

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 June 30, 2001

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 0-18849  
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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 - 15,668,219 shares outstanding as of August 10, 2001

Transitional Small Business Disclosure Format (check one):

Yes No X  
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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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	JUNE 30, 2001
	-----
<S>	<C>
ASSETS	
Current Assets:	
Cash . . . . .	\$ 468,920
Accounts receivable, net. . . . .	1,323,721
Inventories . . . . .	367,744
Prepaid expenses and other current assets . . . . .	250,038
	-----
TOTAL CURRENT ASSETS . . . . .	2,410,423
Intellectual property rights, net. . . . .	486,520
Other assets . . . . .	138,544

PROPERTY, PLANT AND EQUIPMENT . . . . .	3,572,586
Less accumulated depreciation and amortization . . . . .	(2,512,211)
	-----
Net Property, plant, and equipment . . . . .	1,060,375
	-----
TOTAL ASSETS . . . . .	\$ 4,095,862
	=====

LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIENCY)

Current Liabilities:

Notes payable, related parties, net of unamortized discount	1,281,956
Accounts payable . . . . .	333,227
Accrued expenses and other current liabilities . . . . .	495,452
Preferred dividends payable . . . . .	100,543
	-----
TOTAL CURRENT LIABILITIES . . . . .	2,211,178

Notes payable, bank, net of unamortized discount . . . . .	598,471
Convertible debentures . . . . .	450,000
Deferred gain on lease of facility . . . . .	1,254,530
	-----
TOTAL LIABILITIES . . . . .	4,514,179

STOCKHOLDERS' EQUITY (DEFICIENCY):

Convertible preferred stock . . . . .	6,600
Common stock . . . . .	146,683
Additional paid-in-capital . . . . .	49,625,703
Unearned consulting compensation . . . . .	(104,637)
Accumulated deficit . . . . .	(50,078,593)
Accumulated other comprehensive income . . . . .	18,003
Treasury stock, at cost . . . . .	(32,076)
	-----
Total Stockholders' Equity (Deficiency) . . . . .	(418,317)

TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIENCY) . . . . .	\$ 4,095,862
	=====

</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	
	June 30,	
	2001	2000
	-----	-----
<S>	<C>	<C>
Net revenues . . . . .	\$ 2,296,590	\$ 1,377,932
Cost of products sold . . . . .	1,638,045	1,220,769
	-----	-----
Gross profit . . . . .	658,545	157,163
	-----	-----
Advertising & promotion . . . . .	2,989	54,358
Selling, general and administrative . . . . .	482,162	635,875
	-----	-----
Total operating expenses . . . . .	485,151	690,233
	-----	-----
Operating income (loss) . . . . .	173,394	(533,070)
Amortization of debt issuance costs . . . . .	--	31,032
Interest, net and other expense . . . . .	128,728	268,690
	-----	-----
Income (loss) before income taxes . . . . .	44,666	(832,792)
Provision for income taxes . . . . .	--	--
	-----	-----
Net income (loss) . . . . .	44,666	(832,792)
Preferred dividends, Series 1 . . . . .	32,910	32,910
	-----	-----
Net income (loss) attributable to common stockholders	11,756	(865,702)
	=====	=====
Net income (loss) per common share outstanding . . . . .	\$ 0.00	\$ (0.07)

Weighted average common shares outstanding. . . . . 14,656,473 12,824,651  
 </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>  
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	Nine Months Ended June 30,	
	2001	2000
<S>	<C>	<C>
Net revenues. . . . .	\$ 4,959,512	\$ 3,923,425
Cost of products sold . . . . .	3,998,978	3,612,216
Gross profit. . . . .	960,534	311,209
Advertising & promotion . . . . .	110,155	169,000
Selling, general and administrative . . . . .	1,463,584	2,085,001
Total operating expenses. . . . .	1,573,739	2,254,001
Operating (loss). . . . .	(613,205)	(1,942,792)
Amortization of debt issuance costs . . . . .	--	245,676
Interest, net and other expense . . . . .	363,199	937,561
(Loss) before income taxes. . . . .	(976,404)	(3,126,029)
Provision for income taxes. . . . .	--	--
Net (loss). . . . .	(976,404)	(3,126,029)
Preferred dividends, Series 1 . . . . .	99,729	99,090
Net (loss) attributable to common stockholders.	(1,076,133)	(3,225,119)
Net (loss) per common share outstanding . . . . .	\$ (0.07)	\$ (0.26)
Weighted average common shares outstanding. . . . .	14,392,258	12,522,230

See notes to unaudited condensed consolidated financial statements.

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THE FEMALE HEALTH COMPANY AND SUBSIDIARIES  
 UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

<TABLE>  
 <CAPTION>

	Nine Months ended June 30,	
	2001	2000
<S>	<C>	<C>
OPERATIONS:		
Net (loss). . . . .	\$ (976,404)	\$ (3,126,029)
Adjusted for noncash items:		
Depreciation and amortization . . . . .	385,044	474,443
Amortization of discounts on notes payable and convertible debentures. . . . .	239,556	844,997
Changes in operating assets and liabilities . . . . .	(273,014)	961,986
Net cash (used in) operating activities . . . . .	(624,818)	(844,603)
INVESTING ACTIVITIES:		
Capital expenditures, Net cash (used in) investing activities. . . . .	(36,415)	(11,579)
FINANCING ACTIVITIES:		
Proceeds from issuance of convertible debentures.	450,000	--

Dividend paid on preferred stock . . . . .	(107,186)	(39,002)
Proceeds from issuance of common stock . . . . .	300,000	719,500
Borrowing on note payable, bank . . . . .	1,500,000	--
Principal payments on convertible debentures . . . . .	(1,500,000)	--
	-----	-----
Net cash provided by financing activities . . . . .	642,814	680,498
	-----	-----
Effect of exchange rate changes on cash . . . . .	30,217	781
	-----	-----
INCREASE (DECREASE) IN CASH . . . . .	11,798	(174,903)
	-----	-----
Cash at beginning of period . . . . .	457,122	570,709
	-----	-----
CASH AT END OF PERIOD . . . . .	\$ 468,920	\$ 395,806
	=====	=====

Schedule of noncash financing and investing activities:

Common stock issued for payment for consulting services . . . . .	\$ 93,760	\$ 79,680
Issuance of warrants on notes payable . . . . .	239,556	350,989
Renewal of notes payable with related parties . . . . .	1,300,000	1,300,000
Common stock issued for payment of preferred stock dividends and convertible debenture interest . . . . .	64,520	48,160
Preferred dividends declared, Series 1 . . . . .	99,729	99,090

</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

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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 nine months ended June 30, 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:

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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:

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Certain expenses on the statements of income for the three and nine months ended June 30, 2000 have been reclassified to be consistent with the presentation shown for the three and nine months ended June 30, 2001.

NOTE 2 - Earnings Per Share

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

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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.

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NOTE 3 - Comprehensive Income (Loss)

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Total Comprehensive Income (Loss) was \$16,175 and \$(1,113,791) for the three and nine months ended June 30, 2001 and \$(954,440) and \$(3,323,002) for the three and nine months ended June 30, 2000.

NOTE 4 - Inventories

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The components of inventory consist of the following:

<TABLE>

<CAPTION>

	June 30, 2001
	-----
<S>	<C>
Raw material and work in process	\$ 316,551
Finished goods . . . . .	108,033
	-----
Inventory, gross . . . . .	424,584
Less: inventory reserves . . . . .	(56,840)
	-----
Inventory, net . . . . .	\$ 367,744
	=====

</TABLE>

NOTE 5 - Financial Condition

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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 nine months ended June 30, 2001 and as of June 30, 2001 had an accumulated deficit of \$50.1 million. At June 30, 2001, the Company had working capital of \$0.2 million and stockholders' equity of \$(0.4) million. 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.

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NOTE 5- Financial Condition - (Continued)

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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.

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.

On March 30, 2001 the Company issued \$250,000 of convertible debentures to one accredited investor. The debentures are due March 30, 2004, 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 \$.50. The Company did not issue warrants in connection with this issuance.

On May 18, 2001 the Company entered into an agreement with Heartland Bank providing for a \$2,000,000 credit facility. The Company may borrow under the credit facility from time to time subject to a number of conditions, including obtaining personal guarantees of 125% of the amount outstanding under the credit facility. Principal and accrued and unpaid interest are due May 18, 2004. The credit facility bears interest payable at a rate of 10% per annum and payments of interest are due monthly. Heartland Bank was issued warrants for entering into the credit facility. The warrants are exercisable to purchase the number of shares of the Company's common stock equal to \$500,000 divided by the warrant purchase price as of the date of exercise. The warrant purchase price is equal to 70% of the "market price" of the Common Stock as of the day immediately prior to the date the exercise notice is given to the Company, but in no event shall the per share price be less than \$.50 or more than \$1.00. The warrants are valued at \$270,800 and are recorded by the Company as additional paid in capital and a discount on the note.

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NOTE 5 - Financial Condition - (Continued)

To secure the credit facility the Company was required by the bank to obtain guarantees of 125% of the amounts outstanding under the credit facility. The Company has currently borrowed \$1,500,000 under the credit facility and has obtained guarantees from five guarantors of the amount outstanding under the credit facility, including three members of the Company's Board of Directors and a trust for the benefit of the Company's Chairman of the Board and Chief Executive Officer. The Company issued warrants to the five guarantors for their personal guarantees. The warrants are exercisable to purchase the number of shares of the Company's common stock equal to the guarantee amount of such guarantor divided by the warrant purchase price as of the date of exercise. The warrant purchase price is equal to 70% of the "market price" of the Common Stock as of the day immediately prior to the date the exercise notice is given to the Company, but in no event shall the per share price be less than \$.50 or more than \$1.00. Two of the guarantors received additional warrants to purchase 100,000 shares of common stock each at a warrant purchase price of \$.50 per share because each of them guaranteed \$500,000 under the credit facility. The warrants are valued at \$667,578 and are recorded by the Company as additional paid in capital and a discount on the note.

The Company used the proceeds of the credit facility to pay off \$1,500,000 of convertible debentures which were due between May 19 and June 3, 2001.

On June 1, 2001 the Company issued an aggregate \$200,000 of convertible debentures to two accredited investors. The debentures are due May 30, 2004, bear interest payable at a rate of 10% per annum, and are convertible into the Company's common stock based on a price per share equal to \$.50. The Company did not issue warrants in connection with this issuance.

During the nine months ended June 30, 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.

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 ultimately 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)	Nine Months Ended	
	2001	2000
	-----	-----
<S>	<C>	<C>
Net revenues:		
United States. . . .	\$ (4)	\$ 1,542
International. . . .	4,964	2,381
Operating (loss):		
United States. . . .	(267)	(328)
International. . . .	(346)	(1,615)
Identifiable assets		
United States. . . .	210	1,082
International. . . .	3,886	3,640

</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 \$37,000 as of June 30, 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 nine months of fiscal 2001 U.S. sales comprised \$2,023,502 of the international total.

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NOTE 7 - Recent Accounting Pronouncements

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Statement of Financial Accounting Standard ("SFAS") No. 133, Accounting for Derivative Instruments and Hedging Activities, as amended by SFAS 137 and 138 establishes accounting and reporting standards requiring that every derivative instrument (including certain derivative instruments embedded in other contracts) be recorded in the balance sheet as either an asset or liability measured at its fair value. SFAS 133 requires that changes in the derivative's fair value be recognized currently in earnings unless specific hedge accounting criteria are met. Special accounting for qualifying hedges allows a derivative's gains and losses to offset related results on the hedged item in the income statement, and requires that a company must formally document, designate and assess the effectiveness of transactions that receive hedge accounting. SFAS 133 was effective January 1, 2001. The Company adopted SFAS 133 and the implementation of this standard did not have a material impact on the Company's financial statements.

SFAS 140, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities, a replacement of SFAS 125, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities revises the standards for accounting for securitizations and other transfers of financial assets and collateral and requires certain disclosures, but it carries over most of SFAS 125's provisions without reconsideration. SFAS 140 provides consistent standards for distinguishing transfers of financial assets that are sales from transfers that are secured borrowings. The provisions of SFAS 140 are effective for transfers after March 31, 2001. It is effective for disclosures about securitizations and collateral and for recognition and reclassification of collateral for fiscal years ending after December 15, 2000. The Company adopted SFAS 140 and the implementation of this standard did not have a material impact on the Company's financial statements.

On June 30, 2001, the Financial Accounting Standards Board finalized Statement of Financial Accounting Standards No. 141, Business Combinations. SFAS 141 requires all business combinations initiated after June 30, 2001 to be accounted for using the purchase method. The Company is in the process of evaluating the impact of SFAS 141.

On June 30, 2001, the Financial Accounting Standards Board finalized Statement of Financial Accounting Standards No. 142, Goodwill and Other Intangible Assets. Under the provisions of SFAS 142, goodwill is no longer subject to amortization over its estimated useful life, but instead will be subject to at least annual assessments for impairment by applying a fair-value based test. SFAS 142 also requires that an acquired intangible asset should be separately recognized if the benefit of the intangible asset is obtained through contractual or other legal rights, or if the asset can be sold, transferred, licensed, rented or exchanged, regardless of the acquirer's intent to do so. The provisions of SFAS 142 are effective for fiscal years beginning after December 31, 2001. The Company is in the process of evaluating its Goodwill and Intangible assets for impairment under the provisions of SFAS 142.



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.

As noted above, the Female Condom is sold to the public sector around the world. In the U.S., the product is marketed to city and state public health clinics as well as not-for-profit organizations. Following several years of testing the efficacy and acceptability of the Female Condom, in 1996, the Company entered into a three-year agreement with the Joint United Nations Programme on Aids ("UNAIDS") which has subsequently been extended. Under the agreement, UNAIDS facilitates the availability and distribution of the Female Condom in the developing world and the Company sells 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, 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. However, the majority of all acts of sexual intercourse, excluding those intended to result in pregnancy, are completed without protection. As a result, it is estimated the potential market for barrier contraceptives is much larger than the identified male condom market.

HIV/AIDS is an epidemic far more extensive than what was predicted. UNAIDS and the World Health Organization ("WHO") now estimate that over 25 million people have already died of AIDS and 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. Based on these recently released figures, UNAIDS has initiated a new strong campaign which brings together African leaders, public and private donors to immediately address various aspects to thwart the plague including aggressive and broad education out-reach prevention programs specifically including female and male condoms.

The focus is also 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 there are only two products that prevent the sexual transmission of HIV/AIDS and other STDs -- the latex male condom and the Female Condom.

#### Advantages vs. the Male Condom

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. Unlike latex, polyurethane quickly transfers heat, so the female condom immediately warms

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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.

#### 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 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.

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#### Commercial Markets

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

#### Relationships and Agreements with Public Sector Organizations

Currently, it is estimated more than 1.7 billion male condoms are distributed worldwide by the public sector each year. The Female Condom is seen as an important addition to prevention strategies by the public sector because studies show that the availability of the Female Condom decreases the amount of unprotected sex by as much as one-third over offering only a male condom.

The Company has a multi-year agreement with UNAIDS to supply the Female Condom to developing countries at a reduced price which is negotiated each year based

on the Company's cost of production. The current price per unit is approximately 0.38 (pounds) or \$.55.

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.

#### 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.

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#### 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 has recently begun distribution of the product in the United States under the new trademark "FC female condom" and plans to end its license for the trademark "Reality" in the United States. The reason is the Company wishes to introduce commonality across countries as the product is most often referred to as "the female condom." Other trademarks are held 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.

#### Recent Activities

The Company reports the following:

1. Introduction of the new trademark, FC female condom in the United States.
2. New marketing and distribution programs with the US public sector.

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3. On June 27, 2001 at a special meeting of the UN General assembly in New York, 189 members approved a Declaration of Commitment regarding HIV/AIDS. The female condom is explicitly mentioned in the Declaration as part of the Prevention Program.

4. Additional support to broaden the education outreach component and product introduction activities in developing countries.
5. Activities to increase awareness and understanding of FC female condom among members of government both in the United States and in various developing countries.

#### RESULTS OF OPERATIONS

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#### THREE MONTHS ENDED JUNE 30, 2001 COMPARED TO THREE MONTHS ENDED JUNE 30, 2000

The Company had revenues of \$2,296,590 and net income of \$11,756 for the three months ended June 30, 2001 compared to revenues of \$1,377,932 and a net loss of \$865,702 for the three months ended June 30, 2000. As discussed more fully below, the Company's third quarter net income resulted from an increase in gross margin coupled with reductions in operating and non-operating expenses.

The Company's operating income for the three months ended June 30, 2001 was \$173,394 compared to a \$533,070 operating loss for the same period last year. The Company's third quarter operating income occurred as a result of improved gross margin and a decline in operating expenses.

Sales increased \$919,658 in the current quarter, or 67%, compared with the same period last year. The higher sales occurred because of higher unit sales shipped to both global and domestic public sector 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 \$417,276 to \$1,638,045 in the current quarter from \$1,220,769 for the same period last year. The cost of goods increase of 34% resulted primarily from a 67% sales increase in the current quarter compared with the same period in the prior year. The cost of products sold as a percentage of sales fell to 71% from 89% for the same period last year. The cost of products sold as a percentage of sales declined due to the absorption of the Company's fixed costs at higher production and sales levels.

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Advertising and promotional expenditures decreased \$51,369 to \$2,989 in the current quarter from \$54,358 for the same period in the prior year. The decrease primarily resulted from a severe reduction of in-store promotion expenses between the current and prior fiscal year's third 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 \$153,713, or 24%, to \$482,162 in the current quarter from \$635,875 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, legal, consulting and research and development in the current quarter compared to that incurred in the prior fiscal year's third quarter.

The Company did not incur non-cash amortization of debt issuance costs during the third quarter compared to \$31,032 for the third 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 \$139,962 to \$128,728 for the current period from \$268,690 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 third quarter of the prior year.

#### NINE MONTHS ENDED JUNE 30, 2001 COMPARED TO NINE MONTHS ENDED JUNE 30, 2000

The Company had revenues of \$4,959,512 and a net loss of \$1,076,133 for the nine months ended June 30, 2001 compared to revenues of \$3,923,425 and a net loss of \$3,225,119 for the nine months ended June 30, 2000.

The Company's operating loss for the nine months ended June 30, 2001 was \$613,205 compared to \$1,942,792 for the same period last year for a decrease of 68%. 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 operating expenses. The decrease in the net loss resulted from reductions in the operating loss, amortization of debt issuance costs and non-operating interest

expenses.

Sales increased \$1,036,087 for the nine months, or 26%, compared with the same period last year. The increased sales resulted from higher unit sales shipped to both global public sector and domestic customers.

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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 \$386,762 to \$3,998,978 for the nine months ended June 30, 2001 from \$3,612,216 for the same period last year. The cost of goods increase of 11% on a 26% sales increase resulted because costs of goods as a percentage of sales decreased to 81% in the current year compared to 92% during the same period in the prior year. The decline in the cost of good sold percentage as a percentage of sales is due to several factors. One factor impacting the change is that nearly all of the Company's fiscal 2001 U.S. sales are comprised of a new less expensive (1000 pack) bulk sized product which was not available during the same period in the prior year. Another key factor is the Company's absorption of its fixed costs as it reaches higher production and sales levels.

Advertising and promotional expenditures decreased \$58,845 to \$110,155 in the nine months ended June 30, 2001 from \$169,000 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.

Selling, general and administrative expenses decreased \$621,417, or 30%, to \$1,463,584 in the nine months ended June 30, 2001 from \$2,085,001 for the same period last year. The decline is a result of a reduction of finance, sales and administrative staff and thereby related labor costs, as well as reduced costs in the areas of investor relations, consulting, and research and development during the first nine months of the current fiscal year compared to that incurred during the same period of the prior fiscal year.

The Company did not incur non-cash amortization of debt issuance costs during the current year compared to \$245,676 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 \$574,362 to \$363,199 for the current period from \$937,561 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 first nine months of the current fiscal year compared to that incurred during the same period of the prior year.

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#### 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.

#### 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.

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#### Global Market and Foreign Currency Risks

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.

#### 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 nine months of fiscal 2001, cash used in operations totaled \$0.6 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.

While the Company believes that its existing capital resources will be adequate to fund its currently anticipated capital needs, if they are not, the Company will need to raise additional capital until its sales increase sufficiently to cover cash requirements. Until internally generated funds are sufficient to meet cash requirements, the Company will remain dependent upon its ability to generate sufficient capital from outside sources.

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At June 30, 2001, the Company had current liabilities of \$2.2 million including a \$1.0 million note payable due March 25, 2002 and a \$250,000 note payable due February 12, 2002 both to Mr. Dearholt, a Director of the Company. As of June 30, 2001, Mr. Dearholt beneficially owns 4,125,583 shares of the Company's Common Stock.

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 June 30, 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 month.

Payment of the convertible debentures in the principal amount of \$1,500,000 which were secured by a first security interest in all of the Company's assets was completed during the third quarter of fiscal 2001. The holder of convertible debentures in the principal amount of \$1 million 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.

While management believes that revenue from sales of the Female Condom will ultimately 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 cash requirements. 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.

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#### 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

##### ITEM 2 (C)

The Company entered into a loan agreement on May 18, 2001, providing for a three-year loan commitment from a bank of up to \$2,000,000. The Company may borrow under this loan agreement from time to time subject to a number of conditions, including obtaining personal guarantees of 125% of the amount outstanding under the loan. In connection with the loan, the Company issued warrants to the bank to purchase the number of shares of common stock equal to \$500,000 divided by the warrant purchase price as of the date of exercise. The warrant purchase price is the price per share equal to 70% of the market price of our common stock at the time of exercise, but in no event will the warrant purchase price be less than \$0.50 per share or more than \$1.00 per share.

Five persons provided guarantees equal in total to the \$1.5 million outstanding under the loan. The guarantors included James R. Kerber, a member of the Company's board of directors, Stephen M. Dearholt, a member of the Company's board of directors, Richard E. Wenninger, a member of the Company's board of directors, and a trust for the benefit of O.B. Parrish, the Company's Chairman of the Board and Chief Executive Officer. Each guarantor may be liable to the bank for up to 125% of the guarantor's guarantee amount if the Company defaults under the loan. The Company issued warrants to the guarantors to purchase the number of shares of common stock equal to the guarantee amount of such guarantor divided by the warrant purchase price as of the date of exercise. The warrant purchase price is the price per share equal to 70% of the market price of common stock at the time of exercise, but in no event will the warrant purchase price be less than \$0.50 per share or more than \$1.00 per share. The Company also issued additional warrants to purchase 100,000 shares of common stock at an exercise price of \$0.50 per share to each of Stephen M. Dearholt and Richard E. Wenninger because each of them guaranteed \$500,000 under the loan.

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 warrants were sold in a private placement to only sophisticated, accredited investors, each of whom provided representations which the Company deemed necessary to satisfy itself that they were accredited investors and were purchasing for investment and not with a view to resale in connection with a public offering.

Effective June 1, 2001, the Company issued an aggregate of \$200,000 of convertible debentures to two accredited investors. The convertible debentures bear interest at 10% per annum and have a three-year term. The investors may convert the convertible debentures into common stock at any time based on a conversion rate of \$0.50 per share. 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 only sophisticated, accredited investors, each of whom provided representations which the Company deemed necessary to satisfy itself that they were accredited investors and were purchasing for investment and not with a view to resale in connection with a public offering.

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ITEM 4  
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The Company held the Annual Meeting of its shareholders on April 10, 2001. At the meeting, shareholders were asked to elect O.B. Parrish, Mary Ann Leeper, Ph.D., William R. Gargiulo, Jr., Stephen M. Dearholt, David R. Bethune, Michael R. Walton and James R. Kerber to the Board of Directors to serve until the 2002 Annual Meeting, and to ratify the appointment of McGladery & Pullen LLP as the Company's independent public accountants for the fiscal year ending September 30, 2001. The results of the shareholder voting is listed below:

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Matter Voted On:	For	Against	Withheld	Abstentions
<S>	<C>	<C>	<C>	<C>
O.B. Parrish . . . . .	12,608,200		390,322	
William R. Gargiulo, Jr. . . . .	12,905,200		93,322	
Mary Ann Leeper Ph.D. . . . .	12,608,140		390,382	
Stephen M. Dearholt. . . . .	12,905,685		92,837	
David R. Bethune . . . . .	12,905,085		93,437	
Michael R. Walton. . . . .	12,904,585		93,937	
James R. Kerber. . . . .	12,904,585		93,937	
Ratification of Independent Public Accountants	12,942,135	26,640		29,747

</TABLE>

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ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K  
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(a) Exhibits

Exhibit Number	Description
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3.1	Amended and Restated Articles of Incorporation. (1)
3.2	Amended and Restated By-Laws. (2)
4.1	Amended and Restated Articles of Incorporation. (1)
4.2	Articles II, VII, and XI of the Amended and Restated By-Laws (included in Exhibit 3.2).(2)
4.3	Amended and Restated Articles of Incorporation.
10.1	Loan Agreement, dated as of May 18, 2001, between the Company and Heartland Bank.
10.2	Promissory Note dated May 18, 2001 in the principal amount of \$2,000,000 from the Company to Heartland Bank.
10.3	Form of Continuing Secured Limited Guaranty to Heartland Bank.
10.4	Form of Pledge Agreement to Heartland Bank.
10.5	Registration Rights Agreement, dated as of May 18, 2001, between the Company and Heartland Bank.



- 10.6 Warrant dated May 18, 2001 from the Company to Heartland Bank.
- 10.7 Convertible Debenture in the principal amount of \$100,000 from the Company to Larry Fey.
- 10.8 Convertible Debenture in the principal amount of \$100,000 from the Company to Dr. James P. Elmes.
- 10.9 Amended and Restated Promissory Note to Stephen M. Dearholt for \$1,000,000 and related warrants.
- 10.10 Amended and Restated Convertible Debenture in the principal amount of \$1,000,000 from the Company to Richard E. Wenninger.

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(1) Incorporated herein by reference to the Company's Registration Statement on Form S-3, filed with the Securities and Exchange Commission on February 13, 1998.

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

(b) Report on Form 8-K - No reports on Form 8-K were filed during the quarter ended June 30, 2001.

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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: August 10, 2001

/s/ O.B. Parrish  
-----  
O.B. Parrish, Chairman and  
Chief Executive Officer

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

LOAN AGREEMENT  
 \$2,000,000  
 between  
 THE FEMALE HEALTH COMPANY  
 as Borrower  
 and  
 HEARTLAND BANK  
 as Lender  
 Dated as of May 18, 2001

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EXHIBITS AND SCHEDULES

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SCHEDULE 5.1(p)     ERISA  
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LOAN AGREEMENT

This Loan Agreement is entered into as of this 18th day of May, 2001 by and between THE FEMALE HEALTH COMPANY, a Wisconsin corporation ("Borrower") and HEARTLAND BANK, a federal savings bank (the "Lender");

WITNESSETH:

WHEREAS, the Borrower desires to establish a credit facility with Lender for the purpose of redeeming some of the outstanding corporate securities issued by the Borrower; and

WHEREAS, upon and subject to the terms and conditions set forth herein, the Lender is willing to make loans and advances to the Borrower.

NOW, THEREFORE, the Borrower and the Lender hereby agree as follows:

ARTICLE 1 - DEFINITIONS

Section 1.1        Definitions. For the purposes of this Agreement:

-----

"Affiliate" means, with respect to a Person, (a) any officer, director, -----  
employee, member or managing agent of such Person, (b) any spouse, parents, brothers, sisters, children and grandchildren of such Person, (c) any association, partnership, trust, entity or enterprise in which such Person is a director, officer or general partner, (d) any other Person that, (i) directly or indirectly, through one or more intermediaries, controls, or is controlled by, or is under common control with, such given Person, (ii) directly or indirectly beneficially owns or holds 5% or more of any class of voting stock or partnership, membership or other interest of such Person or any Subsidiary of such Person, or (iii) 5% or more of the voting stock or partnership, membership or other interest of which is directly or indirectly beneficially owned or held by such Person or a Subsidiary of such Person. The term "control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through ownership of voting securities or partnership or other interests, by contract or otherwise.

"Agreement" means this Agreement, including the Exhibits and Schedules -----  
hereto, and all amendments, modifications and supplements hereto and thereto and restatements hereof and thereof.

"Agreement Date" means the date as of which this Agreement is dated.  
-----

"Benefit Plan" means an employee benefit plan as defined in Section 3(35) of ERISA (other than a Multiemployer Plan) in respect of which a Person or any Related Company is, or within the immediately preceding 6 years was, an "employer" as defined in Section 3(5) of ERISA, including such plans as may be established after the Agreement Date.

"Borrower" means The Female Health Company, a Wisconsin corporation and its successors and assigns.

"Borrowing Officer" means each individual of Borrower who is duly authorized by Borrower to submit a request for a Loan Advance.

"Business Day" means any day other than a Saturday, Sunday or other day on which banks in St. Louis, Missouri are authorized to close.

"Code" means the Internal Revenue Code of 1986, as amended from time to time.

"Credit Loan" means the loan made to Borrower pursuant to SECTION 2.1.

"Credit Note" means the Promissory Note made by Borrower payable to the order of the Lender evidencing the obligation of Borrower to pay the aggregate unpaid principal amount of the Credit Loan made to it by the Lender (and any promissory note or notes that may be issued from time to time in substitution, renewal, extension, replacement or exchange therefor).

"Default" means any of the events specified in SECTION 9.1 that, with the passage of time or giving of notice or both, would constitute an Event of Default.

"Default Rate" means the annual rate described in SECTION 3.1(B).

"Dollar" and "\$" means freely transferable United States dollars.

"Effective Date" means the later of (a) the Agreement Date, and (b) the first date on which all of the conditions set forth in SECTION 4.1 shall have been fulfilled or waived by the Lender.

"Effective Interest Rate" means the rate of interest per annum on the Loans in effect from time to time pursuant to the provisions of Section 3.1.

"Environmental Laws" means all federal, state, local and foreign laws now or hereafter in effect relating to pollution or protection of the environment, including laws relating to emissions, discharges, releases or threatened releases of pollutants, contaminants, chemicals or industrial, toxic or hazardous substances or wastes into the environment (including, without limitation, ambient air, surface water, ground water or land) or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, removal, transport or handling of pollutants, contaminants, chemicals or industrial, toxic or hazardous substances or wastes, and any and all regulations, notices or demand letters issued, entered, promulgated or approved thereunder.

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

"Event of Default" means any of the events specified in SECTION 9.1.

"Financing Statements" means the Uniform Commercial Code financing statements executed and delivered by Guarantors to the Lender, naming the Lender as secured party and Guarantor as debtor, in connection with the perfection of the security interests granted by this Agreement or the other Guaranty Security Documents.

"GAAP" means generally accepted accounting principles in the United States

consistently applied and maintained throughout the period indicated and consistent with the prior financial practice of the Person referred to.

2

"Governmental Approvals" means all authorizations, consents, approvals, -----  
licenses and exemptions of, registrations and filings with, and reports to, all governmental bodies, whether federal, state, local, foreign national or provincial, and all agencies thereof.

"Governmental Authority" means any government or political subdivision or -----  
any agency, authority, bureau, central bank, commission, department or instrumentality of either, or any court, tribunal, grand jury or arbitrator, in each case whether foreign or domestic.

"Guarantors" means, collectively, Stephen M. Dearholt, James R. Kerber, -----  
Thomas Bodine, Geneva O. Parrish 1996 Living Trust and such other Persons who may in the future Guarantee any of the Obligations.

"Guaranty", "Guaranteed" or to "Guarantee," as applied to any obligation of -----  
another Person shall mean and include:

(a) a guaranty (other than by endorsement of negotiable instruments for collection in the ordinary course of business), directly or indirectly, in any manner, of any part or all of such obligation of such other Person, and

(b) an agreement, direct or indirect, contingent or otherwise, and whether or not constituting a guaranty, the practical effect of which is to assure the payment or performance (or payment of damages in the event of nonperformance) of any part or all of such obligation of such other Person whether by (i) the purchase of securities or obligations, (ii) the purchase, sale or lease (as lessee or lessor) of property or the purchase or sale of services primarily for the purpose of enabling the obligor with respect to such obligation to make any payment or performance (or payment of damages in the event of nonperformance) of or on account of any part or all of such obligation or to assure the owner of such obligation against loss, (iii) the supplying of funds to, or in any other manner investing in, the obligor with respect to such obligation, (iv) repayment of amounts drawn down by beneficiaries of letters of credit, or (v) the supplying of funds to or investing in a Person on account of all or any part of such Person's obligation under a guaranty of any obligation or indemnifying or holding harmless, in any way, such Person against any part or all of such obligation.

"Guaranty Security Documents" means each (a) Financing Statement, (b) -----  
Pledge Agreement, and (c) other writing executed and delivered by any Person guaranteeing the Obligations.

"Guaranty Sublimits" shall equal the aggregate amount of Obligations -----  
guaranteed by the Guarantors pursuant to the Limited Guaranties.

"Indebtedness" of any Person means, without duplication (a) all obligations -----  
for money borrowed or for the deferred purchase price of property or services or in respect of reimbursement obligations under letters of credit, (b) all obligations represented by bonds, debentures, notes and accepted drafts that represent extensions of credit, (c) all obligations (including, during the noncancellable term of any lease in the nature of a title retention agreement, all future payment obligations under such lease discounted to their present value in accordance with GAAP) secured by any Lien to which any property or asset owned or held by such Person is subject, whether or not the obligation secured thereby shall have been assumed by such Person, (d) all obligations of other Persons which such Person has Guaranteed, including, but not limited to, all obligations of such Person consisting of recourse liability with respect to accounts receivable sold or otherwise disposed of by such Person, (e) the sum of all undrawn amounts and all drawings under any letters of credit for which the Person has reimbursement obligations, and (f) in the case of Borrower (without duplication), the Loans.

"Lender" means Heartland Bank, a federal savings bank, and its successors -----  
and assigns.

3

"Lender's Office" means the office of the Lender specified in or determined -----  
in accordance with the provisions of SECTION 10.1(C).

"Liabilities" means all liabilities of a Person determined in accordance

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with GAAP and includable on a balance sheet of such Person prepared in accordance with GAAP.

"Lien" as applied to the property of any Person means: (a) any mortgage, -----  
deed to secure debt, deed of trust, lien, pledge, charge, lease constituting a capitalized lease obligation, conditional sale or other title retention agreement, or other security interest, security title or encumbrance of any kind in respect of any property of such Person or upon the income or profits therefrom, (b) any arrangement, express or implied, under which any property of such Person is transferred, sequestered or otherwise identified for the purpose of subjecting the same to the payment of Indebtedness or performance of any other obligation in priority to the payment of the general, unsecured creditors of such Person, (c) any Indebtedness which is unpaid more than 30 days after the same shall have become due and payable and which if unpaid might by law (including, but not limited to, bankruptcy and insolvency laws) or otherwise be given any priority whatsoever over general unsecured creditors of such Person, and (d) the filing of, or any agreement to give, any financing statement under the UCC or its equivalent in any jurisdiction.

"Limited Guaranties" means those certain Continuing Secured Limited -----  
Guaranties issued in favor of the Lender by each of the Guarantors dated as of the date hereof.

"Loans" means any loan made to Borrower pursuant to SECTIONS 2.1 and all -----  
extensions, renewals and modifications thereto, as well as all such Loans collectively.

"Loan Documents" means, collectively, this Agreement, the Note, the -----  
Registration Rights Agreement, the Warrant, the Guaranty Security Documents, the Limited Guaranties and each other instrument, agreement and document executed and delivered by Borrower in connection with this Agreement and each other instrument, agreement or document referred to herein or contemplated hereby.

"Loan Maturity Date" means May 18, 2004.  
-----

"Material Adverse Effect" means any act, omission, event or undertaking -----  
which would, singly or in the aggregate, have a material adverse effect upon (a) the business, assets, properties, liabilities, condition (financial or otherwise), results of operations or business prospects of Borrower, (b) upon the ability of Borrower to perform any obligations under this Agreement or any other Loan Document to which it is a party, or (c) the legality, validity, binding effect, enforceability or admissibility into evidence of any Loan Document or the ability of Lender to enforce any rights or remedies under or in connection with any Loan Document; in any case, whether resulting from any single act, omission, situation, status, event, or undertaking, together with other such acts, omissions, situations, statuses, events, or undertakings.

"Multiemployer Plan" means a "multiemployer plan" as defined in Section -----  
4001(a)(3) of ERISA to which Borrower or a Related Company is required to contribute or has contributed within the immediately preceding 6 years.

"Note" means the Credit Note, the form of which is attached hereto as -----  
EXHIBIT A, and any amendments, modifications, restatements, replacements, renewals or refinancings thereof.

4

"Obligations" means, in each case whether now in existence or hereafter -----  
arising, (a) the principal of and interest and premium, if any, on, and expenses related to, the Loans and (b) all indebtedness, liabilities, obligations, overdrafts, covenants and duties of Borrower to the Lender of every kind, nature and description, direct or indirect, absolute or contingent, due or not due, contractual or tortious, liquidated or unliquidated, and whether or not evidenced by any note and whether or not for the payment of money under or in respect of the Loans, this Agreement, any Note or any of the other Loan Documents.

"Obligors" means Borrower, Guarantors, each party to the Guaranty Security -----  
Documents (other than the Lender), and each other party at any time primarily or secondarily, directly or indirectly, liable on any of the Obligations.

"PBGC" means the Pension Benefit Guaranty Corporation or any successor -----  
agency.

"Person" means an individual, corporation, partnership, association, trust  
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or unincorporated organization or a government or any agency or political  
subdivision thereof.

"Pledge Agreements" means those certain pledge agreements entered into by  
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and between Lender and each Guarantor, dated as of even date herewith, whereby  
each Guarantor pledged, to Lender, its interest in certain warrants for the  
purchase of stock in Borrower, and the corresponding shares of stock issuable  
upon exercise of the warrants.

"Registration Rights Agreement" means that certain Registration Rights  
-----  
Agreement entered into by and between Borrower and Lender, dated as of even date  
herewith, whereby Borrower agreed to provide to Lender certain registration  
rights under the Securities Act of 1933, as amended, with respect to the Shares.

"Related Company" means, as to any Person, any (a) corporation which is a  
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member of the same controlled group of corporations (within the meaning of  
Section 414(b) of the Code) as such Person, (b) partnership or other trade or  
business (whether or not incorporated) under common control (within the meaning  
of Section 414(c) of the Code) with such Person, or (c) member of the same  
affiliated service group (within the meaning of Section 414(m) of the Code) as  
such Person or any corporation described in CLAUSE (A) above or any partnership,  
trade or business described in CLAUSE (B) above.

"Restricted Distribution" by any Person means (a) its retirement,  
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redemption, purchase, or other acquisition for value of any capital stock or  
other equity securities or partnership interests issued by such Person, (b) the  
declaration or payment of any dividend or distribution on or with respect to any  
such securities or partnership interests, (c) any loan or advance by such Person  
to, or other investment by such Person in, the holder of any of such securities  
or partnership interests, and (d) any other payment by such Person in respect of  
such securities or partnership interests.

"Restricted Payment" means (a) any redemption, repurchase or prepayment or  
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other retirement, prior to the stated maturity thereof or prior to the due date  
of any regularly scheduled installment or amortization payment with respect  
thereto, of any Indebtedness of a Person (other than the Obligations and trade  
debt), and (b) the payment by any Person of the principal amount of or interest  
on any Indebtedness (other than trade debt) owing to an Affiliate of such  
Person.

"Security Interest" means the Liens of the Lender on and in any collateral  
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effected by any of the Guaranty Security Documents or pursuant to the terms  
hereof or thereof.

"Shares" means shares of common stock of the Borrower issuable upon  
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exercise of the Warrant.

5

"Subsidiary" means a Person of which an aggregate of 50% or more of the  
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stock of any class or classes or 50% or more of membership or other ownership  
interests is owned of record or beneficially by such other Person or by one or  
more Subsidiaries of such other Person or by such other Person and one or more  
Subsidiaries of such Person, (i) if the holders of such stock or other ownership  
interests (A) are ordinarily, in the absence of contingencies, entitled to vote  
for the election of a majority of the directors (or other individuals performing  
similar functions) of such Person, even though the right so to vote has been  
suspended by the happening of such a contingency, or (B) are entitled, as such  
holders, to vote for the election of a majority of the directors (or individuals  
performing similar functions) of such Person, whether or not the right so to  
vote exists by reason of the happening of a contingency, or (ii) in the case of  
such other ownership interests, if such ownership interests constitute a  
majority voting interest.

"Termination Event" means (a) a "Reportable Event" as defined in Section  
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4043(b) of ERISA, but excluding any such event as to which the provision for 30  
days' notice to the PBGC is waived under applicable regulations, (b) the filing  
of a notice of intent to terminate a Benefit Plan or the treatment of a Benefit  
Plan amendment as a termination under Section 4041 of ERISA, or (c) the  
institution of proceedings to terminate a Benefit Plan by the PBGC under Section  
4042 of ERISA or the appointment of a trustee to administer any Benefit Plan.

"UCC" means the Uniform Commercial Code as in effect from time to time in

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the State of Missouri.

"Unfunded Vested Accrued Benefits" means, with respect to any Benefit Plan  
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at any time, the amount (if any) by which (a) the present value of all vested nonforfeitable benefits under such Benefit Plan exceeds (b) the fair market value of all Benefit Plan assets allocable to such benefits, as determined using such reasonable actuarial assumptions and methods as are specified in the Schedule B (Actuarial Information) to the most recent Annual Report (Form 5500) filed with respect to such Benefit Plan.

"Warrant" means that certain Warrant, dated as of even date herewith  
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executed by the Borrower in favor Lender whereby Lender is entitled to subscribe for and purchase Shares from Borrower.

Section 1.2 Other Provisions.  
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(a) All terms in this Agreement, the Exhibits and Schedules hereto shall have the same defined meanings when used in any other Loan Documents, unless the context shall require otherwise.

(b) Except as otherwise expressly provided herein, all accounting terms not specifically defined or specified herein shall have the meanings generally attributed to such terms under GAAP including, without limitation, applicable statements and interpretations issued by the Financial Accounting Standards Board and bulletins, opinions, interpretations and statements issued by the American Institute of Certified Public Accountants or its committees.

(c) All personal pronouns used in this Agreement, whether used in the masculine, feminine or neuter gender, shall include all other genders; the singular shall include the plural, and the plural shall include the singular.

(d) The words "hereof", "herein" and "hereunder" and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provisions of this Agreement.

(e) Titles of Articles and Sections in this Agreement are for convenience only, do not constitute part of this Agreement and neither limit nor amplify the provisions of this Agreement, and all references in this Agreement to Articles, Sections, Subsections, paragraphs, clauses, subclauses, Schedules or Exhibits shall refer to the corresponding Article, Section, Subsection, paragraph, clause or subclause of, or Schedule or Exhibit attached to, this Agreement, unless specific reference is made to the articles, sections or other subdivisions or divisions of, or to schedules or exhibits to, another document or instrument.

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(f) Each definition of a document in this Agreement shall include such document as amended, modified, supplemented or restated from time to time in accordance with the terms of this Agreement.

(g) Except where specifically restricted, reference to a party to a Loan Document includes that party and its successors and assigns permitted hereunder or under such Loan Document.

(h) Unless otherwise specifically stated, whenever a time is referred to in this Agreement or in any other Loan Document, such time shall be the local time in St. Louis, Missouri.

(i) Whenever the phrases "to the knowledge of Borrower," or "known to," or words of similar import relating to the knowledge of Borrower are used herein, such phrase shall mean and refer to (i) the actual knowledge of the President, the chief financial officer or any officer or manager of the Borrower, or (ii) the knowledge that such Persons would have obtained if they had engaged in good faith in the diligent performance of their duties, including the making of such reasonable specific inquiries (excepting those situations and circumstances wherein a reasonably prudent person would not consider it appropriate to make any such inquiry) as may be necessary of the appropriate persons in a good faith attempt to ascertain the accuracy of the matter to which such phrase relates.

(j) The terms accounts, chattel paper, documents, equipment, instruments, general intangibles and inventory, as and when used (without being capitalized) in this Agreement or the Guaranty Security Documents, shall have the meanings given those terms in the UCC.

Section 1.3 Exhibits and Schedules. All Exhibits and Schedules  
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attached hereto are by reference made a part hereof.



ARTICLE 2 - CREDIT FACILITY

Section 2.1 Credit Loans. Upon the terms and subject to the conditions  
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of, and in reliance upon the representations and warranties made under, this Agreement, the Lender shall make Credit Loans to Borrower from time to time from the date hereof to the Loan Maturity Date (each, a "Loan Advance"), as requested by Borrower in accordance with the terms of SECTION 2.1.2, in an aggregate principal amount outstanding not to exceed at any time \$2,000,000.

2.1.1 Limitation on Loan Advances. Notwithstanding anything to the  
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contrary contained herein, no Loan Advance will be made if such advance would result in the aggregate amount of all Credit Loans to exceed the lesser of the (a) \$2,000,000.00 (the "Loan Commitment"), or (b) the Maximum Available Amount. No Loan Advance will be made on or after the Loan Maturity Date. The "Maximum Available Amount" on any date shall be a Dollar amount equal to the Guaranty Sublimits divided by one and twenty five one hundredths (1.25).

2.1.2 Loan Advance Borrowing Procedure. Subject to the Loan Commitment  
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and the limitations set forth herein, Borrower may request a Loan Advance by submitting a Loan Advance Request to Lender via mail or facsimile in the form of EXHIBIT A attached to the Note. Every such advance request shall be irrevocable. Only a request from a Borrowing Officer to Lender that specifies (i) the amount of the Loan Advance, to be made and (ii) the date the proceeds of such Loan Advance is requested to be made available to Borrower (the "Loan Advance Date") shall be treated as a "Loan Advance Request". Each Loan Advance Request shall be written. Provided that all conditions precedent thereto hereunder have been met, Lender will make the amount of each such requested advance available to Borrower in immediately available funds in Dollars at the Lender's Office.

7

Section 2.2 Repayment of Credit Loan. The Credit Loan is due and  
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payable and shall be repaid in full by the Borrower on the Loan Maturity Date in the amount of the then unpaid balance of the Credit Loan and all accrued and unpaid interest thereon.

Section 2.3 Credit Note. The Credit Loan and the obligation of  
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Borrower to repay such Credit Loan shall be evidenced by a single Credit Note payable to the order of the Lender. Such Credit Note shall be dated the Effective Date and be duly and validly executed and delivered by Borrower.

Section 2.4 Prepayment of Credit Loan.  
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(a) Voluntary Prepayments. Borrower shall have the right at  
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any time and from time to time, to wholly or partially repay the Credit Loan at any time without premium or penalty. Any amount prepaid may not be re-borrowed.

(b) Mandatory Prepayments. If at any time the Credit Loans  
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exceed the Maximum Available Amount, Borrower shall on demand make a payment to Lender in the amount of the excess. Each such prepayment shall be applied to reduce the Credit Loan.

ARTICLE 3 - GENERAL LOAN PROVISIONS

Section 3.1 Interest.  
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(a) Interest Rate of Credit Loans. The Credit Loan shall bear interest  
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at a per annum rate equal to ten percent (10%) ("Loan Rate") on the unpaid principal amount of the Credit Loans for each day from the day a Credit Loan was made until the Credit Loans are paid in full (whether at maturity, by reason of acceleration or otherwise).

(b) Default Rate. From and after the occurrence of an Event of  
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Default, the unpaid principal amount of each Obligation shall bear interest until paid in full (or, if earlier, until such Event of Default is cured or waived in writing by the Lender) at a rate per annum equal to four percent (4%) plus the rate otherwise in effect under SECTION 3.1, payable on demand. The interest rate provided for in this SECTION 3.1(B) shall to the extent permitted by applicable law apply to and accrue on the amount of any judgment entered with respect to any Obligation and shall continue to accrue at such rate during any proceeding described in SECTION 9.1(G) or (H).

(c) The interest rates provided for in SECTIONS 3.1(A) and (B) shall be computed on the basis of a year of 360 days and the actual number of days elapsed.

(d) It is not intended by the Lender, and nothing contained in this Agreement, any Note or any other Loan Document shall be deemed, to establish or require the payment of a rate of interest in excess of the maximum rate permitted by applicable law (the "Maximum Rate"). If, in any month, the Effective Interest Rate, absent such limitation, would have exceeded the Maximum Rate, then the Effective Interest Rate for that month shall be the Maximum Rate, and if, in future months, the Effective Interest Rate would otherwise be less than the Maximum Rate, then the Effective Interest Rate shall remain at the Maximum Rate until such time as the amount of interest paid hereunder equals the amount of interest which would have been paid if the same had not been limited by the Maximum Rate. In the event the Lender receives, collects or applies as interest any sum in excess of the Maximum Rate, such excess amount shall be applied to the reduction of the principal balance of the applicable Obligation, and, if no such principal is then outstanding, such excess or part thereof remaining shall be paid to Borrower.

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Section 3.2 Increased Costs and Reduced Returns. Borrower agrees that if

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any law now or hereafter in effect and whether or not presently applicable to the Lender or any request, guideline or directive of any Governmental Authority (whether or not having the force of law and whether or not failure to comply therewith would be unlawful) or the interpretation or administration thereof by any Governmental Authority, shall either (a) (i) impose, affect, modify or deem applicable any reserve, special deposit, capital maintenance or similar requirement against any Loan, (ii) impose on the Lender any other condition regarding any Loan, this Agreement, the Note or the facilities provided hereunder, or (iii) result in any requirement regarding capital adequacy (including any risk-based capital guidelines) affecting the Lender being imposed or modified or deemed applicable to the Lender, or (b) subject the Lender to any taxes, not including taxes on the income of Lender, on the recording, registration, notarization or other formalization of the Loans or the Note, and the result of any event referred to in CLAUSE (A) or (B) above shall be to increase the cost to the Lender of making, funding or maintaining any Loan or to reduce the amount of any sum receivable by the Lender or the Lender's rate of return on capital with respect to any Loan to a level below that which the Lender could have achieved but for such imposition, modification or deemed applicability (taking into consideration the Lender's policies with respect to capital adequacy) by an amount deemed by Lender (in the exercise of its discretion) to be material, then, upon demand by the Lender, Borrower shall immediately pay to the Lender additional amounts which shall be sufficient to compensate the Lender for such increased cost, tax or reduced rate of return, and which amount shall be reimbursed to Borrower if Lender receives a refund or credit therefor. A certificate of the Lender to Borrower claiming compensation under this SECTION 3.2 shall be final, conclusive and binding on all parties for all purposes in the absence of manifest error. Such certificate shall set forth the nature of the occurrence giving rise to such compensation, the additional amount or amounts to be paid to it hereunder, and the method by which such amounts were determined. In determining such amount, the Lender may use any reasonable averaging and attribution methods.

Section 3.3 Manner of Payment. Each payment (including prepayments) by

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Borrower on account of the principal of or interest on the Loans or of any fee or other amounts payable to the Lender under this Agreement or any Note shall be made not later than 2:00 p.m. on the date specified for payment under this Agreement (or if such day is not a Business Day, the next succeeding Business Day) to the Lender at the Lender's Office, in Dollars, in immediately available funds and shall be made without any setoff, counterclaim or deduction whatsoever. Borrower hereby irrevocably authorize the Lender and each Affiliate of the Lender to charge any account of Borrower maintained with the Lender or such Affiliate with such amounts as may be necessary from time to time to pay any Obligations when due.

Section 3.4 Payments.

(a) Scheduled Payments on Credit Loan. Borrower shall make payments of

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interest accrued on the Credit Loans monthly, in arrears, beginning on the first day of the second full calendar month following the Effective Date and continuing on the first day of each calendar month thereafter and on the Loan Maturity Date. Borrower shall pay interest accrued on the Credit Loan after the Loan Maturity Date, on demand.

(b) Final Payment. On the Loan Maturity Date, Borrower shall pay to the

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Lender, in same day funds, an amount equal to the aggregate amount of the respective Loans outstanding and due on such date, together with accrued interest thereon, all fees payable to the Lender pursuant to the provisions of

this Agreement, any and all other Obligations then outstanding.

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(c) Interest Calculation. For purposes of interest calculation only,  
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(i) a payment by check, draft or other instrument received on a Business Day shall be deemed to have been applied to the relevant Obligation on the second following Business Day, (ii) a payment in cash or by wire transfer received at or before 2:00 p.m., St. Louis, Missouri time, on a Business Day shall be deemed to have been applied to the relevant Obligation on the Business Day when it is received, and (iii) a payment in cash or by wire transfer received on a day that is not a Business Day or after 2:00 p.m., St. Louis, Missouri time, on a Business Day shall be deemed to have been applied to the relevant Obligation on the next Business Day.

(d) Returned Instruments. If a payment is made by check, draft or  
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other instrument and the check, draft or other instrument is returned to Lender unpaid, the application of the payment to the Obligation will be reversed and will be treated as never having been made.

(e) Compelled Return of Payments or Proceeds. If Lender is for any  
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reason compelled to surrender any payment or any proceeds of any collateral under the Guaranty Security Documents because such payment or the application of such proceeds is for any reason invalidated, declared fraudulent, set aside, or determined to be void or voidable as a preference, an impermissible setoff, or a diversion of trust funds, then this Agreement and the Obligations to which such payment or proceeds was applied or intended to be applied shall be revived as if such application was never made; and Borrower shall be liable to pay to Lender, and shall indemnify Lender for and hold Lender harmless from any loss with respect to, the amount of such payment or proceeds surrendered. This Section shall be effective notwithstanding any contrary action that Lender may take in reliance upon its receipt of any such payment or proceeds. Any such contrary action so taken by Lender shall be without prejudice to Lender's rights under this Agreement and shall be deemed to have been conditioned upon the application of such payment or proceeds having become final and irrevocable. The provisions of this Section shall survive the payment and satisfaction of all of the Obligations.

(f) Due Dates Not on Business Days. If any payment required hereunder  
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becomes due on a date that is not a Business Day, then such due date shall be deemed automatically extended to the next Business Day.

#### ARTICLE 4 - CONDITIONS PRECEDENT

Section 4.1 Conditions Precedent to All Loans. Notwithstanding any  
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other provision of this Agreement, the Lender's obligation to make all Loans is subject to the fulfillment of each of the following conditions prior to or contemporaneously with the making of each such Loans:

(a) Closing Documents. The Lender shall have received each of the  
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following documents, or otherwise shall confirm the continuing effectiveness of any such documents, all of which shall be satisfactory in form and substance to the Lender and its counsel:

(1) this Agreement, duly executed and delivered by Borrower;

(2) certified copies of the Articles of Incorporation and by-laws of Borrower and any Subsidiary of Borrower as in effect on the Effective Date;

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(3) certified copies of all corporate action, including shareholder approval, if necessary, taken by Borrower to authorize the execution, delivery and performance of this Agreement and the other Loan Documents and the borrowings under this Agreement;

(4) certificates of incumbency and specimen signatures with respect to each of the officers of Borrower who are authorized to execute and deliver this Agreement or any other Loan Document on behalf of the Borrower or any document, certificate or instrument to be delivered in connection with this Agreement or the other Loan Documents and to request borrowings under this Agreement;

(5) a certificate evidencing the good standing of Borrower in the jurisdiction of its incorporation and in each other jurisdiction in which it is qualified as a foreign corporation to transact business;

(6) the Financing Statements duly executed and delivered by each Guarantor, and evidence satisfactory to the Lender that the Financing Statements

have been filed in each jurisdiction where such filing may be necessary or appropriate to perfect the Security Interest;

(7) copies of all the financial statements referred to in SECTION 5.1 and meeting the requirements thereof;

(8) a certificate of the President of Borrower stating that (a) all of the representations and warranties made or deemed to be made under this Agreement are true and correct as of the Effective Date, both with and without giving effect to the Loans to be made at such time and the application of the proceeds thereof, (b) no Default or Event of Default exists, and (c) states the Guaranty Sublimits;

(9) copies of each of the other Loan Documents, duly executed by the parties thereto with evidence satisfactory to the Lender and its counsel of the due authorization, binding effect and enforceability of each such Loan Document on each such party and such other documents and instruments as the Lender may reasonably request; and

(10) opinion of Borrower's counsel opining to such matters as Lender and/or its legal counsel may require.

(c) No Injunctions, Etc. Except as disclosed in Borrower's most recent  
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10Q furnished to Lender for the quarter ended December 31, 2000, no action, proceeding, investigation, regulation or legislation shall have been instituted, threatened or proposed before any court, governmental agency or legislative body to enjoin, restrain or prohibit or to obtain substantial damages in respect of or which is related to or arises out of this Agreement or the consummation of the transactions contemplated hereby or which, in the Lender's sole discretion, would make it inadvisable to consummate the transactions contemplated by this Agreement.

(d) Material Adverse Change. As of the Effective Date, there shall not  
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have occurred any change which, in the Lender's sole discretion, has had or may have a Material Adverse Effect as compared to the condition of Borrower and Guarantors presented by the most recent financial statements of Borrower and Guarantors.

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(e) Solvency. The Lender shall have received evidence satisfactory to  
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it that, after giving effect to any such Loan (i) Borrower has assets having value, both at fair value and at present fair saleable value, greater than the amount of its liabilities, and (ii) Borrower's assets are sufficient in value to provide Borrower with sufficient working capital to enable it profitably to operate its businesses and to meet its obligations as they become due, and (iii) Borrower has adequate capital to conduct the business in which they are and propose to be engaged.

(f) No Default or Event of Default. There shall be no Default or Event  
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of Default and all of the representations and warranties made or deemed to be made under this Agreement shall be true and correct at such time both with and without giving effect to the Loans to be made at such time and the application of the proceeds thereof, except that representations and warranties which, by their terms, are applicable only to the Agreement Date shall be true and correct only as of that date.

#### Section 4.2 Conditions Precedent to Subsequent Loan Advances. -----

Notwithstanding any other provision of this Agreement, the Lender's obligation to make any subsequent advance under the Credit Loans is subject to the fulfillment of each of the following conditions prior to or contemporaneously with the making of each such future Credit Loan:

(a) All of the conditions in Section 4.1 have been and remain  
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satisfied;

(b) The representations and warranties contained in the Loan Documents shall be true and correct in all material respects as of the time of any such advance and with the same force and effect as if made at such time, with such exceptions as have been disclosed to Lender in writing by Borrower as addenda to the Schedules and are reasonably satisfactory to Lender, such representations and warranties shall be deemed made with respect to the most recent Financial Statements and other financial data delivered by Borrower to Lender;

(c) There shall be no Existing Default and no Default or Event of Default will occur as a result of the making of the Loan Advance, as the case may be, or Borrower's use of the proceeds thereof;

(d) Since the date of the most recent prior Loan Advance, as

applicable, there shall not have been any change which has had or is reasonably likely to have a Material Adverse Effect on Borrower; and

(e) Certificate of Borrowing Officer certifying (a) the proceeds of the Loan will be used for the purpose authorized pursuant to SECTION 6.5 of this Agreement, and (b) the Guaranty Sublimits.

#### ARTICLE 5 - REPRESENTATIONS AND WARRANTIES OF BORROWER

Section 5.1 Representations and Warranties. Borrower represents and warrants to the Lender as follows:

(a) Organization; Power; Qualification. Borrower is a corporation, duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation, has the power and authority to own properties and to carry on business as now being and hereafter proposed to be conducted and is duly qualified and authorized to do business in each jurisdiction in which failure to be so qualified and authorized would have a Material Adverse Effect.

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(b) Subsidiaries and Ownership of Borrower. Borrower has one wholly-owned Subsidiary: The Female Health Company U.K.

(c) Authorization of Agreement, Note, Loan Documents and Borrowing. Borrower has the right and power and has taken all necessary action to authorize it to execute, deliver and perform this Agreement and each of the other Loan Documents to which it is a party in accordance with their respective terms and to borrow hereunder. This Agreement and each of the other Loan Documents to which it is a party have been duly executed and delivered by the duly authorized officers of Borrower and each is, or when executed and delivered in accordance with this Agreement will be, a legal, valid and binding obligation of Borrower enforceable in accordance with its terms.

(d) Compliance of Agreement, Note, Loan Documents and Borrowing with Laws, Etc. The execution, delivery and performance of this Agreement and each of the other Loan Documents to which Borrower is a party in accordance with their respective terms and the borrowings hereunder do not and will not, by the passage of time, the giving of notice or otherwise, (i) require any Governmental Approval or violate any applicable law relating to Borrower or Guarantors or any of their Affiliates, (ii) conflict with, result in a breach of or constitute a default under (A) the articles of incorporation or by-laws of Borrower, (B) any indenture, agreement or other instrument to which Borrower or Guarantors is a party or by which any of its, his or their property may be bound or (C) any Governmental Approval relating to Borrower or Guarantor, or, (iii) result in or require the creation or imposition of any Lien upon or with respect to any property now owned or hereafter acquired by Borrower.

(e) Compliance with Law; Governmental Approvals. Borrower (i) has all Governmental Approvals, including permits relating to federal, state and local Environmental Laws, ordinances and regulations required by any applicable law for it to conduct its business, each of which is in full force and effect, is final and not subject to review on appeal and is not the subject of any pending attack by direct or collateral proceeding, and (ii) is in compliance with each Governmental Approval applicable to it and in compliance with all other applicable laws relating to it, including, without being limited to, all Environmental Laws and all occupational health and safety laws applicable to Borrower or its properties, except in the case of both (i) and (ii) above for instances of noncompliance which would not, singly or in the aggregate, cause a Default or Event of Default or have a Material Adverse Effect and in respect of which adequate reserves have been established on the books of Borrower.

(f) Litigation. Except as disclosed in Borrower's most recent 10Q furnished to Lender for the quarter ended December 31, 2000, there are no actions, suits or proceedings pending against or in any other way relating adversely to or affecting Borrower or any Guarantor or any of its, his, her or their property in any court or before any arbitrator of any kind or before or by any governmental body.

(g) Tax Returns and Payments. All United States federal, state and local and foreign national, provincial and local and all other tax returns of Borrower and Guarantors required by applicable law to be filed have been duly filed, and all United States federal, state and local and foreign national, provincial and local and all other taxes, assessments and other governmental charges or levies upon such entities and their properties, income, profits and

assets which are due and payable have been paid, except any such nonpayment which is at the time permitted under SECTION 8.3. The charges, accruals and reserves on the books of Borrower in respect of United States federal, state and local taxes and foreign national, provincial and local taxes for all fiscal years and portions thereof since the organization of such entities are in the judgment of Borrower adequate.

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(h) Burdensome Provisions. Neither Borrower nor any of the Guarantors

is a party to any indenture, agreement, lease or other instrument, or subject to any charter or corporate restriction, Governmental Approval or applicable law, compliance with the terms of which might have a Material Adverse Effect.

(i) Financial Statements. Borrower has furnished to the Lender a copy

of (i) its certified audited financial statement as of September 30, 2000, and the related statements of income, cash flow and retained earnings for the twelve-month period then ended and a summary of adjustments to such statements to comply with GAAP, and (ii) the balance sheet as of March 31, 2001 and the related statement of income for the 12 (and 6) month period, respectively, then ended. Such financial statements are complete and correct in all material respects and present fairly and in all material respects the financial position of Borrower as at the dates thereof and the results of operations of Borrower for the periods then ended, subject to normal year-end adjustments. Except as disclosed or reflected in such financial statements or the notes thereto, Borrower did not have any material liabilities, contingent or otherwise, and there were no material unrealized or anticipated losses of Borrower.

(j) Adverse Change. Since the date of the financial statements

described in CLAUSE (I) of SECTION 5.1(I), (i) no change in the business, assets, liabilities, condition (financial or otherwise), results of operations or business prospects of Borrower has occurred that has had, or may have, a Material Adverse Effect, and (ii) no event has occurred or failed to occur which has had, or may have, a Material Adverse Effect.

(k) Absence of Defaults. Borrower is not in default under its articles

of incorporation or by-laws and no event has occurred which has not been remedied, cured or waived (i) that constitutes a Default or an Event of Default or (ii) that constitutes or that, with the passage of time or giving of notice, or both, would constitute a default or event of default by Borrower under any material agreement (other than this Agreement) or judgment, decree or order to which Borrower is a party or by which Borrower or any of its properties may be bound or which would require Borrower to make any payment thereunder prior to the scheduled maturity date therefor.

(l) Accuracy and Completeness of Information. All written information,

reports and other papers and data produced by or on behalf of Borrower and furnished to the Lender were, at the time the same were so furnished, complete and correct in all material respects to the extent necessary to give the recipient a true and accurate knowledge of the subject matter, no fact is known to Borrower which has had, or may in the future have, a Material Adverse Effect which has not been set forth in the financial statements or disclosure delivered prior to the Effective Date, in each case referred to in SECTION 5.1(I), or in such written information, reports or other papers or data or otherwise disclosed in writing to the Lender prior to the Effective Date. The documents furnished or written statements, taken as a whole, made to the Lender by Borrower in connection with the negotiation, preparation or execution of this Agreement or any of the Loan Documents do not contain any untrue statement of a fact material to the creditworthiness of Borrower and do not omit to state a material fact necessary in order to make the statements contained therein not misleading.

(m) Place of Business. The chief executive office and business

locations of Borrower is set forth in SCHEDULE 5.1(M).

(n) Federal Regulations. Borrower is not engaged, principally or as

one of its important activities, in the business of extending credit for the purpose of "purchasing" or "carrying" any "margin stock" (as each of the quoted terms is defined or used in Regulations G and U of the Board of Governors of the Federal Reserve System).

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(o) Investment Company Act. Borrower is not an "investment company" or

a company "controlled" by an "investment company" (as each of the quoted terms is defined or used in the Investment Company Act of 1940, as amended).

(p) ERISA. Neither Borrower nor any Related Company maintains or

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contributes to any Benefit Plan other than those listed on SCHEDULE 5.1(P). Each Benefit Plan is in substantial compliance with ERISA, and neither Borrower nor any Related Company has received any notice asserting that a Benefit Plan is not in compliance with ERISA. No material liability to the PBGC or to a Multiemployer Plan has been, or is expected by Borrower to be, incurred by Borrower or any Related Company.

(q) Employee Relations. Borrower is not party to any collective  
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bargaining agreement. Borrower knows of no pending, threatened or contemplated strikes, work stoppage or other labor disputes involving its employees or those of its Subsidiaries.

(r) Shares; Warrants. A description of the capital structure of  
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Borrower, including, the total number and classes of shares authorized, issued and outstanding in each such class, a description of any and all stock options, and a description of any and all warrants convertible into common stock of Borrower are set forth on SCHEDULE 5.1(R) attached hereto, which schedule contains the names of the parties to which stock options and warrants have been issued, as well as the amount of any and all such options and warrants. There are no claims, liens or encumbrances presently existing or outstanding with respect to the Shares.

Section 5.2 Survival of Representations and Warranties, Etc. All  
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representations and warranties set forth in this ARTICLE 5 and in other Loan Documents (including, but not limited to, any such representation, warranty or statement made in or in connection with any amendment thereto) shall constitute representations and warranties made under this Agreement. All representations and warranties made under this Agreement shall be made or deemed to be made at and as of the Agreement Date, at and as of the Effective Date and at and as of the date of each Loan, including, but not limited to, each Loan Advance, except that representations and warranties which, by their terms are applicable only to one such date shall be deemed to be made only at and as of such date. All representations and warranties made or deemed to be made under this Agreement shall survive and not be waived by the execution and delivery of this Agreement, any investigation made by or on behalf of the Lender or any borrowing hereunder.

#### ARTICLE 6 - AFFIRMATIVE COVENANTS

Until all of the Obligations have been indefeasibly paid in full, Borrower and Subsidiaries will:

Section 6.1 Preservation of Corporate Existence and Similar Matters.  
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Preserve and maintain its corporate existence, rights, franchises, licenses and privileges in the jurisdiction of its incorporation and qualify and remain qualified as a foreign corporation and authorized to do business in each jurisdiction in which the character of its properties or the nature of its business requires such qualification or authorization, except to the extent the failure to do so would not have a Material Adverse Effect.

Section 6.2 Compliance with Applicable Law. Comply with all applicable  
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laws relating to Borrower.

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Section 6.3 Payment of Taxes and Claims. Pay or discharge when due (a)  
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all taxes, assessments and governmental charges or levies imposed upon it or upon its income or profits or upon any properties belonging to it, and (b) all lawful claims of materialmen, mechanics, carriers, warehousemen and landlords for labor, materials, supplies and rentals which, if unpaid, would become a Lien on any properties of Borrower.

Section 6.4 Accounting Methods and Financial Records. Maintain a  
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system of accounting, and keep such books, records and accounts (which shall be true and complete), as may be required or as may be necessary to permit the preparation of financial statements in accordance with GAAP consistently applied.

Section 6.5 Restrictions on Use of Proceeds. Borrower will use the  
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proceeds of the Credit Loan only (i) to redeem some of the outstanding corporate securities issued by the Borrower, (ii) any excess proceeds remaining after redemption of the outstanding corporate securities may be used to repay the twelve percent (12%) promissory notes owed by Borrower to members of the Borrower's board of directors, and (iii) pay costs, expenses and fees related to the transaction contemplated by this Agreement up to a maximum amount of eighty five thousand dollars (\$85,000).

Section 6.6 Hazardous Waste and Substances; Environmental Requirements.

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In addition to, and not in derogation of, the requirements of SECTION 6.2 and of the Guaranty Security Documents, governmental standards and regulations applicable to Borrower or to any of its assets in respect of occupational health and safety laws, rules and regulations and Environmental Laws, promptly notify the Lender of its receipt of any notice of a violation of any such law, rule, standard or regulation and indemnify and hold the Lender harmless from all loss, cost, damage, liability, claim and expense incurred by or imposed upon the Lender on account of Borrower's failure to perform its obligations under this SECTION 6.6.

Section 6.7 Accuracy of Information. All written information, reports,

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statements and other papers and data furnished to the Lender, whether pursuant to ARTICLE 7 or any other provision of this Agreement or any of the other Loan Documents, shall be, at the time the same is so furnished, complete and correct in all material respects to the extent necessary to give the Lender true and accurate knowledge of the subject matter.

Section 6.8 Revisions or Updates to Schedules. Should any of the

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information or disclosures provided on any of the Schedules originally attached hereto become incorrect in any material respect, Borrower shall provide as soon as possible (but by no later than the end of the then current fiscal quarter of Borrower) to the Lender such revisions or updates to such Schedule(s) as may be necessary or appropriate to update or correct such Schedule(s); PROVIDED that no such revisions or updates to any Schedule(s) shall be deemed to have cured any breach of warranty or representation resulting from the inaccuracy or incompleteness of any such Schedule(s) unless and until the Lender, in its sole discretion, shall have accepted in writing such revisions or updates to such Schedule(s).

Section 6.9 Conduct of Business. Engage only in businesses in

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substantially the same fields as the businesses conducted on the Effective Date.

Section 6.10 Insurance. Borrower shall at all times maintain, in

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addition to the insurance required by any of the Guaranty Security Documents, insurance with responsible insurance companies against such risks, in such amounts as in amounts and under policies issued by insurers acceptable to the Lender, including such theft, hazard, public liability, products liability, third party property damage and business interruption insurance as is consistent with reasonable business practices. All premiums on such insurance shall be paid by Borrower and copies of the policies delivered to the Lender.

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Section 6.11. Issuance of Shares. In the event of Lender's exercise of

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the Warrant, the Borrower covenants that the Shares shall be duly and validly issued, fully-paid and non-assessable.

Section 6.12 Reservation of Shares Upon Conversion. The Borrower shall

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at all times reserve and keep available out of its authorized but unissued or treasury shares of common stock, solely for the purpose of effecting the exercise of the Warrant, such number of its shares of common stock as shall from time to time be sufficient to effect the exercise of the Warrant; and if at any time the number of authorized but unissued shares of common stock shall not be sufficient to effect the exercise of the Warrant, in addition to such other remedies as shall be available to the Lender under any of the Loan Documents, the Borrower will either take such corporate action as may be necessary to increase its authorized but unissued shares of common stock to such number of shares as shall be sufficient for such purposes, or the Borrower will take any and all action necessary to reduce the amount of common stock held by other shareholders of the Borrower in order to make a sufficient amount of common stock available for the Lender fully exercise the Warrant.

ARTICLE 7 - INFORMATION

Until all of the Obligations have been indefeasibly paid in full, Borrower will furnish to the Lender at the Lender's Office:

Section 7.1 Financial Statements.

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(a) Certified Year-End Statements. As soon as available, but in any

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event within 120 days after the end of each fiscal year of Borrower, copies of the balance sheet of Borrower, as at the end of such fiscal year and the related statements of income, shareholders' equity and cash flow for such fiscal year,



in each case setting forth in comparative form the figures for the previous year-end and reported on, without qualification, certified by independent certified public accountants selected by Borrower, and acceptable to the Lender.

(b) Quarterly Financial Statements. As soon as available, but in any

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event within 45 days after the end of each fiscal quarter of Borrower copies of the unaudited balance sheet of Borrower as at the end of such fiscal quarter and the related unaudited income statement for such fiscal quarter and for the portion of the fiscal year of Borrower through such quarter, and, with respect to such quarterly financial statements delivered at the end of each fiscal year of Borrower, such financial statement shall be certified by the chief financial officer of Borrower to the best of his or her knowledge as presenting fairly the financial condition and results of operations of Borrower as at the date thereof and for the periods ended on such date, subject to normal year end adjustments.

(c) Guarantor Financial Statements. As soon as available, but in any

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event within 30 days after the filings of annual federal income tax returns, the financial statements of each Guarantor and the most recent filed federal income tax return, including without limitation, a balance sheet and income statement as of the end of such fiscal year. Any and all such guarantor financial statements shall be in a form that is acceptable to Lender, in its sole reasonable discretion.

All such financial statements shall be complete and correct in all material respects and, commencing with annual financial statements for the fiscal year ending September 30, 2000, all such financial statements shall be prepared in accordance with GAAP (except, with respect to interim financial statements, for the omission of footnotes) applied consistently throughout the periods reflected therein.

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Section 7.2 Authorization. Borrower authorizes the Lender to discuss

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the financial condition of Borrower with Borrower's independent certified public accountants and agrees that such discussion or communication shall be without liability to either the Lender or Borrower's independent certified public accountants.

Section 7.3 Copies of Other Reports.

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(a) Promptly upon receipt thereof, copies of all reports, if any, submitted to Borrower by its independent public accountants, including, without limitation, all management reports.

(b) Promptly upon preparation and filing of the same, copies of any and all filings with the Securities and Exchange Commission ("SEC"), including, but not limited to, Forms 10-K, 10-Q and any other material reports filed with the SEC.

(c) From time to time and promptly upon each request, such forecasts, data, certificates, reports, statements, opinions of counsel, documents or further information regarding the business, assets, liabilities, financial condition, results of operations or business prospects of Guarantors and Borrower as the Lender may reasonably request. The rights of the Lender under this SECTION 7.4(C) are in addition to and not in derogation of its rights under any other provision of this Agreement or any Loan Document.

Section 7.4 Notice of Litigation and Other Matters.

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Notice of: (a) the commencement of all proceedings and investigations by or before any governmental or nongovernmental body and all actions and proceedings in any court or before any arbitrator against or in any other way relating adversely to, or adversely affecting, a Guarantor, Borrower, any Subsidiary of Borrower or any of their respective property, assets or businesses, (b) any amendment of the articles of incorporation and/or by-laws of Borrower, (c) any change in the business, assets, liabilities, financial condition, results of operations or business prospects of a Guarantor, Borrower, any Subsidiary of Borrower and any change in the executive officers of Borrower which would reasonably be expected to have a Material Adverse Effect, and (d) any (i) Default or Event of Default, or (ii) event that constitutes or that, with the passage of time or giving of notice or both, would constitute a default or event of default by Borrower or Guarantors under any material agreement (other than this Agreement) to which Borrower or Guarantors are a party or by which Borrower or Guarantors or any of its or their property may be bound if the exercise of remedies thereunder by the other party to such agreement would have, either individually or in the aggregate, a Material Adverse Effect.

Section 7.5 ERISA. As soon as possible and in any event within 30 days

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after Borrower knows, or has reason to know, that: (a) any Termination Event

with respect to a Benefit Plan has occurred or will occur, (b) the aggregate present value of the Unfunded Vested Accrued Benefits under all Plans has increased to an amount in excess of \$0, or (c) Borrower are in "default" (as defined in Section 4219(c)(5) of ERISA) with respect to payments to a Multiemployer Plan required by reason of its complete or partial withdrawal (as described in Section 4203 or 4205 of ERISA) from such Multiemployer Plan, (d) a certificate of the President or the chief financial officer of Borrower setting forth the details of such of the events described in CLAUSES (A) through (C) as applicable and the action which is proposed to be taken with respect thereto and, simultaneously with the filing thereof, copies of any notice or filing which may be required by the PBGC or other agency of the United States government with respect to such of the events described in CLAUSES (A) through (C) as applicable.

ARTICLE 8 - NEGATIVE COVENANTS

Until all of the Obligations have been indefeasibly paid in full, Borrower will not directly or indirectly, and will not permit any Subsidiary directly or indirectly:

Section 8.1 Merger, Consolidation and Sale of Assets. Merge or  
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consolidate with any other Person or sell, lease or transfer or otherwise dispose of all or a substantial portion of its assets to any Person.

Section 8.2 Transactions with Affiliates. Effect any transaction with  
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any Affiliate on a basis less favorable to Borrower than would be the case if such transaction had been effected with a Person not an Affiliate.

Section 8.3. Protection of Lender's Rights. By any amendment of the  
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Borrower's Articles of Incorporation or By-laws, or through any consolidation, merger, reorganization, transfer of assets, dissolution, issue or sale of securities or any other voluntary action, seek to avoid the observance or performance hereof, but will at all times take such actions as are necessary or appropriate in order to protect the rights of, Lender under the Loan Documents, including, but not limited to, this Agreement, the Warrant and the Registration Rights Agreement.

Section 8.4 Dividends/Distributions. Declare, pay or set apart for  
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payment any cash dividend or other distribution (or take any action which would have an equivalent effect) to the shareholders of the Borrower, until the Obligations have been paid in full.

Section 8.5 Reclassification, Merger, Sale of Assets, etc Reorganize,  
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change its capital structure, change the outstanding amount of Shares (other than, upon prior notice to the Lender, the issuance of shares to raise capital) or change any of the shareholders rights under the Borrower's Articles of Incorporation or any shareholder agreement, or merge with, sale or convey to or with another corporation, limited liability company, or other business organization, any of the property of the Borrower, as an entirety or substantially as an entirety, at any time before the payment in full of the Obligations, absent the Lender's express prior written consent.

Section 8.6 Split, Subdivision or Combination of Shares. At any time  
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before payment of the Obligations in full, subdivide its outstanding Shares, by split-up or otherwise, or combine its outstanding Shares, or issue additional shares of its capital stock in payment of a stock dividend in respect of its Shares, without proportionately increasing the number of shares issuable upon the exercise of the Warrant, or proportionately decreasing the same in the case of a combination.

Section 8.7 No Impairment By amendment of its Articles of  
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Incorporation or through any reorganization, transfer of assets, consolidation, merger, dissolution, issuance or sale of securities or any other voluntary action, avoid or seek to avoid the observance or performance of the terms to be observed or performed hereunder by the Borrower, but will at all times in good faith assist in the carrying out of all the provisions of the Loan Documents and in the taking of all such action as may be necessary or appropriate in order to protect the rights of the Lender against impairment.

Section 8.8 Warrants. Authorize or issue any warrant for the  
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subscription an purchase of shares of common stock of Borrower, without the express prior written consent of Lender.

ARTICLE 9 - DEFAULT

Section 9.1 Events of Default. Each of the following shall constitute

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an Event of Default, whatever the reason for such event and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment or order of any court or any order, rule or regulation of any governmental or nongovernmental body:

(a) Default in Payment of Loans. Borrower shall default in any payment  
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of principal of, or interest on, any of the Loans or the Note on the due date (whether at maturity, by reason of acceleration or otherwise).

(b) Other Payment Default. Borrower shall default in the payment, as  
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and when due, of principal of or interest on, any other Obligation, and such default shall continue for five (5) days after demand.

(c) Misrepresentation. Any representation or warranty made or deemed  
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to be made by any of the Borrower under this Agreement or any other Loan Document or any amendment hereto or thereto shall at any time prove to have been incorrect or misleading in any material respect when made.

(d) Default in Performance. (i) Borrower shall default in the  
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performance or observance of a term, covenant, condition or agreement contained in ARTICLES 6, 7 OR 8; (ii) Borrower shall default in the performance or observance of any other term, covenant, condition or agreement contained in this Agreement and the default is not cured to the satisfaction of Lender within ten (10) days after the sooner to occur of Borrower' receipt of notice of such default from Lender or the date on which such default first became known to any officer of Borrower; or (iii) Borrower shall default in the performance or observance of any non-payment term, covenant, condition or agreement related to the Loans and the passage without cure of the applicable cure period, if any.

(e) Indebtedness Cross-Default. (i) Borrower or any Subsidiary shall  
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fail to pay when due and payable the principal of or interest on any Indebtedness (other than the Loans or Note), which Indebtedness is in an amount equal to or greater than \$100,000.00 or (ii) the maturity of any Indebtedness shall have been accelerated as a result of such default or event of default in accordance with the provisions of any indenture, contract or instrument providing for the creation of or concerning such Indebtedness, where such Indebtedness is in an amount equal to or greater than \$100,000.00 or (iii) any event shall have occurred and be continuing which, with or without the passage of time or the giving of notice, or both, would permit any holder or holders of such Indebtedness, any trustee or agent acting on behalf of such holder or holders or any other Person, to accelerate such maturity where such Indebtedness is in an amount equal to or greater than \$100,000.00.

(f) Other Cross-Defaults. Borrower shall default in the payment when  
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due or in the performance or observance of any obligation or condition of any material agreement, contract, security or lease.

(g) Voluntary Bankruptcy Proceeding. Any Obligor shall (i) commence a  
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voluntary case under the federal bankruptcy laws (as now or hereafter in effect), (ii) commence a proceeding seeking to take advantage of any other laws, domestic or foreign, relating to bankruptcy, insolvency, reorganization, winding up or composition for adjustment of debts, (iii) consent to or fail to contest in a timely and appropriate manner any petition filed against it in an involuntary case under such bankruptcy laws or other laws, (iv) apply for or

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consent to, or fail to contest in a timely and appropriate manner, the appointment of, or the taking of possession by, a receiver, custodian, trustee or liquidator of itself or of a substantial part of its property, domestic or foreign, (v) admit in writing its inability to pay its debts as they become due, (vi) make a general assignment for the benefit of creditors, or (vii) take any corporate action for the purpose of authorizing any of the foregoing.

(h) Involuntary Bankruptcy Proceeding. A case or other proceeding  
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shall be commenced against any Obligor in any court of competent jurisdiction seeking (i) relief under the federal bankruptcy laws (as now or hereafter in effect) or under any other laws, domestic or foreign, relating to bankruptcy, insolvency, reorganization, winding up or adjustment of debts, or (ii) the appointment of a trustee, receiver, custodian, liquidator or the like of any Obligor or of all or any substantial part of the assets, domestic or foreign, of any Obligor, and such case or proceeding shall continue undismissed or unstayed

for a period of 60 consecutive calendar days, or an order granting the relief requested in such case or proceeding against any Obligor (including, but not limited to, an order for relief under such federal bankruptcy laws) shall be entered.

(i) Loan Documents. Any event of default or Event of Default under any

other Loan Document shall occur or any Obligor shall default in the performance or observance of any material term, covenant, condition or agreement contained in, or the payment of any other sum covenanted to be paid by any Obligor under, any such Loan Document; or any provision of this Agreement, or of any other Loan Document after delivery thereof hereunder, shall for any reason cease to be valid and binding, or any Obligor or other party thereto (other than the Lender) shall so state in writing; or this Agreement or any other Loan Document, after delivery thereof hereunder, shall for any reason cease to create a valid, perfected and, first priority Lien on, or security interest in, any of the collateral purported to be covered thereby.

(j) Judgment. A judgment or judgments in an amount, individually or in

the aggregate, in excess of \$50,000.00 shall be entered against any Obligor by any court and such judgment or order shall continue undischarged or unstayed for 30 days.

(k) Attachment. A warrant or writ of attachment or execution or

similar process shall be issued against any property of any Obligor and such warrant or process shall continue undischarged or unstayed for 60 days.

(l) Material Adverse Change. There occurs any act, omission, event,

undertaking or circumstance or series of acts, omissions, events, undertakings or circumstances which have, or in the sole judgment of the Lender would have, either individually or in the aggregate, a Material Adverse Effect.

(m) ERISA. (i) Any Termination Event with respect to a Benefit Plan

shall occur that, after taking into account the excess, if any, of (A) the fair market value of the assets of any other Benefit Plan with respect to which a Termination Event occurs on the same day (but only to the extent that such excess is the property of Borrower) over (B) the present value on such day of all vested nonforfeitable benefits under such other Benefit Plan, results in an Unfunded Vested Accrued Benefit in excess of \$\_\_\_, (ii) any Benefit Plan shall incur an "accumulated funding deficiency" (as defined in Section 412 of the Code or Section 302 of ERISA) for which a waiver has not been obtained in accordance with the applicable provisions of the Code and ERISA, or (iii) Borrower are in "default" (as defined in Section 4219(c)(5) of ERISA) with respect to payments to a Multiemployer Plan resulting from Borrower's complete or partial withdrawal (as described in Section 4203 or 4205 of ERISA) from such Multiemployer Plan.

(n) Change of Management. Any change, without the prior written

consent of Lender on each occasion, in the following executive officers of Borrower: Chief Executive Officer.

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Section 9.2 Remedies.

(a) Automatic Acceleration and Termination of Facilities. Upon the

occurrence of an Event of Default specified in SECTION 9.1(G) or (H), (i) the principal of and the interest on the Loans and the Note at the time outstanding, and all other amounts owed to the Lender under this Agreement or any of the Loan Documents and all other Obligations, shall thereupon become due and payable without presentment, demand, protest or other notice of any kind, all of which are expressly waived, anything in this Agreement or any of the Loan Documents to the contrary notwithstanding, and (ii) the commitment of the Lender to make advances under this Agreement shall immediately terminate.

(b) Other Remedies. If any Event of Default (other than as specified

in SECTION 9.1(G) or (H)) shall have occurred and be continuing, the Lender, in its sole and absolute discretion, may do any of the following: (i) declare the principal of and interest on the Loans and the Note at the time outstanding, and all other amounts owed to the Lender under this Agreement or any of the Loan Documents and all other Obligations, to be forthwith due and payable, whereupon the same shall immediately become due and payable without presentment, demand, protest or other notice of any kind, all of which are expressly waived, anything in this Agreement or the Loan Documents to the contrary notwithstanding, together with interest on such amounts at the Default Rate; and (ii) terminate the Loan and any commitment of the Lender to make advances hereunder.

(c) Further Remedies. If any Event of Default shall have occurred and

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be continuing, the Lender, in its sole and absolute discretion, may exercise any and all of its rights under any and all of the Guaranty Security Documents.

Section 9.3 Application of Proceeds. All proceeds from each sale of,  
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or other realization upon, all or any part of any collateral under the Guaranty Security Documents following an Event of Default shall be applied or paid over as follows: (a) First: to the payment of all costs and expenses incurred in connection with such sale or other realization, including reasonable attorneys' fees, (b) Second: to the payment of the Obligations (with Borrower remaining liable for any deficiency) in any order which the Lender may elect, and (c) Third: the balance (if any) of such proceeds shall be paid to Borrower or, subject to any duty imposed by law or otherwise, to whomsoever is entitled thereto.

Section 9.4 Miscellaneous Provisions Concerning Remedies.  
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(a) Rights Cumulative. The rights and remedies of the Lender under  
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this Agreement, the Note and each of the Loan Documents shall be cumulative and not exclusive of any rights or remedies which it would otherwise have. In exercising such rights and remedies, the Lender may be selective and no failure or delay by the Lender in exercising any right shall operate as a waiver of such right nor shall any single or partial exercise of any power or right preclude its other or further exercise or the exercise of any other power or right.

(b) Limitation of Liability. Nothing contained in this ARTICLE 9 or  
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elsewhere in this Agreement or in any of the Loan Documents shall be construed as requiring or obligating the Lender or any agent or designee of the Lender to make any demand or to make any inquiry as to the nature or sufficiency of any payment received by it or to present or file any claim or notice, and neither the Lender nor any of its agents or designees shall have any liability to Borrower for actions taken pursuant to this ARTICLE 9, any other provision of this Agreement or any of the Loan Documents, so long as the Lender or such agent or designee shall act reasonably and in good faith.

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(c) Appointment of Receiver. In any action under this ARTICLE 9, the  
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Lender shall be entitled to the appointment of a receiver, without notice of any kind whatsoever, to exercise such power as the court shall confer upon such receiver.

ARTICLE 10 - MISCELLANEOUS

Section 10.1 Notices.  
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(a) Method of Communication. All notices and the communications  
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hereunder and thereunder shall be in writing. Notices in writing shall be delivered personally or sent by overnight courier service, by certified or registered mail, postage pre-paid, or by facsimile transmission and shall be deemed received, in the case of personal delivery, when delivered, in the case of overnight courier service, on the next Business Day after delivery to such service, in the case of mailing, on the third day after mailing (or, if such day is a day on which deliveries of mail are not made, on the next succeeding day on which deliveries of mail are made) and, in the case of facsimile transmission, upon transmittal.

(b) Addresses for Notices. Notices to any party shall be sent to it at  
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the following addresses, or any other address of which all the other parties are notified in writing.

If to Borrower: The Female Health Company  
875 North Michigan Avenue  
Chicago, Illinois 60611  
Attention: O. B. Parrish  
Facsimile No.: 312/280-9360

If to the Lender: Heartland Bank  
212 S. Central Avenue  
St. Louis, Missouri 63105  
Attention: David Puricelli  
Andrew S. Love  
Facsimile No.: 314/512-8501

(c) Lender's Office. The Lender hereby designates its office  
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designated above or any subsequent office which shall have been specified for such purpose by written notice to Borrower, as the office to which payments due are to be made and at which Loans will be disbursed.

Section 10.2 Expenses. Borrower agree to pay or reimburse on demand

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all costs and expenses incurred by the Lender, including, without limitation, the reasonable fees and disbursements of counsel, in connection with the preparation, due diligence, administration, enforcement and termination of this Agreement and each of the other Loan Documents including. The foregoing shall not be construed to limit any other provisions of the Loan Documents regarding costs and expenses to be paid by Borrower.

Section 10.3 Stamp and Other Taxes. Borrower will pay any and all

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stamp, registration, recordation and similar taxes, fees or charges and shall indemnify the Lender against any and all liabilities with respect to or resulting from any delay in the payment or omission to pay any such taxes, fees or charges, which may be payable or determined to be payable in connection with the execution, delivery, performance or enforcement of this Agreement and any of the Loan Documents or the perfection of any rights or security interest thereunder.

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Section 10.4 Setoff. In addition to any rights now or hereafter

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granted under applicable law, and not by way of limitation of any such rights, upon and after the occurrence of any Default or Event of Default, the Lender is hereby authorized by Borrower at any time or from time to time, without notice to Borrower or to any other Person, any such notice being hereby expressly waived, to set off and to appropriate and to apply any and all deposits (general or special, time or demand, including, but not limited to, indebtedness evidenced by certificates of deposit, whether matured or unmatured) and any other indebtedness at any time held or owing by the Lender to or for the credit or the account of Borrower against and on account of the Obligations irrespective of whether or not (a) the Lender shall have made any demand under this Agreement or any of the Loan Documents, or (b) the Lender shall have declared any or all of the Obligations to be due and payable as permitted by SECTION 9.2 and although such Obligations shall be contingent or unmatured.

SECTION 10.5 Dispute Resolution.

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(a) Consent to Jurisdiction; Waiver of Venue Objection; Service of  
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Process. WITHOUT LIMITING THE RIGHT OF THE LENDER TO BRING ANY ACTION OR  
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PROCEEDING AGAINST THE BORROWER OR AGAINST PROPERTY OF THE BORROWER ARISING OUT OF OR RELATING TO THIS AGREEMENT (AN "ACTION") IN THE COURTS OF OTHER JURISDICTIONS, THE BORROWER HEREBY IRREVOCABLY SUBMITS TO AND ACCEPTS THE NON-EXCLUSIVE JURISDICTION OF ANY MISSOURI STATE COURT OR ANY FEDERAL COURT SITTING IN ST. LOUIS CITY OR COUNTY, AND THE BORROWER HEREBY IRREVOCABLY AGREES THAT ANY ACTION MAY BE HEARD AND DETERMINED IN SUCH MISSOURI STATE COURT OR IN SUCH FEDERAL COURT. THE BORROWER HEREBY IRREVOCABLY WAIVES AND DISCLAIMS, TO THE FULLEST EXTENT THAT THE BORROWER MAY EFFECTIVELY DO SO, ANY DEFENSE OR OBJECTION (INCLUDING, WITHOUT LIMITATION, ANY DEFENSE OR OBJECTION TO VENUE BASED ON THE GROUNDS OF FORUM NON CONVENIENS) WHICH THE BORROWER MAY NOW OR HEREAFTER HAVE TO THE MAINTENANCE OF ANY ACTION IN ANY JURISDICTION. THE BORROWER HEREBY IRREVOCABLY AGREES THAT THE SUMMONS AND COMPLAINT OR ANY OTHER PROCESS IN ANY ACTION IN ANY JURISDICTION MAY BE SERVED BY MAILING (USING CERTIFIED OR REGISTERED MAIL, POSTAGE PREPAID) TO THE BORROWER'S ADDRESS. SUCH SERVICE WILL BE COMPLETE ON THE DATE SUCH PROCESS IS SO DELIVERED, AND THE BORROWER WILL HAVE THIRTY DAYS FROM SUCH COMPLETION OF SERVICE IN WHICH TO RESPOND IN THE MANNER PROVIDED BY LAW. THE BORROWER MAY ALSO BE SERVED IN ANY OTHER MANNER PERMITTED BY LAW, IN WHICH EVENT THE BORROWER'S TIME TO RESPOND SHALL BE THE TIME PROVIDED BY LAW.

(b) Waiver of Jury Trial. TO THE FULLEST EXTENT PERMITTED BY LAW, THE  
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BORROWER HEREBY WAIVES AND DISCLAIMS ANY RIGHT TO TRIAL BY JURY (WHICH THE LENDER ALSO WAIVES AND DISCLAIMS) IN ANY ACTION, SUIT, PROCEEDING OR COUNTERCLAIM OF ANY KIND ARISING OUT OF OR RELATING TO THIS NOTE.

Section 10.7 Reversal of Payments. To the extent Borrower makes a

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payment or payments to the Lender or the Lender receives any payment or proceeds of any collateral for the Guaranty Security Documents for Borrower's benefit, which payment(s) or proceeds or any part thereof are subsequently invalidated, declared to be fraudulent or preferential, set aside and/or required to be repaid to a trustee, receiver or any other party under any bankruptcy law, state or federal law, common law or equitable cause, then, the Lender shall have the continuing and exclusive right to apply, reverse and re-apply any and all payments to any

portion of the Obligations, and, to the extent of such payment or proceeds received, the Obligations or part thereof intended to be satisfied shall be revived and continued in full force and effect, as if such payment or proceeds had not been received by the Lender.

Section 10.8 Injunctive Relief. Borrower recognizes that, in the event

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Borrower fails to perform, observe or discharge any of its obligations or liabilities under this Agreement, any remedy of law may prove to be inadequate relief to the Lender; therefore, Borrower agrees that the Lender, at the Lender's option, shall be entitled to temporary and permanent injunctive relief in any such case without the necessity of proving actual damages.

Section 10.9 Accounting Matters. All financial and accounting

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calculations, measurements and computations made for any purpose relating to this Agreement, including, without limitation, all computations utilized by Borrower to determine whether it is in compliance with any covenant contained herein, shall, unless there is an express written direction or consent by the Lender to the contrary, be performed in accordance with GAAP.

Section 10.10 Assignment; Participation. All the provisions of this

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Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns, except that Borrower may not assign or transfer any of its rights under this Agreement. The Lender may assign or participate to one or more Persons, all or a portion of its rights and obligations hereunder and under the Note and, in connection with any such assignment, may assign its rights and obligations under the Guaranty Security Documents. The Lender may, in connection with any assignment or participation, disclose to the assignee or participant any information relating to Borrower furnished to the Lender by or on behalf of Borrower.

Section 10.11 Amendments. Any term, covenant, agreement or condition

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of this Agreement or any of the other Loan Documents may be amended or waived and any departure therefrom may be consented to if, but only if, such amendment, waiver or consent is in writing signed by the Lender and, in the case of an amendment, by Borrower. Unless otherwise specified in such waiver or consent, a waiver or consent given hereunder shall be effective only in the specific instance and for the specific purpose for which given.

Section 10.12 Performance of Borrower' Duties. Borrower's obligations

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under this Agreement and each of the Loan Documents shall be performed by Borrower at its sole cost and expense. If Borrower shall fail to do any act or thing which it has covenanted to do under this Agreement or any of the Loan Documents, the Lender may (but shall not be obligated to) do the same or cause it to be done either in the name of the Lender or in the name and on behalf of Borrower, and Borrower hereby irrevocably authorizes the Lender so to act.

Section 10.13 Indemnification. Borrower agrees to reimburse the Lender

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for all reasonable costs and expenses, including counsel fees and disbursements, incurred and to indemnify and hold the Lender harmless from and against all losses suffered by the Lender, other than losses resulting from the Lender's gross negligence or willful misconduct, in connection with (a) the exercise by the Lender of any right or remedy granted to it under this Agreement or any of the Loan Documents, (b) any claim, and the prosecution or defense thereof, arising out of or in any way connected with this Agreement or any of the Loan Documents.

Section 10.14 All Powers Coupled with Interest. All powers of attorney

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and other authorizations granted to the Lender and any Persons designated by the Lender pursuant to any provisions of this Agreement or any of the Loan Documents shall be deemed coupled with an interest and shall be irrevocable so long as any of the Obligations remain unpaid or unsatisfied or the Loans have not been terminated.

Section 10.15 Survival. Notwithstanding any termination of this

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Agreement, (a) until all Obligations have been paid in full and the Credit Facility terminated, the Lender shall retain its Security Interest and shall retain all rights under this Agreement and each of the Guaranty Security Documents with as fully as though this Agreement had not been terminated, and (b) the indemnities to which the Lender is entitled under the provisions of this ARTICLE 10 and any other provision of this Agreement and the Loan Documents shall continue in full force and effect and shall protect the Lender against events arising after such termination as well as before.

Section 10.16 Severability of Provisions. Any provision of this

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Agreement or any other Loan Document which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective only to the extent of such prohibition or unenforceability without invalidating the remainder of such provision or the remaining provisions hereof or thereof or affecting the validity or enforceability of such provision in any other jurisdiction.

Section 10.17      Governing Law. This Agreement and the Note and the other  
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Loan Documents shall be construed in accordance with and governed by the law of the State of Missouri.

Section 10.18      Counterparts. This Agreement may be executed in any  
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number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and shall be binding upon all parties, their successors and assigns, and all of which taken together shall constitute one and the same agreement.

Section 10.19      Final Agreement. This Agreement and the other Loan  
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Documents are intended by the parties hereto as the final, complete and exclusive expression of the agreement among them with respect to the subject matter hereof and thereof. This Agreement and the other Loan Documents supersede any and all prior oral or written agreements between the parties hereto relating to the subject matter hereof and thereof.

SECTION 10.20      PURCHASE OF INSURANCE. UNLESS YOU, BORROWER, PROVIDE  
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EVIDENCE OF THE INSURANCE COVERAGE REQUIRED BY YOUR AGREEMENT WITH US, THE LENDER, WE MAY PURCHASE INSURANCE AT YOUR EXPENSE TO PROTECT OUR INTERESTS UNDER THIS AGREEMENT. THIS INSURANCE MAY, BUT NEED NOT, PROTECT YOUR INTERESTS. THE COVERAGE THAT WE PURCHASE MAY NOT PAY ANY CLAIM THAT YOU MAKE OR ANY CLAIM THAT IS MADE AGAINST YOU. YOU MAY LATER CANCEL ANY INSURANCE PURCHASED BY US, BUT ONLY AFTER PROVIDING EVIDENCE THAT YOU HAVE OBTAINED INSURANCE AS REQUIRED BY THIS AGREEMENT. IF WE PURCHASE INSURANCE, YOU WILL BE RESPONSIBLE FOR THE COSTS OF THAT INSURANCE, INCLUDING THE INSURANCE PREMIUM, INTEREST AND ANY OTHER CHARGES WE MAY IMPOSE IN CONNECTION WITH THE PLACEMENT OF THE INSURANCE, UNTIL THE EFFECTIVE DATE OF THE CANCELLATION OF EXPIRATION OF THE INSURANCE. THE COSTS OF THE INSURANCE MAY BE ADDED TO YOUR TOTAL OUTSTANDING BALANCE OR OBLIGATION. THE COSTS OF THE INSURANCE MAY BE MORE THAN THE COST OF INSURANCE YOU MAY BE ABLE TO OBTAIN ON YOUR OWN.

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SECTION 10.21      ORAL AGREEMENTS. ORAL AGREEMENTS OR COMMITMENTS TO LOAN  
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MONEY, EXTEND CREDIT OR TO FORBEAR FROM ENFORCING REPAYMENT OF A DEBT INCLUDING PROMISES TO EXTEND OR RENEW SUCH DEBT ARE NOT ENFORCEABLE. TO PROTECT YOU (BORROWER) AND US (CREDITOR) FROM MISUNDERSTANDING OR DISAPPOINTMENT, ANY AGREEMENTS WE REACH COVERING SUCH MATTERS ARE CONTAINED IN THIS WRITING, WHICH IS THE COMPLETE AND EXCLUSIVE STATEMENT OF THE AGREEMENT BETWEEN US, EXCEPT AS WE MAY LATER AGREE IN WRITING TO MODIFY IT. THE LOAN DOCUMENTS, AS AMENDED, MODIFIED AND SUPPLEMENTED HEREBY, ARE INCORPORATED HEREIN BY THIS REFERENCE AND SHALL BE DEEMED TO CONSTITUTE A PART OF THIS WRITING.

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IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed in St. Louis, Missouri by their duly authorized officers in several counterparts all as of the day and year first written above.

THIS AGREEMENT CONTAINS A BINDING JURY WAIVER  
PROVISION WHICH MAY BE ENFORCED BY THE PARTIES.

BORROWER:

THE FEMALE HEALTH COMPANY

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

LENDER:

HEARTLAND BANK

By: \_\_\_\_\_  
Name: \_\_\_\_\_



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Title: \_\_\_\_\_  
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28

STATE OF \_\_\_\_\_ )  
  ) ss.  
\_\_\_\_\_ OF \_\_\_\_\_ )

On this \_\_\_\_ day of May, 2001, before me appeared  
\_\_\_\_\_, to me known to be the person described in and who  
executed the foregoing instrument, as the \_\_\_\_\_ of The Female Health  
Company, a Wisconsin corporation, and acknowledged that he executed the same as  
the free act and deed of said corporation and is acting for and on behalf of and  
as an officer of the said corporation.

\_\_\_\_\_  
Notary Public

My Commission Expires:

\_\_\_\_\_

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PROMISSORY NOTE

US \$2,000,000.00

St. Louis, Missouri  
May 18, 2001

FOR VALUE RECEIVED, the undersigned, THE FEMALE HEALTH COMPANY, a Wisconsin corporation ("Borrower"), hereby promises to pay to the order of HEARTLAND BANK, a federal savings bank (the "Lender"), at its office at 212 South Central Avenue, Clayton, Missouri 63105 (the "Lender's Address"), or at such other office as the Lender may subsequently designate in writing, (i) on May 18, 2004 (the "Maturity Date"), the principal amount of Two Million Dollars (US \$2,000,000.00), or, if less, the aggregate unpaid principal amount of all advances made hereunder by the Lender to the Borrower prior to said date, (ii) interest on such principal amount at the interest rate per annum for each advance, as determined in accordance with the terms specified below (but in no event in excess of the maximum rate permitted by applicable law), and (iii) any and all other sums which may be owing to the Lender by the Borrower pursuant to this Note. All advances made hereunder by the Lender to the Borrower and all payments made on account of principal hereof and interest hereunder shall be recorded by the Lender and, prior to any transfer hereof, endorsed on the grid attached hereto; provided, however, that the Lender's failure to record any such

advance or payment shall not limit or otherwise affect the obligations of the Borrower under this Note.

1. Definitions. Each initially capitalized term used herein shall have the meaning set forth in Schedule A. Any capitalized terms used herein, but not otherwise defined herein or on Schedule A attached hereto, shall have the meaning ascribed to such term(s) as set forth in the Loan Agreement.

2. Advances. Subject to the terms and conditions hereof and the Loan Agreement, and in reliance upon the representations and warranties of the Borrower contained in the Loan Agreement, the Lender agrees to make advances to the Borrower from time to time during the period commencing on the date of this Note and ending on the Maturity Date in an aggregate principal amount at any time outstanding not to exceed the Commitment. The Borrower agrees that it will use the proceeds of any such advance for the purposes set forth in the Loan Agreement. Borrower further agrees that it will not use the proceeds of any such advance for any illegal or unlawful purpose. Each request for an advance hereunder shall be made by a Borrowing Officer on written notice received by the Lender in the form set forth on Exhibit A attached hereto not later than 12:00 noon (St. Louis time) of the Business Day of such advance, shall specify the amount thereof, and shall be irrevocable and binding upon the Borrower. Except as the Borrower and the Lender may otherwise mutually agree, the proceeds of each advance hereunder shall be wired to an account specified by the Borrower.

3. Interest Rate. For the period from the date hereof until maturity (whether by acceleration or otherwise) the Borrower promises to pay interest, in arrears, on the from time to time unpaid principal amount of each advance hereunder on the first Business Day of each month beginning the second calendar month following the Effective Date, at the Stated Rate; provided, however, that with respect to any advance or other obligation of the Borrower hereunder which is not paid at maturity, or which remains unpaid following the commencement, by or against the Borrower, of a case under Title 11 of the United States Code, the Borrower promises to pay interest on such advance or other obligation from the date of maturity or the date such case is commenced, until such advance or other obligation is paid in full, payable upon demand, at a rate per annum (in lieu of the Stated Rate in effect at such time) equal at all times to the Overdue Rate, but in no event in excess of the maximum rate permitted by law. All computations of interest with respect to each advance hereunder shall be made by the Lender on the basis of a year of 360 days for the actual number of days (including the first day, but excluding the last day) in the period for which such interest is payable. After maturity, by acceleration or otherwise, and/or

upon an Event of Default, this Note shall bear interest at the Default Rate. A late charge equal to five percent (5%) of the payment amount shall be assessed for each payment not received by Lender by the date ten (10) days after the due date therefor.

4. Payments.

(a) Time of Payments. All payments of principal, interest,

fees and other amounts due under this Note shall be made to the Lender at the Lender's Address in lawful money of the United States not later than 2:00p.m.

(St. Louis time) on the day when due, without defense, claim, counterclaim, setoff or right of recoupment.

(b) Final Payment. On the Maturity Date, Borrower shall pay

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to the Lender, in same day funds, an amount equal to the aggregate principal amount outstanding under this Note and due on such date, together with accrued interest thereon, all fees payable to the Lender pursuant to the provisions of this Note and the Loan Agreement and any and all other Obligations then outstanding.

(c) Interest Calculation. For purposes of interest

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calculation only, (i) a payment by check, draft or other instrument received on a Business Day shall be deemed to have been applied to the relevant Obligation on the second following Business Day, (ii) a payment in cash or by wire transfer received at or before 2:00 p.m., St. Louis, Missouri time, on a Business Day shall be deemed to have been applied to the relevant Obligation on the Business Day when it is received, and (iii) a payment in cash or by wire transfer received on a day that is not a Business Day or after 2:00 p.m., St. Louis, Missouri time, on a Business Day shall be deemed to have been applied to the relevant Obligation on the next Business Day.

(d) Due Dates Not on Business Days. If any payment required

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hereunder becomes due on a date that is not a Business Day, then such payment shall be due on the next Business Day, the amount of such payment, in such case, to include all interest accrued to the date of actual payment.

(e) Prepayments Generally. The Borrower shall have the right

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to prepay the unpaid principal balance of the indebtedness evidenced by this Note in whole or in part, without penalty. All prepayments, whether voluntary or mandatory pursuant to acceleration, shall be applied first to any expenses due Payee under this Note or under any other documents securing or evidencing obligations of Maker to Payee with respect to the Loan, then to accrued interest on the unpaid principal balance of this Note, and the balance, if any, shall be applied to the principal sum hereof in inverse order of maturity and shall not relieve Maker of making installment payments hereon when due. No prepayments may be re-borrowed.

5. Guaranty; Consent; Waivers. Payment of this Note is guaranteed

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by certain individual guarantors (collectively, the "Guarantors") pursuant to Continuing Secured Limited Guaranties, executed by each Guarantor and dated as of even date herewith (collectively, the "Limited Guaranties"). The Borrower, the Guarantors, and all others who are or who shall become parties primarily or secondarily liable on this Note, whether as endorsers, guarantors or otherwise, hereby agree that this Note may be renewed one or more times, the time for payment of this Note or any renewal Note extended, the interest rate or other terms of the indebtedness evidenced hereby changed, any party released, or any action taken or omitted with respect to any collateral security, including surrender of such security or failure to perfect any lien thereon, without notice and without releasing any of them, except as otherwise expressly agreed in writing, and the obligation of each such party shall survive whether or not the instrument evidencing such obligation shall have been surrendered or canceled. All such parties waive presentment, demand for payment, protest and notice of nonpayment or dishonor.

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6. Oral Agreements. ORAL AGREEMENTS OR COMMITMENTS TO LOAN MONEY,

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EXTEND CREDIT OR TO FOREBEAR FROM ENFORCING REPAYMENT OF A DEBT INCLUDING PROMISES TO EXTEND OR RENEW SUCH DEBT ARE NOT ENFORCEABLE. TO PROTECT YOU AND US FROM A MISUNDERSTANDING OR DISAPPOINTMENT, ANY AGREEMENTS WE REACH COVERING SUCH MATTERS ARE CONTAINED IN THIS WRITING, WHICH IS THE COMPLETE AND EXCLUSIVE STATEMENT OF THE AGREEMENT BETWEEN US, EXCEPT AS WE MAY LATER AGREE IN WRITING TO MODIFY IT.

7. Default; Remedies after a Default. Any one or more of the

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following constitutes an Event of Default hereunder: (a) the occurrence of any Event of Default under (or as defined in) the Loan Agreement; or (b) the occurrence of any Event of Default under any of the Limited Guaranties or under any of the Guaranty Security Documents or under any other security document for any of the Limited Guaranties; or (c) the occurrence of an Event of Default under (or as defined in) the Warrant; or (d) the occurrence of an Event of Default under (or as defined in) any of the other Loan Documents. Upon the occurrence of an Event of Default, the remedies available to Lender shall include, but will not necessarily be limited to, the right to declare the entire principal balance hereof and accrued and unpaid interest thereon immediately due and payable and those other remedies specified in the Loan Agreement and in the other Loan Documents.

8. Expenses; Indemnification. The Borrower agrees to pay on

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demand all reasonable costs and expenses incurred by the Lender in connection with the preparation, execution, delivery, administration, modification, amendment and enforcement (whether through legal proceedings, negotiations or otherwise) of this Note or any of the other Loan Documents (such costs and expenses to include, without limitation, the reasonable fees and disbursements of legal counsel). The Borrower agrees to indemnify and hold harmless the Lender and each of its directors, officers, employees, agents, affiliates and advisors from and against any and all claims, damages, losses, liabilities and expenses (including, without limitation, the reasonable fees and disbursements of legal counsel) which may be incurred by or asserted against the Lender or any such director, officer, employee, agent, affiliate or advisor in connection with or arising out of any investigation, subpoena, litigation or proceeding related to or arising out of this Note or any of the other Loan Documents or any transaction contemplated hereby or thereby (but in any case excluding any such claims, damages, losses, liabilities, costs or expenses incurred by reason of the gross negligence, willful misconduct or bad faith of the indemnitee). The obligations of the Borrower under this paragraph shall survive the payment in full of the indebtedness evidenced by this Note or by any Other Note.

9. Assignment. The Payee may assign to one or more banks or other

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entities all or a portion of its rights under this Note. In the event of an assignment of all of its rights, the Payee may transfer this Note to the assignee. The Payee may, in connection with any assignment or proposed assignment, disclose to the assignee or proposed assignee any information relating to the Maker furnished to the Payee by or on behalf of the Maker.

10. Amendments, Etc. No amendment or waiver of any provision of

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this Note, nor consent to any departure by the Borrower therefrom, shall in any event be effective unless the same shall be in writing and separately acknowledged in writing by the Lender, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given.

11. Governing Law. This Note shall be governed by, and construed

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and enforced in all respects in accordance with, the laws of the State of Missouri applicable to contracts made and to be performed entirely within such State, without giving effect to its conflicts of laws principles or rules.

3

12. Right of Set-off. At any time that an Event of Default

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exists, the Lender is hereby authorized at any time and from time to time, to the fullest extent permitted by law, to place an administrative hold upon or to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other indebtedness at any time owing by the Lender or the Bank to or for the credit or the account of the Borrower against any and all of the Obligations, irrespective of whether or not the Lender shall have made any demand under this Note or any Other Note and although the Obligations may be unmatured. The Lender agrees promptly to notify the Borrower after any such administrative hold, set-off and/or application made by the Lender; provided, however, that the failure to give such notice shall not

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affect the validity of such administrative hold, set-off and/or application. The rights of the Lender under this paragraph shall be in addition to all other rights and remedies (including, without limitation, other rights of set-off) which the Lender may have under applicable law.

13. Notices. All notices hereunder and under the Loan Documents

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shall be in writing and sent by certified or registered mail, return receipt requested, or by overnight delivery service, with all charges prepaid. Notices to the Lender shall be sent to the Lender's Address. Notices to the Borrower shall be sent to the Borrower's Address until the Borrower specifies another address in a notice delivered to the Lender in accordance with this paragraph. Notice will be deemed received upon actual receipt at the Lender's Address or the Borrower's Address, as the case may be.

14. Consent to Jurisdiction; Waiver of Venue Objection; Service of

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Process. WITHOUT LIMITING THE RIGHT OF THE LENDER TO BRING ANY ACTION OR  
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PROCEEDING AGAINST THE BORROWER OR AGAINST PROPERTY OF THE BORROWER ARISING OUT OF OR RELATING TO THIS NOTE (AN "ACTION") IN THE COURTS OF OTHER JURISDICTIONS, THE BORROWER HEREBY IRREVOCABLY SUBMITS TO AND ACCEPTS THE NON-EXCLUSIVE JURISDICTION OF ANY MISSOURI STATE COURT OR ANY FEDERAL COURT SITTING IN ST. LOUIS CITY OR COUNTY, AND THE BORROWER HEREBY IRREVOCABLY AGREES THAT ANY ACTION MAY BE HEARD AND DETERMINED IN SUCH MISSOURI STATE COURT OR IN SUCH FEDERAL COURT. THE BORROWER HEREBY IRREVOCABLY WAIVES AND DISCLAIMS, TO THE FULLEST EXTENT THAT THE BORROWER MAY EFFECTIVELY DO SO, ANY DEFENSE OR OBJECTION

(INCLUDING, WITHOUT LIMITATION, ANY DEFENSE OR OBJECTION TO VENUE BASED ON THE GROUNDS OF FORUM NON CONVENIENS) WHICH THE BORROWER MAY NOW OR HEREAFTER HAVE TO THE MAINTENANCE OF ANY ACTION IN ANY JURISDICTION. THE BORROWER HEREBY IRREVOCABLY AGREES THAT THE SUMMONS AND COMPLAINT OR ANY OTHER PROCESS IN ANY ACTION IN ANY JURISDICTION MAY BE SERVED BY MAILING (USING CERTIFIED OR REGISTERED MAIL, POSTAGE PREPAID) TO THE BORROWER'S ADDRESS. SUCH SERVICE WILL BE COMPLETE ON THE DATE SUCH PROCESS IS SO DELIVERED, AND THE BORROWER WILL HAVE THIRTY DAYS FROM SUCH COMPLETION OF SERVICE IN WHICH TO RESPOND IN THE MANNER PROVIDED BY LAW. THE BORROWER MAY ALSO BE SERVED IN ANY OTHER MANNER PERMITTED BY LAW, IN WHICH EVENT THE BORROWER'S TIME TO RESPOND SHALL BE THE TIME PROVIDED BY LAW.

15. Waiver of Jury Trial. TO THE FULLEST EXTENT PERMITTED BY LAW,  
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THE BORROWER HEREBY WAIVES AND DISCLAIMS ANY RIGHT TO TRIAL BY JURY (WHICH THE LENDER ALSO WAIVES AND DISCLAIMS) IN ANY ACTION, SUIT, PROCEEDING OR COUNTERCLAIM OF ANY KIND ARISING OUT OF OR RELATING TO THIS NOTE.

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16. Miscellaneous. No failure on the part of the Lender to  
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exercise, and no delay in exercising, any right under this Note shall operate as a waiver thereof, nor shall any single or partial exercise of any such right preclude any other or further exercise thereof or the exercise of any other right. The remedies herein provided are cumulative and not exclusive of any remedies provided by law.

IN WITNESS WHEREOF, the Borrower has executed this Note as of the date first above written.

THIS AGREEMENT CONTAINS A BINDING JURY WAIVER PROVISION.

THE FEMALE HEALTH COMPANY

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

Borrower's Address:

875 North Michigan Avenue  
Suite 3660  
Chicago, Illinois 60611

5

ADVANCES AND PAYMENTS OF PRINCIPAL AND INTEREST  
<TABLE>  
<CAPTION>

DATE	AMOUNT OF ADVANCE	AMOUNT OF PRINCIPAL PAID OR PREPAID	AMOUNT OF INTEREST PAID	UNPAID PRINCIPAL BALANCE OF ADVANCES	NOTATION MADE BY
<S>	<C>	<C>	<C>	<C>	<C>

</TABLE>

6

SCHEDULE A  
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DEFINITIONS

"Affiliate" means, with respect to a Person, (a) any officer,  
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director, employee, member or managing agent of such Person, (b) any spouse, parents, brothers, sisters, children and grandchildren of such Person, (c) any association, partnership, trust, entity or enterprise in which such Person is a director, officer or general partner, (d) any other Person that, (i) directly or indirectly, through one or more intermediaries, controls, or is controlled by, or is under common control with, such given Person, (ii) directly or indirectly beneficially owns or holds 5% or more of any class of voting stock or partnership, membership or other interest of such Person or any Subsidiary of such Person, or (iii) 5% or more of the voting stock or partnership, membership or other interest of which is directly or indirectly beneficially owned or held by such Person or a Subsidiary of such Person. The term "control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through ownership of voting securities or partnership or other interests, by contract or otherwise.

"Borrower" means THE FEMALE HEALTH COMPANY, a Wisconsin corporation.  
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"Borrower's Address" means 875 North Michigan Avenue, Suite 3660,  
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Chicago, Illinois 60611.

"Borrowing Officer" means each individual of Borrower who is duly  
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authorized by Borrower to submit a request for a Loan Advance.

"Business Day" means any day other than a Saturday, Sunday or other  
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day on which banks in St. Louis, Missouri are authorized to close.

"Commitment" means the agreement of the Lender to fund advances to the  
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Borrower in an aggregate principal amount not to exceed, at any time  
outstanding, US \$2,000,000.00.

"Default Rate" means a rate of interest equal to fourteen percent per  
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annum (14%).

"Dollar" and "\$" means freely transferable United States dollars.  
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"Effective Date" means the later of (a) the Agreement Date, as defined  
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in the Loan Agreement, and (b) the first date on which all of the conditions set  
forth in SECTION 4.1 of the Loan Agreement shall have been fulfilled or waived  
by the Lender.

"Events of Default" has the meaning specified in paragraph 7 of this  
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Note, or any Event of Default as defined in the Loan Agreement.

"Guarantors" means, collectively, Stephen M. Dearholt, James R.  
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Kerber, Thomas Bodine, and Geneva O. Parrish 1996 Living Trust.

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"Lender" means Heartland Bank, a federal savings bank, and its  
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successors and assigns.

"Lender's Address" means 212 South Central Avenue, Clayton, Missouri  
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63105.

"Lender's Office" means the office of the Lender specified in or  
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determined in accordance with the provisions of SECTION 10.1(C) of the Loan  
Agreement.

"Loan Agreement" means that certain Loan Agreement entered into by and  
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between Lender and Borrower, dated as of even date herewith, as the same may be  
amended, modified or restated.

"Loans" means any loan made to Borrower pursuant to SECTION 2.1 of the  
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Loan Agreement and all extensions, renewals and modifications thereto, as well  
as all such Loans collectively.

"Loan Documents" means, collectively, this Note, the Loan Agreement,  
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the Warrant, the Registration Rights Agreement, the Guaranty Security Documents,  
the Limited Guaranties and each other instrument, agreement and document  
executed and delivered by Borrower and or the Guarantors in connection with this  
Note and each other instrument, agreement or document referred to herein or  
contemplated hereby.

"Material Adverse Effect" means any act, omission, event or  
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undertaking which would, singly or in the aggregate, have a material adverse  
effect upon (a) the business, assets, properties, liabilities, condition  
(financial or otherwise), results of operations or business prospects of  
Borrower, (b) upon the ability of Borrower to perform any obligations under this  
Note or any other Loan Document to which it is a party, or (c) the legality,  
validity, binding effect, enforceability or admissibility into evidence of any  
Loan Document or the ability of Lender to enforce any rights or remedies under  
or in connection with any Loan Document; in any case, whether resulting from any  
single act, omission, situation, status, event, or undertaking, together with

other such acts, omissions, situations, statuses, events, or undertakings.

"Maturity Date" means May 18, 2004.  
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"Note" means this Note and any and all amendments, modifications,  
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restatements, renewals or refinancings thereof.

"Obligations" means, in each case whether now in existence or  
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hereafter arising, (a) the principal of and interest and premium, if any, on, and expenses related to, the Loans and (b) all indebtedness, liabilities, obligations, overdrafts, covenants and duties of Borrower to the Lender of every kind, nature and description, direct or indirect, absolute or contingent, due or not due, contractual or tortious, liquidated or unliquidated, and whether or not evidenced by any note and whether or not for the payment of money under or in respect of the Loans, this Note, any Note or any of the other Loan Documents.

"Obligors" means Borrower, Guarantors, each party to the Guaranty  
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Security Documents (other than the Lender), and each other party at any time primarily or secondarily, directly or indirectly, liable on any of the Obligations.

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"Other Note" means any promissory note which may be given in renewal  
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or extension of all or any part of the indebtedness evidenced by this Note or which may amend or restate the terms pursuant to which such indebtedness is to remain outstanding.

"Overdue Rate" means, in respect of any amount not paid when due under  
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this Note or any Other Note, a rate per annum during the period commencing on the due date of such amount until such amount is paid in full equal to 14% per annum.

"Person" means an individual, corporation, partnership, association,  
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trust or unincorporated organization or a government or any agency or political subdivision thereof.

"Stated Rate" means a rate of interest of 10% per annum.  
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EXHIBIT A  
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FORM OF REQUEST FOR AN ADVANCE

Heartland Bank  
212 South Central Avenue  
St. Louis, Missouri 63105  
Attn.: \_\_\_\_\_

Re: Promissory Note, dated as of May 18, 2001 between THE FEMALE HEALTH COMPANY ("Borrower") and HEARTLAND BANK ("Lender"), as it may be amended, modified, restated or replaced from time to time (the "Note")

Ladies and Gentlemen:

The undersigned is a Borrowing Officer and, as such is authorized to make and deliver this request for an advance pursuant to the Note. All capitalized words used herein that are defined in the Note have the meanings defined in the Note.

Borrower hereby requests that Lender make a Loan of \$\_\_\_\_\_ to Borrower under the terms of the Note on \_\_\_\_\_. The proceeds of the advance should be deposited in account number \_\_\_\_\_ with [Lender].

The undersigned hereby certifies on behalf of Borrower that:

- (i) There is no Event of Default.
- (ii) The representations and warranties of Borrower in the Loan Agreement are true as if made on the date hereof.
- (iii) The amount of the requested advance will not, when added to the current amount of the aggregate Loans exceed the Commitment.

(iv) All conditions precedent to an advance as set forth in the Loan Agreement have been satisfied.

(v) The proceeds of this advance will be used for the following purpose: \_\_\_\_\_.

(vi) The aggregate amount of Obligations guaranteed by the Limited Guaranties equals \$\_\_\_\_\_.

Executed this \_\_\_\_ day of \_\_\_\_\_, 2001.

THE FEMALE HEALTH COMPANY

\_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_



CONTINUING SECURED LIMITED GUARANTY

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FOR VALUABLE CONSIDERATION, the receipt of which is hereby acknowledged, and to induce HEARTLAND BANK, a federal savings bank ("Lender") to make loans and advance credit to THE FEMALE HEALTH COMPANY ("FHC" or "Borrower"), a Wisconsin corporation, and in consideration of any such loan or advance of credit, the signer hereof, \_\_\_\_\_, "Guarantor", dated and effective as of May 18, 2001, unconditionally guarantees full payment when due of all Liabilities (as hereinafter defined) of Borrower to Lender. This shall be a continuing guaranty.

1. The term "Liabilities" or a "Liability" as used herein shall include any and all indebtedness and obligations of Borrower to Lender, including extensions, renewals or refundings thereof (and extensions, renewals or refundings made after notice of termination or revocation hereof), whether such be direct or indirect, liquidated or unliquidated, absolute or contingent, joint or several, now existing or hereafter arising, due or to become due and whether or not originally contracted with Lender, including interests acquired by Lender through whole or partial assignment of an item which would have been a Liability if created between Borrower and Lender. "Liabilities" or a "Liability" shall also include all or any portion of any Liability of Borrower to Lender which is assumed by any other person or entity with or without the consent of Lender, and Guarantor hereby guarantees the repayment of any such indebtedness or obligation so assumed by any such person or entity. "Liabilities" or a "Liability" shall further include all costs incurred by Lender in efforts to collect any Liability or to enforce the undertakings of Guarantor hereunder, including expenses, reasonable attorneys' fees (whether or not there is litigation), court costs and all costs in connection with any proceedings under the United States Bankruptcy Code. Guarantor waives notice of acceptance of this Guaranty, notice of extension, renewal, refunding of any Liability and the incurrence of any existing Liability and any Liability which has not yet actually accrued (the latter type of Liability being sometimes hereinafter referred to as an "Inchoate Liability"). All Liabilities shall conclusively be presumed to have been created or accepted by the Lender in reliance on this Guaranty. Notwithstanding anything set forth herein to the contrary, the undersigned's liability hereunder for Liabilities shall not exceed the SUM OF (a) \_\_\_\_\_ Dollars (\$ \_\_\_\_\_) PLUS (b) all costs and expenses, including without limitation, the reasonable attorneys' fees and expenses paid or incurred by the Lender in efforts enforce the undertakings of the undersigned hereunder.

2. This Guaranty is delivered in connection with that certain Promissory Note in the original principal amount of \$2,000,000.00, dated as of even date herewith, by Borrower in favor of Lender (as amended, modified, extended, restated or replaced from time to time, the "Note"), and (b) that certain Loan Agreement, dated as of the date herewith, by and between Borrower and Lender (as amended, modified, extended, restated or replaced from time to time, the "Loan Agreement"). Capitalized terms used herein, but not defined herein, shall have the meanings ascribed to such terms as set forth in the Loan Agreement.

3. This is a continuing, secured, limited, absolute and unconditional guaranty of payment and performance and not merely of collection, and continues in full force and effect

until the Liabilities have been fully and indefeasibly paid in cash and the Lender has no other commitment to extend credit or make advances to or for the account of Borrower. Guarantor's liability with respect to the Liabilities is primary, not secondary. Upon the occurrence and during the continuance of any Event of Default, Lender may proceed directly against Guarantor without first proceeding against Borrower, any other person or entity liable for the payment or performance of the Liabilities, or any collateral or other security for the Liabilities or for this Guaranty, including, but not limited to, the Warrant (as hereinafter defined).

4. Guarantor waives notice of acceptance of this Guaranty, notice of extension, renewal, refunding of any Liability and the incurrence of any existing Liability and any Inchoate Liability. All Liabilities shall conclusively be presumed to have been created or accepted by Lender in reliance on this Guaranty.

5. Guarantor represents and warrants to Lender that: (a) he or she or it has adequate means to obtain from Borrower on a continuing basis information concerning the financial condition of Borrower, and Guarantor is not relying on Lender to provide such information either now or in the future; (b) the extension of credit by Lender pursuant to the Note constitutes an economic benefit to Guarantor at least equal to the amount of its obligations hereunder; (c) this Guaranty constitutes the legal, valid and binding obligation of Guarantor, enforceable against Guarantor in accordance with its terms, except to the extent that the enforceability thereof against Guarantor may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditor's rights generally or by equitable principles of general application; (d) the execution of this Guaranty by Guarantor, and the performance by

Guarantor of its obligations under this Guaranty, will not violate or constitute a default under any material agreement of Guarantor, or any material law, and will not, except as expressly contemplated or permitted in this Guaranty, result in any lien or security interest being imposed on any of Guarantor's property; (e) there are no pending or threatened material proceedings involving Guarantor; and (f) Guarantor is in compliance with all material laws. All representations, warranties, and covenants of Guarantor contained herein survive the execution and delivery of this Guaranty, and terminate only upon the full and indefeasible payment of all of the Liabilities and when the Lender has no further obligation to extend credit to or for the account of Borrower. Guarantor hereby waives all errors and omissions in connection with the administration of the Liabilities by Lender and any other act or omission of Lender that change the scope of Guarantor's risk hereunder (except errors, acts or omissions in bad faith).

6. This Guaranty shall not supersede any earlier guaranty of Guarantor in which Lender has an interest nor shall any later guaranty of Guarantor in which Lender has an interest be construed to supersede this Guaranty. The effect of any earlier or later guaranty shall be cumulative with this Guaranty, and this shall be the case whether the interest of Lender in such earlier or later guaranty derives from arrangements made directly with Guarantor or indirectly by way of Lender being a transferee of all or part of obligations of Borrower guaranteed by Guarantor.

7. The obligations of Guarantor hereunder shall apply to all Liabilities, including Inchoate Liabilities, arising prior to notice in writing from Guarantor that Guarantor will not be responsible for any further Liabilities or notice from a Guarantor's personal

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representative that Guarantor has died or been adjudicated incompetent. Any such notice, to be effective, must be actually received by Lender. Notwithstanding the giving of such notice, the obligations of Guarantor shall continue in full force and effect as to all Liabilities then existing including Inchoate Liabilities and to any Liabilities thereafter arising, to the extent that Lender may be bound or permitted by contract or otherwise to create or permit the creation of additional Liabilities including those which may or might have been Inchoate Liabilities at the time such notice is given.

8. Guarantor waives notice of default by Borrower on any Liability, and it shall not be a condition to the obligations of Guarantor hereunder that Lender notify him, her or it of any such default.

9. It shall not be a condition to the obligations of Guarantor hereunder that Lender pursue or preserve remedies against Borrower or any other party primarily or secondarily liable on any Liability or that Lender enforce its rights against any collateral for any Liability or for this Guaranty, and Guarantor waives any requirement that Lender so proceed. Guarantor shall have no right of subrogation and hereby waives all rights of Lender hereunder on account of payment by any guarantor of a Liability until all of the Liabilities are paid in full and waives the right to participate in any security now or hereafter held by Lender; provided, however, that once all of the Liabilities

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are paid in full, Guarantor shall have rights of subrogation with respect to any security for the Liabilities. Any obligation or liability owing from Borrower to Guarantor or held by Guarantor shall be subordinated to payment of all Liabilities and, if appropriate, shall be so marked with an appropriate legend.

10. All payments received from Guarantor shall be deemed to have been made by Borrower, unless Lender is otherwise advised in writing by Borrower or Guarantor.

11. Lender is authorized from time to time, without notice to or consent of Guarantor (any requirement of such notice or consent being waived by Guarantor) to renew, extend, refund or amend the terms, including changing the interest rate, of any Liability or any agreement pursuant to which any Liability is created or security therefor is held, in any manner to surrender, release, realize upon or deal with collateral for the Liabilities, exercise or refrain from exercising rights against Borrower or any other guarantor and to settle, release or otherwise enter into agreements regarding the Liabilities with any party primarily or secondarily liable on any Liability. Guarantor hereby expressly waives any requirement of notice to or consent of Guarantor to any other change in the Liabilities including a change in the organizational structure or ownership of Borrower. Lender may apply any collateral for the Liabilities in such order as it may elect and without any obligation to account to Guarantor for the manner or order of application.

12. The obligations of Guarantor hereunder shall not be impaired by failure on the part of Lender to realize upon, perfect any interest in or protect any of the Liabilities or any security therefor, nor shall such obligations be impaired by any impairment, modification, change, release or limitation of any Liability, or any release of Borrower, resulting from the operation of any present or future provision of the Revised Bankruptcy Act or other similar statute, or from the decision of any court.

13. Guarantor will deliver to Lender, within thirty (30) days after the filing thereof, copies of all federal and state tax returns, together with current personal financial statements of Guarantor in a form reasonably acceptable to Lender. Guarantor represents and warrants that all of the information contained in each such financial statement are true, correct and accurate in all material respects. Guarantor further represents and warrants that any and all liens and/or encumbrances on Guarantor's respective assets are fully disclosed, reflected and described in said financial statements.

14. This Guaranty shall inure to the benefit of and may be enforced by Lender, its successors and assigns and any party to whom all or any part of a Liability may be sold, transferred, negotiated or assigned for all such Liabilities. If all or part of a Liability is sold, transferred, negotiated or assigned, Lender shall have the right to enforce this Guaranty as to the remainder.

15. Actions to enforce this Guaranty may be brought successively against Guarantor or one or more of the other guarantors jointly or severally and against less than all without impairing or affecting the rights of Lender against the others. No release, with or without consideration, nor any action or inaction by Lender as regards less than all such guarantors shall impair the rights of Lender against the others. However, all guarantors, including Guarantor, agree among themselves that no release, compounding or settlement shall impair their rights as among themselves.

16. Guarantor understands and agrees that this Guaranty will, unless expressly otherwise agreed, be secured by all collateral previously, now or hereafter pledged to Lender by Guarantor and any security interest previously, now or hereafter granted Lender by Guarantor whether such pledge or grant of security interest specifically relates to the Liabilities or not.

17. Guarantor understands and agrees that in the event any payment made by or on behalf of Borrower respecting any Liability or any portion of any such payment shall at any time be repaid by the recipient in compliance with an order (whether or not final) by a court of competent jurisdiction pursuant to any provision of the Revised Bankruptcy Act as now existing or hereafter amended or applicable state law, the Liabilities shall not be deemed to have been paid to the extent of the repayment so made, the obligations of Guarantor shall continue in full force and effect and such recipient, whether or not that be Lender, will continue to be entitled to the full benefits of this Guaranty, notwithstanding any termination of this Guaranty or the cancellation of any note or other agreement evidencing the Liabilities.

18. Guarantor's liability under this Guaranty will not be reduced, extinguished, discharged or released by, and Guarantor is not entitled to raise as a defense, and Guarantor waives notice of: any invalidity, irregularity or unenforceability of any Liability; any existing or future offset, claim, counterclaim or defense of Borrower, Guarantor or any other party against Lender or against payment of the Liabilities (whether such offset, claim, counterclaim or defense arises in connection with the Liabilities or the transactions creating the Liabilities or otherwise); waivers of defaults or Events of Default or other waivers under the Loan Agreement, Note or the Pledge Agreement; release of or non-perfection with respect to any or all of the security for the Liabilities; taking or accepting of any other security or collateral for,

or guaranty of, any or all of the Liabilities; and other acts or omissions which, in the absence of this Section 18 would operate so as to reduce, -----  
 extinguish, discharge or release Guarantor's liability under this Guaranty (except for payment by Guarantor of the Liabilities or the full and indefeasible payment of the Liabilities and when the Lender has no further obligation to extend credit to or for the account of Borrower). Guarantor understands and agrees that this Guaranty remains fully enforceable notwithstanding any defenses that Borrower may assert on the Liabilities, or on any Liability, including but not limited to failure of consideration, breach of warranty, statute of frauds, statute of limitations, accord and satisfaction and usury.

19. Guarantor hereby waives (i) diligence, presentment, demand for payment, protest or notice, whether of nonpayment, dishonor, protest or otherwise, (ii) any and all claims, counterclaims or defenses based upon, related to or arising out of (a) any matter referred to in Section 18 of this -----

Guaranty, (b) any issue as to whether any sale or other disposition of any collateral or other security for the Liabilities was conducted in a commercially reasonable fashion, (c) any election of remedies by Lender, and (d) a theory that this Guaranty should be strictly construed against Lender, and (iii) all other defenses under applicable law that would, but for this clause (iii), be available to Guarantor as a defense against, or a reduction, extinguishment, discharge or release of its obligations under, this Guaranty (other than the full and indefeasible payment of the Liabilities and when the Lender has no further obligation to extend credit to or for the account of Borrower).

20. Guarantor agrees that, while any of the Liabilities are

outstanding, Guarantor will not, without Lender's prior written consent (which will not be unreasonably withheld or delayed), transfer a material portion of Guarantor's assets, including transfers into a trust. In the event Guarantor desires to transfer any of its assets into a trust, the trust documents shall be delivered to Lender for its review and approval. In the event the trust documents are approved by Lender and Lender consents to such transfer, Lender's consent thereto shall be conditioned upon such trust executing a guaranty of the Liabilities in favor of Lender. Guarantor acknowledges that Lender is relying on Guarantor's assets and the Pledge Agreement to support the ability of Guarantor to pay the Liabilities and that, consequently, any such transfer without Lender's prior written consent while any of the Liabilities are outstanding would be a conveyance of assets to the trust intended to hinder, delay or defraud Guarantor's creditors generally and Lender specifically.

21. This Guaranty is secured by a certain Pledge Agreement, dated as of even date herewith (the "Pledge Agreement"), wherein Guarantor has granted Lender a lien and security interest in Guarantor's warrant for the purchase of shares in FHC (the "Warrants"), the corresponding shares of FHC stock in the event the Warrants are exercised, and the associated Registration Rights Agreement. As further security for this Guaranty, Guarantor grants Lender a security interest in any and all deposits (general or special, time or demand, provisional or final) at any time held and other indebtedness at any time owing by Lender to or for the credit or the account of Guarantor (collectively, the "Deposits"). Upon the occurrence and during the continuance of any event of default under any instruments evidencing the Liabilities, Lender is hereby authorized at any time and from time to time, to the fullest extent permitted by law, to set off and apply the Deposits against any and all of the Liabilities irrespective of whether or not Lender shall have made any demand on Borrower and although such obligations may be contingent or unmatured.

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22. With the exception of any earlier or later guaranty agreement of Guarantor referred to in Section 6 hereof, Guarantor warrants, represents and

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agrees that this Guaranty, together with any exhibits or schedules incorporated herein, fully incorporates the entire understanding and agreement between the parties concerning the subject matter hereof and supersedes any and all prior understandings and agreements, whether oral or written, between the parties respecting the subject matter hereof. No course of dealing, course of performance or trade usage, and no parol evidence of any nature, shall be used to supplement or modify any of the terms hereof, nor are there any conditions to the full effectiveness of this Guaranty.

23. WITHOUT LIMITING THE RIGHT OF THE LENDER TO BRING ANY ACTION OR PROCEEDING AGAINST GUARANTOR OR AGAINST PROPERTY OF GUARANTOR ARISING OUT OF OR RELATING TO THIS GUARANTY OR GUARANTOR'S LIABILITY HEREUNDER (AN "ACTION") IN THE COURTS OF OTHER JURISDICTIONS, GUARANTOR HEREBY IRREVOCABLY SUBMITS TO AND ACCEPTS THE EXCLUSIVE JURISDICTION OF ANY FEDERAL COURT SITTING IN MISSOURI OR ANY MISSOURI STATE COURT SITTING IN THE CITY OR COUNTY OF ST. LOUIS, MISSOURI, AND GUARANTOR HEREBY IRREVOCABLY AGREES THAT ANY ACTION MAY BE HEARD AND DETERMINED IN SUCH MISSOURI STATE COURT OR IN SUCH FEDERAL COURT. GUARANTOR HEREBY IRREVOCABLY WAIVES AND DISCLAIMS, TO THE FULLEST EXTENT THAT SUCH GUARANTOR MAY EFFECTIVELY DO SO, ANY DEFENSE OR OBJECTION (INCLUDING, WITHOUT LIMITATION, ANY DEFENSE OR OBJECTION TO VENUE BASED ON THE GROUNDS OF FORUM NON CONVENIENS) WHICH SUCH GUARANTOR MAY NOW OR HEREAFTER HAVE TO THE MAINTENANCE OF AN ACTION IN ANY SUCH JURISDICTION. NOTWITHSTANDING THE FOREGOING: (I) LENDER HAS THE RIGHT TO BRING ANY ACTION OR PROCEEDING AGAINST GUARANTOR OR, HIS, HER, ITS OR THEIR PROPERTY IN ANY COURT OF ANY OTHER JURISDICTION LENDER DEEMS NECESSARY OR APPROPRIATE IN ORDER TO REALIZE ON ANY COLLATERAL, REAL ESTATE, THE PLEDGE AGREEMENT OR OTHER SECURITY FOR THE LIABILITIES, AND (II) EACH OF THE PARTIES HERETO ACKNOWLEDGES THAT ANY APPEALS FROM THE COURTS DESCRIBED IN THE IMMEDIATELY PRECEDING SENTENCE MAY HAVE TO BE HEARD BY A COURT LOCATED OUTSIDE THOSE JURISDICTIONS. GUARANTOR HEREBY IRREVOCABLY AGREES THAT THE SUMMONS AND COMPLAINT OR ANY OTHER PROCESS IN ANY ACTION IN ANY SUCH JURISDICTION MAY BE SERVED BY MAILING (USING CERTIFIED OR REGISTERED MAIL, POSTAGE PREPAID) TO THE OFFICE OR RESIDENCE ADDRESS OF SUCH GUARANTOR SET FORTH BELOW OR BY HAND DELIVERY TO A PERSON OF SUITABLE AGE AND DISCRETION AT SUCH ADDRESS. SUCH SERVICE WILL BE COMPLETE ON THE DATE SUCH PROCESS IS SO MAILED OR DELIVERED, AND GUARANTOR SHALL HAVE THIRTY DAYS FROM SUCH COMPLETION OF SERVICE IN WHICH TO RESPOND IN THE MANNER PROVIDED BY LAW. GUARANTOR MAY ALSO BE SERVED IN ANY OTHER MANNER PERMITTED BY LAW, IN WHICH EVENT GUARANTOR'S TIME TO RESPOND SHALL BE THE TIME PROVIDED BY LAW.

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24. GUARANTOR AND THE LENDER HEREBY EXPRESSLY AND IRREVOCABLY WAIVE AND DISCLAIM ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM ARISING OUT OF OR RELATING TO ANY LIABILITY UNDER THIS GUARANTY.

25. The word "Guarantor" as used herein refers to the undersigned, his, her, its or their respective heirs, legal representatives, successors and assigns and shall be read in the singular when this Guaranty is executed by only one Guarantor or where the context otherwise requires.



On this \_\_\_\_ day of \_\_\_\_\_, 2001, before me personally appeared \_\_\_\_\_, to me known to be the persons described in and who executed the foregoing instrument, and acknowledged that he executed the same as his/her free act and deed.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed my official seal in the County and State aforesaid, the day and year first above written.

\_\_\_\_\_  
Notary Public

My term expires:

PLEDGE AGREEMENT

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This PLEDGE AGREEMENT (this "Agreement") is dated as of the \_\_\_\_\_ day of May, 2001, between HEARTLAND BANK, a federal savings bank ("Lender"), having an address of 212 South Central Avenue, Suite 200, Clayton, Missouri 63105 and \_\_\_\_\_, having an address of \_\_\_\_\_ ("Pledgor").

W I T N E S S E T H A T :

WHEREAS, the Lender has made a loan to The Female Health Company, a Wisconsin corporation ("FHC") pursuant to a certain Loan Agreement, dated as of even date herewith by and between Lender and FHC (as amended, modified, restated or replaced from time to time, the "Loan Agreement");

WHEREAS, pursuant to the terms of the Loan Agreement, Lender has agreed to make certain loans to FHC consisting of a loan in an amount not to exceed \$2,000,000 (collectively, the "Loan"), as evidenced by a certain promissory note executed by FHC in favor of Lender, dated as of even date herewith (as amended, modified, restated or replaced from time to time, the "Note");

WHEREAS, the Loan is guaranteed by a certain Continuing Secured Limited Guaranty, dated as of even date herewith executed by Pledgor in favor of Lender (the "Guaranty");

WHEREAS, the Lender has required as a condition, among others, to making the Loan to FHC, and in order to guarantee the prompt and complete payment, observance and performance of all of the indebtedness, obligations and liabilities of FHC owing to Lender under the Loan Agreement, the Note and the other loan documents executed in connection therewith (collectively, the "Loan Documents") (all such indebtedness, obligations and liabilities of FHC, including the Obligations (as defined in the Loan Agreement), as the same may be extended, renewed and modified, together with all liabilities and obligations of the Pledgor to the Lender hereunder and under the Guaranty, including, without limitation, all interest payments, attorneys' fees and other charges becoming due thereunder or in connection therewith, and including any amendments, modifications, replacements, and restatements thereof being hereinafter collectively referred to as, the "Liabilities"), that the Pledgor execute and deliver this Agreement to Lender as security for the guarantee of such Liabilities by Pledgor;

WHEREAS, in order to induce the Lender to make the financial accommodations and extensions of credit to FHC contemplated by the Loan Agreement and to accept the Guaranty, which, it is acknowledged, the Lender is doing so in reliance upon this Agreement, Pledgor desires to enter into this Agreement and pledge and grant a security interest to the Lender in the collateral as hereinafter described.

NOW, THEREFORE, for and in consideration of the foregoing and of any financial accommodations or extensions of credit (including, without limitation, any loan or advance by renewal, refinancing or extension of the agreements described hereinabove or otherwise) heretofore, now or hereafter made to or for the benefit of FHC and Pledgor by Lender and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Grant of Security Interest. Pledgor hereby pledges to Lender, and

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grants to Lender as security for the prompt and complete payment, observance and performance of the Liabilities, a lien and security interest in (i) that certain Warrant dated [\_\_\_\_\_] and expiring on [\_\_\_\_\_] to purchase [\_\_\_\_\_] shares of common stock of FHC (the "Shares"), executed by FHC and assigned and delivered to Pledgor of even date herewith (the "Warrant"), (ii) any and all shares of the capital stock of FHC at any time or from time to time issued or otherwise distributed pursuant to the Warrant, (iii) the Registration Rights Agreement, dated as of even date herewith, entered into by and between Pledgor and FHC whereby FHC agrees to provide certain registration rights under the Securities Act of 1933 to Pledgor with respect to the Shares (the "Registration Rights Agreement"), (iv) all dividends, cash, securities, instruments and other property from time to time paid, payable or otherwise distributed in respect of or in exchange for any or all of the Warrant and such Shares, (v) any and all distributions made by Pledgor in respect of the Warrant and the Shares, whether in cash or in kind, by way of dividends or stock splits, or pursuant to a merger or consolidation or otherwise, or any substitute security issued upon conversion, reorganization or otherwise, (vi) any and all other property hereafter delivered to Pledgor or Lender in substitution for or in addition to any of the foregoing (including without limitation all securities issued pursuant to any shareholder agreement, stock purchase agreement, stock purchase rights or other agreement with respect to stock of FHC to which Pledgor may now or hereafter be a party), all certificates and instruments representing or evidencing such property and all cash, securities, interest, dividends, rights, and other property at any time and from time to time received,

receivable or otherwise distributed in respect of or in exchange for any or all thereof, and (vii) any and all proceeds of any of the foregoing (the foregoing, together with the property and interests in the property described in Section 7

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and 8 below, being hereinafter collectively referred to as the "Collateral").

2. Perfection of Security Interest. The Pledgor agrees (i) to execute -----  
and deliver to Lender such uniform commercial code financing statements as Lender may reasonably request with respect to the Collateral, (ii) deliver the Warrant to Lender, and (iii) to take such other steps as Lender may from time to time request to perfect Lender's security interest in the Collateral under applicable law.

3. Representations. Pledgor represents, warrants, acknowledges and -----  
agrees that at all times while the Liabilities are outstanding:

(a) The Pledgor is the sole, direct, legal and beneficial owner of the Collateral.

(b) The Pledgor has full power and authority to enter into this Agreement.

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(c) There are no restrictions upon the voting rights associated with, or the transfer of, any of the Collateral.

(d) The Pledgor has the right (i) upon conversion of the Warrant into Shares, to vote the Collateral, and (ii) to pledge and grant a security interest in all or any part of the Collateral free of any lien or other charge, encumbrance or restriction.

(e) The Pledgor has the right to transfer all or any part of the Collateral free of any lien or other charge, encumbrance or restriction.

(f) The Collateral and all proceeds of the Collateral shall constitute security for any and all of the Liabilities and may be held for the payment thereof for such periods and applied thereto at such times and in such order as the Lender from time to time may deem appropriate, whether or not the Liabilities for which the same are held or applied are in existence at the time of delivery of this Agreement or the Collateral and whether or not such Liabilities are contingent, unliquidated or unmatured.

(g) Pledgor shall keep the Collateral free from all other security interests, liens or encumbrances. Pledgor shall procure, execute, endorse and deliver all documents which the Lender may reasonably require to protect, enforce or otherwise effectuate the Lender's rights in the Collateral, including but not limited to execution and delivery of an Assignment of Warrant in the form attached hereto as Exhibit A and -----  
Assignment of Registration of Rights Agreement in the form attached hereto as Exhibit B.

(h) Pledgor will do and perform all reasonable acts that may be necessary and appropriate to maintain, preserve and protect and perfect the security interest of Lender in the Collateral.

(i) Pledgor will not surrender or lose possession of (other than to the Lender), exchange, sell, convey, transfer, assign or otherwise dispose of or transfer the Collateral or any right, title or interest therein.

(j) There are no shareholders agreements, voting trusts, proxy agreement or other agreements or understandings which affect or relate to the rights of Lender in the Collateral created hereunder.

(k) No effective financing statement naming Pledgor as debtor, assignor, grantor, mortgagor, pledgor or the like and covering the Collateral is on file in any filing or recording office in any jurisdiction except for any such financing statement as may be filed in favor of Lender.

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4. Upon the occurrence of an Event of Default (as hereinafter defined) under this Agreement:

(a) Lender may take any action with respect to the Collateral and exercise all rights of conversion, exchange, subscription or any other rights, privileges or options pertaining to the Collateral as if the Lender were the absolute owner thereof;

(b) The Lender shall have the right, for and in the name of the



Pledgor, to execute endorsements, assignments or other instruments of conveyance or transfer with respect to the Collateral, to endorse any checks, drafts, money orders and other instruments relating thereto, to sue for, collect, receive and give acquittance for all moneys due or to become due in connection with the Collateral and otherwise to file any claims, take any action or institute, defend, settle or adjust any actions, suits or proceedings with respect to the Collateral, execute any and all such other documents and instruments, and do any and all such acts and things, as the Lender may deem necessary or desirable to protect, collect, realize upon and preserve the Collateral, to enforce the Lender's rights with respect to the Collateral and to accomplish the purposes of this Agreement.

(c) The Lender shall have the continuing right to retain the Collateral so long as any Liability remains in existence, even though the same may be unliquidated, unmatured or contingent.

5. Pledgor hereby confirms that it has contemporaneously herewith delivered to Lender the Collateral, in suitable form for transfer and delivery, together with duly executed instruments of transfer or assignment, all in form and substance satisfactory to Lender.

6. Subsequent Changes Affecting Collateral. The Pledgor represents to -----  
Lender that the Pledgor has made his/her/its own arrangements for keeping informed of changes or potential changes affecting the Collateral (including, but not limited to, payment of distributions, reorganization or other exchanges and voting rights), and the Pledgor agrees that Lender shall have no responsibility or liability for informing the Pledgor of any such changes or potential changes or for taking any action or omitting to take any action with respect thereto.

7. Collateral Adjustments. In the event that, during the term of this -----  
Agreement, any reclassification, readjustment or other change is declared or made in the capital structure of the Company (including, without limitation, the issuance of additional interests in the Company), then Lender shall have a Security Interest in all interests issued to or acquired by the Pledgor in respect of the Collateral by reason of any such change or exercise, and such interests shall become part of the Collateral.

8. Warrants, Options and Other Rights. In the event that, during the -----  
term of this Agreement, additional subscription warrants or any other rights or options shall be issued by the Company in connection with the Collateral or otherwise issued to or acquired by the Pledgor, then Lender shall have a Security Interest in such warrants, rights and options, and such warrants, rights and options shall become part of the Collateral.

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9. No Discharge. The Pledgor shall remain bound and his/her/its -----  
liabilities hereunder shall be unconditional, irrespective of (i) the validity or enforceability, avoidance or subordination of the Liabilities, (ii) the absence of any attempt to collect the Liabilities from Borrower, all or any part of the Liabilities or other action to enforce the same or the election of any remedy by Lender, (iii) the waiver, consent, extension, forbearance or granting of any indulgence by Lender with respect to any provision of the Loan Documents, (iv) failure by Lender to take any steps to perfect and maintain its Security Interest in, or to preserve its rights to, any of the Collateral, (v) the election by Lender in any proceeding instituted under Chapter 11 of the Bankruptcy Code involving either Pledgor of the application of Section 1111(b)(2) of the Bankruptcy Code, (vi) any borrowing or grant of a Security Interest by either Pledgor, as debtor-in-possession, under Section 364 of the Bankruptcy Code, (vii) the disallowance under Section 502 of the Bankruptcy Code of all or any portion of the claims of Lender for repayment of the Liabilities, or (viii) any other circumstance which might otherwise constitute a legal or equitable discharge or defense of a guarantor, or of the Pledgor, all of the foregoing being expressly waived by the Pledgor.

10. Waivers. Pledgor hereby waives any requirement of diligence, -----  
presentment, demand of payment, filing of claims with a court in the event of a receivership or bankruptcy of either Pledgor, protest or notice with respect to the Liabilities, the benefit of any statutes of limitations, and all demands whatsoever (and shall not require that the same be made on the Pledgor) as a condition precedent to the Pledgor's liabilities hereunder, and covenants that this Agreement will not be discharged.

11. Restrictions. The Pledgor shall not, without the prior written -----  
consent of Lender, in each instance, which consent may be withheld in the sole and absolute discretion of Lender, convey, assign, hypothecate, transfer, dispose of or encumber, or permit the conveyance, assignment, transfer, hypothecation, disposal or encumbrance of all or any part of any legal or

beneficial interest in the Collateral.

12. Default; Remedies after a Default. Any one or more of the

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following constitutes an "Event of Default" hereunder (a) any representation or warranty made by a Pledgor herein proves to have been untrue or misleading in any material respect when made, (b) default in the payment of any sum due on any Liability, (c) as to Pledgor, adjudication of incompetence, dissolution, insolvency, making an assignment for the benefit of creditors or suffering the appointment of a receiver or commencement of a proceeding under any bankruptcy or other debtor's relief law, whether voluntary or involuntary, (d) death of the Pledgor, (e) seizure of or loss or damage to the Collateral or sale or encumbrance thereof, (f) a violation by a Pledgor of any of the provisions or conditions of this Agreement, or failure by Pledgor to perform any term or provision of this or any other agreement with the Lender or the existence of an event of default under any such other agreement, which agreements include, but are not limited to, the Guaranty, or (g) the occurrence of any "Event of Default" under the Loan Agreement, to the extent not otherwise described above. Upon the occurrence and during the continuation of any Event of Default, in addition to all other rights and remedies of Lender under the Loan Agreement, at law or in equity:

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(i) Lender may at any time exercise any and all of its rights and pursue any and all of its remedies under the UCC, under any other applicable law, and pursuant to this Agreement and the other Loan Documents, including selling some or all of the Pledge Collateral at any public sale or, at private sale without advertisement if in Lender's reasonable judgment such private sale would result in a greater sale price than a public sale. Pledgor agrees that in the event of a private sale, Lender may solicit offers to buy the Collateral, or any part of it, from a limited number of investors deemed by Lender, in its reasonable judgment, to be financially responsible parties who might be interested in purchasing the Collateral. If Lender solicits such offers, then the acceptance by Lender of the highest offer obtained therefrom shall be deemed to be a commercially reasonable method of disposing of such Collateral. In the event Lender elects to proceed with respect to some or all of the Collateral, whenever applicable provisions of the UCC require that notice be reasonable, ten (10) calendar days notice will be deemed reasonable. Lender will not be obligated to make any sale of any of the Collateral regardless of notice of sale having been given. Lender may adjourn any public or private sale from time to time by announcement at the time and place fixed therefor, and such sale may, without further notice, be made at the time and place to which it was so adjourned. Lender may bid and become a purchaser at any such sale, if public, and upon any such sale Lender may collect, receive, and hold and apply, as provided herein, the proceeds thereof to the payment of the Liabilities, and assign and deliver some or all of the Collateral to the purchaser at any such sale. The proceeds from any such sale will be applied in accordance with the terms of the Loan Agreement.

(ii) Lender may, at any time in its discretion and without notice to Pledgor, transfer any or all of the Collateral to, or register any or all of the Collateral in the name of, Lender or any of its nominees. Lender will use reasonable efforts to notify Pledgor, but will not be liable for any failure to notify.

(iii) The Pledgor will pay to Lender all reasonable expenses (including, without limitation, court costs and attorneys' and paralegals' fees and expenses) of, or incident to, (i) the administration of this Agreement, (ii) the custody or preservation of, or the sale or collection of or other realization upon, any of the Collateral, (iii) the exercise or enforcement of any of the rights of Lender hereunder, or (iv) the failure by the Pledgor to perform or observe any provision hereof.

The Lender's rights hereunder shall continue unimpaired notwithstanding the availability of additional collateral, any release of or substitution for any other collateral, any act or omission impairing the Lender's lien on the Collateral including failure to perfect the same, any extension (including extension of time for payment), renewal, substitution, alteration, compromise, settlement, surrender, release or other such agreement or action modifying or varying the terms of or otherwise affecting any of the Liabilities or the Collateral.

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13. Term. This Agreement shall remain in full force and effect until

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all of the Liabilities shall have been indefeasibly paid and satisfied in full and all of the obligations of Borrower under the Loan Agreement, and the other Loan Documents shall have been terminated.

14. The Lender's Exercise of Rights and Remedies at Such Time as an

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Event of Default Exists. Notwithstanding anything set forth herein to the

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contrary, it is hereby expressly agreed that Lender may exercise any of the rights and remedies provided in this Agreement or the other Loan Documents at any time that an Event of Default exists.

15. Definitions. The singular shall include the plural and vice versa  
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and any gender shall include any other gender as the context may require. All capitalized terms not otherwise defined herein shall have the meanings set forth in the Guaranty.

16. Successors and Assigns. This Agreement shall be binding upon and  
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inure to the benefit of the Pledgor, Lender, and their respective successors, heirs and assigns. The word "Pledgor" wherever used herein refers to the person executing this Agreement and the heirs, legal representatives, successors, and assigns of such Pledgor.

17. Applicable Law. This Agreement shall be governed by, and construed  
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and enforced in accordance with, the laws of the State of Missouri applicable to contracts made and to be performed within such State, without giving effect to its conflicts of laws principles or rules. Whenever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement shall be held to be prohibited or invalid under applicable law, such provision shall be ineffective only to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Agreement.

18. Further Assurances. The Pledgor agrees that they will cooperate  
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with the Lender and will execute and deliver, or cause to be executed and delivered, all such other stock powers, proxies, instruments, documents and resignations of officers and directors, and will take all such other actions, including, without limitation, the filing of financing statements, as Lender may reasonably request from time to time in order to carry out the provisions and purposes hereof.

19. Lender Appointed Attorney-in-Fact. Pledgor hereby appoints Lender  
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as such Pledgor's attorney-in-fact, with full authority in the place and stead of the Pledgor and in the name of the Pledgor or otherwise, from time to time in Lender's discretion following the occurrence and during the continuance of an Event of Default to take any action and to execute any instrument which Lender may deem necessary to accomplish the purposes of this Agreement, including, without limitation, to receive, endorse and collect all instruments made payable to the Pledgor representing any distribution, interest payment or other distribution in respect of the Collateral or any part thereof and to give full discharge for the same. This power of attorney created under this Section being  
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coupled with an interest, shall be irrevocable for the term of this Agreement.

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20. Lender's Duty. Lender shall not be liable for any acts, omissions,  
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errors of judgment or mistakes of fact or law including, without limitation, acts, omissions, errors or mistakes with respect to the Collateral, except for those arising out of or in connection with Lender's gross negligence or willful misconduct. Without limiting the generality of the foregoing, Lender shall not be under any obligation to take any steps necessary to preserve rights in the Collateral against any other parties but may do so at its option, and all reasonable expenses incurred in connection therewith shall be for the sole account of the Pledgor, and shall be added to the Liabilities secured hereby.

21. Notices. Any notice, request, demand, statement or consent made  
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hereunder shall be in writing and shall be deemed duly given if personally delivered, sent by certified mail, return receipt requested, or sent by a nationally recognized commercial overnight delivery service with provisions for a receipt, postage or delivery charges prepaid, and shall be deemed given when postmarked or placed in the possession of such mail or delivery service and addressed to the addressees set forth in the Preamble hereof.

22. Cumulative Rights. No failure by Lender to exercise or delay in  
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exercising any of its rights hereunder shall constitute a waiver thereof and no single or partial exercise of any right shall preclude the further exercise thereof or the exercise of any other right. All rights of the Lender hereunder or under any instrument or other agreement binding on Pledgor are cumulative and not in substitution of any other rights at law or equity with respect to the Collateral or the collection of the Liabilities. All such rights may be exercised from time to time.

22. CONSENT TO JURISDICTION. WITHOUT LIMITING THE RIGHT OF THE LENDER

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TO BRING ANY ACTION OR PROCEEDING AGAINST THE PLEDGOR OR AGAINST THE COLLATERAL ARISING OUT OF OR RELATING TO THEIR OBLIGATIONS UNDER THIS AGREEMENT (AN "ACTION") IN THE COURTS OF OTHER JURISDICTIONS, THE PLEDGOR HEREBY IRREVOCABLY SUBMITS TO THE JURISDICTION OF ANY MISSOURI STATE OR FEDERAL COURT HAVING ITS SITUS IN ST. LOUIS CITY OR COUNTY, MISSOURI, AND THE PLEDGOR HEREBY IRREVOCABLY AGREES THAT ANY ACTION MAY BE HEARD AND DETERMINED IN SUCH MISSOURI STATE OR FEDERAL COURT. THE PLEDGOR HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT THEY MAY EFFECTIVELY DO SO, THE DEFENSE OF AN INCONVENIENT FORUM TO THE MAINTENANCE OF ANY ACTION IN ANY JURISDICTION.

23. WAIVER OF JURY TRIAL. PLEDGOR HEREBY WAIVES, TO THE FULLEST EXTENT  
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PERMITTED BY APPLICABLE LAW, TRIAL BY JURY IN ANY LITIGATION IN ANY COURT WITH RESPECT TO, IN CONNECTION WITH, OR ARISING OUT OF THIS AGREEMENT, THE COLLATERAL, OR THE VALIDITY, INTERPRETATION, COLLECTION OR ENFORCEMENT THEREOF, OR ANY OTHER CLAIM OR DISPUTE, HOWSOEVER ARISING, BETWEEN PLEDGOR ON THE ONE HAND, AND LENDER ON THE OTHER HAND.

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

25. Section Headings; Recitals. The section headings herein are for  
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convenience of reference only, and shall not affect in any way the interpretation of any of the provisions hereof. The recitals set forth herein are hereby incorporated into and form a part of this Agreement, the truth and accuracy of which is evidenced by each party's execution hereof and certifies to Lender that the pledge of the Collateral as above provided has been noted and entered in the books and records of the capital stock of the Company.

IN WITNESS WHEREOF, the Pledgor and Lender have executed this Agreement as of the day and year first above written.

"LENDER"

HEARTLAND BANK

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

"PLEDGOR"

\_\_\_\_\_  
Name: \_\_\_\_\_

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Receipt of a copy of this Pledge Agreement is hereby acknowledged by THE FEMALE HEALTH COMPANY, a Wisconsin corporation, which hereby consents to pledge of the Collateral pursuant to the terms of the Pledge Agreement.

THE FEMALE HEALTH COMPANY

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

10  
EXHIBIT A  
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ASSIGNMENT OF WARRANT

For value received, \_\_\_\_\_ hereby sells, assigns and transfers unto \_\_\_\_\_ the attached Warrant, together with all rights, title and interest therein, and does hereby irrevocably constitute and appoint \_\_\_\_\_ attorney to transfer said Warrant on the books of The Female Health Company, a Wisconsin corporation, with full power of substitution in the premises,

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Note: The above signature should  
correspond exactly with the name on  
the face of the attached Collateral.

11  
EXHIBIT B  
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ASSIGNMENT OF REGISTRATION RIGHTS AGREEMENT

For value received, \_\_\_\_\_ hereby sells,  
assigns and transfers unto \_\_\_\_\_ the attached Registration  
Rights Agreements, together with all rights, title and interest therein, and  
does hereby irrevocably constitute and appoint \_\_\_\_\_ attorney  
to transfer said Warrant on the books of The Female Health Company, a Wisconsin  
corporation, with full power of substitution in the premises,

-----  
Note: The above signature should  
correspond exactly with the name on  
the face of the attached Collateral.

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## REGISTRATION RIGHTS AGREEMENT

THIS REGISTRATION RIGHTS AGREEMENT, dated as of May 18, 2001 (the "Agreement"), is made between THE FEMALE HEALTH COMPANY, a Wisconsin corporation (the "Company"), and HEARTLAND BANK, a federal savings bank (the "Holder").

### RECITALS

A. The Company and the Holder have entered into a Loan Agreement, dated as of the date of this Agreement (the "Loan Agreement"), which provides, among other things, for a \$2,000,000 loan from the Holder to the Company.

B. The Company has agreed to issue a warrant (the "Warrant") to the Holder to purchase a number of shares of the Company's Common Stock, par value \$0.01 per share (the "Common Stock") equal to (a) \$500,000 (the "Guarantee Amount"), divided by (b) the Warrant purchase price (as determined in accordance with the provisions set forth in the Warrant) as of the date of exercise to induce the Holder to execute and deliver the Loan Agreement. The shares of the Common Stock for which the Warrant is exercisable are collectively referred to herein as the "Common Shares."

C. The Company wishes to execute and deliver this Agreement in order to induce the Holder to provide the loan under the Loan Agreement and has agreed to provide certain registration rights under the Securities Act of 1933, as amended, and the rules and regulations thereunder, or any similar successor statute (collectively, the "1933 Act"), and applicable state securities laws with respect to the Common Shares.

### AGREEMENTS

In consideration of the premises and the mutual covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and intending to be legally bound hereby, the Company and the Holder hereby agree as follows:

1. Definitions. As used in this Agreement, the following terms ----- shall have the following meanings:

(a) "1934 Act" shall mean the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

(b) "Guarantors" shall mean any guarantor who executes a guarantee at any time in connection with that certain Loan Agreement dated as of May \_\_, 2001 between the initial Holder and the Company, including any amendments thereto.

(c) "Guarantor Warrants" shall mean the Guarantors' warrants for the purchase of shares in the Company which are subject to the Pledge Agreements (as defined below).

(d) "Holder" shall have the meaning set forth in the first paragraph hereof, as well as any transferee or assignee of the initial Holder who agrees to become bound by the provisions of this Agreement in accordance with section 10 hereof.

(e) "Pledge Agreements" shall mean any pledge agreements entered into at any time by and between the initial Holder and each Guarantor in connection with that certain Loan Agreement dated as of May \_\_, 2001 between the Holder and the Company, including any amendments thereto, whereby each Guarantor pledges, to the initial Holder, its interest in certain warrants for the purchase of stock in the Company, and the corresponding shares of stock issuable upon exercise of the warrant..

(f) "Registrable Securities" means the Warrant and the Common Shares, together with any shares of Common Stock which may be issued as a dividend or other distribution and any additional shares of Common Stock which may be issued due to anti-dilution adjustments with respect to the Warrant and Common Shares, which are required to be included in a Registration Statement pursuant to section 2 below. Upon the occurrence of an Event of Default (as defined in the Pledge Agreements), the term "Registrable Securities" may also include, at the election of the initial Holder, the Guarantor Warrants and the corresponding shares of Common Stock in the event the Guarantor Warrants are exercised, together with any shares of Common Stock which may be issued as a dividend or other distribution and any additional shares of Common Stock which may be issued due to anti-dilution adjustments with respect to the Guarantor Warrants and shares of Common Stock underlying the Guarantor Warrants.

(g) "Registration Period" means the period between the date of this Agreement and the earlier of (i) the date on which all of the Registrable Securities have been sold pursuant to a Registration Statement or Rule 144, or (ii) the date on which the Registrable Securities, may be immediately sold without registration by a Holder who is not an affiliate of the Company pursuant to Rule 144(k) under the 1933 Act or any similar or successor

rule (provided that the Holder has received an opinion of the Company's counsel who is reasonably acceptable to the Holder covering the matters referred to in this clause (ii) and such opinion is reasonably satisfactory to the Holder). Notwithstanding the foregoing, if the Registration Period for one type of Registrable Security shall expire, the Registration Period for all other types of Registrable Securities shall remain unchanged until such time as they are sold in accordance with clause (i) above or may be sold in accordance with clause (ii) above.

(h) "Registration Statement" means a registration statement filed with the Securities and Exchange Commission (the "SEC") under the 1933 Act.

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(i) The terms "register," "registered," and "registration" refer to a registration effected by preparing and filing a Registration Statement in compliance with the 1933 Act, and the declaration or ordering of effectiveness of such Registration Statement by the SEC.

(j) "Rule 144" shall mean Rule 144 promulgated under the 1933 Act or any successor rule thereto.

2. Registration. The Company covenants and agrees:  
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(a) At any time and from time to time, the Holder may make a written request to the Company (a "Demand Notice") that the Company register the offer and sale of all or any part of the Holder's Registrable Securities under the 1933 Act (a "Demand Registration"). Upon receipt of a Demand Notice, the Company will use its reasonable best efforts to file within 60 days after the date of the Demand Notice a Registration Statement with the SEC registering the Registrable Securities included in the Demand Notice for resale. The Company will use its reasonable best efforts to cause such Registration Statement to be declared effective by the SEC within 120 days after the date of the Demand Notice. Such reasonable best efforts shall include, but not be limited to, promptly responding to all comments received from the staff of the SEC. Should the Company receive notification from the SEC that the Registration Statement will receive no action or no review from the SEC, the Company shall cause such Registration Statement to become effective within five business days of such SEC notification. Once declared effective by the SEC, the Company shall use all reasonable best efforts to cause such Registration Statement to remain continuously effective throughout the Registration Period. Notwithstanding anything in this section 2(a) to the contrary, the Holder shall be entitled to no more than two Demand Registrations.

(b) The offering of such Registrable Securities pursuant to the Registration Statement shall be in the form of either an underwritten offering or through the use of brokers or in privately negotiated transactions, in either case as selected by the Holder within no more than five (5) business days following the date of the Demand Notice. In the event that the Holder elects that the offering be an underwritten offering, the Company and the Holder shall enter into a customary underwriting agreement with such underwriter(s) (and the Holder may at its option require that the representations, warranties and covenants of the Company to or for the benefit of the underwriter(s) also are made for the benefit of the Holder).

(c) Notwithstanding the foregoing, the Company may delay in filing the Registration Statement and may withhold efforts to cause the Registration Statement to become effective, if the Company determines in good faith that such registration will (i) materially and adversely interfere with or affect the negotiation or completion of any actual or pending material transaction that is being contemplated by the Company (whether or not a final decision has been made to undertake such transaction) at the time the right to delay or withhold efforts is exercised, or (ii) involve initial or continuing disclosure obligations that are not in the best interests of the Company's stockholders. The Company may exercise such right to delay or withhold efforts not more than once and for not more than sixty (60) days. Notwithstanding

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anything to the contrary that may be contained in this Agreement, if the Company exercises its right to delay or to withhold efforts, the Company shall use its reasonable best efforts to have the Registration Statement filed or declared effective, as the case may be, at the earliest practicable date after the Company's reasons for delaying or withholding efforts are no longer applicable (but subject to the time limitation in the immediately preceding sentence).

(d) Whenever the Company proposes to register (including on behalf of a selling stockholder) any of its securities under the 1933 Act (except for the registration of securities to be offered pursuant to an employee benefit plan on Form S-8 or pursuant to a registration made on Form S-4, or any successor forms) at any time other than pursuant to a Demand Registration and the registration form to be used may be used for the registration of the Registrable Securities (a "Piggyback Registration"), it will so notify the Holder in writing no later than the earlier to occur of (i) the tenth (10th) day

following the Company's receipt of notice of exercise of other demand registration rights, or (ii) 30 days prior to the anticipated date of filing. Subject to the provisions of section 2(f), the Company will include in the Piggyback Registration all Registrable Securities with respect to which the Company has received written requests for inclusion from the Holder with fifteen (15) business days after the Holder's receipt of the Company's notice. The Holder may withdraw all or any part of the Registrable Securities from a Piggyback Registration at any time before ten (10) business days prior to the effective date of the Piggyback Registration. The Company, the Holder and any person who hereafter becomes entitled to register its securities in a registration initiated by the Company shall sell their securities on the same terms and conditions.

(e) If the managing underwriter gives the Company its written opinion that the total number of securities requested to be included in the Piggyback Registration exceeds the number of securities that can be sold, the Company will include the securities in the registration in the following order of priority: (i) first, all securities the Company or the shareholder for whom the Company is effecting the registration, as the case may be, proposes to sell; (ii) second, up to the full number of Registrable Securities requested to be included in the registration; and (iii) third, any other securities requested to be included, allocated among the holders of such securities in such proportions as the Company and those holders may agree.

(f) If any Piggyback Registration is an underwritten offering, the Company and the Holder shall enter into a customary underwriting agreement with the underwriter(s) administering the offering. The Holder may not participate in any Piggyback Registration without (i) agreeing to sell securities on the basis provided in the underwriting arrangements approved by the Company, and (ii) completing all questionnaires, powers of attorney, indemnities, underwriting agreements and other documents required by the underwriting arrangements.

(g) Upon the occurrence of an Event of Default (as defined in the Pledge Agreements) and the transfer of the Guarantor Warrants thereunder to the initial Holder pursuant to the terms of the Pledge Agreements and by law, the Company hereby agrees, at the election of the initial Holder, to be exercised by notice in writing to the Company within sixty (60) days of such transfer, the terms and conditions of this Agreement shall also cover the

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Guarantor Warrants and the corresponding shares of Common Stock in the event the Guarantor Warrants are exercised, together with any shares of Common Stock which may be issued as a dividend or other distribution and any additional shares of Common Stock which may be issued due to anti-dilution adjustments with respect to the Guarantor Warrants and shares of Common Stock underlying the Guarantor Warrants.

3. Additional Obligations of the Company. In connection with the  
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registration of the Registrable Securities, the Company shall have the following additional obligations:

(a) The Company shall keep the Registration Statement effective pursuant to Rule 415 under the 1933 Act at all times during the Registration Period as defined in section 1(g) above.

(b) The Registration Statement (including any amendments or supplements thereto and prospectuses contained therein) filed by the Company shall not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein, or necessary to make the statements therein, in light of the circumstances in which they were made, not misleading. The Company shall prepare and file with the SEC such amendments (including post-effective amendments) and supplements to the Registration Statement and the prospectus used in connection with the Registration Statement as may be necessary to keep the Registration Statement effective at all times during the Registration Period, and, during such period, shall comply with the provisions of the 1933 Act applicable to the Company with respect to the disposition of all Registrable Securities of the Company covered by the Registration Statement until such time as all of such Registrable Securities have been disposed of in accordance with the intended methods of disposition by the sellers thereof as set forth in the Registration Statement. In the event the number of shares of Common Stock included in a Registration Statement filed pursuant to this Agreement is insufficient to cover all of the Registrable Securities, the Company shall amend the Registration Statement and/or file a new Registration Statement so as to cover all of the Registrable Securities as soon as practicable. The Company shall use its reasonable best efforts to cause such amendment and/or new Registration Statement to become effective as soon as practicable following the filing thereof.

(c) The Company shall furnish to each Holder whose Registrable Securities are included in the Registration Statement (i) promptly after the same is prepared and publicly distributed, filed with the SEC or received by the Company, one copy of the Registration Statement and any amendment thereto, each preliminary prospectus and final prospectus and each



amendment or supplement thereto, and each substantive letter written by or on behalf of the Company to the SEC and each item of each substantive correspondence from the SEC, in each case relating to such Registration Statement (other than any portion of any item thereof which contains information for which the Company has sought confidential treatment); and (ii) such number of copies of a prospectus, including a preliminary prospectus, and all amendments and supplements thereto, and such other documents as such Holder may reasonably request in order to facilitate the disposition of the Registrable Securities owned by such Holder.

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(d) The Company shall use its reasonable best efforts to (i) register and qualify the Registrable Securities covered by the Registration Statement under such other securities or blue sky laws of such jurisdictions as the Holder reasonably requests, (ii) prepare and file in those jurisdictions such amendments (including post-effective amendments) and supplements to such registrations as may be necessary to maintain the effectiveness thereof during the Registration Period, (iii) take such other actions as may be necessary to maintain such registrations and qualifications in effect at all times during the Registration Period, and (iv) take all other actions reasonably necessary or advisable to qualify the Registrable Securities for sale in such jurisdictions. Notwithstanding the foregoing provision, the Company shall not be required in connection therewith or as a condition thereto to (i) qualify to do business in any jurisdiction where it would not otherwise be required to qualify but for this section 3(d), (ii) subject itself to general taxation in any such jurisdiction, (iii) file a general consent to service of process in any such jurisdiction, (iv) provide any undertakings that cause more than nominal expense or burden to the Company, or (v) make any change in its charter or bylaws, which in each case the Board of Directors of the Company determines to be contrary to the best interests of the Company and its stockholders.

(e) The Company shall notify each Holder who holds Registrable Securities being sold pursuant to a Registration Statement of the happening of any event of which the Company has knowledge as a result of which the prospectus included in the Registration Statement as then in effect includes an 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 (a "Suspension Event"). The Company shall make such notification as promptly as practicable after the Company becomes aware of such Suspension Event, shall promptly use its reasonable best efforts to prepare a supplement or amendment to the Registration Statement to correct such untrue statement or omission, and shall deliver a copy of such supplement or amendment to each Holder.

(f) The Company shall use its reasonable best efforts to prevent the issuance of any stop order or other suspension of effectiveness of a Registration Statement and, if such an order is issued, shall use its reasonable best efforts to obtain the withdrawal of such order at the earliest possible time and to notify each Holder who holds Registrable Securities being sold of the issuance of such order and the resolution thereof.

(g) The Company shall permit a single firm of counsel designated by the Holder to review the Registration Statement and all amendments and supplements thereto (as well as all requests for acceleration or effectiveness thereof) a reasonable period of time prior to their filing with the SEC, and shall not file any document in a form to which such counsel reasonably objects.

(h) The Company shall make available for inspection by the Holder whose Registrable Securities are being sold pursuant to such registration and any attorney, accountant or other agent retained by any such Holder (collectively, the "Inspectors"), all pertinent financial and other records, pertinent corporate documents and properties of the Company (collectively, the "Records"), as shall be reasonably necessary to enable each Inspector

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to exercise its due diligence responsibility, and cause the Company's officers, directors and employees to supply all information which any Inspector may reasonably request for purposes of such due diligence; provided, however, that each Inspector shall hold in confidence and shall not make any disclosure (except to a Holder) of any Record or other information unless (i) the disclosure of such Records is necessary to avoid or correct a misstatement or omission in any Registration Statement, (ii) the release of such Records is ordered pursuant to a subpoena or other order from a court or government body of competent jurisdiction, or (iii) the information in such Records has been made generally available to the public other than by disclosure in violation of this or any other agreement. The Company shall not be required to disclose any confidential information in such Records to any Inspector until and unless such Inspector shall have entered into confidentiality agreements (in form and substance reasonably satisfactory to the Company) with the Company with respect thereto, substantially in the form of this section 3(h). The Holder agrees that it shall, upon learning that disclosure of such Records is sought in or by a court or governmental body of competent jurisdiction or through other means, give prompt notice to the Company and allow the Company, at the Company's

expense, to undertake appropriate action to prevent disclosure of, or to obtain a protective order for, the Records deemed confidential. Nothing herein shall be deemed to limit the Holder's ability to sell Registrable Securities in a manner which is otherwise consistent with applicable laws and regulations.

(i) The Company shall cooperate with the Holder of Registrable Securities and each underwriter participating in the disposition of such Registrable Securities, if any, and their respective counsel in connection with any filings required to be made with the National Association of Securities Dealers, Inc.

(j) In the event of a underwritten offering, the Company shall enter into and perform its obligations under an underwriting agreement, in usual and customary form, with the underwriter(s) of such offering, with such terms and conditions as the Company and the underwriter(s) may agree. The Holder, if participating in such underwriting, shall also enter into and perform its obligations under such an agreement.

(k) The Company shall take all other reasonable actions reasonably requested by the Holder which are necessary to expedite and facilitate disposition by the Holder of the Registrable Securities pursuant to the Registration Statement.

4. Obligations of the Holder. In connection with the registration  
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of the Registrable Securities, the Holder shall have the following obligations:

(a) It shall be a condition precedent to the obligations of the Company to take any action pursuant to this Agreement with respect to the Holder that the Holder shall furnish in writing to the Company such information regarding the Holder, the Registrable Securities held by the Holder and the intended method of disposition of the Registrable Securities held by the Holder as shall be required to effect the registration of the Registrable Securities and shall execute such documents in connection with such registration as the Company may reasonably request.

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(b) The Holder, by acceptance of the Registrable Securities, agrees to cooperate with the Company as reasonably requested by the Company in connection with the preparation and filing of the Registration Statement hereunder unless such Holder has notified the Company in writing of such Holder's election to exclude all of such Holder's Registrable Securities from the Registration Statement.

(c) The Holder agrees that, upon receipt of any notice from the Company of the happening of any event of the kind described in section 3(e) or 3(f), such Holder will immediately discontinue disposition of Registrable Securities pursuant to the Registration Statement covering such Registrable Securities until such Holder's receipt of the copies of the supplemented or amended prospectus contemplated by section 3(e) or 3(f) and, if so directed by the Company, such Holder shall deliver to the Company (at the expense of the Company) or destroy (and deliver to the Company a certificate of destruction ) all copies in such Holder's possession, of the prospectus covering such Registrable Securities current at the time of receipt of such notice. The Company shall use its reasonable best efforts to limit the duration of any discontinuance of disposition of Registrable Securities pursuant to this paragraph.

5. Expenses of Registration. All expenses, other than discounts  
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and commissions attributable to the sale of any Registrable Securities, incurred in connection with registrations, filings or qualifications pursuant to section 2, including, without limitation, all registration, listing and qualifications fees, printers and accounting fees, and the fees and disbursements of counsel for the Company, shall be borne by the Company.

6. Indemnification. In the event any Registrable Securities are  
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included in a Registration Statement under this Agreement:

(a) The Company will indemnify and hold harmless each Holder who holds such Registrable Securities, the directors, if any, of such Holder, the officers and employees, if any, of such Holder, each person, if any, who controls any Holder within the meaning of the 1933 Act (each, an "Indemnified Person"), against any losses, claims, damages, expenses or liabilities (joint or several) or actions in respect thereof (collectively "Claims") to which any of them become subject under the 1933 Act or otherwise, insofar as such Claims (or actions or proceedings, whether commenced or threatened, in respect thereof) arise out of or are based upon any of the following statements, omissions or violations in the Registration Statement, or any post-effective amendment thereof, or any prospectus included therein: (i) any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement or any post-effective amendment thereof or the omission or alleged omission to state therein a material fact required to be stated therein or

necessary to make the statements therein not misleading, (ii) any untrue statement or alleged untrue statement of a material fact contained in any preliminary prospectus if used prior to the effective date of such Registration Statement, or contained in the final prospectus (as amended or supplemented, if the Company files any amendment thereof or supplement thereto with the SEC) or the omission or alleged omission to state therein any material fact necessary to make the statements made therein, in light of the circumstances under which the statements therein were made, not misleading, or (iii) any violation or alleged violation by the Company of the 1933 Act or any state securities law or any

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rule or regulation (the matters in the foregoing clauses (i) through (iii) being, collectively, "Violations"). Subject to the restrictions set forth in section 6(c) with respect to the number of legal counsel, the Company shall reimburse the Holder and each such underwriter or controlling person, promptly as such expenses are incurred and are due and payable, for any legal fees or other expenses reasonably incurred by them in connection with investigating or defending any such Claim. Notwithstanding anything to the contrary contained herein, the indemnification agreement contained in this section 6(a): (A) shall not apply to a Claim arising out of or based upon a Violation which occurs in reliance upon and in conformity with information furnished in writing to the Company by any Indemnified Person or underwriter for such Indemnified Person expressly for use in connection with the preparation of the Registration Statement or any such amendment thereof or supplement thereto; (B) with respect to any preliminary prospectus shall not inure to the benefit of any such person from whom the person asserting any such Claim purchased the Registrable Securities that are the subject thereof (or to the benefit of any person controlling such person) if the untrue statement or omission of material fact contained in the preliminary prospectus was corrected in the prospectus, as then amended or supplemented, if a prospectus was timely made available by the Company pursuant to section 3(c) hereof; and (C) shall not apply to amounts paid in settlement of any Claim if such settlement is effected without the prior written consent of the Company, which consent shall not be unreasonably withheld. Such indemnity shall remain in full force and effect regardless of any investigation made by or on behalf of the Indemnified Persons and shall survive the transfer of the Registrable Securities by the Holder pursuant to section 10. In connection with a firm or best efforts underwritten offering, to the extent customarily required by the managing underwriter, the Company will indemnify the underwriters, their officers, directors, trustees, partners, employees, advisors and agents, and each person who controls the underwriters (within the meaning of Section 15 of the 1933 Act or Section 20 of the 1934 Act), together with all officers, directors, trustees, partners, employees, advisors and agents of such controlling person, to the extent customary in such agreements.

(b) In connection with any Registration Statement in which the Holder is participating, the Holder agrees to indemnify and hold harmless, to the same extent and in the same manner set forth in section 6(a), the Company, each of its directors, each of its officers who signs the Registration Statement, each person, if any, who controls the Company within the meaning of the 1933 Act (an "Indemnified Party"), against any Claim to which any of them may become subject, under the 1933 Act or otherwise, insofar as such Claim arises out of or is based upon any Violation, in each case to the extent (and only to the extent) that such Violation occurs in reliance upon and in conformity with written information furnished to the Company by such Holder expressly for use in connection with such Registration Statement, and such Holder will reimburse any legal fees or other expenses reasonably incurred by them in connection with investigating or defending any such Claim; provided, however, that the indemnity agreement contained in this section 6(b) shall not apply to amounts paid in settlement of any Claim if such settlement is effected without the prior written consent of such Holder, which consent shall not be unreasonably withheld; provided further, however, that the Holder shall be liable under this section 6(b) for only that amount of a Claim as does not exceed the net proceeds to such Holder as a result of the sale of Registrable Securities pursuant to such Registration Statement. Such indemnity shall remain in full force and effect regardless of any investigation made by or on

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behalf of such Indemnified Party and shall survive the transfer of the Registrable Securities by the Holder pursuant to section 10. In connection with a firm or best efforts underwritten offering, to the extent customarily required by the managing underwriter, the Holder will indemnify the underwriters, their officers, directors, trustees, partners, employees, advisors and agents, and each person who controls the underwriters (within the meaning of Section 15 of the 1933 Act or Section 20 of the 1934 Act), together with all officers, directors, trustees, partners, employees, advisors and agents of such controlling person, to the extent customary in such agreements.

(c) Promptly after receipt by an Indemnified Person or Indemnified Party under this section 6 of notice of the commencement of any action (including any governmental action), such Indemnified Person or Indemnified Party shall, if a Claim in respect thereof is to be made against any indemnifying party under this section 6, deliver to the indemnifying party a written notice of the commencement thereof and this indemnifying party shall have the right to participate in, and, to the extent the indemnifying party so

desires, jointly with any other indemnifying party similarly noticed, to assume control of the defense thereof with counsel mutually satisfactory to the indemnifying parties; provided, however, that an Indemnified Person or Indemnified Party shall have the right to retain its own counsel, with the fees and expenses to be paid by the indemnifying party, if, in the reasonable opinion of counsel retained by the indemnifying party, the representation by such counsel of the Indemnified Person or Indemnified Party and the indemnifying party would be inappropriate due to actual or potential differing interests between such Indemnified Person or Indemnified Party and other party represented by such counsel in such proceeding. The Company shall pay for only one separate legal counsel for the Holder; such legal counsel shall be selected by the Holder. The failure to deliver written notice to the indemnifying party within a reasonable time of the commencement of any such action shall not relieve such indemnifying party of any liability to the Indemnified Person or Indemnified Party under this section 6, except to the extent that the indemnifying party is prejudiced in its ability to defend such action. The indemnification required by this section 6 shall be made by periodic payments of the amount thereof during the course of the investigation or defense, as such expense, loss, damage or liability is incurred and is due and payable.

7. Contribution. If for any reason the indemnification provided

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for in section 6 is unavailable to an Indemnified Party or an Indemnified Person or is insufficient to hold it harmless as payable by the Indemnified Party or an Indemnified Person as contemplated therein, the indemnifying party agrees to make the maximum contribution with respect to any amounts for which it would otherwise be liable under section 6, provided, however, that (i) no contribution shall be made under circumstances where the maker would not have been liable for indemnification under the fault standards set forth in section 6, (ii) no seller of Registrable Securities guilty of fraudulent misrepresentation (within the meaning of section 11(f) of the 1933 Act) shall be entitled to contribution from any seller of Registrable Securities who was not guilty of such fraudulent misrepresentation, and (iii) contribution by any seller of Registrable Securities shall be limited in amount to the net amount of proceeds received by such seller from the sale of such Registrable Securities.

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8. Changes in Capital Stock. If, and as often as, there is any

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change in the capital stock of the Company by way of a stock split, stock dividend, combination or reclassification, or through a merger, consolidation, reorganization or recapitalization, or by any other means, appropriate adjustment shall be made in the provisions hereof so that the rights and privileges granted hereby shall continue with respect to the capital stock as so changed.

9. Rule 144 Reporting. With a view to making available to the

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Holder the benefits of Rule 144 and any other rule or regulation of the SEC that may at any time permit a Holder to sell securities of the Company to the public without registration, the Company agrees to:

(a) Make and keep public information available, as those terms are understood and defined in Rule 144, at all times after the date hereof;

(b) File with the SEC in a timely manner all reports and other documents required of the Company under the 1933 Act and the 1934 Act; and

(c) Furnish to any Holder, so long as the Holder owns any Registrable Securities, upon request (i) a written statement by the Company as to its compliance with the reporting requirements of the 1933 Act and the 1934 Act (at any time after it has become subject to such reporting requirements), or as to its qualification as a registrant whose securities may be resold pursuant to Form S-3 or any registration form under the 1933 Act subsequently adopted by the SEC that permits the inclusion or incorporation of substantial information by reference to other documents filed by the Company with the SEC (at any time after it so qualifies), (ii) a copy of the most recent annual or quarterly report of the Company and such other reports and documents so filed by the Company, and (iii) such other information as may be reasonably requested in availing any Holder of any rule or regulation of the SEC which permits the selling of any such securities without registration or pursuant to such form.

10. Assignment of Registration Rights. The rights to have the

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Company register Registrable Securities pursuant to this Agreement shall be automatically assigned by the Holder to transferees or assignees of all or any portion of such Registrable Securities if (i) the Holder agrees in writing with the transferee or assignee to assign such rights, and a copy of such agreement is furnished to the Company within a reasonable time after such assignment, (ii) the Company is, within a reasonable time after such transfer or assignment, furnished with written notice of the name and address of such transferee or assignee and the securities with respect to which such registration rights are being transferred or assigned, (iii) following such transfer or assignment the

further disposition of such securities by the transferee or assignee is restricted under the 1933 Act and applicable state securities laws, and (iv) at or before the time the Company received the written notice contemplated by clause (ii) of this sentence, the transferee or assignee agrees in writing with the Company to be bound by all of the provisions contained herein. Upon a transfer in compliance with this section 10, all references in this Agreement to "Holder" shall be deemed to refer in addition to any transferee hereunder with respect to such transferred Registrable Securities. Notwithstanding anything to the contrary that may be contained in this Agreement, in the event that the Holder does not transfer all of the Registrable

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Securities or transfers the Registrable Securities to more than one transferee, the holders of the Registrable Securities thereafter shall be entitled to take any action hereunder by the approval of not less than thirty-three percent (33%) of all Registrable Securities or by the approval of not less than thirty-three percent (33%) of the Registrable Securities which are the subject of such registration, as appropriate.

11. Amendment of Registration Rights. Provisions of this

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Agreement may be amended and the observance thereof may be waived (either generally or in a particular instance and either retroactively or prospectively) only with the written consent of the Company and the Holder(s) who hold a majority interest of the Registrable Securities. Any amendment or waiver effected in accordance with this section 11 shall be binding upon each Holder and the Company.

12. Miscellaneous.

(a) Conflicting Instructions. A person or entity is deemed

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to be a Holder of Registrable Securities whenever such person or entity owns of record such Registrable Securities. If the Company receives conflicting instructions, notices or elections from two or more persons or entities with respect to the same Registrable Securities, the Company shall act upon the basis of instructions, notice or election received from the registered owner of such Registrable Securities.

(b) Notices. Any notices required or permitted to be given

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under the terms of this Agreement shall be sent by certified or registered mail (with return receipt requested) or delivered personally or by courier (including a nationally recognized overnight delivery service) or by facsimile transmission. Any notice so given shall be deemed effective three days after being deposited in the U.S. Mail, or upon receipt if delivered personally or by courier or facsimile transmission, in each case addressed to a party at the following address or such other address as each such party furnishes to the other in accordance with this section 12(b):

If to the Company:

The Female Health Company  
875 North Michigan Avenue  
Suite 3660  
Chicago, IL 60611  
Telephone: (312) 280-1119  
Facsimile: (312) 280-9360  
Attention: Mr. O.B. Parrish

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with a copy to:

Reinhart, Boerner, Van Deuren,  
Norris & Rieselbach, s.c.  
1000 North Water Street  
Suite 2100  
Milwaukee, WI 53202  
Telephone: (414) 298-1000  
Facsimile: (414) 298-8097  
Attention: Mr. James M. Bedore, Esq.

If to the Holder:

Heartland Bank  
212 S. Central Avenue  
St. Louis, Missouri 63105  
Telephone: (314) 512-8500  
Facsimile: (314) 512-8501  
Attention: David Puricelli and Andrew S. Love

with a copy to:

Bryan Cave LLP  
One Metropolitan Square  
Suite 3600  
St. Louis, MO 63102  
Telephone: (314) 259-2000  
Facsimile: (314) 259-2020  
Attention: Mr. Mark B. Hillis, Esq.

(c) Waiver. Failure of any party to exercise any right or  
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remedy under this Agreement or otherwise, or delay by a party in exercising such  
right or remedy, shall not operate as a waiver thereof.

(d) Governing Law. This Agreement shall be enforced,  
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governed by and construed in accordance with the laws of the State of Missouri  
applicable to the agreements made and to be performed entirely within such  
state, without giving effect to rules governing the conflict of laws.

(e) Any legal action or proceeding with respect to this  
Agreement may be brought in the courts of the State of Missouri located in St.  
Louis County or the City of St. Louis or of the United States for the Eastern  
District of Missouri, and, by execution and delivery of this Agreement, the  
Company irrevocably accepts for itself and in respect of its property, generally  
and unconditionally, the non-exclusive jurisdiction of the aforesaid courts. The  
Company hereby waives personal service of any and all process upon it and  
consents that all

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such service of process may be made by registered mail (return receipt  
requested) directed to the Company at its address set forth in section 12(b) and  
service so made shall be deemed to be completed five (5) days after the same  
shall have been deposited in the U.S. mails. Nothing herein shall affect the  
right of the Holder to serve process in any other manner permitted by law or to  
commence legal proceedings or otherwise proceed against the Company in any other  
jurisdiction.

(f) The Company hereby irrevocably waives any objection which  
it may now or hereafter have to the laying of venue of any of the aforesaid  
actions or proceedings arising out of or in connection with this Agreement  
brought in the courts referred to in clause (e) above and hereby further  
irrevocably waives and agrees not to plead or claim in any such court that any  
such action or proceeding brought in any such court has been brought in an  
inconvenient forum.

(g) Severability. In the event that any provision of this  
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Agreement is invalid or unenforceable under any applicable statute or rule of  
law, then such provision shall be deemed inoperative to the extent that it may  
conflict therewith and shall be deemed modified to conform with such statute or  
rule of law. Any provision hereof which may prove invalid or unenforceable  
under any law shall not affect the validity or enforceability of any other  
provision hereof.

(h) Entire Agreement. This Agreement constitutes the entire  
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agreement among the parties hereto with respect to the subject matter hereof.  
There are no restrictions, promises, warranties or undertakings, other than  
those set forth or referred to herein or therein. This Agreement supersedes all  
prior agreements and understandings among the parties hereto with respect to the  
subject matter hereof.

(i) Successors and Assigns. Subject to the requirements of  
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section 10 hereof, this Agreement shall inure to the benefit of and be binding  
upon the successors and assigns of each of the parties hereto.

(j) Use of Pronouns. All pronouns and any variations thereof  
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refer to the masculine, feminine or neuter, singular or plural, as the context  
may require.

(k) Headings. The headings and subheadings in the Agreement  
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are for convenience of reference only and shall not limit or otherwise affect  
the meaning hereof.

(l) Counterparts. This Agreement may be executed in two or  
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more counterparts, each of which shall be deemed an original but all of which  
shall constitute one and the same agreement. This Agreement, once executed by a  
party, may be delivered to the other party hereto by facsimile transmission, and  
facsimile signatures shall be binding on the parties hereto.

(m) Further Acts. Each party shall do and perform, or cause

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to be done and performed, all such further acts and things, and shall execute  
and deliver all such other

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agreements, certificates, instruments and documents, as the other party may  
reasonably request in order to carry out the intent and accomplish the purposes  
of this Agreement and the consummation of the transactions contemplated hereby.

(n) Consents. All consents and other determinations to be  
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made by the Holder pursuant to this Agreement shall be made by Holder(s) holding  
a majority of the Registrable Securities, determined as if all Warrants then  
outstanding had been converted into or exercised for Common Shares.

[Signatures on the following page]

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IN WITNESS WHEREOF, the parties have caused this Agreement to be duly  
executed as of the date first above written.

COMPANY:

THE FEMALE HEALTH COMPANY

By: \_\_\_\_\_  
O.B. Parrish, Chairman and Chief  
Executive Officer

HOLDER:

HEARTLAND BANK

By: \_\_\_\_\_

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RESTRICTION ON TRANSFER

THIS WARRANT AND THE SHARES OF COMMON STOCK ISSUABLE UPON EXERCISE OF THIS WARRANT HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR QUALIFIED UNDER ANY STATE SECURITIES LAWS. THIS WARRANT MAY NOT BE TRANSFERRED, AND THE SHARES OF COMMON STOCK ISSUABLE UPON EXERCISE OF THIS WARRANT CANNOT BE SOLD OR TRANSFERRED, WITHOUT (I) THE OPINION OF COUNSEL REASONABLY SATISFACTORY TO THE COMPANY THAT SUCH TRANSFER MAY BE LAWFULLY MADE WITHOUT REGISTRATION UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND ALL APPLICABLE STATE SECURITIES LAWS OR (II) SUCH REGISTRATION.

WARRANT

To Subscribe for and Purchase Common Stock of

THE FEMALE HEALTH COMPANY

THIS CERTIFIES THAT, for value received, Heartland Bank, a federal savings bank, or its registered assigns, is entitled to subscribe for and purchase from The Female Health Company (herein called the "Company"), a corporation organized and existing under the laws of the State of Wisconsin, at the price specified below (subject to adjustment as noted below) at any time from and after the date hereof to and including May 18, 2006, the number of fully paid and nonassessable (subject to Wisconsin law) shares of the Company's common stock, par value \$0.01 per share ("Common Stock") equal to (a) \$500,000 (the "Guarantee Amount"), divided by (b) the Warrant purchase price as of the date of exercise determined in accordance with the next paragraph.

The Warrant purchase price (subject to adjustment as noted below) shall be a price per share equal to 70% of the "market price" of the Common Stock as of the day immediately prior to the date the exercise notice is given to the Company, but in no event shall such per share price be less than \$0.50 (the "Minimum Price") or more than \$1.00 (the "Maximum Price").

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 Company's Common Stock for the five trading days ending on the day immediately prior to the date a notice of exercise is issued to the Company by the holder of this Warrant (the "Holder"). If at any time, the Common Stock is not quoted in the domestic over-the-counter market, the "market price" shall be deemed to be the higher of (i) the book value thereof, as determined by any firm of independent public accountants of recognized standing selected by the Board of Directors of the Company, as at the last day of any month ending within 60 days preceding the date as of which the determination is to be made, or (ii) the fair value thereof determined in good faith by the Board of Directors of the Company as of a date which is within 15 days of the date as of which the determination is to be made.

This Warrant is subject to the following provisions, terms and conditions:

1. The rights represented by this Warrant may be exercised by the Holder hereof, in whole or in part, by written notice of exercise delivered to the Company 20 days prior to the intended date of exercise and by the surrender of this Warrant (properly endorsed if required) at the principal office of the Company at 875 North Michigan Avenue, Suite 3660, Chicago, Illinois 60611 (or such other location as the Company may designate by notice in writing to the Holder hereof) and upon payment to it by check of the purchase price for such shares. The Company shall not be required to issue fractions of shares of Common Stock upon exercise of this Warrant. If any fraction of a share would, but for this Section, be issuable upon any exercise of this Warrant, and if the Company shall have elected not to issue such fraction of a share, in lieu of such fractional share the Company shall pay to the Holder, in cash, an amount equal to such fraction of the "market price" (as determined above) per share of outstanding Common Stock of the Company on the Business Day immediately prior to the date of such exercise. The Company agrees that the shares so purchased shall be and are deemed to be issued to the Holder hereof 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 provisions of the next succeeding paragraph, certificates for the shares of stock so purchased (bearing an appropriate legend to indicate that the shares have not been registered under securities laws) shall be delivered to the Holder hereof within a reasonable time, not exceeding 10 days, after the rights represented by this Warrant shall have been so exercised, and, unless this Warrant has expired, a new Warrant reflecting the Guarantee Amount, if any, as to which this Warrant shall not then have been exercised shall also be delivered to the Holder hereof within such time.

2. Notwithstanding the foregoing, however, the Company shall not be required to deliver any certificate for shares of stock upon exercise of this Warrant except in accordance with the provisions, and subject to the limitations, of paragraph 7 hereof and the restrictive legend under the heading "Restriction on Transfer."

3. The Company covenants and agrees that:



(a) all shares that may be issued upon the exercise of the rights represented by this Warrant will, upon issuance, be duly authorized and issued, fully paid and nonassessable (except as set forth in Wisconsin Statutes Section 180.0622(2)(b)) and free from all preemptive rights of any stockholder, and from all taxes, liens and charges with respect to the issue thereof (other than transfer taxes);

(b) during the period within which the rights represented by this Warrant may be exercised, the Company will at all times have authorized, and reserved for the purpose of issue or transfer upon exercise of the subscription rights evidenced by this Warrant, a sufficient number of shares of its Common Stock to provide for the exercise of the rights represented by this Warrant;

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(c) during the period within which the rights represented by this Warrant may be exercised, the Company further will use reasonable best efforts to maintain the eligibility of the Common Stock for quotation on the domestic over-the-counter market and use reasonable best efforts to keep the Common Stock so quoted; and

(d) during the period within which the rights represented by this Warrant may be exercised, the Company's Articles of Incorporation and by-laws shall not be amended or modified (other than an amendment or modification to the Company's Articles of Incorporation to increase the number of shares of Common Stock authorized thereunder or to designate a new class or series of preferred stock) if such amendment or modification has or would have, directly or indirectly, a material adverse effect on the Holder of this Warrant or Common Stock purchased or purchasable upon exercise of this Warrant or on the rights and remedies hereunder.

4. (a) If the Company shall after the date of issuance of this Warrant subdivide its outstanding shares of Common Stock into a greater number of shares or consolidate its outstanding shares of Common Stock into a smaller number of shares (any such event being called a "Common Stock Reorganization"), then the Minimum Price and Maximum Price shall be adjusted, effective at such time, to a number determined by multiplying the Minimum and Maximum Price by a fraction, the numerator of which shall be the number of shares of Common Stock outstanding immediately before such Common Stock Reorganization and the denominator of which shall be the number of shares outstanding after giving effect to such Common Stock Reorganization.

(b) (i) If the Company shall after the date of issuance of this Warrant issue or otherwise sell or distribute any shares of Common Stock, otherwise than pursuant to a Common Stock Reorganization (any such event, including any event described in paragraphs (ii) and (iii) below, being herein called a "Common Stock Distribution"), if such Common Stock Distribution shall be for a consideration per share less than the Warrant purchase price in effect immediately prior to the date of such Common Stock Distribution, or on the first date of the announcement of such Common Stock Distribution (whichever is less), then, effective upon such Common Stock Distribution, the Minimum Price and Maximum Price shall be adjusted by multiplying the Minimum Price and Maximum Price by a fraction, the numerator of which shall be an amount equal to the sum of (A) the number of shares of Common Stock outstanding (and issuable upon exercise or conversion of outstanding options, warrants and convertible securities) immediately prior to the Common Stock Distribution, plus (B) the number of shares of Common Stock which the aggregate consideration, if any, received by the Company (determined as provided below) for such Common Stock Distribution would buy at the last sales price thereof, as of the date immediately prior to such Common Stock Distribution or as of the date immediately prior to the date of announcement of such Common Stock Distribution (whichever is less) and the denominator of which shall be the total number of shares of Common Stock outstanding (and issuable upon exercise or conversion of outstanding options, warrants and convertible securities) immediately prior to such Common Stock Distribution plus the number of shares of Common Stock issued (or deemed to be issued pursuant to paragraphs (ii) and (iii) below) in such Common Stock Distribution.

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The provisions of this paragraph (i), including by operation of paragraph (ii) or (iii) below, shall not operate to increase the Minimum Price and Maximum Price.

(ii) If the Company shall after the date of issuance of this Warrant issue, sell, distribute or otherwise grant in any manner (whether directly or by assumption in a merger or otherwise) any rights to subscribe for or to purchase, or any warrants or options for the purchase of, Common Stock or any stock or securities convertible into or exchangeable for Common Stock (such rights, warrants or options being herein called "Options" and such convertible or exchangeable stock or securities being herein called "Convertible Securities"), whether or not such Options or the rights to convert or exchange any such Convertible Securities are immediately exercisable, and the price per share for which Common Stock is issuable upon the exercise of such Options or

upon conversion or exchange of such Convertible Securities (determined by dividing (A) the aggregate amount, if any, received or receivable by the Company as consideration for the granting of such Options, plus the minimum aggregate amount of additional consideration payable to the Company upon the exercise of all such Options, plus, in the case of Options to acquire Convertible Securities, the minimum aggregate amount of additional consideration, if any, payable upon the issue or sale of such Convertible Securities and upon the conversion or exchange thereof, by (B) the total maximum number of shares of Common Stock issuable upon the exercise of such Options or upon the conversion or exchange of all such Convertible Securities issuable upon the exercise of such Options) shall be less than the last sales price per share of outstanding Common Stock of the Company on the date of granting such Options or on the date of announcement thereof (whichever is less), then for purposes of paragraph (i) above, the total maximum number of shares of Common Stock issuable upon the exercise of such Options or upon conversion or exchange of the total maximum amount of such Convertible Securities issuable upon the exercise of such Options shall be deemed to have been issued as of the date of granting of such Options and thereafter shall be deemed to be outstanding and the Company shall be deemed to have received as consideration such price per share, determined as provided above, therefor. Except as otherwise provided in paragraph (iv) below, no additional adjustment of the Minimum Price and Maximum Price shall be made upon the actual exercise of such Options or upon conversion or exchange of such Convertible Securities.

(iii) If the Company shall after the date of issuance of this Warrant issue, sell or otherwise distribute or grant (whether directly or by assumption in a merger or otherwise) any Convertible Securities, whether or not the rights to exchange or convert thereunder are immediately exercisable, and the price per share for which Common Stock is issuable upon such conversion or exchange (determined by dividing (A) the aggregate amount received or receivable by the Company as consideration for the issue, sale or distribution of such Convertible Securities, plus, the minimum aggregate amount of additional consideration, if any, payable to the Company upon the conversion or exchange thereof, by (B) the total maximum number of shares of Common Stock issuable upon the conversion or exchange of all such Convertible Securities) shall be less than the last sales price per share of outstanding Common Stock of the Company on the date of such issue, sale or distribution or on the date of announcement thereof (whichever is less), then, for purposes of paragraph (i) above, the total maximum number of shares of Common Stock issuable upon conversion or exchange of all such Convertible

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Securities shall be deemed to have been issued as of the date of the issue, sale or distribution of such Convertible Securities and thereafter shall be deemed to be outstanding and the Company shall be deemed to have received as consideration such price per share, determined as provided above, therefor. Except as otherwise provided in paragraph (iv) below, no additional adjustment of the Minimum Price and Maximum Price shall be made upon the actual conversion or exchange of such Convertible Securities.

(iv) If the purchase price provided for in any Option referred to in paragraph (ii) above, the additional consideration, if any, payable upon the conversion or exchange of any Convertible Securities referred to in paragraph (ii) or (iii) above, or the rate at which any Convertible Securities referred to in paragraph (ii) or (iii) above are convertible into or exchangeable for Common Stock shall change at any time (other than under or by reason of provisions designed to protect against, and having the effect of protecting against, dilution upon an event which results in a related adjustment pursuant to this paragraph 4), the Minimum Price and Maximum Price then in effect shall forthwith be readjusted (effective only with respect to any exercise of this Warrant after such readjustment) to the Maximum Price and Minimum Price which would then be in effect had the adjustment made upon the issue, sale, distribution or grant of such Options or Convertible Securities been made based upon such changed purchase price, additional consideration or conversion rate, as the case may be; provided, however, that such readjustment shall give effect to such change only

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with respect to such Options and Convertible Securities as then remain outstanding. If, at any time after any adjustment of the Minimum Price and Maximum Price shall have been made pursuant to this paragraph 4 on the basis of the issuance of any Option or Convertible Securities or after any new adjustments of the Minimum Price and Maximum Price shall have been made pursuant to this paragraph, the right of conversion, exercise or exchange in such Option or Convertible Securities shall expire or terminate, and the right of conversion, exercise or exchange in respect of a portion of such Option or Convertible Securities shall not have been exercised, such previous adjustment shall be rescinded and annulled. Thereupon, a recomputation shall be made of the effect of such Option or Convertible Securities on the basis of treating the number of shares of Common Stock, if any, theretofore actually issued or issuable pursuant to the previous exercise of such right of conversion, exercise or exchange as having been issued on the date or dates of such conversion, exercise or exchange and for the consideration actually received and receivable therefor, and treating any such Option or Convertible Securities which then remain outstanding as having been granted or issued immediately after the time of any such issuance for the consideration per share for which shares of Common Stock are issuable under such Option or Convertible Securities; and, if and to

the extent called for by the foregoing provisions of this paragraph on the basis aforesaid, a new adjustment of the Minimum Price and Maximum Price shall be made, which new adjustment shall supersede (effective only with respect to any exercise of this Warrant after such readjustment) the previous adjustment so rescinded and annulled.

(v) If the Company shall after the date of issuance of this Warrant pay a dividend or make any other distribution upon any capital stock of the Company payable in Common Stock, options or Convertible Securities, then, for purposes of paragraph (i) above, such Common Stock, Options or Convertible Securities, as the case may be, shall be deemed to have been issued or sold without consideration.

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(vi) If any shares of Common Stock, Options or Convertible Securities shall be issued, sold or distributed for cash, the consideration received therefor shall be deemed to be the amount received by the Company therefor net of any underwriting commissions or concessions paid or allowed by the Company in connection therewith. If any shares of Common Stock, Options or Convertible Securities shall be issued, sold or distributed for a consideration other than cash, the amount of the consideration other than cash received by the Company shall be deemed to be the fair market value of such consideration, as determined in good faith by the Board of Directors of the Company, provided, however, that the fair market value of any security for which a last sales price is available shall be the market price of such security, after deduction of any expenses incurred and any underwriting commissions or concessions paid or allowed by the Company in connection therewith. If any shares of Common Stock, Options or Convertible Securities shall be issued in connection with any merger in which the Company is the surviving corporation, the amount of consideration therefor shall be deemed to be the fair market value, as determined in good faith by the Board of Directors of the Company, of such portion of the assets and business of the nonsurviving corporation as shall be attributable to such Common Stock, Options or Convertible Securities, as the case may be. If any Options shall be issued in connection with the issue and sale of other securities of the Company, together comprising one integral transaction in which no specific consideration is allocated to such Options by the parties thereto, such Options shall be deemed to have been issued for without consideration.

(vii) If the Company shall set a record date for the purpose of entitling the holders of the Common Stock to receive a dividend or other distribution payable in Common Stock, Options or Convertible Securities or to subscribe for or purchase Common Stock, Options or Convertible Securities, then such record date shall be deemed to be the date of the issue, sale, distribution or grant of the shares of Common Stock deemed to have been issued or sold upon the declaration of such dividend or the making of such other distribution or the date of the granting of such right of subscription or purchase, as the case may be.

(viii) For purposes of determining whether any adjustment is required pursuant to this paragraph 4 any security of the Company having rights substantially equivalent to the Common Stock as to dividends or upon liquidation dissolution or winding up of the Company shall be treated as if such security were Common Stock.

(c) If the Company shall after the date of issuance of this Warrant issue or distribute to all or substantially all holders of shares of Common Stock evidences of indebtedness, any other securities of the Company or any property, assets or cash, and if such issuance or distribution does not constitute a Common Stock Reorganization or a Common Stock Distribution (any such nonexcluded event being herein called a "Dividend"), the Minimum Price and Maximum Price shall be decreased (but not increased), effective immediately after the record date at which the holders of shares of Common Stock are determined for purposes of such Dividend, to a number determined by multiplying the Minimum Price and Maximum Price immediately before such Dividend by a fraction, the numerator of which shall be the last sales price per share of outstanding Common Stock of the Company on such record date less the then fair market value, as determined in good faith by the Board of Directors of the Company, of the evidences of indebtedness, securities, cash, or property or other assets issued or distributed in

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such Dividend with respect to one share of Common Stock and the denominator of which shall be the last sales price per share of outstanding Common Stock on such record date. If after the date of issuance of this Warrant the Company repurchases shares of Common Stock for a per share consideration which exceeds the last sales price (as calculated immediately prior to such repurchase), then the Minimum Price and Maximum Price shall be adjusted in accordance with the foregoing provision, as if, in lieu of such repurchases, the Company had (A) distributed a Dividend having a fair market value, as determined in good faith by the Board of Directors of the Company, equal to the fair market value, as determined in good faith by the Board of Directors of the Company, of all property and cash expended in the repurchases, and (B) effected a reverse split of the Common Stock in the proportion required to reduce the number of shares of Common Stock outstanding from (I) the number of such shares outstanding

immediately before such first repurchase to (II) the number of such shares outstanding immediately following all the repurchases. In lieu of the adjustments provided for in this paragraph 4(c) as a result of a Dividend, at the option of Holder, the Company shall instead pay to the Holder a cash Dividend equal to the amount of consideration to which the Holder would have been entitled if the Holder had fully exercised this Warrant immediately prior to the record date at which the holders of shares of Common Stock were determined for purposes of such Dividend.

(d) If after the date of issuance of this Warrant there shall be any consolidation or merger to which the Company is a party, other than a consolidation or a merger in which the Company is a continuing corporation and which does not result in any reclassification of, or change (other than a Common Stock Reorganization or a change in par value), in, outstanding shares of Common Stock, or any sale or conveyance of the property of the Company as an entirety or substantially as an entirety (any such event being called a "Capital Reorganization"), then, effective upon the effective date of such Capital Reorganization, the Holder shall have the right to purchase, upon exercise of this Warrant and in lieu of the shares of Common Stock immediately theretofore purchasable hereunder, the kind and amount of shares of stock and other securities and property (including cash) which the Holder would have owned or have been entitled to receive after such Capital Reorganization if this Warrant had been exercised immediately prior to such Capital Reorganization, assuming such holder (i) is not a person with which the Company consolidated or into which the Company merged or which merged into the Company or to which such sale or conveyance was made, as the case may be ("constituent person"), or an Affiliate of a constituent person and (ii) failed to exercise his rights of election, if any, as to the kind or amount of securities, cash or other property receivable upon such Capital Reorganization (provided that if the kind or amount of securities, cash or other property receivable upon such Capital Reorganization is not the same for each share of Common Stock held immediately prior to such consolidation, merger, sale or conveyance by other than a constituent person or an affiliate thereof and in respect of which such rights of election shall not have been exercised ("non-electing share"), then for the purposes of this paragraph the kind and amount of shares of stock and other securities or other property (including cash) receivable upon such Capital Reorganization shall be deemed to be the kind and amount so receivable per share by a plurality of the non-electing shares). As a condition to effecting any Capital Reorganization, the Company or the successor or surviving corporation, as the case may be, shall execute and deliver to the Holder an agreement as to the Holder's rights in accordance with this paragraph 4(d), providing for subsequent adjustments as nearly equivalent as may be practicable to the adjustments provided for in this paragraph 4. The provisions of this paragraph 4(d) shall similarly apply to successive Capital Reorganizations.

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(e) If after the date of the issuance of this Warrant the Company shall issue by reclassification of its shares of Common Stock other securities of the Company, then the number of shares of Common Stock purchasable upon exercise of the Warrant immediately prior to such issuance shall be adjusted so that the Holder upon exercise hereof shall be entitled to receive the kind and number of shares of Common Stock or other securities of the Company which it would have owned or have been entitled to receive after such issuance, had this Warrant been exercised immediately prior to such issuance or any record date with respect thereto. An adjustment made pursuant to this paragraph 4(e) shall become effective upon the date of the issuance retroactive to the record date with respect thereto, if any. Such adjustment shall be made successively whenever such an issuance is made.

(f) If any event occurs after the date of issuance of this Warrant as to which the foregoing provisions of this paragraph 4 are not strictly applicable or, if strictly applicable, would not, in the good faith judgment of the Board of Directors of the Company, fairly protect the purchase rights of the Warrant in accordance with the essential intent and principles of such provisions, then such Board shall make such adjustments in the application of such provisions, in accordance with such essential intent and principles, as shall be reasonably necessary, in the good faith opinion of such Board, to protect such purchase rights as aforesaid, but in no event shall any such adjustment have the effect of increasing the Minimum Price or Maximum Price, or otherwise adversely affect the Holder.

(g) (i) Any adjustments pursuant to this paragraph 4 shall be made successively whenever an event referred to herein shall occur.

(ii) If the Company shall set a record date to determine the holders of shares of Common Stock for purposes of a Common Stock Reorganization, Common Stock Distribution, Dividend or Capital Reorganization, and shall legally abandon such action prior to effecting such Action, then no adjustment shall be made pursuant to this paragraph 4 in respect of such action.

(iii) No adjustment in the Minimum Price and Maximum Price shall be made hereunder unless such adjustment decreases such amount or price by one percent or more, but any such lesser adjustment shall be carried forward and shall be made at the time and together with the next subsequent adjustment which together with any adjustments so carried forward shall serve to adjust such

amount or price by one percent or more.

(iv) No adjustment in the Minimum Price shall be made hereunder if such adjustment would reduce the exercise price to an amount below par value of the Common Stock, which par value shall initially be \$0.01 per share of Common Stock.

(v) No adjustment shall be made pursuant to this paragraph 4 in respect of (A) exercises or conversions of any rights, warrants, options, or convertible securities outstanding on the date hereof, (B) the issuance (or deemed issuance) or repurchase of shares of Common Stock in connection with the exercise of the Warrant or (C) the issuance of shares of Common Stock in an underwritten public offering managed by a nationally recognized investment banking firm.

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(vi) The Holder may at any time decline any adjustment which would otherwise be made under this paragraph 4.

(h) As a condition precedent to the taking of any action which would require an adjustment pursuant to this paragraph 4, the Company shall take any action which may be necessary, including obtaining regulatory approvals or exemptions, in order that the Company may thereafter validly and legally issue as fully paid and nonassessable all shares of Common Stock which the Holder is entitled to receive upon exercise thereof.

(i) Not less than 30 nor more than 40 days prior to the record date or effective date, as the case may be, of any action which requires or might require an adjustment or readjustment pursuant to this paragraph 4, the Company shall give notice to the Holder of such event, describing such event in reasonable detail and specifying the record date or effective date, as the case may be, and, if determinable, the required adjustment and the computation thereof, if applicable. If the required adjustment is not determinable at the time of such notice, the Company shall give notice to the Holder of such adjustment and computation promptly after such adjustment becomes determinable. If the Holder objects to any such notice within 30 days of receipt of the Company's notice, the adjustment will be deemed accepted by the Holder.

5. Upon receipt of evidence satisfactory to the Company of the loss, theft, destruction or mutilation of any Warrant and, in the case of any such loss, theft or destruction, upon receipt of indemnity or security reasonably satisfactory to the Company (the original Warrantholder's indemnity being satisfactory indemnity in the event of loss, theft or destruction of any Warrant owned by such holder), or, in the case of any such mutilation, upon surrender and cancellation of such Warrant, the Company will make and deliver, in lieu of such lost, stolen, destroyed or mutilated Warrant, a new Warrant of like tenor and representing the right to purchase the same aggregate number of shares of Common Stock as provided for in such lost, stolen, destroyed or mutilated Warrant.

6. This Warrant shall not entitle the Holder hereof to any voting rights or other rights as a stockholder of the Company.

7. (a) The Holder of this Warrant, by acceptance hereof, agrees to give written notice to the Company before transferring this Warrant or transferring any Common Stock issuable or issued upon the exercise hereof of such Holder's intention to do so, describing briefly the manner of any proposed transfer of this Warrant or such Holder's intention as to the disposition to be made of shares of Common Stock issuable or issued upon the exercise hereof. Such Holder shall also provide the Company with an opinion of counsel reasonably satisfactory to the Company to the effect that the proposed transfer of this Warrant or disposition of shares received upon exercise hereof may be effected without registration or qualification (under any Federal or State law) and without causing the loss of the applicable securities law registration exemption(s) relied upon by the Company when it issued this Warrant. Upon receipt of such written notice and opinion by the Company, such Holder shall be entitled to transfer this Warrant, or to exercise this Warrant in accordance with its terms and dispose of the shares

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received upon such exercise or to dispose of shares of Common Stock received upon the previous exercise of this Warrant, all in accordance with the terms of the notice delivered by such Holder to the Company, provided that an appropriate legend respecting the aforesaid restrictions on transfer and disposition shall be endorsed on this Warrant or the certificates for such shares.

(b) This Warrant (and the shares of Common Stock issuable upon the exercise of this Warrant) is entitled to the benefit of certain registration rights pursuant to a Registration Rights Agreement, a copy of which is attached hereto as Schedule 1.

8. Subject to the provisions of paragraph 7 hereof, this Warrant and all rights hereunder are transferable, in whole or in part, without charge to the Holder hereof, at the principal office of the Company by the Holder hereof

in person or by its duly authorized attorney, upon surrender of this Warrant properly endorsed and this Warrant is exchangeable, upon the surrender hereof by the Holder hereof at the office of the Company, for new Warrants of like tenor representing in the aggregate the right to subscribe for and purchase the number of shares which may be subscribed for and purchased hereunder, each of such new Warrants to represent the rights to subscribe for and purchase such number of shares as shall be designated by said Holder hereof at the time of such surrender. Each taker and Holder of this Warrant, by taking or holding the same, consents and agrees that the bearer of this Warrant, when endorsed, may be treated by the Company and all other persons dealing with this Warrant as the absolute owner hereof for any purpose and as the person entitled to exercise the rights represented by this Warrant, or to transfer hereof on the books of the Company, any notice to the contrary notwithstanding; but until such transfer on such books, the Company may treat the registered Holder hereof as the owner for all purposes.

9. Any notices required or permitted to be given under the terms of this Warrant shall be sent by certified or registered mail (with return receipt requested) or delivered personally or by courier (including a nationally recognized overnight delivery service) or by facsimile transmission. Any notice so given shall be deemed effective three days after being deposited in the U.S. Mail, or upon receipt if delivered personally or by courier or facsimile transmission, in each case addressed to a party at the following address or such other address as each such party furnishes to the other in accordance with this paragraph 9:

If to the Company:

The Female Health Company  
875 North Michigan Avenue  
Suite 3660  
Chicago, IL 60611  
Telephone: (312) 280-1119  
Facsimile: (312) 280-9360  
Attention: Mr. O.B. Parrish

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with a copy to:

Reinhart, Boerner, Van Deuren,  
Norris & Rieselbach, s.c.  
1000 North Water Street  
Suite 2100  
Milwaukee, WI 53202  
Telephone: (414) 298-1000  
Facsimile: (414) 298-8097  
Attention: Mr. James M. Bedore, Esq.

If to the Holder:

Heartland Bank  
212 S. Central Avenue  
St. Louis, Missouri 63105  
Telephone: (314) 512-8500  
Facsimile : (314) 512-8501  
Attention: David Puricelli and Andrew S. Love

with a copy to:

Bryan Cave LLP  
One Metropolitan Square  
Suite 3600  
St. Louis, MO 63102  
Telephone: (314) 259-2000  
Facsimile: (314) 259-2020  
Attention: Mr. Mark B. Hillis, Esq.

10. (a) No failure or delay of the Holder in exercising any power or right hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or power, or any abandonment or discontinuance of steps to enforce such a right or power, preclude any other or further exercise thereof or the exercise of any other right or power. The rights and remedies of the Holder are cumulative and not exclusive of any rights or remedies which it would otherwise have. The provisions of this Warrant may be amended, modified or waived with (and only with) the written consent of the Company and the Holder. The provisions of the Registration Rights Agreement may be amended, modified or waived only in accordance with the respective provisions thereof.

(b) Any such amendment, modification or waiver effected pursuant to this paragraph 10 or the applicable provisions of the Registration Rights Agreement shall be binding upon the Holder of the Warrant and Common Stock issuable upon exercise, upon each future holder thereof and upon the Company. In the event of any such amendment, modification or waiver the Company shall give prompt notice thereof to the Holder and, if appropriate, notation thereof shall be made on any Warrant thereafter surrendered for registration of transfer or exchange. No notice or demand on the Company in any case shall entitle the

Company to any other or further notice or demand in similar or other circumstances.

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11. All representations, warranties and covenants made by the Company herein or in any certificate or other instrument delivered by or on behalf of it in connection with the Warrant shall be considered to have been relied upon by the Holder and shall survive the issuance and delivery of the Warrant, regardless of any investigation made by the Holder, and shall continue in full force and effect so long as any Warrant is outstanding. All statements in any such certificate or other instrument shall constitute representations and warranties hereunder.

12. All covenants, stipulations, promises and agreements contained in this Warrant by or on behalf of the Company shall bind its successors and assigns, whether so expressed or not.

13. In case any one or more of the provisions contained in the Registration Rights Agreement or this Warrant shall be invalid, illegal or unenforceable in any respect, the validity, legality or enforceability of the remaining provisions contained herein and therein shall not in any way be affected or impaired thereby. The parties shall endeavor in good faith negotiations to replace the invalid, illegal or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the invalid, illegal or unenforceable provisions.

14. The Company shall not by any action including, without limitation, amending its certificate of incorporation or through any reorganization, transfer of assets, consolidation, merger, dissolution, issue or sale of securities or any other voluntary action, avoid or seek to avoid the observance or performance of any at the terms of this Warrant, but will at all times in good faith assist in the carrying out of all such terms and in the taking of all such actions as may be necessary or appropriate to protect the rights of the Holder against impairment. Without limiting the generality of the foregoing, the Company will (a) not, directly or indirectly, increase the par value of any shares of Common Stock receivable upon the exercise of this warrant above the amount payable therefor upon such exercise immediately prior to such increase in par value, (b) take all such action as may be necessary or appropriate in order that the Company may validly and legally issue fully paid and nonassessable (subject to Wisconsin law) shares of Common Stock upon the exercise of this warrant, and (c) use its commercially reasonable best efforts to obtain all such authorizations exemptions or consents from any public regulatory body having jurisdiction thereof as may be necessary to enable the Company to perform its obligations under this Warrant.

15. (a) Any legal action or proceeding with respect to this Warrant may be brought in the courts of the State of Missouri located in St. Louis County or the City of St. Louis or of the United States for the Eastern District of Missouri, and, by execution and delivery of this Warrant, the Company irrevocably accepts for itself and in respect of its property, generally and unconditionally, the non-exclusive jurisdiction of the aforesaid courts. The Company hereby waives personal service of any and all process upon it and consents that all such service of process may be made by registered mail (return receipt requested) directed to the Company at its address set forth in paragraph 9 and service so made shall be deemed to be completed five (5) days after the same shall have been deposited in the U.S. mails. Nothing herein shall affect the right of the Holder to serve process in any other manner permitted by law or to commence legal proceedings or otherwise proceed against the Company in any other jurisdiction.

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(b) The Company hereby irrevocably waives any objection which it may now or hereafter have to the laying of venue of any of the aforesaid actions or proceedings arising out of or in connection with this Warrant brought in the courts referred to in clause (a) above and hereby further irrevocably waives and agrees not to plead or claim in any such court that any such action or proceeding brought in any such court has been brought in an inconvenient forum.

16. All questions concerning this Warrant will be governed and interpreted and enforced in accordance with the laws of the State of Missouri, without giving effect to rules governing the conflict of laws.

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

THE FEMALE HEALTH COMPANY

By \_\_\_\_\_

Its

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13  
FORM OF ASSIGNMENT  
(To Be Signed Only Upon Assignment)

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto \_\_\_\_\_ all of the rights of the undersigned under this Warrant, with respect to the guarantee amount set forth below, and appoints \_\_\_\_\_ to transfer this Warrant on the books of The Female Health Company with the full power of substitution in the premises.

<TABLE>  
<CAPTION>

NAME OF ASSIGNEE    ADDRESS    GUARANTEE AMOUNT  
-----  
<S>                    <C>            <C>  
</TABLE>

Dated: \_\_\_\_\_

In the presence of:

\_\_\_\_\_  
(Signature must conform in all respects to the name of the holder as specified on the face of this Warrant without alteration, enlargement or any change whatsoever, and the signature must be guaranteed in the usual manner.)

14  
SUBSCRIPTION FORM

To be Executed by the Holder of this Warrant if such Holder  
Desires to Exercise this Warrant in Whole or in Part:

To:     THE FEMALE HEALTH COMPANY (the "Company")

The undersigned \_\_\_\_\_

Please insert Social Security or other  
identifying number of Subscriber:

\_\_\_\_\_

hereby irrevocably elects to exercise the right of purchase represented by this Warrant for, and to purchase thereunder, \_\_\_\_\_ shares of the Common Stock provided for therein and tenders payment herewith to the order of the Company in the amount of \$\_\_\_\_\_, such payment being made as provided on the face of this Warrant, based upon an exercise with respect to a Guarantee Amount of \$\_\_\_\_\_ and a purchase price of \$\_\_\_\_\_ per share.

Please issue a new Warrant for the unexercised portion of the attached Warrant in the name of the undersigned or in such other name as is specified below.

The undersigned requests that certificates for such shares of Common Stock be issued as follows:

Name:

Address:

Deliver to:

Address:

Dated:                    Signature \_\_\_\_\_

Note: The signature on this Subscription Form must correspond with the name as written upon the face of this Warrant in every particular, without alteration or enlargement or any change whatever.





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.

\$100,000

June 1, 2001

FOR VALUE RECEIVED, THE FEMALE HEALTH COMPANY, a Wisconsin corporation, promises to pay to the order of LARRY FEY, at 655 N. LaGrange Road, Suite 202, Frankfort, IL 60423, the principal sum of One Hundred Thousand Dollars (\$100,000) on May 30, 2004.

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 10% 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 price of \$0.50 per share (the "Conversion Price").

In case the Company shall at any time subdivide its outstanding shares of Common Stock into a greater number of shares (including through a stock split, stock dividend or similar transaction), the Conversion Price in effect immediately prior to such subdivision shall be proportionately reduced, and conversely, in case the outstanding shares of Common Stock of the Company shall be combined into a smaller number of shares (including through a reverse stock split or similar transaction), the Conversion Price in effect immediately prior to such combination shall be proportionately increased.

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 Female Health Company 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: \_\_\_\_\_  
O.B. Parrish, Chairman of the Board  
and Chief Executive Officer

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.

\$100,000

June 1, 2001

FOR VALUE RECEIVED, THE FEMALE HEALTH COMPANY, a Wisconsin corporation, promises to pay to the order of the DR. JAMES P. ELMES IRA, c/o Larry Fey, at 655 N. LaGrange Road, Suite 202, Frankfort, IL 60423, the principal sum of One Hundred Thousand Dollars (\$100,000) on May 30, 2004.

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 10% 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 price of \$0.50 per share (the "Conversion Price").

In case the Company shall at any time subdivide its outstanding shares of Common Stock into a greater number of shares (including through a stock split, stock dividend or similar transaction), the Conversion Price in effect immediately prior to such subdivision shall be proportionately reduced, and conversely, in case the outstanding shares of Common Stock of the Company shall be combined into a smaller number of shares (including through a reverse stock split or similar transaction), the Conversion Price in effect immediately prior to such combination shall be proportionately increased.

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 Female Health Company 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: \_\_\_\_\_  
O.B. Parrish, Chairman of the Board  
and Chief Executive Officer

AMENDED AND RESTATED  
PROMISSORY NOTE  
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\$1,000,000.00

March 25, 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 One Million Dollars (\$1,000,000.00), payable in full on March 25, 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 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 March 25, 2000, which Note was issued in replacement of the Note originally issued under a Note Purchase and Warrant Agreement dated as of March 25, 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: \_\_\_\_\_

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.

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WARRANT

FOR THE PURCHASE OF  
COMMON STOCK

OF

THE FEMALE HEALTH COMPANY

Warrant Number 11

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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"), 250,000 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

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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) March 25, 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 \$0.45 (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

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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.

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

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Warrant may be exercised by the Holder, in whole or in part, at any time and from time to time on or after March 25, 2001, and prior to 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.  
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(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

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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  
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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.

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

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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

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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

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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 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

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Demand Registration as defined in any of the Dearholt Stock Documents referenced in Section 12.1(a) hereof.

(a) Number of Registrations. Notwithstanding any

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contrary provision contained in this document, the Note Purchase and Warrant Agreement between the Company and Stephen M. Dearholt dated March 25, 1999, the Stock Issuance Agreement between such parties dated March 25, 1999 (the "1999 Stock Issuance Agreement"), and such other documents, agreements and warrants that the Holder may demand registration under the Securities Act (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 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

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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

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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

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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

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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

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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

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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

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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;

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(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;

(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

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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

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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

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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

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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

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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

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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 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

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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

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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.

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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 March 25, 2001.

THE FEMALE HEALTH COMPANY

By: \_\_\_\_\_  
O.B. Parrish  
Chairman of the Board  
and Chief Executive Officer

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AMENDED AND RESTATED  
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, 2004.

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 70% of the "market price" of the Common Stock as of the day immediately prior to the interest payment date, but in no event shall such "market price" be less than \$0.50. To elect to receive a quarterly interest payment in shares of The Female Health Company's Common Stock, the holder hereof must provide written notice to The Female Health Company within ten days prior to the relevant 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 \$0.50 per share.

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.

This Convertible Debenture amends and restates the Convertible Debenture from The Female Health Company to the holder in the principal amount of \$250,000 originally due on March 30, 2002.

THE FEMALE HEALTH COMPANY

By: /s/ O.B. Parrish

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