

U.S. SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-QSB

(MARK ONE)

QUARTERLY REPORT UNDER SECTION 13 OR 15 (d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2001

TRANSITION REPORT UNDER SECTION 13 OR 15 (d) OF THE EXCHANGE ACT

For the transition period from _____ to _____

Commission File Number 0-18849

THE FEMALE HEALTH COMPANY

(Exact Name of Small Business Issuer as Specified in Its Charter)

Wisconsin 39-1144397

(State or Other Jurisdiction of (I.R.S. Employer Identification No.)
Incorporation or Organization)

875 N. Michigan Avenue, Suite 3660, Chicago, IL 60611

(Address of Principal Executive Offices) (Zip Code)

(312) 280-1119

(Issuer's Telephone Number, Including Area Code)

Not applicable

(Former Name, Former Address and Former Fiscal Year, If Changed Since Last Report)

Check whether the issuer: (1) has filed all reports required to be filed by
Section 13 or 15 (d) of the Exchange Act during the past 12 months (or for such
shorter period that the issuer was required to file such reports), and (2) has
been subject to such filing requirements for the past 90 days.
YES X NO

State the number of shares outstanding of each of the issuer's classes of common
equity, as of the latest practical date:

Common Stock, \$.01 Par Value - 14,650,697 shares outstanding as of May 8, 2001

Transitional Small Business Disclosure Format (check one):

Yes No X

FORM 10-QSB

THE FEMALE HEALTH COMPANY AND SUBSIDIARIES

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CAUTIONARY STATEMENT REGARDING
FORWARD LOOKING STATEMENTS

Certain statements included in this Quarterly Report on Form 10-QSB which are not statements of historical fact are intended to be, and are hereby identified as, "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. The Company cautions readers that forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievement expressed or implied by such forward-looking statements. Such factors include, among others, the following: the Company's inability to secure adequate capital to fund operating losses, working capital requirements, advertising and promotional expenditures and principal and interest payments on debt obligations; factors related to increased competition from existing and new competitors including new product introduction, price reduction and increased spending on marketing; limitations on the Company's opportunities to enter into and/or renew agreements with international partners, the failure of the Company or its partners to successfully market, sell, and deliver its product in international markets, and risks inherent in doing business on an international level, such as laws governing medical devices that differ from those in the U.S., unexpected changes in the regulatory requirements, political risks, export restrictions, tariffs, and other trade barriers, and fluctuations in currency exchange rates; the disruption of production at the Company's manufacturing facility due to raw material shortages, labor shortages, and/or physical damage to the Company's facilities; the Company's inability to manage its growth and to adapt its administrative, operational and financial control systems to the needs of the expanded entity and the failure of management to anticipate, respond to and manage changing business conditions; the loss of the services of executive officers and other key employees and the Company's continued ability to attract and retain highly-skilled and qualified personnel; the costs and other effects of litigation, governmental investigations, legal and administrative cases and proceedings, settlements and investigations; and developments or assertions by or against the Company relating to intellectual property rights.

THE FEMALE HEALTH COMPANY AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET

<TABLE>
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	MARCH 31, 2001

<S>	<C>
ASSETS	
Current Assets:	
Cash.	\$ 693,378
Accounts receivable, net.	788,959
Inventories	537,800
Prepaid expenses and other current assets	157,053

TOTAL CURRENT ASSETS.	2,177,190
Intellectual property rights, net	547,399
Other assets.	142,254

PROPERTY, PLANT AND EQUIPMENT	3,620,720
Less accumulated depreciation and amortization.	(2,457,966)

Net property, plant, and equipment.	1,162,754
TOTAL ASSETS.	\$ 4,029,597
=====	
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIENCY)	
Current Liabilities:	
Notes payable, related party, net of unamortized discount	1,274,829
Convertible debentures, net of unamortized discount . . .	1,727,186
Accounts payable.	515,311
Accrued expenses and other current liabilities.	558,014
Preferred dividends payable	67,633
TOTAL CURRENT LIABILITIES	4,142,973
Deferred gain on lease of facility.	1,308,898
TOTAL LIABILITIES	5,451,871
STOCKHOLDERS' EQUITY (DEFICIENCY):	
Convertible preferred stock	6,600
Common stock.	146,459
Additional paid-in-capital.	48,676,289
Unearned consulting compensation.	(142,781)
Accumulated deficit	(50,090,349)
Accumulated other comprehensive income.	13,584
Treasury stock, at cost	(32,076)
Total Stockholders' Equity (Deficiency)	(1,422,274)
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIENCY) .	\$ 4,029,597
	=====

</TABLE>

See notes to unaudited condensed consolidated financial statements.

THE FEMALE HEALTH COMPANY AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

<TABLE>
<CAPTION>

	Three Months Ended	
	March 31,	
	<C>	<C>
<S>	2001	2000
	-----	-----
Net revenues.	\$ 1,449,297	\$ 1,349,718
Cost of products sold	1,231,059	1,126,073
Gross profit.	218,238	223,645
Advertising & promotion	21,085	75,832
Selling, general and administrative	481,172	732,389
Total operating expenses.	502,257	808,221
Operating (loss).	(284,019)	(584,576)
Amortization of debt issuance costs	-	88,099
Interest, net and other expense	117,702	313,734
(Loss) before income taxes.	(401,721)	(986,409)
Provision for income taxes.	-	-
Net (loss).	(401,721)	(986,409)
Preferred dividends, Series 1	33,548	32,740
Net (loss) attributable to common stockholders. \$	(435,269)	\$(1,019,149)
	=====	=====
Net (loss) per common share outstanding \$	(0.03)	\$ (0.08)
Weighted average common shares outstanding. . .	14,449,174	12,452,115

</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>

	Six Months Ended March 31,	
	2001	2000
<S>	<C>	<C>
Net revenues	\$ 2,662,922	\$ 2,197,013
Cost of products sold	2,360,933	2,042,966
Gross profit	301,989	154,047
Advertising & promotion	107,166	114,642
Selling, general and administrative	981,422	1,480,096
Total operating expenses	1,088,588	1,594,738
Operating (loss)	(786,599)	(1,440,691)
Amortization of debt issuance costs	-	183,673
Interest, net and other expense	234,471	668,872
(Loss) before income taxes	(1,021,070)	(2,293,236)
Provision for income taxes	-	-
Net (loss)	(1,021,070)	(2,293,236)
Preferred dividends, Series 1	66,819	66,181
Net (loss) attributable to common stockholders.	\$ (1,087,889)	\$ (2,359,417)
Net (loss) per common share outstanding	\$ (0.07)	\$ (0.19)
Weighted average common shares outstanding	14,260,150	12,371,846

</TABLE>

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>

	Six months ended March 31,	
	2001	2000
<S>	<C>	<C>
OPERATIONS:		
Net (loss)	\$ (1,021,070)	\$ (2,293,236)
Adjusted for noncash items:		
Depreciation and amortization	236,844	419,152
Amortization of discounts on notes payable and convertible debentures	138,685	634,350
Changes in operating assets and liabilities	455,002	815,499
Net cash (used in) operating activities	(190,539)	(424,235)
INVESTING ACTIVITIES:		
Capital expenditures, Net cash (used in) investing activities	(595)	(12,113)
FINANCING ACTIVITIES:		
Proceeds from issuance of convertible debentures	250,000	-
Dividend paid on preferred stock	(107,186)	(39,002)

Proceeds from issuance of common stock	300,000	372,500
	-----	-----
Net cash provided by financing activities	442,814	333,498
	-----	-----
Effect of exchange rate changes on cash	(15,424)	(6,113)
	-----	-----
INCREASE (DECREASE) IN CASH	236,256	(108,963)
Cash at beginning of period	457,122	570,709
	-----	-----
CASH AT END OF PERIOD	\$ 693,378	\$ 461,746
	=====	=====

Schedule of noncash financing and investing activities:

Issuance of warrants on notes payable	\$ 30,932	\$ 193,289
Renewal of notes payable with related parties . .	300,000	1,300,000
Common stock issued for payment of preferred stock dividends and convertible debenture interest	28,033	43,723
Preferred dividends declared, Series 1	66,819	66,181

</TABLE>

See notes to unaudited condensed consolidated financial statements.

THE FEMALE HEALTH COMPANY AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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 and six months ended March 31, 2001 are not necessarily indicative of the results that may be expected for the fiscal year ending September 30, 2001. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's annual report on Form 10-KSB for the fiscal year ended September 30, 2000.

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. 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.

Reclassification:

Certain expenses on the statements of income for the three and six months ended March 31, 2000 have been reclassified to be consistent with the presentation shown for the three and six months ended March 31, 2001.

NOTE 2 - Earnings Per Share

Earnings per share (EPS): Basic EPS is computed by dividing income available to

common stockholders by the weighted average number of common shares outstanding for the period. Diluted EPS is computed giving effect to all dilutive potential common shares that were outstanding during the period. Dilutive potential common shares consist of the incremental common shares issuable upon conversion of convertible preferred stock or convertible debt and the exercise of stock options and warrants for all periods. Fully diluted (loss) per share is not presented since the effect would be anti-dilutive.

NOTE 3 - Comprehensive Income (Loss)

Total Comprehensive Loss was \$(403,488) and \$(1,063,147) for the three and six months ended March 31, 2001 and \$(1,023,047) and \$(2,368,562) for the three and six months ended March 31, 2000.

NOTE 4 - Inventories

The components of inventory consist of the following:

<TABLE>
<CAPTION>

	MARCH 31, 2001

<S>	<C>
Raw material and work in process	\$ 313,377
Finished goods	278,729

Inventory, gross	592,106
Less: Inventory reserves	(54,306)

Inventory, net	\$ 537,800
	=====

</TABLE>

NOTE 5 - 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 net loss of \$1.1 million for the six months ended March 31, 2001 and as of March 31, 2001 had an accumulated deficit of \$50.1 million. At March 31, 2001, the Company had working capital of \$(2.0) million and stockholders' equity of \$(1.4) million. In the near term, the Company expects operating and capital costs to continue to exceed funds generated from operations due principally to the Company's manufacturing costs relative to current production volumes and the ongoing need to commercialize the Female Condom around the world. 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 future efforts to raise additional capital and to secure additional agreements to promote and distribute the Female Condom throughout other parts of the world.

NOTE 5- Financial Condition - (Continued)

On May 19, 1999 and June 3, 1999 the Company issued an aggregate \$1.5 million of convertible debentures and warrants to purchase 1,875,000 shares of the Company's common stock to five accredited investors. \$1,000,000 of the convertible debentures is due on May 19, 2001 and the remaining \$500,000 of the convertible debentures is due on June 3, 2001. The Company is currently negotiating a financing arrangement to raise capital to repay the convertible debentures. However, no assurance can be given that the Company will be successful in raising the necessary capital and the Company will remain dependent upon its ability to generate sufficient capital from outside sources to cover all of its operating needs.

Between September and November 1999 the Company completed a private placement where 983,333 shares of the Company's common stock were sold for \$737,500, of which \$500,000 was received through September 30, 1999. The stock sales were directly with accredited investors and included one current director of the Company. The Company sold the shares to these investors at a price of \$.75 per share.

During the year ended September 30, 2000, the Company completed private placements where 1,305,000 shares of the Company's common stock were sold for \$697,500 of which \$597,500 was received through September 30, 2000. The stock sales were directly with accredited investors and included two current directors of the Company. The Company sold the shares to these investors at prices which ranged from \$.50 and \$.75 per share.

During the six months ended March 31, 2001, the Company completed private placements where 600,000 shares of the Company's common stock were sold for \$300,000. The stock sales were directly with accredited investors and included one director of the Company. The Company sold the shares to these investors at price of \$.50 per share.

On March 30, 2001 the Company issued \$250,000 of convertible debentures to one accredited investor. The debentures are due March 30, 2002, bear interest payable at a rate of 12% per annum, and are convertible into the Company's common stock based on a price per share equal to 70% of the market price of the common stock the day immediately prior to the date a conversion notice is provided to the FHCO but in no event shall the stock price be below \$.50 per share or more than \$1.00 per share. The Company did not issue warrants in connection with the issuance of the convertible debentures.

On November 19, 1998, the Company executed an agreement with a private investor (the "Equity Line Agreement"). The agreement provided for the Company, at its sole discretion, subject to certain restrictions, to sell

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NOTE 5- Financial Condition - (Continued)

("put") to the investor up to \$6.0 million of the Company's Common Stock, subject to a minimum put of \$1.0 million over the duration of the agreement. The Equity Line Agreement expired on February 12, 2001.

Under this agreement, the investor purchased 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 was 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 by the Company under the Equity Line Agreement. Pursuant to the Equity Line Agreement, the Company issued the investor a Warrant to purchase 200,000 shares of Common Stock at \$2.17 per share.

The Company was required to draw down a minimum of \$1 million during the term of the Equity Line Agreement. Since the Company did not draw down the minimum, the Company was required to pay the investor a 12% fee on that portion of the \$1 million minimum not drawn down at the end of the two-year period. As of the expiration date, the Company had placed four puts for the combined net cash proceeds of \$582,000 and issued a total of 680,057 shares of the Company's Common Stock to the investor.

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 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 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.

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NOTE 6 - 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.

The Company operates 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>

(Amounts in Thousands)	Six Months Ended	
	March 31,	
	2001	2000
	-----	-----
<S>	<C>	<C>
Net revenues:		
United States	\$ 7	\$ 1,034
International	2,656	1,163
Operating (loss):		
United States	(351)	(2,414)
International	(436)	55
Identifiable assets:		
United States	392	1,823
International	3,638	4,054

</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 \$0 and \$22,000 as of March 31, 2001 and 2000, respectively. Beginning October 1, 2000 primarily all revenues derived from sales to the U.S. public and trade sectors were accounted for as international revenues. In the first six months of fiscal 2001 U.S. sales comprised \$1,244,300 of the international total.

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THE FEMALE HEALTH COMPANY AND SUBSIDIARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS

GENERAL

The Female Health Company ("FHC" or the "Company") manufactures, markets 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. It is the only HIV/AIDS product specifically developed and approved by regulatory agencies in the U.S., the European Union, Japan and The People's Republic of China, among others, since the epidemic began about 20 years ago for the prevention of the transmission of HIV/AIDS through sexual contact.

The Female Condom has undergone extensive testing for efficacy, safety and acceptability, not only in the United States but also in over 50 additional countries. Certain of these studies show that having the Female Condom available increases protected sex acts and decreases the incidence of STDs.

The product is currently sold or available in various venues including commercial (private sector) outlets, public sector clinics and research programs in over 75 countries. It is commercially marketed in 14 countries including the U.S., UK, Canada, France and Japan.

In the U.S., the product is marketed to city and state public health clinics as well as not-for-profit organizations. Under an agreement with the Joint United Nations Programme on Aids ("UNAIDS"), UNAIDS facilitates 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 per unit is approximately 0.38 (Pounds), or \$0.55. Pursuant to this agreement, the product is currently available in over 70 countries with major programs in about 10 countries including Zimbabwe, Tanzania, Brazil, Uganda, South Africa, Namibia, Ghana, and Haiti.

Product

The Female Condom is made of polyurethane, a thin but strong material that 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 helps to hold it in place. The other ring remains outside the vagina after insertion and lines the vagina, preventing skin from touching skin during intercourse. The Female Condom is prelubricated and disposable and is intended for use during one sex act.

Global Market Potential

Male condom market: It is estimated the global annual market for male condoms is 5.4 billion units. The major segments are in the Global Public sector, the U.S., Japan, India and The People's Republic of China. 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 barrier contraceptives is much larger than the identified male condom

market.

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HIV/AIDS is an epidemic far more extensive than what was predicted. UNAIDS and the World Health Organization ("WHO") now estimate that the number of people living with HIV/AIDS stands at about 36 million, more than 50% higher than WHO's original projection in 1991 for year end 2000. Further, African countries with over 80% of the reported cases are experiencing devastating effects to their economic growth. Gross domestic product in hard-hit countries such as South Africa is projected to decrease 13% - 22% by 2010. Under the leadership of Secretary Kofi Annan, the United Nations and UNAIDS have initiated a new strong campaign to initiate broad education out-reach prevention programs as well as treatment programs to fight the HIV/AIDS plague, estimated to cost a total of \$7 billion to \$15 billion annually, and to be supported by multinational donor organizations and private foundations.

The focus is extending to Eastern Europe and Asia as the estimated number of cases of HIV/AIDS has, according to UNAIDS, exponentially jumped in the last year. Major prevention and education out-reach programs are being planned and implemented in these countries.

In the United States, the Center for Disease Control and Prevention reports that one in four Americans has an STD, one in five adults over the age of 12 has Herpes and 1 in every 3 sexually active people will get an STD by age 24. Women are currently the fastest growing group infected with HIV and are expected to comprise the majority of the new cases by the coming year.

Currently, combined with education, there are only two products that prevent the sexual transmission of HIV/AIDS and other STDs -- the latex male condom and the Female Condom.

Female Condom vs Male Condoms

The Female Condom is currently the only available barrier contraceptive method controlled by women which allows them to protect themselves from unintended pregnancy and STDs, including HIV/AIDS. The most important advantage is that a woman can control whether or not she is protected as many men do not like to wear male condoms and may refuse to do so.

The polyurethane material that is used for the Female Condom 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 as much as 4% to 8% of the times they are used. 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 20% of the population that is allergic to latex and who, as a result, may be irritated by latex male condoms. To the Company's knowledge, 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 sexual intimacy than the male condom which requires sexual arousal for application.

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Cost Effectiveness

Over the past two years several studies have been completed which show that providing the Female Condom in public clinics in both the United States and countries in the developing world is, at a minimum, cost effective and usually cost saving. This is important information for governments to have in determining where their public health dollars are allocated. These studies have been or are about to be published and also have been presented at various scientific meetings around the world.

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 European Union ("EU"). In addition to the United States and the EU, several other countries have approved the Female Condom for sale, including Brazil, Mexico, Canada, The People's Republic of China, Japan, Russia, and Australia.

The Company believes that the Female Condom's PMA approval and FDA classification as a Class III Medical Device and other regulatory approvals create a significant barrier to entry. The Company estimates that it would take a minimum of four to six years to implement, execute and receive FDA approval of 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.

Markets

The Company has commercial partners which have launched the product in 14 countries including the U.S., the UK, Canada, Japan and France.

In the United States, the product is marketed to city and state public health clinics, as well as not-for-profit organizations. The Female Condom is available in all 50 states with major programs in the states of New York, Florida, California, Louisiana, Maryland, New Jersey, South Carolina and Illinois and the cities of Chicago, Philadelphia, New York and Houston. All major cities and states have reordered product after their initial shipments.

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State-of-the-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 U.S. Food and Drug Administration ("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 Pre-Market Approval ("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 conditions 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 participates in the same market as male condoms but is not seen as competing - rather additive in terms of prevention and choice. However, it should be noted that latex male condoms 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.

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. These patents expire between 2005 and 2013. Due to a change in patent regulations, The U.S. product patent, which formerly expired on April 14, 2005, has had its expiration extended until April 14, 2007 providing the Company with two additional years of protection. 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 "Reality" 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, which further secure its competitive position.

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RESULTS OF OPERATIONS

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THREE MONTHS ENDED MARCH 31, 2001 COMPARED TO THREE MONTHS ENDED MARCH 31, 2000

The Company had net revenues of \$1,449,297 and a net loss of \$435,269 for the three months ended March 31, 2001 compared to net revenues of \$1,349,718 and a net loss of \$1,019,149 for the three months ended March 31, 2000. As discussed more fully below, the 57% decrease in the net loss resulted from the reduction in the operating loss and a decrease in amortization of debt issuance costs and non-operating interest expenses.

The Company's operating loss for the three months ended March 31, 2001 was \$284,019 compared to \$584,576 for the same period last year for a decrease of 51%. The decrease in the Company's operating loss was result of a decrease in the Company's operating expenses.

Net revenues increased \$99,579 in the current quarter, or 7%, compared with the same period last year. The higher net revenues occurred because of higher unit sales shipped to domestic customers.

The Company expects significant quarter to quarter variation due to the timing of receipt of large orders, subsequent production scheduling, and shipping of products as various countries launch the product. The Company believes this variation between quarters will continue for several quarters to come until reorders form an increasing portion of total sales.

Cost of goods sold increased \$104,986 to \$1,231,059 in the current quarter from \$1,126,073 for the same period last year. The cost of goods sold increase of 9% resulted primarily from a 7% net revenues increase in the current quarter compared with the same period in the prior year.

Advertising and promotional expenditures decreased \$54,747 to \$21,085 in the current quarter from \$75,832 for the same period in the prior year. The decrease primarily resulted from a reduction of in-store promotion expenses between the current and prior fiscal year's second quarter. This reflects the Company's strategy to act as a manufacturer selling to public and private sector customers who pay virtually all marketing expenses.

Selling, general and administrative expenses decreased \$251,217, or 34%, to \$481,172 in the current quarter from \$732,389 for the same period last year. The change reflects the impact of a reduction of finance, sales and administrative staff and thereby related labor costs, and reduced costs in the areas of investor relations, computer, consulting and research and development in the current quarter compared to that incurred in the prior fiscal year's second quarter.

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The Company did not incur non-cash amortization of debt issuance costs during the second quarter compared to \$88,099 for the second quarter of the prior year. The elimination of the aforementioned costs is due to the completion of the amortization period in the third quarter of the 2000 fiscal year. The amortization of debt issuance costs related to the issuance of convertible debentures which began in May and June 1999. The Company has not issued new convertible debentures with a discount feature in any subsequent period.

Net interest and non-operating expenses decreased \$196,032 to \$117,702 for the current period from \$313,734 for the same period last year. The decrease exists because the Company had a smaller amount of non-cash expenses incurred from the amortization of discounts on notes payable and convertible debentures during the current quarter than the second quarter of the prior year.

SIX MONTHS ENDED MARCH 31, 2001 COMPARED TO SIX MONTHS ENDED MARCH 31, 2000

The Company had net revenues of \$2,662,922 and a net loss of \$1,087,889 for the six months ended March 31, 2001 compared to net revenues of \$2,197,013 and a net loss of \$2,359,417 for the six months ended March 31, 2000.

The Company's operating loss for the six months ended March 31, 2001 was \$786,599 compared to \$1,440,691 for the same period last year for a decrease of 45%. As discussed more fully below, the decrease in the Company's net operating loss was result of an increase in gross profit coupled with a decrease in selling, general and administrative expenses. The decrease in the net loss resulted from the reduction in the operating loss and a decrease in amortization of debt issuance costs and non-operating interest expenses.

Net revenues increased \$465,909 for the six months ended March 31, 2001, or 21%, compared with the same period last year. The higher net revenues occurred because of higher unit sales shipped to domestic customers.

The Company expects significant quarter to quarter variation due to the timing of receipt of large orders, subsequent production scheduling, and shipping of products as various countries launch the product. The Company believes this variation between quarters will continue for several quarters to come until reorders form an increasing portion of total sales.

Cost of goods sold increased \$317,967 to \$2,360,933 for the six months ended March 31, 2001 from \$2,042,966 for the same period last year. The cost of goods

sold increase of 16% on a 21% increase in net revenues resulted because cost of goods sold as a percentage of sales decreased from 89% in the six months ended March 31, 2001 compared to 93% during the same period in the prior year. The decline in the cost of good sold percentage as a percentage of sales is primarily a result of a change resulting from the Company's U.S. sales being almost exclusively comprised of a new less expensive (1000 pack) bulk sized product which was not available during the same period in the prior year.

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Advertising and promotional expenditures decreased \$7,476 to \$107,166 in the six months ended March 31, 2001 from \$114,642 for the same period in the prior year. The decrease primarily resulted from a reduction of in-store promotion expenses between the current and prior fiscal year's second quarter.

Selling, general and administrative expenses decreased \$498,674, or 34%, to \$981,422 in the six months ended March 31, 2001 from \$1,480,096 for the same period last year. The decline reflects the impact of a reduction of finance, sales and administrative staff and thereby related labor costs, and reduced costs in the areas of investor relations, consulting and research and development in the first half of the current fiscal year compared to that incurred during the first half of the prior fiscal year.

The Company did not incur non-cash amortization of debt issuance costs during the six months ended March 31, 2001 compared to \$183,673 for the prior year. The elimination of the aforementioned costs is due to the completion of the amortization period in the third quarter of the 2000 fiscal year. The amortization of debt issuance costs related to the issuance of convertible debentures which began in May and June 1999. The Company has not issued new convertible debentures with a discount feature in any subsequent period.

Net interest and non-operating expenses decreased \$434,401 to \$234,471 for the six months ended March 31, 2001 from \$668,872 for the same period last year. The decrease exists because the Company had a smaller amount of non-cash expenses incurred from the amortization of discounts on notes payable and convertible debentures between the current quarter and the second quarter of the prior year.

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 demand for and to cost-effectively manufacture sufficient quantities of the Female Condom. Inherent in this process is 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 operating costs.

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Distribution Network

The Company's strategy is to act as a manufacturer and to develop a global distribution network for the product by completing partnership arrangements with companies with the necessary marketing and financial resources and local market expertise. 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 its 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 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.

The Company manufactures the Female Condom in a leased facility located in London, England. Further, a material portion of the Company's sales are 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.

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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, withdrawal of FDA approval and criminal prosecutions. 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 cash operating losses relating to expenses incurred to develop and promote the Female Condom. During the first six months of fiscal 2001, cash used in operations totaled less than \$0.2 million. The Company used net proceeds from the issuance of the Company's common stock and convertible debentures in order to fund cash used in operations; thereby avoiding a reduction of its cash position.

The Company's currently anticipated needs include financing an aggregate payment on convertible debentures in the principal amount of \$1,500,000 originally issued to five accredited investors in May and June 1999. \$1,000,000 of the convertible debentures is due on May 19, 2001 and the remaining \$500,000 of the convertible debentures is due on June 3, 2001. The Company is currently negotiating a financing arrangement to raise capital to repay the convertible debentures. However, no assurance can be given that the Company will be successful in raising the necessary capital and the Company will remain dependent upon its ability to generate sufficient capital from outside sources to cover all of its operating needs.

The convertible debentures in the principal amount of \$1,500,000 are secured by a first security interest in all of the Company's assets. The holder of convertible debentures in the principal amount of \$1 million has alleged that the Company is in default with respect to the perfection of the investors' security interest in the Company's assets, and has made a demand pursuant to the default provisions of the convertible debentures for the immediate repayment of all amounts outstanding under the convertible debentures and for the issuance of 1,500,000 shares of common stock to the investors. The Company disputes this claim and intends to vigorously defend its position, although no assurance can be given as to the outcome of this matter.

At March 31, 2001, the Company had current liabilities of \$4.1 million including a \$1.0 million note payable due March 25, 2001 and a \$250,000 note payable due February 12, 2002 both to Mr. Dearholt, a Director of the Company. Mr. Dearholt and the Company are currently discussing the details of a one-year extension of the \$1.0 million note payable due March 25, 2001. As of March 31, 2001, Mr. Dearholt beneficially owns 2,775,583 shares of the Company's Common Stock.

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The Company also secured a \$50,000 note payable due February 18, 2002 from Mr. Parrish, the Chairman of the Board and Chief Executive Officer of the Company. As of March 31, 2001, Mr. Parrish beneficially owns 520,501 shares of the Company's Common Stock.

In the near term, the Company's 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. It is estimated that the Company's cash burn rate, with revenues, is less than \$100,000 per quarter.

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 ultimately will 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. Further, if the Company is not able to source additional capital, the lack of funds to promote the Female Condom may significantly limit the Company's ability to realize value from the sale of such assets or rights or otherwise capitalize on the investments made in the Female Condom.

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, supplies, salaries and benefits, and increased selling, general and administrative expenses. Historically, the Company has absorbed increased costs and expenses without increasing selling prices.

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PART II - OTHER INFORMATION

ITEMS 1-5. NOT APPLICABLE

ITEM 2 (C)

On February 18, 2001, the Company issued warrants to purchase 14,000 shares of common stock to O.B. Parrish, the Company's Chairman and Chief Executive Officer, in connection with the extension of the due date of a \$50,000 loan from Mr. Parrish to February 18, 2002. The warrants have an exercise price of \$0.40 per share. The warrants expire upon the earlier of their exercise or ten years after the date of their issuance. The Company believes that it has satisfied the exemption from the securities registration requirement provided by section 4(2) of the Securities Act in connection with this issuance.

On February 12, 2001, the Company issued warrants to purchase 70,000 shares of common stock to Stephen M. Dearholt in connection with the extension of the due date of a \$250,000 loan from Mr. Dearholt to February 12, 2002. The warrants have an exercise price of \$0.40 per share. The warrants expire upon the earlier of their exercise or ten years after the date of their issuance. The Company believes that it has satisfied the exemption from the securities registration requirement provided by section 4(2) of the Securities Act in connection with this issuance.

The Company issued \$250,000 principal amount of convertible debentures to one accredited investor on March 30, 2001. The Company believes 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 since the securities were sold in a private placement to a sophisticated, accredited investor, who provided representations which the Company deemed necessary to satisfy itself that he was an accredited investor and was purchasing for investment and not with a view to resale in connection with a public offering.

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ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

<TABLE>
<CAPTION>

Exhibit Number	Description
<C>	<S>
3.1	Amended and Restated Articles of Incorporation. (1)
3.2	Articles of Amendment to Amended and Restated Articles of Incorporation. (2)

- 3.3 Amended and Restated By-Laws. (3)
- 4.1 Amended and Restated Articles of Incorporation. (1)
- 4.2 Articles of Amendment to Amended and Restated Articles of Incorporation. (2)
- 4.3 Articles II, VII, and XI of the Amended and Restated By-Laws (included in Exhibit 3.3). (3)
- 10.1 \$250,000 convertible debenture issued by the Company to Richard E. Wenninger dated March 30, 2001.
- 10.2 Amended and Restated Promissory Note to Stephen M. Dearholt for \$250,000 dated February 12, 2001 and related warrants.
- 10.3 Amended and Restated Promissory Note to O.B. Parrish for \$50,000 dated February 18, 2001 and related warrants.

<FN>

- (1) Incorporated herein by reference to the Company's Registration Statement on Form SB-2, filed with the Securities and Exchange Commission on October 19, 1999.
- (2) Incorporated herein by reference to the Company's Registration Statement on Form SB-2, filed with the Securities and Exchange Commission on September 21, 2000.
- (3) Incorporated herein by reference to the Company's 1995 Form 10-KSB.
- </TABLE>

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

THE FEMALE HEALTH COMPANY

DATE: May 15, 2001

/s/O.B. Parrish

O. B. Parrish, Chairman and
Chief Executive Officer

/s/o/Robert R. Zic

Robert R. Zic, Director of
Finance (Principal Accounting
Officer)

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CONVERTIBLE DEBENTURE

THIS CONVERTIBLE DEBENTURE HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR QUALIFIED UNDER ANY STATE SECURITIES LAW. THIS CONVERTIBLE DEBENTURE MAY BE OFFERED, TRANSFERRED, SOLD OR OTHERWISE DISPOSED OF ONLY IF REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR IF AN EXEMPTION FROM REGISTRATION IS AVAILABLE, AND ONLY IN STRICT COMPLIANCE WITH APPLICABLE STATE SECURITIES LAWS AND REGULATIONS.

\$250,000

March 30, 2001

FOR VALUE RECEIVED, THE FEMALE HEALTH COMPANY, a Wisconsin corporation, promises to pay to the order of RICHARD E. WENNINGER, at 855 W. Dean Road, River Hills, WI 53211, the principal sum of Two Hundred Fifty Thousand Dollars (\$250,000) on March 30, 2002.

The unpaid principal balance hereof shall bear interest, payable quarterly on June 30, September 30 and December 31, commencing June 30, 2001, and at maturity, computed at a rate equal to 12% per annum. If the holder elects, such interest shall be payable in shares of The Female Health Company's Common Stock, valued at a price per share equal to the average last sale price of a share of such Common Stock for the five trading days ending on the trading day prior to the interest payment date. Principal of and interest on this Convertible Debenture shall be payable in lawful money of the United States.

All interest payable on this Convertible Debenture shall be computed for the actual number of days elapsed using a daily rate determined by dividing the annual rate by 365. Whenever any payment to be made hereunder shall be stated to be due on a Saturday, Sunday or public holiday under the laws of the State of Wisconsin, such payment may be made on the next succeeding business day, and such extension of time shall be included in the computation of interest on this Convertible Debenture.

This Convertible Debenture is convertible into shares of The Female Health Company's Common Stock at the election of the holder hereof. To exercise that conversion right, the holder hereof must provide written notice to The Female Health Company indicating the amount of the Convertible Debenture to be converted into Common Stock, which must be done in increments of at least \$50,000 of principal unless The Female Health Company agrees otherwise. The

Convertible Debenture is convertible into Common Stock based on a per share price of the Common Stock equal to 70% of the "market price" of the Common Stock as of the day immediately prior to the date the conversion notice is given to The Female Health Company (the "Conversion Price"), but in no event shall such Conversion Price be less than \$0.50 or more than \$1.00.

For purposes of determining the "market price" of the Common Stock, the price shall be determined as the average last sale price of a share of The Female Health Company's Common Stock for the five trading days ending on the day immediately prior to the date a notice of conversion is issued to The Female Health Company by the holder of this Convertible Debenture.

This Convertible Debenture may be repaid, in whole or in part, at any time without penalty; provided, however, that before any payment, including a payment at maturity, The Female Health Company must first give the holder written notice of its intention to repay the Convertible Debenture and the holder shall have a period of ten days to decide whether to accept such payment or convert the principal and interest in accordance with the terms hereof, into Common Stock.

If (a) any payment of principal or interest is not made within five business days after The Female Health Company is given written notice of such failure to make a required payment; or (b) the undersigned becomes the subject of bankruptcy or insolvency proceedings which are not dismissed within 30 days of filing, the unpaid balance of this Convertible Debenture shall, at the option of the holder and without notice, mature and become immediately payable.

THE FEMALE HEALTH COMPANY

By: /s/ O.B. Parrish

O.B. Parrish, Chairman of the Board
and Chief Executive Officer

AMENDED AND RESTATED

PROMISSORY NOTE

\$250,000.00

February 12, 2001

FOR VALUE RECEIVED, THE FEMALE HEALTH COMPANY, a Wisconsin corporation, promises to pay to the order of Stephen M. Dearholt, at his office in the City of Milwaukee, Wisconsin, the principal sum of Two Hundred Fifty Thousand Dollars (\$250,000.00), payable in full on February 12, 2002.

The unpaid principal balance hereof shall bear interest, payable monthly on the last day of each calendar month during the term of this Note, and at maturity (whether stated maturity or upon acceleration), computed at a rate equal to 12% per annum. Principal amounts unpaid at the maturity thereof (whether by fixed maturity or acceleration) shall bear interest from and after maturity until paid computed at a rate equal to 18% per annum. Principal of and interest on this Note shall be payable in lawful money of the United States.

All interest payable on this Note shall be computed for the actual number of days elapsed using a daily rate determined by dividing the annual rate by 365. Whenever any payment to be made hereunder shall be stated to be due on a Saturday, Sunday or public holiday under the laws of the State of Wisconsin, such payment may be made on the next succeeding business day, and such extension of time shall be included in the computation of interest on this Note.

This Note is issued in replacement of the Note issued on February 12, 2000, which Note was issued in replacement of the Note originally issued under a Note Purchase and Warrant Agreement dated as of February 12, 1999 between the undersigned and Stephen M. Dearholt to which Agreement reference is hereby made for a statement of the terms and conditions on which the loan evidenced hereby was made and for a description of the terms and conditions upon which this Note may be prepaid, in whole or in part, or its maturity accelerated.

THE FEMALE HEALTH COMPANY

By: /s/ O.B. Parrish

O.B. Parrish
Chairman of the Board
and Chief Executive Officer

THIS WARRANT HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR QUALIFIED UNDER ANY STATE SECURITIES LAW. THIS WARRANT AND ANY INTEREST HEREIN MAY BE OFFERED, TRANSFERRED, SOLD OR OTHERWISE DISPOSED OF ONLY IF REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR IF AN EXEMPTION FROM REGISTRATION IS AVAILABLE, AND ONLY IN STRICT COMPLIANCE WITH APPLICABLE STATE SECURITIES LAWS AND REGULATIONS.

WARRANT

FOR THE PURCHASE OF
COMMON STOCK

OF

THE FEMALE HEALTH COMPANY

Warrant Number 10

THIS CERTIFIES THAT, FOR VALUE RECEIVED, Stephen M. Dearholt, or assigns, is entitled to subscribe for and purchase from The Female Health Company, a Wisconsin corporation (the Company), 70,000 shares of the fully paid and non-assessable shares of Common Stock, \$.01 par value per share, of the Company, at the Purchase Price (as hereinafter defined) per share.

This Warrant and all warrants issued in substitution or exchange for all or part hereof are herein individually called a "Warrant" and collectively the "Warrants".

1. Definitions. When used in this Warrant, the following terms

shall have the meanings specified:

(a) "Affiliate" shall mean any Person directly or indirectly controlling, controlled by or under direct or indirect common control with another Person. A Person shall be deemed to control a corporation if such Person possesses, directly or indirectly, the power to direct or cause the direction of the management and policies of such corporation, whether through the ownership of voting securities, by contract or otherwise.

(b) "Common Shares" shall mean and include the Company's presently authorized shares of Common Stock and shall also include any capital stock of any class of the Company hereafter authorized which shall not be limited to a fixed sum or percentage of par value in respect of the rights of the holders thereof to participate in dividends or in the distribution of assets upon the voluntary or involuntary liquidation, dissolution or winding up of the Company; provided that the shares purchasable pursuant to this Warrant shall include shares designated as Common Stock of the Company on the date of original issue of this Warrant or, in case of any reclassification of the outstanding shares thereof, the stock, securities or assets provided for in Section 5(a) hereof.

(c) "Common Stock" shall mean the common stock, \$.01 par value per share, of the Company.

(d) "Expiration Date" shall mean the earliest to occur of the following: (i) the exercise of all of the rights to purchase Common Stock represented by this Warrant; or (ii) February 12, 2011.

(e) "Holder" shall mean Stephen M. Dearholt and any permitted transferee or assignee of all or part of this Warrant and the rights hereunder; provided that, as used in Section 12 hereof such term shall also include any holder or holders of Common Stock (or Other Securities) issued on the exercise of this Warrant other than Persons who received such Common Stock (or Other Securities) in a public offering or pursuant to Rule 144 promulgated under the Securities Act of 1933, as amended.

(f) "Holder Group" shall have the meaning assigned thereto in Section 10 hereof.

(g) "Purchase Price" shall mean the per share purchase price of \$0.40 (subject to adjustment under Section 5) to be paid for shares of Common Stock purchased pursuant to the exercise of this Warrant.

(h) "Other Securities", as used in Section 12 hereof, shall mean any stock (other than Common Stock) and other securities of the Company or any other Person (corporate or otherwise) which the Holder of this Warrant at any time shall be entitled to receive, or shall have received, on the exercise of this Warrant, in lieu of or in addition to Common Stock, or which at any time shall be issuable or shall have been issued in exchange for or in replacement of Common Stock or Other Securities pursuant to Section 5 hereof or otherwise.

(i) "Person" shall mean and include an individual, partnership, corporation, trust, joint venture, incorporated organization and a government or any department or agency thereof.

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2. Exercise: Issuance of Certificates: Payment for Shares. This

Warrant may be exercised by the Holder, in whole or in part, at any time and from time to time on or after February 12, 2001, until 5:00 p.m. central time on the Expiration Date, by the surrender of this Warrant (properly endorsed if required), and payment by the Holder to the Company of the Purchase Price for each share of Common Stock purchased with respect to such exercise by wire transfer or certified or cashiers check. Upon such surrender and payment, the Holder shall be entitled to receive a certificate or certificates representing the shares of Common Stock so purchased, which certificate(s) may contain a standard legend indicating that such shares have not been registered under the Securities Act and prohibiting resale thereof without registration or an opinion of counsel that an exemption from registration is available. The Company agrees that the shares so purchased shall be deemed to be issued to the Holder as the record owner of such shares as of the close of business on the date on which this Warrant shall have been surrendered and payment made for such shares as aforesaid. Subject to the Company's Amended and Restated Articles of Incorporation, certificates for the shares of Common Stock so purchased shall be delivered to the Holder within a reasonable time, not exceeding ten days, after the rights represented by this Warrant shall have been so exercised. If the rights of the Holder of this Warrant are exercised in part, the number of shares of Common Stock which thereafter may be purchased pursuant to this Warrant shall be reduced accordingly and the Company shall reissue a Warrant or Warrants of like tenor representing in the aggregate the right to purchase the number of shares of Common Stock as so reduced.

3. Affirmative Covenants.

(a) The Company covenants and agrees that the shares of Common Stock issuable upon exercise of the rights represented by this Warrant will, upon such exercise and issuance in accordance herewith, be duly authorized, validly issued, fully paid and nonassessable (except as set forth in Section 180.0622(2)(b), Wis. Stats., as amended and interpreted) and free from all taxes, liens and charges with respect to the issue. The Company further covenants and agrees that, until the Expiration Date, the Company will at all times have authorized, and reserved for the purpose of issue upon total or partial exercise of the rights represented by this Warrant, a sufficient number of shares of its Common Stock to provide for the exercise of the rights represented by this Warrant.

(b) The Company further covenants and agrees that, until the Expiration Date, the Company will deliver to the Holder copies of all reports and information filed by the Company with the Securities and Exchange Commission ("SEC") pursuant to the Securities Exchange Act of 1934, as amended, within 10 days after receiving a written request from the Holder.

4. Issuance of Preferred Stock. So long as this Warrant remains

outstanding, the Company will not issue any capital stock of any class preferred as to dividends or as to the distribution of assets upon voluntary or involuntary liquidation, dissolution or winding up, unless the rights of the holders thereof shall be limited to a fixed sum or percentage of par value in respect of participation in dividends and in the distribution of such assets.

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5. Anti-Dilution Provisions. The above provisions are, however,

subject to the following:

(a) If any capital reorganization or reclassification of the capital stock of the Company, or consolidation or merger of the Company with another corporation, or the sale of all or substantially all of its assets to another corporation shall be effected in such a way that holders of Common Stock shall be entitled to receive stock, securities or assets with respect to or in exchange for Common Stock, then, as a condition of such reorganization, reclassification, consolidation, merger or sale, lawful and adequate provision shall be made whereby the Holder hereof shall hereafter have the right to purchase and receive upon the basis and upon the terms and conditions specified in this Warrant and in lieu of the shares of the Common Stock of the Company immediately theretofore purchasable and receivable upon the exercise of the rights represented hereby, such shares of stock, securities or assets as may be issued or payable with respect to or in exchange for a number of outstanding shares of such Common Stock equal to the number of shares of such stock immediately theretofore purchasable and receivable upon the exercise of the rights represented hereby had such reorganization, reclassification, consolidation, merger or sale not taken place, and in any such case appropriate provision shall be made with respect to the rights and interests of the Holder of this Warrant to the end that the provisions hereof shall thereafter be applicable, as nearly as may be, in relation to any shares of stock, securities or assets thereafter deliverable upon the exercise hereof, together with such adjustment in the Purchase Price as may be applicable with respect thereto so that the aggregate price to be paid for shares issued pursuant to this Warrant shall be neither increased nor decreased. The Company shall not effect any such consolidation, merger or sale, unless prior to the consummation thereof the successor corporation (if other than the Company) resulting from such consolidation or merger or the corporation purchasing such assets shall assume by written instrument executed and mailed to the Holder hereof at the last address of such Holder appearing on the books of the Company, the obligation to deliver to such Holder such shares of stock, securities or assets as, in accordance with the foregoing provisions, such Holder may be entitled to purchase.

(b) In case any time:

(1) the Company shall declare any cash dividend on its Common Stock at a rate in excess of the rate of the last cash dividend theretofore paid;

(2) the Company shall pay any dividend payable in stock upon its Common Stock, make any distribution (other than regular cash dividends) to the holders of its Common Stock or redeem any shares of its Common Stock;

(3) the Company shall offer for subscription pro rata to the holders of its Common Stock any additional shares of stock of any class or other rights;

(4) there shall be any capital reorganization, reclassification of the capital stock of the Company, or consolidation or merger of the Company with, or sale of all or substantially all of its assets to

another corporation; or

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(5) there shall be a voluntary or involuntary dissolution, liquidation or winding up of the Company;

then, in any one or more of said cases, the Company shall give written notice, by first class mail, postage prepaid, addressed to the Holder of this Warrant at the address of such Holder as shown on the books of the Company, of the date on which (aa) the books of the Company shall close or a record shall be taken for such dividend, distribution or subscription rights, or (bb) such reorganization, reclassification, consolidation, merger, sale, dissolution, liquidation or winding up shall take place, as the case may be. Such notice shall also specify the date as of which the holders of Common Stock of record shall participate in such dividend distribution or subscription rights, or shall be entitled to exchange their Common Stock for securities or other property deliverable upon such reorganization, reclassification, consolidation, merger, sale, dissolution, liquidation or winding up, as the case may be. Such written notice shall be given at least 15 days prior to the action in question and not less than 15 days prior to the record date or the date on which the Company's transfer books are closed in respect thereto.

6. Certain Events. If any event occurs as to which the provisions of this Warrant are not strictly applicable or, if strictly applicable would not fairly protect the rights of the Holder in accordance with the essential intent and principles of such provisions, then the Board of Directors of the Company shall make an adjustment in the application of such provisions, in accordance with such essential intent and principles, so as to protect the Holder's rights as aforesaid.

7. Term of Warrant. This Warrant shall remain outstanding and exercisable until the Expiration Date. To the extent not previously exercised, the rights to purchase Common Stock represented by this Warrant shall thereupon terminate.

8. Issue Tax. The issuance of certificates for shares of Common Stock upon the total or partial exercise of this Warrant shall be made without charge to the Holder for any issuance tax in respect thereof.

9. Closing of Books. The Company will at no time close its transfer books against the transfer of this Warrant or act in any manner which interferes with the timely exercise of the rights represented by this Warrant.

10. Transfer of Warrant. Subject to any registration or qualification requirements under the Securities Act and applicable state securities laws, this Warrant and all rights hereunder are transferable, in whole or in part, without charge to the Holder, by the Holder in person or by duly authorized attorney, upon surrender of this Warrant to the Company properly endorsed; provided that the Company may require in connection with such transfer an opinion of counsel to the effect that such transfer qualifies for an exemption from the registration requirements of the Securities Act. If this Warrant is transferred in part in accordance with the terms hereof, the Company shall reissue a Warrant or Warrants of like tenor representing in the aggregate the right to purchase the number of shares of Common Stock represented by this Warrant immediately prior to such transfer and thereafter the Holder and all transferees and assignees shall constitute the "Holder Group" for purposes of Section 12 hereof.

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11. No Voting Rights. This Warrant shall not entitle the Holder to any voting rights as a shareholder of the Company.

12. Registration Rights. All references in this Section 12 to Common Stock shall be deemed to include Other Securities as applicable.

12.1 Demand Registration. At any time (whether before or after the Expiration Date) following the exercise of the right to purchase Common Stock pursuant to this Warrant, a Holder may demand registration under the Securities Act of 1933, as amended (the "Securities Act") of the resale of all or part of the Common Stock issuable or which has been issued upon exercise of this Warrant, on Form S-1, Form SB-2 or any similar long-form registration or, in the Company's sole discretion, on Form S-2 or S-3 or any similar short-form registration, if available under applicable rules of the SEC. If such request is made by less than all Holders, the Company shall send written notice of such registration request to the remaining Holders within 15 days of receipt of the

initial registration request. Unless a remaining Holder shall deliver to the Company, within 20 days after such notice is sent by the Company, a written request for inclusion in the registration demanded by the initial request of all or part of the Common Stock issuable or which has been issued upon exercise of the Warrant held by such remaining Holder, all rights of such remaining Holder under this Section 12.1 shall be terminated. The written request to be delivered by a Holder to the Company pursuant to this Section 12.1 shall (i) specify the number of shares intended to be offered and sold by the Holder, (ii) express the present intent of the Holder to offer such shares for distribution, and (iii) describe the nature and method of the proposed offer and sale thereof. The registration requested pursuant to this Section 12.1 is referred to herein as "Demand Registration", which term shall also include any Demand Registration as defined in any of the Dearholt Stock Documents referenced in Section 12.1(a) hereof.

(a) Number of Registrations. Notwithstanding any contrary

provision contained in this document, the Note Purchase and Warrant Agreement between the Company and Stephen M. Dearholt dated as of February 12, 1999, the Stock Issuance Agreement between such parties dated as of February 12, 1999, the Warrant issued by the Company to Stephen M. Dearholt dated as of February 12, 1999, the Note Purchase and Warrant Agreement between the Company and Stephen M Dearholt dated as of March 25, 1998, the Warrant issued by the Company to Stephen M. Dearholt dated as of March 25, 1998, the Stock Issuance Agreement between the Company and Stephen M. Dearholt dated March 25, 1998, the Note Purchase and Warrant Agreement between the Company and Stephen M Dearholt dated as of March 25, 1997, the Warrant issued by the Company to Stephen M. Dearholt dated as of March 25, 1997, the Note Purchase and Warrant Agreement by and among the Company and Stephen M. Dearholt dated as of March 25, 1996, the Warrant issued by the Company to Stephen M. Dearholt dated as of March 26, 1996, and the Warrant issued by the Company to Stephen M. Dearholt dated as of November 21, 1995 (collectively, the "Dearholt Stock Documents"), the Holder Group shall be entitled to an unlimited number of Demand Registrations under all such Dearholt Stock Documents, and shall be entitled to include all or part of the stock received under any or all of such Dearholt Stock Documents in any Demand Registration, as the Holder Group shall request from time to time; provided, however, that, except for Demand Registrations requested pursuant

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to the last sentence of this Section 12.1(a), any such Demand Registration shall include at least two hundred thousand (200,000) shares of Common Stock (subject to adjustment pursuant to Section 5(a)). A registration initiated as a Demand Registration may be withdrawn at any time at the request of the Holders of a majority of the shares of the Common Stock requested to be included in such Demand Registration (the "Required Percentage"); provided that in the event a registration initiated as a Demand Registration is so withdrawn, all expenses in connection with such withdrawn registration (including, without limitation, reasonable fees of counsel and accountants for the Company) shall be paid by the participating Holders, pro rata. In the event Stephen M. Dearholt shall pledge or assign his rights and interests to all or part of the Common Stock issued to him upon exercise of this Warrant, or upon exercise of his rights under any of the Dearholt Stock Documents, as collateral pursuant to a borrowing, the rights to Demand Registrations hereunder may be assigned and transferred to said lender (and only one lender at any given time) in connection therewith, and said lender shall be entitled to request such Demand Registrations at any time, without regard to the two hundred thousand (200,000) share minimum under the first sentence of this Section 12.1(a), and notwithstanding the provisions of the first sentence of Section 12.1(c) below.

(b) Priority on Demand Registrations. The Company will not

include in the Demand Registration any securities which are not Common Stock owned by a Holder, without the written consent of the Required Percentage of Holders. If the Demand Registration is an underwritten offering, and the managing underwriters advise the Company in writing that in their opinion the number of shares of Common Stock requested to be included exceeds the number of shares of Common Stock which can be sold in such offering without adversely affecting the market price of the Company's Common Stock, the Company will include in such registration (pro rata from shares of Common Stock requested to be included by each participating Holder), prior to the inclusion of any securities which are not shares of Common Stock owned by a Holder, the number of shares of Common Stock owned by the Holders requested to be included which in the opinion of such underwriters can be sold without such adverse affect; and the balance of the shares of Common Stock which Holder requested to be included in such offering shall be withheld from sale for a period of time requested by the underwritten, but not to exceed one hundred twenty (120) days.

(c) Restrictions on Demand Registration. Subject to the next

following sentence and the last sentence of Section 12.1(a) above, the Company will not be obligated to effect a Demand Registration within one hundred twenty (120) days after the effective date of a registration in which the Holder was given an opportunity to participate in a registered offering pursuant to Section 12.2 hereof. In the event that a Holder requests to participate in a registration under Section 12.2 hereof and satisfies the conditions of Section

12.3, and for whatever reason all of the shares of Common Stock which such Holder so requests to be registered are not registered or are not permitted to be offered for sale and sold prior to shares of Common Stock or other equity securities being registered and offered by the Company in such registration, then the provisions of the first sentence of this Section 12.1(c) shall not apply, and the Company shall be obligated to effect a Demand Registration requested by such Holder as soon as practicable in accordance with the terms hereof. The Company may postpone for up to ninety (90) days the filing or the effectiveness of a registration statement for a Demand Registration if the Company

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and the Required Percentage of Holders reasonably and in good faith agree that such Demand Registration might have an adverse effect on any proposal or plan by the Company to engage in any financing, acquisition of assets (other than in the ordinary course of business) or any corporate reorganization, merger, consolidation, tender offer or similar transaction.

(d) Selection of Underwriters. If the Demand Registration

involves an underwritten public offering, the Company will have the right to select the investment banker(s) and manager(s) to administer the offering, subject to the approval of the Required Percentage of Holders (which will not be unreasonably withheld) of such investment banker(s) and managers(s).

12.2 Participation in Registered Offerings. If the Company at any

time or times proposes or is required to register any of its Common Stock or other equity securities for public sale in an underwritten public offering for cash (other than in connection with any stock option, bonus or other employee benefit plan or arrangement) under the Securities Act or any applicable state securities law, it will each such time give written notice to each Holder of its intention to do so. Upon the written request of a Holder given within thirty (30) business days after receipt of any such notice (which request shall state the intended method of disposition of such equity securities and shall state in reasonable detail, to the extent practicable, the net consideration, after all commissions and discounts which the prospective seller or sellers expect to receive upon such disposition), the Company shall use all reasonable efforts to cause all such Common Stock which the Holder so requested to be registered (which request will not be for less than two hundred thousand (200,000) shares of Common Stock) to be registered under the Securities Act and any applicable state securities laws (provided, that if the managing underwriter advises that less than all of the registered shares of equity securities should be offered for sale so as not to materially and adversely affect the price or salability of the offering being registered by the Company or the participating Holders for a period not to exceed one hundred twenty (120) days, the participating Holders will, if requested by the Company, withhold from sale for such period of time such number of shares of Common Stock (pro rata from the shares of Common Stock requested to be included by the participating Holders) as the underwriter may specify; provided further that in such event a pro rata number of shares proposed to be offered by the Company and all other shareholders of the Company also shall be similarly withheld from sale), all to the extent requisite to permit the sale or other disposition (in accordance with the intended method of disposition thereof as aforesaid) by the prospective seller or sellers of the securities so registered. In the event an underwriter is involved with a registration initiated by the Company of the Common Stock, and a Holder requests to participate in the registration, the Holder must commit to sell through the underwriter. The Company may, in its sole discretion, withdraw any registration contemplated by this Section 12.2 and abandon the proposed offering in which a Holder had requested to participate without any further obligation to such Holder with respect to such registration statement or offering; provided however that such Holder shall be indemnified by the Company for any fees, costs and expense of and incidental to such registration, excluding the fees and disbursements of counsel acting solely on behalf of such Holder.

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12.3 Obligations of the Holder. It shall be a condition precedent

to the obligation of the Company to register any Common Stock of a Holder pursuant to Sections 12.1 and 12.2 hereof that such Holder shall (i) furnish to the Company such information regarding the Common Stock held by it and the intended method of disposition thereof and other information concerning such Holder as the Company shall reasonably request and as shall be required in connection with the registration statement to be filed by the Company; (ii) agree to abide by such additional or customary terms affecting the proposed offering as reasonably may be requested by the managing underwriter of such offering, including a requirement, if applicable, to withhold (on a pro-rata basis) from the public market for a period of at least one hundred twenty (120) days after any such offering, any shares excluded from the offering at the instance of the underwriter as permitted under Sections 12.1 and 12.2 hereof; and (iii) agree in writing in form satisfactory to the Company to pay the underwriting discounts and commissions applicable to the Common Stock being sold by such Holder (subject to the maximum amounts set forth in Section 12.5 hereof).

12.4 Registration Proceedings. If and whenever the Company is

required by the provisions of Sections 12.1 and 12.2 hereof to effect the registration of the Common Stock under the Securities Act, until the securities covered by such registration statement have been sold or for six (6) months after effectiveness, whichever is the shorter period of time, the Company shall:

(a) Promptly prepare and file with the SEC a registration statement with respect to such Common Stock and use all reasonable efforts to cause such registration statement to become effective as soon as practicable after the filing thereof and to remain effective, subject to the Company's right to withdraw any registration contemplated by Section 12.2 hereof;

(b) Prepare and file with the SEC such amendments to such registration statement and supplements to the prospectus contained therein as may be necessary to keep such registration statement effective;

(c) Furnish to each participating Holder and to the underwriters of the securities being registered such reasonable number of copies of the registration statement, preliminary prospectus, final prospectus and such other documents as such underwriters may reasonably request in order to facilitate the public offering of such securities;

(d) Use all reasonable efforts to register or qualify the securities covered by such registration statement under such state securities or "Blue Sky" laws of such jurisdictions as the participating Holders may reasonably request within twenty (20) days prior to the original filing of such registration statement, except that the Company shall not for any purpose be required to qualify to do business as a foreign corporation in any jurisdiction wherein it is not so qualified, and except that the Company shall not be required to so register or qualify in more than twenty (20) such jurisdictions if in the good faith judgment of the managing underwriter such additional registrations or qualifications would be unreasonably expensive or harmful to the consummation of the proposed offering;

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(e) Notify each participating Holder, promptly after the Company shall receive notice thereof, of the time when such registration statement has become effective or a supplement to any prospectus forming a part of such registration statement has been filed;

(f) Notify each participating Holder promptly of any request by the SEC for the amending or supplementing of such registration statement or prospectus or for additional information;

(g) Prepare and file with the SEC, promptly upon the request of a participating Holder, any amendments or supplements to such registration statement or prospectus which, in the opinion of counsel for such Holder and counsel for the underwriter or manager of the offering, are required under the Securities Act or the rules and regulations thereunder in connection with the distribution of Common Stock by such Holder;

(h) Prepare and promptly file with the SEC and promptly notify each participating Holder of the filing of such amendment or supplement to such registration statement or prospectus as may be necessary to correct any statements or omissions if, at the time when a prospectus relating to such securities is required to be delivered under the Securities Act, any event shall have occurred as the result of which any such prospectus or any other prospectus as then in effect would include an untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in light of the circumstances in which they were made, not misleading;

(i) In case a participating Holder or any underwriter for a Holder is required to deliver a prospectus at a time when the prospectus then in circulation is not in compliance with the Securities Act, the Company will prepare and file such supplements or amendments to such registration statement and such prospectus or prospectuses as may be necessary to permit compliance with the requirements of the Securities Act;

(j) Advise each participating Holder, promptly after it shall receive notice or obtain knowledge thereof, of the issuance of any stop order by the SEC suspending the effectiveness of such registration statement or the initiation or threatening of any proceeding for that purpose and promptly use all reasonable efforts to prevent the issuance of any stop order or to obtain its withdrawal if such stop order should be issued;

(k) Not file any amendment or supplement to such registration statement or prospectus to which a participating Holder shall reasonably have objected on the grounds that such amendment or supplement does not comply in all material respects with the requirements of the Securities Act or the rules and regulations thereunder, after having been furnished with a copy thereof at least two (2) business days prior to the filing thereof; and

(1) At the request of a participating Holder (i) use all reasonable efforts to obtain and furnish on the effective date of the registration statement or, if such registration includes an underwritten public offering, at the closing provided for in the underwriting agreement, an opinion, dated such date, of the counsel representing the Company

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for the purposes of such registration, addressed to the underwriters, if any, and to each participating Holder, which shall contain such opinions as are customary in an underwritten public offering, or, if the offering is not underwritten, shall state that such registration statement has become effective under the Securities Act and that (or substantially to the effect that): (a) to the best of such counsel's knowledge, no stop order suspending the effectiveness thereof has been issued and no proceedings for that purpose have been instituted or are pending or contemplated under the Securities Act; (b) the registration statement, related prospectus and each amendment or supplement thereto comply as to form in all material respects with the requirements of the Securities Act and applicable rules and regulations of the SEC thereunder (except that such counsel need express no opinion as to financial statements, schedules or other financial or statistical data contained therein); (c) such counsel has no reason to believe that either the registration statement or the prospectus or any amendment or supplement thereto (other than financial statements and schedules or financial and statistical data, as to which such counsel need not comment) contains any untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein not misleading; (d) the description in the registration statement or prospectus or any amendment or supplement thereto of all legal and governmental matters and all contracts and other legal documents or instruments described therein are accurate in all material respects; and (e) such counsel does not know of any legal or governmental proceedings, pending or threatened, required to be described in the registration statement or prospectus or any amendment or supplement thereto which are not described as required, nor of any contracts or documents or instruments of the character required to be described in the registration statement or prospectus or amendment or supplement thereto or to be filed as exhibits to the registration statement, which are not described and filed as required; and (ii) use all reasonable efforts to obtain letters dated on such effective date, and such closing date, if any, from the independent certified public accountants of the Company, addressed to the underwriters, if any, and to each participating Holder, stating that they are independent certified public accountants within the meaning of the Securities Act and dealing with such matters as the underwriters may request, or, if the offering is not underwritten, stating that in the opinion of such accountants, the financial statements and other financial data pertaining to the Company included in the registration statement or the prospectus or any amendment or supplement thereto comply in all material respects with the applicable accounting requirements of the Securities Act; such opinion of counsel shall additionally cover such legal matters with respect to the registration and with respect to which such opinion is being given as a participating Holder may reasonably request; such letter from the independent certified public accountants shall additionally cover such other financial matters, including information as to the period ending not more than five (5) business days prior to the date of such letter, with respect to the registration statement and prospectus as a participating Holder may reasonably request.

12.5 Expenses. With respect to each inclusion of Common Stock of

a Holder in a registration statement pursuant to Sections 12.1 and 12.2 hereof, all registration expenses, fees, costs and expenses of and incidental to such registration, including any public offering in connection therewith shall be borne by the Company (excluding the fees and disbursements of advisors retained by the Holder and counsel acting solely on behalf of the Holder); provided, however, that the Holder shall bear the Holder's pro rata share of the underwriting discount and commissions (up to a maximum aggregate amount equal to 8% of the offering price of the

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Holder's shares so offered). The fees, costs and expenses of registration to be borne by the Company shall include, without limitation, all registration, filing and NASD fees, printing expenses, fees and disbursements of counsel and accountants for the Company (including the cost of any special audit requested in order to effect such registration), fees and disbursements of counsel for the underwriter or underwriters of such securities (if the Company and/or selling security holders are required to bear such fees and disbursements), all legal fees and disbursements and other expenses of complying with state securities or Blue Sky laws of any jurisdiction in which the securities to be offered are to be registered or qualified.

12.6 Indemnification of Holders. Subject to the conditions set

forth below, in connection with any registration of securities pursuant to Sections 12.1 or 12.2 hereof, the Company agrees to indemnify and hold harmless each Holder and each person, if any, who controls the Holder (and the respective officers, directors and agents of Holders), within the meaning of Section 15 of the Securities Act, as follows:

(a) Against any and all loss, claim, damage and expense whatsoever arising out or based upon (including, but not limited to, any and all expense whatsoever reasonably incurred in investigating, preparing or defending any litigation, commenced or threatened, or any claim whatsoever based upon) any untrue or alleged untrue statement of a material fact contained in any preliminary prospectus (if used prior to the effective date of the registration statement), the registration statement or the final prospectus (as from time to time amended and supplemented if the Company shall have filed with the SEC any amendment thereof or amendment thereto) if used within the period during which the Company is required to keep the registration statement or prospectus current, or in any application or other document executed by the Company or based upon written information furnished by the Company filed in any jurisdiction in order to qualify the Company's securities under the securities laws thereof; or the omission or alleged omission therefrom of a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; or any other violation of applicable federal or state statutory or regulatory requirements or limitations relating to action or inaction by the Company in the course of preparing, filing, or implementing such registered offering; provided, however, that the indemnity agreement contained in this Section 12.6(a) shall not apply to any loss, claim, damage, liability or action arising out of or based upon any untrue or alleged untrue statement or omission made in reliance upon and in conformity with any information furnished in writing to the Company by or on behalf of the Holder expressly for use in connection therewith;

(b) Subject to the proviso contained in the last sentence of Section 12.6(a) above, against any and all loss, liability, claim, damage and expense whatsoever to the extent of the aggregate amount paid in settlement of any litigation, commenced or threatened, or of any claim whatsoever based upon any such untrue statement or omission or any such alleged untrue statement or omission (including, but not limited to, any and all expense whatsoever reasonably incurred in investigating, preparing or defending against any such litigation or claim) if such settlement is effected with the written consent of the Company and no indemnity shall inure to the benefit of the Holder or any controlling person thereof if the person asserting the claim failed to receive a copy of the final prospectus at or prior to the written confirmation of the

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sale of shares of Common Stock to such person if the untrue statement or omission had been corrected in such final prospectus and the failure to receive such final prospectus is not a necessary element of such person's claim;

(c) In no case shall the Company be liable under this indemnity agreement with respect to any claim made against the Holder or any such controlling person (or its respective officers, directors and agents) unless the Company shall be notified, by letter or by telegram confirmed by letter, of any claim made or action commenced against such persons, reasonably promptly (but in any event within twenty (20) days of receipt of such claim or, in the event that any summons or other service of process requires a responsive pleading within thirty (30) days or less time, within ten (10) days after receipt of such summons or other process) after such person shall have received notice of such claim or been served with the summons or other legal process giving information as to the nature and basis of the claim, but failure to so notify the Company shall not relieve it from any liability which it may have otherwise than on account of this indemnity agreement. The Company shall be entitled to participate at its own expense in the defense of any suit brought to enforce any such claim, but if the Company elects to assume the defense, such defense shall be conducted by counsel chosen by it, provided that such counsel is reasonably satisfactory to the Holder. In the event the Company elects to assume the defense of any such suit and retain such counsel, the Holder shall, after the date the Holder is notified of such election, bear the fees and expenses of any counsel thereafter retained by the Holder as well as any other expenses thereafter incurred by the Holder in connection with the defense thereof; provided, however, that the Company shall bear the fees and expenses of any such separate counsel retained by the Holder if the counsel representing the Company has a conflict of interest (which is not waived) with the Holder which would prohibit such counsel from representing the Holder.

12.7 Indemnification of Company. Each Holder participating in any

registered offering pursuant to Section 12.1 or 12.2 above agrees to indemnify and hold harmless the Company and each of the officers and directors and agents of it and each other person, if any, who controls the Company within the meaning of Section 15 of the Securities Act against any and all such losses, liabilities, claims, damages and expenses as are indemnified against by the Company under Section 12.6 hereof; provided, however, that such indemnification shall be limited to statements or omissions, if any, made (or in settlement of any litigation effected with the written consent of the Holder alleged to have been made) in any preliminary prospectus, the registration statement or prospectus or any amendment or supplement thereof or any application or other document in reliance upon, and in conformity with, written information furnished in respect of the Holder, by or on behalf of the Holder expressly for use in any preliminary prospectus, the registration statement or prospectus or any amendment or supplement thereof or in any such application or other document. In case any action shall be brought against the Company, or any other person so

indemnified based on any preliminary prospectus, the registration statement or prospectus or any amendment or supplement thereof or any such application or other documents, in respect of which indemnity may be sought against a Holder, it shall have the rights and duties given to the Company, and each other person so indemnified shall have the rights and duties given to a Holder, by the provisions of Section 12.6(c) hereof. The Company agrees to notify the Holder promptly after the assertion of any claim against the Company in connection with the sale of securities covered by this Warrant.

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12.8 Future Registration Rights. The Company may agree with its

shareholders other than the Holders to allow their participation in any registered offering which may be requested pursuant to Section 12.1 hereof, provided all such rights of participation by shareholders other than the Holders shall be subordinated to the rights of the participating Holders herein, in a manner reasonably satisfactory to the Required Percentage of such Holders and their counsel.

13. Descriptive Headings. The descriptive headings of the several

sections of this Warrant are inserted for convenience only and do not constitute a part of this Warrant.

14. Notices. Any notice or other communication pursuant to this

Warrant shall be in writing and shall be deemed sufficiently given upon receipt, if personally delivered or telecopied (with receipt acknowledged), or if mailed, upon deposit with the United States Postal Service by first class, certified or registered mail, postage prepaid, return receipt requested, addressed as follows:

(a) If to the Company, to The Female Health Company, 875 North Michigan Avenue, Suite 3660, Chicago, Illinois 60611, Attention: Secretary, or such other address as the Company has designated in writing to the Holder.

(b) If to the Holder, to Stephen M. Dearholt, Insurance Processing Center, 741 North Milwaukee Street, Milwaukee, Wisconsin 53202 or to such other address as the Holder has designated in writing to the Company.

15. Replacement of Warrant. Upon receipt of evidence satisfactory

to the Company of the loss, theft, destruction or mutilation of this Warrant, and upon receipt of written indemnification of the Company by the Holder in form and substance reasonably satisfactory to the Company, the Company shall execute and deliver to the Holder a new Warrant of like date, tenor and denomination.

16. Governing Law. This Warrant shall be construed and

interpreted in accordance with the internal laws of the State of Wisconsin.

17. Successors and Assigns. The provisions of this Warrant shall

be binding upon and inure to the benefit of the Company and the Holder and their respective successors, assigns and transferees.

18. Further Assurances. The Company agrees that it will execute

and record such documents as the Holder shall reasonably request to secure for the Holder any of the rights represented by this Warrant.

19. Amendment and Modifications. This Warrant may be amended,

modified or supplemented only by written agreement of the Company and the Holder.

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IN WITNESS WHEREOF, The Female Health Company has caused this Warrant to be signed by its duly authorized officer and this Warrant to be dated as of February 12, 2001.

THE FEMALE HEALTH COMPANY

By: /s/ O.B. Parrish

O.B. Parrish
Chairman and Chief Executive Officer

AMENDED AND RESTATED

PROMISSORY NOTE

\$50,000.00

February 18, 2001

FOR VALUE RECEIVED, THE FEMALE HEALTH COMPANY, a Wisconsin corporation, promises to pay to the order of O.B. Parrish, at his office in the City of Chicago, Illinois, the principal sum of Fifty Thousand Dollars (\$50,000.00), payable in full on February 18, 2002.

The unpaid principal balance hereof shall bear interest, payable monthly on the last day of each calendar month during the term of this Note, and at maturity (whether stated maturity or upon acceleration), computed at a rate equal to 12% per annum. Principal amounts unpaid at the maturity thereof (whether by fixed maturity or acceleration) shall bear interest from and after maturity until paid computed at a rate equal to 18% per annum. Principal of and interest on this Note shall be payable in lawful money of the United States.

All interest payable on this Note shall be computed for the actual number of days elapsed using a daily rate determined by dividing the annual rate by 365. Whenever any payment to be made hereunder shall be stated to be due on a Saturday, Sunday or public holiday under the laws of the State of Wisconsin, such payment may be made on the next succeeding business day, and such extension of time shall be included in the computation of interest on this Note.

This Note is issued in replacement of the Note issued on February 18, 2000, which Note was issued in replacement of the Note originally issued under a Note Purchase and Warrant Agreement dated as of February 18, 1999 between the undersigned and O.B. Parrish to which Agreement reference is hereby made for a statement of the terms and conditions on which the loan evidenced hereby was made and for a description of the terms and conditions upon which this Note may be prepaid, in whole or in part, or its maturity accelerated.

THE FEMALE HEALTH COMPANY

By: /s/ Mary Ann Leeper

Mary Ann Leeper
President

THIS WARRANT HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR QUALIFIED UNDER ANY STATE SECURITIES LAW. THIS WARRANT AND ANY INTEREST HEREIN MAY BE OFFERED, TRANSFERRED, SOLD OR OTHERWISE DISPOSED OF ONLY IF REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR IF AN EXEMPTION FROM REGISTRATION IS AVAILABLE, AND ONLY IN STRICT COMPLIANCE WITH APPLICABLE STATE SECURITIES LAWS AND REGULATIONS.

WARRANT

FOR THE PURCHASE OF
COMMON STOCK

OF

THE FEMALE HEALTH COMPANY

Warrant Number OBP3

THIS CERTIFIES THAT, FOR VALUE RECEIVED, O.B. Parrish, or assigns, is entitled to subscribe for and purchase from The Female Health Company, a Wisconsin corporation (the Company"), 14,000 shares of the fully paid and non-assessable shares of Common Stock, \$.01 par value per share, of the Company, at the Purchase Price (as hereinafter defined) per share.

This Warrant and all warrants issued in substitution or exchange for all or part hereof are herein individually called a "Warrant" and collectively the "Warrants".

1. Definitions. When used in this Warrant, the following terms

shall have the meanings specified:

(a) "Affiliate" shall mean any Person directly or indirectly controlling, controlled by or under direct or indirect common control with another Person. A Person shall be deemed to control a corporation if such Person possesses, directly or indirectly, the power to direct or cause the direction of the management and policies of such corporation, whether through the ownership of voting securities, by contract or otherwise.

(b) "Common Shares" shall mean and include the Company's presently authorized shares of Common Stock and shall also include any capital stock of any class of the Company hereafter authorized which shall not be limited to a fixed sum or percentage of par value in respect of the rights of the holders thereof to participate in dividends or in the distribution of assets upon the voluntary or involuntary liquidation, dissolution or winding up of the Company; provided that the shares purchasable pursuant to this Warrant shall include shares designated as Common Stock of the Company on the date of original issue of this Warrant or, in case of any reclassification of the outstanding shares thereof, the stock, securities or assets provided for in Section 5(a) hereof.

(c) "Common Stock" shall mean the common stock, \$.01 par value per share, of the Company.

(d) "Expiration Date" shall mean the earliest to occur of the following: (i) the exercise of all of the rights to purchase Common Stock represented by this Warrant; or (ii) February 18, 2011.

(e) "Holder" shall mean O.B. Parrish and any permitted transferee or assignee of all or part of this Warrant and the rights hereunder; provided that, as used in Section 12 hereof such term shall also include any holder or holders of Common Stock (or Other Securities) issued on the exercise of this Warrant other than Persons who received such Common Stock (or Other Securities) in a public offering or pursuant to Rule 144 promulgated under the Securities Act of 1933, as amended.

(f) "Holder Group" shall have the meaning assigned thereto in Section 10 hereof.

(g) "Purchase Price" shall mean the per share purchase price of \$0.40 (subject to adjustment under Section 5) to be paid for shares of Common Stock purchased pursuant to the exercise of this Warrant.

(h) "Other Securities," as used in Section 12 hereof, shall mean any stock (other than Common Stock) and other securities of the Company or any other Person (corporate or otherwise) which the Holder of this Warrant at any time shall be entitled to receive, or shall have received, on the exercise of this Warrant, in lieu of or in addition to Common Stock, or which at any time shall be issuable or shall have been issued in exchange for or in replacement of Common Stock or Other Securities pursuant to Section 5 hereof or otherwise.

(i) "Person" shall mean and include an individual, partnership, corporation, trust, joint venture, incorporated organization and a government or any department or agency thereof.

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2. Exercise: Issuance of Certificates: Payment for Shares. This

Warrant may be exercised by the Holder, in whole or in part, at any time and from time to time on or after February 18, 2001, until 5:00 p.m. Central time on the Expiration Date by the surrender of this Warrant (properly endorsed if required), and payment by the Holder to the Company of the Purchase Price for each share of Common Stock purchased with respect to such exercise by wire transfer or certified or cashiers check. Upon such surrender and payment, the Holder shall be entitled to receive a certificate or certificates representing the shares of Common Stock so purchased, which certificate(s) may contain a standard legend indicating that such shares have not been registered under the Securities Act and prohibiting resale thereof without registration or an opinion of counsel that an exemption from registration is available. The Company agrees that the shares so purchased shall be deemed to be issued to the Holder as the record owner of such shares as of the close of business on the date on which this Warrant shall have been surrendered and payment made for such shares as aforesaid. Subject to the Company's Amended and Restated Articles of Incorporation, certificates for the shares of Common Stock so purchased shall be delivered to the Holder within a reasonable time, not exceeding ten days, after the rights represented by this Warrant shall have been so exercised. If the rights of the Holder of this Warrant are exercised in part, the number of shares of Common Stock which thereafter may be purchased pursuant to this Warrant shall be reduced accordingly and the Company shall reissue a Warrant or Warrants of like tenor representing in the aggregate the right to purchase the number of shares of Common Stock as so reduced.

3. Affirmative Covenants.

(a) The Company covenants and agrees that the shares of Common Stock issuable upon exercise of the rights represented by this Warrant will, upon such exercise and issuance in accordance herewith, be duly authorized, validly issued, fully paid and nonassessable (except as set forth in Section 180.0622(2)(b), Wis. Stats., as amended and interpreted) and free from all taxes, liens and charges with respect to the issue. The Company further covenants and agrees that, until the Expiration Date, the Company will at all times have authorized, and reserved for the purpose of issue upon total or partial exercise of the rights represented by this Warrant, a sufficient number of shares of its Common Stock to provide for the exercise of the rights represented by this Warrant.

(b) The Company further covenants and agrees that, until the Expiration Date, the Company will deliver to the Holder copies of all reports and information filed by the Company with the Securities and Exchange Commission ("SEC") pursuant to the Securities Exchange Act of 1934, as amended, within 10 days after receiving a written request from the Holder.

4. Issuance of Preferred Stock. So long as this Warrant remains

outstanding, the Company will not issue any capital stock of any class preferred as to dividends or as to the distribution of assets upon voluntary or involuntary liquidation, dissolution or winding up, unless the rights of the holders thereof shall be limited to a fixed sum or percentage of par value in respect of participation in dividends and in the distribution of such assets.

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5. Anti-Dilution Provisions. The above provisions are, however,

subject to the following:

(a) If any capital reorganization or reclassification of the capital stock of the Company, or consolidation or merger of the Company with another corporation, or the sale of all or substantially all of its assets to another corporation shall be effected in such a way that holders of Common Stock shall be entitled to receive stock, securities or assets with respect to or in exchange for Common Stock, then, as a condition of such reorganization, reclassification, consolidation, merger or sale, lawful and adequate provision shall be made whereby the Holder hereof shall hereafter have the right to purchase and receive upon the basis and upon the terms and conditions specified in this Warrant and in lieu of the shares of the Common Stock of the Company immediately theretofore purchasable and receivable upon the exercise of the rights represented hereby, such shares of stock, securities or assets as may be issued or payable with respect to or in exchange for a number of outstanding shares of such Common Stock equal to the number of shares of such stock immediately theretofore purchasable and receivable upon the exercise of the rights represented hereby had such reorganization, reclassification, consolidation, merger or sale not taken place, and in any such case appropriate provision shall be made with respect to the rights and interests of the Holder of this Warrant to the end that the provisions hereof shall thereafter be applicable, as nearly as may be, in relation to any shares of stock, securities or assets thereafter deliverable upon the exercise hereof, together with such adjustment in the Purchase Price as may be applicable with respect thereto so that the aggregate price to be paid for shares issued pursuant to this Warrant shall be neither increased nor decreased. The Company shall not effect any such consolidation, merger or sale, unless prior to the consummation thereof the successor corporation (if other than the Company) resulting from such consolidation or merger or the corporation purchasing such assets shall assume by written instrument executed and mailed to the Holder hereof at the last address of such Holder appearing on the books of the Company, the obligation to deliver to such Holder such shares of stock, securities or assets as, in accordance with the foregoing provisions, such Holder may be entitled to purchase.

(b) In case any time:

(1) the Company shall declare any cash dividend on its Common Stock at a rate in excess of the rate of the last cash dividend theretofore paid;

(2) the Company shall pay any dividend payable in stock upon its Common Stock, make any distribution (other than regular cash dividends) to the holders of its Common Stock or redeem any shares of its Common Stock;

(3) the Company shall offer for subscription pro rata to the holders of its Common Stock any additional shares of stock of any class or other rights;

(4) there shall be any capital reorganization, reclassification of the capital stock of the Company, or consolidation or merger of the Company with, or sale of all or substantially all of its assets to another corporation; or

(5) there shall be a voluntary or involuntary dissolution, liquidation or winding up of the Company;

then, in any one or more of said cases, the Company shall give written notice, by first class mail, postage prepaid, addressed to the Holder of this Warrant at the address of such Holder as shown on the books of the Company, of the date on which (aa) the books of the Company shall close or a record shall be taken for such dividend, distribution or subscription rights, or (bb) such reorganization, reclassification, consolidation, merger, sale, dissolution, liquidation or winding up shall take place, as the case may be. Such notice shall also specify the date as of which the holders of Common Stock of record shall participate in such dividend distribution or subscription rights, or shall be entitled to exchange their Common Stock for securities or other property deliverable upon such reorganization, reclassification, consolidation, merger, sale, dissolution, liquidation or winding up, as the case may be. Such written notice shall be given at least 15 days prior to the action in question and not less than 15 days prior to the record date or the date on which the Company's transfer books are closed in respect thereto.

6. Certain Events. If any event occurs as to which the provisions

of this Warrant are not strictly applicable or, if strictly applicable would not fairly protect the rights of the Holder in accordance with the essential intent and principles of such provisions, then the Board of Directors of the Company shall make an adjustment in the application of such provisions, in accordance with such essential intent and principles, so as to protect the Holder's rights as aforesaid.

7. Term of Warrant. This Warrant shall remain outstanding and

exercisable until the Expiration Date. To the extent not previously exercised, the rights to purchase Common Stock represented by this Warrant shall thereupon terminate.

8. Issue Tax. The issuance of certificates for shares of Common

Stock upon the total or partial exercise of this Warrant shall be made without charge to the Holder for any issuance tax in respect thereof.

9. Closing of Books. The Company will at no time close its

transfer books against the transfer of this Warrant or act in any manner which interferes with the timely exercise of the rights represented by this Warrant.

10. Transfer of Warrant. Subject to any registration or

qualification requirements under the Securities Act and applicable state securities laws, this Warrant and all rights hereunder are transferable, in whole or in part, without charge to the Holder, by the Holder in person or by duly authorized attorney, upon surrender of this Warrant to the Company properly endorsed; provided that the Company may require in connection with such transfer an opinion of counsel to the effect that such transfer qualifies for an exemption from the registration requirements of the Securities Act. If this Warrant is transferred in part in accordance with the terms hereof, the Company shall reissue a Warrant or Warrants of like tenor representing in the aggregate the right to purchase the number of shares of Common Stock represented by this Warrant immediately prior to such transfer and thereafter the Holder and all transferees and assignees shall constitute the "Holder Group" for purposes of Section 12 hereof.

11. No Voting Rights. This Warrant shall not entitle the Holder

to any voting rights as a shareholder of the Company.

12. Registration Rights. All references in this Section 12 to

Common Stock shall be deemed to include Other Securities as applicable.

12.1 Demand Registration. At any time (whether before or after

the Expiration Date) following the exercise of the right to purchase Common Stock pursuant to this Warrant, a Holder may demand registration under the Securities Act of 1933, as amended (the "Securities Act") of the resale of all or part of the Common Stock issuable or which has been issued upon exercise of this Warrant, on Form S-1, Form SB-2 or any similar long-form registration or, in the Company's sole discretion, on Form S-2 or S-3 or any similar short-form registration, if available under applicable rules of the SEC. If such request is made by less than all Holders, the Company shall send written notice of such registration request to the remaining Holders within 15 days of receipt of the initial registration request. Unless a remaining Holder shall deliver to the

Company, within 20 days after such notice is sent by the Company, a written request for inclusion in the registration demanded by the initial request of all or part of the Common Stock issuable or which has been issued upon exercise of the Warrant held by such remaining Holder, all rights of such remaining Holder under this Section 12.1 shall be terminated. The written request to be delivered by a Holder to the Company pursuant to this Section 12.1 shall (i) specify the number of shares intended to be offered and sold by the Holder, (ii) express the present intent of the Holder to offer such shares for distribution, and (iii) describe the nature and method of the proposed offer and sale thereof. The registration requested pursuant to this Section 12.1 is referred to herein as "Demand Registration", which term shall also include any Demand Registration as defined in any of the Parrish Stock Documents referenced in Section 12.1(a) hereof.

(a) Number of Registrations. Notwithstanding any contrary

provision contained in this document, the Note Purchase and Warrant Agreement between the Company and O.B. Parrish dated February 18, 1999, the Stock Issuance Agreement between such parties dated February 18, 1999, and the Warrant issued by the Company to O.B. Parrish dated as of February 18, 1999 (collectively, the "Parrish Stock Documents"), the Holder Group shall be entitled to an unlimited number of Demand Registrations under all such Parrish Stock Documents, and shall be entitled to include all or part of the stock received under any or all of such Parrish Stock Documents in any Demand Registration, as the Holder Group shall request from time to time; provided, however, that, except for Demand Registrations requested pursuant to the last sentence of this Section 12.1(a), any such Demand Registration shall include at least ten thousand (10,000) shares of Common Stock (subject to adjustment pursuant to Section 5(a)). A registration initiated as a Demand Registration may be withdrawn at any time at the request of the Holders of a majority of the shares of the Common Stock requested to be included in such Demand Registration (the "Required Percentage"); provided that in the event a registration initiated as a Demand Registration is so withdrawn, all expenses in connection with such withdrawn registration (including, without limitation, reasonable fees of counsel and accountants for the Company) shall be paid by the participating Holders, pro rata. In the event O.B. Parrish shall pledge or assign his rights and interests to all or part of the Common Stock issued to him

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upon exercise of this Warrant, or upon exercise of his rights under any of the Parrish Stock Documents, as collateral pursuant to a borrowing, the rights to Demand Registrations hereunder may be assigned and transferred to said lender (and only one lender at any given time) in connection therewith, and said lender shall be entitled to request such Demand Registrations at any time, without regard to the ten thousand (10,000) share minimum under the first sentence of this Section 12.1(a), and notwithstanding the provisions of the first sentence of Section 12.1(c) below.

(b) Priority on Demand Registrations. The Company will not

include in the Demand Registration any securities which are not Common Stock owned by a Holder, without the written consent of the Required Percentage of Holders. If the Demand Registration is an underwritten offering, and the managing underwriters advise the Company in writing that in their opinion the number of shares of Common Stock requested to be included exceeds the number of shares of Common Stock which can be sold in such offering without adversely affecting the market price of the Company's Common Stock, the Company will include in such registration (pro rata from shares of Common Stock requested to be included by each participating Holder), prior to the inclusion of any securities which are not shares of Common Stock owned by a Holder, the number of shares of Common Stock owned by the Holders requested to be included which in the opinion of such underwriters can be sold without such adverse affect; and the balance of the shares of Common Stock which Holder requested to be included in such offering shall be withheld from sale for a period of time requested by the underwritten, but not to exceed one hundred twenty (120) days.

(c) Restrictions on Demand Registration. Subject to the next

following sentence and the last sentence of Section 12.1(a) above, the Company will not be obligated to effect a Demand Registration within one hundred twenty (120) days after the effective date of a registration in which the Holder was given an opportunity to participate in a registered offering pursuant to Section 12.2 hereof. In the event that a Holder requests to participate in a registration under Section 12.2 hereof and satisfies the conditions of Section 12.3, and for whatever reason all of the shares of Common Stock which such Holder so requests to be registered are not registered or are not permitted to be offered for sale and sold prior to shares of Common Stock or other equity securities being registered and offered by the Company in such registration, then the provisions of the first sentence of this Section 12.1(c) shall not apply, and the Company shall be obligated to effect a Demand Registration requested by such Holder as soon as practicable in accordance with the terms hereof. The Company may postpone for up to ninety (90) days the filing or the effectiveness of a registration statement for a Demand Registration if the Company and the Required Percentage of Holders reasonably and in good faith agree that such Demand Registration might have an adverse effect on any proposal

or plan by the Company to engage in any financing, acquisition of assets (other than in the ordinary course of business) or any corporate reorganization, merger, consolidation, tender offer or similar transaction.

(d) Selection of Underwriters. If the Demand Registration

involves an underwritten public offering, the Company will have the right to select the investment banker(s) and manager(s) to administer the offering, subject to the approval of the Required Percentage of Holders (which will not be unreasonably withheld) of such investment banker(s) and managers(s).

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12.2 Participation in Registered Offerings. If the Company at any

time or times proposes or is required to register any of its Common Stock or other equity securities for public sale in an underwritten public offering for cash (other than in connection with any stock option, bonus or other employee benefit plan or arrangement) under the Securities Act or any applicable state securities law, it will each such time give written notice to each Holder of its intention to do so. Upon the written request of a Holder given within thirty (30) business days after receipt of any such notice (which request shall state the intended method of disposition of such equity securities and shall state in reasonable detail, to the extent practicable, the net consideration, after all commissions and discounts which the prospective seller or sellers expect to receive upon such disposition), the Company shall use all reasonable efforts to cause all such Common Stock which the Holder so requested to be registered (which request will not be for less than ten thousand (10,000) shares of Common Stock) to be registered under the Securities Act and any applicable state securities laws (provided, that if the managing underwriter advises that less than all of the registered shares of equity securities should be offered for sale so as not to materially and adversely affect the price or salability of the offering being registered by the Company or the participating Holders for a period not to exceed one hundred twenty (120) days, the participating Holders will, if requested by the Company, withhold from sale for such period of time such number of shares of Common Stock (pro rata from the shares of Common Stock requested to be included by the participating Holders) as the underwriter may specify; provided further that in such event a pro rata number of shares proposed to be offered by the Company and all other shareholders of the Company also shall be similarly withheld from sale), all to the extent requisite to permit the sale or other disposition (in accordance with the intended method of disposition thereof as aforesaid) by the prospective seller or sellers of the securities so registered. In the event an underwriter is involved with a registration initiated by the Company of the Common Stock, and a Holder requests to participate in the registration, the Holder must commit to sell through the underwriter. The Company may, in its sole discretion, withdraw any registration contemplated by this Section 12.2 and abandon the proposed offering in which a Holder had requested to participate without any further obligation to such Holder with respect to such registration statement or offering; provided however that such Holder shall be indemnified by the Company for any fees, costs and expense of and incidental to such registration, excluding the fees and disbursements of counsel acting solely on behalf of such Holder.

12.3 Obligations of the Holder. It shall be a condition precedent

to the obligation of the Company to register any Common Stock of a Holder pursuant to Sections 12.1 and 12.2 hereof that such Holder shall (i) furnish to the Company such information regarding the Common Stock held by it and the intended method of disposition thereof and other information concerning such Holder as the Company shall reasonably request and as shall be required in connection with the registration statement to be filed by the Company; (ii) agree to abide by such additional or customary terms affecting the proposed offering as reasonably may be requested by the managing underwriter of such offering, including a requirement, if applicable, to withhold (on a pro-rata basis) from the public market for a period of at least one hundred twenty (120) days after any such offering, any shares excluded from the offering at the instance of the underwriter as permitted under Sections 12.1 and 12.2 hereof; and (iii) agree in writing in form satisfactory to the Company to pay the underwriting discounts and commissions applicable to the Common Stock being sold by such Holder (subject to the maximum amounts set forth in Section 12.5 hereof).

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12.4 Registration Proceedings. If and whenever the Company is

required by the provisions of Sections 12.1 and 12.2 hereof to effect the registration of the Common Stock under the Securities Act, until the securities covered by such registration statement have been sold or for six (6) months after effectiveness, whichever is the shorter period of time, the Company shall:

(a) Promptly prepare and file with the SEC a registration statement with respect to such Common Stock and use all reasonable efforts to cause such registration statement to become effective as soon as practicable after the filing thereof and to remain effective, subject to the Company's right

to withdraw any registration contemplated by Section 12.2 hereof;

(b) Prepare and file with the SEC such amendments to such registration statement and supplements to the prospectus contained therein as may be necessary to keep such registration statement effective;

(c) Furnish to each participating Holder and to the underwriters of the securities being registered such reasonable number of copies of the registration statement, preliminary prospectus, final prospectus and such other documents as such underwriters may reasonably request in order to facilitate the public offering of such securities;

(d) Use all reasonable efforts to register or qualify the securities covered by such registration statement under such state securities or "Blue Sky" laws of such jurisdictions as the participating Holders may reasonably request within twenty (20) days prior to the original filing of such registration statement, except that the Company shall not for any purpose be required to qualify to do business as a foreign corporation in any jurisdiction wherein it is not so qualified, and except that the Company shall not be required to so register or qualify in more than twenty (20) such jurisdictions if in the good faith judgment of the managing underwriter such additional registrations or qualifications would be unreasonably expensive or harmful to the consummation of the proposed offering;

(e) Notify each participating Holder, promptly after the Company shall receive notice thereof, of the time when such registration statement has become effective or a supplement to any prospectus forming a part of such registration statement has been filed;

(f) Notify each participating Holder promptly of any request by the SEC for the amending or supplementing of such registration statement or prospectus or for additional information;

(g) Prepare and file with the SEC, promptly upon the request of a participating Holder, any amendments or supplements to such registration statement or prospectus which, in the opinion of counsel for such Holder and counsel for the underwriter or manager of the offering, are required under the Securities Act or the rules and regulations thereunder in connection with the distribution of Common Stock by such Holder;

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(h) Prepare and promptly file with the SEC and promptly notify each participating Holder of the filing of such amendment or supplement to such registration statement or prospectus as may be necessary to correct any statements or omissions if, at the time when a prospectus relating to such securities is required to be delivered under the Securities Act, any event shall have occurred as the result of which any such prospectus or any other prospectus as then in effect would include an untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in light of the circumstances in which they were made, not misleading;

(i) In case a participating Holder or any underwriter for a Holder is required to deliver a prospectus at a time when the prospectus then in circulation is not in compliance with the Securities Act, the Company will prepare and file such supplements or amendments to such registration statement and such prospectus or prospectuses as may be necessary to permit compliance with the requirements of the Securities Act;

(j) Advise each participating Holder, promptly after it shall receive notice or obtain knowledge thereof, of the issuance of any stop order by the SEC suspending the effectiveness of such registration statement or the initiation or threatening of any proceeding for that purpose and promptly use all reasonable efforts to prevent the issuance of any stop order or to obtain its withdrawal if such stop order should be issued;

(k) Not file any amendment or supplement to such registration statement or prospectus to which a participating Holder shall reasonably have objected on the grounds that such amendment or supplement does not comply in all material respects with the requirements of the Securities Act or the rules and regulations thereunder, after having been furnished with a copy thereof at least two (2) business days prior to the filing thereof; and

(l) At the request of a participating Holder (i) use all reasonable efforts to obtain and furnish on the effective date of the registration statement or, if such registration includes an underwritten public offering, at the closing provided for in the underwriting agreement, an opinion, dated such date, of the counsel representing the Company for the purposes of such registration, addressed to the underwriters, if any, and to each participating Holder, which shall contain such opinions as are customary in an underwritten public offering, or, if the offering is not underwritten, shall state that such registration statement has become effective under the Securities Act and that (or substantially to the effect that): (a) to the best of such counsel's knowledge, no stop order suspending the effectiveness thereof has been issued and no proceedings for that purpose have been instituted or are pending

or contemplated under the Securities Act; (b) the registration statement, related prospectus and each amendment or supplement thereto comply as to form in all material respects with the requirements of the Securities Act and applicable rules and regulations of the SEC thereunder (except that such counsel need express no opinion as to financial statements, schedules or other financial or statistical data contained therein); (c) such counsel has no reason to believe that either the registration statement or the prospectus or any amendment or supplement thereto (other than financial statements and schedules or financial and statistical data, as to which such counsel need not comment) contains any untrue statement of a material fact or omits to state a material fact

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required to be stated therein or necessary to make the statements therein not misleading; (d) the description in the registration statement or prospectus or any amendment or supplement thereto of all legal and governmental matters and all contracts and other legal documents or instruments described therein are accurate in all material respects; and (e) such counsel does not know of any legal or governmental proceedings, pending or threatened, required to be described in the registration statement or prospectus or any amendment or supplement thereto which are not described as required, nor of any contracts or documents or instruments of the character required to be described in the registration statement or prospectus or amendment or supplement thereto or to be filed as exhibits to the registration statement, which are not described and filed as required; and (ii) use all reasonable efforts to obtain letters dated on such effective date, and such closing date, if any, from the independent certified public accountants of the Company, addressed to the underwriters, if any, and to each participating Holder, stating that they are independent certified public accountants within the meaning of the Securities Act and dealing with such matters as the underwriters may request, or, if the offering is not underwritten, stating that in the opinion of such accountants, the financial statements and other financial data pertaining to the Company included in the registration statement or the prospectus or any amendment or supplement thereto comply in all material respects with the applicable accounting requirements of the Securities Act; such opinion of counsel shall additionally cover such legal matters with respect to the registration and with respect to which such opinion is being given as a participating Holder may reasonably request; such letter from the independent certified public accountants shall additionally cover such other financial matters, including information as to the period ending not more than five (5) business days prior to the date of such letter, with respect to the registration statement and prospectus as a participating Holder may reasonably request.

12.5 Expenses. With respect to each inclusion of Common Stock of

a Holder in a registration statement pursuant to Sections 12.1 and 12.2 hereof, all registration expenses, fees, costs and expenses of and incidental to such registration, including any public offering in connection therewith shall be borne by the Company (excluding the fees and disbursements of advisors retained by the Holder and counsel acting solely on behalf of the Holder); provided, however, that the Holder shall bear the Holder's pro rata share of the underwriting discount and commissions (up to a maximum aggregate amount equal to 8% of the offering price of the Holder's shares so offered). The fees, costs and expenses of registration to be borne by the Company shall include, without limitation, all registration, filing and NASD fees, printing expenses, fees and disbursements of counsel and accountants for the Company (including the cost of any special audit requested in order to effect such registration), fees and disbursements of counsel for the underwriter or underwriters of such securities (if the Company and/or selling security holders are required to bear such fees and disbursements), all legal fees and disbursements and other expenses of complying with state securities or Blue Sky laws of any jurisdiction in which the securities to be offered are to be registered or qualified.

12.6 Indemnification of Holders. Subject to the conditions set

forth below, in connection with any registration of securities pursuant to Sections 12.1 or 12.2 hereof, the Company agrees to indemnify and hold harmless each Holder and each person, if any, who controls the Holder (and the respective officers, directors and agents of Holders), within the meaning of Section 15 of the Securities Act, as follows:

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(a) Against any and all loss, claim, damage and expense whatsoever arising out or based upon (including, but not limited to, any and all expense whatsoever reasonably incurred in investigating, preparing or defending any litigation, commenced or threatened, or any claim whatsoever based upon) any untrue or alleged untrue statement of a material fact contained in any preliminary prospectus (if used prior to the effective date of the registration statement), the registration statement or the final prospectus (as from time to time amended and supplemented if the Company shall have filed with the SEC any amendment thereof or amendment thereto) if used within the period during which the Company is required to keep the registration statement or prospectus current, or in any application or other document executed by the Company or based upon written information furnished by the Company filed in any jurisdiction in order to qualify the Company's securities under the securities

laws thereof; or the omission or alleged omission therefrom of a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; or any other violation of applicable federal or state statutory or regulatory requirements or limitations relating to action or inaction by the Company in the course of preparing, filing, or implementing such registered offering; provided, however, that the indemnity agreement contained in this Section 12.6(a) shall not apply to any loss, claim, damage, liability or action arising out of or based upon any untrue or alleged untrue statement or omission made in reliance upon and in conformity with any information furnished in writing to the Company by or on behalf of the Holder expressly for use in connection therewith;

(b) Subject to the proviso contained in the last sentence of Section 12.6(a) above, against any and all loss, liability, claim, damage and expense whatsoever to the extent of the aggregate amount paid in settlement of any litigation, commenced or threatened, or of any claim whatsoever based upon any such untrue statement or omission or any such alleged untrue statement or omission (including, but not limited to, any and all expense whatsoever reasonably incurred in investigating, preparing or defending against any such litigation or claim) if such settlement is effected with the written consent of the Company and no indemnity shall inure to the benefit of the Holder or any controlling person thereof if the person asserting the claim failed to receive a copy of the final prospectus at or prior to the written confirmation of the sale of shares of Common Stock to such person if the untrue statement or omission had been corrected in such final prospectus and the failure to receive such final prospectus is not a necessary element of such person's claim;

(c) In no case shall the Company be liable under this indemnity agreement with respect to any claim made against the Holder or any such controlling person (or its respective officers, directors and agents) unless the Company shall be notified, by letter or by telegram confirmed by letter, of any claim made or action commenced against such persons, reasonably promptly (but in any event within twenty (20) days of receipt of such claim or, in the event that any summons or other service of process requires a responsive pleading within thirty (30) days or less time, within ten (10) days after receipt of such summons or other process) after such person shall have received notice of such claim or been served with the summons or other legal process giving information as to the nature and basis of the claim, but failure to so notify the Company shall not relieve it from any liability which it may have otherwise than on account of this indemnity agreement. The Company shall be entitled to participate at its own expense in

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the defense of any suit brought to enforce any such claim, but if the Company elects to assume the defense, such defense shall be conducted by counsel chosen by it, provided that such counsel is reasonably satisfactory to the Holder. In the event the Company elects to assume the defense of any such suit and retain such counsel, the Holder shall, after the date the Holder is notified of such election, bear the fees and expenses of any counsel thereafter retained by the Holder as well as any other expenses thereafter incurred by the Holder in connection with the defense thereof; provided, however, that the Company shall bear the fees and expenses of any such separate counsel retained by the Holder if the counsel representing the Company has a conflict of interest (which is not waived) with the Holder which would prohibit such counsel from representing the Holder.

12.7 Indemnification of Company. Each Holder participating in any

registered offering pursuant to Section 12.1 or 12.2 above agrees to indemnify and hold harmless the Company and each of the officers and directors and agents of it and each other person, if any, who controls the Company within the meaning of Section 15 of the Securities Act against any and all such losses, liabilities, claims, damages and expenses as are indemnified against by the Company under Section 12.6 hereof; provided, however, that such indemnification shall be limited to statements or omissions, if any, made (or in settlement of any litigation effected with the written consent of the Holder alleged to have been made) in any preliminary prospectus, the registration statement or prospectus or any amendment or supplement thereof or any application or other document in reliance upon, and in conformity with, written information furnished in respect of the Holder, by or on behalf of the Holder expressly for use in any preliminary prospectus, the registration statement or prospectus or any amendment or supplement thereof or in any such application or other document. In case any action shall be brought against the Company, or any other person so indemnified based on any preliminary prospectus, the registration statement or prospectus or any amendment or supplement thereof or any such application or other documents, in respect of which indemnity may be sought against a Holder, it shall have the rights and duties given to the Company, and each other person so indemnified shall have the rights and duties given to a Holder, by the provisions of Section 12.6(c) hereof. The Company agrees to notify the Holder promptly after the assertion of any claim against the Company in connection with the sale of securities covered by this Warrant.

12.8 Future Registration Rights. The Company may agree with its

shareholders other than the Holders to allow their participation in any

registered offering which may be requested pursuant to Section 12.1 hereof, provided all such rights of participation by shareholders other than the Holders shall be subordinated to the rights of the participating Holders herein, in a manner reasonably satisfactory to the Required Percentage of such Holders and their counsel.

13. Descriptive Headings. The descriptive headings of the several

sections of this Warrant are inserted for convenience only and do not constitute a part of this Warrant.

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14. Notices. Any notice or other communication pursuant to this

Warrant shall be in writing and shall be deemed sufficiently given upon receipt, if personally delivered or telecopied (with receipt acknowledged), or if mailed, upon deposit with the United States Postal Service by first class, certified or registered mail, postage prepaid, return receipt requested, addressed as follows:

(a) If to the Company, to The Female Health Company, 875 North Michigan Street, Suite 3660, Chicago, Illinois 60611, Attention: Secretary, or such other address as the Company has designated in writing to the Holder.

(b) If to the Holder, to O.B. Parrish, c/o The Female Health Company, Suite 3660, 875 North Michigan Avenue, Chicago, Illinois 60611 or to such other address as the Holder has designated in writing to the Company.

15. Replacement of Warrant. Upon receipt of evidence satisfactory

to the Company of the loss, theft, destruction or mutilation of this Warrant, and upon receipt of written indemnification of the Company by the Holder in form and substance reasonably satisfactory to the Company, the Company shall execute and deliver to the Holder a new Warrant of like date, tenor and denomination.

16. Governing Law. This Warrant shall be construed and

interpreted in accordance with the internal laws of the State of Wisconsin.

17. Successors and Assigns. The provisions of this Warrant shall

be binding upon and inure to the benefit of the Company and the Holder and their respective successors, assigns and transferees.

18. Further Assurances. The Company agrees that it will execute

and record such documents as the Holder shall reasonably request to secure for the Holder any of the rights represented by this Warrant.

19. Amendment and Modifications. This Warrant may be amended,

modified or supplemented only by written agreement of the Company and the Holder.

IN WITNESS WHEREOF, The Female Health Company has caused this Warrant to be signed by its duly authorized officer and this Warrant to be dated as of February 18, 2001.

THE FEMALE HEALTH COMPANY

By: /s/ Mary Ann Leeper

Mary Ann Leeper
President