

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2010

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number 1-13602

The Female Health Company
(Name of registrant as specified in its charter)

Wisconsin
(State of Incorporation)

39-1144397
(I.R.S. Employer Identification No.)

515 N. State Street, Suite 2225
Chicago, IL
(Address of principal executive offices)

60654
(Zip Code)

312-595-9123
(Registrant's telephone number, including area code)

N/A
(Former Name or Former Address, if Changed Since Last Report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes
No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes
No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller company. See the definitions of "large accelerated filer", "accelerated filer", and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as determined by rule 12b-2 of the Exchange Act). Yes No

As of May 6, 2010, the registrant had 27,477,930 shares of \$0.01 par value common stock outstanding.

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-Q 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 working capital requirements and advertising and promotional expenditures; 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 facilities 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; payment of dividends is in the discretion of the Board of Directors and the Company may not have sufficient cash flows to continue to pay dividends; and developments or assertions by or against the Company relating to intellectual property rights.

THE FEMALE HEALTH COMPANY AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS

ASSETS	March 31, 2010	September 30, 2009
Current Assets:		
Cash	\$ 5,167,088	\$ 2,810,197
Restricted cash	99,463	105,074
Accounts receivable, net	3,851,025	7,806,007
Income tax recoverable	68,106	68,106
Inventories, net	1,025,106	1,203,063
Prepaid expenses and other current assets	381,948	429,602
Deferred income taxes	2,181,000	2,181,000
TOTAL CURRENT ASSETS	12,773,736	14,603,049
Other Assets	102,018	87,621
EQUIPMENT, FURNITURE AND FIXTURES		
Equipment not yet in service	-	166,226
Equipment, furniture and fixtures	7,210,207	7,037,099
Total equipment, furniture and fixtures	7,210,207	7,203,325
Less accumulated depreciation and amortization	(4,614,836)	(4,381,709)
	2,595,371	2,821,616
Deferred income taxes – LT	1,028,149	1,028,149
TOTAL ASSETS	\$ 16,499,274	\$ 18,540,435
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	\$ 575,778	\$ 602,196
Accrued expenses and other current liabilities	759,526	1,420,099
Accrued compensation	879,851	1,597,662
Restructuring accrual	733,670	1,116,911
Accrued dividends	1,383,459	-
Deferred gain on sale of facility	-	657,605
TOTAL CURRENT LIABILITIES	4,332,284	5,394,473
Obligations under capital leases	20,016	34,428
Deferred grant income	144,727	157,143
TOTAL LIABILITIES	4,497,027	5,586,044
Commitments and Contingencies	-	-
STOCKHOLDERS' EQUITY:		
Convertible preferred stock, Class A, Series 1	-	-
Convertible preferred stock, Class A, Series 3	-	-
Common stock	293,465	283,828
Additional paid-in-capital	67,181,767	66,395,902
Accumulated other comprehensive loss	(581,519)	(581,519)
Accumulated deficit	(48,755,588)	(47,143,309)
Treasury stock, at cost	(6,135,878)	(6,000,511)
TOTAL STOCKHOLDERS' EQUITY	12,002,247	12,954,391
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 16,499,274	\$ 18,540,435

See notes to unaudited condensed consolidated financial statements.

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

	Three Months Ended March 31,	
	2010	2009
Product sales	\$ 7,179,147	\$ 7,274,570
Royalty income	-	44,939
Net revenues	<u>7,179,147</u>	<u>7,319,509</u>
Cost of sales	<u>2,999,124</u>	<u>3,426,574</u>
Gross profit	<u>4,180,023</u>	<u>3,892,935</u>
Advertising and promotion	89,311	30,377
Selling, general and administrative	2,128,257	1,587,723
Research and development	-	24,354
Restructuring costs, net	<u>71,747</u>	<u>-</u>
Total operating expenses	<u>2,289,315</u>	<u>1,642,454</u>
Operating income	<u>1,890,708</u>	<u>2,250,481</u>
Non-operating loss:		
Interest, net and other (income) expense	(5,007)	590
Foreign currency transaction loss	<u>30,760</u>	<u>194,286</u>
	<u>25,753</u>	<u>194,876</u>
Income before income taxes	1,864,955	2,055,605
Income tax expense	<u>20,424</u>	<u>81,039</u>
Net income	1,844,531	1,974,566
Preferred dividends, Class A, Series 3	<u>-</u>	<u>22,780</u>
Net income attributable to common stockholders	<u>\$ 1,844,531</u>	<u>\$ 1,951,786</u>
Basic earnings per common share outstanding	\$ 0.07	\$ 0.08
Basic weighted average common shares outstanding	27,211,526	25,489,097
Diluted earnings per common share outstanding	\$ 0.06	\$ 0.07
Diluted weighted average common shares outstanding	28,861,955	27,747,588

See notes to unaudited condensed consolidated financial statements.

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

	Six Months Ended March 31,	
	2010	2009
Product sales	\$ 12,667,708	\$ 12,586,026
Royalty income	113	78,321
Net revenues	<u>12,667,821</u>	<u>12,664,347</u>
Cost of sales	<u>5,284,938</u>	<u>6,330,218</u>
Gross profit	<u>7,382,883</u>	<u>6,334,129</u>
Advertising and promotion	159,161	101,171
Selling, general and administrative	3,988,664	3,448,767
Research and development	381	94,774
Restructuring costs	1,968,100	-
Total operating expenses	<u>6,116,306</u>	<u>3,644,712</u>
Operating income	<u>1,266,577</u>	<u>2,689,417</u>
Non-operating loss (income):		
Interest, net and other income	(17,338)	(8,299)
Foreign currency transaction loss (gain)	79,449	(999,820)
	<u>62,111</u>	<u>(1,008,119)</u>
Income before income taxes	1,204,466	3,697,536
Income tax expense	<u>58,285</u>	<u>89,579</u>
Net income	1,146,181	3,607,957
Preferred dividends, Class A, Series 3	-	47,355
Net income attributable to common stockholders	<u>\$ 1,146,181</u>	<u>\$ 3,560,602</u>
Basic earnings per common share outstanding	\$ 0.04	\$ 0.14
Basic weighted average common shares outstanding	26,751,043	25,656,480
Diluted earnings per common share outstanding	\$ 0.04	\$ 0.13
Diluted weighted average common shares outstanding	28,347,734	27,852,443

See notes to unaudited condensed consolidated financial statements.

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

	Six months Ended March 31,	
	2010	2009
OPERATIONS		
Net income	\$ 1,146,181	\$ 3,607,957
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	213,423	55,490
Amortization of deferred gain on sale/leaseback	(657,605)	(42,936)
Amortization of deferred income from grant – BLCF	(12,416)	(11,757)
Interest added to certificate of deposit	(1,401)	(1,334)
Employee stock compensation	248,335	149,184
Changes in operating assets and liabilities	2,378,070	(480,575)
Net cash provided by operating activities	<u>3,314,587</u>	<u>3,276,029</u>
INVESTING ACTIVITIES		
Decrease in restricted cash	5,611	9,177
Capital expenditures	(6,878)	(516,913)
Net cash used in investing activities	<u>(1,267)</u>	<u>(507,736)</u>
FINANCING ACTIVITIES		
Proceeds from exercise of stock options	157,900	39,900
Proceeds from exercise of warrants	725,600	-
Taxes paid in lieu of shares	(313,760)	-
Purchases of common stock for treasury shares	(135,367)	(2,575,411)
Dividends paid on preferred stock	-	(49,643)
Dividends paid on common stock	(1,374,999)	-
Payment on capital lease obligations	(15,803)	(18,766)
Net cash used in financing activities	<u>(956,429)</u>	<u>(2,603,920)</u>
Effect of exchange rate changes on cash	-	(540,244)
Net increase (decrease) in cash	2,356,891	(375,871)
Cash at beginning of period	<u>2,810,197</u>	<u>1,922,148</u>
CASH AT END OF PERIOD	<u><u>\$ 5,167,088</u></u>	<u><u>\$ 1,546,277</u></u>
Schedule of noncash financing and investing activities:		
Income taxes paid	78,285	89,579
Reduction of accrued expense upon issuance of shares	92,180	72,688
Dividends declared (includes \$9,200 unpaid dividend on restricted stock)	1,383,459	-
Preferred dividends declared	-	22,780
Foreign currency translation adjustment	-	(1,287,201)

See notes to unaudited condensed consolidated financial statements.

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

NOTE 1 - Basis of Presentation

The accompanying financial statements are unaudited but in the opinion of management contain all the adjustments (consisting of those of a normal recurring nature) considered necessary to present fairly the financial position and the results of operations and cash flow for the periods presented in conformity with generally accepted accounting principles for interim financial information and the instructions to Form 10-Q and Article 8 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by United States generally accepted accounting principles for complete financial statements.

Operating results for the three months and six months ended March 31, 2010 are not necessarily indicative of the results that may be expected for the fiscal year ending September 30, 2010. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's annual report on Form 10-K for the fiscal year ended September 30, 2009.

Principles of Consolidation and Nature of Operations

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, The Female Health Company – UK, and its wholly owned subsidiaries, The Female Health Company - UK, plc and The Female Health Company (M) SDN. BHD. 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, the FC2 Female Condom ("FC2"). The Female Health Company - UK, is the holding company of The Female Health Company - UK, plc, which is located in a 40,000 sq. ft. leased manufacturing facility located in London, England. The Female Health Company (M) SDN.BHD leases a 16,000 sq. ft. manufacturing facility located in Selangor D.E., Malaysia.

The FC2 Female Condom is currently sold or available in either or both commercial (private sector) and public sector markets in 107 countries. The product is marketed directly to consumers in 11 countries by various country-specific commercial partners. The Company's standard credit terms vary from 30 to 90 days, depending on the class of trade and customary terms within a territory, so accounts receivable is affected by the mix of purchasers within the quarter. As is typical in the Company's business, extended credit terms may occasionally be offered as a sales promotion. For the past twelve months, the Company's average days sales outstanding has averaged approximately 69 days. Over the past five years, the Company's bad debt expense has been less than .01% of product sales.

The Company also derives revenue from licensing its intellectual property under an agreement with its business partner, Hindustan Lifecare Limited ("HLL"). HLL is authorized to manufacture FC2 at HLL's facility in Kochi, India for sale in India. HLL is the Company's exclusive distributor in India and the Company receives a royalty based on the number of units sold by HLL in India. Such revenue appears as royalty income on the Consolidated Statements of Income for the three and six months ended March 31, 2010 and 2009, and is recognized in the period in which the sale is made by HLL.

Restricted cash

Restricted cash relates to security provided to one of the Company's U.K. banks for performance bonds issued in favor of customers. Such security has been extended infrequently and only on occasions where it has been a contract term expressly stipulated as an absolute requirement by the funds provider. The expiration of the bond is defined by the completion of the event such as, but not limited to, delivery of goods or at a period of time after product has been distributed.

Settlement of Intercompany Loan

In December, 2008, a long term intercompany loan from the U.S. parent to the U.K. subsidiary in the amount of \$3,572,733 was retired in exchange for a reduction in the intercompany trade accounts payable to the U.K. subsidiary from the U.S. parent company. The settlement of this long term intercompany loan resulted in a foreign currency translation loss of approximately \$135,000 which was recognized as a decrease to other comprehensive income.

Foreign Currency and Change in Functional Currency

In accordance with Accounting Standards Codification (ASC) 830, *Foreign Currency Matters*, the Company considers various economic factors (i.e., cash flow, sales price, sales market, expenses, financing, intercompany transactions and arrangements), both individually and collectively, in determining the functional currency of its subsidiaries. Historically, the Company's manufacturing operations were based in the U.K. and the Company had one product, FC1. Prior to October 1, 2009, the functional currency of the Company's U.K. and Malaysian subsidiaries was the local currency (British pound sterling and Malaysian ringgit). Effective October 1, 2009, the Company determined that there were significant changes in facts and circumstances which prompted a change in functional currency of its subsidiaries and concluded that the U.S. dollar is the currency with the most significant influence. Although sales of the first generation product, FC1, were denominated in both U.S. dollars and British pounds sterling, FC2 sales are denominated in the U.S. dollar only. Because all of the Company's U.K. subsidiary's future sales and cash flows would be denominated in U.S. dollars following the October 2009 cessation of FC1 production, the U.K. subsidiary adopted the U.S. dollar as its functional currency effective October 1, 2009. As the Malaysia subsidiary is a direct and integral component of the U.K. parent's operations, it, too, adopted the U.S. dollar as its functional currency as of October 1, 2009. Due to the change in functional currency discussed above and lower volatility in foreign currency exchange rates for the six months ended March 31, 2010, the Company recognized a foreign currency transaction loss of \$30,760 and \$79,449 for the three and six months ended March 31, 2010, respectively, compared to a loss of \$194,286 and gain of \$999,820 recognized for the three and six months ended March 31, 2009, respectively. The consistent use of the U.S. dollar as functional currency across the Company will reduce its foreign currency risk as well as stabilize its operating results.

NOTE 2 – Earnings per Share

Basic EPS is computed by dividing income attributable to common stockholders by the weighted average number of common shares outstanding for the period. In the diluted earnings per share calculation, the numerator is the sum of net income attributable to common stockholders and preferred dividends. 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 shares and the exercise of stock options and warrants and unvested shares granted to employees, as well as the incremental common shares issuable upon conversion of convertible preferred shares.

	Three Months Ended		Six Months Ended	
	March 31,		March 31,	
	2010	2009	2010	2009
Denominator:				
Weighted average common shares outstanding – basic	27,211,526	25,489,097	26,751,043	25,656,480
Net effect of dilutive securities:				
Options	1,372,210	927,315	1,320,270	887,138
Warrants	62,969	830,368	61,171	808,017
Convertible preferred stock	-	276,058	-	276,058
Unvested restricted shares	215,250	224,750	215,250	224,750
Total net effect of dilutive securities	1,650,429	2,258,491	1,596,691	2,195,963
Weighted average common shares outstanding – diluted	28,861,955	27,747,588	28,347,734	27,852,443
Earnings per common share – basic	\$ 0.07	\$ 0.08	\$ 0.04	\$ 0.14
Earnings per common share – diluted	\$ 0.06	\$ 0.07	\$ 0.04	\$ 0.13

All the outstanding warrants and stock options were included in the computation of diluted net income per share during the three and six months ended March 31, 2010, and March 31, 2009.

NOTE 3 - Comprehensive Income

Total comprehensive income was \$1,844,531 and \$1,146,181 for the three and six months ended March 31, 2010, respectively, as there was no foreign currency effect in the current period. Total comprehensive income was \$1,977,791 and \$2,320,756 for the three and six months ended March 31, 2009, respectively.

NOTE 4 - Inventories

The components of inventory consist of the following:

	March 31,	September 30,
	2010	2009
Raw material and work in process	\$ 711,578	\$ 824,824
Finished goods	349,528	474,239
Inventory, gross	1,061,106	1,299,063
Less: inventory reserves	(36,000)	(96,000)
Inventory, net	\$ 1,025,106	\$ 1,203,063

NOTE 5 – Share-Based Compensation

In March 2008, the Company’s shareholders approved the 2008 Stock Incentive Plan which will be utilized to provide equity opportunities and performance-based incentives to attract, retain and motivate those persons who make (or are expected to make) important contributions to the Company. A total of 2,000,000 shares are available for issuance under the plan. As of March 31, 2010, 412,182 shares had been issued under the plan; no shares were issued in the quarter then ended.

Stock Option Plans

Under the Company’s previous share based long-term incentive compensation plan, the 1997 Stock Option Plan, the Company granted non-qualified stock options to employees. There are no shares available for grant under the plan which expired on December 31, 2006. Options issued under that plan expire in 10 years and generally vested 1/36 per month, with full vesting after three years.

Compensation expense is recognized only for share-based payments expected to vest. The Company estimates forfeitures at the date of grant based on historical experience and future expectations. The Company recognized share-based compensation expense for stock options of approximately \$23,000 and \$47,000 in selling, general and administrative expenses in the Consolidated Statements of Income for the three and six months ended March 31, 2010, respectively, and \$12,000 and \$24,000 for the three and six months ended March 31, 2009, respectively.

The Company did not grant any options during either the six months ended March 31, 2010 or 2009.

The following table summarizes the Company’s option activity during the six months ended March 31, 2010:

Option Activity:

	Number of Shares	Weighted Average Exercise Price
Outstanding at September 30, 2009	2,269,000	\$ 1.58
Granted	-	-
Exercised	(405,000)	1.41
Expired or forfeited	-	-
Outstanding at March 31, 2010	1,864,000	\$ 1.61

During the three and six months ended March 31, 2010, a number of stock option holders exercised 285,000 and 295,000 stock options, respectively, using the cashless exercise option available under the plan which entitled them to 157,900 and 165,258 shares of common stock, respectively. During the six months ended March 31, 2010, proceeds of \$157,900 were received from the exercise of 110,000 stock options. The intrinsic value of the options exercised was \$1,637,000 and \$1,676,000 for the three and six months ended March 31, 2010, respectively. During the three and six months ended March 31, 2009, proceeds of \$32,900 and \$39,900 were received from the exercise of 23,500 and 28,500 stock options, respectively. The intrinsic value of the options exercised was \$50,065 and \$57,565 for the three and six months ended March 31, 2009, respectively. There was no realized tax benefit from options exercised for the three and six months ended March 31, 2010 and March 31, 2009 based on the “with and without” approach.

The following table summarizes the stock options outstanding and exercisable at March 31, 2010:

	Number Outstanding At 03/31/10	Wghted. Avg. Remaining Life	Wghted. Avg. Exercise Price	Aggregate Intrinsic Value	Number Exercisable At 03/31/10	Wghted Avg. Remaining Life	Wghted. Avg. Exercise Price	Aggregate Intrinsic Value
Total	1,864,000	3.88	\$ 1.61	\$ 10,361,681	1,755,667	3.56	\$ 1.47	\$ 10,009,597

The aggregate intrinsic value in the table above is before income taxes, based on the Company's closing stock price of \$7.17 as of the last business day of the period ended March 31, 2010. As of March 31, 2010, the Company had unrecognized compensation expense of approximately \$196,000 related to unvested stock options. These expenses will be recognized over approximately 2.17 years. The deferred tax asset and realized benefit from stock options exercised and other share-based payments for the periods ended March 31, 2010 and 2009 was not recognized, based on the Company's election of the "with and without" approach.

Restricted Stock

The Company issues restricted stock to employees and consultants. Such issuances may have vesting periods that range from one to three years and/or the issuances may be contingent on continued employment for periods that range from one to three years.

As of March 31, 2010, there was approximately \$343,000 of total unrecognized compensation cost related to non-vested restricted stock compensation arrangements. The expense will be recognized over the weighted average period of approximately 1.17 years. The fair value of the shares that vested during the quarters ended March 31, 2010 and 2009 was \$99,000 and \$125,000, respectively.

The Company granted 35,250 shares of restricted stock during the six months ended March 31, 2010. The fair value of the awards granted was approximately \$166,000. All such shares of restricted stock vest in September 2010, provided the grantee has not voluntarily terminated service or been terminated for cause prior to the vesting date.

The Company granted 216,000 shares of restricted stock during the six months ended March 31, 2009. Approximately 27,000 and 55,000 of these shares vested during the three and six months ended March 31, 2010, respectively. The fair value of the awards granted was approximately \$669,000. All of these shares will vest by December, 2011.

The Company recognized share-based compensation expense for restricted stock of approximately \$99,000 and \$201,000 (\$115,000 of which is included in accrued expenses at March 31, 2010 since the related shares have not been issued) for the three and six months ended March 31, 2010 and \$84,000, and \$125,000 for the three and six months ended March 31, 2009, respectively, in selling, general and administrative expenses in the Consolidated Statements of Income for those periods.

No shares of restricted stock were forfeited during the six months ended March 31, 2010 or March 31, 2009.

Common Stock Purchase Warrants

No warrants were issued in the six months ended March 31, 2010 or March 31, 2009.

During the three and six months ended March 31, 2010, a warrant holder exercised 30,000 warrants using the cashless exercise option available within the warrant agreements which entitled the warrant holder to 23,085 shares of common stock. During the three and six months ended March 31, 2010, warrant holders exercised 626,500 warrants which provided proceeds of \$725,600. During the three and six months ended March 31, 2009, warrant holders exercised 40,000 warrants using the cashless exercise option available within the warrant agreements which entitled them to 26,021 shares of common stock.

At March 31, 2010, 80,000 warrants were outstanding and exercisable with weighted average remaining contractual lives of 6.29 years. The aggregate intrinsic value was approximately \$469,600 based on the Company's closing stock price of \$7.17 as of the last business day of the period ended March 31, 2010. There is no unrecognized compensation cost related to warrants as of March 31, 2010.

NOTE 6 - Stock Repurchase Program

On January 17, 2007, the Company announced a Stock Repurchase Program under the terms of which up to a million shares of its common stock could be purchased during the subsequent twelve months. In late March 2008, the Board approved expansion of the repurchase program up to a total of 2,000,000 shares to be acquired through December 31, 2009. In February 2009, the Board further expanded the repurchase program to a maximum of 3,000,000 shares to be acquired through December 31, 2010. On March 25, 2010, the Board extended the buyback period through December 31, 2011. From the program's onset through March 31, 2010, the total number of shares repurchased by the Company is 1,868,611. The Stock Repurchase Program authorizes purchases in privately negotiated transactions as well as in the open market.

In October 2008 the Company's board of directors authorized repurchases in private transactions under the Stock Repurchase Program of shares issued under the Company's equity compensation plans to directors, employees and other service providers at the market price on the effective date of the repurchase request. Total repurchases under this amendment are limited to an aggregate of 250,000 shares per calendar year and to a maximum of 25,000 shares annually per individual. Purchases under this amendment for calendar year 2010 and 2009 were 14,800 and 162,650 shares, respectively. There were no share repurchases under this amendment in calendar year 2008.

Issuer Purchases of Equity Securities:	Details of Treasury Stock Purchases to Date through March 31, 2010			
	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased As Part of Publicly Announced Program	Maximum Number of Shares that May Yet be Purchased Under the Program
Period:				
January 1, 2007 – December 31, 2009	1,853,811	3.25	1,853,811	1,146,189
January 1, 2010 – January 31, 2010	-	-	1,853,811	1,146,189
February 1, 2010 – February 28, 2010	14,800	5.63	1,868,611	1,131,389
March 1, 2010 – March 31, 2010	-	-	1,868,611	1,131,389
Quarterly Subtotal	14,800	5.63	14,800	
Total	1,868,611	3.27	1,868,611	1,131,389

NOTE 7 - 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 by geographic area is as follows:

	(Amounts in thousands)			
	Product Sales to External Customers For The Six Months Ended		Long-Lived Assets As of	
	March 31,		March 31,	September 30,
	2010	2009	2010	2009
South Africa	\$ 2,367 ⁽¹⁾	\$ 1,240 ⁽¹⁾	\$ -	\$ -
Zimbabwe	1,105	2,232 ⁽¹⁾	-	-
United States	*	1,010	309	342
Brazil	*	1,039	-	-
Malawi	1,650 ⁽¹⁾	*	-	-
Nigeria	682	*	-	-
Papua New Guinea	*	886	-	-
Mozambique	855	*	-	-
India	*	*	121	133
United Kingdom	*	*	190	214
Malaysia	*	*	2,077	2,220
Other	6,009	6,179	-	-
	\$ 12,668	\$ 12,586	\$ 2,697	\$ 2,909

* Less than 5 percent of total product sales

⁽¹⁾ Comprised of a customer that is considered to be a major customer (exceeds 10% of product sales).

NOTE 8 - Contingent Liabilities

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

NOTE 9 – Income Taxes

The Company accounts for income taxes using the liability method, which requires the recognition of deferred tax assets or liabilities for the tax-effected temporary differences between the financial reporting and tax bases of its assets and liabilities, and for net operating loss and tax credit carryforwards.

The Company completes a detailed analysis of its deferred income tax valuation allowances on an annual basis or more frequently if information comes to our attention that would indicate that a revision to its estimates is necessary. In evaluating the Company's ability to realize its deferred tax assets, management considers all available positive and negative evidence on a country by country basis, including past operating results and forecast of future taxable income. In determining future taxable income, management makes assumptions to forecast U.S. federal and state, U.K. and Malaysia operating income, the reversal of temporary differences, and the implementation of any feasible and prudent tax planning strategies. These assumptions require significant judgment regarding the forecasts of the future taxable income in each tax jurisdiction, and are consistent with the forecasts used to manage the Company's business. It should be noted that the Company realized significant losses through 2005 on a consolidated basis. The Company has a history of taxable income for three consecutive years in the U.K. and two consecutive years in the U.S., which was used to determine the amount of time the Company can reasonably expect to generate taxable income in the future. In management's analysis to determine the amount of the deferred tax asset to recognize, management projected future taxable income for the subsequent two years for each tax jurisdiction. There is a full valuation allowance on the Malaysia deferred tax asset, as there is not sufficient history of taxable income in that tax jurisdiction.

As of March 31, 2010, the Company had federal and state net operating loss carryforwards of approximately \$37,393,000 and \$28,224,000, respectively, for income tax purposes expiring in years 2010 to 2028. The Company's U.K. subsidiary, The Female Health Company-UK, plc, has U.K. net operating loss carryforwards of approximately \$68,790,000 as of March 31, 2010. These U.K. net operating loss carryforwards can be carried forward indefinitely to offset future U.K. taxable income. The Company's Malaysian subsidiary has net operating loss carryforwards of approximately \$352,000 as of March 31, 2010, which can be carried forward indefinitely to offset future Malaysian taxable income. With the increasing demand for and profitability of the FC2 Female Condom, the Company expects utilization of its net operating losses in both the U.K. and the U.S. will continue. However, because some of the U.S. Federal tax losses have a net loss carryforward limitation of fifteen years, it is possible that some of the Company's early losses carried forward in the U.S. will not be fully utilized. The U.K. net operating losses do not expire. The losses incurred in Malaysia are related to the recent start-up and are expected to be utilized over the next several years.

A reconciliation of income tax expense and the amount computed by applying the statutory Federal income tax rate to income before taxes for the three and six months ended March 31, 2010 and 2009 is as follows:

	Three Months Ended		Six Months Ended	
	March 31,		March 31,	
	2010	2009	2010	2009
Income tax expense at statutory rates	\$ 634,000	\$ 699,000	\$ 410,000	\$ 1,257,000
State income tax, net of federal benefits	98,000	108,000	64,000	195,000
Effect of AMT expense	13,000	75,389	43,000	75,389
Non-deductible expenses	1,000	(19,000)	2,000	(38,000)
Effect of foreign income tax - Malaysia	7,424	5,650	15,285	14,190
Utilization of NOL carryforwards	(688,428)	(646,000)	(706,000)	(1,133,000)
(Decrease) increase in valuation allowance	(44,572)	(142,000)	230,000	(281,000)
Income tax expense	\$ 20,424	\$ 81,039	\$ 58,285	\$ 89,579

NOTE 10 – FC1/FC2 Transition - Restructuring Costs

On August 5, 2009, the Company announced to its U.K. employees that the Company would evaluate the future of its U.K. facility following the decision of two of its largest customers to switch their purchases from the first generation product, FC1, manufactured in the U.K. facility, to the second generation product, FC2, which is manufactured in Malaysia. As is required by British labor law, the Company went through an evaluation process, working in tandem with employee representatives, in which various manufacturing alternatives were considered.

In September 2009, the process concluded when management and the labor representatives were unable to identify a viable alternative. In late September, production employees were notified of the redundancy (plan to terminate their employment) and of the one-time termination payments due them, a total of \$1,116,911. Manufacturing ceased in mid-October 2009. Following manufacturing cessation, production employees were no longer required to report for work. In compliance with British labor law, the termination payments were made in late November 2009. The liability for the termination payments was properly recognized at the communication date (in September 2009).

In fiscal 2009, the Company incurred a one-time charge of \$1,496,624 for restructuring costs related to the cessation of FC1 manufacturing at its U.K. facility. This was comprised of \$1,116,911 termination costs, \$181,340 facility exit costs, \$104,247 consulting costs and \$94,126 inventory write-downs. These other related costs fall under the scope of other associated costs of an exit activity, as suggested by the Interpretive Response in Staff Accounting Bulletin Topic 5(P)(4), including footnote 17. These costs were recognized in the period in which the related cost was incurred in accordance with ASC 420-10-25-15, Exit or Disposal Cost Obligations.

Normal manufacturing and distribution costs, including materials, labor and overhead, related to the production and selling of product through the cessation date are not a component of the one-time termination payments and were accounted for when incurred rather than included in the restructuring accrual as of September 30, 2009.

In November, 2009, following the cessation of FC1 manufacturing in the U.K. facility, the Company entered into an agreement with the new owner of the U.K. manufacturing facility to surrender its existing property lease, which would have expired in December, 2016, in exchange for a surrender fee and a new short-term lease. On November 2, 2009, the new agreements were executed. Upon execution of the new agreements, as required by the lease terms, the Company deposited the new annual rent of approximately \$484,049. From a cash flow perspective, replacing the previous lease at this time eliminated future payments of approximately \$4.3 million (for rent and related expenses) over the remaining term of the previous lease, producing a positive net impact of \$2.8 million (after deducting the lease surrender payments). The lease buyout and other termination costs have resulted in one-time charges of \$1,968,100, which is net of recognition of deferred gain on the Company's 1996 sale of the facility.

On April 27, 2010, the Company signed two related agreements, with the former and new landlords of the U.K. facility, which terminate the current U.K. lease and grant the Company rent-free occupation of the premises from April 28, 2010 through June 30, 2010. Per the terms of these agreements, the Company agreed to a lease exit fee of \$216,000 and a payment in lieu of dilapidations of \$248,000. Those obligations were fulfilled by a cash payment of \$234,000 and by surrendering the rent prepayment of \$230,000 that was being held in trust since November.

The components of the restructuring expenses recognized in the three and six months ended March 31, 2010 are as follows:

	Three Months Ended March 31, 2010	Six Months Ended March 31, 2010
Lease surrender payments and related costs	\$ 4,818	\$ 1,490,713
Recognition of excess capacity costs through November 1, 2010	-	605,025
Offset: By proportionate recognition of deferred gain on original sale/leaseback of plant	-	(653,706)
Dilapidations and related costs	66,929	526,068
Total	\$ 71,747	\$ 1,968,100

To calculate the economic benefit of the U.K. lease lost when manufacturing ceased, the square footage previously utilized by manufacturing activities was identified. That space was 82% of the usable total. Total lease costs for the period beginning when manufacturing ended and ending when the lease is terminated was multiplied by 82% to arrive at the \$605,025 cost of excess capacity. This calculation reflects the guidance of ASC Topic 420-10-25-11 through 420-10-25-13, which addresses financial accounting and reporting for costs associated with exit or disposal activities.

The estimated cost for dilapidation and related expenses was estimated based on bids from independent contractors to provide the services necessary to rid the premises of leasehold improvements, as is required by the lease terms. During the first quarter of fiscal 2010, the Company made the first of two lease surrender payments (\$975,745) and pre-paid twelve months' rent of \$484,049, as required by the new lease's terms. In the second quarter the Company made the second and final lease surrender payment of \$477,859 and made redundancy payments of \$49,828.

Recap of Restructuring Accrual for the Six Months Ended March 31, 2010

Restructuring accrual balance at September 30, 2009	\$ 1,116,911
Restructuring costs incurred during the six months ended March 31, 2010	1,968,100
Less:	
Termination payments	\$ 1,166,739
Lease surrender payments	1,453,604
Lease exit payments	384,704
Reversal of deferred gain	(653,706)
	<u>(2,351,341)</u>
Restructuring accrual balance at March 31, 2010	<u>\$ 733,670</u>

All of the Company's other significant U.K. operations are continuing without interruption. The functions include, but are not limited to, global sales and marketing of the FC2 Female Condom, management and direction of Global Manufacturing Operations, management and direction of the Global Technical Support Team, and product development.

The Company expects to incur up to \$25,000 in additional restructuring costs, which will be expensed in the period in which they occur. The additional expenses relate to redundancy, the cost of removing various leasehold improvements and some consulting fees.

NOTE 11 - Recent Accounting Pronouncements

On October 1, 2009, The Company adopted ASC Topic 810, which establishes accounting and reporting standards for ownership interests in subsidiaries held by parties other than the parent, the amount of consolidated net income attributable to the parent and to the noncontrolling interest, changes in a parent's ownership interest and the valuation of retained noncontrolling equity investments when a subsidiary is deconsolidated. This Standard also establishes reporting requirements that provide sufficient disclosures that clearly identify and distinguish between the interests of the parent and the interests of the noncontrolling owners. The adoption of this Standard had no effect on the Company's consolidated financial statements.

On October 1, 2009, the Company adopted ASC Topic 805 related to accounting for business combinations using the acquisition method of accounting (previously referred to as the purchase method). This Standard establishes principles and requirements for how an acquirer recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, any non controlling interest in the acquiree and the goodwill acquired. This Standard also establishes disclosure requirements which will enable users to evaluate the nature and financial effects of the business combination. Should the Company enter into any business combination, this Standard will have an effect on the Company's consolidated financial statements.

In January 2010, the FASB updated ASC Topic 505 (Accounting for Distributions to Shareholders with Components of Stock and Cash) effective for interim and annual periods ending on or after December 15, 2009. The update clarifies that the stock portion of a distribution to shareholders that allows them to elect to receive cash or stock with a potential limitation on the total amount of cash that all shareholders can elect to receive in the aggregate is considered a share issuance that is reflected in earnings per share prospectively and is not a stock dividend for purposes of applying Topics 505 and 260 (Equity and Earnings Per Share). Should the Company make a distribution of stock and cash to its shareholders, this Standard could have an impact on its financial statements.

Note 12 – Dividends

On January 14, 2010, the Company's Board of Directors declared a quarterly cash dividend of \$0.05 per share. The dividend was paid on February 16, 2010 to stockholders of record as of January 29, 2010. The cash dividend was the first in the Company's history. Prior to the dividend declaration, the Company sought and was granted an amendment to its Heartland Bank credit facility, to allow the Company to pay cash dividends. The Company paid approximately \$1.4 million in dividends in February, which were paid from its cash on hand.

On March 25, 2010, the Company's Board of Directors declared a quarterly cash dividend of \$0.05 per share. The Company expects to pay, from its cash on hand, approximately \$1.4 million pursuant to the dividend on May 12, 2010 to stockholders of record as of April 23, 2010. Any future quarterly dividends and the record date for such dividends will be approved each quarter by the Company's Board of Directors and announced by the Company. Payment of future dividends is in the discretion of the Board of Directors and the Company may not have sufficient cash flows to continue to pay dividends.

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 FC2 Female Condom, the only currently available product under a woman's control that is approved by the U.S. Food and Drug Administration (FDA). FC2 provides dual protection against unintended pregnancy and sexually transmitted infections ("STIs"), including HIV/AIDS. In October 2009, the Company completed the transition from its first generation product, FC1, to its second generation product, FC2, and production of FC1 ceased. Although FC1 production has ceased, the Company retains its ownership of certain world-wide rights to FC1, as well as various patents, regulatory approvals and other intellectual property related to FC1.

In 2005, the Company announced it had developed a second-generation product, FC2. The Company had four reasons for developing a second-generation product:

1. Increase women's access to prevention that they could initiate through a lower public sector price
2. Increase HIV/AIDS prevention
3. Lower health care costs
4. Increase gross margins

FC2 was first marketed internationally in March 2007. FC2 was introduced in the U.S. in August 2009, after receiving FDA approval in March, 2009.

Certain studies have shown that the design and method of use of FC2 is similar to FC1 and that FC2 performs in a comparable manner to FC1 in terms of safety, failure rates and acceptability. FC2 is currently available in approximately 107 countries. It is sold directly to consumers in 11 countries.

On March 10, 2009, FC2 received FDA approval as a Class III medical device and became available in the United States in August 2009. In addition to FDA approval, the FC2 Female Condom has been approved by other regulatory agencies, including the European Union, India and Brazil. In 2006, based on a rigorous scientific review, the World Health Organization (WHO) agreed that FC2 does perform in the same manner as FC1 and cleared FC2 for purchase by UN agencies. From introduction through March 31, 2010, approximately 62 million FC2 Female Condoms have been distributed in 107 countries. The FDA approval permitted the Company to transition from FC1 to FC2. The last shipments of FC1 were made in October 2009.

Products

Currently, there are only three FDA approved products marketed that prevent the transmission of HIV/AIDS through sexual intercourse: the male latex condom, the male polyurethane condom, and the FC2 nitrile polymer Female Condom. The FC2 Female Condom is currently the only FDA approved and marketed product controlled by women that prevents sexually transmitted infections including HIV/AIDS. Used consistently and correctly, it provides women dual protection against STI's (including HIV/AIDS) and unintended pregnancy. The FC2 Female Condom does not compete with the male condom, but is an alternative to either unprotected sex or to male condom usage.

Numerous clinical and behavioral studies have been conducted regarding use of the Female Condom. Studies show that the Female Condom is found acceptable by women and their partners in many cultures. Importantly, studies also show that when the Female Condom is made available with male condoms there is a significant increase in protected sex acts. The increase in protected sex acts varies by country and averages between 10% and 35%.

In September 2005, FHC completed development of FC2, its second generation Female Condom. FC2 has basically the same physical design, specifications, safety and efficacy profile as FC1. Manufactured from a nitrile polymer, FC2 can be produced more economically than the first generation product made from polyurethane, a more costly raw material. FC2 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. FC2 lines the vagina, preventing skin-to-skin contact during intercourse.

On March 10, 2009, FC2 received FDA approval as a Class III medical device and became available in the United States in August 2009. In addition to FDA approval, the FC2 Female Condom has been approved by other regulatory agencies, including the European Union, India and Brazil. In 2006, based on a rigorous scientific review, WHO agreed that FC2 does perform in the same manner as FC1 and cleared FC2 for purchase by UN agencies.

The raw material of which FC2 is manufactured offers a number of benefits over latex, the material that is most commonly used in male condoms. Its nitrile polymer is stronger than latex, reducing the probability that the Female Condom sheath will tear during use. Unlike latex, FC2's nitrile polymer quickly transfers heat, so the FC2 Female Condom immediately warms to body temperature when it is inserted, which may enhance pleasure and sensation during use. Unlike the male condom, FC2 may be inserted in advance of arousal, eliminating disruption during sexual intimacy. FC2 offers an alternative to latex sensitive users (7% to 20% of the population) who are unable to use male condoms without irritation. To the Company's knowledge, no allergy to the nitrile polymer has been reported to date.

FC2 is pre-lubricated and disposable and is recommended for use during a single sex act. FC2 is not reusable.

Raw Materials

The principal raw material used to produce FC2 is a nitrile polymer. While general nitrile formulations are available from a number of suppliers, the Company has chosen to work closely with the technical market leader in synthetic polymers to develop a grade ideally suited to the bio-compatibility and functional needs of a Female Condom. The supplier has agreed that the Company is the sole and exclusive owner of the unique polymer formulation that was developed for FC2.

Global Market Potential

The only means of preventing sexual transmission of HIV/AIDS, besides abstinence, is condoms, male and female. In recent years, scientists have sought to develop alternative means of preventing HIV/AIDS. Unfortunately, the development attempts have not been successful to date: several microbicides have failed in late stage development and the most promising HIV/AIDS vaccine under development has also failed. Thus, HIV/AIDS prevention is focused on condoms, male and female. The Company's Female Condom is the only product, when used consistently and correctly, that gives a woman control over her sexual health by providing dual protection against sexually transmitted infections (including HIV/AIDS) and unintended pregnancy.

The first clinical evidence of AIDS was noted more than twenty-five years ago. Since then, HIV/AIDS has become the most devastating pandemic facing humankind in recorded history. On November 9, 2009, WHO released statistics indicating that on a world-wide basis, HIV/AIDS is now the leading cause of death in women 15 to 44 years old. In the United States, the Center for Disease Control and Prevention (CDC) reported in 2006 that the HIV/AIDS epidemic is taking an increasing toll on women and girls. Women of color, particularly Black women, have been especially hard hit and represent the majority of new HIV and AIDS cases among women, and the majority of women living with the disease. Data from the 2005 census show that together, African American and Hispanic women represent 24% of all U.S. women. However, women in these two groups accounted for 82% of the estimated total of AIDS diagnoses for women in 2005.

For the most recent year in which data are available (2004), the CDC reported that HIV infection was:

- the leading cause of death for African American women aged 25-34 years;
- the 3rd leading cause of death for African American women aged 35-44 years;
- the 4th leading cause of death for African American women aged 45-54 years; and
- the 4th leading cause of death for Hispanic women aged 35-44.

Most HIV/AIDS diagnoses among women are due to high-risk heterosexual contact (80% in 2005). The rate of AIDS diagnosis for black women was approximately 23 times the rate for white women, while the prevalence rate among Hispanic women was more than four times that of white women.

In March 2008, the CDC announced that a recent study indicated that 26% of female adolescents in the United States have at least one of the most common sexually transmitted infections (STI's). Led by the CDC's Sara Forhan, the study is the first to examine the combined national prevalence of common STI's among adolescent women in the United States.

In addition to overall STI prevalence, the study found that by race, African American teenage girls had the highest prevalence, with an overall prevalence of 48 percent compared to 20 percent among both whites and Mexican Americans. Overall, approximately half of all the teens in the study reported ever having sex. Among these girls, the STI prevalence was 40 percent.

The Condom Market

The global male condom market (public and private sector) is estimated to be \$3 billion annually. The global public sector market for male condoms is estimated to have been greater than 10 billion units annually since 2005. Given the rapid spread of HIV/AIDS in India and China, the Joint United Nations Joint Programme on HIV/AIDS (UNAIDS) estimates that the annual public sector demand for condoms, both male and female, will reach 19 billion units within the next ten years.

The FC Female Condom and the Male Condom

Currently, there are only three FDA approved products marketed that prevent the transmission of HIV/AIDS through sexual intercourse: the male latex condom, the male polyurethane condom, and the FC2 Female Condom made of a nitrile polymer. The FC2 Female Condom is currently the only FDA approved and marketed product controlled by women that prevents sexually transmitted infections including HIV/AIDS. Used consistently and correctly, it provides women dual protection against STI's (including HIV/AIDS) and unintended pregnancy. The FC2 Female Condom does not compete with the male condom, but is an alternative to either unprotected sex or to male condom usage.

Studies show that both FC2's nitrile polymer is a safe, strong material with a method failure rate similar to that of male condoms. FC2 Female Condom offers a number of benefits over natural rubber latex, the material that is most commonly used in male condoms. Unlike natural rubber latex, the nitrile polymer quickly transfers heat, immediately warming to body temperature when it is inserted, which may enhance pleasure and sensation during use. Since the FC2 Female Condom is not dependent on the male erection, it may be inserted in advance of arousal, eliminating disruption during sexual intimacy. FC2 does not require immediate withdrawal and is not tight or constricting. The FC2 Female Condom can be used with both oil and water-based lubricants, unlike natural rubber latex male condoms which can be used with water-based lubricants only. The FC2 Female Condom also offers an alternative to those sensitive to natural rubber latex (7% to 20% of the population), who are unable to use male condoms without irritation. To the Company's knowledge, there is no reported allergy to the FC2 nitrile polymer.

Numerous clinical and behavioral studies have been conducted regarding use of FC Female Condoms (FC1 and FC2). Studies show that the Female Condoms are found acceptable by women and their partners in many cultures. Importantly, studies also show that when the Female Condoms are made available as an option to using male condoms there is a significant increase in protected sex acts. The increase in protected sex acts varies by country and averages between 10% and 35%.

Strategy

The Company's strategy is to more fully develop the market for the FC2 Female Condoms on a global basis. Since the introduction of its first generation product, FC1, the Company has developed contacts and relationships with global public health sector organizations such as WHO, the United Nations Population Fund (UNFPA), UNAIDS, USAID, country-specific health ministries and non-governmental organizations (NGOs), and commercial partners in various countries. To provide its customers with prevention programs and technical product support, the Company has placed representatives in the major regions of the world: Asia, Africa, Europe, North America and Latin America. The Company manufactured the first generation product, FC1, in London, England. To make its Female Condom more accessible to women, the Company developed FC2, a nitrile polymer product. FC2, more economical to produce, is available at a unit price nearly 30% less than that of its predecessor, FC1. The Company made its first substantial sales of FC2 in the second quarter of fiscal 2007. FC2 is produced at the Company's facility in Selangor D.E., Malaysia and in Kochi, India, in conjunction with FHC's business partner, HLL. The transition from FC1 to FC2 was completed in October 2009. All of the Company's sales are now FC2.

With the product's primary market currently being the public sector, the Company incurs minimal sales and marketing expense. Thus, as the public sector demand for the FC2 Female Condom continues to grow, the Company's operating expenses are likely to grow at a much lower rate than that of volume.

Commercial Markets - Direct to Consumers

The Company has distribution agreements and other arrangements with commercial partners which market FC2 directly to consumers in 11 countries, including India, France and Brazil. These agreements are generally exclusive for a single country. Under these agreements, the Company manufactures and sells the FC2 Female Condom to the distributor partners, who, in turn market and distribute the product to consumers in the established territory.

Relationships with Public Sector Organizations

The Company's customers are primarily governments, ministries of health and large global agencies which purchase and distribute the FC2 Female Condom for use in HIV/AIDS prevention programs. The Company offers uniform, volume-based pricing to such agencies, rather than entering into long-term agreements to supply FC2 to global agencies. In the United States, the Company sells FC2 to city and state public health clinics as well as not-for-profit organizations such as Planned Parenthood. FC2 is being distributed as part of New York City's Female Condom Education and Distribution Project being conducted by the Bureau of HIV/AIDS Prevention and Control. FC2 is currently available in 286 locations in New York City including both community based organizations and the N.Y.C. Department of Health and Mental Hygiene units.

Manufacturing Facilities

The Company leases 16,000 sq. ft. of production space in Selangor D.E., Malaysia for the production of FC2. In fiscal 2009, after the FDA approved FC2 for distribution in the U.S., capacity was expanded to the current level of approximately 75-80 million units annually.

The Company's India-based FC2 end-stage production capacity is located at a facility owned by its business partner, HLL in the Cochin Special Export Zone. Production began at that facility in December 2007 with an initial capacity of 7.5 million units per year. Two NACO orders of 1.5 million units each have been produced in that facility for distribution in NACO's prevention program in India.

FHC's total FC2 production capacity is approximately 80-85 million units annually. The Company intends to expand its capacity at existing locations and/or manufacture at additional locations as the demand for FC2 develops.

Government Regulation

In the U.S., FC2 is regulated by the FDA. In 1989, female condoms as a group were classified by the FDA as a Class III medical device. Class III medical devices are deemed by the FDA to carry potential risks with use which must be tested prior to FDA approval, referred to as Premarket Approval (PMA), for sale in the U.S. As FC2 is a Class III medical device, prior to selling FC2 in the U.S., the Company was required to submit a PMA application containing technical information on the use of FC2 such as pre clinical and clinical safety and efficacy studies which were gathered together in a required format and content.

FC2 received PMA as a Class III Medical Device from the FDA in March 2009. FC2 received the CE Mark which allows it to be marketed throughout the European Union. FC2 has also been approved by regulatory authorities in Brazil, India and other jurisdictions.

The Company believes that FC2's PMA and FDA classification as Class III Medical Devices create a significant barrier to entry in the U.S. market. 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.

Pursuant to section 515(a)(3) of the Safe Medical Amendments Act of 1990 (the "SMA Act"), the FDA may temporarily suspend approval and initiate withdrawal of the PMA if the FDA finds that FC2 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.

The FDA's approval order for FC2 includes conditions that relate to product labeling, including information on the package itself and instructions for use called a "package insert" which accompanies each product. The Company believes it is in compliance with the FDA approval order.

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 FC1 and FC2.

Competition

The Company's FC2 Female Condom participates in the same market as male condoms but is not seen as directly competing with male condoms. Rather, the Company believes that providing FC2 is additive in terms of prevention and choice. Male condoms cost less and have brand names that are more widely recognized than FC2. In addition, male condoms are generally manufactured and marketed by companies with significantly greater financial resources than the Company.

Medtech Products Ltd. ("MP"), a male latex condom company with a manufacturing facility in Chennai, India, has developed a natural latex Female Condom. MP's Female Condom has been marketed under various names including V-Amour, VA Feminine Condom and L'Amour. The MP product's manufacturing process has a CE mark for distribution in Europe and may be available in other countries. MP received the Indian Drug Controller approval in January 2003. PATH, an international, nonprofit organization based in the United States, has a Female Condom product in early stage development. PATH is seeking funding to conduct the large clinical trial required for FDA clearance. Neither the MP Female Condom nor the PATH woman's condom have received FDA approval or been listed as essential products for procurement by WHO.

It is 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

FC2 patents have been issued by the European Union, Canada, Australia, South Africa and Japan. Patent applications for FC2 are pending in the U.S. and in other countries around the world through the Patent Cooperation Treaty. The applications cover the key aspects of the second generation Female Condom, including its overall design and manufacturing process. There can be no assurance that these patents provide the Company with protection against copycat products entering markets during the pendency of the patents.

The Company has the registered trademark "FC2 Female Condom" in the United States. The Company has also secured, or applied for, 12 trademarks in 22 countries to protect the various names and symbols used in marketing the product around the world. These include "femidom" and "femy," "Reality" and others. In addition, the experience that has been gained through years of manufacturing the FC Female Condoms (FC1 and FC2) has allowed the Company to develop trade secrets and know-how, including certain proprietary production technologies that further protects its competitive position.

Overview

The Female Health Company ("FHC" or the "Company") manufactures, markets and sells the FC2 Female Condom, the only currently available product under a woman's control that is approved by the U.S. Food and Drug Administration (FDA). FC2 provides dual protection against unintended pregnancy and sexually transmitted infections ("STIs"), including HIV/AIDS. In October 2009, the Company completed the transition from its first generation product, FC1, to its second generation product, FC2, and production of FC1 ceased. Although FC1 production has ceased, the Company retains its ownership of certain world-wide rights to FC1, as well as various patents, regulatory approvals and other intellectual property related to FC1.

During 2003, the Company began development of its second generation Female Condom, FC2, which was completed in 2005. In August, 2006, after a stringent technical review, the World Health Organization cleared FC2 for purchase by UN agencies. The first substantial sales of FC2 occurred in the second quarter of fiscal 2007. On March 10, 2009, FC2 received FDA approval as a Class III medical device and FC2 became available in the United States in August 2009. In addition to FDA approval, the FC2 Female Condom has been approved by other regulatory agencies, including the European Union, India, and Brazil. From its introduction through March 31, 2010, nearly 62 million FC2 Female Condoms have been distributed in 107 countries. The FDA approval permitted the Company to transition from FC1 to FC2. The last shipment of FC1 was produced in October 2009. All current and future orders will be for FC2.

Revenues

Most of the Company's revenues have been derived from sales of the FC Female Condoms (FC1 and FC2), and are recognized upon shipment of the product to its customers. Beginning in fiscal 2008, revenue is also being derived from licensing its intellectual property to its business partner in India, HLL. Such revenue appears as royalties on the Consolidated Statements of Income for the three and six months ended March 31, 2010 and 2009.

The Company's strategy is to develop a global market and distribution network for its product by maintaining relationships with public sector groups and completing partnership arrangements with companies with the necessary marketing and financial resources and local market expertise. The Company's customers include the following:

- The Company sold the FC1 Female Condom to the global public sector under the umbrella of its agreement with UNAIDS. This agreement facilitated the availability and distribution of the Female Condom at a reduced price based on the Company's cost of production. Per unit pricing ranged between £0.42 and £0.445 (British pounds sterling), depending on contractual volumes. FC1 is no longer being produced. Since its introduction, the Company has offered FC2 to the global public sector at uniform, volume-based prices, rather than entering into long term contracts.
- During fiscal 2009, the Company sold FC1 Female Condoms to USAID for use in its prevention programs in developing countries. In the fourth quarter of fiscal 2009, USAID transitioned to FC2 and, through its procurement agent, John Snow, Inc, placed its first FC2 order for 12 million units.
- The Company sells the FC2 Female Condoms in the United States to city and state public health clinics as well as not-for-profit organizations such as Planned Parenthood.

Occasionally, significant quarter to quarter variations may occur due to the timing and shipment of large orders, not from any fundamental change in the Company's business. Because the Company manufactures FC2 in a leased facility located in Malaysia, a portion of the Company's operating costs are denominated in foreign currencies. While a material portion of the Company's future sales are likely to be in foreign markets, all sales are denominated in United States dollars. In July 2009, the Company contributed capital to a subsidiary to reduce its exposure to future currency gains or losses between the entities. Effective October 1, 2009, the Company's U.K. and Malaysia subsidiaries adopted the U.S. dollar as their functional currency, further reducing the Company's foreign currency risk. Management continues to evaluate the Company's commercial transactions and to evaluate whether employing currency hedging strategies are appropriate.

While our second generation product, FC2, generally is sold at a lower price per unit than FC1 was sold, FC2 is less costly to produce than was FC1. As a result, sales of FC2 generally have a higher gross margin than FC1 had. Changes in the sales mix of FC2 as compared to FC1 affect our net revenues and gross profit.

Expenses

The Company manufactured FC1 at its facility located in the United Kingdom and manufactures FC2 at its facility located in Selangor D.E., Malaysia. The Company's cost of sales consists primarily of direct material costs, direct labor costs and indirect production and distribution costs. Direct material costs include raw materials used to make the Female Condom, principally polyurethane for FC1 and a nitrile polymer for FC2. Indirect product costs include logistics, quality control and maintenance expenses, as well as costs for helium, nitrogen, electricity and other utilities. All of the key components for the manufacture of the FC2 Female Condom are essentially available from either multiple sources or multiple locations within a source.

On August 5, 2009, the Company announced to its U.K. employees that the Company would evaluate the future of its U.K. facility following the decision of two of its largest customers to switch their purchases from the first generation product, FC1, manufactured in the U.K. facility, to the second generation product, FC2, which is manufactured in Malaysia. As is required by British labor law, the Company went through an evaluation process, working in tandem with employee representatives, in which various manufacturing alternatives were considered.

In September 2009, the process concluded when management and the labor representatives were unable to identify a viable alternative. In late September, production employees were notified of the redundancy (plan to terminate their employment) and of the one-time termination payments due them, a total of \$1,116,911. Manufacturing ceased in mid-October 2009. Following manufacturing cessation, production employees were no longer required to report for work. In compliance with British labor law, the termination payments were made in late November 2009. The liability for the termination payments was properly recognized at the communication date (in September 2009).

In fiscal 2009, the Company incurred a one-time charge of \$1,496,624 for restructuring costs related to the cessation of FC1 manufacturing at its U.K. facility. This was comprised of \$1,116,911 redundancy costs, \$181,340 facility exit costs, \$104,247 consulting costs and \$94,126 inventory write-downs.

Normal manufacturing and distribution costs, including materials, labor and overhead, related to the production and selling of product through the cessation date are not a component of the one-time termination payments and were accounted for when incurred rather than included in the restructuring accrual as of September 30, 2009.

In November, 2009, following the cessation of FC1 manufacturing in the U.K. facility, the Company entered into an agreement with the new owner of the U.K. manufacturing facility to surrender its existing property lease, which would have expired in December, 2016, in exchange for a surrender fee and a new short-term lease. On November 2, 2009, the new agreements were executed. Upon execution of the new agreements, as required by the lease terms, the Company deposited the new annual rent of approximately \$484,049. From a cash flow perspective, replacing the previous lease at this time eliminated future payments of approximately \$4.3 million (for rent and related expenses) over the remaining term of the previous lease, producing a positive net impact of \$2.8 million (after deducting the lease surrender payments). The lease buyout and other termination costs have resulted in one-time charges of \$1,968,100, which is net of recognition of deferred gain on the Company's 1996 sale of the facility.

On April 27, 2010, the Company signed two related agreements, with the former and new landlords of the U.K. facility, which terminate the current U.K. lease and grant the Company rent-free occupation of the premises from April 28, 2010 through June 30, 2010. Per the terms of these agreements, the Company agreed to a lease exit fee of \$216,000 and a payment in lieu of dilapidations of \$248,000. Those obligations were fulfilled by a cash payment of \$234,000 and by surrendering the rent prepayment of \$230,000 that was being held in trust since November.

The components of the restructuring expenses recognized in the three and six months ended March 31, 2010 are as follows:

	Three Months Ended March 31, 2010	Six Months Ended March 31, 2010
Lease surrender payments and related costs	\$ 4,818	\$ 1,490,713
Recognition of excess capacity costs through November 1, 2010	-	605,025
Offset: By proportionate recognition of deferred gain on original sale/leaseback of plant	-	(653,706)
Dilapidations and related costs	66,929	526,068
Total	\$ 71,747	\$ 1,968,100

During the first quarter of fiscal 2010, the Company made the first of two lease surrender payments (\$975,745) and pre-paid twelve months' rent of \$484,049, as required by the new lease's terms. In the second quarter the Company made the second and final lease surrender payment of \$477,859 and made redundancy payments of \$49,828.

Recap of Restructuring Accrual for the Six Months Ended March 31, 2010

Restructuring accrual balance at September 30, 2009	\$	1,116,911
Restructuring costs incurred during the six months ended March 31, 2010		1,968,100
Less:		
Termination payments	\$	1,166,739
Lease surrender payments		1,453,604
Lease exit payments		384,704
Reversal of deferred gain		(653,706)
		<u>(2,351,341)</u>
Restructuring accrual balance at March 31, 2010	\$	<u>733,670</u>

All of the Company's other significant U.K. operations are continuing without interruption. The functions include, but are not limited to, global sales and marketing of the FC2 Female Condom, management and direction of Global Manufacturing Operations, management and direction of the Global Technical Support Team, and product development.

The Company expects to incur up to \$25,000 in additional restructuring costs, which will be expensed in the period in which they occur. The additional expenses relate to redundancy, the cost of removing various leasehold improvements and some consulting fees.

As described in this section, the transition from FC1 to FC2 involved the cessation of manufacturing in the U.K. and exiting the leased FC1 manufacturing facility. This involved significant employee redundancy, lease buyout and related costs. The April 27, 2010 agreement to terminate the lease which would have expired on November 15, 2010, completes the FC1 to FC2 transition. The Company established the expense accrual detailed in the table above for the estimated costs of these activities. The Company expects that the total cost of this transition, when completed in the third quarter of fiscal 2010, will not exceed the established accrual.

RESULTS OF OPERATIONS

THREE MONTHS ENDED MARCH 31, 2010 COMPARED TO THREE MONTHS ENDED MARCH 31, 2009

The Company had net revenues of \$7,179,147 and net income attributable to common stockholders of \$1,844,531, or \$0.06 per diluted share, for the three months ended March 31, 2010 compared to net revenues of \$7,319,509 and net income attributable to common stockholders of \$1,951,786, or \$0.07 per diluted share, for the three months ended March 31, 2009.

Gross profit increased \$287,088, or 7%, to \$4,180,023 for the three months ended March 31, 2010 from \$3,892,935 for the three months ended March 31, 2009. Gross profit for the three months ended March 31, 2010 was 58% of net revenues versus 53% for the same period last year. Gross profit was positively impacted by both higher unit volume and 100% of the 2010 units sold being the more profitable FC2 units versus a 46% FC2 mix in the same quarter last year.

Net revenues decreased \$140,362, or 2%, on total unit growth of 26% for the three months ended March 31, 2010 compared with the same period last year when the sales mix included both FC1 and FC2. The revenue decrease resulted from 100% of the 2010 units being the lower-priced FC2. The FC2 average sales price per unit decreased 7% compared with the same period last year as a result of volume commitments.

Significant quarter to quarter variations result from time to time due to the timing and shipment of large orders and production scheduling rather than fundamental changes in the business.

Cost of sales decreased \$427,450, or 13%, to \$2,999,124 on a 26% increase in unit volume in the three months ended March 31, 2010 from \$3,426,574 for the same period last year. The decrease is due to all of the 2010 unit sales being the lower cost FC2.

Advertising and promotion expenditures increased \$58,934 to \$89,311 for the three months ended March 31, 2010 from \$30,377 for the same period last year. The increase was due to a public relations campaign regarding the FC2 public sector launches in Washington, D.C. and Chicago, Illinois, and the initiation of a U.S. training program designed to equip health care providers to educate their clients regarding FC2 Female Condom usage.

Selling, general and administrative expenses increased \$540,534, or 34%, to \$2,128,257 for the three months ended March 31, 2010 from \$1,587,723 for the three months ended March 31, 2009. The increase is comprised of the following: the impact of a higher FHC stock price on stock-based incentive programs (\$121,000), reclassification of U.K. management (previously included in cost of sales during FC1 production) of \$102,000, increased legal expenses (\$41,000 total, \$22,000 related to U.K. lease), higher consulting fees (\$45,000 total, \$28,000 of which are related to compliance with Section 404 of the Sarbanes-Oxley Act), increased Investor Relations expenses (\$29,000 total, \$19,000 of which is due to the timing of the Annual Meeting, which was held in the second quarter of fiscal year 2010 versus the third quarter of fiscal year 2009), establishment of U.S. FC2 training function (\$54,000), expansion of global FC2 Support Team (\$45,000), one time U.K. employer's payroll tax expense related to stock option exercised (\$86,000), and miscellaneous administrative cost increases (\$18,000).

Research and development cost decreased from \$24,354 for the three months ended March 31, 2009 to zero in the quarter ended March 31, 2010. The costs for the second quarter of fiscal year 2009 pertained to finalizing product labeling related to FC2's FDA approval.

Operating expenses for the quarter ended March 31, 2010, were \$2,289,315, a \$646,861 increase from \$1,642,454 in the same quarter in fiscal year 2009.

Operating income for the three months ended March 31, 2010, was \$1,890,708 versus \$2,250,481 in the same period last year, a decrease of \$359,773, or 16%. The decrease is the net result of a higher gross profit being more than offset by increased operating expenditures.

Interest, net and other income for the three months ended March 31, 2010 was \$5,007, a change of \$5,597 from the same period in fiscal year 2009, when net interest expense was \$590. The impact of foreign currency transactions for the second quarter of fiscal 2010 was a loss of \$30,760 compared to a loss of \$194,286 for the same period last year. In fiscal year 2009, in accordance with ASC Topic 830, Foreign Currency Translation, the financial statements of the Company's international subsidiaries were translated into U.S. dollars using the exchange rate at each balance sheet date for assets and liabilities, the historical exchange rate for stockholders' equity and a weighted average exchange rate for each period for revenues, expenses, gains and losses. Translation adjustments on intercompany trade accounts were recorded in earnings as the local currency was the functional currency. Beginning October 1, 2009, both the Company's U.K. and Malaysia subsidiaries adopted the U.S. dollar as their functional currency and began to report their financial results in U.S. dollars. The subsidiaries' adoption of the U.S. dollar as their functional currency reduces the Company's exposure to foreign currency risk. Assets located outside the United States totaled approximately \$7.8 million and \$8.0 million at March 31, 2010 and 2009, respectively.

Under the guidance of ASC Topic 740, Accounting for Income Taxes, an entity is able to recognize a tax benefit for current or past losses when it can demonstrate that the tax loss carry forward will be utilized before expiration. Management believes that the Company's recent and projected future growth and profitability has made it more likely than not that the Company will utilize its net operating loss carryforwards in the future. The Company will evaluate at the end of each fiscal year and, if appropriate, record a tax benefit.

SIX MONTHS ENDED MARCH 31, 2010 COMPARED TO SIX MONTHS ENDED MARCH 31, 2009

The Company had net revenues of \$12,667,821 and net income attributable to common stockholders of \$1,146,181, or \$0.04 per diluted share, for the six months ended March 31, 2010 compared to net revenues of \$12,664,347 and net income attributable to common stockholders of \$3,560,602, or \$0.13 per diluted share, for the six months ended March 31, 2009.

Gross profit increased \$1,048,754, or 17%, to \$7,382,883 for the six months ended March 31, 2010 from \$6,334,129 for the six months ended March 31, 2009. Gross profit, as a percentage of net revenues, was 58% for the six months ended March 31, 2010, versus 50% for the six months ended March 31, 2009. Gross profit was positively impacted by both higher unit volume and a sales mix that was nearly all the higher margin FC2.

Net revenues increased \$3,474, for the six months ended March 31, 2010 compared with the same period last year when the sales mix included both FC1 and FC2. Although total unit sales increased 23% over the same period last year, the net revenues were relatively flat because 97% of the units sold during the period were the lower-priced FC2 versus 46% FC2 unit sales in the six months ended March 31, 2009. The FC2 average sales price per unit decreased 5% compared with the same period last year as a result of volume commitments.

Significant quarter to quarter variations result from time to time due to the timing and shipment of large orders and production scheduling rather than fundamental changes in the business.

Cost of sales decreased \$1,045,280, or 17%, to \$5,284,938 on a 23% increase in unit volume for the six months ended March 31, 2010 from \$6,330,218 for the same period last year. The decrease results from 97% of the units sold during the period being the lower-priced FC2 versus 46% FC2 unit sales in the six months ended March 31, 2009.

Advertising and promotion expenditures increased \$57,990 to \$159,161 for the six months ended March 31, 2010 from \$101,171 for the same period in the prior year. The increase is due to both the initiation of a U.S. training program designed to equip health care providers to educate their clients regarding FC2 Female Condom usage and a public relations campaign regarding the FC2 public sector launches in Washington, D.C. and Chicago, Illinois.

Selling, general and administrative expenses increased \$539,897, or 16%, to \$3,988,664 for the six months ended March 31, 2010 from \$3,448,767 for the six months ended March 31, 2009. The increase is comprised of the following: the impact of a higher FHC stock price on stock-based incentive programs (\$121,000), reclassification of U.K. management (previously included in cost of sales during FC1 production) of \$102,000, increased legal expenses (\$41,000 total, \$22,000 related to U.K. lease), higher consulting fees (\$45,000 total, \$28,000 of which are related to compliance with Section 404 of the Sarbanes-Oxley Act of 2002), increased Investor Relations expenses (\$29,000 total, \$19,000 of which is a timing difference caused by the earlier 2010 Annual Meeting), establishment of U.S. FC2 training function (\$54,000), expansion of global FC2 Support Team (\$45,000), one time U.K. employer's payroll tax expense related to stock option exercised (\$86,000), and miscellaneous administrative cost increases (\$16,000).

Research and development cost decreased \$94,393 to \$381 for the six months ended March 31, 2010 from \$94,774 for the same period in the prior year. The costs for fiscal year 2009 relate to preparation and support of the FC2 PMA submission, including certain one-time expenses that did not recur in fiscal year 2010. The fiscal year 2009 costs relate to the support of the FC2 PMA submission as well as one-time costs related to the preparation for and participation in the December 2009 FDA OB/GYN Device Advisory Panel hearing to consider FC2 approval.

The Company's operating income decreased \$1,422,840 to \$1,266,577 in the six months ended March 31, 2010 from \$2,689,417 in the same period of the prior year, mainly due to the one-time restructuring costs of \$1,968,100. Exclusive of the one-time restructuring costs, operating income increased 20% in the six months ended March 31, 2010 to \$3,234,677 from \$2,689,417 in the same period in fiscal 2009. Operating income exclusive of the one-time restructuring costs constitutes non-GAAP financial information. See discussion of "Non-GAAP Financial Information" below.

Following is a reconciliation of the Non-GAAP financial measure of operating income exclusive of restructuring charge to the nearest GAAP financial measure of operating income for the six months ended March 31, 2010 and 2009.

	For the Six Months Ended March 31,	
	2010	2009
Operating income	\$ 1,266,577	\$ 2,689,417
Non-GAAP adjustments:		
Restructuring costs	1,968,100	-
Total Non-GAAP adjustments	1,968,100	-
Non-GAAP adjusted operating income	\$ 3,234,677	\$ 2,689,417

Interest, net and other income for the six months ended March 31, 2010 was \$17,338, an increase of \$9,039 from the same period in fiscal year 2009, when interest, net and other income was \$8,299. The impact of foreign currency transactions for the six months ended March 31, 2010 was a loss of \$79,449 compared to a gain of \$999,820 for the same period last year. In fiscal 2009, the financial statements of the Company's international subsidiaries were translated into U.S. dollars using the exchange rate at each balance sheet date for assets and liabilities, the historical exchange rate for stockholders' equity and a weighted average exchange rate for each period for revenues, expenses, gains and losses. Translation adjustments on intercompany trade accounts were recorded in earnings as the local currency was the functional currency. Beginning October 1, 2009, both the Company's U.K. and Malaysia subsidiaries adopted the U.S. dollar as their functional currency and began to report their financial results in U.S. dollars. The subsidiaries' adoption of the U.S. dollar as their functional currency reduces the Company's exposure to foreign currency risk.

The Company's net income attributable to common stockholders decreased \$2,414,421 to \$1,146,181 in the six months ended March 31, 2010 from \$3,560,602 in the same period of the prior year, mainly due to the one-time restructuring costs of \$1,968,100 as well as a foreign currency transaction loss of \$79,449 in the six months ended March 31, 2010 versus a \$999,820 gain in the same period of the prior year.

Non-GAAP Financial Information

This section includes non-GAAP financial information, specifically operating income exclusive of the restructuring charge of \$1,968,100 in the six months ended March 31, 2010. Management believes that the presentation of this non-GAAP financial measure provides useful information to investors because this information may allow investors to better evaluate ongoing business performance and certain components of the Company's results. In addition, because the restructuring charge related to a non-recurring event in the six months ended March 31, 2010, the Company believes that the presentation of this non-GAAP financial measure enhances an investor's ability to make period-to-period comparisons of the Company's operating results. This information should be considered in addition to the results presented in accordance with GAAP, and should not be considered a substitute for the GAAP results.

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 the FC2 Female Condom and to cost-effectively manufacture sufficient quantities of the FC2 Female Condom. Inherent in this process are a number of factors that the Company must successfully manage in order to achieve favorable future results and improve its financial condition.

Reliance on a Single Product

The Company expects to derive the vast majority, if not all, of its future revenues from the FC2 Female Condom, currently its only product. While management believes the global potential for the FC2 Female Condom is significant, the ultimate level of consumer demand around the world is not yet known.

Distribution Network

The Company's strategy is to develop a global distribution network for FC2 by entering into partnership arrangements with financially secure companies with appropriate marketing expertise. This strategy has resulted in numerous in-country distributions in the public sector, particularly in Africa, Latin America and India. The Company has also entered into several partnership agreements for the commercialization of the FC2 Female Condoms in consumer sector markets around the world. However, the Company is dependent on country governments, global donors, as well as U.S. municipal and state public health departments to continue AIDS/HIV/STI prevention programs that include FC2 as a component of such programs. The Company's commercial market penetration is dependent on its ability to identify appropriate business partners who will effectively market and distribute FC2 within its contractual territory. Failure by the Company's partners to successfully market and distribute the FC2 Female Condom or failure of donors and/or country governments to establish and sustain HIV/AIDS prevention programs which include distribution of FC2 Female Condoms, the Company's inability to secure additional agreements with global AIDS prevention organizations, or the Company's inability to secure agreements in 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 FC2 Female Condom are essentially available from either multiple sources or multiple locations within a source.

Global Market and Foreign Currency Risks

Until October, 2009, the Company manufactured FC1 in a leased facility located in London, England. The Company manufactures FC2 in a leased facility located in Malaysia. Although a material portion of the Company's future sales are likely to be in foreign markets, FC2 sales are denominated in U.S. dollars only. As both the Company's U.K. and Malaysia subsidiaries adopted the U.S. dollar as their functional currency as of October 1, 2009, the Company's foreign currency risk is minimal.

Government Regulation

Female condoms as a group were classified by FDA as Class III medical devices in 1989. Class III medical devices are deemed by the FDA to carry potential risks with use which must be tested prior to FDA approval, referred to as Premarket Approval (PMA), for sale in the U.S. As FC2 is a Class III medical device, prior to selling FC2 in the U.S., the Company was required to submit a PMA application containing technical information on the use of FC2 such a pre-clinical and clinical safety and efficacy studies which were gathered together in a required format and content. FC2 received PMA as a Class III medical device from the FDA in March 2009.

The FC2 Female Condoms are 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 current "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 conditions of the FDA's approval order relate to product labeling, including information on the package itself and instructions for use called a "package insert" which accompanies each product. 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

In the six months ended March 31, 2010, the Company generated positive cash flow from operations of \$3.3 million. During that period, the Company funded a number of large cash payments including termination payments to U.K. employees (approximately \$1.2 million), a U.K. lease exit payment (approximately \$1.5 million), prepayment of rent under new lease (approximately \$0.5 million), payment of various employee incentives (\$1.2 million) and the Company's first cash dividend (\$1.4 million). During the first six months of fiscal 2009, cash provided by operations was \$3.3 million.

Accounts receivable decreased from \$7,806,007 at September 30, 2009 to \$3,851,025 at March 31, 2010. The reduction is the result of two factors, the first of which is the lower sales price per unit. FC2 comprised 97% of the sales mix in the six months ended March 31, 2010 versus less than 50% of the sales mix in the same period of the prior year. The second factor that impacted the quarter end balance is the timing of large orders. In the six months ended March 31, 2010, shipments were spaced more evenly through the period than during the fourth quarter of fiscal 2009, when certain large orders shipped near quarter end. The Company's credit terms vary from 30 to 90 days, depending on the class of trade and customary terms within a territory, so the accounts receivable balance is also impacted by the mix of purchasers within the quarter. As is typical in the Company's business, extended credit terms may occasionally be offered as a sales promotion. For the past twelve months, the Company's average days sales outstanding has been approximately 69 days. Over the past five years, the Company's bad debt expense has been less than .01% of product sales.

On January 14, 2010, the Company's Board of Directors declared a quarterly cash dividend of \$0.05 per share, which was paid on February 16, 2010 to stockholders of record as of January 29, 2010. The cash dividend was the first in the Company's history. On April 12th, the Company announced that the Board of Directors had declared a second quarterly cash dividend of \$0.05 per share on March 25, 2010. That dividend will be paid on May 12, 2010 to shareholders of record as of April 23rd, 2010. Any future quarterly dividends and the record date for such dividend will be approved each quarter by the Company's Board of Directors and announced by the Company. Payment of future dividends is in the discretion of the Board of Directors and the Company may not have sufficient cash flows to continue to pay dividends. Prior to the dividend declaration, the Company sought and was granted an amendment to its Heartland Bank credit facility, to allow the Company to pay cash dividends. The Company expects to pay approximately \$1.4 million pursuant to the dividend in May, which will be paid from its cash on hand.

At March 31, 2010, the Company had working capital of \$8.4 million and stockholders' equity of \$12.0 million compared to working capital of \$9.2 million and stockholders' equity of \$13.0 million as of September 30, 2009.

The Company believes its current cash position is adequate to fund operations of the Company for at least the next twelve months, although no assurances can be made that such cash will be adequate. However, the Company may sell equity securities to raise additional capital and may borrow funds under its Heartland Bank credit facility.

The Company's credit agreement with Heartland Bank (the "Bank") does not contain any financial covenants that require compliance with ratios or amounts. The line of credit consists of a revolving note for up to \$500,000 with borrowings limited to 50% of eligible accounts receivable and a revolving note for up to \$1,000,000 with borrowings limited to the amount of supporting letters of credit issued by The World Bank or another issuer of equivalent credit quality approved by the Bank. Significant restrictive covenants include prohibitions on any merger, consolidation or sale of all or a substantial portion of the Company's assets and limits on the payments of dividends or the repurchase of shares. Dividends and share repurchases are permitted as long as after giving effect to the dividend or shares repurchase the Company has at least \$1,000,000 of available cash and a ratio of total liabilities to total stockholders equity of at least 1:1. The two revolving notes with the Bank will expire July 1, 2010. When renewed on July 1, 2009, the interest rate was reduced to base rate plus 0.5%, with an interest rate minimum of 6%. No new warrants were issued as part of the extension of these notes. These notes are collateralized by substantially all of the assets of the Company. No amounts were outstanding under the revolving notes at March 31, 2010.

Controls and Procedures

As of the end of the period covered by this report, the Company carried out an evaluation, under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and the Company's Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended). Based on this evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective. It should be noted that in designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. The Company has designed its disclosure controls and procedures to reach a level of reasonable assurance of achieving desired control objectives and, based on the evaluation described above, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective at reaching that level of reasonable assurance.

There was no change in the Company's internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934, as amended) during the Company's most recently completed fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II - OTHER INFORMATION

ITEMS 1-5

Item 2(c) –

On January 17, 2007, the Company announced a Stock Repurchase Program under the terms of which up to a million shares of its common stock could be purchased during the subsequent twelve months. In late March 2008, the Board approved expansion of the repurchase program up to a total of 2,000,000 shares to be acquired through December 31, 2009. In February 2009, the Board further expanded the repurchase program to a maximum of 3,000,000 shares to be acquired through December 31, 2010. On March 25, 2010, the Board extended the buyback period through December 31, 2011. From the program's onset through March 31, 2010, the total number of shares repurchased by the Company is 1,868,611. The Stock Repurchase Program authorizes purchases in privately negotiated transactions as well as in the open market.

Issuer Purchases of Equity Securities:	Details of Treasury Stock Purchases to Date through March 31, 2010			
	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased As Part of Publicly Announced Program	Maximum Number of Shares that May Yet be Purchased Under the Program
Period:				
January 1, 2007 – December 31, 2009	1,853,811	3.25	1,853,811	1,146,189
January 1, 2010 – January 31, 2010	-	-	1,853,811	1,146,189
February 1, 2010 – February 28, 2010	14,800 (1)	5.63	1,868,611	1,131,389
March 1, 2010 – March 31, 2010	-	-	1,868,611	1,131,389
Quarterly Subtotal	<u>14,800</u>	<u>5.63</u>	<u>14,800</u>	
Total	<u><u>1,868,611 (2)</u></u>	<u><u>3.27</u></u>	<u><u>1,868,611</u></u>	<u><u>1,131,389</u></u>

- (1) Consists of shares repurchased pursuant to the authorization to repurchase shares issued to directors, employees and other service providers under the Company's equity incentive plans.
- (2) Includes 177,450 shares repurchased pursuant to the authorization to repurchase shares issued to directors, employees and other service providers under the Company's equity incentive plans. The other shares were repurchased in the open market pursuant to the Share Repurchase Program.

Item 6. EXHIBITS

<u>Exhibit Number</u>	<u>Description</u>
3.1	Amended and Restated Articles of Incorporation. (1)
3.2	Articles of Amendment to the Amended and Restated Articles of Incorporation of the Company increasing the number of authorized shares of common stock to 27,000,000 shares. (2)
3.3	Articles of Amendment to the Amended and Restated Articles of Incorporation of the Company increasing the number of authorized shares of common stock to 35,500,000 shares. (3)
3.4	Articles of Amendment to the Amended and Restated Articles of Incorporation of the Company increasing the number of authorized shares of common stock to 38,500,000 shares. (4)
3.5	Amended and Restated By-Laws. (5)
4.1	Amended and Restated Articles of Incorporation (same as Exhibit 3.1).
4.2	Articles of Amendment to the Amended and Restated Articles of Incorporation of the Company (same as Exhibit 3.2).
4.3	Articles of Amendment to the Amended and Restated Articles of Incorporation of the Company increasing the number of authorized shares of common stock to 35,500,000 shares (same as Exhibit 3.3).
4.4	Articles of Amendment to the Amended and Restated Articles of Incorporation of the Company increasing the number of authorized shares of common stock to 38,500,000 shares (same as Exhibit 3.4).
4.5	Articles II, VII and XI of the Amended and Restated By-Laws (included in Exhibit 3.5).
10.1	Amended and Restated Loan Agreement, dated as of July 20, 2004, between the Company and Heartland Bank.
10.2	First Amendment to Amended and Restated Loan Agreement, dated as of November 1, 2004, between the Company and Heartland Bank.
10.3	Second Amendment to Amended and Restated Loan Agreement, dated as of July 1, 2005, between the Company and Heartland Bank.

- 10.4 Third Amendment to Amended and Restated Loan Agreement, dated as of July 1, 2006, between the Company and Heartland Bank.
- 10.5 Fourth Amendment to Amended and Restated Loan Agreement, dated as of July 1, 2007, between the Company and Heartland Bank.
- 10.6 Fifth Amendment to Amended and Restated Loan Agreement, dated as of July 1, 2008, between the Company and Heartland Bank.
- 10.7 Sixth Amendment to Amended and Restated Loan Agreement, dated as of July 1, 2009, between the Company and Heartland Bank.
- 10.8 Seventh Amendment to Amended and Restated Loan Agreement, dated as of December __, 2009, between the Company and Heartland Bank.
- 10.9 Commercial Security Agreement, dated as of July 20, 2004, between the Company and Heartland Bank.
- 10.10 Form of Promissory Note for up to \$1,000,000 from the Company to Heartland Bank.
- 10.11 Form of Promissory Note for up to \$500,000 from the Company to Heartland Bank.
- 10.12 Deed of Surrender, dated April 27, 2010, among the Company, The Female Health Company (UK) plc and O&T Properties Limited.
- 10.13 Tenancy Agreement, dated April 27, 2010, between Bonhams 1793 Limited and The Female Health Company (UK) plc.
- 31.1 Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2 Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32.1 Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350 (Section 906 of the Sarbanes-Oxley Act of 2002) (6)

-
- (1) Incorporated herein by reference to the Company's Registration Statement on Form SB-2, filed with the Securities and Exchange Commission on October 19, 1999.
 - (2) Incorporated by reference to the Company's Registration Statement on Form SB-2, filed with the Securities and Exchange Commission on September 21, 2000.
 - (3) Incorporated by reference to the Company's Registration Statement on Form SB-2, filed with the Securities and Exchange Commission on September 6, 2002.
 - (4) Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarter ended December 31, 2003.
 - (5) Incorporated herein by reference to the Company's Registration Statement on Form S-18, as filed with the securities and Exchange Commission on May 25, 1990.
 - (6) This certification is not "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended.

SIGNATURES

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

THE FEMALE HEALTH COMPANY

DATE: May 7, 2010

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

DATE: May 7, 2010

/s/ Donna Felch
Donna Felch, Vice President and Chief
Financial Officer

**AMENDED AND RESTATED
LOAN AGREEMENT**

\$2,500,000

between

THE FEMALE HEALTH COMPANY

as Borrower

and

HEARTLAND BANK

as Lender

Dated as of July 20, 2004

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**AMENDED AND RESTATED
LOAN AGREEMENT**

This Amended and Restated Loan Agreement is entered into as of this 20th day of July, 2004 by and between THE FEMALE HEALTH COMPANY, a Wisconsin corporation ("Borrower") and HEARTLAND BANK, a federal savings bank (the "Lender");

WITNESSETH:

WHEREAS, the Borrower has existing term and revolving credit facilities with Lender (the "Existing Loan"), evidenced by a Loan Agreement dated as of May 18, 2001 between Borrower and Lender, as amended thereafter (the "Original Loan Agreement");

WHEREAS, the Borrower has requested the Lender to amend and restate the terms of the Existing Loan, including an extension of the maturity of the Existing Loan, all in accordance with the terms and conditions of this Agreement; and

WHEREAS, upon and subject to the terms and conditions set forth herein, the Lender is willing to amend and restate the Existing Loan and extend the maturity thereof;

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

ARTICLE 1 - DEFINITIONS

Section 1.1 Definitions. For the purpose 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 Base**" means at any time an amount equal to the sum of 50% of the face value of Eligible Receivables due and owing at such time.

"**Borrowing Base Certificate**" means the certificate delivered by the Borrower in accordance with **Section 7.1(c)** in the form of **Exhibit C** attached.

"**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 aggregate of the Loans made to Borrower pursuant to **Section 2.1**.

"**Credit Notes**" means all of the Promissory Notes 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**.

"**Eligible Receivable**" means, collectively, all Receivables of Borrower and its Subsidiaries on a consolidated basis other than the following: (i) Receivables which remain unpaid 60 or more days past the due date; (ii) all Receivables owing by a single Account Debtor, including a currently scheduled Receivable if 50% or more of the balance owing by such Account Debtor are ineligible by reason of the criteria set forth in clause (i) above; (iii) Receivables with respect to which the Account Debtor is an Affiliate of Borrower; (iv) Receivables with respect to which the Account Debtor is the United States of America or any department, agency or instrumentality thereto unless filings in accordance with the U.S. Claims Act have been completed and filed, acknowledged and processed in a manner satisfactory to Administrative Agent; (v) Receivables with respect to goods that have been rejected as unsatisfactory by the Account Debtor or with respect to services that have been rejected as unsatisfactory by the Account Debtor; (vi) Receivables which are not invoiced (and dated as of the date of such invoice) and sent to the Account Debtor within 30 days after delivery of the underlying goods to or performance of the underlying services for the Account Debtor; (vii) Receivables with respect to which Lender does not have a first and valid, fully perfected security interest; (viii) Receivables with respect to which the Account Debtor is the subject of bankruptcy or a similar insolvency proceeding or has made an assignment for the benefit of creditors or whose assets have been conveyed to a receiver or trustee; (ix) Receivables with respect to which the Account Debtor's obligation to pay the Receivable is conditional upon the Account Debtor's approval or is otherwise subject to any repurchase obligation or return right, as with sales made on a bill-and-hold, guaranteed sale, sale-and-return, sale on approval (except with respect to Receivables in connection with which Account Debtors are entitled to return inventory solely on the basis of the quality of such inventory) or consignment basis; (x) Receivables owing by any supplier to any Borrower and subject to offset against trade accounts payable owing to such Account Debtor to the extent of such offset; (xi) Receivables owing from a single Account Debtor to the extent Eligible Receivables from that Account Debtor are in excess of 20% of all of the Eligible Receivables; (xii) Receivables generated from COD accounts, cash or miscellaneous accounts, accounts on credit hold, and for finance charges or service charges; (xiii) Receivables consisting of retainage or retention; (xiv) Receivables consisting of debit memos or chargebacks; and (xv) any Receivable of an Account Debtor with respect to particular goods still in the possession of any Borrower or included in inventory against which the Account Debtor has filed a financing statement under the UCC or has obtained or purported to have obtained a Lien or security interest. If a previously scheduled Eligible Receivable ceases to be an Eligible Receivable under the above criteria, Borrower shall notify Lender thereof (which notice obligation will be satisfied by the submission of accurate Borrowing Certificates as required hereinafter).

"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 Borrower and the Pledgors to the Lender, naming the Lender as secured party and Borrower and each Pledgor as debtor, in connection with the perfection of the security interests granted by this Agreement or the Security Agreement or the Pledgor 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.

"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.

"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.

"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.

"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 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.

"Loan Number One" means the Loan made to Borrower pursuant to **Section 2.1** in the principal amount of \$1,000,000, and all extensions, renewals and modifications thereto.

"Loan Number Two" means the Loan made to Borrower pursuant to **Section 2.1** in the principal face amount of \$500,000, and all extensions, renewals and modifications thereto.

"Loan Number Three" means the Loan made to Borrower pursuant to **Section 2.1** in the principal amount of \$1,000,000, and all extensions, renewals and modifications thereto.

"Loan" 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 Notes, the Registration Rights Agreement, the Security Agreement, the Warrant, the Pledgor Security Documents, the Supporting Letter of Credit, 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 as to each Loan:

Loan Number One	-	July 1, 2006
Loan Number Two	-	July 1, 2005
Loan Number Three	-	July 1, 2005

"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.

"Maximum Available Amount of Loan Number Two" means the lesser of (a) the Borrowing Base and (b) \$500,000.

"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 each Credit Note, the forms of which are attached hereto as **Exhibits A, B, and C**, and any amendments, modifications, restatements, replacements, renewals or refinancings thereof.

"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, each party to the Pledge Agreements (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 or unincorporated organization or a government or any agency or political subdivision thereof.

"Pledge Agreements" means those certain pledge agreements entered into by and between Lender and Pledgors, dated as of even date herewith, whereby each Pledgor pledges 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.

"Pledgor" means each of the following Persons, and "Pledgors" means all of the Pledgors collectively:

- (i) Thomas Bodine
- (ii) Stephen Dearholt
- (iii) James Kerber
- (iv) Jerry Kinder
- (v) The Geneva O. Parrish 1996 Living Trust
- (vi) Richard Wenninger

"Pledgor Security Documents" means each (a) Financing Statement, (b) Pledge Agreement, and (c) any other writing executed and delivered by any Person executing a Pledge Agreement.

"Prime Rate" means the per annum rate of interest publicly announced by Heartland Bank at its principal office as its "prime rate" as in effect from time to time. Prime Rate is a reference used by Lender in determining interest rates on certain loans and is not intended to be the lowest rate of interest charged on any extension of credit to any debtor. Each change in the Prime Rate shall result in a concurrent charge in the interest rate on a Loan for which interest is based upon the Prime Rate.

"Receivables" means and includes, as to any Person, all of such Person's then owned or existing and future acquired or arising (a) rights to the payment of money or other forms of consideration of any kind (whether as accounts, contract rights, chattel paper, general intangibles, instruments, investment related property or otherwise) including, but not limited to, accounts receivable, letters of credit rights, tax refunds, insurance proceeds, notes, drafts, instruments, documents, acceptances and all other debts, obligations and liabilities in whatever form from any Person and guaranties, security and Liens securing payment thereof, (b) goods, whether now owned or hereafter acquired, and whether sold, delivered, undelivered, in transit or returned, which may be represented by, or the sale or lease of which may have given rise to, any such right to payment or other debt, obligation or liability, and (c) cash and non-cash proceeds of any of the foregoing.

"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 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, 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 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 Agreement" means, collectively, the security agreement to be executed by Borrower to the benefit of Lender, granting a security interest in all of the assets of Borrower to secure the obligations of Borrower under Loan Number One and Loan Number Two, and any amendments thereto, together with the agreement of the Subsidiary of Borrower creating a lien upon the Receivables of such Subsidiary.

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

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

"Subsidiary" means a Person of which an aggregate of 50% or more of the 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.

"Supporting Letter of Credit" means a standby or commercial letter of credit issued by The World Bank, or other issuer of equivalent credit quality as approved by Lender in its discretion, in favor of Lender, for the account of Borrower or its subsidiary, as provided and required by **Section 4.1**.

"Termination Event" means (a) a "Reportable Event" as defined in Section 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 the State of Missouri.

"Unfunded Vested Accrued Benefits" means, with respect to any Benefit Plan 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 executed by the Borrower in favor Lender whereby Lender is entitled to subscribe for and purchase Shares from Borrower.

"Warrant Collateral Value" means the product of (a) the trading (buy) price of the Shares publicly quoted on the second Business Day preceding the end of each fiscal quarter of Borrower, minus, (b) the exercise price of the warrants that are the subject of the Pledge Agreements, times (c) the number of warrants that are the subject of the Pledge Agreements.

Section 1.2 Other Provisions.

(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.

(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 Pledgor Security Documents, shall have the meanings given those terms in the UCC.

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

ARTICLE 2 - CREDIT FACILITY

Section 2.1 Credit Loan. Upon the terms and subject to the conditions of, and in reliance upon the representations and warranties made under, this Agreement, the Lender shall make Loans to Borrower from time to time from the date hereof to the respective 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 \$2,500,000. Each Loan shall be in the maximum principal amount as follows: (a) Loan Number One - \$1,000,000; (b) Loan Number Two - \$500,000; Loan Number Three - \$1,000,000.

2.1.1 Limitation on Loan Advances. Notwithstanding anything to the contrary contained herein, no Loan Advance under Loan Number Two will be made if such advance would result in the aggregate amount of all Loan Advances under Credit Loan Number Two to exceed the lesser of (a) \$500,000.00 or (b) the Maximum Available Amount for Loan Number Two, and no Loan Advance with respect to Loan Number Three will be made if such advance would result in the aggregate amount of all Loan Advances under the Credit Loan Number Three to exceed \$1,000,000. No Loan Advance will be made under Loan Number Three unless each such Loan Advance is accompanied by a Supporting Letter of Credit in the face amount of at least the principal amount of the Loan Advance requested, and the terms and conditions of each such Supporting Letter of Credit are to be satisfactory to Lender. No Loan Advance under any Loan will be made on or after the Loan Maturity Date for the respective Loan.

2.1.2 Loan Advance Borrowing Procedure. Subject to 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 respective 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 and all limitations thereto are in compliance, Lender will make the amount of each such requested advance available to Borrower in immediately available funds in Dollars at the Lender's Office.

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

Section 2.3 Notes. The Loans and the obligation of Borrower to repay such Loans shall be evidenced by the Notes, each payable to the order of the Lender. Each Note shall be dated the Effective Date and be duly and validly executed and delivered by Borrower.

Section 2.4 Prepayment of Loans.

(a) Voluntary Prepayments. Borrower shall have the right at any time and from time to time, to wholly or partially repay any Loan at any time without premium or penalty. Any amount prepaid under Loan Number Two and Loan Number Three may, subject to compliance with the conditions and limitations herein, be re-borrowed, and any amount prepaid under Loan Number One may not be re-borrowed.

(b) Mandatory Prepayments. If at any time the principal balance outstanding of Loan Number Two exceeds the Maximum Available Amount for Loan Number Two, Borrower shall on demand make a payment to Lender in the amount of the excess. Each such prepayment shall be applied to reduce such Loan.

ARTICLE 3 - GENERAL LOAN PROVISIONS

Section 3.1 Interest.

(a) Interest Rate of Loans. Each Loan shall bear interest at a per annum rate on the unpaid principal amount of the Loan for each day from the day such Loan was made until the Loan is paid in full (whether at maturity, by reason of acceleration or otherwise), as follows:

Loan Number One	10%
Loan Number Two	Prime Rate plus 2%
Loan Number Three	Prime Rate plus 2%

(b) Default Rate. From and after the occurrence of an Event of 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.

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

(a) Scheduled Payments on Loans. Borrower shall make payments of interest accrued on the Loans monthly, in arrears, beginning on the first day of the first 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 each Loan after the Loan Maturity Date, on demand.

(b) Final Payment. On each Loan Maturity Date, Borrower shall pay to the Lender, in same day funds, an amount equal to the aggregate amount of the respective Loan outstanding and due on such date, together with accrued interest thereon, all fees payable to the Lender pursuant to the provisions of this Agreement, and any and all other Obligations then due and outstanding.

(c) Interest Calculation. For purposes of interest 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) Returned Instruments. If a payment is made by check, draft or 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 reason compelled to surrender any payment or any proceeds of any collateral under the Security Agreement or the Pledgor 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 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.

(g) Commitment Fees. In connection with and as consideration for the Lender's commitment hereunder, subject to the terms hereof, to lend to Borrower under Loan Number Two and Loan Number Three, the Borrower shall pay a fee to the Lender from the Effective Date until the respective Loan Maturity Date for Loan Number Two and Loan Number Three in an annual amount equal to the average daily unused portion of Loan Number Two and Loan Number Three times one-half of one percent (.50%), payable monthly in arrears on the first day of each month.

Section 3.5 Collateral. Each Loan shall be secured or supported by the collateral or support as evidenced by the following:

- Loan Number One: Pledgor Security Documents
- Loan Number One and Loan Number Two (pari passu): Security Agreement
- Loan Number Three: Supporting Letters of Credit

ARTICLE 4 - CONDITIONS PRECEDENT

Section 4.1 Conditions Precedent to All Loans. Notwithstanding any 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 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;
- (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 Borrower and each Pledgor, 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) the Borrowing Base as of the immediately preceding end of month;
- (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;
- (10) opinion of Borrower's counsel opining to such matters as Lender and/or its legal counsel may require; and
- (11) with respect to a Loan Advance request (i) under Loan Number Two, a Borrowing Base Certificate, and (ii) under Loan Request Number Three, a Supporting Letter of Credit.

(b) No Injunctions, Etc. Except as disclosed in Borrower's most recent 10Q furnished to Lender for the quarter ended March 31, 2004, 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.

(c) Material Adverse Change. As of the Effective Date, there shall not 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 presented by the most recent financial statements of Borrower.

(d) Solvency. The Lender shall have received evidence satisfactory to 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.

(e) No Default or Event of Default. There shall be no Default or Event 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 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) Borrower shall have submitted to Lender a current 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 Borrowing Base.

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.

(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 any of its 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 is a party or by which any of its property may be bound or (C) any Governmental Approval relating to Borrower, 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 March 31, 2004, there are no actions, suits or proceedings pending against or in any other way relating adversely to or affecting Borrower or any Pledgor 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 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.

(h) Burdensome Provisions. Neither Borrower nor any of the Pledgors 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, 2003, 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, 2004 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 are 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).

(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 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 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 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 (including each of the Pledgors) to which stock options and warrants have been issued, as well as the amount of any and all such options and warrants and the date of any registration rights agreement with any of the holders of stock options or warrants. There are no claims, liens or encumbrances presently existing or outstanding with respect to the Shares.

(s) Intellectual Property. Borrower and its Subsidiaries own and possess all intellectual property (such as copyrights, patents, trademarks and trade names) required to conduct their business as now and presently planned to be conducted without, to its knowledge, conflict in any material respect with the rights of others and **Schedule 5.1(s)** lists all such intellectual property owned by Borrower and its Subsidiaries.

Section 5.2 Survival of Representations and Warranties, Etc. All 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 each of its Subsidiaries will:

Section 6.1 Preservation of Corporate Existence and Similar Matters. 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 laws relating to Borrower.

Section 6.3 Payment of Taxes and Claims. Pay or discharge when due (a) 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 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 proceeds of Loans Number Two and Three only for Borrower's and its Subsidiary's working capital purposes.

Section 6.6 Hazardous Waste and Substances; Environmental Requirements. In addition to, and not in derogation of, the requirements of **Section 6.2** and of the Security Agreement and Pledgor 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, 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 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 substantially the same fields as the businesses conducted on the Effective Date.

Section 6.10 Insurance. Borrower shall at all times maintain, in addition to the insurance required by the Security Agreement and any of the Pledgor 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.

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

Section 6.13 Maintenance of Collateral Value — Loan Number One. Borrower shall at all times maintain the ratio of (i) Warrant Collateral Value to (ii) the outstanding principal balance of Loan Number One, at least 2.5 to 1.0. In the event said ratio falls below 2.5 to 1.0, then Borrower shall immediately reduce by pre-payment the principal balance of Loan Number One, issue to Lender warrants for the purchase of Shares, or deliver to Lender other collateral of a type and value satisfactory to Lender in its sole discretion, or any combination of the foregoing, in such manner and to the extent necessary to maintain the said ratio of at least 2.5 to 1.0.

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; Borrowing Base Certificate

(a) Certified Year-End Statements. As soon as available, but in any event within 120 days after the end of each fiscal year of Borrower, copies of the consolidated and consolidating 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 event within 45 days after the end of each fiscal quarter of Borrower copies of the unaudited consolidated and consolidating 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.

All such financial statements shall be complete and correct in all material respects, and 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.

(c) Borrowing Base Certificate. Within fifteen (15) days after the end of each calendar month, a Borrowing Base Certificate as of the end of such preceding calendar month.

(d) Collateral Coverage Certificate. Concurrently with the financial statements required to be delivered to the Lender pursuant to sub-Section (b) above, a Collateral Coverage Certificate in the form and containing the terms as Exhibit D attached.

(e) Authorization. Borrower authorizes the Lender to discuss 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 7.2 Copies of Other Reports.

(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) Within thirty (30) days following the end of each fiscal quarter of Borrower, an Accounts Receivable aging report showing the name and outstanding account balances of each account debtor, and the aging of the account balances of each such debtor by the following aging categories: 0-30 days, 31-60 days, 61-90 days, and over 90 days.

(d) 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 Borrower and its Subsidiary 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 7.3 Notice of Litigation and Other Matters.

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, 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 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 under any material agreement (other than this Agreement) to which Borrower or its Subsidiary is a party or by which Borrower or its Subsidiary 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 7.4 ERISA. As soon as possible and in any event within 30 days 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 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 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 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/Payments. Declare, pay or set apart for payment any Restricted Payment or Restricted Distribution.

Section 8.5 Reclassification, Merger, Sale of Assets, etc. Reorganize, 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 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 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 subscription and purchase of shares of common stock of Borrower, without the express prior written consent of Lender.

Section 8.9 Liens. Other than in favor of Lender, grant any Lien other than purchase money security interests in capital assets, not to exceed in the aggregate \$250,000 for any consecutive twelve-month period.

ARTICLE 9 - DEFAULT

Section 9.1 Events of Default. Each of the following shall constitute 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 of principal of, or interest on, any of the Loans or a 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 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 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 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's 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 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 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 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 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 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 50,000, (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.

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

Section 9.3 Application of Proceeds. All proceeds from each sale of, or other realization upon, all or any part of any collateral under the Pledgor Security Documents and the Security Agreement 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 10.2 Expenses. Borrower agree to pay or reimburse on demand 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. 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 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.

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

(a) Consent to Jurisdiction; Waiver of Venue Objection; Service of Process. WITHOUT LIMITING THE RIGHT OF THE LENDER TO BRING ANY ACTION OR 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 IN ST. LOUIS COUNTY, OR THE UNITED STATES FEDERAL DISTRICT COURT FOR THE EASTERN DISTRICT OF MISSOURI, 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 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 10.6 Reversal of Payments. To the extent Borrower makes a payment or payments to the Lender or the Lender receives any payment or proceeds of any collateral for the Security Agreement or for the Pledgor 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 10.7 Injunctive Relief. Borrower recognizes that, in the event 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 10.8 Accounting Matters. All financial and accounting 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 10.9 Assignment; Participation. All the provisions of this 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 a Note and, in connection with any such assignment, may assign its rights and obligations under the Pledgor Security Documents, the Security Agreement and the Supporting Letter of Credit. 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 10.10 Amendments. Any term, covenant, agreement or condition 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 10.11 Performance of Borrower's Duties. Borrower's obligations 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 10.12 Indemnification. Borrower agrees to reimburse the Lender 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 10.13 All Powers Coupled with Interest. All powers of attorney 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 10.14 Survival. Notwithstanding any termination of this Agreement, (a) until all Obligations have been paid in full and this Agreement terminated, the Lender shall retain its security interest and shall retain all rights under this Agreement and each of the Pledgor 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 10.15 Severability of Provisions. Any provision of this 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 10.16 Governing Law. This Agreement and the Notes and the other Loan Documents shall be construed in accordance with and governed by the law of the State of Missouri, exclusive of its choice of law rules.

Section 10.17 Counterparts. This Agreement may be executed in any 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 10.18 Final Agreement. This Agreement and the other Loan 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 10.19 Purchase of Insurance. UNLESS YOU, BORROWER, PROVIDE 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 OR 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.

Section 10.20 Oral Agreements. ORAL AGREEMENTS OR COMMITMENTS TO LOAN 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.

Section 10.21 Release of Guarantees. UPON SATISFACTION OF ALL CONDITIONS PRECEDENT SPECIFIED IN SECTION 4.1, LENDER SHALL RELEASE ALL EXISTING GUARANTEES EXECUTED BY GUARANTORS, AS DEFINED IN THE ORIGINAL LOAN AGREEMENT.

The remainder of this page is intentionally blank

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: /s/ O.B. Parrish
Name: O.B. Parrish
Title: Chairman and CEO

LENDER:

HEARTLAND BANK

By: /s/ Bruce Forster
Name: Bruce Forster
Title: Vice President

STATE OF _____
_____ OF _____

)
) ss
)

On this 20th day of July, 2004, 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:

EXHIBIT "A"
REVOLVING CREDIT NOTE

EXHIBIT "B"
PROMISSORY NOTE

EXHIBIT "D"

COLLATERAL COVERAGE CERTIFICATE

TO: Heartland Bank

As of the quarter ending _____, 200__
("Effective Date)

Pursuant to the Amended and Restated Loan Agreement dated as of July 20, 2004 between The Female Health Company and Heartland Bank, as the same may be amended, the undersigned officer of The Female Health Company hereby certifies to Heartland Bank as follows:

1. Publicly quoted trading (buy) price of shares of common stock of The Female Health Company as of the second Business Day preceding the Effective Date of this Certificate: \$ _____
2. The product of Line 1 times the number of warrants subject to the Pledge Agreements on the Effective Date of this Certificate: \$ _____
3. The product of the number of warrants subject to the Pledge Agreements on the Effective Date of this Certificate times the respective exercise price of each of the said warrants: \$ _____
4. The Warrant Collateral Value (the positive difference of Line 2 minus Line 3): \$ _____
5. The outstanding principal balance of Loan Number One on the Effective Date of this Certificate: \$ _____
6. The ratio of Line 4 to Line 5: \$ _____

Required Minimum Ratio: 2.5 : 1.0

If Line 6 is less than 2.5 to 1.0, Borrower shall immediately either reduce by prepayment the outstanding principal balance of Loan Number One, or deliver to Lender additional collateral as provided in the Loan Agreement, all as provided in the Loan Agreement.

Capitalized terms not otherwise defined herein shall have the meaning ascribed to them in the Loan Agreement.

Dated this ____ day of _____, 200__,

THE FEMALE HEALTH COMPANY

By: _____
Name:
Title:

SCHEDULE 5.1(m)

Borrower's Locations

SCHEDULE 5.1(p)

ERISA

Borrower has the following Plans:

Party	Type of Plan

SCHEDULE 5.1(r)

Description of Capital Structure

SCHEDULE 5.1(s)

Intellectual Property of Borrower and its Subsidiaries

FIRST AMENDMENT TO AMENDED AND RESTATED LOAN AGREEMENT

This FIRST AMENDMENT TO AMENDED AND RESTATED LOAN AGREEMENT (this "Amendment") dated as of November 1, 2004, among THE FEMALE HEALTH COMPANY ("Borrower") and HEARTLAND BANK ("Lender").

WITNESSETH:

WHEREAS, the parties entered into an Amended and Restated Loan Agreement dated as of July 20, 2004 (the "Loan Agreement") pursuant to which Lender has made available to Borrower from time to time term and revolving credit facilities in the maximum aggregate principal amount of Two Million Five Hundred Thousand Dollars (\$2,500,000.00);

WHEREAS, Borrower and Lender have agreed to amend the Loan Agreement;

NOW, THEREFORE, in consideration of the promises and the mutual agreements herein set forth and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

SECTION 1. *Definitions; References.* Unless otherwise specifically defined herein, each term used herein which is defined in the Loan Agreement shall have the meaning assigned to such term in the Loan Agreement. Each reference to "hereof," "hereunder," "herein" and "hereby" and each other similar reference and each reference to "this Agreement" and each other similar reference contained in the Loan Agreement shall from the date hereof refer to the Loan Agreement as amended hereby.

SECTION 2. Amendments to Loan Agreement. Subject to the satisfaction and occurrence of each of the conditions set forth in **Section 3** hereof, the Loan Agreement is hereby amended as follows, effective as of the date hereof:

2.1. At **Section 1.1** of the Agreement, replace the definition of Eligible Receivable in its entirety as follows:

"Eligible Receivable" means, collectively, all Receivables of Borrower and its Subsidiaries on a consolidated basis other than the following: (i) Receivables payable by any account debtor that is located outside of the United States of America or payable in any currency other than the currency of the United States of America; (ii) Receivables which remain unpaid 60 or more days past the due date; (iii) all Receivables owing by a single account debtor, including a currently scheduled Receivable if 50% or more of the balance owing by such account debtor are ineligible by reason of the criteria set forth in clause (i) above; (iv) Receivables with respect to which the account debtor is an Affiliate of Borrower; (v) Receivables with respect to which the account debtor is the United States of America or any department, agency or instrumentality thereto unless filings in accordance with the U.S. Claims Act have been completed and filed, acknowledged and processed in a manner satisfactory to Administrative Agent; (vi) Receivables with respect to goods that have been rejected as unsatisfactory by the account debtor or with respect to services that have been rejected as unsatisfactory by the account debtor; (vii) Receivables which are not invoiced (and dated as of the date of such invoice) and sent to the account debtor within 30 days after delivery of the underlying goods to or performance of the underlying services for the account debtor; (viii) Receivables with respect to which Lender does not have a first and valid, fully perfected security interest; (ix) Receivables with respect to which the account debtor is the subject of bankruptcy or a similar insolvency proceeding or has made an assignment for the benefit of creditors or whose assets have been conveyed to a receiver or trustee; (x) Receivables with respect to which the account debtor's obligation to pay the Receivable is conditional upon the account debtor's approval or is otherwise subject to any repurchase obligation or return right, as with sales made on a bill-and-hold, guaranteed sale, sale-and-return, sale on approval (except with respect to Receivables in connection with which account debtors are entitled to return inventory solely on the basis of the quality of such inventory) or consignment basis; (xi) Receivables owing by any supplier to any Borrower and subject to offset against trade accounts payable owing to such account debtor to the extent of such offset; (xii) Receivables owing from a single account debtor to the extent Eligible Receivables from that account debtor are in excess of 20% of all of the Eligible Receivables; (xiii) Receivables generated from COD accounts, cash or miscellaneous accounts, accounts on credit hold, and for finance charges or service charges; (xiv) Receivables consisting of retainage or retention; (xv) Receivables consisting of debit memos or chargebacks; and (xvi) any Receivable of an account debtor with respect to particular goods still in the possession of any Borrower or included in inventory against which the account debtor has filed a financing statement under the UCC or has obtained or purported to have obtained a Lien or security interest. If a previously scheduled Eligible Receivable ceases to be an Eligible Receivable under the above criteria, Borrower shall notify Lender thereof (which notice obligation will be satisfied by the submission of accurate Borrowing Certificates as required hereinafter).

SECTION 3. Effectiveness. The effectiveness of this Amendment is subject to the satisfaction and occurrence of each of the following conditions precedent:

3.1. Lender shall have received executed counterparts of the following documents, each containing terms satisfactory to Required Lenders:

- (a) this Amendment; and
- (b) such other documents and certificates as Lender may reasonably require.

3.2. Lender shall have received a copy of resolutions of the Board of Directors of Borrower, duly adopted, which authorize the execution, delivery and performance of this Amendment and the other documents executed pursuant to or in connection with this Amendment.

SECTION 4. Representations and Warranties. Borrower represents and warrants to Lender that:

4.1. The representations and warranties of Borrower contained in the Loan Agreement are true and correct in all material respects on and as of the date hereof as if such representations and warranties had been made on and as of the date hereof (except to the extent that any such representations and warranties specifically relate to an earlier date).

4.2. Borrower is in compliance with all the terms and provisions set forth in the Loan Agreement and no Default or Event of Default has occurred and is continuing or would result from the execution, delivery and performance of this Amendment.

4.3. Borrower does not have a defense, counterclaim or offset with respect to the Loan Agreement or any of the other Loan Documents.

SECTION 5. Voluntary Agreement. Each party represents and warrants to the other that it has consulted or has had the opportunity to consult with counsel regarding this Amendment, that it is fully aware of the terms contained herein and that it has voluntarily and without coercion or duress of any kind entered into this Amendment.

SECTION 6. Authority. By execution hereof, each of the persons signing on behalf of the parties hereto hereby represents and warrants that each is fully authorized to act and execute this Agreement on behalf of their respective party.

SECTION 7. Full Force and Effect. Except as specifically amended hereby, all of the terms and conditions of the Loan Agreement, the Loan Documents, and all other documents, instruments and agreements executed and/or delivered in connection therewith, shall remain in full force and effect, and the same are hereby ratified and confirmed. No reference to this Amendment need be made in any instrument or document at any time referring to the Loan Agreement, a reference to the Loan Agreement in any of such to be deemed to be reference to the Loan Agreement, as amended hereby. This Amendment, the Loan Agreement, and the other Loan Documents constitute legal, valid and binding obligations of Borrower and are enforceable against Borrower in accordance with their respective terms.

SECTION 8. Counterparts. This Amendment may be executed in one or more counterparts, each of which shall be deemed to be an original, and all of which shall constitute together but one and the same agreement.

SECTION 9. Headings; Recitals. The various headings of this Amendment are inserted for convenience only and shall not affect the meaning or interpretation of this Amendment or any provisions hereof. The recitals set forth herein are hereby incorporated into this Amendment and form a part hereof, the truth and accuracy of which is evidence by each party's execution hereof.

SECTION 10. Governing Law. This Amendment shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns and shall be governed by and construed in accordance with the laws of the State of Missouri.

SECTION 11. Missouri Revised Statute §432.045. **ORAL AGREEMENTS OR COMMITMENTS TO LOAN 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 (LENDER) FROM MISUNDERSTANDING OR DISAPPOINTMENT, ANY AGREEMENTS WE REACH COVERING SUCH MATTERS ARE CONTAINED IN THIS WRITING, WHICH, TOGETHER WITH THE LOAN DOCUMENTS, IS THE COMPLETE AND EXCLUSIVE STATEMENT OF THE AGREEMENT BETWEEN US, EXCEPT AS WE MAY LATER AGREE IN WRITING TO MODIFY IT.**

[The Remainder of this Page is Left Blank Intentionally]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed by their respective authorized officers as of the day and year first above written.

BORROWER

THE FEMALE HEALTH COMPANY

By: /s/ O. B. Parrish
Name: O. B. Parrish
Title: Chairman and CEO

LENDER

HEARTLAND BANK

By: /s/ Bruce Forster
Name: Bruce Forster
Title: Vice President

SECOND AMENDMENT TO AMENDED AND RESTATED LOAN AGREEMENT

This SECOND AMENDMENT TO AMENDED AND RESTATED LOAN AGREEMENT (this "Amendment") dated as of July 1, 2005, between THE FEMALE HEALTH COMPANY ("Borrower") and HEARTLAND BANK ("Lender").

WITNESSETH:

WHEREAS, the parties entered into an Amended and Restated Loan Agreement dated as of July 20, 2004, as amended by the First Amendment to Amended and Restated Loan Agreement dated November 1, 2004 (the "Loan Agreement") pursuant to which Lender has made available to Borrower from time to time term and revolving credit facilities in the maximum aggregate principal amount of Two Million Five Hundred Thousand Dollars (\$2,500,000.00);

WHEREAS, Borrower and Lender have agreed to amend the Loan Agreement;

NOW, THEREFORE, in consideration of the promises and the mutual agreements herein set forth and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

SECTION 1. Definitions; References. Unless otherwise specifically defined herein, each term used herein which is defined in the Loan Agreement shall have the meaning assigned to such term in the Loan Agreement. Each reference to "hereof", "hereunder", "herein" and "hereby" and each other similar reference and each reference to "this Agreement" and each other similar reference contained in the Loan Agreement shall from the date hereof refer to the Loan Agreement as amended hereby.

SECTION 2. Amendments to Loan Agreement. Subject to the satisfaction and occurrence of each of the conditions set forth in **Section 3** hereof, the Loan Agreement is hereby amended as follows, effective as of the date hereof:

2.1. At **Section 1.1** of the Agreement, replace the definition of Loan Maturity Date in its entirety as follows:

"Loan Maturity Date" means as to each Loan:

Loan Number One – July 1, 2006
Loan Number Two – July 1, 2006
Loan Number Three – July 1, 2006

SECTION 3. Effectiveness. The effectiveness of this Amendment is subject to the satisfaction and occurrence of each of the following conditions precedent:

3.1. Lender shall have received executed counterparts of the following documents, each containing terms satisfactory to Lender:

- (a) this Amendment;
- (b) replacement Credit Notes for Loan Number Two and Three in the form and containing the terms as Exhibit A and Exhibit B, respectively, attached;
- (c) a Supporting Letter of Credit containing such terms (including expiry date) as are required by Lender; and
- (d) such other documents and certificates as Lender may reasonably require.

3.2. Lender shall have received a copy of resolutions of the Board of Directors of Borrower, duly adopted, which authorize the execution, delivery and performance of this Amendment and the other documents executed pursuant to or in connection with this Amendment.

SECTION 4. Representations and Warranties. Borrower represents and warrants to Lender that:

4.1. The representations and warranties of Borrower contained in the Loan Agreement are true and correct in all material respects on and as of the date hereof as if such representations and warranties had been made on and as of the date hereof (except to the extent that any such representations and warranties specifically relate to an earlier date).

4.2. Borrower is in compliance with all the terms and provisions set forth in the Loan Agreement and no Default or Event of Default has occurred and is continuing or would result from the execution, delivery and performance of this Amendment.

4.3. Borrower does not have a defense, counterclaim or offset with respect to the Loan Agreement or any of the other Loan Documents.

SECTION 5. Voluntary Agreement. Each party represents and warrants to the other that it has consulted or has had the opportunity to consult with counsel regarding this Amendment, that it is fully aware of the terms contained herein and that it has voluntarily and without coercion or duress of any kind entered into this Amendment.

SECTION 6. Authority. By execution hereof, each of the persons signing on behalf of the parties hereto hereby represents and warrants that each is fully authorized to act and execute this Agreement on behalf of their respective party.

SECTION 7. Full Force and Effect. Except as specifically amended hereby, all of the terms and conditions of the Loan Agreement, the Loan Documents, and all other documents, instruments and agreements executed and/or delivered in connection therewith, shall remain in full force and effect, and the same are hereby ratified and confirmed. No reference to this Amendment need be made in any instrument or document at any time referring to the Loan Agreement, a reference to the Loan Agreement in any of such to be deemed to be reference to the Loan Agreement, as amended hereby. This Amendment, the Loan Agreement, and the other Loan Documents constitute legal, valid and binding obligations of Borrower and are enforceable against Borrower in accordance with their respective terms.

SECTION 8. Counterparts. This Amendment may be executed in one or more counterparts, each of which shall be deemed to be an original, and all of which shall constitute together but one and the same agreement.

SECTION 9. Headings; Recitals. The various headings of this Amendment are inserted for convenience only and shall not affect the meaning or interpretation of this Amendment or any provisions hereof. The rentals set forth herein are hereby incorporated into this Amendment and form a part hereof, the truth and accuracy of which is evidenced by each party's execution hereof.

SECTION 10. Governing Law. This Amendment shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns and shall be governed by and construed in accordance with the laws of the State of Missouri.

SECTION 11. Missouri Revised Statute - §432.045. **ORAL AGREEMENTS OR COMMITMENTS TO LOAN MONEY, EXTEND CREDIT OR TO FORBEAR FROM ENFORCING REPAYMENT OF A DEBT INCLUDING PROMISES TO EXTEND OR RENEW SUCH DEBT ARE NOT ENFORCEABLE REGARDLESS OF THE LEGAL THEORY UPON WHICH IT IS BASED THAT IS IN ANY WAY RELATED TO THE CREDIT AGREEMENT. TO PROTECT YOU (BORROWER) AND US (LENDER) FROM MISUNDERSTANDING OR DISAPPOINTMENT, ANY AGREEMENTS WE REACH COVERING SUCH MATTERS ARE CONTAINED IN THIS WRITING, WHICH, TOGETHER WITH THE LOAN DOCUMENTS, IS THE COMPLETE AND EXCLUSIVE STATEMENT OF THE AGREEMENT BETWEEN US, EXCEPT AS WE MAY LATER AGREE IN WRITING TO MODIFY IT.**

[The Remainder of this Page is Left Blank Intentionally]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed by their respective authorized officers as of the day and year first above written.

BORROWER

THE FEMALE HEALTH COMPANY

By: /s/ O. B. Parrish
Name: O. B. Parrish
Title: Chairman and CEO

LENDER

HEARTLAND BANK

By: /s/ Bruce Forster
Name: Bruce Forster
Title: Vice President

THIRD AMENDMENT TO AMENDED AND RESTATED LOAN AGREEMENT

This **THIRD AMENDMENT TO AMENDED AND RESTATED LOAN AGREEMENT** (this "Amendment") dated as of July 1, 2006, between THE FEMALE HEALTH COMPANY ("Borrower") and HEARTLAND BANK ("Lender").

WITNESSETH:

WHEREAS, the parties entered into an Amended and Restated Loan Agreement dated as of July 20, 2004, as amended by the First Amendment to Amended and Restated Loan Agreement dated November 1, 2004, and as further amended by the Second Amendment to Amended and Restated Loan Agreement dated July 1, 2005 (the "Loan Agreement") pursuant to which Lender has made available to Borrower from time to time term and revolving credit facilities in the maximum aggregate principal amount of Two Million Five Hundred Thousand Dollars (\$2,500,000.00);

WHEREAS, Borrower and Lender have agreed to amend the Loan Agreement to amend the terms and conditions of the two (2) revolving credit facilities;

NOW, THEREFORE, in consideration of the promises and the mutual agreements herein set forth and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

SECTION 1. Definitions; References. Unless otherwise specifically defined herein, each term used herein which is defined in the Loan Agreement shall have the meaning assigned to such term in the Loan Agreement. Each reference to "hereof", "hereunder", "herein" and "hereby" and each other similar reference and each reference to "this Agreement" and each other similar reference contained in the Loan Agreement shall from the date hereof refer to the Loan Agreement as amended hereby.

SECTION 2. Amendments to Loan Agreement. Subject to the satisfaction and occurrence of each of the conditions set forth in **Section 3** hereof, the Loan Agreement is hereby amended as follows, effective as of the date hereof:

- 2.1.** At **Section 1.1** of the Loan Agreement, replace the definition of Loan Maturity Date of Loan Number Two in its entirety as follows:

Loan Number Two – July 1, 2007

- 2.2.** At **Section 1.1** of the Loan Agreement, replace the definition of Loan Maturity Date of Loan Number Three in its entirety as follows:

Loan Number Three – July 1, 2007

- 2.3.** At **Section 3.1 subsection (a)** of the Loan Agreement, replace the interest rate of Loan Number Two in its entirety as follows:

Loan Number Two Prime Rate plus 1%

2.4. At Section 3.1 subsection (a) of the Loan Agreement, replace the interest rate of Loan Number Three in its entirety as follows:

Loan Number Three Prime Rate plus 1%

SECTION 3. Effectiveness. The effectiveness of this Amendment is subject to the satisfaction and occurrence of each of the following conditions precedent:

3.1. Lender shall have received executed counterparts of the following documents, each containing terms satisfactory to Lender:

- (a) this Amendment;
- (b) replacement Credit Notes for Loan Numbers Two and Three in the form and containing the terms as Exhibit A and Exhibit B, respectively, attached; and
- (c) such other documents and certificates as Lender may reasonably require.

3.2. Lender shall have received a copy of the resolutions of the Board of Directors of Borrower, duly adopted, which authorize the execution, delivery and performance of this Amendment and the other documents executed pursuant to or in connection with this Amendment.

SECTION 4. Representations and Warranties. Borrower represents and warrants to Lender that:

4.1. The representations and warranties of Borrower contained in the Loan Agreement are true and correct in all material respects on and as of the date hereof as if such representations and warranties had been made on and as of the date hereof (except to the extent that any such representations and warranties specifically relate to an earlier date).

4.2. Borrower is in compliance with all the terms and provisions set forth in the Loan Agreement and no Default or Event of Default has occurred and is continuing or would result from the execution, delivery and performance of this Amendment.

4.3. Borrower does not have a defense, counterclaim or offset with respect to the Loan Agreement or any of the other Loan Documents.

SECTION 5. Voluntary Agreement. Each party represents and warrants to the other that it has consulted or has had the opportunity to consult with counsel regarding this Amendment, that it is fully aware of the terms contained herein and that it has voluntarily and without coercion or duress of any kind entered into this Amendment.

SECTION 6. Authority. By execution hereof, each of the persons signing on behalf of the parties hereto hereby represents and warrants that each is fully authorized to act and execute this Agreement on behalf of their respective party.

SECTION 7. Full Force and Effect. Except as specifically amended hereby, all of the terms and conditions of the Loan Agreement, the Loan Documents, and all other documents, instruments and agreements executed and/or delivered in connection therewith, shall remain in full force and effect, and the same are hereby ratified and confirmed. No reference to this Amendment need be made in any instrument or document at any time referring to the Loan Agreement, a reference to the Loan Agreement in any of such to be deemed to be reference to the Loan Agreement, as amended hereby. This Amendment, the Loan Agreement, and the other Loan Documents constitute legal, valid and binding obligations of Borrower and are enforceable against Borrower in accordance with their respective terms.

SECTION 8. Counterparts. This Amendment may be executed in one or more counterparts, each of which shall be deemed to be an original, and all of which shall constitute together but one and the same agreement.

SECTION 9. Headings; Recitals. The various headings of this Amendment are inserted for convenience only and shall not affect the meaning or interpretation of this Amendment or any provisions hereof. The recitals set forth herein are hereby incorporated into this Amendment and form a part hereof, the truth and accuracy of which is evidenced by each party's execution hereof.

SECTION 10. Governing Law. This Amendment shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns and shall be governed by and construed in accordance with the laws of the State of Missouri.

SECTION 11. Missouri Revised Statute - §432.045. ORAL AGREEMENTS OR COMMITMENTS TO LOAN MONEY, EXTEND CREDIT OR TO FORBEAR FROM ENFORCING REPAYMENT OF A DEBT INCLUDING PROMISES TO EXTEND OR RENEW SUCH DEBT ARE NOT ENFORCEABLE REGARDLESS OF THE LEGAL THEORY UPON WHICH IT IS BASED THAT IS IN ANY WAY RELATED TO THE CREDIT AGREEMENT. TO PROTECT YOU (BORROWER) AND US (LENDER) FROM MISUNDERSTANDING OR DISAPPOINTMENT, ANY AGREEMENTS WE REACH COVERING SUCH MATTERS ARE CONTAINED IN THIS WRITING, WHICH, TOGETHER WITH THE LOAN DOCUMENTS, IS THE COMPLETE AND EXCLUSIVE STATEMENT OF THE AGREEMENT BETWEEN US, EXCEPT AS WE MAY LATER AGREE IN WRITING TO MODIFY IT.

[The Remainder of this Page is Left Blank Intentionally]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed by their respective authorized officers as of the day and year first above written.

BORROWER

THE FEMALE HEALTH COMPANY

By: /s/ O. B. Parrish
Name: O.B. Parrish
Title: Chairman and CEO

LENDER

By: /s/ Bruce Forster
Name: Bruce Forster
Title: Vice President

FOURTH AMENDMENT TO AMENDED AND RESTATED LOAN AGREEMENT

THIS FOURTH AMENDMENT TO AMENDED AND RESTATED LOAN AGREEMENT (this "Amendment") is made and entered into as of July 1, 2007, by and between THE FEMALE HEALTH COMPANY ("Borrower") and HEARTLAND BANK ("Lender").

WITNESSETH:

WHEREAS, the parties entered into that certain Amended and Restated Loan Agreement dated as of July 20, 2004, as amended by that First Amendment to Amended and Restated Loan Agreement dated as of November 1, 2004, as further amended by that Second Amendment to Amended and Restated Loan Agreement dated as of July 1, 2005, and as further amended by that Third Amendment to Amended and Restated Loan Agreement dated as of July 1, 2006 (collectively, the "Loan Agreement"), pursuant to which Lender has made available to Borrower from time to time term and revolving credit facilities in the current maximum aggregate principal amount of One Million Five Hundred Thousand Dollars (\$1,500,000.00); and

WHEREAS, Borrower and Lender have agreed to amend the Loan Agreement to allow Borrower to redeem Borrower's stock under certain conditions as well as to extend the maturity of the two (2) promissory notes.

NOW, THEREFORE, in consideration of the promises and the mutual agreements herein set forth and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

SECTION 1. Definitions; References. Unless otherwise specifically defined herein, each term used herein which is defined in the Loan Agreement shall have the meaning assigned to such term in the Loan Agreement. Each reference to "hereof", "hereunder", "herein" and "hereby" and each other similar reference and each reference to "this Agreement" and each other similar reference contained in the Loan Agreement shall from the date hereof refer to the Loan Agreement as amended hereby.

SECTION 2. Amendments to Loan Agreement. Subject to the satisfaction and occurrence of each of the conditions set forth in **Section 3** hereof, the Loan Agreement is hereby amended as follows, effective as of the date hereof:

2.1. At **Section 1.1** of the Loan Agreement, delete the definition of Loan Maturity Date in its entirety and replace it with the following:

“Loan Maturity Date” means as to each Loan:

Loan Number Two – July 1, 2008
Loan Number Three – July 1, 2008”

2.2. At **Section 1.1** of the Loan Agreement, insert the term Available Cash, the definition of which is the following:

“ ‘Available Cash’ means the amount of ‘Cash’ as set forth on Borrower’s Form 10-QSB report to the U.S. Securities and Exchange Commission for the previous fiscal quarter, as prepared in accordance with GAAP, less any amounts of ‘Cash’ that have already been expended during the current fiscal quarter by Borrower to make a Permitted Distribution.”

2.3 At **Section 1.1** of the Loan Agreement, insert the term Leverage Ratio, the definition of which is the following:

“ ‘Leverage Ratio’ means the ratio of Borrower’s ‘Total Liabilities’ to ‘Total Stockholders’ Equity’, as each of those terms is set forth or properly determined on Borrower’s Form 10-QSB report to the U.S. Securities and Exchange Commission for the previous fiscal quarter, as prepared in accordance with GAAP, adjusted accordingly if any previous Permitted Distribution during the current fiscal quarter has decreased the amount of ‘Total Stockholders’ Equity’.”

2.4 At **Section 1.1** of the Loan Agreement, insert the term Permitted Distribution, the definition of which is the following:

“ ‘Permitted Distribution’ means any retirement, redemption, repurchase, or other acquisition for value by Borrower of any capital stock or other equity securities issued by Borrower, as long as:

- (i) at the time of said retirement, redemption, repurchase, or other acquisition, Borrower has Available Cash in excess of \$1,000,000.00;
- (ii) only the amount of Available Cash that exceeds \$1,000,000.00 is used for said retirement, redemption, repurchase, or other acquisition; and
- (iii) the payment of the proposed retirement, redemption, repurchase, or other acquisition will not cause Borrower’s Leverage Ratio to exceed 1:1.”

2.5 **Section 8.4** of the Loan Agreement is hereby deleted in its entirety and replaced with the following:

“Section 8.4 Dividends/Distributions/Payments. Declare, pay, or set apart for payment any Restricted Payment or Restricted Distribution that is not a Permitted Distribution.”

SECTION 3. Effectiveness. The effectiveness of this Amendment is subject to the satisfaction and occurrence of each of the following conditions precedent:

3.1. Lender shall have received executed counterparts of the following documents, each containing terms satisfactory to Lender:

- (a) this Amendment;

(b) replacement Credit Notes for Loan Number Two and Loan Number Three in the form and containing the terms as Exhibit A and Exhibit B, respectively, attached; and

(c) such other documents, instruments, and certificates as Lender may reasonably require.

SECTION 4. Representations and Warranties. Borrower represents and warrants to Lender that:

4.1. The representations and warranties of Borrower contained in the Loan Agreement are true and correct in all material respects on and as of the date hereof as if such representations and warranties had been made on and as of the date hereof (except to the extent that any such representations and warranties specifically relate to an earlier date).

4.2. Borrower is in compliance with all the terms and provisions set forth in the Loan Agreement and no Default or Event of Default has occurred and is continuing or would result from the execution, delivery, and/or performance of this Amendment.

4.3. Borrower does not have a defense, counterclaim, or offset with respect to the Loan Agreement or any of the other Loan Documents.

SECTION 5. Voluntary Agreement. Each party represents and warrants to the other that it has consulted or has had the opportunity to consult with counsel regarding this Amendment, that it is fully aware of the terms contained herein, and that it has voluntarily and without coercion or duress of any kind entered into this Amendment.

SECTION 6. Authority. By execution hereof, each of the persons signing on behalf of the parties hereto hereby represents and warrants that each is fully authorized to act and execute this Amendment on behalf of their respective party.

SECTION 7. Full Force and Effect. Except as specifically amended hereby, all of the terms and conditions of the Loan Agreement, the Loan Documents, and all other documents, instruments and agreements executed and/or delivered in connection therewith, shall remain in full force and effect, and the same are hereby ratified and confirmed. No reference to this Amendment need be made in any instrument or document at any time referring to the Loan Agreement, a reference to the Loan Agreement in any of such to be deemed to be reference to the Loan Agreement, as amended hereby. This Amendment, the Loan Agreement, and the other Loan Documents constitute legal, valid, and binding obligations of Borrower and are enforceable against Borrower in accordance with their respective terms.

SECTION 8. Counterparts. This Amendment may be executed in one or more counterparts, each of which shall be deemed to be an original, and all of which shall constitute together but one and the same agreement.

SECTION 9. Headings; Recitals. The various headings of this Amendment are inserted for convenience only and shall not affect the meaning or interpretation of this Amendment or any provisions hereof. The recitals set forth herein are hereby incorporated into this Amendment and form a part hereof, the truth and accuracy of which is evidenced by each party's execution hereof.

SECTION 10. Governing Law. This Amendment shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns and shall be governed by and construed in accordance with the internal laws of the State of Missouri (without reference to its conflicts of laws principles).

SECTION 11. Missouri Revised Statute - §432.047. ORAL AGREEMENTS OR COMMITMENTS TO LOAN MONEY, EXTEND CREDIT OR TO FORBEAR FROM ENFORCING REPAYMENT OF A DEBT INCLUDING PROMISES TO EXTEND OR RENEW SUCH DEBT ARE NOT ENFORCEABLE, REGARDLESS OF THE LEGAL THEORY UPON WHICH IT IS BASED THAT IS IN ANY WAY RELATED TO THE CREDIT AGREEMENT. TO PROTECT YOU (BORROWER(S)) 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.

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**COUNTERPART SIGNATURE PAGE TO
FOURTH AMENDMENT TO AMENDED AND RESTATED LOAN AGREEMENT**

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed by their respective authorized officers as of the day and year first above written.

“BORROWER”

THE FEMALE HEALTH COMPANY

By: /s/ O. B. Parrish
Name: O. B. Parrish
Title: Chairman and CEO

“LENDER”

HEARTLAND BANK

By: /s/ Brian Matlock
Name: Brian Matlock
Title: Vice President

FIFTH AMENDMENT TO AMENDED AND RESTATED LOAN AGREEMENT

This FIFTH AMENDMENT TO AMENDED AND RESTATED LOAN AGREEMENT (this "Amendment") dated as of July 1, 2008, between THE FEMALE HEALTH COMPANY ("Borrower") and HEARTLAND BANK ("Lender").

WITNESSETH:

WHEREAS, the parties entered into an Amended and Restated Loan Agreement dated as of July 20, 2004, as amended by the First Amendment to Amended and Restated Loan Agreement dated November 1, 2004, and as further amended by the Second Amendment to Amended and Restated Loan Agreement dated July 1, 2005 and as further amended by the Third Amendment to Amended and Restated Loan Agreement dated July 1, 2006, and as further amended by the Fourth Amendment to Amended and Restated Loan Agreement dated July 1, 2007 (the "Loan Agreement") pursuant to which Lender has made available to Borrower from time to time term and revolving credit facilities in the maximum aggregate principal amount of One Million Five Hundred Thousand Dollars (\$1,500,000.00);

WHEREAS, Borrower and Lender have agreed to amend the Loan Agreement to amend the terms and conditions of the two (2) revolving credit facilities;

NOW, THEREFORE, in consideration of the promises and the mutual agreements herein set forth and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

SECTION 1. Definitions; References. Unless otherwise specifically defined herein, each term used herein which is defined in the Loan Agreement shall have the meaning assigned to such term in the Loan Agreement. Each reference to "hereof", "hereunder", "herein" and "hereby" and each other similar reference and each reference to "this Agreement" and each other similar reference contained in the Loan Agreement shall from the date hereof refer to the Loan Agreement as amended hereby.

SECTION 2. Amendments to Loan Agreement. Subject to the satisfaction and occurrence of each of the conditions set forth in **Section 3** hereof, the Loan Agreement is hereby amended as follows, effective as of the date hereof:

2.1. At **Section 1.1** of the Loan Agreement, replace the definition of Loan Maturity Date of Loan Number Two in its entirety as follows:

Loan Number Two – July 1, 2009

2.2. At **Section 1.1** of the Loan Agreement, replace the definition of Loan Maturity Date of Loan Number Three in its entirety as follows:

Loan Number Three – July 1, 2009

2.3. At **Section 3.1 subsection (a)** of the Loan Agreement, replace the interest rate of Loan Number Two in its entirety as follows:

Loan Number Two – Prime Rate plus one-half percent (.5%)

2.4. At **Section 3.1 subsection (a)** of the Loan Agreement, replace the interest rate of Loan Number Three in its entirety as follows:

Loan Number Three – Prime Rate plus one-half percent (.5%)

SECTION 3. Effectiveness. The effectiveness of this Amendment is subject to the satisfaction and occurrence of each of the following conditions precedent:

3.1. Lender shall have received executed counterparts of the following documents, each containing terms satisfactory to Lender:

- (a) this Amendment;
- (b) replacement Credit Notes for Loan Numbers Two and Three in the form and containing the terms as Exhibit A and Exhibit B, respectively, attached; and
- (c) such other documents and certificates as Lender may reasonably require.

SECTION 4. Representations and Warranties. Borrower represents and warrants to Lender that:

4.1. The representations and warranties of Borrower contained in the Loan Agreement are true and correct in all material respects on and as of the date hereof as if such representations and warranties had been made on and as of the date hereof (except to the extent that any such representations and warranties specifically relate to an earlier date).

4.2. Borrower is in compliance with all the terms and provisions set forth in the Loan Agreement and no Default or Event of Default has occurred and is continuing or would result from the execution, delivery and performance of this Amendment.

4.3. Borrower does not have a defense, counterclaim or offset with respect to the Loan Agreement or any of the other Loan Documents.

SECTION 5. Voluntary Agreement. Each party represents and warrants to the other that it has consulted or has had the opportunity to consult with counsel regarding this Amendment, that it is fully aware of the terms contained herein and that it has voluntarily and without coercion or duress of any kind entered into this Amendment.

SECTION 6. Authority. By execution hereof, each of the persons signing on behalf of the parties hereto hereby represents and warrants that each is fully authorized to act and execute this Agreement on behalf of their respective party.

SECTION 7. Full Force and Effect. Except as specifically amended hereby, all of the terms and conditions of the Loan Agreement, the Loan Documents, and all other documents, instruments and agreements executed and/or delivered in connection therewith, shall remain in full force and effect, and the same are hereby ratified and confirmed. No reference to this Amendment need be made in any instrument or document at any time referring to the Loan Agreement, a reference to the Loan Agreement in any of such to be deemed to be reference to the Loan Agreement, as amended hereby. This Amendment, the Loan Agreement, and the other Loan Documents constitute legal, valid and binding obligations of Borrower and are enforceable against Borrower in accordance with their respective terms.

SECTION 8. Counterparts. This Amendment may be executed in one or more counterparts, each of which shall be deemed to be an original, and all of which shall constitute together but one and the same agreement.

SECTION 9. Headings; Recitals. The various headings of this Amendment are inserted for convenience only and shall not affect the meaning or interpretation of this Amendment or any provisions hereof. The recitals set forth herein are hereby incorporated into this Amendment and form a part hereof, the truth and accuracy of which is evidenced by each party's execution hereof.

SECTION 10. Governing Law. This Amendment shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns and shall be governed by and construed in accordance with the laws of the State of Missouri.

SECTION 11. Missouri Revised Statute - §432.045. ORAL AGREEMENTS OR COMMITMENTS TO LOAN MONEY, EXTEND CREDIT OR TO FORBEAR FROM ENFORCING REPAYMENT OF A DEBT INCLUDING PROMISES TO EXTEND OR RENEW SUCH DEBT ARE NOT ENFORCEABLE REGARDLESS OF THE LEGAL THEORY UPON WHICH IT IS BASED THAT IS IN ANY WAY RELATED TO THE CREDIT AGREEMENT. TO PROTECT YOU (BORROWER) AND US (LENDER) FROM MISUNDERSTANDING OR DISAPPOINTMENT, ANY AGREEMENTS WE REACH COVERING SUCH MATTERS ARE CONTAINED IN THIS WRITING, WHICH, TOGETHER WITH THE LOAN DOCUMENTS, IS THE COMPLETE AND EXCLUSIVE STATEMENT OF THE AGREEMENT BETWEEN US, EXCEPT AS WE MAY LATER AGREE IN WRITING TO MODIFY IT.

[The Remainder of this Page is Left Blank Intentionally]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed by their respective authorized officers as of the day and year first above written.

BORROWER

THE FEMALE HEALTH COMPANY

By: /s/ O. B. Parrish
Name: O. B. Parrish
Title: Chairman and CEO

LENDER

HEARTLAND BANK

By: /s/ Brian Matlock
Name: Brian Matlock
Title: Vice President

SIXTH AMENDMENT TO AMENDED AND RESTATED LOAN AGREEMENT

This **SIXTH AMENDMENT TO AMENDED AND RESTATED LOAN AGREEMENT** (this "Amendment") dated as of July 1, 2009, between THE FEMALE HEALTH COMPANY ("Borrower") and HEARTLAND BANK ("Lender").

WITNESSETH:

WHEREAS, the parties entered into an Amended and Restated Loan Agreement dated as of July 20, 2004, as amended by the First Amendment to Amended and Restated Loan Agreement dated November 1, 2004, and as further amended by the Second Amendment to Amended and Restated Loan Agreement dated July 1, 2005, and as further amended by the Third Amendment to Amended and Restated Loan Agreement dated July 1, 2006, and as further amended by the Fourth Amendment to Amended and Restated Loan Agreement dated July 1, 2007, and as further amended by a Fifth Amendment to Amended and Restated Loan Agreement dated as of July 1, 2008 (the "Loan Agreement") pursuant to which Lender has made available to Borrower from time to time term and revolving credit facilities in the maximum aggregate principal amount of One Million Five Hundred Thousand Dollars (\$1,500,000.00);

WHEREAS, Borrower and Lender have agreed to amend the Loan Agreement to amend the terms and conditions of the two (2) revolving credit facilities;

NOW, THEREFORE, in consideration of the promises and the mutual agreements herein set forth and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

SECTION 1. Definitions; References. Unless otherwise specifically defined herein, each term used herein which is defined in the Loan Agreement shall have the meaning assigned to such term in the Loan Agreement. Each reference to "hereof", "hereunder", "herein" and "hereby" and each other similar reference and each reference to "this Agreement" and each other similar reference contained in the Loan Agreement shall from the date hereof refer to the Loan Agreement as amended hereby.

SECTION 2. Amendments to Loan Agreement. Subject to the satisfaction and occurrence of each of the conditions set forth in **Section 3** hereof, the Loan Agreement is hereby amended as follows, effective as of the date hereof:

2.1. At **Section 1.1** of the Loan Agreement, replace the definition of Loan Maturity Date of Loan Number Two in its entirety as follows:

Loan Number Two – July 1, 2010

2.2. At **Section 1.1** of the Loan Agreement, replace the definition of Loan Maturity Date of Loan Number Three in its entirety as follows:

Loan Number Three – July 1, 2010

SECTION 3. Effectiveness. The effectiveness of this Amendment is subject to the satisfaction and occurrence of each of the following conditions precedent:

3.1. Lender shall have received executed counterparts of the following documents, each containing terms satisfactory to Lender:

- (a) this Amendment;
- (b) replacement Credit Notes for Loan Numbers Two and Three in the form and containing the terms as Exhibit A and Exhibit B, respectively, attached; and
- (c) such other documents and certificates as Lender may reasonably require.

SECTION 4. Representations and Warranties. Borrower represents and warrants to Lender that:

4.1. The representations and warranties of Borrower contained in the Loan Agreement are true and correct in all material respects on and as of the date hereof as if such representations and warranties had been made on and as of the date hereof (except to the extent that any such representations and warranties specifically relate to an earlier date).

4.2. Borrower is in compliance with all the terms and provisions set forth in the Loan Agreement and no Default or Event of Default has occurred and is continuing or would result from the execution, delivery and performance of this Amendment.

4.3. Borrower does not have a defense, counterclaim or offset with respect to the Loan Agreement or any of the other Loan Documents.

SECTION 5. Voluntary Agreement. Each party represents and warrants to the other that it has consulted or has had the opportunity to consult with counsel regarding this Amendment, that it is fully aware of the terms contained herein and that it has voluntarily and without coercion or duress of any kind entered into this Amendment.

SECTION 6. Authority. By execution hereof, each of the persons signing on behalf of the parties hereto hereby represents and warrants that each is fully authorized to act and execute this Agreement on behalf of their respective party.

SECTION 7. Full Force and Effect. Except as specifically amended hereby, all of the terms and conditions of the Loan Agreement, the Loan Documents, and all other documents, instruments and agreements executed and/or delivered in connection therewith, shall remain in full force and effect, and the same are hereby ratified and confirmed. No reference to this Amendment need be made in any instrument or document at any time referring to the Loan Agreement, a reference to the Loan Agreement in any of such to be deemed to be reference to the Loan Agreement, as amended hereby. This Amendment, the Loan Agreement, and the other Loan Documents constitute legal, valid and binding obligations of Borrower and are enforceable against Borrower in accordance with their respective terms.

SECTION 8. Counterparts. This Amendment may be executed in one or more counterparts, each of which shall be deemed to be an original, and all of which shall constitute together but one and the same agreement.

SECTION 9. Headings; Recitals. The various headings of this Amendment are inserted for convenience only and shall not affect the meaning or interpretation of this Amendment or any provisions hereof. The rentals set forth herein are hereby incorporated into this Amendment and form a part hereof, the truth and accuracy of which is evidenced by each party's execution hereof.

SECTION 10. Governing Law. This Amendment shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns and shall be governed by and construed in accordance with the laws of the State of Missouri.

SECTION 11. Missouri Revised Statute - §432.047. ORAL AGREEMENTS OR COMMITMENTS TO LOAN MONEY, EXTEND CREDIT OR TO FORBEAR FROM ENFORCING REPAYMENT OF A DEBT INCLUDING PROMISES TO EXTEND OR RENEW SUCH DEBT ARE NOT ENFORCEABLE REGARDLESS OF THE LEGAL THEORY UPON WHICH IT IS BASED THAT IS IN ANY WAY RELATED TO THE CREDIT AGREEMENT. TO PROTECT YOU (BORROWER) AND US (LENDER) FROM MISUNDERSTANDING OR DISAPPOINTMENT, ANY AGREEMENTS WE REACH COVERING SUCH MATTERS ARE CONTAINED IN THIS WRITING, WHICH, TOGETHER WITH THE LOAN DOCUMENTS, IS THE COMPLETE AND EXCLUSIVE STATEMENT OF THE AGREEMENT BETWEEN US, EXCEPT AS WE MAY LATER AGREE IN WRITING TO MODIFY IT.

[The Remainder of this Page is Left Blank Intentionally]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed by their respective authorized officers as of the day and year first above written.

BORROWER

THE FEMALE HEALTH COMPANY

By: /s/ O. B. Parrish
Name: O. B. Parrish
Title: Chairman and CEO

LENDER

HEARTLAND BANK

By: /s/ Colin McNulty
Name: Colin McNulty
Title: Vice President

SEVENTH AMENDMENT TO AMENDED AND RESTATED LOAN AGREEMENT

THIS SEVENTH AMENDMENT TO AMENDED AND RESTATED LOAN AGREEMENT (this "Amendment") is made and entered into as of December __, 2009, by and between THE FEMALE HEALTH COMPANY ("Borrower") and HEARTLAND BANK ("Lender").

WITNESSETH:

WHEREAS, the parties entered into that certain Amended and Restated Loan Agreement dated as of July 20, 2004, as amended by that First Amendment to Amended and Restated Loan Agreement dated as of November 1, 2004, as further amended by that Second Amendment to Amended and Restated Loan Agreement dated as of July, 2005, as further amended by that Third Amendment to Amended and Restated Loan Agreement dated as of July 1, 2006, as further amended by that Fourth Amendment to Amended and Restated Loan Agreement dated as of July 1, 2007, as further amended by that Fifth Amendment to Amended and Restated Loan Agreement dated as of July 1, 2008, and as further amended by that Sixth Amendment to Amended and Restated Loan Agreement dated as of July 1, 2009 (collectively, the "Loan Agreement"), pursuant to which Lender has made available to Borrower from time to time term and revolving credit facilities in the current maximum aggregate principal amount of One Million Five Hundred Thousand Dollars (\$1,500,000.00); and

WHEREAS, Borrower and Lender have agreed to amend the Loan Agreement to allow Borrower to declare and pay dividends or distributions on shares of Borrower's capital stock under certain conditions.

NOW, THEREFORE, in consideration of the promises and the mutual agreements herein set forth and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

SECTION 1. Definitions; References. Unless otherwise specifically defined herein, each term used herein which is defined in the Loan Agreement shall have the meaning assigned to such term in the Loan Agreement. Each reference to "hereof", "hereunder", "herein" and "hereby" and each other similar reference and each reference to "this Agreement" and each other similar reference contained in the Loan Agreement shall from the date hereof refer to the Loan Agreement as amended hereby.

SECTION 2. Amendments to Loan Agreement. Subject to the satisfaction and occurrence of each of the conditions set forth in **Section 3** hereof, the Loan Agreement is hereby amended as follows, effective as of the date hereof:

2.1 At **Section 1.1** of the Loan Agreement, the definition of the term Permitted Distribution is hereby deleted in its entirety and replaced with the following:

"Permitted Distribution" means (a) any retirement, redemption, repurchase, or other acquisition for value by Borrower of any capital stock or other equity securities issued by Borrower or (b) any declaration or payment of a dividend or distribution on or with respect to any outstanding shares of the Borrower's capital stock, as long as:

(i) at the time of said retirement, redemption, repurchase, or other acquisition, or at the time of the declaration of said dividend or distribution, Borrower has Available Cash in excess of \$1,000,000.00;

(ii) only the amount of Available Cash that exceeds \$1,000,000.00 is used for said retirement, redemption, repurchase, or other acquisition or said dividend or distribution; and

(iii) the payment of the proposed retirement, redemption, repurchase, or other acquisition or the proposed dividend or distribution will not cause Borrower's Leverage Ratio to exceed 1:1."

SECTION 3. Effectiveness. The effectiveness of this Amendment is subject to the satisfaction and occurrence of each of the following conditions precedent:

3.1 Lender shall have received executed counterparts of the following documents, each containing terms satisfactory to Lender:

(a) this Amendment; and

(b) such other documents, instruments, and certificates as Lender may reasonably require.

SECTION 4. Representations and Warranties. Borrower represents and warrants to Lender that:

4.1 The representations and warranties of Borrower contained in the Loan Agreement are true and correct in all material respects on and as of the date hereof as if such representations and warranties had been made on and as of the date hereof (except to the extent that any such representations and warranties specifically relate to an earlier date).

4.2 Borrower is in compliance with all the terms and provisions set forth in the Loan Agreement and no Default or Event of Default has occurred and is continuing or would result from the execution, delivery, and/or performance of this Amendment.

4.3 Borrower does not have a defense, counterclaim, or offset with respect to the Loan Agreement or any of the other Loan Documents.

SECTION 5. Voluntary Agreement. Each party represents and warrants to the other that it has consulted or has had the opportunity to consult with counsel regarding this Amendment, that it is fully aware of the terms contained herein, and that it has voluntarily and without coercion or duress of any kind entered into this Amendment.

SECTION 6. Authority. By execution hereof, each of the persons signing on behalf of the parties hereto hereby represents and warrants that each is fully authorized to act and execute this Amendment on behalf of their respective party.

SECTION 7. Full Force and Effect. Except as specifically amended hereby, all of the terms and conditions of the Loan Agreement, the Loan Documents, and all other documents, instruments and agreements executed and/or delivered in connection therewith, shall remain in full force and effect, and the same are hereby ratified and confirmed. No reference to this Amendment need be made in any instrument or document at any time referring to the Loan Agreement, a reference to the Loan Agreement in any of such to be deemed to be reference to the Loan Agreement, as amended hereby. This Amendment, the Loan Agreement, and the other Loan Documents constitute legal, valid, and binding obligations of Borrower and are enforceable against Borrower in accordance with their respective terms.

SECTION 8. Counterparts. This Amendment may be executed in one or more counterparts, each of which shall be deemed to be an original, and all of which shall constitute together but one and the same agreement.

SECTION 9. Headings; Recitals. The various headings of this Amendment are inserted for convenience only and shall not affect the meaning or interpretation of this Amendment or any provisions hereof. The recitals set forth herein are hereby incorporated into this Amendment and form a part hereof, the truth and accuracy of which is evidenced by each party's execution hereof.

SECTION 10. Governing Law. This Amendment shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns and shall be governed by and construed in accordance with the internal laws of the State of Missouri (without reference to its conflicts of laws principles).

SECTION 11. Missouri Revised Statute — §432.047. ORAL AGREEMENTS OR COMMITMENTS TO LOAN MONEY, EXTEND CREDIT OR TO FORBEAR FROM ENFORCING REPAYMENT OF A DEBT INCLUDING PROMISES TO EXTEND OR RENEW SUCH DEBT ARE NOT ENFORCEABLE, REGARDLESS OF THE LEGAL THEORY UPON WHICH IT IS BASED THAT IS IN ANY WAY RELATED TO THE CREDIT AGREEMENT. TO PROTECT YOU (BORROWER(S)) 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.

[Remainder of page intentionally left blank. Signature page to follow.]

**COUNTERPART SIGNATURE PAGE TO
SEVENTH AMENDMENT TO AMENDED AND RESTATED LOAN AGREEMENT**

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed by their respective authorized officers as of the day and year first above written.

"BORROWER"

THE FEMALE HEALTH COMPANY

By: /s/ O. B. Parrish

Name: O. B. Parrish

Title: Chairman and CEO

"LENDER"

HEARTLAND BANK

By: /s/ Colin McNulty

Name: Colin McNulty

Title: Vice President

Grantor: The Female Health Company
515 N. State Street
Suite 225
Chicago, IL 60610

Lender: Heartland Bank
212 S. Central
St. Louis, MO 63105

THIS COMMERCIAL SECURITY AGREEMENT dated July 20, 2004, is made and executed between The Female Health Company, a Wisconsin corporation ("Grantor"), and Heartland Bank ("Lender").

GRANT OF SECURITY INTEREST. For valuable consideration, Grantor grants to Lender a security interest in the Collateral to secure the Indebtedness and agrees that Lender shall have the rights stated in this Agreement with respect to the Collateral, in addition to all other rights which Lender may have by law.

COLLATERAL DESCRIPTION. The word "Collateral" as used in this Agreement means the following described property, whether now owned or hereafter acquired, whether now existing or hereafter arising, and wherever located, in which Grantor is giving to Lender a security interest for the payment of the Indebtedness and performance of all other obligations under the Note and this Agreement:

All Accounts; all Chattel Paper (whether tangible or electronic); all Commercial Tort Claims identified on Schedule 1 hereto; all Deposit Accounts, all cash, and all other property from time to time deposited therein and the monies and property in the possession or under the control of the Lender; all Documents; all Equipment; all Fixtures; all General Intangibles (including, without limitation, all Payment Intangibles); all Goods; all Instruments (including, without limitation, Promissory Notes); all Inventory; all Investment Property; all Copyrights, Patents and Trademarks, and all Licenses; all Letter-of-Credit Rights; all Supporting Obligations; and all other tangible and intangible personal property of Grantor (whether or not subject to the Code), including, without limitation, all bank and other accounts and all cash and all investments therein, all proceeds, products, offspring, accessions, rents, profits, income, benefits, substitutions and replacements of and to any of the property of Grantor described in this Collateral section (including, without limitation, any proceeds of insurance thereon and all causes of action, claims and warranties now or hereafter held by Grantor in respect of any of the items listed above), and all books, correspondence, files and other records, including, without limitation, all tapes, desks, cards, Software, data and computer programs in the possession or under the control of Grantor or any other Person from time to time acting for Grantor that at any time evidence or contain information relating to any of the property described in this Collateral section or are otherwise necessary or helpful in the collection or realization thereof.

In addition, the word "Collateral" also includes all the following, whether now owned or hereafter acquired, whether now existing or hereafter arising, and wherever located:

- (A) All accessions, attachments, accessories, tools, parts, supplies, replacements of and additions to any of the collateral described herein, whether added now or later.
 - (B) All products and produce of any of the property described in this Collateral section.
-

- (C) All accounts, general intangibles, instruments, rents, monies, payments, and all other rights, arising out of a sale, lease, or other disposition of any of the property described in this Collateral section.
- (D) All Proceeds (including cash and non-cash and insurance proceeds) from the sale, destruction, loss, or other disposition of any of the property described in this Collateral section, and sums due from a third party who has damaged or destroyed the Collateral or from that party's insurer, whether due to judgment, settlement or other process.
- (E) All records and data relating to any of the property described in this Collateral section, whether in the form of a writing, photograph, microfilm, microfiche, or electronic media, together with all of Grantor's right, title, and interest in and to all computer software required to utilize, create, maintain, and process any such records or data on electronic media.

RIGHT OF SETOFF. To the extent permitted by applicable law, during the continuance of an Event of Default, Lender shall have the right of setoff in and against all Grantor's accounts with Lender (whether checking, savings, or some other account). This includes all accounts Grantor holds jointly with someone else and all accounts Grantor may open in the future. However, this does not include any IRA or Keogh accounts, or any trust accounts for which setoff would be prohibited by law.

GRANTOR'S REPRESENTATIONS AND WARRANTIES WITH RESPECT TO THE COLLATERAL. With respect to the Collateral, Grantor represents and promises to Lender that:

Perfection of Security Interest. Grantor agrees to execute financing statements and to take whatever other actions are requested by Lender to perfect and continue Lender's security interest in the Collateral. Upon request of Lender, Grantor will deliver to Lender any and all of the documents evidencing or constituting the Collateral, and Grantor will note Lender's interest upon any and all chattel paper if not delivered to Lender for possession by Lender. **This is a continuing Security Agreement and will continue in effect even though all or any part of the Indebtedness is paid in full and even though for a period of time Grantor may not be indebted to Lender.** Upon payment in full of all Indebtedness under the Loan Agreement and the termination of all commitments by Lender to provide loans or other extensions of credit under the Loan Agreement, this Security Agreement and the security interests created hereby will terminate.

Notice to Lender. Grantor will promptly notify Lender in writing at Lender's address shown above (or such other addresses as Lender may designate from time to time) prior to any (1) change in Grantor's name; (2) change in Grantor's assumed business name(s); (3) change in Grantor's principal office address; (4) change in Grantor's state of organization; or (5) conversion of Grantor to a new or different type of business entity. Grantor shall not change its state of organization until after Lender has received notice from Grantor.

No Violation. The execution and delivery of this Agreement will not violate any law or agreement governing Grantor or to which Grantor is a party, and its certificate or articles of incorporation and bylaws do not prohibit any term or condition of this Agreement.

Location of the Collateral. Except in the ordinary course of Grantor's business, Grantor agrees to keep the Collateral (or to the extent the Collateral consists of intangible property such as accounts or general intangibles, the records concerning the Collateral) at Grantor's address shown above. Lender confirms that the locations identified in the Loan Agreement are acceptable (the "Approved Locations"). Upon Lender's request, Grantor will deliver to Lender in form satisfactory to Lender a schedule of real properties and Collateral locations relating to Grantor's operations, including without limitation the following (1) all real property Grantor owns or is purchasing; (2) all real property Grantor is renting or leasing; (3) all storage facilities Grantor owns, rents, leases, or uses; and (4) all other properties where Collateral is or may be located.

Removal of the Collateral. Except in the ordinary course of Grantor's business, including the sales of inventory, Grantor shall not remove the Collateral from an Approved Location without Lenders' prior written consent. To the extent that the Collateral consists of vehicles, or other titled property, Grantor shall not take or permit any action which would require application for certificates of title for the vehicles outside the state of their registration, without Lender's prior written consent. Grantor shall, whenever requested, advise Lender of the exact location of the Collateral.

Transactions Involving Collateral. Grantor shall not pledge, mortgage, encumber or otherwise permit the Collateral to be subject to any lien, security interest, encumbrance, or charge, other than a lien in favor of Lender and other than liens permitted by the Loan Agreement. During the continuance of an Event of Default, all proceeds from any disposition of the Collateral (for whatever reason) shall be held in trust for Lender and shall not be commingled with any other funds; provided however, this requirement shall not constitute consent by Lender to any sale or other disposition. Upon receipt, Grantor shall immediately deliver any such proceeds to Lender.

Title. Grantor represents and warrants to Lender that Grantor owns the Collateral, free and clear of all liens and encumbrances except for liens in favor of Lender and except for liens permitted by the Loan Agreement. Except with respect to liens in favor of Lender, no financing statement covering any of the Collateral is on file in any public office other than those which reflect the security interest created by this Agreement or to which Lender has specifically consented. Grantor shall defend Lender's rights in the Collateral against the claims and demands of all other persons.

Repairs and Maintenance. Grantor agrees to keep and maintain, and to cause others to keep and maintain, the Collateral in good order, repair and condition at all times while this Agreement remains in effect (ordinary wear and tear excepted). Grantor further agrees to pay when due all claims for work done on, or services rendered or material furnished in connection with the Collateral so that no lien or encumbrance may attach to or be filed against the Collateral (except for liens in favor of Lender and such claims as are being contested in good faith by Grantor).

Inspection of Collateral. Lender and Lender's designated representatives and agents shall have the right at all reasonable times to examine and inspect the Collateral wherever located.

Taxes, Assessments and Liens. Grantor will pay when due all taxes, assessments and liens upon the Collateral, its use or operation, upon this Agreement, upon any promissory note or notes evidencing the Indebtedness, or upon any of the other Related Documents. Grantor may withhold any such payment or may elect to contest any lien if Grantor is in good faith conducting an appropriate proceeding to contest the obligation to pay. In any contest Grantor shall defend itself and Lender and shall satisfy any final adverse judgment before enforcement against the Collateral. Grantor shall name Lender as an additional obligee under any surety bond furnished in the contest proceedings. Grantor further agrees to furnish Lender with evidence that such taxes, assessments, and governmental and other charges have been paid in full and in a timely manner. Grantor may withhold any such payment or may elect to contest any lien if Grantor is in good faith conducting an appropriate proceeding to contest the obligation to pay.

Compliance with Governmental Requirements. Grantor shall comply promptly with all laws and, in all material respects, all ordinances, rules and regulations of all governmental authorities, now or hereafter in effect, applicable to the ownership, production, disposition, or use of the Collateral, including all laws or regulations relating to the undue erosion of highly-erodible land or relating to the conversion of wetlands for the production of an agricultural product or commodity. Grantor may contest in good faith any such law, ordinance or regulation and withhold compliance during any proceeding, including appropriate appeals.

Hazardous Substances. Grantor represents and warrants that the Collateral never has been, and never will be so long as this Agreement remains in lien on the Collateral, used in violation of any Environmental Laws or for the generation, manufacture, storage, transportation, treatment, disposal, release or threatened release of any Hazardous Substance. The representations and warranties contained herein are based on Grantor's due diligence in investigating the Collateral for Hazardous Substances. Grantor hereby (1) releases and waives any future claims against Lender for indemnity or contribution in the event Grantor becomes liable for cleanup or other costs under any Environmental Laws, and (2) agrees to indemnify and hold harmless Lender against any and all claims and losses resulting from a breach of this provision of this Agreement. This obligation to indemnify shall survive the payment of the Indebtedness and the satisfaction of this Agreement.

Insurance. Grantor shall procure and maintain insurance as provided in the Loan Agreement.

Application of Insurance Proceeds. Grantor shall promptly notify Lender of any material loss or damage to the Collateral. Upon prior written notice to Grantor, Lender may make proof of loss if Grantor fails to do so within fifteen (15) days of the casualty. All proceeds of any insurance on the Collateral shall be applied by Grantor to the repair or replacement of the damaged or destroyed Collateral. Any proceeds which have not been so applied within six (6) months after their receipt shall be used to prepay the Indebtedness.

Insurance Reports. Grantor, upon request of Lender, shall furnish to Lender reports on each existing policy of insurance showing such information as Lender may reasonably request including the following: (1) the name of the insurer; (2) the risks insured; (3) the amount of the policy; (4) the property insured; (5) the then current value on the basis of which insurance has been obtained and the manner of determining that value; and (6) the expiration date of the policy.

Financing Statements. Grantor authorizes Lender to file a UCC Financing Statement, or alternatively, a copy of this Agreement to perfect Lender's security interest. At Lender's request, Grantor additionally agrees to sign all other documents that are necessary to perfect, protect, and continue Lender's security interest in the Property. Grantor will pay all filing fees, title transfer fees, and other fees and costs involved unless prohibited by law or unless Lender is required by law to pay such fees and costs. Grantor irrevocably appoints Lender to execute financing statements and documents of title in Grantor's name and to execute all documents necessary to transfer title during the continuance of an Event of Default. Lender may file a copy of this Agreement as a financing statement. If Grantor changes Grantor's name or address, Grantor will promptly notify the Lender of such change.

GRANTOR'S RIGHT TO POSSESSION AND TO COLLECT ACCOUNTS. Until an Event of Default has occurred and is continuing and except as otherwise provided below with respect to accounts, Grantor may have possession of the tangible personal property and beneficial use of all the Collateral and may use it in any lawful manner not inconsistent with this Agreement or the Related Documents, provided that Grantor's right to possession and beneficial use shall not apply to any Collateral where possession of the Collateral by Lender is required by law to perfect Lender's security interest in such Collateral. Until otherwise notified by Lender, Grantor may collect any of the Collateral consisting of accounts. At any time and even though no Event of Default exists, and upon giving written notice to Grantor, Lender may exercise its rights to collect the accounts and to notify account debtors to make payments directly to Lender, for application to the Indebtedness if there exists an Event of Default. If Lender at any time has possession of any Collateral, whether before or after an Event of Default, Lender shall be deemed to have exercised reasonable care in the custody and preservation of the Collateral if Lender takes such action for the purpose as Grantor shall request or as Lender, in Lender's reasonable discretion, shall deem appropriate under the circumstances, but failure to honor any request by Grantor shall not of itself be deemed to be a failure to exercise reasonable care. Lender shall not be required to take any steps necessary to preserve any rights in the Collateral against prior parties, nor to protect, preserve or maintain any security interest given to secure to Indebtedness.

LENDER'S EXPENDITURES. If any action or proceeding is commenced that would materially affect Lender's interest in the Collateral or if Grantor fails to comply with any provision of this Agreement or any Related Documents, including but not limited to Grantor's failure to discharge or pay when due any amounts Grantor is required to discharge or pay under this Agreement or any Related Documents, Lender on Grantor's behalf may (but shall not be obligated to), and upon written notice to Grantor, take any action that Lender deems reasonably appropriate, including but not limited to discharging or paying all taxes, liens, security interests, encumbrances and other claims, at any time levied or placed on the Collateral and paying all costs for insuring, maintaining and preserving the Collateral. All such expenditures incurred or paid by Lender for such purposes will then bear interest at the annual rate of four percent (4%) in excess of the prime rate of Lender from time to time, from the date incurred or paid by Lender to the date of repayment by Grantor. All such expenses will become a part of the Indebtedness and, at Lender's option, will (A) be payable on demand; (B) be added to the balance of the Note and be apportioned among and be payable with any installment payments to become due during either (1) the term of any applicable insurance policy; or (2) the remaining term of the Note; or (C) be treated as a balloon payment which will be due and payable at the Note's maturity. The Agreement also will secure payment of these amounts. Such right shall be in addition to all other rights and remedies to which Lender may be entitled upon the occurrence and during the continuance of an Event of Default.

EVENT OF DEFAULT. An "Event of Default" under the Loan Agreement shall constitute an Event of Default under this Agreement.

RIGHTS AND REMEDIES ON EVENT OF DEFAULT. Upon the occurrence and during the continuance of an Event of Default, Lender shall have all the rights of a secured party under the Uniform Commercial Code. In addition and without limitation, Lender may exercise any one or more of the following rights and remedies.:

Accelerate Indebtedness. Lender may declare the entire Indebtedness, including any prepayment penalty which Grantor would be required to pay, immediately due and payable, without notice of any kind to Grantor.

Assemble Collateral. Lender may require Grantor to deliver to Lender all or any portion of the Collateral and any and all certificates of title and other documents relating to the Collateral. Lender may require Grantor to assemble the Collateral and make it available to Lender at a place to be designed by Lender. Lender also shall have full power to enter upon the property of Grantor to take possession of and remove the Collateral.

Sell the Collateral. Lender shall have full power to sell, lease, transfer, or otherwise deal with the Collateral or proceeds thereof in Lender's own name or that of Grantor. Lender may sell the Collateral at public auction or private sale. Unless the Collateral threatens to decline speedily in value or is of a type customarily sold on a recognized market, Lender will give Grantor, and other persons as required by law, reasonable notice of the time and place of any public sale, or the time after which any private sale or any other disposition of the Collateral is to be made. However, no notice need be provided to any person who, after Event of Default occurs, enters into and authenticates an agreement waiving that person's right to notification of sale. The requirements of reasonable notice shall be met if such notice is given at least ten (10) days before the time of the sale or disposition. All expenses relating to the disposition of the Collateral, including without limitation the expenses of retaking, holding, insuring, preparing for sale and selling the Collateral, shall become a part of the Indebtedness secured by this Agreement and shall be payable on demand, with interest at the Note rate from date of expenditure until repaid.

Appoint Receiver. Lender shall have the right to have a receiver appointed to take possession of all or any part of the Collateral, with the power to protect and preserve the Collateral, to operate the Collateral preceding foreclosure or sale, and to collect the Rents from the Collateral and apply the proceeds, over and above the cost of the receivership, against the Indebtedness. The receiver may serve without bond if permitted by law. Lender's right to the appointment of a receiver shall exist whether or not the apparent value of the Collateral exceeds the Indebtedness by a substantial amount.

Collect Revenues, Apply Accounts. Lender, either itself or through a receiver, may collect the payments, rents, income, and revenues from the Collateral. Lender may at any time in Lender's discretion transfer any Collateral into Lender's own name and that of Lender's nominee and receive the payments, rents, income, and revenues therefrom and hold the same as security for the Indebtedness or apply it to payment of the Indebtedness in such order of preference as Lender may determine. Insofar as the Collateral consists of accounts, general intangibles, insurance policies, instruments, chattel paper, choses in action, or similar property, Lender may demand, collect, receipt for, settle, compromise, adjust, sue for, foreclose, or realize on the Collateral as Lender may determine. For these purposes, Lender may, on behalf of and in the name of the Grantor, receive, open and dispose of mail addressed to Grantor; change any address to which mail and payments are to be sent; and endorse notes, checks, drafts, money orders, documents of title, instruments and items pertaining to payment, shipment, or storage of any Collateral. To facilitate collection, Lender may notify account debtors and obligors on any Collateral to make payments directly to Lender.

Obtain Deficiency. If Lender chooses to sell any or all of the Collateral, Lender may obtain a judgment against Grantor for any deficiency remaining on the Indebtedness due to Lender after application of all amounts received from the exercise of the rights provided in this Agreement. Grantor shall be liable for deficiency even if the transaction described in this subsection is a sale of accounts or chattel paper.

Other Rights and Remedies. Lender shall have all the rights and remedies of a secured creditor under the provisions of the Uniform Commercial Code, as may be amended from time to time. In addition, Lender shall have and may exercise any or all other rights and remedies it may have available at law, inequity, or otherwise.

Election of Remedies. Except as may be prohibited by applicable law, all of Lender's rights and remedies, whether evidenced by this Agreement, the Related Documents, or by any other writing, shall be cumulative and may be exercised singularly or concurrently. Election by Lender to pursue any remedy shall not exclude pursuit of any other remedy, and an election to make expenditures or to take action to perform an obligation of Grantor under this Agreement, after Grantor's failure to perform, shall not affect Lender's right to declare an Event of Default.

COUNTERPARTS. This Agreement may be executed in any number of counterparts (including by facsimile), each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement.

FINAL AGREEMENT. BY SIGNING THIS DOCUMENT EACH PARTY REPRESENTS AND AGREES THAT: (A) THIS DOCUMENT REPRESENTS THE FINAL AGREEMENT BETWEEN THE PARTIES WITH RESPECT TO THE SUBJECT MATTER HEREOF, (B) THIS DOCUMENT SUPERSEDES ANY COMMITMENT LETTER, TERM SHEET OR OTHER WRITTEN OUTLINE OF TERMS AND CONDITIONS RELATING TO THE SUBJECT MATTER HEREOF, UNLESS SUCH COMMITMENT LETTER, TERM SHEET OR OTHER WRITTEN OUTLINE OF TERMS AND CONDITIONS EXPRESSLY PROVIDES TO THE CONTRARY, (C) THERE ARE NO ORAL AGREEMENTS BETWEEN THE PARTIES, AND (D) THIS DOCUMENT MAY NOT BE CONTRADICTED BY EVIDENCE OF ANY PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OR UNDERSTANDINGS OF THE PARTIES.

ADDRESS FOR NOTICES. All notices required or permitted hereunder shall be given in the manner and at the addresses as provided in the Loan Agreement.

MISCELLANEOUS PROVISIONS. This following miscellaneous provisions are a part of this Agreement:

Amendments. This Agreement, together with any Related Documents, constitutes the entire understanding and agreement of the parties as to the matters set forth in this Agreement. No alteration of or amendment to this Agreement shall be effective unless give in writing and signed by the party or parties sought to be charged or bound by the alteration or amendment.

Attorneys' Fees; Expenses. Grantor agrees to pay upon demand all of Lender's reasonable costs and expenses, including Lender's reasonable attorneys' fees and Lender's legal expenses, incurred in connection with the enforcement of this Agreement. Lender may hire or pay someone else to enforce this Agreement, and Grantor shall pay the reasonable costs and expenses of such enforcement. Costs and expenses include Lender's reasonable attorneys' fees and legal expenses whether or not there is a lawsuit, including reasonable attorneys' fees and legal expenses for bankruptcy proceedings (including efforts to modify or vacate any automatic stay or injunction), appeals, and any anticipated post-judgment collection services. Lender may also recover from Grantor all reasonable court or other collection costs (including, without limitation, fees and charges of collection agencies) actually incurred by Lender.

Caption Headings. Caption headings in this Agreement are for convenience purposes only and are not to be used to interpret or define the provisions of this Agreement.

Governing Law. This Agreement will be governed by, construed and enforced in accordance with federal law and the laws of the State of Missouri, except and only to the extent of procedural matters related to the perfection and enforcement of Lender's rights and remedies against the Collateral, which matters shall be governed by the laws of the State of Wisconsin. However, in the event that the enforceability or validity or any provision of this Agreement is challenged or questioned, such provision shall be governed by whichever applicable state or federal law would uphold or would enforce such challenged or questioned provision. The loan transaction which is evidenced by the Note and this Agreement has been applied for, considered, approved and made, and all necessary loan documents have been accepted by Lender in the State of Missouri.

Choice of Venue. If there is a lawsuit, Grantor agrees, upon Lender's request to submit to the jurisdiction of the courts of St. Louis County, Missouri and the United States District Court for the Eastern District of Missouri.

No Waiver by Lender. Lender shall not be deemed to have waived any rights under this Agreement unless such waiver is given in writing and signed by Lender. No delay or omission on the part of Lender in exercising any right shall operate as a waiver of such right or any other right. A waiver by Lender or a provision of this Agreement shall not prejudice or constitute a waiver of Lender's right otherwise to demand strict compliance with that provision or any other provision of this Agreement. No prior waiver by Lender, nor any course of dealing between Lender and Grantor, shall constitute a waiver of any of Lender's rights or of any of Grantor's obligations as to any future transactions. Whenever the consent of Lender is required under this Agreement, the granting of such consent by Lender in any instance shall not constitute continuing consent to subsequent instances where such consent is required and, except as otherwise provided in this Agreement or the Loan Agreement, in all cases such consent may be granted or withheld in the sole discretion of Lender.

Power of Attorney. Grantor hereby appoints Lender as Grantor's irrevocable attorney-in-fact for the purpose of executing any documents necessary to perfect, amend, or to continue the security interest granted in this Agreement or to demand termination of filings of other secured parties. Lender may at any time, and without further authorization from Grantor, file a carbon, photographic or other reproduction of any financing statement or of this Agreement for use as a financing statement. Grantor will reimburse Lender for all expenses for the perfection and the continuation of the perfection of Lender's security interest in the Collateral.

Severability. If a court of competent jurisdiction finds any provision on this Agreement to be illegal, invalid, or unenforceable as to any circumstance, that finding shall not make the offending provision illegal, invalid or unenforceable as to any other circumstances. If feasible, the offending provision shall be considered modified so that it becomes legal, valid and enforceable. If the offending provision cannot be so modified, it shall be considered deleted from this Agreement. Unless otherwise required by law, the illegality, invalidity, or unenforceability of any provision of this Agreement shall not affect the legality, validity or enforceability of any other provision of this Agreement.

Successors and Assigns. Subject to any limitations stated in this Agreement on transfer of Grantor's interest, this Agreement shall be binding upon and inure to the benefit of the parties, their successor and assigns. If ownership of the Collateral becomes vested in a person other than Grantor, Lender, without notice to Grantor, may deal with Grantor's successors with reference to this Agreement and the Indebtedness by way of forbearance or extension without releasing Grantor from the obligations of this Agreement or liability under the Indebtedness.

Survival of Representations and Warranties. All representations, warranties, and agreements made by Grantor in this Agreement shall survive the execution and delivery of this Agreement, shall be continuing in nature, and shall remain in full force and effect until such time as Grantor's Indebtedness shall be paid in full.

Time is of the Essence. Time is of the essence in the performance of this Agreement.

Waive Jury. All parties to this Agreement hereby waive the right to any jury trial in any action, proceeding, or counterclaim brought by any party against any other party.

DEFINITIONS. The following capitalized words and terms shall have the following meanings when used in this Agreement. Unless specifically stated to the contrary, all references to dollar amounts shall mean amounts in lawful money of the United States of America. Words and terms used in the singular shall include the plural, and the plural shall include the singular, as the context may require. Words and terms not otherwise defined in this Agreement shall have the meanings attributed to such terms in the Uniform Commercial Code:

Account. The word "Account" means a trade account, account receivable, other receivable, or other right to payment for goods sold or services rendered owing to Grantor (or to a third party grantor acceptable to Lender).

Agreement. The word "Agreement" means this Commercial Security Agreement, as this Commercial Security Agreement may be amended or modified from time to time, together with all exhibits and schedules attached to this Commercial Security Agreement from time to time, together with all exhibits and schedules attached to this Commercial Security Agreement from time to time.

Borrower. The word "Borrower" means The Female Health Company.

Collateral. The word "Collateral" means all of Grantor's right, title and interest in and to all the Collateral as described in the Collateral Description section of this Agreement.

Environmental Laws. The words "Environmental Laws" mean any and all state, federal and local statutes, regulations and ordinances relating to the protection of human health or the environment, including without limitation the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended, 42 U.S.C. Section 9601, et seq. ("CERCLA"), the Superfund Amendments and Reauthorization Act of 1986, Pub. L. No. 99-499 ("SARA"), the Hazardous Materials Transportation Act, 49 U.S.C. Section 1801, et seq., the Resource Conservation and Recovery Act, 42 U.S.C. Section 6901, et seq., or other applicable state or federal laws, rules, or regulations adopted pursuant thereto.

Event of Default. The words "Event of Default" has the meaning set forth in the Loan Agreement.

Grantor. The word "Grantor" means The Female Health Company.

Indebtedness. The word "Indebtedness" means the indebtedness evidenced by the Note, including all principal and interest together with all other indebtedness and costs and expenses for which Borrower or Grantor or any other borrower, guarantor, pledgor, obligor or accommodation party is responsible under this Agreement, including any swap, option or forward obligations.

Lender. The word "Lender" means Heartland Bank, its successors and assigns.

Loan Agreement. The words "Loan Agreement" means the Loan Agreement dated of even date herewith between Grantor and Lender, as the same may be amended, renewed or extended.

Note. The word "Note" means the promissory note made by Grantor payable to the order of Lender evidencing the obligation of Grantor to pay the aggregate unpaid principal amount of the loan made by Lender to Grantor in the principal face amount of \$500,000, and all extensions, renewals and modifications thereto.

Property. The word "Property" means all of Grantor's right, title and interest in and to all the Property as described in the "Collateral Description" section of this Agreement.

GRANTOR HAS READ AND UNDERSTOOD ALL THE PROVISIONS OF THIS COMMERCIAL SECURITY AGREEMENT AND AGREES TO ITS TERMS.

GRANTOR:

THE FEMALE HEALTH COMPANY

By: /s/ O.B. Parrish
Name: O.B. Parrish
Title: Chairman and CEO

SCHEDULE 1
COMMERCIAL TORT CLAIMS

[None]

PROMISSORY NOTE

US \$1,000,000.00
Loan Number Three

St. Louis, Missouri
July 1, 2009

FOR VALUE RECEIVED, the undersigned, THE FEMALE HEALTH COMPANY, a Wisconsin corporation (the "Borrower"), hereby promises to pay to the order of HEARTLAND BANK, a federal savings bank (the "Lender"), at its office at 212 S. Central Avenue, Clayton, Missouri 63105 (the "Lender's Address"), or at such other office as the Lender may subsequently designate in writing, (i) on July 1, 2010 (the "Maturity Date"), the principal amount of One Million and No/100 Dollars (US \$1,000,000.00), 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 2:00 p.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 of this Note as provided in the Loan Agreement, Borrower shall pay 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 and due and payable.

(c) **Interest Calculation.** For purposes of interest 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 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 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 Lender under this Note or under any other documents securing or evidencing obligations of Borrower to Lender 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 Borrower of making installment payments hereon when due. Amounts prepaid may be re-advanced to Borrower in accordance with the terms and conditions of the Loan Agreement.

5. Oral Agreements. ORAL AGREEMENTS OR COMMITMENTS TO LOAN MONEY, EXTEND CREDIT OR TO FORBEAR FROM ENFORCING REPAYMENT OF A DEBT INCLUDING PROMISES TO EXTEND OR RENEW SUCH DEBT ARE NOT ENFORCEABLE, REGARDLESS OF THE LEGAL THEORY UPON WHICH IT IS BASED THAT IS IN ANY WAY RELATED TO THE CREDIT AGREEMENT. TO PROTECT YOU (BORROWER(S)) 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.

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

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

8. Assignment. The Lender may assign to one or more banks or other entities all or a portion of its rights under this Note. In the event of an assignment of all of its rights, the Lender may transfer this Note to the assignee. The Lender may, in connection with any assignment or proposed assignment, disclose to the assignee or proposed assignee any information relating to the Borrower furnished to the Lender by or on behalf of the Borrower.

9. Amendments, etc. No amendment or waiver of any provision of 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.

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

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

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

13. Consent to Jurisdiction; Waiver of Venue Objection; Service of Process. WITHOUT LIMITING THE RIGHT OF THE LENDER TO BRING ANY ACTION OR 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.

14. Waiver of Jury Trial. TO THE FULLEST EXTENT PERMITTED BY LAW, 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.

15. Collateral. This Note is secured as provided in the Loan Agreement.

16. Miscellaneous. No failure on the part of the Lender to 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.

17. Superseding Note. This Note supercedes and replaces all other promissory notes labeled "Loan Number Three" executed between the parties hereto in connection with the Loan Agreement, including the Promissory Note dated July 20, 2004, in the principal face amount of \$1,000,000 executed by Borrower to the order of Lender, the Promissory Note dated July, 2005, in the principal face amount of \$1,000,000 executed by Borrower to the order of Lender, the Promissory Note dated July 1, 2006, in the principal face amount of \$1,000,000 executed by Borrower to the order of Lender, the Promissory Note dated July 1, 2007, in the principal face amount of \$1,000,000 executed by Borrower to the order of Lender, and the Promissory Note dated July 1, 2008, in the principal face amount of \$1,000,000 executed by Borrower to the order of Lender.

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:
515 North State Street
Suite 2225
Chicago, Illinois 60654

SCHEDULE A

Definitions

“**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.

“**Base Rate**” means, for any day, the prime rate established and announced by Lender from time to time in the ordinary course of its business (which rate may not be the best or lowest rate offered to Lender’s corporate customers), provided, that if such Base Rate is discontinued or replaced by a comparable rate, then it shall mean the comparable rate.

“**Borrower**” means THE FEMALE HEALTH COMPANY, a Wisconsin corporation.

“**Borrower’s Address**” means 515 North State Street, Suite 2225, Chicago, IL 60654.

“**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.

“**Commitment**” means the agreement of the Lender to fund advances to the Borrower in an aggregate principal amount not to exceed, at any time outstanding, US \$1,000,000.00.

“**Default Rate**” means a rate of interest equal to four percent per annum (4%) in excess of the Stated Rate.

“**Dollar**” and “**\$**” means freely transferable United States dollars.

“**Effective Date**” means the later of (a) the Agreement Date, as defined 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 6 of this Note, or any Event of Default as defined in the Loan Agreement.

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

“Lender’s Address” means 212 S. Central Avenue, Clayton, Missouri 63105.

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

“Loan Agreement” means that certain Amended and Restated Loan Agreement entered into by and between Lender and Borrower, dated as of July 20, 2004, as amended by the First Amendment to Amended and Restated Loan Agreement dated November 1, 2004, and as further amended by the Second Amendment to Amended and Restated Loan Agreement dated July __, 2005, and as further amended by the Third Amendment to Amended and Restated Loan Agreement dated July 1, 2006, and as further amended by the Fourth Amendment to Amended and Restated Loan Agreement dated July 1, 2007, as further amended by a Fifth Amendment to Amended and Restated Loan Agreement dated July 1, 2008, and as further amended by a Sixth Amendment to Amended and Restated Loan Agreement dated of even date herewith, as the same may be amended, modified, or restated.

“Loan Documents” means, collectively, this Note, the Loan Agreement, the Warrant, the Registration Rights Agreement, the Pledgor Security Documents, and each other instrument, agreement and document executed and delivered by Borrower 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 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 July 1, 2010.

“Note” means this Note and any and all amendments, modifications, restatements, renewals or refinancings thereof.

“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 Note, any Note or any of the other Loan Documents.

“Obligors” means Borrower, and each other party at any time primarily or secondarily, directly or indirectly, liable on any of the Obligations.

“Other Note” means any promissory note which may be given in renewal 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 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 4% per annum in excess of the Stated Rate.

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

“Stated Rate” means a rate of interest of Base Rate plus .50% per annum (each change in the Base Rate will result in a simultaneous change in the Stated Rate).

“Warrants” means the warrants to purchase common stock of Borrower granted to Lender as provided in the Warrant Agreement dated as of July 20, 2004, as the same may be amended, modified, or restated.

EXHIBIT A

FORM OF REQUEST FOR AN ADVANCE

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

Re: Promissory Note, dated as of July 1, 2009 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 \$1,000,000 to Borrower under the terms of the Note on July 1, 2009. 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: _____.

Executed this ____ day of July, 2009.

THE FEMALE HEALTH COMPANY

By: _____
Name: _____
Title: _____

PROMISSORY NOTE

US \$500,000.00
Loan Number Two

St. Louis, Missouri
July 1, 2009

FOR VALUE RECEIVED, the undersigned, THE FEMALE HEALTH COMPANY, a Wisconsin corporation (the "Borrower"), hereby promises to pay to the order of HEARTLAND BANK, a federal savings bank (the "Lender"), at its office at 212 S. Central Avenue, Clayton, Missouri 63105 (the "Lender's Address"), or at such other office as the Lender may subsequently designate in writing, (i) on July 1, 2010 (the "Maturity Date"), the principal amount of Five Hundred Thousand and No/100 Dollars (US \$500,000.00), 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 2:00 p.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 of this Note as provided in the Loan Agreement, Borrower shall pay 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 and due and payable.

(c) **Interest Calculation.** For purposes of interest 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 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 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 Lender under this Note or under any other documents securing or evidencing obligations of Borrower to Lender 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 Borrower of making installment payments hereon when due. Amounts prepaid may be re-advanced to Borrower in accordance with the terms and conditions of the Loan Agreement.

5. Oral Agreements. ORAL AGREEMENTS OR COMMITMENTS TO LOAN MONEY, EXTEND CREDIT OR TO FORBEAR FROM ENFORCING REPAYMENT OF A DEBT INCLUDING PROMISES TO EXTEND OR RENEW SUCH DEBT ARE NOT ENFORCEABLE, REGARDLESS OF THE LEGAL THEORY UPON WHICH IT IS BASED THAT IS IN ANY WAY RELATED TO THE CREDIT AGREEMENT. TO PROTECT YOU (BORROWER(S)) 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.

6. Default; Remedies after a Default. Any one or more of the 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 an Event of Default under (or as defined in) the Warrant; or (c) 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.

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

8. Assignment. The Lender may assign to one or more banks or other entities all or a portion of its rights under this Note. In the event of an assignment of all of its rights, the Lender may transfer this Note to the assignee. The Lender may, in connection with any assignment or proposed assignment, disclose to the assignee or proposed assignee any information relating to the Borrower furnished to the Lender by or on behalf of the Borrower.

9. Amendments, etc. No amendment or waiver of any provision of 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.

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

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

12. **Notices.** All notices hereunder and under the Loan Documents 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.

13. **Consent to Jurisdiction; Waiver of Venue Objection; Service of Process.** WITHOUT LIMITING THE RIGHT OF THE LENDER TO BRING ANY ACTION OR 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.

14. **Waiver of Jury Trial.** TO THE FULLEST EXTENT PERMITTED BY LAW, 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.

15. **Collateral.** This Note is secured as provided in the Loan Agreement.

16. **Miscellaneous.** No failure on the part of the Lender to 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.

17. **Superceding Note.** This Note supercedes and replaces all other promissory notes labeled "Loan Number Two" executed between the parties hereto in connection with the Loan Agreement, including the Promissory Note dated July 20, 2004, in the principal face amount of \$500,000 executed by Borrower to the order of Lender, the Promissory Note dated July, 2005, in the principal face amount of \$500,000 executed by Borrower to the order of Lender, the Promissory Note dated July 1, 2006, in the principal face amount of \$500,000 executed by Borrower to the order of Lender, the Promissory Note dated July 1, 2007 in the principal face amount of \$500,000 executed by Borrower to the order of Lender, and the Promissory Note dated July 1, 2008 in the principal face amount of \$500,000 executed by Borrower to the order of Lender.

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:
515 North State Street
Suite 2225
Chicago, Illinois 60654

ADVANCES AND PAYMENTS OF PRINCIPAL AND INTEREST

DATE	AMOUNT OF ADVANCE	AMOUNT OF PRINCIPAL PAID OR PREPAID	AMOUNT OF INTEREST PAID	UNPAID PRINCIPAL BALANCE OF ADVANCES	NOTATION MADE BY

SCHEDULE A

Definitions

“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.

“Base Rate” means, for any day, the prime rate established and announced by Lender from time to time in the ordinary course of its business (which rate may not be the best or lowest rate offered to Lender’s corporate customers), provided, that if such Base Rate is discontinued or replaced by a comparable rate, then it shall mean the comparable rate.

“Borrower” means THE FEMALE HEALTH COMPANY, a Wisconsin corporation.

“Borrower’s Address” means 515 North State Street, Suite 2225, Chicago, IL 60654.

“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.

“Commitment” means the agreement of the Lender to fund advances to the Borrower in an aggregate principal amount not to exceed, at any time outstanding, US \$500,000.00.

“Default Rate” means a rate of interest equal to four percent per annum (4%) in excess of the Stated Rate.

“Dollar” and “\$” means freely transferable United States dollars.

“Effective Date” means the later of (a) the Agreement Date, as defined 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 6 of this Note, or any Event of Default as defined in the Loan Agreement.

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

“Lender’s Address” means 212 S. Central Avenue, Clayton, Missouri 63105.

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

“Loan Agreement” means that certain Amended and Restated Loan Agreement entered into by and between Lender and Borrower, dated as of July 20, 2004, as amended by the First Amendment to Amended and Restated Loan Agreement dated November 1, 2004, and as further amended by the Second Amendment to Amended and Restated Loan Agreement dated July ___, 2005, and as further amended by the Third Amendment to Amended and Restated Loan Agreement dated July 1, 2006, and as further amended by the Fourth Amendment to Amended and Restated Loan Agreement dated July 1, 2007, as further amended by a Fifth Amendment to Amended and Restated Loan Agreement dated July 1, 2008, and as further amended by a Sixth Amendment to Amended and Restated Loan Agreement dated of even date herewith, as the same may be amended, modified, or restated.

“Loan Documents” means, collectively, this Note, the Loan Agreement, the Warrant, the Registration Rights Agreement, the Pledgor Security Documents, and each other instrument, agreement and document executed and delivered by Borrower 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 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 July 1, 2010.

“Note” means this Note and any and all amendments, modifications, restatements, renewals or refinancings thereof.

“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 Note, any Note or any of the other Loan Documents.

“Obligors” means Borrower, and each other party at any time primarily or secondarily, directly or indirectly, liable on any of the Obligations.

“Other Note” means any promissory note which may be given in renewal 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 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 4% per annum in excess of the Stated Rate.

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

“Stated Rate” means a rate of interest of Base Rate plus .50% per annum (each change in the Base Rate will result in a simultaneous change in the Stated Rate).

“Warrants” means the warrants to purchase common stock of Borrower granted to Lender as provided in the Warrant Agreement dated as of July 20, 2004, as the same may be amended, modified, or restated.

EXHIBIT A

FORM OF REQUEST FOR AN ADVANCE

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

Re: Promissory Note, dated as of July 1, 2009 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 \$500,000 to Borrower under the terms of the Note on July 1, 2009. 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: _____.

Executed this _____ day of July, 2009.

THE FEMALE HEALTH COMPANY

By: _____
Name: _____
Title: _____

DATED 27 April 2010

O&T PROPERTIES LIMITED (1)

THE FEMALE HEALTH COMPANY (UK) PLC (2)

THE FEMALE HEALTH COMPANY (3)

DEED OF SURRENDER

relating to

Unit 1, Sovereign Park, Coronation Road, London

Manches LLP
9400 Garsington Road
Oxford Business Park
OXFORD OX4 2HN

Tel +44 (0)1865 722 106
Fax +44 (0)1865 201 012
DX 155710 Oxford 13
www.manches.com

Ref: SPS/ELV/181966/261158

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DATE 27 April 2010

PARTIES

- (1) **O&T PROPERTIES LIMITED** incorporated and registered in England and Wales with company number 03703586 whose registered office is at 35 Hays Mews, London W1J 5PY ("Landlord");
- (2) **THE FEMALE HEALTH COMPANY (UK) PLC** (Company No: 02439625) whose registered office is 1 Sovereign Park, Coronation Road, Park Royal, London NW10 7QP ("Tenant"); and
- (3) **THE FEMALE HEALTH COMPANY** a company incorporated in the State of Wisconsin whose principal executive offices are at 919N Michigan Avenue, Suite 2208, Chicago, Illinois, USA ("Tenant's Guarantor").

BACKGROUND

- (A) This deed is supplemental to the Lease.
- (B) The Landlord is entitled to the immediate reversion to the Lease.
- (C) The residue of the term granted by the Lease is vested in the Tenant.
- (D) The Tenant's Guarantor has entered into guarantee and other obligations in respect of some of the tenant covenants of the Lease.
- (E) The Landlord and the Tenant have agreed to enter into this deed.

AGREED TERMS

1. INTERPRETATION

1.1. The definitions and rules of interpretation set out in this clause apply in this deed.

"Competent Authority"

a local authority or other body exercising powers under statute or by royal charter or any utility service or supply company.

"Landlord's Conveyancer"

Manches LLP, 9400 Garsington Road, Oxford Business Park, Oxford OX4 2HN (Ref: SPS/ELV/OX-261158) or any other conveyancer whose details may be notified in writing from time to time by the Landlord to the Tenant.

"Lease"

a lease of the Property dated 2nd November 2009 and made between O&T Properties Limited (1) The Female Health Company (UK) plc (2) The Female Health Company (3), which incorporates by reference, subject to certain modifications, the terms of the Previous Lease and all documents supplemental or collateral to that lease.

"Previous Lease"

means a lease dated 10 December 1996 and made between PAT (Pensions) Limited (1) the Tenant (formerly known as Chartex International plc) and Chartex Resources Limited (2) and The Female Health Company (3) by which the Property was demised to the Tenant and Chartex Resources Limited for a term of twenty (20) years from 10 December 1996 at a rent of one hundred and ninety-five thousand pounds (£195,000.00) a year.

"Property"

Unit 1, Sovereign Park, Coronation Road, London as more particularly described in and demised by the Lease.

"Service Charge"

shall have the meaning attributed to that term in the Previous Lease.

"VAT"

value added tax chargeable under the Value Added Tax Act 1994 and any similar replacement tax and any similar additional tax.

- 1.2. Clause headings do not affect the interpretation of this deed.
- 1.3. A person includes a natural person, corporate or unincorporated body (whether or not having separate legal personality) and that person's personal representatives, successors or permitted assigns.
- 1.4. Unless the context otherwise requires, words in the singular shall include the plural and in the plural include the singular.
- 1.5. Unless the context otherwise requires, a reference to one gender shall include a reference to the other genders.
- 1.6. A reference to any party shall include that party's personal representatives, successors or permitted assigns.
- 1.7. A reference to a statute, statutory provision or subordinate legislation is a reference to it as it is in force from time to time, taking account of any amendment or re-enactment and includes any statute, statutory provision or subordinate legislation which it amends or re-enacts.
- 1.8. A reference to a statute or statutory provision shall include any subordinate legislation made from time to time under that statute or statutory provision.
- 1.9. A reference to "writing" or "written" includes faxes but not e-mail.
- 1.10. A reference to a document is a reference to that document as varied or novated (in each case, other than in breach of the provisions of this agreement) at any time.
- 1.11. References to clauses are to the clauses of this deed.
- 1.12. Any phrase introduced by the terms including, include, in particular or any similar expression shall be construed as illustrative and shall not limit the sense of the words preceding those terms.

- 1.13. References to the "Landlord" include a reference to the person entitled for the time being to the immediate reversion to the Lease.
- 1.14. The expressions "landlord covenant" and "tenant covenant" each have the meanings given to them by the Landlord and Tenant (Covenants) Act 1995.

2. SURRENDER

- 2.1. In consideration of the releases by the Landlord pursuant to clause and clause the Tenant surrenders and yields up to the Landlord, with full title guarantee except as provided in clause 2.3, all its estate, interest and rights in the Property and the Landlord accepts the surrender.
- 2.2. The residue of the term of years granted by the Lease shall merge and be extinguished in the reversion immediately expectant on the termination of the Lease.
- 2.3. The covenant set out in section 2(1)(b) of the Law of Property (Miscellaneous Provisions) Act 1994 shall not extend to the Tenant insofar as the covenant makes the Tenant liable for any of the costs referred to in such covenant and the Landlord shall be liable for such costs instead.
- 2.4. The Property will be surrendered subject to:
- 2.4.1. all matters registrable by any Competent Authority pursuant to statute;
- 2.4.2. all requirements notices orders or proposals (whether or not subject to confirmation) of any Competent Authority; and
- 2.4.3. all notices served by the owner or occupier of any adjoining or neighbouring property.

3. VALUE ADDED TAX

On the date of this deed, the Tenant shall pay the Landlord any VAT properly chargeable on the consideration stated in clause 4.

4. RELEASE OF THE TENANT

- 4.1. In consideration of the sum of one hundred and forty thousand pounds (£140,000.00) plus VAT of twenty-four thousand five hundred pounds (£24,500.00) (receipt of which the Landlord acknowledges) the Landlord releases the Tenant and its predecessors in title from all the tenant covenants of the Lease and from all liability for any subsisting breach of any of them but without prejudice to any outstanding liability of the Tenant for Service Charge under the Lease whether or not such liability has accrued prior to the date of this surrender but only in respect of the period up to and excluding the date of this deed.
- 4.2. The Landlord accepts the sum of one hundred and sixty thousand pounds (£160,000.00) plus VAT of twenty-eight thousand pounds (£28,000.00) (receipt of which the Landlord acknowledges) as a contribution by the Tenant towards the repairs costs that the Tenant should have incurred under the Lease to keep the Property in repair and to yield up the Property in accordance with the obligations on the part of the Tenant in the Lease.

5. RELEASE OF THE TENANT'S GUARANTOR

The Landlord releases the Tenant's Guarantor from the covenants, indemnities and other obligations arising under or in respect of the Lease and from all liability for any subsisting breach of those covenants, indemnities and other obligations.

6. RELEASE OF THE LANDLORD

The Tenant releases the Landlord and its predecessors in title to the immediate reversion to the Lease from all the landlord covenants of the Lease and from all liability for any subsisting breach of any of them.

7. DOCUMENTS AND HMLR REQUIREMENTS

On the date of this deed, the Tenant shall deliver to the Landlord, or to the Landlord's Conveyancer:

- 7.1. the Lease;
- 7.2. the original part of this deed; and

7.3. the most recent survey or assessment carried out in relation to the Property for the purpose of complying with Regulation 4 of the Control of Asbestos Regulations 2006.

8. LIABILITY

If the Landlord or the Tenant is more than one person, then in each case those persons shall be jointly and severally liable for their respective obligations arising by virtue of this deed. The Landlord may release or compromise the liability of any one of those persons or grant any time or concession to any one of them without affecting the liability of any other of them.

9. THIRD PARTY RIGHTS

A person who is not a party to this deed shall not have any rights under or in connection with it.

This document has been executed as a deed and is delivered and takes effect on the date stated at the beginning of it.

SIGNED AS A DEED by **O&T PROPERTIES LIMITED** acting by a director in the presence of:

Signature: /s/ Andrew Johnson, Director
/s/ James Deane, Secretary

Name: Andrew Johnson
James Deane

Address: Emperor Cottage, High Street
Weston Underwood
Olney
MK46 53S

Occupation: Chartered Accountant

EXECUTED AS A DEED by **THE FEMALE
HEALTH COMPANY (UK) PLC** acting
by two
directors or by a director and secretary

/s/ Michael Pope, Director

/s/ Nick Puttick, Director/Secretary

SIGNED AS A DEED on behalf of **THE FEMALE
HEALTH COMPANY** a company
incorporated in
Wisconsin by **MICHAEL POPE** being a
person
who in accordance with the laws of that
territory
is acting under the authority of the
company

DATED 27 April 2010

- (1) BONHAMS 1793 LIMITED
(2) THE FEMALE HEALTH COMPANY
(UK) PLC

TENANCY AGREEMENT
relating to
Unit 1 Sovereign Park Coronation Road
London NW10 7QP

Lewis Silkin LLP
5 Chancery Lane
London EC4A 1BL

Ref: SCJ8049.73394-176

THIS TENANCY AGREEMENT is made the 27th day of April 2010
BETWEEN:-

- (1) **BONHAMS 1793 LIMITED** having its registered office at Montpelier Galleries, Montpelier Street, London SW7 1HH (company registration number 04326560) (the “**Landlord**”) and
- (2) **THE FEMALE HEALTH COMPANY (UK) PLC** having its registered office at Unit 1 Sovereign Park, Coronation Road, Park Royal London NW10 7QP (company number 02439625) (the “**Tenant**”)

WHEREBY IT IS AGREED as follows:-

1. Definitions and interpretation

In this agreement unless the context otherwise requires:-

- 1.1 the words defined in this sub-clause have the following meanings:-

“**1954 Act**”: the Landlord and Tenant Act 1954

“**2003 Order**”: the Regulatory Reform (Business Tenancies) (England and Wales) Order 2003

“**Building**”: Unit 1 Sovereign Park Coronation Road London NW10 7QP

“**Conditioning Ovens**”: the two conditioning ovens referred to in paragraph 5 of schedule 1

“**Premises**”: the first floor premises within the Building shown for identification purposes edged red on the plan attached hereto marked “2” together with the landlord’s fixtures and fittings therein

“**Term**”: the period commencing on (and including) this agreement and expiring on (and including) the 30th day of June 2010

- 1.2 headings in this agreement are for convenience only and will not affect its construction
- 1.3 the Landlord includes the person from time to time entitled to the reversion immediately expectant on the determination of the term
- 1.4 words denoting persons include firms companies and corporations and vice versa
- 1.5 the singular includes the plural and vice versa and one gender includes any other
- 1.6 obligations of a party to this agreement are deemed to be joint and several obligations where that party is more than one person
- 1.7 references to clauses paragraphs and schedules are to clauses and paragraphs of and schedules to this agreement
- 1.8 the words “**include**” “**includes**” and “**including**” are deemed to be followed by the words “**without limitation**”

2. Letting

The Landlord agrees to let and the Tenant to take the Premises Together with the rights mentioned in schedule 1but Except and Reserving the rights mentioned in schedule 2 for the Term at the Rent and subject to the provisions of this agreement and to any easements rights privileges or covenants enjoyed by or benefiting any other land or person

3. Tenant's obligations

The Tenant will:-

- 3.1 pay and indemnify the Landlord against all charges for utilities, related meter rents, installation charges and connection charges in respect of the Premises and in the absence of direct assessment to pay a fair proportion of the same
- 3.2 pay on demand to the Landlord all reasonable legal surveyors' and other professional fees and expenses (including bailiffs' fees) properly incurred by the Landlord in connection with or incidental to any breach by the Tenant of any of the Tenant's obligations under and/or any consent required by this agreement
- 3.3 not to commit any waste at the Premises
- 3.4 at the end of the Term leave the Premises having removed all the Tenant's furniture equipment and effects (including without prejudice to the generality of the foregoing the Conditioning Ovens) and having made good any material damage caused by their removal and made safe the electricity supply to the Conditioning Ovens
- 3.5 not make any alterations or additions to the Premises without the Landlord's consent
- 3.6 not without the prior written consent of the Landlord place or exhibit on the Premises any sign advertising or notification material of any kind
- 3.7 use the Premises only as offices
- 3.8 not assign underlet part with or share occupation or possession of the whole or any part of the Premises
- 3.9 allow the Landlord and persons authorised by the Landlord to enter the Premises at all reasonable times on reasonable prior written notice to ascertain whether the provisions of this agreement have been complied with or where necessary to repair the Premises or any neighbouring premises belonging to the Landlord or in connection with the reletting or sale of the Premises
- 3.10 not cause do suffer or permit any act or thing which may be a nuisance to the Landlord the general public or the owners or occupiers of neighbouring premises
- 3.11 comply with all Acts of Parliament (and instruments orders regulations permissions and directions deriving validity therefrom) from time to time affecting the Premises or the use or occupation thereof

- 3.12 immediately after receipt produce to the Landlord a copy of any notice order permission or proposal in relation to the Premises
- 3.13 not permit any dangerous hazardous polluting or contaminative substance to be in on or under or to escape from the Premises
- 3.14 to pay all rates, taxes, charges, outgoings, assessed or charged on the Premises or payable by the owner or occupier of them and in the absence of direct assessment to pay a fair proportion of the same
- 3.15 not knowingly to do anything on the Premises that would cause the rate of any insurance premium of the insurance policy to be increased or vitiate the insurance policy
- 3.16 to comply with any reasonable regulations which the Landlord may from time to time specify
- 3.17 to indemnify the Landlord against all proceedings, claims, losses, damages and reasonable costs which arise from the Tenant's use or occupation of the Premises or from any breach of the terms of this agreement by the Tenant

4. Landlord's obligations

The Landlord agrees with the Tenant as follows:-

- 4.1 that the Tenant may quietly possess and enjoy the Premises during the Term without any interruption by the Landlord or any person lawfully claiming through under or in trust for it
- 4.2 that the Tenant shall have free and unrestricted access to the Premises over the remainder of the Building and its curtilage at all times
- 4.3 to maintain the existing electricity telephone water and drainage services to the Building at all times and without interruption
- 4.4 without prejudice to the generality of the foregoing to maintain the electricity supply to the Conditioning Ovens

5. Provisos

Provided always and it is further agreed and declared that:-

- 5.1 if any obligation (or part thereof) on the part of the Tenant is not observed or if (in relation to an individual Tenant) an application is made for an interim order a bankruptcy petition is presented a proposal is made for a voluntary arrangement or he enters into a deed of arrangement or if (in relation to a corporate Tenant) it goes into compulsory or voluntary liquidation (excluding a voluntary winding up for the amalgamation or reconstruction of a solvent company) a receiver manager administrative receiver administrator or provisional liquidator is appointed or an administration application or order is considered or made or steps are taken to obtain a moratorium or a proposal is made for a voluntary arrangement or a scheme of arrangement THEN in any such case the Landlord may re-enter the Premises (or any part of them in the name of the whole) and thereupon the tenancy created by this agreement will determine but without prejudice to any rights of the Landlord in respect of any antecedent breach of any of the Tenant's obligations in this agreement

- 5.2 the Tenant does not have the benefit of any easement right or privilege except any expressly granted by this agreement
- 5.3 nothing in this agreement is intended to confer on any person any right to enforce any term of this agreement which that person would not have had but for the Contracts (Rights of Third Parties) Act 1999
- 5.4 the Tenant confirms that before the date of this agreement:
- 5.4.1 the Landlord served a notice dated 13 April 2010 (the“**Notice**”) on the Tenant in accordance with section 38A(3)(a) of the 1954 Act
- 5.4.2 the Tenant (or a person duly authorised by the Tenant) made a statutory declaration dated 26 April 2010 (the“**Declaration**”) confirming receipt of the Notice in accordance with schedule 2 to the 2003 Order
- 5.5 the Tenant further confirms that where the Declaration was made by a person other than the Tenant that person was duly authorised by the Tenant to make the Declaration on the Tenant’s behalf
- 5.6 the Landlord and the Tenant confirm that the Tenant was not contractually bound to enter into the tenancy created by this agreement prior to the date of completion of this agreement
- 5.7 the parties agree that sections 24 to 28 (inclusive) of the 1954 Act will not apply to the tenancy created by this agreement

AS WITNESS the signatures of the parties or their duly authorised representatives on the date first above written.

Schedule 1

Rights granted

1. A right to the free and uninterrupted passage and running of all services from and to the Premises through all conducting media within the Building
2. A right to gain access to the Premises over the remainder of the Building and its curtilage at all times and without interruption
3. A right to use the car parking spaces in the location shown edged green on the attached plan marked "1" for the parking of not more than seven private motor cars
4. A right to enter (at reasonable times and after giving reasonable written notice) (except in emergency) such other parts of the Building as may reasonably be necessary for the purpose of carrying out any cleaning of or repairs to the Premises or any part them or any conducting media serving the Premises the Tenant doing as little damage as possible and making good all physical damage caused to the Building to the reasonable satisfaction of the Landlord
5. A right to retain two conditioning ovens in the reception area on the ground floor of the Building in the location shown edged blue on the attached plan marked "1" and to access to them over the remainder of the Building at all times and without interruption

Schedule 2

Rights reserved

1. A right to enter the Premises at reasonable times on reasonable prior written notice (except in emergency) for the purposes specified in clause 3.9 with the reasonable requirements of and causing the minimum of inconvenience to the occupiers of the Premises and making good any physical damage caused to the Premises by the exercise of such right to the reasonable satisfaction of the Tenant
2. A right to the free and uninterrupted passage and running of all services from and to all other parts of the Building

Landlord

Signed by R. Brooks)	
for and on behalf of)	
BONHAMS 1793 LIMITED)	/s/ R. Brooks
		Director/Duly Authorised Signatory

Tenant

Signed by Michael Pope)	
for and on behalf of)	
THE FEMALE HEALTH COMPANY)	/s/ Michael Pope
(UK) PLC)	Director/Duly Authorised Signatory

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CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, O. B. Parrish, certify that:

1. I have reviewed this quarterly report on Form 10-Q of The Female Health Company;
 2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
 3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
 4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
 5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
-

(a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 7, 2010

/s/ O.B. Parrish
O. B. Parrish
Chief Executive Officer

CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Donna Felch, certify that:

1. I have reviewed this quarterly report on Form 10-Q of The Female Health Company;
 2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
 3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
 4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
 5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
-

(a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 7, 2010

/s/ Donna Felch
Donna Felch
Chief Financial Officer

**Certification of Periodic Financial Report
Pursuant to 18 U.S.C. Section 1350**

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, each of the undersigned officers of The Female Health Company (the "Company") certifies that the Quarterly Report on Form 10-Q of the Company for the quarter ended March 31, 2010 fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 and information contained in that Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: May 7, 2010

/s/ O.B. Parrish
O. B. Parrish
Chief Executive Officer

Dated: May 7, 2010

/s/ Donna Felch
Donna Felch
Chief Financial Officer

This certification is made solely for purpose of 18 U.S.C. Section 1350, subject to the knowledge standard contained therein, and not for any other purpose.
