all questions and other inquiries reasonably made or submitted by any of them), prior to and from time to time after the filing and effectiveness of the Registration Statement for the sole purpose of enabling the Investor and such representatives, advisors and Underwriters and their respective accountants and attorneys to conduct initial and ongoing due diligence with respect to the Company and the accuracy of the Registration Statement.

(b) Each of the Company, its officers, directors, employees and agents shall in no event disclose non-public information to the Investor, advisors to or representatives of the Investor unless prior to disclosure of such information the Company identifies such information as being non-public information and provides the Investor, such advisors and representatives with the opportunity to accept or refuse to accept such non-public information for review. The Company may, as a condition to disclosing any non-public information hereunder, require the Investor's advisors and representatives to enter into a confidentiality agreement in form reasonably satisfactory to the Company and the Investor.

(c) Nothing herein shall require the Company to disclose non-public information to the Investor or its advisors or representatives, and the Company represents that it does not disseminate non-public information to any investors who purchase stock in the Company in a public offering, to money managers or to securities analysts; provided, however, that notwithstanding anything herein to the contrary, the Company shall, as hereinabove provided, immediately notify the advisors and representatives of the Investor and any Underwriters of any event or the existence of any circumstance (without any obligation to disclose the specific event or circumstance) of which it becomes aware, constituting non-public information (whether or not requested of the Company specifically or generally during the course of due diligence by such persons or entities), which, if not disclosed in the prospectus included in the Registration Statement would cause

such prospectus to include a material misstatement or to omit a material fact required to be stated therein in order to make the statements, therein, in light of the circumstances in which they were made, not misleading. Nothing contained in this Section 7.3 shall be construed to mean that such persons or entities other than the Investor (without the written consent of the Investor prior to disclosure of such information) may not obtain non-public information in the course of conducting due diligence in accordance with the terms and conditions of this Agreement and nothing herein shall prevent any such persons or entities from notifying the Company of their opinion that based on such due diligence by such persons or entities, that the Registration Statement contains an untrue statement of a material fact or omits a material fact required to be stated in the Registration Statement or necessary to make the statements contained therein, in light of the circumstances in which they were made, not misleading.

ARTICLE VIII LEGENDS

Section 8.1 Legends Section 8.1 Legends Section 8.1 Legends. Each of the Warrant and, unless otherwise provided below, each certificate representing

Registrable Securities will bear the following legend (the "Legend"):

THE SECURITIES EVIDENCED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY OTHER APPLICABLE SECURITIES LAWS AND HAVE BEEN ISSUED IN RELIANCE UPON AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND SUCH OTHER SECURITIES LAWS. NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED, HYPOTHECATED OR OTHERWISE DISPOSED OF, EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR PURSUANT TO A TRANSACTION THAT IS EXEMPT FROM, OR NOT SUBJECT TO, SUCH REGISTRATION. THE HOLDER OF THIS CERTIFICATE IS THE BENEFICIARY OF CERTAIN OBLIGATIONS OF THE COMPANY SET FORTH IN A PRIVATE EQUITY LINE AGREEMENT BETWEEN THE FEMALE HEALTH COMPANY AND KINGSBRIDGE CAPITAL LIMITED DATED AS OF NOVEMBER 19, 1998. A COPY OF THE PORTION OF THE AFORESAID AGREEMENT EVIDENCING SUCH OBLIGATIONS MAY BE OBTAINED FROM THE COMPANY'S EXECUTIVE OFFICES.

As soon as practicable after the execution and delivery hereof, but in any event within 5 Trading Days hereafter, the Company shall issue to the transfer agent for its Common Stock (and to any substitute or replacement transfer agent for its Common Stock upon the Company's appointment of any such substitute or replacement transfer agent) instructions in substantially the form of Exhibit G hereto, with a copy to the Investor. Such instructions shall be irrevocable by the

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Company from and after the date hereof or from and after the issuance thereof to any such substitute or replacement transfer agent, as the case may be, except as otherwise expressly provided in the Registration Rights Agreement. It is the intent and purpose of such instructions, as provided therein, to require the transfer agent for the Common Stock from time to time upon transfer of Registrable Securities by the Investor to issue certificates evidencing such Registrable Securities free of the Legend during the following periods and under the following circumstances and without consultation by the transfer agent with the Company or its counsel and without the need for any further advice or instruction or documentation to the transfer agent by or from the Company or its counsel or the Investor:

(a) At any time after the Effective Date, upon surrender of one or more certificates evidencing Common Stock that bear the Legend, to the extent accompanied by a notice requesting the issuance of new certificates free of the Legend to replace those surrendered; provided that (i) the Registration Statement shall then be effective and (ii) if reasonably requested by the transfer agent the Investor confirms to the transfer agent that the Investor has complied with the prospectus delivery requirement.

(b) At any time upon any surrender of one or more certificates evidencing Registrable Securities that bear the Legend, to the extent accompanied by a notice requesting the issuance of new certificates free of the Legend to replace those surrendered and containing representations that (i) the Investor is permitted to dispose of such Registrable Securities without limitation as to amount or manner of sale pursuant to Rule 144(k) under the Securities Act or (ii) the Investor has sold, pledged or otherwise transferred or agreed to sell, pledge or otherwise transfer such Registrable Securities in a manner other than pursuant to an effective registration statement, to a transferee who shall upon such transfer be entitled to freely tradeable securities.

Section 8.2 No Other Legend or Stock Transfer Restrictions Section 8.2 No Other Legend or Stock Transfer Restrictions Section 8.2 No Other Legend or Stock Transfer Restrictions. No legend other than the one specified in Section 8.1 has been or shall be placed on the share certificates representing the Common Stock and no instructions or "stop transfers orders," so called, "stock transfer restrictions," or other restrictions have been or shall be given to the Company's transfer agent with respect thereto other than as expressly set forth in this Article VIII.

Section 8.3 Investor's Compliance Section 8.3 Investor's Compliance Section 8.3 Investor's Compliance. Nothing in this Article VIII shall affect in any way the Investor's obligations under any agreement to comply with all applicable securities laws upon resale of the Common Stock.

INDEMNIFICATION

Section 9.1 Indemnification Section 9.1 Indemnification Section 9.1 Indemnification. The Company agrees to indemnify and hold harmless the Investor, its partners, affiliates, officers, directors, employees, and duly authorized agents, and each Person or entity, if any, who controls the Investor within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act, together with the Controlling Persons (as defined in the Registration Rights Agreement) from and against any

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Damages, joint or several, and any action in respect thereof to which the Investor, its partners, affiliates, officers, directors, employees, and duly authorized agents, and any such Controlling Person becomes subject to, resulting from, arising out of or relating to any misrepresentation, breach of warranty or nonfulfillment of or failure to perform any covenant or agreement on the part of Company contained in this Agreement, as such Damages are incurred, unless such Damages result primarily from the Investor's gross negligence, recklessness or bad faith in performing its obligations under this Agreement.

Section 9.2 Method of Asserting Indemnification Claims Section 9.2 Method of Asserting Indemnification Claims Section 9.2 Method of Asserting Indemnification Claims. All claims for indemnification by any Indemnified Party (as defined below) under Section 9.1 shall be asserted and resolved as follows:

(a) In the event any claim or demand in respect of which any person claiming indemnification under any provision of Section 9.1 (an "Indemnified Party") might seek indemnity under Section 9.1 is asserted against or sought to be collected from such Indemnified Party by a person other than the Company, the Investor or any affiliate of the Company or (a "Third Party Claim"), the Indemnified Party shall deliver a written notification, enclosing a copy of all papers served, if any, and specifying the nature of and basis for such Third Party Claim and for the Indemnified Party's claim for indemnification that is being asserted under any provision of Section 12.2 against any person (the "Indemnifying Party"), together with the amount or, if not then reasonably ascertainable, the estimated amount, determined in good faith, of such Third Party Claim (a "Claim Notice") with reasonable promptness to the Indemnifying Party. If the Indemnified Party fails to provide the Claim Notice with reasonable promptness after the Indemnified Party receives notice of such Third Party Claim, the Indemnifying Party shall not be obligated to indemnify the Indemnified Party with respect to such Third Party Claim to the extent that the Indemnifying Party's ability to defend has been prejudiced by such failure of the Indemnified Party. The Indemnifying Party shall notify the Indemnified Party as soon as practicable within the period ending thirty (30) calendar days following receipt by the Indemnifying Party of either a Claim Notice or an Indemnity Notice (as defined below) (the "Dispute Period") whether the Indemnifying Party disputes its liability or the amount of its liability to the Indemnified Party under Section 9.1 and whether the Indemnifying Party desires, at its sole cost and expense, to defend the Indemnified Party against such Third Party Claim.

(i) If the Indemnifying Party notifies the Indemnified Party within the Dispute Period that the Indemnifying Party desires to defend the Indemnified Party with respect to the Third Party Claim pursuant to this Section 9.2(a), then the Indemnifying Party shall have the right to defend, with counsel reasonably satisfactory to the Indemnified Party, at the sole cost and expense of the Indemnifying Party, such Third Party Claim by all appropriate proceedings, which proceedings shall be vigorously and diligently prosecuted by the Indemnifying Party to a final conclusion or will be settled at the discretion of the Indemnifying Party (but only with the consent of the Indemnified Party (which consent shall not be unreasonably

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withheld) in the case of any settlement that provides for any relief other than the payment of monetary damages or that provides for the payment of monetary damages as to which the Indemnified Party shall not be indemnified in full pursuant to Section 9.1). The Indemnifying Party shall have full control of such defense and proceedings, including any compromise or settlement thereof; provided, however, that the Indemnified Party may, at the sole cost and expense of the Indemnified Party, at any time prior to the Indemnifying Party's delivery of the notice referred to in the first sentence of this clause (i), file any motion, answer or other pleadings or take any other action that the Indemnified Party reasonably believes to be necessary or appropriate to protect its interests; and provided further, that if requested by the Indemnifying Party, the Indemnified Party will, at the sole cost and expense of the Indemnifying Party, provide reasonable cooperation to the Indemnifying Party in contesting any Third Party Claim that the Indemnifying Party elects to contest. The Indemnified Party may participate in, but not control, any defense or settlement of any Third Party Claim controlled by the Indemnifying Party pursuant to this clause (i), and except as provided in the preceding sentence, the Indemnified Party shall bear its own costs and expenses with respect to such participation. Notwithstanding the foregoing, the Indemnified Party may take over the control of the defense or settlement of a Third Party Claim at any time if it irrevocably waives its right to indemnity under Section 9.1 with respect to such Third Party Claim.

(ii) If the Indemnifying Party fails to notify the Indemnified Party within the Dispute Period that the Indemnifying Party desires to defend the Third Party Claim pursuant to Section 9.2(a), or if the Indemnifying Party gives such notice but fails to prosecute vigorously and diligently or settle the Third Party Claim, or if the Indemnifying Party fails to give any notice whatsoever within the Dispute Period, then the Indemnified Party shall have the right to defend, at the sole cost and expense of the Indemnifying Party, the Third Party Claim by all appropriate proceedings, which proceedings shall be prosecuted by the Indemnified Party in a reasonable manner and in good faith or will be settled at the discretion of the Indemnified Party (with the consent of the Indemnifying Party, which consent will not be unreasonably withheld). The Indemnified Party will have full control of such defense and proceedings, including any compromise or settlement thereof; provided, however, that if requested by the Indemnified Party, the Indemnifying Party will, at the sole cost and expense of the Indemnifying Party, provide reasonable cooperation to the Indemnified Party and its counsel in contesting any Third Party Claim which the Indemnified Party is contesting. Notwithstanding the foregoing provisions of this clause (ii), if the Indemnifying Party has notified the Indemnified Party within the Dispute Period that the Indemnifying Party disputes its liability or the amount of its liability hereunder to the

Indemnified Party with respect to such Third Party Claim and if such dispute is resolved in favor of the Indemnifying Party in the manner provided in clause (iii) below, the Indemnifying Party will not be required to bear the costs and expenses of the Indemnified Party's defense pursuant to this clause (ii) or of the Indemnifying Party's participation therein at the Indemnified Party's request, and the Indemnified Party shall reimburse the Indemnifying Party in full for all reasonable costs and expenses incurred by the Indemnifying Party in connection with such litigation. The Indemnifying Party may participate in, but not control, any defense or settlement controlled by the Indemnified Party pursuant to this clause (ii), and the Indemnifying Party shall bear its own costs and expenses with respect to such participation.

(iii) If the Indemnifying Party notifies the Indemnified Party that it does not dispute its liability or the amount of its liability to the Indemnified Party with respect to the Third Party Claim under Section 9.1 or fails to notify the

Indemnified Party within the Dispute Period whether the Indemnifying Party disputes its liability or the amount of its liability to the Indemnified Party with respect to such Third Party Claim, the Loss in the amount specified in the Claim Notice shall be conclusively deemed a liability of the Indemnifying Party under Section 9.1 and the Indemnifying Party shall pay the amount of such Loss to the Indemnified Party on demand. If the Indemnifying Party has timely disputed its liability or the amount of its liability with respect to such claim, the Indemnifying Party and the Indemnified Party shall proceed in good faith to negotiate a resolution of such dispute, and if not resolved through negotiations within the Resolution Period, such dispute shall be resolved by arbitration in accordance with paragraph (c) of this Section 9.2.

(b) In the event any Indemnified Party should have a claim under Section 9.1 against the Indemnifying Party that does not involve a Third Party Claim, the Indemnified Party shall deliver a written notification of a claim for indemnity under Section 9.1 specifying the nature of and basis for such claim, together with the amount or, if not then reasonably ascertainable, the estimated amount, determined in good faith, of such claim (an "Indemnity Notice") with reasonable promptness to the Indemnifying Party. The failure by any Indemnified Party to give the Indemnity Notice shall not impair such party's rights hereunder except to the extent that the Indemnifying Party demonstrates that it has been irreparably prejudiced thereby.

(c) Any dispute under this Agreement or the Warrant shall be submitted to arbitration (including, without limitation, pursuant to this Section 12.3) and shall be finally and conclusively determined by the decision of a board of arbitration consisting of three (3) members (the "Board of Arbitration") selected as hereinafter provided. Each of the Indemnified Party and the Indemnifying Party shall select one (1) member and the third member shall be selected by mutual agreement of the other members, or if the other members fail to reach agreement

on a third member within twenty (20) days after their selection, such third member shall thereafter be selected by the American Arbitration Association upon application made to it for such purpose by the Indemnified Party. The Board of Arbitration shall meet on consecutive business days in New York County, New York or such other place as a majority of the members of the Board of Arbitration determines more appropriate, and shall reach and render a decision in writing (concurring in by a majority of the members of the Board of Arbitration) with respect to the amount, if any, which the Indemnifying Party is required to pay to the Indemnified Party in respect of a claim filed by the Indemnified Party. In connection with rendering its decisions, the Board of Arbitration shall adopt and follow such rules and procedures as a majority of the members of the Board of Arbitration deems necessary or appropriate. To the extent practical, decisions of the Board of Arbitration shall be rendered no more than thirty (30) calendar days following commencement of proceedings with respect thereto. The Board of Arbitration shall cause its written decision to be delivered to the Indemnified Party and the Indemnifying Party. Any decision made by the Board of Arbitration (either prior to or after the expiration of such thirty (30) calendar day period) shall be final, binding and conclusive on the Indemnified Party and the Indemnifying Party and entitled to be enforced to the fullest extent permitted by law and entered in any court of competent jurisdiction. Each party to any arbitration shall bear its own expense in relation thereto, including but not limited to such party's attorneys' fees, if any, and the expenses and fees of the Board of Arbitration shall be divided between the Indemnifying Party and the Indemnified Party in the same proportion as the portion of the related claim determined by the Board of Arbitration to be payable to the Indemnified Party bears to the portion of such claim determined not to be so payable.

ARTICLE X
MISCELLANEOUS

Section 10.1 Fees and Expenses Section 10.1 Fees and Expenses Section 10.1 Fees and Expenses. Each of the Company and the Investor agrees to pay its own expenses incident to the performance of its obligations hereunder, except that

the Company shall pay the fees, expenses and disbursements of the Investor's counsel incurred during the preparation, negotiation and execution of this Agreement, the Registration Rights Agreement, the Escrow Agreement and the Warrant in an amount not to exceed \$20,000.

Section 10.2 Reporting Entity for the Common Stock Section 10.2 Reporting Entity for the Common Stock Section 10.2 Reporting Entity for the Common Stock. The reporting entity relied upon for the determination of the trading price or trading volume of the Common Stock on any given Trading Day for the purposes of this Agreement shall be Bloomberg, L.P. or any successor thereto. The written mutual consent of the Investor and the Company shall be required to employ any other reporting entity.

Section 10.3 Brokerage Section 10.3 Brokerage Section 10.3 Brokerage. Each of the parties hereto represents that it has had no dealings in connection with this transaction with any finder or broker who will demand payment of any fee or commission from the other party. The Company on the one hand, and the Investor, on the other hand, agree to indemnify the other against and hold the other harmless from

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any and all liabilities to any persons claiming brokerage commissions or finder's fees on account of services purported to have been rendered on behalf of the indemnifying party in connection with this Agreement or the transactions contemplated hereby.

Section 10.4 Notices. Section 10.4 Notices. Section 10.4 Notices. All notices, demands, requests, consents, approvals, and other communications required or permitted hereunder shall be in writing and, unless otherwise specified herein, shall be (i) personally served, (ii) deposited in the mail, registered or certified, return receipt requested, postage prepaid, (iii) delivered by reputable air courier service with charges prepaid, or (iv) transmitted by hand delivery, telegram, or facsimile, addressed as set forth below or to such other address as such party shall have specified most recently by written notice given in accordance herewith. Any notice or other communication required or permitted to be given hereunder shall be deemed effective (a) upon hand delivery or delivery by facsimile, with accurate confirmation generated by the transmitting facsimile machine, at the address or number designated below (if delivered on a business day during normal business hours where such notice is to be received), or the first business day following such delivery (if delivered other than on a business day during normal business hours where such notice is to be received) or (b) on the second business day following the date of mailing by express courier service, fully prepaid, addressed to such address, or upon actual receipt of such mailing, whichever shall first occur. The addresses for such communications shall be:

If to the Company:

The Female Health Company
919 North Michigan Avenue
Suite 2208
Attention: O.B. Parrish
Chairman and Chief Executive Officer
Chicago, Illinois 60611
Telephone: (312) 280-2281
Facsimile: (312) 280

with a copy (which shall not constitute notice) to:

Reinhart, Boerner, Van Deuren, Norris & Rieselbach
1000 North Water Street
Suite 2100
Milwaukee, Wisconsin 53202
Attention: David Krosner, Esq.
Telephone: (414) 298-1000
Facsimile: (414) 298-8097

if to the Investor:

Kingsbridge Capital Limited
c/o Kingsbridge Corporate Services Limited
Main Street
Kilcullen, County Kildare

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Republic of Ireland
Attention: Adam Gurney
Telephone: 011-353-45-481-811
Facsimile: 011-353-45-482-003

with a copy (which shall not constitute notice) to:

Rogers & Wells LLP
200 Park Avenue, 52nd Floor
New York, NY 10166
Attention: Keith M. Andruschak, Esq.
Telephone: (212) 878-8570
Facsimile: (212) 878-8375

Either party hereto may from time to time change its address or facsimile number for notices under this Section by giving at least ten (10) days' prior written notice of such changed address or facsimile number to the other party hereto.

Section 10.5 Assignment Section 10.5 Assignment Section 10.5 Assignment. Neither this Agreement nor any rights of the Investor or the Company hereunder may be assigned by either party to any other person. Notwithstanding the foregoing, (a) the provisions of this Agreement shall inure to the benefit of, and be enforceable by, any transferee of any of the Common Stock purchased or acquired by the Investor hereunder with respect to the Common Stock held by such person, and (b) the Investor's interest in this Agreement may be assigned at any time, in whole or in part, to any other person or entity (including any affiliate of the Investor) upon the prior written consent of the Company, which consent shall not to be unreasonably withheld.

Section 10.6 Amendment; No Waiver Section 10.6 Amendment; No Waiver Section 10.6 Amendment; No Waiver. No party shall be liable or bound to any other party in any manner by any warranties, representations or covenants except as specifically set forth in this Agreement or therein. Except as expressly provided in this Agreement, neither this Agreement nor any term hereof may be amended, waived, discharged or terminated other than by a written instrument signed by both parties hereto. The failure of the either party to insist on strict compliance with this Agreement, or to exercise any right or remedy under this Agreement, shall not constitute a waiver of any rights provided under this Agreement, nor estop the parties from thereafter demanding full and complete compliance nor prevent the parties from exercising such a right or remedy in the future.

Section 10.7 Annexes and Exhibits; Entire Agreement Section 10.7 Annexes and Exhibits; Entire Agreement Section 10.7 Annexes and Exhibits; Entire Agreement. All annexes and exhibits to this Agreement are incorporated herein by reference and shall constitute part of this Agreement. This Agreement, the Warrant, the Registration Rights Agreement and the Escrow Agreement set forth the entire agreement and understanding of the parties relating to the subject matter hereof and thereof and supersede all prior and contemporaneous agreements, negotiations and understandings between the parties, both oral and written, relating to the subject matter hereof.

Section 10.8 Termination; Survival Section 10.8 Termination; Survival Section 10.8 Termination; Survival. This Agreement shall terminate on the earlier of (i) twenty four (24) months after the commencement of the Commitment Period and (ii) the date on which the Company has made Puts with an aggregate Investment Amount equal to the Maximum Commitment Amount; provided, however, that the

provisions of Articles VI, VIII, IX and X, and of Section 2.1(b) and Section 7.3, shall survive the termination of this Agreement.

Section 10.9 Severability Section 10.9 Severability Section 10.9 Severability. In the event that any provision of this Agreement becomes or is declared by a court of competent jurisdiction to be illegal, unenforceable or void, this Agreement shall continue in full force and effect without said provision; provided that such severability shall be ineffective if it materially changes the economic benefit of this Agreement to any party.

Section 10.10 Title and Subtitles Section 10.10 Title and Subtitles Section 10.10 Title and Subtitles. The titles and subtitles used in this Agreement are used for the convenience of reference and are not to be considered in construing or interpreting this Agreement.

Section 10.11 Counterparts Section 10.11 Counterparts Section 10.11 Counterparts. This Agreement may be executed in multiple counterparts, each of which may be executed by less than all of the parties and shall be deemed to be an original instrument which shall be enforceable against the parties actually executing such counterparts and all of which together shall constitute one and the same instrument.

Section 10.12 Choice of Law Section 10.12 Choice of Law Section 10.12 Choice of Law. This Agreement shall be construed under the laws of the State of New York.

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IN WITNESS WHEREOF, the parties hereto have caused this Private Equity Line Agreement to be executed by the undersigned, thereunto duly authorized, as of the date first set forth above.

KINGSBRIDGE CAPITAL LIMITED

By: /s/ Adam Gurney

Adam Gurney
Director

THE FEMALE HEALTH COMPANY

By: /s/ O.B. Parrish

O.B. Parrish
Chairman

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ANNEX A
MAXIMUM PUT AMOUNT

The Maximum Put Amount with respect to a Put shall be determined based upon the Average Daily Trading Volume of shares of Common Stock with respect to the relevant Put Date and the Market Price as of such Put Date of shares of Common Stock on such Put Date as follows:

<TABLE>
<CAPTION>

AVERAGE DAILY TRADING VOLUME

Market Price (\$ per share)	17,000-22,000	22,001-30,000	30,001-45,000	45,001-Above
=====	=====	=====	=====	=====
<S>	<C>	<C>	<C>	<C>
1.00-1.50	\$100,000	\$125,000	\$175,000	\$ 200,000
1.51-2.00	\$125,000	\$150,000	\$200,000	\$ 225,000
2.01-2.50	\$200,000	\$300,000	\$400,000	\$ 500,000
2.51-3.00	\$250,000	\$350,000	\$450,000	\$ 600,000
3.01-3.50	\$300,000	\$400,000	\$450,000	\$ 600,000
3.51-4.00	\$350,000	\$450,000	\$500,000	\$ 600,000
4.01-4.50	\$350,000	\$450,000	\$550,000	\$ 650,000
4.51-5.00	\$400,000	\$500,000	\$600,000	\$ 750,000
5.01-Above	\$450,000	\$600,000	\$750,000	\$1,000,000
=====	=====	=====	=====	=====

</TABLE>

EXHIBIT 4.4

REGISTRATION RIGHTS AGREEMENT

This REGISTRATION RIGHTS AGREEMENT (this "Agreement"), dated as of November 19, 1998, is made and entered into by and between The Female Health Company, a Wisconsin corporation (the "Company"), and KINGSBRIDGE CAPITAL LIMITED (the "Investor").

WHEREAS, the Company and the Investor have entered into that certain Private Equity Line Agreement, dated as of the date hereof (the "Equity Line Agreement"), pursuant to which the Company will issue, from time to time, to the Investor up to \$6,000,000 worth of shares of Common Stock, par value \$.01 per share, of the Company (the "Common Stock");

WHEREAS, pursuant to the terms of, and in partial consideration for, the Investor entering into the Investment Agreement, the Company has issued to the Investor a warrant dated as of the date hereof, exercisable from time to time within three (3) years following the six-month anniversary of the date of issuance (the "Warrant") for the purchase of an aggregate of up to 200,000 shares of Common Stock at a price specified in such Warrant;

WHEREAS, pursuant to the terms of, and in partial consideration for, the Investor's agreement to enter into the Investment Agreement, the Company has agreed to provide the Investor with certain registration rights with respect to the Registrable Securities;

NOW, THEREFORE, in consideration of the premises, the representations, warranties, covenants and agreements contained herein, in the Warrant, and in the Investment Agreement, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, intending to be legally bound hereby, the parties hereto agree as follows (capitalized terms used herein and not defined herein shall have the respective meanings ascribed to them in the Investment Agreement):

ARTICLE I
REGISTRATION RIGHTS

Section 1.1. REGISTRATION STATEMENTS 1.1. REGISTRATION STATEMENTS 1.1.
REGISTRATION STATEMENTS.

(a) Filing of Registration Statement. Subject to the terms and conditions of this Agreement, the Company shall file with the SEC within sixty (60) days following the Subscription Date a registration statement on Form SB-2 or other appropriate form under the Securities Act (the "Registration Statement") for the registration of the resale by the Investor of the Registrable Securities.

(b) Effectiveness of the Registration Statement. The Company shall use its reasonable best efforts to have the Registration Statement declared effective by the SEC by no later than one hundred twenty (120) days after Subscription Date and to insure that the Registration Statement remains in effect throughout the term of this Agreement as set forth in Section 4.2, subject to the terms and conditions of this Agreement.

(c) Failure to Obtain Effectiveness of Registration Statement. In the event the Company fails for any reason (other than the Investor's failure to satisfy the conditions set forth in Section 7.1 of the Equity Line Agreement) to obtain the effectiveness of a Registration Statement within the time period set forth in Section 1.1(b), the Company shall pay to the Investor, within

three (3) Trading Days of the date by which such Registration Statement was required to have been declared effective, \$15,000 in immediately available funds into an account designated by the Investor; provided, however, that such amount shall not be payable with respect to the postponement of the effectiveness of a Registration Statement (or use of the underlying prospectus) pursuant to Section 1.1(e). Such payment shall be made by wire transfer of immediately available funds to an account designated by the Investor.

(d) Failure to Maintain Effectiveness of Registration Statement. In the event the Company fails to maintain the effectiveness of a Registration Statement (or the underlying prospectus) throughout the period set forth in Section 4.2, other than temporary suspensions as set forth in Section 1.1(e), and the Investor holds any Registrable Securities at any time during the period of such ineffectiveness (an "Ineffective Period"), the Company shall pay to the

Investor in immediately available funds into an account designated by the Investor an amount equal to one percent (1%) of the aggregate Purchase Price of all of the Registrable Securities then held by the Investor for each full calendar month (or pro rata portion thereof for any partial month) of an Ineffective Period. Such amounts shall not be payable with respect to suspensions of the effectiveness of a Registration Statement (or use of the underlying prospectus), in accordance with Section 1.1(e). Such payments shall be made on the first Trading Day after the earliest to occur of (i) the expiration of the Commitment Period, (ii) the expiration of an Ineffective Period, (iii) the expiration of the first month of an Ineffective Period and (iv) the expiration of each additional month during an Ineffective Period.

(e) Deferral or Suspension During a Blackout Period. Sections 1.1 (c) and (d) notwithstanding, if the Company shall furnish to the Investor notice signed by the Chairman and Chief Executive Officer of the Company stating that the Board of Directors of the Company has, by duly authorized resolution, determined in good faith that it would be seriously detrimental to the Company and its shareholders for the Registration Statement to be filed (or remain in effect) and it is therefore essential to defer the filing of such Registration Statement (or temporarily suspend the effectiveness of such Registration Statement or use of the related prospectus) (a "Blackout Notice"), the Company shall have the right (i) immediately to defer such filing for a period of not more than thirty (30) days beyond the date by which such Registration Statement was otherwise required hereunder to be filed or (ii) suspend such effectiveness for a period of not more than thirty (30) (any such deferral or suspension period of up to thirty days, a "Blackout Period"). The Investor acknowledges that it would be seriously detrimental to the Company and its shareholders for such Registration Statement to be filed (or remain in effect) during a Blackout Period and therefore essential to defer such filing (or suspend such effectiveness) during such Blackout Period and agrees to cease any disposition of the Registrable Securities during such Blackout Period. The Company may not utilize any of its rights under this Section 1.1(e) to defer the filing of a Registration Statement (or suspend its effectiveness) more than twice in any twelve (12) month period. Following such deferral or suspension, the Investor shall be entitled to such additional number of shares of Common Stock as set forth in Section 2.6 of the Investment Agreement.

(f) Liquidated Damages. The Company and the Investor hereto acknowledge and agree that the sums payable under subsections 1(c) or 1(d) above shall constitute liquidated damages and not penalties. The parties further acknowledge that (i) the amount of loss or damages likely to be incurred is incapable or is difficult to precisely estimate, (ii) the amounts

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specified in such subsections bear a reasonable proportion and are not plainly or grossly disproportionate to the probable loss likely to be incurred in connection with any failure by the Company to obtain or maintain the effectiveness of a Registration Statement, (iii) one of the reasons for the Company and the Investor reaching an agreement as to such amounts was the uncertainty and cost of litigation regarding the question of actual damages, and (iv) the Company and the Investor are sophisticated business parties and have been represented by sophisticated and able legal and financial counsel and negotiated this Agreement at arm's length.

ARTICLE II REGISTRATION PROCEDURES

Section 2.1. FILINGS; INFORMATION 2.1. FILINGS; INFORMATION 2.1. FILINGS; INFORMATION. The Company will effect the registration and sale of such Registrable Securities in accordance with the intended methods of disposition thereof. Without limiting the foregoing, the Company in each such case will do the following as expeditiously as possible, but in no event later than the deadline, if any, prescribed therefor in this Agreement:

(a) The Company shall (i) prepare and file with the SEC a Registration Statement on Form SB-2 (if use of such form is then available to the Company pursuant to the rules of the SEC and, if not, on such other form promulgated by the SEC for which the Company then qualifies, that counsel for the Company shall deem appropriate and which form shall be available for the sale of the Registrable Securities to be registered thereunder in accordance with the provisions of this Agreement and in accordance with the intended method of distribution of such Registrable Securities); (ii) use reasonable best efforts to cause such filed Registration Statement to become and remain effective (pursuant to Rule 415 under the Securities Act or otherwise); (iii) prepare and file with the SEC such amendments and supplements to such Registration Statement and the prospectus used in connection therewith as may be necessary

to keep such Registration Statement effective for the time period prescribed by Section 1.1(b); and (iv) comply with the provisions of the Securities Act with respect to the disposition of all securities covered by such Registration Statement during such period in accordance with the intended methods of disposition by the Investor set forth in such Registration Statement.

(b) The Company shall file all necessary amendments to the Registration Statement in order to effectuate the purpose of this Agreement, the Investment Agreement, and the Warrant.

(c) If so requested by the managing underwriters, if any, or the holders of a majority in aggregate principal amount of the Registrable Securities being sold in connection with the filing of a Registration Statement under the Securities Act for the offering on a continuous or delayed basis in the future of all of the Registrable Securities (a "Shelf Registration"), the Company shall (i) promptly incorporate in a prospectus supplement or post-effective amendment such information as the managing underwriters, if any, and such holders agree should be included therein, and (ii) make all required filings of such prospectus supplement or post-effective amendment as soon as practicable after the Company has received notification of the matters to be incorporated in such prospectus supplement or post-effective amendment; provided, however, that the Company shall not be required to take any action pursuant to this Section 2.1(c)(ii) that would, in the opinion of counsel for the Company, violate applicable law.

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(d) In connection with the filing of a Shelf Registration, the Company shall enter into such agreements and take all such other reasonable actions in connection therewith (including those reasonably requested by the managing underwriters, if any, or the holders of a majority in aggregate principal amount of the Registrable Securities being sold) in order to expedite or facilitate the disposition of such Registrable Securities, and in such connection, whether or not an underwriting agreement is entered into and whether or not the registration is an underwritten registration, the Company shall (i) make such representations and warranties to the holders of such Registrable Securities and the underwriters, if any, with respect to the business of the Company (including with respect to businesses or assets acquired or to be acquired by the Company), and the Registration Statement, prospectus and documents, if any, incorporated or deemed to be incorporated by reference therein, in each case, in form, substance and scope as are customarily made by issuers to underwriters in underwritten offerings, and confirm such representations and warranties if and when requested; (ii) if an underwriting agreement is entered into, it shall contain indemnification provision and procedures no less favorable to the selling holders of such Registrable Securities and the underwriters, if any, than those set forth herein (or such other provisions and procedures acceptable to the holders of a majority in aggregate principal amount of Registrable Securities covered by such Registration Statement and the managing underwriters, if any); and (iii) deliver such documents and certificates as may be reasonably requested by the holders of a majority in aggregate principal amount of the Registrable Securities being sold, their counsel and the managing underwriters, if any, to evidence the continued validity of their representations and warranties made pursuant to clause (i) above and to evidence compliance with any customary conditions contained in the underwriting agreement or other agreement entered into by the Company.

(e) Five (5) Trading Days prior to filing the Registration Statement or prospectus, or any amendment or supplement thereto (excluding amendments deemed to result from the filing of documents incorporated by reference therein), the Company shall deliver to the Investor and one firm of counsel representing the Investor, in accordance with the notice provisions of Section 4.8, copies of the Registration Statement as proposed to be filed, together with exhibits thereto, which documents will be subject to review by the Investor and such counsel, and thereafter deliver to the Investor and such counsel, in accordance with the notice provisions of Section 4.8, such number of copies of the Registration Statement, each amendment and supplement thereto (in each case including all exhibits thereto), the prospectus included in the Registration Statement (including each preliminary prospectus) and such other documents or information as the Investor or counsel may reasonably request in order to facilitate the disposition of the Registrable Securities.

(f) The Company shall deliver, in accordance with the notice provisions of Section 4.8, to each seller of Registrable Securities covered by the Registration Statement such number of conformed copies of the Registration Statement and of each amendment and supplement thereto (in each case including all exhibits and documents incorporated by reference), such number of copies of the prospectus contained in the Registration Statement (including each

preliminary prospectus and any summary prospectus) and any other prospectus filed under Rule 424 promulgated under the Securities Act relating to such seller's Registrable Securities, and such other documents, as such seller may reasonably request to facilitate the disposition of its Registrable Securities.

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(g) After the filing of the Registration Statement, the Company shall promptly notify the Investor of any stop order issued or threatened by the SEC in connection therewith and take all reasonable actions required to prevent the entry of such stop order or to remove it if entered.

(h) The Company shall use its reasonable best efforts to (i) register or qualify the Registrable Securities under such other securities or blue sky laws of such jurisdictions in the United States as the Investor may reasonably (in light of its intended plan of distribution) request, and (ii) cause the Registrable Securities to be registered with or approved by such other governmental agencies or authorities in the United States as may be necessary by virtue of the business and operations of the Company and do any and all other acts and things that may be reasonably necessary or advisable to enable the Investor to consummate the disposition of the Registrable Securities; provided, however, that the Company will not be required to qualify generally to do business in any jurisdiction where it would not otherwise be required to qualify but for this paragraph (h), subject itself to taxation in any such jurisdiction, or consent or subject itself to general service of process in any such jurisdiction.

(i) The Company shall immediately notify the Investor upon the occurrence of any of the following events in respect of the Registration Statement or related prospectus in respect of an offering of Registrable Securities: (i) receipt of any request by the SEC or any other federal or state governmental authority for additional information, amendments or supplements to the Registration Statement or related prospectus; (ii) the issuance by the SEC or any other federal or state governmental authority of any stop order suspending the effectiveness of the Registration Statement or the initiation of any proceedings for that purpose; (iii) receipt of any notification with respect to the suspension of the qualification or exemption from qualification of any of the Registrable Securities for sale in any jurisdiction or the initiation or threatening of any proceeding for such purpose; (iv) the happening of any event that makes any statement made in the Registration Statement or related prospectus or any document incorporated or deemed to be incorporated therein by reference untrue in any material respect or that requires the making of any changes in the Registration Statement, related prospectus or documents so that, in the case of the Registration Statement, it will not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading, and that in the case of the related prospectus, it will not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; and (v) the Company's reasonable determination that a post-effective amendment to the Registration Statement would be appropriate, and the Company will promptly make available to the Investor any such supplement or amendment to the related prospectus.

(j) The Company shall enter into customary agreements and take such other actions as are reasonably required in order to expedite or facilitate the disposition of such Registrable Securities (whereupon the Investor may, at its option, require that any or all of the representations, warranties and covenants of the Company also be made to and for the benefit of the Investor).

(k) The Company shall make available to the Investor (and will deliver to Investor's counsel), subject to restrictions imposed by the United States federal government or

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any agency or instrumentality thereof, copies of all correspondence between the SEC and the Company, its counsel or its auditors concerning the Registration Statement and will also make available for inspection by the Investor and any attorney, accountant or other professional retained by the Investor (collectively, the "Inspectors"), all financial and other records, pertinent

corporate documents and properties of the Company (collectively, the "Records") as shall be reasonably necessary to enable them to exercise their due diligence responsibility, and cause the Company's officers and employees to supply all information reasonably requested by any Inspectors in connection with the Registration Statement. Records that the Company determines, in good faith, to be confidential and that it notifies the Inspectors are confidential shall not be disclosed by the Inspectors unless (i) the disclosure of such Records is necessary to avoid or correct a misstatement or omission in the Registration Statement or (ii) the disclosure or release of such Records is requested or required pursuant to oral questions, interrogatories, requests for information or documents or a subpoena or other order from a court of competent jurisdiction or other process; provided, however, that prior to any disclosure or release pursuant to clause (ii), the Inspectors shall provide the Company with prompt notice of any such request or requirement so that the Company may seek an appropriate protective order or waive such Inspectors' obligation not to disclose such Records; and, provided, further, that if failing the entry of a protective order or the waiver by the Company permitting the disclosure or release of such Records, the Inspectors, upon advice of counsel, are compelled to disclose such Records, the Inspectors may disclose that portion of the Records that counsel has advised the Inspectors that the Inspectors are compelled to disclose. The Investor agrees that information obtained by it solely as a result of such inspections (not including any information obtained from a third party who, insofar as is known to the Investor after reasonable inquiry, is not prohibited from providing such information by a contractual, legal or fiduciary obligation to the Company) shall be deemed confidential and shall not be used by it as the basis for any market transactions in the securities of the Company or its affiliates unless and until such information is made generally available to the public. The Investor further agrees that it will, upon learning that disclosure of such Records is sought in a court of competent jurisdiction, give notice to the Company and allow the Company, at its expense, to undertake appropriate action to prevent disclosure of the Records deemed confidential.

(l) To the extent required by law or reasonably necessary to effect a sale of Registrable Securities in accordance with prevailing business practices at the time of any sale of Registrable Securities pursuant to a Registration Statement, the Company shall deliver to the Investor a signed counterpart, addressed to the Investor, of (1) an opinion or opinions of counsel to the Company, and (2) a comfort letter or comfort letters from the Company's independent public accountants, each in customary form and covering such matters of the type customarily covered by opinions or comfort letters, as the case may be, as the Investor therefor reasonably requests.

(m) The Company shall otherwise comply with all applicable rules and regulations of the SEC, including, without limitation, compliance with applicable reporting requirements under the Exchange Act.

(n) The Company shall appoint a transfer agent and registrar for all of the Registrable Securities covered by such Registration Statement not later than the effective date of such Registration Statement.

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(o) The Company may require the Investor to promptly furnish in writing to the Company such information as may be legally required in connection with such registration including, without limitation, all such information as may be requested by the SEC or the National Association of Securities Dealers. The Investor agrees to provide such information requested in connection with such registration promptly and in any event within ten (10) business days after receiving such written request and the Company shall not be responsible for any delays in obtaining or maintaining the effectiveness of the Registration Statement caused by the Investor's failure to timely provide such information.

Section 2.2. REGISTRATION EXPENSES 2.2. REGISTRATION EXPENSES 2.2. REGISTRATION EXPENSES. In connection with each Registration Statement, the Company shall pay all registration expenses incurred in connection with the registration thereunder (the "Registration Expenses"), including, without limitation: (i) all registration, filing, securities exchange listing and fees required by the National Association of Securities Dealers, (ii) all registration, filing, qualification and other fees and expenses of compliance with securities or blue sky laws (including reasonable fees and disbursements of counsel in connection with blue sky qualifications of the Registrable Securities), (iii) all word processing, duplicating, printing, messenger and delivery expenses, (iv) the Company's internal expenses (including, without limitation, all salaries and expenses of its officers and employees performing legal or accounting duties), (v) the fees and expenses incurred by the Company in connection with the listing of the Registrable Securities, (vi) reasonable fees and disbursements of counsel

for the Company and customary fees and expenses for independent certified public accountants retained by the Company (including the expenses of any special audits or comfort letters or costs associated with the delivery by independent certified public accountants of such special audit(s) or comfort letter(s) requested pursuant to Section 2.1(1) hereof), (vii) the fees and expenses of any special experts retained by the Company in connection with such registration, (viii) all reasonable fees and expenses of one firm of counsel for the Investor retained as the Investor's counsel with respect to such Registration Statement up to an amount of \$5,000, unless a greater amount is required due the nature of the review performed by Investor's counsel (an estimate of such greater fees and expenses of such firm of counsel to be provided to the Company prior to the undertaking of such counsel's review), (ix) premiums and other costs of policies of insurance against liabilities arising out of any public offering of the Registrable Securities being registered, and (x) any fees and disbursements of underwriters customarily paid by issuers or sellers of securities, but excluding underwriting fees, discounts, transfer taxes or commissions, if any, attributable to the sale of Registrable Securities, which shall be payable by each holder of Registrable Securities pro rata on the basis of the number of Registrable Securities of each such holder that are included in a registration under this Agreement.

ARTICLE III
INDEMNIFICATION AND CONTRIBUTION

Section 3.1. INDEMNIFICATION BY THE COMPANY 3.1. INDEMNIFICATION BY THE COMPANY 3.1. INDEMNIFICATION BY THE COMPANY. The Company agrees to indemnify and hold harmless the Investor, its partners, Affiliates, officers, directors, employees and duly authorized agents, and each Person or entity, if any, who controls the Investor within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act, together with the partners, Affiliates, officers,

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directors, employees and duly authorized agents of such controlling Person or entity (collectively, the "Controlling Persons"), from and against any loss, claim, damage, liability, costs and expenses (including, without limitation, reasonable attorneys' fees and disbursements and costs and expenses of investigating and defending any such claim) (collectively, "Damages"), joint or several, and any action or proceeding in respect thereof to which the Investor, its partners, affiliates, officers, directors, employees and duly authorized agents, and any Controlling Person, may become subject under the Securities Act or otherwise, as incurred, insofar as such Damages (or actions or proceedings in respect thereof) arise out of, or are based upon, any untrue statement or alleged untrue statement of a material fact contained in any Registration Statement, or in any preliminary prospectus, final prospectus, summary prospectus, amendment or supplement relating to the Registrable Securities or arises out of, or are based upon, any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, and shall reimburse the Investor, its partners, affiliates, officers, directors, employees and duly authorized agents, and each such Controlling Person, for any legal and other expenses reasonably incurred by the Investor, its partners, affiliates, officers, directors, employees and duly authorized agents, or any such Controlling Person, as incurred, in investigating or defending or preparing to defend against any such Damages or actions or proceedings; provided, however, that the Company shall not be liable to the extent that any such Damages arise out of the Investor's failure to send or give a copy of the final prospectus or supplement to the persons asserting an untrue statement or alleged untrue statement or omission or alleged omission at or prior to the written confirmation of the sale of Registrable Securities to such person if such statement or omission was corrected in such final prospectus or supplement; provided, further, that the Company shall not be liable to the extent that any such Damages arise out of or are based upon an untrue statement or alleged untrue statement or omission or alleged omission made in such Registration Statement, or any such preliminary prospectus, final prospectus, summary prospectus, amendment or supplement in reliance upon and in conformity with written information furnished to the Company by the Investor or any other person who participates as an underwriter in the offering or sale of such securities, in either case, specifically stating that it is for use in the preparation thereof; provided, further, that the Company shall not be liable to the extent that any such Damages arise out of or are based upon the gross negligence or willful misconduct of the Investor.

Section 3.2. INDEMNIFICATION BY THE INVESTOR. The Investor agrees to

indemnify and hold harmless the Company and each of its Controlling Persons from and against any Damages suffered by the Company and/or each of its Controlling Persons insofar as such Damages arise directly from the gross negligence or willful misconduct of the Investor.as such Damages arise directly from the gross negligence or willful misconduct of the Investor.such Damages arise directly from the gross negligence or willful misconduct of the Investor.

Section 3.3. CONDUCT OF INDEMNIFICATION PROCEEDINGS. Promptly after receipt by any person or entity in respect of which indemnity may be sought pursuant to Section 3.1 (an "Indemnified Party") of notice of any claim or the commencement of any action, the Indemnified Party shall, if a claim in respect thereof is to be made against the person or entity against whom such indemnity may be sought (the "Indemnifying Party"), notify the Indemnifying Party in writing of the claim or the commencement of such action. In

the event an Indemnified Party shall fail to give such notice as provided in this Section 3.2 and the Indemnifying Party to whom notice was not given was unaware of the proceeding to which such notice would have related and was materially prejudiced by the failure to give such notice, the indemnification provided for in Section 3.1 shall be reduced to the extent of any actual prejudice resulting from such failure to so notify the Indemnifying Party; provided, however, that the failure to notify the Indemnifying Party shall not relieve the Indemnifying Party from any liability that it may have to an Indemnified Party otherwise than under Section 3.1. If any such claim or action shall be brought against an Indemnified Party, and it shall notify the Indemnifying Party thereof, the Indemnifying Party shall be entitled to participate therein, and, to the extent that it wishes, jointly with any other similarly notified Indemnifying Party, to assume the defense thereof with counsel reasonably satisfactory to the Indemnified Party. After notice from the Indemnifying Party to the Indemnified Party of its election to assume the defense of such claim or action, the Indemnifying Party shall not be liable to the Indemnified Party for any legal or other expenses subsequently incurred by the Indemnified Party in connection with the defense thereof other than reasonable costs of investigation; provided, however, that the Indemnified Party shall have the right to employ separate counsel to represent the Indemnified Party and its Controlling Persons who may be subject to liability arising out of any claim in respect of which indemnity may be sought by the Indemnified Party against the Indemnifying Party, but the fees and expenses of such counsel shall be for the account of such Indemnified Party, unless (i) the Indemnifying Party and the Indemnified Party shall have mutually agreed to the retention of such counsel or (ii) in the reasonable judgment of the Company and such Indemnified Party, representation of both parties by the same counsel would be inappropriate due to actual or potential conflicts of interest between them, it being understood, however, that the Indemnifying Party shall not, in connection with any one such claim or action or separate but substantially similar or related claims or actions in the same jurisdiction arising out of the same general allegations or circumstances, be liable for the fees and expenses of more than one separate firm of attorneys (together with appropriate local counsel) at any time for all Indemnified Parties, or for fees and expenses that are not reasonable. No Indemnifying Party shall, without the prior written consent of the Indemnified Party, effect any settlement of any claim or pending or threatened proceeding in respect of which the Indemnified Party is or could have been a party and indemnity could have been sought hereunder by such Indemnified Party, unless such settlement includes an unconditional release of such Indemnified Party from all liability arising out of such claim or proceeding. Whether or not the defense of any claim or action is assumed by the Indemnifying Party, such Indemnifying Party will not be subject to any liability for any settlement made without its consent, which consent will not be unreasonably withheld.

Section 3.4. OTHER INDEMNIFICATION 3.4. OTHER INDEMNIFICATION 3.4. OTHER INDEMNIFICATION. Indemnification similar to that specified in the preceding paragraphs of this Article 3 (with appropriate modifications) shall be given by the Company with respect to any required registration or other qualification of securities under any federal or state law or regulation of any governmental authority other than the Securities Act. The provisions of this Article III shall be in addition to any other rights to indemnification, contribution or other remedies which an Indemnified Party may have pursuant to law, equity, contract or otherwise.

Section 3.5. CONTRIBUTION 3.5. CONTRIBUTION 3.5. CONTRIBUTION. If the indemnification and

reimbursement obligations provided for in any section of this Article III is unavailable or insufficient to hold harmless the Indemnified Parties in respect of any Damages referred to herein, then the Indemnifying Party, in lieu of indemnifying such Indemnified Party, shall contribute to the amount paid or payable by such Indemnified Party as a result of such Damages as between the Company on the one hand and the Investor on the other, in such proportion as is appropriate to reflect the relative fault of the Company and of the Investor in connection with such statements or omissions, as well as other equitable considerations. The relative fault of the Company on the one hand and of the Investor on the other shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by such party, and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission.

The Company and the Investor agree that it would not be just and equitable if contribution pursuant to this Section 3.4 were determined by pro rata allocation or by any other method of allocation that does not take account of the equitable considerations referred to in the immediately preceding paragraph. The amount paid or payable by an Indemnified Party as a result of the Damages referred to in the immediately preceding paragraph shall be deemed to include, subject to the limitations set forth above, any legal or other expenses reasonably incurred by such Indemnified Party in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this Section 3.4, the Investor shall in no event be required to contribute any amount in excess of the amount by which the total price at which the Registrable Securities of the Investor were sold to the public (less underwriting discounts and commissions) exceeds the amount of any damages which the Investor has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission. No Person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any Person who was not guilty of such fraudulent misrepresentation.

ARTICLE IV MISCELLANEOUS

Section 4.1. NO OUTSTANDING REGISTRATION RIGHTS 4.1. NO OUTSTANDING REGISTRATION RIGHTS 4.1. NO OUTSTANDING REGISTRATION RIGHTS. The Company represents and warrants to the Investor that, except as disclosed in the SEC Documents, there is not in effect on the date hereof any agreement by the Company pursuant to which any holders of securities of the Company have a right to cause the Company to register or qualify such securities under the Securities Act or any securities or blue sky laws of any jurisdiction.

Section 4.2. TERM 4.2. TERM 4.2. TERM. The registration rights provided to the holders of Registrable Securities hereunder shall terminate at such time as all Registrable Securities have been issued and have ceased to be Registrable Securities. Notwithstanding the foregoing, paragraphs (c) and (d) of Section 1.1, Article III, Section 4.8, and Section 4.9 shall survive the termination of this Agreement.

Section 4.3. RULE 144 4.3. RULE 144 4.3. RULE 144. The Company will file in a timely manner, information, documents and reports in compliance with the Securities Act and the Exchange

Act and will, at its expense, promptly take such further action as holders of Registrable Securities may reasonably request to enable such holders of Registrable Securities to sell Registrable Securities without registration under the Securities Act within the limitation of the exemptions provided by (a) Rule 144 under the Securities Act ("Rule 144"), as such Rule may be amended from time to time, or (b) any similar rule or regulation hereafter adopted by the SEC. If at any time the Company is not required to file such reports, it will, at its expense, forthwith upon the written request of any holder of Registrable Securities, make available adequate current public information with respect to the Company within the meaning of paragraph

(c) (2) of Rule 144 or such other information as necessary to permit sales pursuant to Rule 144. Upon the request of the Investor, the Company will deliver to the Investor a written statement, signed by the Company's principal financial officer, as to whether it has complied with such requirements.

Section 4.4. CERTIFICATE 4.4. CERTIFICATE 4.4. CERTIFICATE. The Company will, at its expense, forthwith upon the request of any holder of Registrable Securities, deliver to such holder a certificate, signed by the Company's principal financial officer, stating (a) the Company's name, address and telephone number (including area code), (b) the Company's Internal Revenue Service identification number, (c) the Company's Commission file number, (d) the number of shares of each class of Stock outstanding as shown by the most recent report or statement published by the Company, and (e) whether the Company has filed the reports required to be filed under the Exchange Act for a period of at least ninety (90) days prior to the date of such certificate and in addition has filed the most recent annual report required to be filed thereunder.

Section 4.5. AMENDMENT AND MODIFICATION 4.5. AMENDMENT AND MODIFICATION 4.5. AMENDMENT AND MODIFICATION. Any provision of this Agreement may be waived, provided that such waiver is set forth in a writing executed by both parties to this Agreement. The provisions of this Agreement, including the provisions of this sentence, may not be amended, modified or supplemented, and waivers or consents to departures from the provisions hereof may not be given, unless the Company has obtained the written consent of the holders of a majority of the then outstanding Registrable Securities. Notwithstanding the foregoing, the waiver of any provision hereof with respect to a matter that relates exclusively to the rights of holders of Registrable Securities whose securities are being sold pursuant to a Registration Statement and does not directly or indirectly affect the rights of other holders of Registrable Securities may be given by holders of at least a majority of the Registrable Securities being sold by such holders; provided that the provisions of this sentence may not be amended, modified or supplemented except in accordance with the provisions of the immediately preceding sentence. No course of dealing between or among any Person having any interest in this Agreement will be deemed effective to modify, amend or discharge any part of this Agreement or any rights or obligations of any person under or by reason of this Agreement.

Section 4.6. SUCCESSORS AND ASSIGNS; ENTIRE AGREEMENT 4.6. SUCCESSORS AND ASSIGNS; ENTIRE AGREEMENT 4.6. SUCCESSORS AND ASSIGNS; ENTIRE AGREEMENT. This Agreement and all of the provisions hereof shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns. The Investor may assign its rights under this Agreement to any subsequent holder the Registrable Securities, provided that the Company shall have the right to require any holder of Registrable Securities to execute a counterpart of this

Agreement as a condition to such holder's claim to any rights hereunder, provided further that such holder is an "accredited investor" as defined in Rule 501 of Regulation D. This Agreement, together with the Investment Agreement and the Warrant(s) sets forth the entire agreement and understanding between the parties as to the subject matter hereof and merges and supersedes all prior discussions, agreements and understandings of any and every nature among them.

Section 4.7. SEPARABILITY 4.7. SEPARABILITY 4.7. SEPARABILITY. In the event that any provision of this Agreement or the application of any provision hereof is declared to be illegal, invalid or otherwise unenforceable by a court of competent jurisdiction, the remainder of this Agreement shall not be affected except to the extent necessary to delete such illegal, invalid or unenforceable provision unless that provision held invalid shall substantially impair the benefits of the remaining portions of this Agreement.

Section 4.8. NOTICES 4.8. NOTICES 4.8. NOTICES. All notices, demands, requests, consents, approvals, and other communications required or permitted hereunder shall be in writing and shall be (i) deposited in the mail, registered or certified, return receipt requested, postage prepaid, (ii) delivered by reputable air courier service with charges prepaid, or (iii) transmitted by hand delivery, telegram or facsimile, addressed as set forth below or to such other address as such party shall have specified most recently by written notice. Any notice or other communication required or permitted to be given hereunder shall be deemed effective (a) upon hand delivery or delivery by facsimile, with accurate confirmation generated by

the transmitting facsimile machine, at the address or number designated below (if delivered on a business day during normal business hours where such notice is to be received), or the first business day following such delivery (if delivered other than on a business day during normal business hours where such notice is to be received) or (b) on the second business day following the date of mailing by express courier service, fully prepaid, addressed to such address, or upon actual receipt of such mailing, whichever shall first occur. The addresses for such communications shall be:

If to the Company:

The Female Health Company
919 North Michigan Avenue
Suite 2208
Attention: O.B. Parrish
Chairman and Chief Executive Officer
Chicago, Illinois 60611
Telephone: (312) 280-2281
Facsimile:

with a copy (which shall not constitute notice) to:

Reinhart, Boerner, Van Deuren, Norris &
Rieselbach
1000 North Water Street
Suite 2100

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Milwaukee, Wisconsin 53202
Attention: David Krosner, Esq.
Telephone: (414) 298-1000
Facsimile:

if to the Investor:

Kingsbridge Capital Limited
c/o Kingsbridge Corporate Services
Limited
Main Street
Kilcullen, County Kildare
Republic of Ireland
Attention: Adam Gurney
Telephone: 011-353-45-481-811
Facsimile: 011-353-45-482-003

with a copy (which shall not constitute notice) to:

Rogers & Wells LLP
200 Park Avenue, 52nd Floor
New York, NY 10166
Attention: Keith M. Andruschak, Esq.
Telephone: (212) 878-8570
Facsimile: (212) 878-8375

Either party hereto may from time to time change its address or facsimile number for notices under this Section 4.8 by giving at least ten (10) days' prior written notice of such changed address or facsimile number to the other party hereto.

Section 4.9. GOVERNING LAW 4.9. GOVERNING LAW 4.9. GOVERNING LAW. This Agreement shall be construed under the laws of the State of Wisconsin.

Section 4.10. HEADINGS 4.10. HEADINGS 4.10. HEADINGS. The headings in this Agreement are for convenience of reference only and shall not constitute a part of this Agreement, nor shall they affect their meaning, construction or effect.

Section 4.11. COUNTERPARTS 4.11. COUNTERPARTS 4.11. COUNTERPARTS. This Agreement may be executed in multiple counterparts, each of which shall be deemed to be an original instrument and all of which together shall constitute one and the same instrument.

Section 4.12. FURTHER ASSURANCES 4.12. FURTHER ASSURANCES 4.12. FURTHER ASSURANCES. Each party shall cooperate and take such action as may be reasonably requested by another party in order to carry out the provisions and purposes of this Agreement and the transactions contemplated hereby.

Section 4.13. ABSENCE OF PRESUMPTION. This Agreement shall be construed

without regard to any presumption or rule requiring construction or interpretation against the party drafting or causing any instrument to be drafted.

Section 4.14. REMEDIES 4.14. REMEDIES 4.14. REMEDIES. In the event of a breach or a threatened breach by any party to this Agreement of its obligations under this Agreement, any party injured or to be injured by such breach will be entitled to specific performance of its rights under this Agreement or to injunctive relief, in addition to being entitled to exercise all rights provided in this Agreement and granted by law. 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 or objection in any action for specific performance or injunctive relief that a remedy at law would be adequate is waived.

IN WITNESS WHEREOF, the parties hereto have caused this Registration Rights Agreement to be executed by the undersigned, thereunto duly authorized, as of the date first set forth above.

THE FEMALE HEALTH COMPANY

By: /s/ O.B. Parrish

O.B. Parrish
Chairman and Chief Executive
Officer

KINGSBRIDGE CAPITAL LIMITED

By: /s/ Valentine O'Donoghue

Valentine O'Donoghue

WARRANT

THE SECURITIES EVIDENCED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY OTHER APPLICABLE SECURITIES LAWS AND HAVE BEEN ISSUED IN RELIANCE UPON AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND SUCH OTHER SECURITIES LAWS. NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED, HYPOTHECATED OR OTHERWISE DISPOSED OF, EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR PURSUANT TO A TRANSACTION WHICH IS EXEMPT FROM, OR NOT SUBJECT TO, SUCH REGISTRATION. THE HOLDER OF THIS CERTIFICATE IS THE BENEFICIARY OF CERTAIN OBLIGATIONS OF THE COMPANY SET FORTH IN A PRIVATE EQUITY LINE AGREEMENT, DATED AS OF NOVEMBER 19, 1998, BETWEEN THE FEMALE HEALTH COMPANY AND KINGSBRIDGE CAPITAL LIMITED. A COPY OF THE PORTION OF THE AFORESAID AGREEMENT EVIDENCING SUCH OBLIGATIONS MAY BE OBTAINED FROM THE FEMALE HEALTH COMPANY'S EXECUTIVE OFFICES.

NOVEMBER 19, 1998

Warrant to Purchase up to 200,000 Shares of Common Stock of The Female Health Company.

The Female Health Company, a Wisconsin corporation (the "Company"), hereby agrees that Kingsbridge Capital Limited (the "Investor") or any other Warrant Holder is entitled, on the terms and conditions set forth below, to purchase from the Company at any time during the Exercise Period up to 200,000 fully paid and nonassessable (other than pursuant to Wisconsin Statutes Section 180.0822(2)(b), as interpreted) shares of Common Stock, par value \$.01 per share, of the Company (the "Common Stock"), as the same may be adjusted from time to time pursuant to Section 6 hereof, at the Exercise Price (hereinafter defined), as the same may be adjusted pursuant to Section 6 hereof. The resale of the shares of Common Stock or other securities issuable upon exercise or exchange of this Warrant is subject to the provisions of the Registration Rights Agreement (as defined below).

Section 1. Definitions.

"Agreement" shall mean the Private Equity Line Agreement, dated the date hereof, between the Company and the Investor.

"Capital Shares" shall mean the Common Stock and any shares of any other class of common stock whether now or hereafter authorized, having the right to participate in the distribution of earnings and assets of the Company.

"Date of Exercise" shall mean the date that the advance copy of the Exercise Form is sent by facsimile to the Company, provided that the original Warrant and Exercise Form are received by the Company within reasonable time thereafter. If the Warrant Holder has not sent

advance notice by facsimile, the Date of Exercise shall be the date the original Exercise Form is received by the Company.

"Exercise Period" shall mean that period beginning on the 181st day after the Subscription Date and continuing until the expiration of the three-year period thereafter; provided that such period shall be extended one day for each day after such 181st day after the Subscription Date, that a Registration Statement is not effective during the period such Registration Statement is required to be effective pursuant to the Registration Rights Agreement.

"Exercise Price" as of the date hereof shall mean one hundred twenty percent (120%) of the closing price per share of Common Stock on the Subscription Date and shall hereafter be subject to the adjustments provided for in Section 6 of this Warrant.

"Per Share Warrant Value" shall mean the difference resulting from subtracting the Exercise Price from the Bid Price of one share of Common Stock on the Trading Day next preceding the Date of Exercise.

"Registration Rights Agreement" shall mean the registration rights

agreement, dated the date hereof between the Company and the Investor.

"Subscription Date" shall mean the date on which the Agreement is executed and delivered by the parties hereto.

"Warrant Holder" shall mean the Investor or any assignee or transferee of all or any portion of this Warrant; and WarrantHolder shall mean the Investor or any assignee or transferee of all or any portion of this Warrant; and

other capitalized terms used but not defined herein shall have their respective meanings set forth in the Agreement.

Section 2. Exercise; Cashless Exercise.

(a) Method of Exercise. This Warrant may be exercised in whole or in part (but not as to a fractional share of Common Stock), at any time and from time to time during the Exercise Period, by the Warrant Holder by (i) surrender of this Warrant, with the form of exercise attached hereto as Exhibit A duly executed by the Warrant Holder (the "Exercise Notice"), to the Company at the address set forth in Section 13 hereof, accompanied by payment of the Exercise Price multiplied by the number of shares of Common Stock for which this Warrant is being exercised (the "Aggregate Exercise Price") or (ii) telecopying an executed and completed Exercise Notice to the Company and delivering to the Company within three business days thereafter the original Exercise Notice, this Warrant and the Aggregate Exercise Price. Each date on which an Exercise Notice is received by the Company in accordance with clause (i) and each date on which the Exercise Notice is telecopied to the Company in accordance with clause (ii) above shall be deemed an "Exercise Date".

(b) Payment of Aggregate Exercise Price. Subject to paragraph (c) below, payment of the Aggregate Exercise Price shall be made by check or bank draft payable to the order of the Company or by wire transfer to an account designated by the Company. If the amount of the payment received by the Company is less than the Aggregate Exercise Price, the Warrant Holder will be notified of the deficiency and shall make payment in that amount within

five (5) business days. In the event the payment exceeds the Aggregate Exercise Price, the Company will refund the excess to the Warrant Holder within three (3) business days of receipt.

(c) Cashless Exercise. As an alternative to payment of the Aggregate Exercise Price in accordance with paragraph (b) above, the Warrant Holder may elect to effect a cashless exercise by so indicating on the Exercise Notice and including a calculation of the number of shares of Common Stock to be issued upon such exercise in accordance with the terms hereof (a "Cashless Exercise"). In the event of a Cashless Exercise, the Warrant Holder shall surrender this Warrant for that number of shares of Common Stock determined by (i) multiplying the number of Warrant Shares for which this Warrant is being exercised by the Per Share Warrant Value and (ii) dividing the product by the Bid Price of one share of the Common Stock on the Trading Day next preceding the Date of Exercise.

(d) Replacement Warrant. In the event that the Warrant is not exercised in full, the number of Warrant Shares shall be reduced by the number of such Warrant Shares for which this Warrant is exercised, and the Company, at its expense, shall forthwith issue and deliver to or upon the order of the Warrant Holder a new Warrant of like tenor in the name of the Warrant Holder or as the Warrant Holder may request, reflecting such adjusted number of Warrant Shares.

Section 3. Ten Percent Limitation. The Warrant Holder may not exercise this Warrant such that the number of Warrant Shares to be received pursuant to such exercise aggregated with all other shares of Common Stock then owned by the Warrant Holder beneficially or deemed beneficially owned by the Warrant Holder would result in the Warrant Holder owning more than 9.9% of all of such Common Stock as would be outstanding on such Closing Date, as determined in accordance with Section 16 of the Exchange Act and the rules and regulations promulgated thereunder. As of any date prior to the Date of Exercise, the aggregate number of shares of Common Stock into which this Warrant is exercisable, together with all other shares of Common Stock then beneficially owned (as such term is defined in Rule 16a-1 under the Exchange Act) by such Warrant Holder and its affiliates, shall not exceed 9.9% of the total outstanding shares of Common Stock as of such date.

Section 4. Delivery of Stock Certificates.

(a) Subject to the terms and conditions of this Warrant, as soon as practicable after the exercise of this Warrant in full or in part, and in any event within three (3) Trading Days thereafter, the Company at its expense (including, without limitation, the payment by it of any applicable issue taxes) will cause to be issued in the name of and delivered to the Warrant Holder, or as the Warrant Holder may lawfully direct, a certificate or certificates for the number of validly issued, fully paid and non-assessable (other than pursuant to Wisconsin Statutes Section 180.0822(2)(b), as interpreted) Warrant Shares to which the Warrant Holder shall be entitled on such exercise, together with any other stock or other securities or property (including cash, where applicable) to which the Warrant Holder is entitled upon such exercise in accordance with the provisions hereof; provided, however, that any such delivery to a location outside of the United States shall be made within five (5) Trading Days after the exercise of this Warrant in full or in part.

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(b) This Warrant may not be exercised as to fractional shares of Common Stock. In the event that the exercise of this Warrant, in full or in part, would result in the issuance of any fractional share of Common Stock, then in such event the Warrant Holder shall receive in cash an amount equal to the Bid Price of such fractional share within three (3) Trading Days.

Section 5. Representations, Warranties and Covenants of the Company.

(a) The Company shall take all necessary action and proceedings as may be required and permitted by applicable law, rule and regulation for the legal and valid issuance of this Warrant and the Warrant Shares to the Warrant Holder.

(b) From the date hereof through the last date on which this Warrant is exercisable, the Company shall take all reasonable steps it deems reasonably necessary and within its reasonable control to insure that the Common Stock remains listed or quoted on the Principal Market.

(c) The Warrant Shares, when issued in accordance with the terms hereof, will be duly authorized and, when paid for or issued in accordance with the terms hereof, shall be validly issued, fully paid and non-assessable (other than pursuant to Wisconsin Statutes Section 180.0822(2)(b), as interpreted).

(d) The Company has authorized and reserved for issuance to the Warrant Holder the requisite number of shares of Common Stock to be issued pursuant to this Warrant. The Company shall at all times reserve and keep available, solely for issuance and delivery as Warrant Shares hereunder, such shares of Common Stock as shall from time to time be issuable as Warrant Shares.

Section 6. Adjustment of the Exercise Price. The Exercise Price and, accordingly, the number of Warrant Shares issuable upon exercise of the Warrant, shall be subject to adjustment from time to time upon the happening of certain events as follows:

(a) Reclassification, Consolidation, Merger or Mandatory Share Exchange. If the Company, at any time while this Warrant is unexpired and not exercised in full, (i) reclassifies or changes its Outstanding Capital Shares (other than a change in par value, or from par value to no par value per share, or from no par value per share to par value or as a result of a subdivision or combination of outstanding securities issuable upon exercise of the Warrant) or (ii) consolidates, merges or effects a mandatory share exchange with or into another corporation (other than a merger or mandatory share exchange with another corporation in which the Company is a continuing corporation and that does not result in any reclassification or change, other than a change in par value, or from par value to no par value per share, or from no par value per share to par value, or as a result of a subdivision or combination of Outstanding Capital Shares issuable upon exercise of the Warrant) at any time while this Warrant is unexpired and not exercised in full, then in any such event the Company, or such successor or purchasing corporation, as the case may be, shall, without payment of any additional consideration therefore, amend this Warrant or issue a new Warrant providing that the Warrant Holder shall have rights not less favorable to the holder than those then applicable to this Warrant and to receive upon exercise under such amendment of this Warrant or new Warrant, in lieu of each share of Common Stock theretofore issuable upon exercise of the Warrant hereunder, the kind and amount of shares

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of stock, other securities, money or property receivable upon such reclassification, change, consolidation, merger, mandatory share exchange, sale or transfer by the holder of one share of Common Stock issuable upon exercise of the Warrant had the Warrant been exercised immediately prior to such reclassification, change, consolidation, merger, mandatory share exchange or sale or transfer. Such amended Warrant shall provide for adjustments which shall be as nearly equivalent as may be practicable to the adjustments provided for in this Section 6.1. The provisions of this subsection (a) shall similarly apply to successive reclassifications, changes, consolidations, mergers, mandatory share exchanges and sales and transfers.

(b) Subdivision or Combination of Shares. If the Company, at any time while this Warrant is unexpired and not exercised in full, shall subdivide its Common Stock, the Exercise Price shall be proportionately reduced as of the effective date of such subdivision, or, if the Company shall take a record of holders of its Common Stock for the purpose of so subdividing, as of such record date, whichever is earlier. If the Company, at any time while this Warrant is unexpired and not exercised in full, shall combine its Common Stock, the Exercise Price shall be proportionately increased as of the effective date of such combination, or, if the Company shall take a record of holders of its Common Stock for the purpose of so combining, as of such record date, whichever is earlier.

(c) Stock Dividends. If the Company, at any time while this Warrant is unexpired and not exercised in full, shall pay a dividend in its Capital Shares, or make any other distribution of its Capital Shares, then the Exercise Price shall be adjusted, as of the date the Company shall take a record of the holders of its Capital Shares for the purpose of receiving such dividend or other distribution (or if no such record is taken, as at the date of such payment or other distribution), to that price determined by multiplying the Exercise Price in effect immediately prior to such payment or other distribution by a fraction:

1. the numerator of which shall be the total number of Outstanding Capital Shares immediately prior to such dividend or distribution, and

2. the denominator of which shall be the total number of Outstanding Capital Shares immediately after such dividend or distribution. The provisions of this subsection (c) shall not apply under any of the circumstances for which an adjustment is provided in subsections (a) or (b).

(d) Issuance of Additional Capital Shares. If the Company, at any time while this Warrant is unexpired and not exercised in full, shall issue any additional Capital Shares ("Additional Capital Shares"), otherwise than as provided in the foregoing subsections (a) through (c) above or pursuant to the Equity Line Agreement, at a price per share less, or for other consideration lower, than the Bid Price in effect immediately prior to such issuance, or without consideration, then upon such issuance the Exercise Price shall be reduced to that price determined by multiplying the Exercise Price in effect immediately prior to such event by a fraction:

1. the numerator of which shall be the number of Outstanding Capital Shares immediately prior to the issuance of the Additional Capital Shares plus the number of Capital Shares that the aggregate consideration for the total number of such Additional Capital Shares so issued would purchase at the then effective Bid Price, and

2. the denominator of which shall be the number of Outstanding Capital Shares immediately after the issuance of the Additional Capital Shares. The provisions of this subsection (d) shall not apply under any of the circumstances for which an adjustment is provided in subsections (a), (b) or (c).

The provisions of this subsection (d) shall not apply to the issuance of any Additional Capital Shares that are issued pursuant to the exercise of any warrants, options or other subscription or purchase rights or pursuant to the exercise of any conversion or exchange rights in any convertible or exchangeable securities.

(e) Issuance of Warrants, Options or Other Rights. If the Company, at any time while this Warrant is unexpired and not exercised in full, shall issue any warrants, options or other rights to subscribe for or purchase any Additional

Capital Shares

and the price per share for which Additional Capital Shares may at any time thereafter be issuable pursuant to such warrants, options or other rights shall be less than the Bid Price in effect immediately prior to such issuance, then, upon the issuance of such warrants, options or other rights, the Exercise Price shall be adjusted as provided in subsection (d) hereof on the basis that:

1. the maximum number of Additional Capital Shares issuable on the date of determination (subject to adjustment on the date(s) of exercise) pursuant to all such warrants, options or other rights shall be deemed to have been issued as of the date of actual issuance of such warrants, options or other rights, and

2. the aggregate consideration for such maximum number of Additional Capital Shares issuable pursuant to such warrants, options or other rights, shall be deemed to be the consideration received by the Company for the issuance of such warrants, options, or other rights plus the minimum consideration to be received by the Company for the issuance of Additional Capital Shares pursuant to such warrants, options, or other rights.

(f) Issuance of Convertible or Exchangeable Securities. If the Company, at any time while this Warrant is unexpired and not exercised in full, shall issue any securities convertible into or exchangeable for Capital Shares and the consideration per share for which Additional Capital Shares may at any time thereafter be issuable pursuant to the terms of such convertible or exchangeable securities shall be less than the Bid Price in effect immediately prior to such issuance, then, upon the issuance of such convertible or exchangeable securities, the Exercise Price shall be adjusted as provided in subsection (d) hereof on the basis that:

1. the maximum number of Additional Capital Shares necessary on the date of determination (subject to adjustment on the date(s) of conversion or exchange) to effect the conversion or exchange of all such convertible or exchangeable securities shall be deemed to have been issued as of the date of issuance of such convertible or exchangeable securities, and

2. the aggregate consideration for such maximum number of Additional Capital Shares shall be deemed to be the consideration received by the Company for the issuance of such convertible or exchangeable securities plus the minimum consideration received by the Company for the issuance of such Additional Capital Shares pursuant to the terms of such convertible or exchangeable securities.

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No adjustment of the Exercise Price shall be made under this subsection (f) upon the issuance of any convertible or exchangeable securities that are issued pursuant to the exercise of any warrants, options or other subscription or purchase rights therefor, if the issuance of such warrants, options or other rights was subject to subsection (e) hereof.

(g) Adjustment of Number of Shares. Upon each adjustment of the Exercise Price pursuant to any provisions of this Section 6.1, the number of Warrant Shares issuable hereunder at the option of the Warrant Holder shall be calculated, to the nearest one hundredth of a whole share, multiplying the number of Warrant Shares issuable prior to an adjustment by a fraction:

1. the numerator of which shall be the Exercise Price before any adjustment pursuant to this Section 6.1; and

2. the denominator of which shall be the Exercise Price after such adjustment.

(h) Liquidating Dividends, Etc. If the Company, at any while this Warrant is unexpired and not exercised in full, makes a distribution of its assets or evidences of indebtedness to the holders of its Capital Shares as a dividend in liquidation or by way of return of capital or other than as a dividend payable out of earnings or surplus legally available for dividends under applicable law or any distribution to such holders made in respect of the sale of all or substantially all of the Company's assets (other than under the circumstances provided for in the foregoing subsections (a) through (g)) while an exercise is pending, then the Warrant Holder shall be entitled to receive upon such exercise of the Warrant in addition to the Warrant Shares receivable in connection therewith, and without payment of any consideration other than the Exercise Price, an amount in cash equal to the value of such distribution per Capital Share multiplied by the number of Warrant Shares that, on the record

date for such distribution, are issuable upon such exercise of the Warrant (with no further adjustment being made following any event which causes a subsequent adjustment in the number of Warrant Shares issuable), and an appropriate provision therefor shall be made a part of any such distribution. The value of a distribution that is paid in other than cash shall be determined in good faith by the Board of Directors of the Company.

(i) Other Provisions Applicable to Adjustments Under this Section. The following provisions will be applicable to the making of adjustments in any Exercise Price hereinabove provided in this Section 6.1:

1. Computation of Consideration. To the extent that any Additional Capital Shares or any convertible or exchangeable securities or any warrants, options or other rights to subscribe for or purchase any Additional Capital Shares or any convertible or exchangeable securities shall be issued for a cash consideration, the consideration received by the Company therefor shall be deemed to be the amount of the cash received by the Company therefor, or, if such Additional Capital Shares or convertible or exchangeable securities are offered by the Company for subscription, the subscription price, or, if such Additional Capital Shares or convertible or exchangeable securities are sold to or through underwriters or dealers for public offering without a subscription offering, the initial public offering price, in any such case excluding any amounts paid or incurred by the Company for and in the underwriting of, or otherwise in connection with the issue thereof. To the extent that such issuance shall be for a consideration other than cash, then, the amount of such consideration shall be deemed to be the fair value of

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such consideration at the time of such issuance as determined in good faith by the Company's Board of Directors. The consideration for any Additional Capital Shares issuable pursuant to any warrants, options or other rights to subscribe for or purchase the same shall be the consideration received by the Company for issuing such warrants, options or other rights, plus the additional consideration payable to the Company upon the exercise of such warrants, options or other rights. The consideration for any Additional Capital Shares issuable pursuant to the terms of any convertible or exchangeable securities shall be the consideration paid or payable to the Company in respect of the subscription for or purchase of such convertible or exchangeable securities, plus the additional consideration, if any, payable to the Company upon the exercise of the right of conversion or exchange in such convertible or exchangeable securities. In case of the issuance at any time of any Additional Capital Shares or convertible or exchangeable securities in payment or satisfaction of any dividend upon any class of stock preferred as to dividends in a fixed amount, the Company shall be deemed to have received for such Additional Capital Shares or convertible or exchangeable securities a consideration equal to the amount of such dividend so paid or satisfied.

2. Readjustment of Exercise Price. Upon the expiration of the right to convert or exchange any convertible or exchangeable securities, or upon the expiration of any rights, options or warrants, the issuance of which convertible or exchangeable securities, rights, options or warrants effected an adjustment in Exercise Price, if any such convertible or exchangeable securities shall not have been converted or exchanged, or if any such rights, options or warrants shall not have been exercised, the number of Capital Shares deemed to be issued and Outstanding by reason of the fact that they were issuable upon conversion or exchange of any such convertible or exchangeable securities or upon exercise of any such rights, options, or warrants shall no longer be computed as set forth above, and such Exercise Price shall forthwith be readjusted and thereafter be the price that it would have been (but reflecting any other adjustments in the Exercise Price made pursuant to the provisions of this Section 6.1 after the issuance of such convertible or exchangeable securities, rights, options or warrants) had the adjustment of the Exercise Price made upon the issuance or sale of such convertible or exchangeable securities or issuance of rights, options or warrants been made on the basis of the issuance only of the number of Additional Capital Shares actually issued upon conversion or exchange of such convertible or exchangeable securities, or upon the exercise of such rights, options or warrants, and thereupon only the number of Additional Capital Shares actually so issued, if any, shall be deemed to have been issued and only the consideration actually received by the Company (computed as set forth in sub-subsection (1. hereof) shall be deemed to have been received by the Company. If the purchase price provided for in any rights, options or warrants, or the additional consideration (if any) payable upon the conversion or exchange of any convertible or exchangeable securities, or the rate at which any convertible or exchangeable securities are convertible into or exchangeable for Capital Shares changes at any time (other than under or by reason of provisions designed to protect against dilution), the Exercise Price in effect at the time of the

change shall be adjusted to the Exercise Price that would have been in effect at such time had such rights, options, warrants or convertible or exchangeable securities still outstanding provided for such changed purchase price, additional consideration or conversion rate, as the case may be, at the time initially granted, issued or sold.

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3. Other Action Affecting Capital Shares. In case after the date hereof the Company shall take any action affecting the number of Outstanding Capital Shares, other than an action described in any of the foregoing subsections (a) through (h) hereof, inclusive, which in the opinion of the Company's Board of Directors would have a materially adverse effect upon the rights of the Warrant Holder at the time of exercise of the Warrant, the Exercise Price shall be adjusted in such manner and at such time as the Board or Directors on the advice of the Company's independent public accountants may in good faith determine to be equitable in the circumstances.

(j) In the event the Company shall, at a time while the Warrant is unexpired and outstanding, take any action which pursuant to subsections (a) through (h) of this Section 6.1 may result in an adjustment of the Exercise Price, the Company shall give to the Warrant Holder at its last address known to the Company written notice of such action ten (10) days in advance of its effective date in order to afford to the Warrant Holder an opportunity to exercise the Warrant prior to such action becoming effective.

Section 6.1 Notice of Adjustments. Whenever the Exercise Price or number of Warrant Shares shall be adjusted pursuant to Section 6.1 hereof, the Company shall promptly make a certificate signed by its President or a Vice President and by its Treasurer or Assistant Treasurer or its Secretary or Assistant Secretary, setting forth in reasonable detail the event requiring the adjustment, the amount of the adjustment, the method by which such adjustment was calculated (including a description of the basis on which the Company's Board of Directors made any determination hereunder), and the Exercise Price and number of Warrant Shares purchasable at that Exercise Price after giving effect to such adjustment, and shall promptly cause copies of such certificate to be mailed (by first class and postage prepaid) to the Holder of the Warrant. In the event the Company shall, at a time while the Warrant is unexpired and not exercised in full, take any action that pursuant to subsections (a) through (g) of Section 6.1 may result in an adjustment of the Exercise Price, the Company shall give to the Holder of the Warrant at its last address known to the Company written notice of such action ten (10) days in advance of its effective date in order to afford to the Holder of the Warrant an opportunity to exercise the Warrant prior to such action becoming effective.

Section 7. No Impairment. The Company will not, by amendment of its Articles of Incorporation or By-Laws 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 of this Warrant, but will at all times in good faith assist in the carrying out of all such terms and in the taking of all such action as may be necessary or appropriate in order to protect the rights of the Warrant Holder against impairment. Without limiting the generality of the foregoing, the Company (a) will not increase the par value of any Warrant Shares above the amount payable therefor on such exercise, and (b) will take all such action as may be reasonably necessary or appropriate in order that the Company may validly and legally issue fully paid and nonassessable (other than pursuant to Wisconsin Statutes Section 180.0822(2)(b), as interpreted) Warrant Shares on the exercise of this Warrant.

Section 8. Rights As Stockholder. Prior to exercise of this Warrant, the Warrant Holder shall not be entitled to any rights as a stockholder of the Company with respect to the Warrant Shares, including (without limitation) the right to vote such shares, receive dividends

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or other distributions thereon or be notified of stockholder meetings. However, in the event of any taking by the Company of a record of the holders of any class of securities for the purpose of determining the holders thereof who are entitled to receive any dividend (other than a cash dividend) or other

distribution, any right to subscribe for, purchase or otherwise acquire any shares of stock of any class or any other securities or property, or to receive any other right, the Company shall mail to each Warrant Holder, at least ten (10) days prior to the date specified therein, a notice specifying the date on which any such record is to be taken for the purpose of such dividend, distribution or right, and the amount and character of such dividend, distribution or right.

Section 9. Replacement of Warrant. Upon receipt of evidence reasonably satisfactory to the Company of the loss, theft, destruction or mutilation of the Warrant and, in the case of any such loss, theft or destruction of the Warrant, upon delivery of an indemnity agreement or security reasonably satisfactory in form and amount to the Company or, in the case of any such mutilation, on surrender and cancellation of such Warrant, the Company at its expense will execute and deliver, in lieu thereof, a new Warrant of like tenor.

Section 10. Choice of Law. This Agreement shall be construed under the laws of the State of Wisconsin.

Section 11. Entire Agreement; Amendments. This Warrant, the Registration Rights Agreement, and the Agreement contain the entire understanding of the parties with respect to the matters covered hereby and thereby. No provision of this Warrant may be waived or amended other than by a written instrument signed by the party against whom enforcement of any such amendment or waiver is sought.

Section 12. Restricted Securities.

(a) Registration or Exemption Required. This Warrant has been issued in a transaction exempt from the registration requirements of the Securities Act in reliance upon the provisions of Section 4(2) promulgated by the SEC under the Securities Act. This Warrant and the Warrant Shares issuable upon exercise of this Warrant may not be resold except pursuant to an effective registration statement or an exemption to the registration requirements of the Securities Act and applicable state laws.

(b) Legend. Any replacement Warrants issued pursuant to Section 2 hereof and any Warrant Shares issued upon exercise hereof, shall bear the following legend:

"THE SECURITIES EVIDENCED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY OTHER APPLICABLE SECURITIES LAWS AND HAVE BEEN ISSUED IN RELIANCE UPON AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND SUCH OTHER SECURITIES LAWS. NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED, HYPOTHECATED OR OTHERWISE DISPOSED OF, EXCEPT

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PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR PURSUANT TO A TRANSACTION WHICH IS EXEMPT FROM, OR NOT SUBJECT TO, SUCH REGISTRATION. THE HOLDER OF THIS CERTIFICATE IS THE BENEFICIARY OF CERTAIN OBLIGATIONS OF THE COMPANY SET FORTH IN A PRIVATE EQUITY LINE AGREEMENT, DATED AS OF NOVEMBER 19, 1998, BETWEEN THE FEMALE HEALTH COMPANY AND KINGSBRIDGE CAPITAL LIMITED. A COPY OF THE PORTION OF THE AFORESAID AGREEMENT EVIDENCING SUCH OBLIGATIONS MAY BE OBTAINED FROM THE COMPANY'S EXECUTIVE OFFICES."

Removal of such legend shall be in accordance with the legend removal provisions in the Agreement.

(c) No Other Legend or Stock Transfer Restrictions. No legend other than the one specified in Section 12(b) has been or shall be placed on the share certificates representing the Warrant Shares and no instructions or "stop transfer orders," so called, "stock transfer restrictions" or other restrictions have been or shall be given to the Company's transfer agent with respect thereto other than as expressly set forth in this Section 12.

(d) Assignment. Assuming the conditions of Section 12(a) above regarding registration or exemption have been satisfied, the Warrant Holder may sell, transfer, assign, pledge or otherwise dispose of this Warrant, in whole or in part to any Person that is an "accredited investor" as defined in Rule 501 of Regulation D. The Warrant Holder shall deliver a written notice to Company,

substantially in the form of the Assignment attached hereto as Exhibit B, indicating the person or persons to whom the Warrant shall be assigned and the respective number of warrants to be assigned to each assignee. The Company shall effect the assignment within ten (10) days, and shall deliver to the assignee(s) designated by the Warrant Holder a Warrant or Warrants of like tenor and terms for the appropriate number of shares.

(e) Investor's Compliance. Nothing in this Section 12 shall affect in any way the Investor's obligations under any agreement to comply with all applicable securities laws upon resale of the Common Stock.

Section 13. Notices. All notices, demands, requests, consents, approvals, and other communications required or permitted hereunder shall be in writing and shall be (i) personally served, (ii) deposited in the mail, registered or certified, return receipt requested, postage prepaid, (iii) delivered by reputable air courier service with charges prepaid, or (iv) transmitted by hand delivery, telegram or facsimile, addressed as set forth below or to such other address as such party shall have specified most recently by written notice. Any notice or other communication required or permitted to be given hereunder shall be deemed effective (a) upon hand delivery or delivery by facsimile (with accurate confirmation generated by the transmitting facsimile machine) at the address or number designated below (if delivered on a business day during normal business hours where such notice is to be received), or the first business day following such delivery (if delivered other than on a business day during normal business hours where such notice is to be received) or (b) on the second business day following the date of

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mailing by express courier service, fully prepaid, addressed to such address, or upon actual receipt of such mailing, whichever shall first occur. The addresses for such communications shall be:

If to the Company:

The Female Health Company
919 North Michigan Avenue
Suite 2208
Attention: O.B. Parrish
Chairman and Chief Executive Officer
Chicago, Illinois 60611
Telephone: (312) 280-2281
Facsimile:

with a copy (which shall not constitute notice) to:

Reinhart, Boerner, Van Deuren, Norris & Rieselbach
1000 North Water Street
Suite 2100
Milwaukee, Wisconsin 53202
Attention: David Krosner, Esq.
Telephone: (414) 298-1000
Facsimile:

if to the Investor:

Kingsbridge Capital Limited
c/o Kingsbridge Corporate Services Limited
Main Street
Kilcullen, County Kildare
Republic of Ireland
Attention: Adam Gurney
Telephone: 011-353-45-481-811
Facsimile: 011-353-45-482-003

with a copy (which shall not constitute notice) to:

Rogers & Wells LLP
200 Park Avenue, 52nd Floor
New York, NY 10166
Attention: Keith M. Andruschak, Esq.
Telephone: (212) 878-8570
Facsimile: (212) 878-8375

Either party hereto may from time to time change its address or facsimile number for notices under this Section 13 by giving at least ten (10) days' prior written notice of such changed address or facsimile number to the other party hereto.

Section 14. Miscellaneous. This Warrant and any term hereof may be changed, waived, discharged or terminated only by an instrument in writing signed by the party against which enforcement of such change, waiver, discharge or termination is sought. The headings in this Warrant are for purposes of reference only, and shall not limit or otherwise affect any of the terms hereof. The invalidity or unenforceability of any provision hereof shall in no way affect the validity or enforceability of any other provision.

IN WITNESS WHEREOF, this Warrant was duly executed by the undersigned, thereunto duly authorized, as of the date first set forth above.

THE FEMALE HEALTH COMPANY

By: /s/ O.B. Parrish

O.B. Parrish
Chairman and Chief Executive Officer

Attested:

By: /s/ William R. Gargiulo, Jr.

Name: William R. Gargiulo, Jr.
Title: Secretary

EXHIBIT A TO THE WARRANT

EXERCISE FORM

THE FEMALE HEALTH COMPANY

The undersigned hereby irrevocably exercises the right to purchase _____ shares of Common Stock of The Female Health Company, a Wisconsin corporation, evidenced by the attached Warrant, and herewith makes payment of the Exercise Price with respect to such shares in full in the form of [cash or certified check in the amount of \$_____], [_____] Warrant Shares, which represent the amount of Warrant Shares as provided in the attached Warrant to be canceled in connection with such exercise], all in

accordance with the conditions and provisions of said Warrant.

The undersigned requests that stock certificates for such Warrant Shares be issued, and a Warrant representing any unexercised portion hereof be issued, pursuant to this Warrant in the name of the registered Holder and delivered to the undersigned at the address set forth below.

Dated: _____

Signature of Registered Holder
Name of Registered Holder (Print)

Address

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NOTICE

The signature to the foregoing Exercise Form must correspond to the name as written upon the face of the attached Warrant in every particular, without alteration or enlargement or any change whatsoever.

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EXHIBIT B TO THE WARRANT

ASSIGNMENT

(To be executed by the registered Warrant Holder desiring to transfer the Warrant)

FOR VALUED RECEIVED, the undersigned Warrant Holder of the attached Warrant hereby sells, assigns and transfers unto the persons below named the right to purchase _____ shares of the Common Stock of The Female Health Company evidenced by the attached Warrant and does hereby irrevocably constitute and appoint _____ attorney to transfer the said Warrant on the books of the Company, with full power of substitution in the premises.

Dated: _____

Signature

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Fill in for new Registration of Warrant:

Name

Address

Please print name and address of assignee
(including zip code number)

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NOTICE

The signature to the foregoing Assignment must correspond to the name as written upon the face of the attached Warrant in every particular, without alteration or enlargement or any change whatsoever***DocX97 Reports FooterB-1 text was:***

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FUND-RAISING AGREEMENT

THIS AGREEMENT made this 1st day of May, 1998 by and between HARTINVEST-MEDICAL VENTURES ("HMV") with address at Thomas Edge House, Tunnell Street, St. Heller, Jersey JE2 4LU, Channel Islands hereafter "Corporate Financial Advisor"

and

THE FEMALE HEALTH COMPANY ("FHC") with address at 919 North Michigan Avenue, Chicago, Illinois 60611, hereafter "Company".

NOW, THEREFORE, in consideration of the covenants herein contained and on the part of each party to be fully kept and performed, the parties have agreed and do thereby agree with each other as follows:

1. SCOPE OF WORK.

1.1 For the consideration hereafter set forth, Company does hereby engage Corporate Financial Advisor and Corporate Financial Advisor agrees to provide Company up to \$6.0 million under the Regulation D exemption to Section 4(2) of the 1933 Securities Act, as outlined in the term sheet attached (see Attachment 1). FHC agrees to provide the documentation and complete all regulatory submissions for the Regulation "D" financing.

1.2 If requested by FHC, the Corporate Financial Advisor agrees to complete said financing provided that there are no delays caused by the Company in providing additional requested information or explanations of information provided by the Company to Corporate Financial Advisor. Company will provide a legal opinion from a securities attorney as presented in Attachment 2.

1.3 Corporate Financial Advisor represents that it is registered and qualified to do corporate advisory business.

1.4 Corporate Financial Advisor and Company hereby agree the terms of the Company hereby agree the terms of the Company's common stock to be offered through a term sheet (see Attachment 1). Company's common stock to be offered through a term sheet (see Attachment 1).

1.5 This agreement shall be exclusive for international funding sources and non-exclusive for the United States. The Company at its discretion may accept or reject proposed investors based on the terms in Attachment 1. If prior to acceptance by the Company of any subscription agreement, the Company receives what in its sole judgment is a creditable offer to provide significant funding on substantially better terms than those presented in Attachment 1. It reserves the right to accept such offer and terms in place of those presented in Attachment 1. In order to have this right of rejection, Company agrees

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to pay to Corporate Financial Advisor a "break up fee" of US\$ 100,000 or 25,000 shares, whichever is the greater.

2. PAYMENT TERMS.

2.1 For the private placement funds raised by Corporate Financial Advisor, the Company agrees to pay Corporate Financial Advisor a SEVEN PERCENT (7%) COMMISSION. Notwithstanding anything in this Agreement to the contrary, if the Company enters into a Subscription Agreement with an investor proposed by Corporate Financial Advisor during the term of this Agreement, the Company shall be obligated to pay Corporate Financial Advisor the 7% commission on all amounts thereafter received by the Company from the investor pursuant to the Subscription Agreement whether or not such amounts are received before or after the term of this Agreement. The commission will be paid based on the actual drawdown amount per the Term Sheet (See Attachment 1). Corporate Financial Advisor will be entitled to receive its 7% cash commission within five business days after the closing of each Call under the Subscription Agreement.

2.2 Corporate Financial Advisor, at its sole option, take Company common stock equal to and at a similar per share price as the investor. Any stock taken in lieu of cash commission will be entitled to the same registration rights given investors in the private placement.

2.3 Corporate Financial Advisor will receive distribution warrants to purchase common shares equal to 10% of the actual stock purchased by the investor to the Subscription Agreement contemplated on Attachment 1. The warrants will have a term of three years. A pro rata portion of the warrants will be automatically

forfeited if investor breaches the Subscription Agreement as specified in Attachment 1. The warrants will have an exercise price equal to the exercise price for the warrants issued to investors pursuant to the term sheet.

3. CONTRACTED SERVICES.

3.1 Corporate Financial Advisor may utilize the fundraising services of any third party registered SFA or NASD broker/dealer.

3.2 All commissions will be payable to Corporate Financial Advisor who will then pay out any commission due third party SFA or NASD broker/dealers participating in said above private placement. Corporate Financial Advisor agrees to furnish Company copies of any third party fundraising agreements and further agrees to hold the Company harmless with respect to commissions owed to any third party SFA or NASD broker/dealers participating in the private placement and for any actions taken by such third party SFA or NASD broker/dealers in violation of law.

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4. TERM.

Unless extended by mutual written agreement of the parties hereto, this Agreement will terminate and be of no further force or effect 90 day after the date first above written.

5. MODIFICATIONS, ETC.

5.1 This written Agreement embodies the entire understanding of the parties and all prior negotiations, writings and consultations are merged herein.

5.2 This Agreement shall be construed and interpreted in accord with the laws of the United Kingdom.

5.3 At the option of Corporate Financial Advisor any disagreement may be settled by an ARBITRATION PANEL rather than the appropriate court and the findings of the arbitration panel shall be binding on both parties. Any such arbitration shall occur in London, England.

5.4 This Agreement shall be binding upon the parties hereto, their successors and assigns.

5.5 This Agreement may be executed in two counterparts each of which shall be deemed to be an original but both of which together shall constitute one and the same agreement.

IN WITNESS WHEREOF, the parties hereto, intending to bind themselves, their successors and assigns, have hereunto set their hands the day and year first above written.

Corporate Financial Advisor
HARTINVEST-MEDICAL VENTURES

/s/ Sanford G. Henry

SANFORD G. HENRY

Company
THE FEMALE HEALTH COMPANY

/s/ O.B. Parrish

O.B. PARRISH
Chairman and C.E.O.

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ATTACHMENT 1

HMV TERM SHEET

THE FEMALE HEALTH COMPANY

DEFINITIONS

Market Price: The lowest Trade Bid Price of The Female Health Company's (the "Company") shares for the two trading days preceding the Call the day of the call, and for the two trading days following the Call.

Subscription Date: The date which Kingsbridge (the "Investor") executes the Subscription Agreement.

Effective Date: The date the SEC declares the registration statement, registering the Common Shares and Common Shares underlying the Warrants, effective.

Call: Draw down by the Company of a portion of the Subscription Agreement following registration of the Common Shares, which Calls, together with all prior Calls and any stock issued as commissions in connection with such Calls, shall not exceed 19.9% of the Company's outstanding stock as of the date of the first sale.

Symbol: FHC

Amount: \$6,000,000

Securities Offered: Common Shares and Warrants.

Commitment: The Investor, subject only to the conditions set forth in this term sheet, will irrevocably commit to purchase up to \$6,000,000 of restricted Common Shares over the course of 24 months

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following the Effective Date. The Company will irrevocably commit to draw down a minimum of \$1,000,000.

The Company will have sole discretion as to the amount and timing of each Call subject to the restrictions below.

Purchase Price of Common Shares: 88% of the Market Price at each Call. The maximum purchase price will be set at 150% of the last sale price of the Company's common stock on the Subscription Date.

Restrictions on Calls: (a) Each Call cannot be for less than \$200,000 nor more than \$1,000,000. According to Annex A.

(b) There will be a minimum of 20 trading days between Calls.

(c) The above restrictions may be waived on any individual Call upon agreement of both parties.

Restrictions on Short Sales: The Investor agrees not to sell any common stock of the Company short during the term of the Subscription Agreement unless the Company agrees to such sale.

Warrants: 200,000 with a three-year life beginning six months after the Subscription Date. The exercise price of the warrants shall be 120% of the last sale price of the Company's common stock on the Subscription Date.

Registration: The Company will file a registration statement under the Securities Act of 1933, as amended, with respect to the Common Shares within 45 days of the Subscription Date. Such registration statement must be declared effective within 120 days of the Subscription Date. The registration statement will remain effective for the duration of the Warrants.

Legal Fees: The Company will pay the reasonable legal costs associated with an investment, not to exceed \$20,000.

Commission: 7% plus warrants to purchase such number of shares of the Company's common stock as is equal to 10% of the number of shares of such common stock actually purchased by the Investor pursuant to the Subscription Agreement.. The exercise price of the warrants shall be 120% of the last sale price of the Company's common stock as of the Subscription Date. Commissions will be payable within five business days after each closing of a Call under the Subscription Agreement.

Closing: April 1998 or agreed date.

ANNEX A

MAXIMUM CALL AMOUNT

The Maximum Call Amount with respect to a Call shall be determined based upon the Average Daily Trading Volume of Shares of Common Stock for the 20-trading day period ending on the date prior to the relevant Call and the Market Price as of such Call Date of shares of Common Stock as follows:

<TABLE>
<CAPTION>

Market Price (\$ per share)	Average Daily Trading Volume for 20 Days Prior to Call			
	17,000-22,000	22,001-30,000	30,001-45,000	45,001-60,000
<S>	<C>	<C>	<C>	<C>
\$2.00 - 2.50	\$200,000	\$300,000	\$400,000	\$ 500,000
2.50 - 3.00	250,000	350,000	450,000	600,000
3.00 - 3.50	300,000	400,000	450,000	600,000
3.50 - 4.00	350,000	450,000	500,000	600,000
4.00 - 4.50	350,000	450,000	550,000	650,000
4.50 - 5.00	400,000	500,000	600,000	750,000
5.00 - above	450,000	600,000	750,000	1,000,000

</TABLE>

EXHIBIT 21

SUBSIDIARIES OF THE REGISTRANT

The Female Health Company - UK

The Female Health Company - UK, plc

EXHIBIT 23

<FF>

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the use in this Registration Statement on Form SB-2 of our report, dated November 20, 1997, which includes an emphasis paragraph relating to an uncertainty as to the Company's ability to continue as a going concern, on the consolidated financial statements of The Female Health Company and subsidiaries. We also consent to the reference to our Firm under the caption "Experts" in the Prospectus.

/s/ McGLADREY & PULLEN, LLP

Schaumburg, Illinois
November 30, 1998