THE FEMALE HEALTH COMPANY
(Exact Name of Small Business Issuer as Specified in Its Charter)
Wisconsin 39-1144397
(State or Other Jurisdiction of (I.R.S. Employer Identification No.)
Incorporation or Organization)
875 N. Michigan Avenue, Suite 3660, Chicago, IL 60611
(Address of Principal Executive Offices) (Zip Code)
(312) 280-1119
(Issuer's Telephone Number, Including Area Code)

Not applicable
(Former Name, Former Address and Former Fiscal Year, If Changed Since Last Report)

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

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

Common Stock, $.01 Par Value - 11,049,191 shares outstanding as of May 12, 1999

Transitional Small Business Disclosure Format (check one):
Yes _______ No X

FORM 10-QSB
THE FEMALE HEALTH COMPANY AND SUBSIDIARIES
INDEX

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SIGNATURES
CAUTIONARY STATEMENT REGARDING FORWARD LOOKING STATEMENTS

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

**March 31, 1999**

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**ASSETS**

**Current Assets:**
- Cash and equivalents: $432,912
- Accounts receivable, net: 832,649
- Inventories, net: 1,235,238
- Prepaid expenses and other current assets: 242,255

**TOTAL CURRENT ASSETS:** 2,743,054

- Intellectual property rights, net: 825,065
- Other assets: 158,730
- Property, Plant and Equipment: 3,966,674
  - Less accumulated depreciation and amortization: (1,792,225)
  - Net property, plant, and equipment: 2,174,449

**TOTAL ASSETS:** $5,901,298

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**LIABILITIES AND STOCKHOLDERS' EQUITY**

**Current Liabilities:**
- Notes payable, related party, net of unamortized discount: $1,049,740
- Debt due within one year: 675,086
- Accounts payable: 522,530
- Accrued expenses and other current liabilities: 359,691
- Preferred dividends payable: 68,377

**TOTAL CURRENT LIABILITIES:** 2,675,424

- Deferred gain on lease of facility (see Note 4): 1,645,929
- Other long-term liabilities: 117,391

**TOTAL LIABILITIES:** 4,438,744

**STOCKHOLDERS' EQUITY:**
- Convertible preferred stock: 6,700
- Common stock: 108,532
- Additional Paid-in-capital: 44,641,314
- Unearned consulting compensation: (88,873)
- Accumulated deficit: (43,296,150)
- Foreign currency translation gain: 123,107
- Treasury Stock, at cost: (32,076)

**Total Stockholders' Equity:** 1,462,554

**TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY:** $5,901,298

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See notes to unaudited condensed consolidated financial statements.
### THE FEMALE HEALTH COMPANY AND SUBSIDIARIES
### UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

#### Three Months Ended March 31,

<table>
<thead>
<tr>
<th></th>
<th>1999</th>
<th>1998</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net revenues</td>
<td>$1,093,722</td>
<td>$1,619,949</td>
</tr>
<tr>
<td>Cost of products sold</td>
<td>1,340,781</td>
<td>1,511,138</td>
</tr>
<tr>
<td>Gross profit (loss)</td>
<td>(247,059)</td>
<td>(108,811)</td>
</tr>
<tr>
<td>Advertising &amp; Promotion</td>
<td>82,380</td>
<td>110,307</td>
</tr>
<tr>
<td>Selling, general and administrative</td>
<td>710,401</td>
<td>686,914</td>
</tr>
<tr>
<td>Total Operating Expenses</td>
<td>792,781</td>
<td>797,221</td>
</tr>
<tr>
<td>Operating loss</td>
<td>(1,039,840)</td>
<td>(688,410)</td>
</tr>
</tbody>
</table>

| Interest, net and other expense | 59,881 | 39,974 |
| Pretax loss                    | (1,099,721) | (728,384) |
| Provision for income taxes     | ----   | ----   |
| Net loss                       | (1,099,721) | (728,384) |

| Preferred dividends accreted, Series 2 (see Note B) | ---- | 817,000 |
| Preferred dividends, Series 1 | 33,195 | 33,534 |

| Net loss attributable to Common stockholders | (1,132,916) | (1,578,918) |

| Basic and diluted net loss per common share outstanding | $(0.11) | $(0.17) |
| Weighted average number of common shares outstanding | 10,624,937 | 9,549,419 |

See notes to unaudited condensed consolidated financial statements.
<table>
<thead>
<tr>
<th></th>
<th>1999</th>
<th>1998</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net revenues</td>
<td>$1,797,720</td>
<td>$2,925,753</td>
</tr>
<tr>
<td>Cost of products sold</td>
<td>2,202,232</td>
<td>3,091,792</td>
</tr>
<tr>
<td>Gross profit (loss)</td>
<td>(404,512)</td>
<td>(166,039)</td>
</tr>
<tr>
<td>Advertising &amp; Promotion</td>
<td>174,843</td>
<td>279,228</td>
</tr>
<tr>
<td>Selling, general and administrative</td>
<td>1,316,043</td>
<td>1,256,668</td>
</tr>
<tr>
<td>Total Operating Expenses</td>
<td>1,490,877</td>
<td>1,535,896</td>
</tr>
<tr>
<td>Operating loss</td>
<td>(1,895,389)</td>
<td>(1,701,935)</td>
</tr>
<tr>
<td>Interest, net and other expense</td>
<td>130,817</td>
<td>85,606</td>
</tr>
<tr>
<td>Pretax loss</td>
<td>(2,926,206)</td>
<td>(1,787,541)</td>
</tr>
<tr>
<td>Provision for income taxes</td>
<td>----</td>
<td>----</td>
</tr>
<tr>
<td>Net loss</td>
<td>(2,926,206)</td>
<td>(1,787,541)</td>
</tr>
<tr>
<td>Preferred dividends accreted, Series 2</td>
<td>----</td>
<td>817,000</td>
</tr>
<tr>
<td>Preferred dividends, Series 1</td>
<td>68,750</td>
<td>67,813</td>
</tr>
<tr>
<td>Net loss attributable to Common stockholders</td>
<td>(2,994,956)</td>
<td>(2,672,354)</td>
</tr>
<tr>
<td>Basic and diluted net loss per common share outstanding</td>
<td>$(0.20)</td>
<td>$(0.28)</td>
</tr>
<tr>
<td>Weighted average number of common shares outstanding</td>
<td>10,532,073</td>
<td>9,546,883</td>
</tr>
</tbody>
</table>

See notes to unaudited condensed consolidated financial statements.
## UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

### Six Months Ended March 31, 1999 and 1998

<table>
<thead>
<tr>
<th></th>
<th>1999</th>
<th>1998</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>OPERATIONS:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net (loss)</td>
<td>$(2,026,206)</td>
<td>$(1,787,541)</td>
</tr>
<tr>
<td>Adjusted for noncash items:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>275,918</td>
<td>296,733</td>
</tr>
<tr>
<td>Amortization of discounts on</td>
<td>136,873</td>
<td>166,640</td>
</tr>
<tr>
<td>notes payable and convertible</td>
<td></td>
<td></td>
</tr>
<tr>
<td>debentures</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reduction in inventory reserves</td>
<td>(8,130)</td>
<td>(589,388)</td>
</tr>
<tr>
<td>Reduction in accounts receivable reserves</td>
<td>482</td>
<td>(101,580)</td>
</tr>
<tr>
<td>Amortization of other assets</td>
<td>--</td>
<td>5,567</td>
</tr>
<tr>
<td>Changes in operating assets</td>
<td>(181,213)</td>
<td>(904,193)</td>
</tr>
<tr>
<td>and liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Net cash (used in) operating activities</strong></td>
<td>$(1,802,276)</td>
<td>$(1,105,376)</td>
</tr>
</tbody>
</table>

| **INVESTING ACTIVITIES:**      |              |              |
| Capital expenditures          | (22,933)     | (15,955)     |
| Proceeds from repayment of    | --           | 750,000      |
| note receivable               |              |              |
| **Net cash provided by (used in) investing activities** | $(22,933) | 734,045 |

| **FINANCING ACTIVITIES:**      |              |              |
| Proceeds from related-party   | 1,300,000    | 1,000,000    |
| notes issued                   |              |              |
| Payments on notes payable,     | (1,000,000)  | (1,033,270)  |
| related party                  |              |              |
| Proceeds from the issuance of  | --           | 1,051,034    |
| preferred stock                |              |              |
| Purchase of Common Stock held  | (12,746)     | --           |
| in Treasury                    |              |              |
| Proceeds from the issuance of  | 202,925      | 108,902      |
| common stock                   |              |              |
| upon exercise of options and   |              |              |
| warrants                       |              |              |
| **Net cash provided by financing activities**  | 781,179 | 1,926,666 |

| Effect of exchange rate change | (3,345)      | 13,311       |
| on cash and equivalents        |              |              |
| **INCREASE (DECREASE) IN CASH AND EQUIVALENTS** | (1,047,375) | 1,568,646 |
| Cash and equivalents at        | 1,488,287    | 1,633,467    |
| beginning of period            |              |              |
| **CASH AND EQUIVALENTS AT END OF PERIOD** | $432,912 | $3,202,113 |

See notes to unaudited condensed consolidated financial statements.
NOTE 1 - Basis of Presentation

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

Operating results for the three and six months ended March 31, 1999 are not necessarily indicative of the results that may be expected for the fiscal year ending September 30, 1999. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's annual report on Form 10-KSB for the fiscal year ended September 30, 1998.

NOTE 2 - Earnings Per Share

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

As of March 31, 1999 the Company has 1,165,828 options and 1,648,534 warrants outstanding including 0 "in the money" options and warrants. As of March 31, 1998 the Company had 1,351,754 options and 1,133,534 warrants outstanding including 1,136,196 "in the money" options and warrants. As of March 31, 1999 and 1998 the Company also has 670,000 and 680,000 shares, respectively, of preferred stock outstanding which is convertible into an equal number of shares of common stock (see Note 6).

The inclusion of the options, warrants and convertible preferred stock in the computation of diluted earnings per share would have resulted in a reduction of the loss per share (antidilutive) and therefore both basic and diluted earnings per share amounts were the same for each of the periods presented in the accompanying financial statements.

NOTE 3 - Comprehensive Income (Loss)

Total Comprehensive Loss was $(1,263,840) and $(2,276,829) for the 3 and 6 month ended March 31, 1999 and $(1,561,384) and $(2,595,700) for the 3 month and 6 month ended March 31, 1998.
NOTE 4. - Lease of Manufacturing Facility

On December 10, 1996, the Company entered into what is in essence a sale and leaseback agreement with respect to its 40,000 square foot manufacturing facility located in London, England. The Company received £3,365,000 (British pounds sterling 1,950,000) for leasing the facility to a third party for a nominal annual rental charge and for providing the third party with an option to purchase the facility for one pound during the period December 2006 to December 2027. Concurrent with this transaction, the Company repaid the mortgage loan on this property of $1,834,000 (British pounds sterling 1,062,500).

As part of the same transaction, the Company entered into an agreement to lease the facility back from the third party for base rents of $336,000 (British pounds sterling 195,000) per year payable quarterly until 2016. The lease is renewable through 2027. The Company was also required to make a security deposit of $336,000 (British pounds sterling 195,000) to be reduced in subsequent years. The facility had a net book value of $1,398,819 (British pounds sterling 810,845) on the date of the transaction. The $1,966,181 (British pounds sterling 1,139,155) gain which resulted from this transaction will be recognized ratably over the initial term of the lease. Unamortized deferred gain as of March 31, 1999 was $1,645,929 (British pounds sterling 1,011,013).

NOTE 5 - Inventories

The components of inventory consist of the following:

<table>
<thead>
<tr>
<th>March 31, 1999</th>
</tr>
</thead>
<tbody>
<tr>
<td>Raw Material and work in process</td>
</tr>
<tr>
<td>Finished Goods</td>
</tr>
<tr>
<td>Inventory, Gross</td>
</tr>
<tr>
<td>Less: Inventory reserves</td>
</tr>
<tr>
<td>Inventory, net</td>
</tr>
</tbody>
</table>

NOTE 5 - Sale of Convertible Preferred Stock

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

On December 31, 1997, the Company completed a private placement of 729,927 shares of Class A Convertible Preferred Stock - Series 2 (the "Series 2 Preferred Stock") and Warrants to purchase 240,000 shares of Common Stock. The Series 2 Preferred Stock was sold at a per share price of $2.74, resulting in net proceeds to the Company of $1.82 million, after commissions and expenses. The Series 2 Preferred Stock automatically converted into Common Stock on a one-for-one basis, on April 3, 1998, the date in which the registration statement registering the resale of the Common Stock was declared effective by the SEC. The investors received four-year Warrants to purchase 240,000 shares of Common Stock exercisable at a price per share equal to the lesser of $3.425 or the average of the three closing bid prices per share of Common Stock for any three consecutive trading days chosen by the investor during the 30 trading day period ending on the trading day immediately prior to the exercise of the Warrants. Individuals providing services to the Company's placement agent for the above convertible Preferred Stock received Warrants to purchase 4,000 shares of Common Stock exercisable at any time prior to December 31, 2001, at $4.11 per share.

NOTE 7 - Financial Condition

The Company's consolidated financial statements have been prepared on a going concern basis which contemplates the realization of assets and the settlement of liabilities and commitments in the normal course of business. The Company incurred a net loss of $3.4 million for the year ended September 30, 1998, a net loss of $2.0 million for the six months ended March 31, 1999 and as of March 31, 1999 had an accumulated deficit of $43.3 million.

At March 31, 1999, the Company had working capital of $0.1 million and stockholders' equity of $1.5 million. In the near term, the Company expects operating and capital costs to continue to exceed funds generated from operations due principally to the Company's fixed manufacturing costs relative to current production volumes and the ongoing need to commercialize the Female Condom around the world. As a result, operations in the near future are expected to continue to use working capital. Management recognizes that the Company's continued operations depend on its ability to raise additional capital through a combination of equity or debt financing, strategic alliances and increased sales volumes.

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

On September 29, 1997, the Company entered into an agreement with Vector Securities International, Inc. (Vector), an investment banking firm specializing in providing financial advisory services to healthcare and
life-science companies. Pursuant to this agreement, for a one-year period, Vector will act as the Company's exclusive financial advisor for the purposes of identifying and evaluating opportunities available to the Company for increasing shareholder value. These opportunities may include selling all or a portion of the business, assets or stock of the Company or entering into one or more distribution arrangements relating to the Company's product. This agreement had been extended for an additional six months through March 29, 1999. Management is currently determining if there is further need to extend this arrangement. There can be no assurance that any such opportunities will be available to the Company or, if so available, that the Company will ultimately elect or be able to consummate any such transaction.

To provide a potential ready source of capital for the Company, which the Company would use for general working capital purposes, effective November 19, 1998, the Company entered into a private Equity Line of Credit Agreement (the "Equity Line Agreement") with Kingsbridge Capital Limited, a private investor (the "Selling Stockholder"). Under the Equity Line Agreement, the Company has the right, subject to various conditions, to issue and sell to the Selling Stockholder, from time to time, shares of its Common Stock for cash consideration up to an aggregate of $6 million.

The Equity Line Agreement gives the Company, in its sole discretion and subject to certain restrictions, the right to sell ("put") to the Selling Stockholder up to $6.0 million of the Company's Common Stock, subject to a minimum put of $1.0 million over the duration of the agreement. The Equity Line Agreement expires 24 months after the effective date of the registration statement filed to register the Selling Stockholder's public resale of any stock it purchases under the agreement. The Equity Line Agreement provides for, among other things, minimum and maximum puts ranging from $100,000 to $1,000,000 depending on the Company's stock price and trading volume. The timing and amount of puts under the Equity Line Agreement are totally at the Company's discretion, subject to certain conditions. The Company is required to put a minimum of $1 million during the two-year period. If the Company does not put the minimum, the Company is required to pay the investor a 12% fee on that portion of the $1 million minimum not put at the end of the two-year period. As of March 31, 1999, the Company had placed two puts for the combined cash proceeds of $291,000 providing Kingsbridge with a total of 286,862 shares of the Company's Common Stock. Each put was executed while the Company's stock price was below $2.00 per share.

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

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

Note 8 _ Preferred Dividends, Series 2
The Company's $2.0 million private placement of convertible Preferred Stock — Series 2 on December 31, 1997 included a beneficial conversion feature valued at $500,000 and four-year warrants to purchase additional shares of common stock valued at $317,000. In accordance with SEC reporting requirements for such transactions, the Company recorded the value of the beneficial conversion feature and warrants, a total of $817,000 as additional paid-in capital. The corresponding discount of $817,000, associated with the issuance of the convertible preferred stock is a one-time, nonrecurring charge that has been fully amortized and reflected as preferred dividends accreted in the consolidated statements of operations for the quarter and six months ended March 31, 1998. The dividend accretion had no impact on the Company's cash flow from operations.
GENERAL

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

Safety and Efficacy

Based on use of the product in clinical trials and five years of worldwide marketing, the Female Condom has been proven as safe and effective. The following information reflects the results of various trials:

<table>
<thead>
<tr>
<th>Safety and Efficacy</th>
<th>Reduction in STDs(1) 34%</th>
<th>Reduction in Acts of Unprotected Sex(1) 25%</th>
<th>Effectiveness in Preventing Pregnancy(2) 95%(3)</th>
</tr>
</thead>
</table>

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

Cost Effectiveness

Results of the UNAIDS supported evaluation of the cost-effectiveness of providing the Female Condom in developing countries has been published and also presented at various professional meetings. The results indicate that making the Female Condom available is highly effective in reducing public health costs in developing countries.

Endorsements

Currently, the Female Condom is endorsed for use by the World Health Organization (WHO), the United Nations Joint Programme on AIDS (UNAIDS), the U.S. Agency for International Development (USAID), many NGO's (non-government organizations) around the world, and a number of city and state public health departments in the United States.
At the June 1998 World AIDS Conference in Geneva, Switzerland the Female Condom appeared in over 50 studies, speeches and exhibition booths.

Global Market

The pandemic of STDs, including HIV/AIDS continues to be a major public health issue worldwide. The need for prevention methods, male and female condoms is escalating. The World Health Organization (WHO) estimates the new cases of STDs worldwide to be approximately 300 million annually, excluding HIV/AIDS. UNAIDS estimates that there are currently approximately 33 million people worldwide who are infected with HIV/AIDS, of which 86% are in developing countries. In the United States, the center for Disease Control and Prevention noted that in 1995, five of the ten most frequently reported diseases were STD's. The Center also has noted that one in five Americans over the age of 12 has Herpes and 1 in every 3 sexually active people will get an STD by age 24. Women are currently the fastest growing group infected with HIV and are expected to comprise the majority of the new cases by the year 2000. The following information highlights the substantial and growing market for protection against STDs.

Worldwide:

| Number of people with HIV/AIDS(*) | 34 million |
| Number of new cases of HIV/AIDS daily(*) | 16,000 |
| Number of children expected to be orphaned by AIDS by 2010 (at current rate)(*) | 40 million |
| Examples of decreases in life expectancy due to HIV/AIDS(*) | | | | |
| Zimbabwe | 22 years |
| Cote d'Ivoire | 11 years |
| Number of Sub-Saharan African countries where more than 10% of population is HIV positive(*) | 13 |
| Most people infected with HIV/AIDS | 10-24 years old |

(*) Source: UNAIDS

United States:

Number of top ten most frequently reported diseases in the United States in 1995 that were STDs(1) | 5 |
| Ratio of individuals over 12 years of age with Herpes(1) | 1 in 5 |
| Annual expenditures to treat STDs(2) | $17 billion |
| Dollars spent on STD treatment for every $1.00 spent on prevention(2) | $43 |

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

(1) Source: Center for Disease Control and Prevention

(2) Source: National Academy of Sciences

(3) Source: Alan Guttmacher Institute

At the 1998 World AIDS Conference in Geneva, Switzerland, the following points were emphasized:
New drugs help some AIDS patients in Western nations. However, they are of little value in developing countries due to their cost and the complexity of their administration.

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

Prevention is essential.

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

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

The market potential for the Female Condom is larger and growing as highlighted by the following:

- New cases of STDs each year: 333 million
- Estimated Annual Male Condom Market: 4.7 billion units

Advantages vs. the Male Condom

The Female Condom is currently the only available barrier method controlled by women which allows them to protect themselves from unintended pregnancy and STDs, including HIV/AIDS. This is an important advantage as many men do not like to wear male condoms and may refuse to do so.

The polyurethane material that is used for the Female Condom, offers a number of benefits over latex, the material that is most commonly used in male condoms. Polyurethane is 40% stronger than latex, reducing the probability that the Female Condom sheath will tear during use. Clinical studies and everyday use have shown that latex male condoms can tear as much as 8% of the times they are used. Unlike latex, polyurethane quickly transfers heat, so the Female Condom immediately warms to body temperature when it is inserted, which may result in increased pleasure and sensation during use. The product offers an additional benefit to the 7% to 20% of the population that is allergic to latex and who, as a result, may be irritated by latex male condoms. To the Company's knowledge, there is no reported allergy to polyurethane. The Female Condom is also more convenient, providing the option of insertion hours before sexual arousal and as a result is less disruptive during sex than the male condom which requires sexual arousal for application.

Strategy/Goals

The Company's strategy is to act as a manufacturer selling the Female Condom to the global public sector, the U.S. public sector and commercial partners for country specific marketing. The public sector customers and partners assume the cost of shipping and marketing. As a result, as volume increases, expenses other than manufacturing costs will not increase appreciably.
The Company markets the product directly in the United States and the United Kingdom. The Company has commercial partners which have recently launched the product in Canada, Holland, Brazil, Venezuela, South Korea and Taiwan. The Company has signed distribution agreements in Japan and Bangladesh, where launches are expected during the coming year.

Japanese Market

In Japan, the market for male condoms exceeds 600 million units. Oral contraceptives have not been approved in Japan and, as a result, 96% of Japanese couples use male condoms. The Company’s partner in Japan, is Taiho Pharmaceuticals, a $1 billion Japanese health care company. The agreement between the Company and Taiho requires Taiho to perform clinical testing of the product in Japan and obtain necessary regulatory approvals to market the product. After approval, expected during the Company's 1999 fiscal year, the Company will manufacture the product and supply it to Taiho, which will have the responsibility for marketing and distributing the Female Condom in Japan. Taiho plans to market the Female Condom under the name "Mylura Femy."

Relationships and Agreements with Public Sector Organizations

Currently, it is estimated that worldwide more than 1.7 billion male condoms per year are distributed by the public sector. The Female Condom is seen as an important addition to prevention strategies by the public sector because studies show that the availability of the Female Condom decreases the amount of unprotected sex by as much as 25% over the rate when only male condoms are available.

The Company has a multi-year agreement with UNAIDS to supply the Female Condom to developing countries at a reduced price which is negotiated each year based on volume. The current price per unit is approximately $0.64 or British pounds sterling 0.38. During the last year, the Female Condom has been launched in the countries of Kenya, Zimbabwe, Tanzania, Bolivia, Haiti, South Africa and Zambia. It is anticipated that multiple product launches will occur in several countries during the next two years, including in the countries of Nigeria, Uganda, Ghana, Cambodia, Bangladesh, Columbia, and Central American countries.

In a meeting on January 15, 1999, UNAIDS advised the Company that based on results to date in countries where the Female Condom has been launched they plan to include it in all male condom distribution programs. It is estimated that approximately 1.7 billion male condoms are used in such programs.

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

Worldwide Regulatory Approvals

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

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

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

RESULTS OF OPERATIONS

Three Months Ended March 31, 1999 Compared to Three Months Ended March 31, 1998

The Female Health Company had revenues of $1,093,722 and a net loss of $1,099,721 for the three months ended March 31, 1999 compared to revenues of $1,619,949 and a net loss of $728,384 for the three months ended March 31, 1998. As discussed more fully below, the increase in the Company’s net loss was principally related to decreased sales volume, which was not coupled with a proportional decrease in cost of good sold.

For the current quarter, sales decreased $526,227, or 32%, compared with the same period last year. Net sales for the prior year were significantly higher because of product launches by new country specific partners associated with UNAIDS. The Company expects significant quarter to quarter variation due to the timing of receipt of large orders, subsequent production scheduling, and shipping of products as various countries launch the product. It believes this variation between quarters will continue for several quarters to come until reorders form an increasing portion of total sales. Net sales for the current quarter included the product shipped for the Kenya launch.

Cost of goods sold decreased $170,357, or 11%, to $1,340,781 in the current quarter from $1,511,138 for the same period last year. Cost of goods sold for the prior year included a $300,000 reduction resulting from an adjustment of the Company's reserve for inventory obsolescence. Because no material inventory reserve adjustment occurred in the current quarter, the percentage decline in cost of goods sold between the comparative quarters is not proportionate with the sales decline.

Advertising and promotional expenditures decreased $27,927 to $82,380 in the current quarter from $110,307 for the same period in the prior year. Advertising and promotion relates almost exclusively to the U.S. consumer market, and includes the costs of print advertising, trade and consumer promotions, product samples and other marketing costs. Through expenditures to date, the Company has established that the Female Condom is responsive to promotion; but due to the Company's size, it doesn't possess the resources to conduct a significant U.S. consumer program and is in discussions with
potential U.S. partners that have the resources to penetrate the consumer market.

Selling, general and administrative expenses increased $23,487, or 3%, to $710,401 in the current quarter from $686,914 for the same period last year. The small increase reflected higher legal and professional fees related to the Company's efforts to raise capital and communicate with the investor community.

Net interest and nonoperating expenses increased $19,907 to $59,881 for the current period from $39,974 for the same period the prior year. The increase is due to higher interest expense attributable to an increased level of debt outstanding during the quarter. Additionally, interest income, an offset to interest expense, declined in the current quarter as a result of significantly lower average cash balances invested in interest bearing accounts during the current quarter compared with the same period in the prior year.

Six Months Ended March 31, 1999 Compared to Six Months Ended March 31, 1998

The Female Health Company had net revenues of $1,797,720 and a net loss of $2,026,206 for the six months ended March 31, 1999 compared to revenues of $2,026,206 for the six months ended March 31, 1998. As discussed in more detail in the following paragraphs, the increase in the Company's net loss was principally related to decreased sales volume, offset by a less than proportionate decline in cost of goods and a reduction in advertising and promotional expenses.

For the six months ended March 31, 1999, sales decreased $1,128,033, or 39%, compared with the same period last year. The lower sales resulted from decreased unit sales shipped to domestic public sector agencies and to the global public sector.

Cost of goods sold decreased $889,560, or 29%, to $2,202,232 for the six months ended March 31, 1999 from $3,091,792 for the same period last year. Decreases in the costs of goods sold were a result of lower sales volume, offset, in part, by a change between years in the Company's reserve for inventory obsolescence. During the six months ended March 31, 1998 a $589,388 reduction in the Company's reserve for inventory obsolescence occurred. The FDA’s decision to extend the useful life of the Female Condom to five years from three years and the reduction of finished goods inventories resulting from the increased level of sales were the factors leading to the inventory reserve adjustment in the prior year. The Company did not materially adjust inventory reserves during the same period this year.

Advertising and promotional expenditures decreased $104,385, or 37%, to $174,843 for the six months ended March 31, 1999 from $279,228 for the same period in the prior year. Advertising and promotion relates almost exclusively to the U.S. consumer market, and includes the costs of print advertising, trade and consumer promotions, product samples and other marketing costs. Through expenditures to date, the Company has established that the Female Condom is responsive to promotion; but due to the Company's size, it doesn't possess the resources to conduct a significant marketing program. Accordingly, the Company is in discussions with potential partners for the U.S. that have the resources to conduct such a marketing program.

Selling, general and administrative expenses increased $59,366, or 5%, to $1,316,034 in the current period from $1,256,668 for the same period last year.
The increase reflected higher legal and professional fees related to the Company's effort to raise capital and communicate with the investor community.

Net interest and nonoperating expenses increased $45,211 to $130,817 for the current period from $85,606 for the same period the prior year. During the prior year the Company had a higher level of debt outstanding during the current fiscal year. Additionally, interest income, an offset to interest expense, was less in the current year as a result of significantly lower average cash balances invested in interest bearing accounts during the current fiscal year compared to the same period in the prior year.

LIQUIDITY AND SOURCES OF CAPITAL

Historically, the Company has incurred cash operating losses relating to expenses incurred to develop and promote the Female Condom. During the first six months of fiscal 1999, cash used in operations totaled $1.8 million. The Company used existing cash balances in order to fund cash used in operations; thereby reducing its cash position by $1.1 million. To provide a potential ready source of capital for the Company, which the Company would use for general working purposes, effective November 19, 1998, the Company entered into a private equity line of credit agreement (the "Equity Line Agreement") with Kingsbridge Capital Limited., a private investor (the "Selling Stockholder"). Under the Equity Line Agreement, the Company has the right, subject to various conditions, to issue and sell ("put") to the Selling Stockholder shares of the Company's Common Stock for cash consideration up to an aggregate of $6,000,000. Any stock sold by the Company to the Selling Shareholder under the Equity Line Agreement will be sold at a discount to the stock's market price as determined pursuant to the agreement. The discount is 12% if the market price of a share of the Company's Common Stock at the time of the sale is $2.00 or more and 18% if the price is less than $2.00. The Equity Line Agreement gives the Company the right to determine, in its sole discretion, the degree to which it desires to utilize the Equity Line, subject to a minimum Put of $1,000,000 over the life of the Agreement.

The Equity Line Agreement expires 24 months after the effective date of the registration statement filed to register the Selling Shareholder's public resale of any stock purchases under the Agreement. The Equity Line Agreement provides for, among other things, minimum and maximum Puts ranging from $100,000 to $1,000,000 depending on the Company's stock price and trading volume. The timing and amount of the stock sales under this line of credit are totally at the Company's discretion, subject to certain conditions. The Company is required to draw down a minimum of $1,000,000 during the two-year period. If the Company does not draw down the minimum, the Company is required to pay the Selling Stockholder a 12% fee on the portion of the $1,000,000 minimum, not drawn down at the end of the two-year period. As of March 31, 1999, the Company had placed two puts for the combined cash proceeds of $291,000 providing Kingsbridge with a total of 286,862 shares of the Company's Common Stock. Each put was executed while the Company's stock price was below $2.00 per share.

While the Company believes that its existing capital resources (including expected proceeds from sales of Common Stock pursuant to the Equity Line Agreement) will be adequate to fund its currently anticipated capital needs, if they are not, the Company will need to raise additional capital until its sales increase sufficiently to cover operating expenses. Until internally generated funds are sufficient to meet cash requirements, the Company will remain dependent upon its ability to generate sufficient capital from outside sources.
At March 31, 1999, the Company had current liabilities of $2.7 million including a $1.0 million note payable due March 25, 2000 and a $250,000 note payable due February 12, 2000 both to Mr. Dearholt, a Director of the Company. As of March 31, 1999, Mr. Dearholt beneficially owns 1,514,784 shares of the Company's Common Stock.

The Company also secured a $50,000 note payable due February 18, 2000 from Mr. Parrish, the Chairman of the Board and Chief Executive Officer of the Company. As of March 31, 1999, Mr. Parrish beneficially owns 494,001 shares of the Company's Common Stock.

As of April 6, 1999 the Company restructured the $602,360 (British pounds sterling 370,000) Auge V. Jensen Charity Foundation loan note payable. The terms included immediate payment of $177,000 (British pounds sterling 110,000) as of the date of the restructuring agreement and requires nine installment payments beginning April 15, 1999 and concluding on December 10, 1999. The first eight monthly installment payments are for $49,500 (British pounds sterling 30,000) each while the last monthly installment is for $33,000 (British pounds sterling 20,000).

In the near term, the Company's management expects operating and capital costs to continue to exceed funds generated from operations, due principally to the Company's fixed manufacturing costs relative to current production volumes and the ongoing need to commercialize the Female Condom around the world. It is estimated that the Company's cash burn rate, without revenues, is approximately $0.6 million per month.

While management believes that revenue from sales of the Female Condom will eventually exceed operating costs, and that, ultimately, operations will generate sufficient funds to meet capital requirements, there can be no assurance that such level of operations ultimately will be achieved, or be achieved in the near term. Likewise, there can be no assurance that the Company will be able to source all or any portion of its required capital through the sale of debt or equity or, if raised, the amount will be sufficient to operate the Company until sales of the Female Condom generate sufficient revenues to fund operations. In addition, any funds raised may be costly to the Company and/or dilutive to stockholders.

If the Company is not able to source the required funds or any future capital which becomes required, the Company may be forced to sell certain of its assets or rights or cease operations. Further, if the Company is not able to source additional capital, the lack of funds to promote the Female Condom may significantly limit the Company's ability to realize value from the sale of such assets or rights or otherwise capitalize on the investments made in the Female Condom.

DELISTING ON THE AMERICAN STOCK EXCHANGE

On February 5, 1999, the Company's Common Stock was delisted from the American Stock Exchange since it did not meet all of the criteria for continued listing. Commencing on or before February 9, 1999, the Common Stock has been quoted on the OTC Bulletin Board under the symbol "FHCO". Although the Company believes the OTC Bulletin Board will provide an efficient market for the purchase and sale of the Company's Common Stock, investors may find it more difficult to obtain accurate quotations of the price of the Company's Common Stock and to sell the Common Stock on the open market than was the case when the stock was
listed on the American Stock Exchange. In addition, companies whose stock is listed on the American Stock Exchange must adhere to the rules of such exchange. These rules include various corporate governance procedures which, among other items, require the company to obtain shareholder approval prior to completing certain transactions such as, among others, issuances of common stock equal to 20% or more of the company's then outstanding common stock for less than the greater of book or market value or the issuance of certain stock options. Companies whose stock is quoted on the OTC Bulletin Board are not subject to these or any comparable rules.

IMPACT OF INFLATION AND CHANGING PRICES

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

FOREIGN CURRENCY AND MARKET RISK

The Company manufactures the Female Condom in a leased facility located in London, England. Further, a material portion of the Company's future sales are likely to be in foreign markets. Manufacturing costs and sales to foreign markets are subject to normal currency risks associated with changes in the exchange rate of foreign currencies relative to the United States Dollar. In addition, some of the Company's future international sales may be in developing nations where dramatic political or economic changes are possible. Such factors may adversely affect the Company's results of operations and financial condition.

YEAR 2000 COMPLIANCE

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

Costs to Address the Company's Year 2000 Issues. The majority of the Company's Year 2000 issues were corrected either through system upgrades or normal maintenance contracts. The cost of these improvements to date has been approximately $38,200.

Risks to the Company for Year 2000 Issues. With regard to systems under the Company's control, the Company knows of no significant exposure that the Company has to the Year 2000 issue since, if necessary, the Company's systems are capable of accepting manually entered data. The Company believes the worst case scenario is that the Company would have to revert back to certain manual systems. The Company believes that its customers and vendors are at various stages of compliance but the Company has not been made aware of any significant Year 2000 issues that would materially affect its business with them. The Company will continue to monitor Year 2000 compliance with its customers and
vendors throughout 1999 but it will not be able to achieve the same degree of certainty that it can with its own internal systems.

The Company's Contingency Plan. To the extent that the Company discovers minor internal systems that are not Year 2000 compliant by Mid-1999, it will have time to implement manual systems by year-end 1999 which the Company believes will significantly reduce the financial risk to the Company.
### ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

<table>
<thead>
<tr>
<th>Exhibit Number</th>
<th>Description</th>
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<tbody>
<tr>
<td>3.1</td>
<td>Amended and Restated Articles of Incorporation. (1)</td>
</tr>
<tr>
<td>3.2</td>
<td>Amended and Restated By-Laws. (2)</td>
</tr>
<tr>
<td>4.1</td>
<td>Amended and Restated Articles of Incorporation. (1)</td>
</tr>
<tr>
<td>4.2</td>
<td>Articles II, VII, and XI of the Amended and Restated By-Laws (included in Exhibit 3.2). (2)</td>
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<td>10.4</td>
<td>Warrant for 100,000 shares of the Company's Common Stock issued to Kingsbridge Capital Limited as of February 12, 1999.</td>
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<td>10.6</td>
<td>Company Promissory Note to Stephen M. Dearholt for $250,000 dated February 12, 1999, and related Note Purchase and Warrant Agreement, Warrants and Stock Issuance Agreement.</td>
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<tr>
<td>10.7</td>
<td>Company Promissory Note to O.B. Parrish for $50,000 dated February 18, 1999 and related Note Purchase and Warrant Agreement, Warrants and Stock Issuance Agreement.</td>
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<tr>
<td>10.8</td>
<td>Company Promissory Note to Stephen M. Dearholt for $1 million dated March 25, 1999, and related Note Purchase and Warrant Agreement, Warrants and Stock Issuance Agreement.</td>
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27 Financial Data Schedule

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

(2) Incorporated herein by reference to the Company's 1995 Form 10-KSB.
(3) Incorporated herein by reference to the Company's Registration Statement on Form SB-2 initially filed December 8, 1998.

(b) Report on Form 8-K - No reports on Form 8-K were filed during the quarter ended March 31, 1999.
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 10, 1999

/s/O.B. Parrish

O. B. Parrish, Chairman and Chief Executive Officer and Acting Principal Accounting Officer

/s/ Robert R. Zic

Robert R. Zic, Chief Financial Officer
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CHANGE OF CONTROL AGREEMENT

THIS CHANGE OF CONTROL AGREEMENT is dated as of 27 February 1999 by and between THE FEMALE HEALTH COMPANY, a Wisconsin corporation (the "Company"), and Michael Pope (the "Executive").

RECITALS

A. The Board of Directors of the Company (the "Board") has determined that it is in the best interests of the Company and its shareholders to assure that the Company will have the continued dedication of the Executive, notwithstanding the possibility, threat or occurrence of a Change of Control (as defined below) of the Company.

B. The Board believes it is imperative to diminish the inevitable distraction of the Executive by virtue of the personal uncertainties and risks created by a pending or threatened Change of Control and to encourage the Executive's full attention and dedication to the Company currently and in the event of any threatened or pending Change of Control, and to provide the Executive with compensation and benefit arrangements upon a Change of Control which ensure that the compensation and benefit expectations of the Executive will be satisfied and which are competitive with those of other corporations.

C. In order to accomplish the objectives of the Board summarized in these recitals, the Board has caused the Company to enter into this Agreement.

AGREEMENTS

In consideration of the recitals and the mutual covenants and agreements set forth in this Agreement and for other good and valuable consideration, the receipt and sufficiency of which are acknowledged, the parties agree as follows:

1. Definitions. For the sole and exclusive purposes of this Agreement, the following terms have the following meanings:

   (a) Effective Date. The "Effective Date" means the first date during the Change of Control Period on which a Change of Control occurs. Notwithstanding anything in this Agreement to the contrary, if a Change of Control occurs and Executive's employment with the Company (or, if applicable, its subsidiary) or this Agreement was terminated prior to the date on which the Change of Control occurs, and if it is reasonably demonstrated by the Executive that such termination of employment or of this Agreement (i) was at the request of a third party who has taken steps reasonably calculated to effect a Change of Control or (ii) otherwise arose in connection with or anticipation of a Change of Control, then for all purposes of this Agreement the "Effective Date" shall mean the date immediately prior to the date of such termination of employment or purported termination of this Agreement.

   (b) Change of Control Period. The "Change of Control Period" means the period commencing on the date of a Change of Control and ending on the third anniversary thereafter.

   (c) Change of Control. "Change of Control" means any of the following:

      (i) The acquisition by any individual, entity or group (within the meaning of section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) (a "Person") of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 20% or more of either [a] the then outstanding shares of common stock of the Company (the "Outstanding Company Common Stock") or [b] the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (the "Outstanding Company Voting Securities"); provided, however, that the following acquisitions shall not constitute a Change of Control: [i] any acquisition directly from the Company, [ii] any acquisition by the Company, [iii] any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation controlled by the Company or [iv] any acquisition by any corporation pursuant to a transaction which complies with clauses [a], [b] and [c] of subsection (iii) of this section 1.

      (ii) Individuals who, as of the date hereof, constitute the
Board (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the date hereof whose election, or nomination for election by the Company's shareholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board.

(iii) Approval by the shareholders of the Company of a reorganization, merger or consolidation (a "Business Combination"), in each case, unless, following such Business Combination, [a] all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Company Common Stock and Outstanding Company Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than 60% of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Business Combination (including, without limitation, a corporation which as a result of such transaction owns the Company through one or more subsidiaries) in substantially the same proportions as their ownership, immediately prior to such Business Combination, of the Outstanding Company Common Stock and Outstanding Company Voting Securities, as the case may be, [b] no Person (excluding any employee benefit plan (or related trust) of the Company or such corporation resulting from such Business Combination) beneficially owns, directly or indirectly, 20% or more of, respectively, the then outstanding shares of common stock of the corporation resulting from such Business Combination or the combined voting power of the then outstanding voting securities of such corporation except to the extent that such ownership existed prior to the Business Combination and [c] at least a majority of the members of the board of directors of the corporation resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement, or of the action of the Board, providing for such Business Combination.

(iv) Approval by the shareholders of the Company of [a] a complete liquidation or dissolution of the Company or [b] the sale or other
disposition of all or substantially all of the assets of the Company, other than to a corporation, with respect to which following such sale or other disposition, [i] more than 60% of, respectively, the then outstanding shares of common stock of such corporation and the combined voting power of the then outstanding voting securities of such corporation entitled to vote generally in the election of directors is then beneficially owned, directly or indirectly, by all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Company Common Stock and outstanding Company Voting Securities immediately prior to such sale or other disposition in substantially the same proportion as their ownership, immediately prior to such sale or other disposition, of the Outstanding Company Common Stock and Outstanding Company Voting Securities, as the case may be, [ii] less than 20% of, respectively, the then outstanding shares of common stock of such corporation and the combined voting power of the then outstanding voting securities of such corporation entitled to vote generally in the election of directors is then beneficially owned, directly or indirectly, by any Person (excluding any employee benefit plan (or related trust) of the Company or such corporation), except to the extent that such Person owned substantially the same percent of the Outstanding Company Common Stock or Outstanding Company Voting Securities prior to the sale or disposition, and [iii] at least a majority of the members of the board of directors of such corporation were members of the Incumbent Board at the time of the execution of the initial agreement, or of the action of the Board, providing for such sale or other disposition of assets of the Company or were elected, appointed or nominated by the Board.

(d) Disability. "Disability" means the absence of the Executive from the Executive's duties with the Company on a full-time basis for 180 consecutive business days as a result of incapacity due to mental or physical illness which is determined to be total and permanent by a physician selected by the Company or its insurers and acceptable to the Executive or the Executive's legal representative (such agreement as to acceptability not to be withheld unreasonably).

(e) Cause. "Cause" means:

(i) the willful and continued failure of the Executive to perform substantially the Executive's duties with the Company or its affiliates (other than any such failure resulting from incapacity due to physical or mental illness), after a written demand for substantial performance is delivered to the Executive by the Board which specifically identifies the manner in which the Board believes that the Executive has not substantially performed the Executive's duties and after the Executive is given a reasonable period of time to rectify or eliminate such failure, or

(ii) the willful engaging by the Executive in illegal conduct or gross misconduct which is materially and demonstrably injurious to the Company.

Notwithstanding anything herein to the contrary, no act or failure to act, on the part of the Executive, shall be considered "willful" unless it is done, or omitted to be done, by the Executive in bad faith or without reasonable belief that the Executive's action or omission was in the best interests of the Company. Any act, or failure to act, based upon authority given pursuant to a resolution duly adopted by the Board or upon the instructions of a more senior officer of the Company or based upon the advice of counsel for the Company shall be conclusively presumed to be done, or omitted to be done, by the
Executive in good faith and in the best interests of the Company. The cessation of employment of the Executive shall not be deemed to be for Cause unless and until there shall have been delivered to the Executive a copy of a resolution duly adopted by the affirmative vote of not less than three-quarters of the entire membership of the Board at a meeting of the Board called and held for such purpose (after reasonable notice is provided to the Executive and the Executive is given an opportunity, together with counsel, to be heard before the Board), finding that, in the good faith opinion of the Board, the Executive is guilty of the conduct described in subparagraph (i) or (ii) above, and specifying the particulars thereof in detail.

(e) Good Reason. "Good Reason" means:

(i) the assignment to the Executive of any duties inconsistent in any respect with the Executive's position (including status, offices, titles and reporting requirements), authority, duties or responsibilities as contemplated by section 3(a) of this Agreement, or any other action by the Company which results in a diminution in such position, authority, duties or responsibilities, excluding for this purpose an isolated, insubstantial and inadvertent action not taken in bad faith and which is remedied by the Company promptly after receipt of notice thereof given by the Executive;

(ii) any failure by the Company to comply with any of the provisions of section 3(b) of this Agreement, other than an isolated, insubstantial and inadvertent failure not occurring in bad faith and which is remedied by the Company promptly after receipt of notice thereof given by the Executive;

(iii) the Company's requiring the Executive to be based at any office or location other than as provided in section 3(a)(i)(b) hereof or the Company's requiring the Executive to travel on Company business to a substantially greater extent than required immediately prior to the Effective Date;

(iv) any purported termination by the Company of the Executive's employment otherwise than as expressly permitted by this Agreement; or

(v) any failure by the Company to comply with and satisfy section 10(c) of this Agreement.

(f) Date of Termination. "Date of Termination" means (i) if the Executive's employment is terminated by the Company for Cause, or by the Executive for Good Reason, the date of receipt of the Notice of Termination or any later date specified therein, as the case may be, (ii) if the Executive's employment is terminated by the Company other than for Cause or Disability, the Date of Termination shall be the date on which the Company notifies the Executive of such termination, and (iii) if the Executive's employment is terminated by reason of death or Disability, the Date of Termination shall be the date of death of the Executive or the Disability Effective Date, as the case may be.

2. Employment Period. The Company agrees to continue the Executive in its employ (or, if applicable, in the employ of its subsidiary or subsidiaries), and the Executive agrees to remain in the employ of the Company (or, if applicable, in the employ of its subsidiary or subsidiaries) subject to
the terms and conditions of this Agreement, for the period commencing on the
Effective Date and ending on the third anniversary of such date (the
"Employment Period"). Notwithstanding the foregoing, if the Incumbent Board
approves the Change of Control transaction before it is consummated and one or
more of the nonemployee directors adopt(s) a resolution providing that this
Agreement shall not become operative in connection with such Change of Control,
this Agreement shall not become operative in connection with that Change of
Control.

3. Terms of Employment.

(a) Position and Duties.

(i) During the Employment Period, [a] the Executive's
position (including status, offices, titles and reporting requirements),
authority, duties and responsibilities shall be at least commensurate in all
material respects with those held, exercised or assigned at any time during the
120-day period immediately preceding the Effective Date and [b] the Executive's
services shall be performed at the location where the Executive was employed
immediately preceding the Effective Date or any office or location less than 35
miles from such location.

(ii) During the Employment Period, and excluding any
periods of vacation and sick leave to which the Executive is entitled, the
Executive agrees to devote reasonable attention and time during normal business
hours to the business and affairs of the Company (or, if applicable, its
subsidiary or subsidiaries) and, to the extent necessary to discharge the
responsibilities assigned to the Executive hereunder, to use the Executive's
reasonable efforts to perform faithfully and efficiently such responsibilities.
During the Employment Period it shall not be a violation of this Agreement for
the Executive to [a] serve on corporate, civic or charitable boards or
committees, [b] deliver lectures, fulfill speaking engagements or teach at
educational institutions and/or [c] manage personal investments, so long as
such activities do not significantly interfere with the performance of the
Executive's responsibilities as an employee of the Company (or, if applicable,
its subsidiaries) in accordance with this Agreement. It is expressly
understood and agreed that to the extent that any such activities have been
conducted by the Executive prior to the Effective Date, the continued conduct
of such activities (or the conduct of activities similar in nature and scope
thereof) subsequent to the Effective Date shall not thereafter be deemed to
interfere with the performance of the Executive's responsibilities to the
Company (or, if applicable, its subsidiaries).

(b) Compensation.

(i) Base Salary. During the Employment Period, the
Executive shall receive an annual base salary ("Annual Base Salary"), at least
equal to twelve times the highest monthly base salary paid or payable,
including any base salary which has been earned but deferred, to the Executive
by the Company and its affiliated companies in respect of the 12-month period
immediately preceding the month in which the Effective Date occurs. During the
Employment Period, the Annual Base Salary shall be reviewed no more than 12
months after the last salary increase awarded to the Executive prior to the
Effective Date and thereafter at least annually and shall be first increased no
more than 12 months after the last salary increase awarded to the Executive
prior to the Effective Date and thereafter at least annually by the higher of
[a] the average increase (excluding promotional increases) in base salary
awarded to the Executive for each of the three full fiscal years (annualized in the case of any fiscal year consisting of less than twelve full months or during which the Executive was employed for less than twelve months) prior to the Effective Date, and [b] the percentage increase (excluding promotional increases) in base salary generally awarded to peer executives of the Company and its affiliated companies for the year of determination. Any increase in Annual Base Salary shall not serve to limit or reduce any other obligation to the Executive under this Agreement. Annual Base Salary shall not be reduced after any such increase and the term Annual Base Salary as utilized in this Agreement shall refer to Annual Base Salary as so increased. As used in this Agreement, the term "affiliated companies" shall include any company controlled by, controlling or under common control with the Company.

(ii) Annual Bonus. In addition to Annual Base Salary, the Executive shall be awarded, for each fiscal year ending during the Employment Period, an annual bonus (the "Annual Bonus") in cash at least equal to the higher of [a] the average of the three highest bonuses paid or payable, including any bonus or portion thereof which has been earned but deferred, to the Executive by the Company and its affiliated companies in respect of the five fiscal years (or such shorter period during which the Executive has been employed by the Company) immediately preceding the fiscal year in which the Effective Date occurs (annualized for any fiscal year during such period consisting of less than twelve full months or with respect to which the Executive has been employed by the Company for less than twelve full months) and [b] the bonus paid or payable (annualized as described above), including any bonus or portion thereof which has been earned but deferred, to the Executive by the Company and its affiliated companies in respect of the most recently completed fiscal year prior to the Effective Date (such higher amount being referred to as the "Recent Annual Bonus"). Each such Annual Bonus shall be paid no later than the end of the third month of the fiscal year next following the fiscal year for which the Annual Bonus is awarded, unless the Executive shall elect to defer the receipt of such Annual Bonus.

(iii) Incentive, Savings and Retirement Plans. During the Employment Period, the Executive shall be entitled to participate in all incentive, savings and retirement plans, practices, policies and programs applicable generally to other peer executives of the Company and its affiliated companies, but in no event shall such plans, practices, policies and programs provide the Executive with incentive opportunities (measured with respect to both regular and special incentive opportunities, to the extent, if any, that such distinction is applicable), savings opportunities and retirement benefit opportunities, in each case, less favorable, in the aggregate, than the most favorable of those provided by the Company and its affiliated companies for the Executive under such plans, practices, policies and programs as in effect at any time during the 120-day period immediately preceding the Effective Date or if more favorable to the Executive, those provided generally at any time after the Effective Date to other peer executives of the Company and its affiliated companies.

(iv) Welfare Benefit Plans. During the Employment Period, the Executive and/or the Executive's family, as the case may be, shall be eligible for participation in and shall receive all benefits under welfare benefit plans, practices, policies and programs provided by the Company and its affiliated companies (including, without limitation, medical, prescription, dental, disability, salary continuance, employee life, group life, accidental death and travel accident insurance plans and programs) to the extent applicable generally to other peer executives of the Company and its affiliated companies.
companies, but in no event shall such plans, practices, policies and programs provide the Executive with benefits which are less favorable, in the aggregate, than the most favorable of such plans, practices, policies and programs in effect for the Executive at any time during the 120-day period immediately preceding the Effective Date or, if more favorable to the Executive, those provided generally at any time after the Effective Date to other peer executives of the Company and its affiliated companies.

(v) Expenses. During the Employment Period, the Executive shall be entitled to receive prompt reimbursement for all reasonable expenses incurred by the Executive in accordance with the most favorable policies, practices and procedures of the Company and the affiliated companies in effect for the Executive at any time during the 120-day period immediately preceding the Effective Date or, if more favorable to the Executive, as in effect generally at any time thereafter with respect to other peer executives of the Company and its affiliated companies.

(vi) Fringe Benefits. During the Employment Period, the Executive shall be entitled to fringe benefits, including, without limitation, tax and financial planning services, payment of club dues, and, if applicable, use of automobile and payment of related expenses, in accordance with the most favorable plans, practices and policies of the Company and its affiliated companies in effect for the Executive at any time during the 120-day period immediately preceding the Effective Date or, if more favorable to the Executive, as in effect generally at any time thereafter with respect to other peer executives of the Company and its affiliated companies.

(vii) Office and Support Staff. During the Employment Period, the Executive shall be entitled to an office or offices of a size and with furnishings and other appointments, and to exclusive personal secretarial and other assistance, at least equal to the most favorable of the foregoing provided to the Executive by the Company and its affiliated companies at any time during the 120-day period immediately preceding the Effective Date or, if more favorable to the Executive, as provided generally at any time thereafter with respect to other peer executives of the Company and its affiliated companies.

(viii) Vacation. During the Employment Period, the Executive shall be entitled to paid vacation in accordance with the most favorable plans, policies, programs and practices of the Company and its affiliated companies as in effect for the Executive at any time during the 120-day period immediately preceding the Effective Date or, if more favorable to the Executive, as in effect generally at any time thereafter with respect to other peer executives of the Company and its affiliated companies.

4. Termination of Employment.

(a) Death or Disability. The Executive's employment shall terminate automatically upon the Executive's death during the Employment Period. If the Company determines in good faith that a Disability of the Executive has occurred during the Employment Period, it may give to the Executive written notice in accordance with section 11(b) of this Agreement of its intention to terminate the Executive's employment. In such event, the Executive's employment with the Company shall terminate effective on the 30th day after receipt of such notice by the Executive (the "Disability Effective Date"), provided that, within the 30 days after such receipt, the Executive shall not have returned to full-time performance of the Executive's duties.
(b) Cause. The Company may terminate the Executive's employment during the Employment Period for Cause.

(c) Good Reason. The Executive's employment may be terminated by the Executive for Good Reason. For purposes of this section 4(c), any good faith determination of "Good Reason" made by the Executive shall be conclusive. Anything in this Agreement to the contrary notwithstanding, a termination by the Executive for any reason during the 180-day period immediately following the Effective Date shall be deemed to be a termination for Good Reason for all purposes of this Agreement.

(d) Notice of Termination. Any termination by the Company for Cause, or by the Executive for Good Reason, shall be communicated by Notice of Termination to the other party hereto given in accordance with section 11(b) of this Agreement. For purposes of this Agreement, a "Notice of Termination" means a written notice which (i) indicates the specific termination provision in this Agreement relied upon, (ii) to the extent applicable, sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated, and (iii) if the Date of Termination (as defined below) is other than the date of receipt of such notice, specifies the termination date (which date shall be not more than thirty days after the giving of such notice). The failure by the Executive or the Company to set forth in the Notice of Termination any fact or circumstance which contributes to a showing of Good Reason or Cause shall not waive any right of the Executive or the Company, respectively, hereunder or preclude the Executive or the Company, respectively, from asserting such fact or circumstance in enforcing the Executive's or the Company's rights hereunder.

5. Obligations of the Company upon Termination.

(a) Good Reason; Other Than for Cause, Death or Disability. If, during the Employment Period, the Company shall terminate the Executive's employment other than for Cause, death or Disability or the Executive shall terminate employment for Good Reason:

(i) The Company shall pay to the Executive in a lump sum in cash within 30 days after the Date of Termination the aggregate of the following amounts:

[a] the sum of
[1] the Executive's Annual Base Salary through the Date of Termination to the extent not theretofore paid,
[2] the product of (x) the higher of [A] the Recent Annual Bonus and [B] the Annual Bonus paid or payable, including any bonus or portion thereof which has been earned but deferred (and annualized for any fiscal year consisting of less than 12 full months or during which the Executive was employed for less than 12 full months), for the most recently completed fiscal year during the Employment Period, if any (such higher amount being referred to as the "Highest Annual Bonus") and (y) a fraction, the numerator of which is the number of days in the current fiscal year through the Date of Termination, and the denominator of which is 365 and [iii] any compensation previously deferred by the Executive (together with any accrued interest or earnings thereon) and any accrued vacation pay, in each case to the extent not theretofore paid (the sum of the amounts described in clauses [i], [ii] and [iii] shall be hereinafter referred to as the "Accrued Obligations"); and
The amount equal to the product of [i] three and [ii] the sum of (x) the Executive's Annual Base Salary and (y) the Highest Annual Bonus.

(ii) For three years after the Executive's Date of Termination, or such longer period as may be provided by the terms of the appropriate plan, program, practice or policy, the Company shall continue benefits to the Executive and/or the Executive's family at least equal to those which would have been provided to them in accordance with the plans, programs, practices and policies described in sections 3(b)(iii) and (iv) of this Agreement had the Executive's employment not been terminated, in accordance with the most favorable plans, programs, or policies of the Company and its affiliated companies applicable generally to other peer executives and their families during the 120-day period immediately preceding the Effective Date or, if more favorable to the Executive, as in effect generally at any time thereafter with respect to other peer executives of the Company and its affiliated companies and their families, provided, however, that if the Executive becomes re-employed with another employer and is eligible to receive medical or other welfare benefits under another employer provided plan, the medical and other welfare benefits described herein shall be secondary to those provided under such other plan during such applicable period of eligibility. For purposes of determining eligibility (but not the time of commencement of benefits) of the Executive for retiree benefits pursuant to such plans, practices, programs and policies, the Executive shall be considered to have remained employed until three years after the Date of Termination and to have retired on the last day of such period.

(iii) The Company shall, at its sole expense as incurred, provide the Executive with outplacement services the scope and provider of which shall be selected by the Executive in his sole discretion.

(iv) To the extent not theretofore paid or provided, the Company shall timely pay or provide to the Executive any other amounts or benefits required to be paid or provided or which the Executive is eligible to receive under any plan, program, policy or practice or contract or agreement of the Company and its affiliated companies (such other amounts and benefits shall be hereinafter referred to as the "Other Benefits").

(b) Death. If the Executive's employment is terminated by reason of the Executive's death during the Employment Period, this Agreement shall terminate without further obligations to the Executive's legal representatives under this Agreement, other than for payment of Accrued Obligations and the timely payment or provision of Other Benefits. Accrued Obligations shall be paid to the Executive's estate or beneficiary, as applicable, in a lump sum in cash within 30 days of the Date of Termination. With respect to the provision of Other Benefits, the term Other Benefits as utilized in this section 5(b) shall include, without limitation, and the Executive's estate and/or beneficiaries shall be entitled to receive, benefits at least equal to the most favorable benefits provided by the Company and affiliated companies to the estates and beneficiaries of peer executives of the Company and such affiliated companies under such plans, programs, practices and policies relating to death benefits, if any, as in effect with respect to other peer executives and their beneficiaries at any time during the 120-day period immediately preceding the Effective Date or, if more favorable to the Executive's estate and/or the Executive's beneficiaries, as in effect on the date of the Executive's death with respect to other peer executives of the Company and its affiliated companies and their beneficiaries.
(c) Disability. If the Executive's employment is terminated by reason of the Executive's Disability during the Employment Period, this Agreement shall terminate without further obligations to the Executive, other than for payment of Accrued Obligations and the timely payment or provision of Other Benefits. Accrued Obligations shall be paid to the Executive in a lump sum in cash within 30 days of the Date of Termination. With respect to the provision of Other Benefits, the term Other Benefits as utilized in this section 5(c) shall include, and the Executive shall be entitled after the Disability Effective Date to receive, disability and other benefits at least equal to the most favorable of those generally provided by the Company and its affiliated companies to disabled executives and/or their families in accordance with such plans, programs, practices and policies relating to disability, if any, as in effect generally with respect to other peer executives and their families at any time during the 120-day period immediately preceding the Effective Date or, if more favorable to the Executive and/or the Executive's family, as in effect at any time thereafter generally with respect to other peer executives of the Company and its affiliated companies and their families.

(d) Cause; Other than for Good Reason. If the Executive's employment shall be terminated for Cause during the Employment Period, this Agreement shall terminate without further obligations to the Executive other than the obligation to pay to the Executive (i) his Annual Base Salary through the Date of Termination, (ii) the amount of any compensation previously deferred by the Executive, and (iii) Other Benefits, in each case to the extent theretofore unpaid. If the Executive voluntarily terminates employment during the Employment Period, excluding a termination for Good Reason, this Agreement shall terminate without further obligations to the Executive, other than for Accrued Obligations and the timely payment or provision of Other Benefits. In such case, all Accrued Obligations shall be paid to the Executive in a lump sum in cash within 30 days of the Date of Termination.

6. Nonexclusivity of Rights. Nothing in this Agreement shall prevent or limit the Executive's continuing or future participation in any plan, program, policy or practice provided by the Company or any of its affiliated companies and for which the Executive may qualify, nor shall anything herein limit or otherwise affect such rights as the Executive may have under any contract or agreement with the Company or any of its affiliated companies. Amounts which are vested benefits or which the Executive is otherwise entitled to receive under any plan, policy, practice or program of or any contract or agreement with the Company or any of its affiliated companies at or subsequent to the Date of Termination shall be payable in accordance with such plan, policy, practice or program or contract or agreement except as explicitly modified by this Agreement.

7. Full Settlement. The Company's obligation to make the payments provided for in this Agreement and otherwise to perform its obligations hereunder shall not be affected by any set-off, counterclaim, recoupment, defense or other claim, right or action which the Company may have against the Executive or others. In no event shall the Executive be obligated to seek other employment or take any other action by way of mitigation of the amounts payable to the Executive under any of the provisions of this Agreement and such amounts shall not be reduced whether or not the Executive obtains other employment. The Company agrees to pay as incurred, to the full extent permitted by law, all legal fees and expenses which the Executive reasonably incurs as a result of any contest (regardless of the outcome thereof) by the Company, the Executive or others of the validity or enforceability of, or
liability under, any provision of this Agreement or any guarantee of
performance thereof (including as a result of any contest by the Executive
about the amount of any payment pursuant to this Agreement), plus in each case
interest on any delayed payment at the applicable Federal rate provided for in
section 7872(f)(2)(A) of the Internal Revenue Code of 1986, as amended (the
"Code").

8. Certain Additional Payments by the Company.

(a) Anything in this Agreement to the contrary notwithstanding,
if it is determined that any payment or distribution by the Company to or for
the benefit of the Executive (whether paid or payable or distributed or
distributed pursuant to the terms of this Agreement or otherwise, but
determined without regard to any additional payments required under this
section 8) (a "Payment") would be subject to the excise tax imposed by section
4999 of the Code or any interest or penalties are incurred by the Executive
with respect to such excise tax (such excise tax, together with any such
interest and penalties, are hereinafter collectively referred to as the "Excise
Tax"), then the Executive shall be entitled to receive an additional payment (a
"Gross-Up Payment") in an amount such that after payment by the Executive of
all taxes (including any interest or penalties imposed with respect to such
taxes), including, without limitation, any income taxes (and any interest and
penalties imposed with respect thereto) and Excise Tax imposed upon the
Gross-Up Payment, the Executive retains an amount of the Gross-Up Payment equal
to the Excise Tax imposed upon the Payments.

(b) Subject to the provisions of section 8(c), all
determinations required to be made under this section 8, including whether and
when a Gross-Up Payment is required and the amount of such Gross-Up Payment and
the assumptions to be utilized in arriving at such determination, shall be made
by such certified public accounting firm as may be designated by the Executive
(the "Accounting Firm") which shall provide detailed supporting calculations
both to the Company and the Executive within 15 business days of the receipt of
notice from the Executive that there has been a Payment, or such earlier time
as is requested by the Company. If the Accounting Firm is serving as
accountant or auditor for the individual, entity or group effecting the Change
of Control, the Executive shall appoint another nationally recognized
accounting firm to make the determinations required hereunder (which accounting
firm shall then be referred to as the Accounting Firm hereunder). All fees and
expenses of the Accounting Firm shall be borne solely by the Company. Any
Gross-Up Payment, as determined pursuant to this section 8, shall be paid by
the Company to the Executive within five days of the receipt of the Accounting
Firm's determination. If the Accounting Firm determines that no Excise Tax is
payable by the Executive, it shall furnish the Executive with a written opinion
that failure to report the Excise Tax on the Executive's applicable federal
income tax return would not result in the imposition of a negligence or similar
penalty. Any determination by the Accounting Firm shall be binding upon the
Company and the Executive. As a result of the uncertainty in the application
of section 4999 of the Code at the time of the initial determination by the
Accounting Firm hereunder, it is possible that Gross-Up Payments which will not
have been made by the Company should have been made ("Underpayment"),
consistent with the calculations required to be made hereunder. If the Company
exhausts its remedies pursuant to section 8(c) and the Executive thereafter is
required to make a payment of any Excise Tax, the Accounting Firm shall
determine the amount of the Underpayment that has occurred and any such
Underpayment shall be promptly paid by the Company to or for the benefit of the
Executive.
(c) The Executive shall notify the Company in writing of any claim by the Internal Revenue Service that, if successful, would require the payment by the Company of the Gross-Up Payment. Such notification shall be given as soon as practicable but no later than ten business days after the Executive is informed in writing of such claim and shall apprise the Company of the nature of such claim and the date on which such claim is requested to be paid. The Executive shall not pay such claim prior to the expiration of the 30-day period following the date on which it gives such notice to the Company (or such shorter period ending on the date that any payment of taxes with respect to such claim is due). If the Company notifies the Executive in writing prior to the expiration of such period that it desires to contest such claim, the Executive shall:

(i) give the Company any information reasonably requested by the Company relating to such claim,

(ii) take such action in connection with contesting such claim as the Company reasonably request in writing from time to time, including, without limitation, accepting legal representation with respect to such claim by an attorney reasonably selected by the Company,

(iii) cooperate with the Company in good faith in order effectively to contest such claim, and

(iv) permit the Company to participate in any proceedings relating to such claim; provided, however, that the Company shall bear and pay directly all costs and expenses (including additional interest and penalties) incurred in connection with such contest and shall indemnify and hold the Executive harmless, on an after-tax basis, for any Excise Tax or income tax (including interest and penalties with respect thereto) imposed as a result of such representation and payment of costs and expenses. Without limitation on the foregoing provisions of this section 8(c), the Company shall control all proceedings taken in connection with such contest and, at its sole option, may pursue or forgo any and all administrative appeals, proceedings, hearings and conferences with the taxing authority in respect of such claim and may, at its sole option, either direct the Executive to pay the tax claimed and sue for a refund or contest the claim in any permissible manner, and the Executive agrees to prosecute such contest to a determination before any administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts, as the Company shall determine; provided, however, that if the Company directs the Executive to pay such claim and sue for a refund, the Company shall advance the amount of such payment to the Executive, on an interest-free basis and shall indemnify and hold the Executive harmless, on an after-tax basis, from any Excise Tax or income tax (including interest or penalties with respect thereto) imposed with respect to such advance or with respect to any imputed income with respect to such advance; and further provided that any extension of the statute of limitations relating to payment of taxes for the taxable year of the Executive with respect to which such contested amount is claimed to be due is limited solely to such contested amount. Furthermore, the Company's control of the contest shall be limited to issues with respect to which a Gross-Up Payment would be payable hereunder and the Executive shall be entitled to settle or contest, as the case may be, any other issue raised by the Internal Revenue Service or any other taxing authority.

(d) If, after the receipt by the Executive of an amount advanced by the Company pursuant to section 8(c), the Executive becomes
entitled to receive any refund with respect to such claim, the Executive shall promptly pay to the Company the amount of such refund (together with any interest paid or credited thereon after taxes applicable thereto). If, after the receipt by the Executive of an amount advanced by the Company pursuant to section 8(c), a determination is made that the Executive shall not be entitled to any refund with respect to such claim and the Company does not notify the Executive in writing of its intent to contest such denial of refund prior to the expiration of 30 days after such determination, then such advance shall be forgiven and shall not be required to be repaid and the amount of such advance shall offset, to the extent thereof, the amount of Gross-Up Payment required to be paid.

9. Confidential Information. The Executive shall hold in a fiduciary capacity for the benefit of the Company all secret or confidential information, knowledge or data relating to the Company or any of its affiliated companies, and their respective businesses, which shall have been obtained by the Executive during the Executive's employment by the Company or any of its affiliated companies and which shall not be or become public knowledge (other than by acts by the Executive or representatives of the Executive in violation of this Agreement). After termination of the Executive's employment with the Company, the Executive shall not, without the prior written consent of the Company or as may otherwise be required by law or legal process, communicate or divulge any such information, knowledge or data to anyone other than the Company and those designated by it. In no event shall an asserted violation of the provisions of this section 9 constitute a basis for deferring or withholding any amounts otherwise payable to the Executive under this Agreement.

10. Successors.

(a) This Agreement is personal to the Executive and without the prior written consent of the Company shall not be assignable by the Executive otherwise than by will or the laws of descent and distribution. This Agreement shall inure to the benefit of and be enforceable by the Executive's legal representatives.

(b) This Agreement shall inure to the benefit of and be binding upon the Company and its successors and assigns.

(c) The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company to assume expressly and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. As used in this Agreement, "Company" shall mean the Company as hereinbefore defined and any successor to its business and/or assets as aforesaid which assumes and agrees to perform this Agreement by operation of law, or otherwise.

11. Miscellaneous.

(a) This Agreement shall be governed by and construed in accordance with the laws of the State of Wisconsin, without reference to principles of conflict of laws. The captions of this Agreement are not part of the provisions hereof and shall have no force or effect. This Agreement may
not be amended or modified otherwise than by a written agreement executed by
the parties hereto or their respective successors and legal representatives.

(b) All notices and other communications hereunder shall be in
writing and shall be given by hand delivery to the other party or by registered
or certified mail, return receipt requested, postage prepaid, addressed as
follows:

If to the Executive, to his address appearing on the records of the Company.
If to the Company:

The Female Health Company
875 North Michigan Avenue
Suite 3600
Chicago, IL 60611

or to such other address as either party shall have furnished to the other in
writing in accordance herewith. Notice and communications shall be effective
when actually received by the addressee.

(c) The invalidity or unenforceability of any provision of this
Agreement shall not affect the validity or enforceability of any other
provision of this Agreement.

(d) The Company may withhold from any amounts payable under
this Agreement such Federal, state, local or foreign taxes as shall be required
to be withheld pursuant to any applicable law or regulation.

(e) The Executive's or the Company's failure to insist upon
strict compliance with any provision hereof or any other provision of this
Agreement or the failure to assert any right the Executive or the Company may
have hereunder, including, without limitation, the right of the Executive to
terminate employment for Good Reason pursuant to section 4(c)(i)-(v) of this
Agreement, shall not be deemed to be a waiver of such provision or right or any
other provision or right of this Agreement.

(f) The Executive and the Company acknowledge that, except as
may otherwise be provided under any other written agreement between the
Executive and the Company, the employment of the Executive by the Company is
"at will" and, prior to the Effective Date, the Executive's employment and this
Agreement may be terminated by either the Executive or the Company at any time
prior to the Effective Date, in which case the Executive shall have no further
rights under this Agreement. From and after the Effective Date this Agreement
shall supersede any other agreement between the parties with respect to the
subject matter hereof.

Dated as of the date first above written.

/s/ Michael Pope

THE FEMALE HEALTH COMPANY

BY /s/ O. B. Parrish

Its Chairman

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STOCK ISSUANCE AGREEMENT

THIS AGREEMENT, is made as of February 12, 1999 between STEPHEN M. DEARHOLT, an adult resident of the State of Wisconsin ("Lender") and THE FEMALE HEALTH COMPANY a Wisconsin corporation (the "Company").

RECITALS

A. The Company desires to issue and sell its Promissory Note in the principal amount of Two Hundred Fifty Thousand Dollars ($250,000) (the "Note") to Lender pursuant to a Note Purchase and Warrant Agreement of even date between the Lender and the Company (the "Note Purchase and Warrant Agreement").

B. Lender has required, as a condition of providing the loan to the Company under the Note Purchase and Warrant Agreement that the Company enter into this Agreement and undertake the obligations and liabilities set forth herein.

C. It is necessary and in the business interests of the Company that the Lender enter into the Note Purchase and Warrant Agreement.

COVENANTS:

IN CONSIDERATION of these premises and other good and valuable consideration receipt of which is hereby acknowledged, it is agreed that:

1. Issuance and Sale of Shares. (a) The Company agrees that in the event the Company shall default in the payment of principal due on the Note and shall fail to pay such principal amount within five (5) days of receipt of written notice of default from the Lender, the Company shall issue to The Lender fifty thousand (50,000) fully paid and non-assessable shares of Common Stock, $.01 par value per share, of the Company; provided that the Company shall issue to the Lender a proportionately fewer or greater number of shares of such Common Stock if the Company combines by reverse stock split or otherwise or subdivides by stock split, stock dividend or otherwise its outstanding Common Stock. The Company shall be obligated to issue, and the Lender shall have the right to receive, all such shares without payment of any further consideration whatsoever. Notwithstanding the foregoing, the Company shall remain liable for all amounts remaining due under and in accordance with the terms of the Note.

(b) At such time, if any, as the Company shall become obligated to issue shares of its Common Stock to the Lender pursuant to Section 1(a) of this Agreement, the Lender shall be entitled to receive a certificate or certificates representing such shares of Common Stock, which certificate(s) may contain a standard legend indicating that such shares have not been registered under the Securities Act of 1933, as amended (the "Securities Act") and prohibiting resale thereof without registration or an opinion of counsel that an exemption from registration is available. Subject to the Company's Amended and Restated Articles of Incorporation, certificates for the shares of Common Stock required to be issued hereunder shall be delivered to the Lender within a reasonable time, not exceeding ten days, after the Company shall have become obligated to issue such shares pursuant to Section 1(a) hereof.

2. Reservation of Shares. The Company covenants and agrees that the shares of Common Stock issuable hereunder will, upon such issuance in accordance herewith, be duly authorized, validly issued, fully paid and nonassessable (except as set forth in Section 180.0622(2)(b), Wis. Stats., as amended and interpreted) and free from all taxes, liens and charges. The Company further covenants and agrees that, prior to the Termination Date (as hereinafter defined) it will at all times have authorized and reserved a sufficient number of shares of its Common Stock to provide for the issuance of the shares required by this Agreement.

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

4. Anti-Dilution Provisions. The above provisions are, however, subject to the following:

(a) If any capital reorganization or reclassification of the capital stock of the Company, or consolidation or merger of the Company with another...
corporation, or the sale of all or substantially all of its assets to another
corporation shall be effected in such a way that holders of Common Stock shall
be entitled to receive stock, securities or assets with respect to or in
exchange for Common Stock, then, as a condition of such reorganization,
reclassification, consolidation, merger or sale, lawful and adequate provision
shall be made whereby the Lender shall thereafter have the right to receive upon
the basis and upon the terms and conditions specified in this Agreement and in
lieu of the changes of the Common Stock of the Company immediately theretofore
receivable hereunder, such shares of stock, securities or assets as may be
issued or payable with respect to or in exchange for a number of outstanding
shares of such Common Stock equal to the number of shares of such stock
immediately theretofore receivable hereunder had such reorganization,
reclassification, consolidation, merger or sale not taken place, and in any
such case appropriate provision shall be made with respect to the rights and
interests of the Lender hereunder to the end that the provisions hereof shall
thereafter be applicable, as nearly as may be, in relation to any shares of
stock, securities or assets thereafter issuable hereunder. The Company shall
not effect any such consolidation, merger or sale, unless prior to the
consummation thereof the successor corporation (if other than the Company)
resulting from such consolidation or merger or the corporation purchasing such
assets shall assume by written instrument executed and mailed to the Lender at
the last address specified pursuant to Section 11 hereof, the obligation to
issue and deliver to the Lender such shares of stock, securities or assets as,
in accordance with the foregoing provisions, he may be entitled to receive.

5. Certain Events. If any event occurs as to which the provisions for the
issuance of Common Stock set forth in this Agreement are not strictly
applicable or, if strictly applicable would not fairly protect the rights of
the Lender in accordance with the essential intent and principles of such
provisions, then the Board of Directors of the Company shall make an adjustment
in the application of such provisions, in accordance with such essential intent
and principles, so as to protect the Lender's rights as aforesaid.

6. Termination Date. The obligation of the Company to issue, and the right
of the Lender to receive, Common Stock pursuant to this Agreement shall
terminate at such time as the Company shall have made payment in full of the
Note, and such payments are not subject to any right of recovery (the
"Termination Date").

7. Issue Tax. The issuance of certificates for shares of Common Stock
pursuant to this Agreement shall be made without charge to the Lender for any
issuance tax in respect thereof.
8. Registration Rights. All references in this Section 8 to Common Stock shall be deemed to include Other Securities as applicable.

8.1 Demand Registration. At any time following the issuance of Common Stock pursuant to this Agreement, the Lender may demand registration under the Securities Act of all or part of the Common Stock which has been issued pursuant to this Agreement, on Form S-1 or any similar long-form registration or, at the Company's sole discretion, on Form S-2 or S-3 or any similar short-form registration, if available under applicable rules of the SEC. The written request to be delivered by the Lender to the Company pursuant to this Section 8.1 shall (i) specify the number of shares intended to be offered and sold by the Lender, (ii) express the present intent of the Lender to offer such shares for distribution, and (iii) describe the nature and method of the proposed offer and sale thereof. The registration requested pursuant to this Section 8.1 is referred to herein as "Demand Registration", which term shall also include any Demand Registration as defined in any of the Lender Stock Documents referenced in Section 8.1(a) hereof.

(a) Number of Registrations. Notwithstanding any contrary provision contained in this Agreement (except the last sentence of this Section 8.1(a) which shall continue to apply), the Note Purchase and Warrant Agreement between the Company and Stephen M. Dearholt of even date, the Warrant issued by the Company to Stephen M. Dearholt as of even date, the Note Purchase and Warrant Agreement between the Company and Stephen M. Dearholt dated as of March 25, 1998, the Warrant issued by the Company to Stephen M. Dearholt dated as of March 25, 1998, the Stock Issuance Agreement between the Company and Stephen M. Dearholt dated March 25, 1998, the Note Purchase and Warrant Agreement between the Company and Stephen M. Dearholt dated as of March 25, 1997, the Warrant issued by the Company to Stephen M. Dearholt dated as of March 25, 1997, the Note Purchase and Warrant Agreement by and among the Company and Stephen M. Dearholt dated as of March 25, 1996, the Warrant issued by the Company to Stephen M. Dearholt dated as of March 25, 1996, and the Warrant issued by the Company to Stephen M. Dearholt dated as of November 21, 1995 (collectively the "Lender Stock Documents"), the Lender shall be entitled to an unlimited number of Demand Registrations under all such documents, and shall be entitled to include all or part of the stock received under any or all of such documents in any Demand Registration; provided, however, that, except for Demand Registrations requested pursuant to the last sentence of this Section 8.1(a), any such Demand Registration shall include at least two hundred thousand (200,000) shares of Common Stock (subject to adjustment pursuant to Section 4(a)). A registration initiated as a Demand Registration may be withdrawn at any time at the request of the Lender; provided that in the event a registration initiated as a Demand Registration is so withdrawn, all registration expenses in connection with such withdrawn registration shall be paid by the Lender. In the event the Lender shall pledge or assign his rights and interests to all or part of the Common Stock issued to him hereunder or issued to him upon the exercise of his rights under any of the Lender Stock Documents as collateral pursuant to a borrowing, the rights to Demand Registrations hereunder may be assigned and transferred to a lender (and only one lender at any given time) in connection therewith and said lender shall be entitled to request such Demand Registrations at any time without regard to the two hundred thousand (200,000) share minimum under the first sentence of this Section 8.1(a) and notwithstanding the provisions of the first sentence of Section 8.1(c) below.

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

(c) Restrictions on Demand Registration. Subject to the last sentence of Section 8.1(a), the Company will not be obligated to effect a Demand Registration within one hundred twenty (120) days after the effective date of a registration in which the Lender was given an opportunity to participate in a registered offering pursuant to Section 8.2. The Company may postpone for up to ninety (90) days the filing or the effectiveness of a registration statement for a Demand Registration if the Company and the Lender reasonably and in good faith agree that such Demand Registration might have an adverse effect on any proposal or plan by the Company to engage in any financing, acquisition of assets (other than in the ordinary course of business) or any corporate reorganization, merger, consolidation, tender offer or similar transaction.

(d) Selection of Underwriters. If the Demand Registration involves an underwritten public offering, the Company will have the right to select the investment banker(s) and manager(s) to administer the offering, subject to the Lender's approval (which will not be unreasonably withheld) of such investment banker(s) and managers(s).

8.2 Participation in Registered Offerings. If the Company at any time or times proposes or is required to register any of its Common Stock or other equity securities for public sale in an underwritten public offering for cash (other than in connection with any stock option, bonus or other employee benefit plan or arrangement) under the Securities Act or any applicable state securities law, it will each such time give written notice to the Lender of its intention to do so. Upon the written request of the Lender given within thirty (30) business days after receipt of any such notice (which request shall state the intended method of disposition of such equity securities and shall state in reasonable detail, to the extent practicable, the net consideration, after all commissions and discounts which the prospective seller expects to receive upon such disposition), the Company shall use all reasonable efforts to cause all such Common Stock issued hereunder which the Lender so requested to be registered (which request will not be for less than two hundred thousand (200,000) shares of Common Stock) to be registered under the Securities Act and any applicable state securities laws (provided, that if the managing underwriter advises that less than all of the registered shares of equity securities should be offered for sale so as not to materially and adversely affect the price or salability of the offering being registered by the Company or the Lender for a period not to exceed one hundred twenty (120) days, the Lender will withhold from sale for such period of time such number of shares of Common Stock as the underwriter may specify; provided further that a pro rata number of shares proposed to be offered by the Company and all other shareholders of the Company also shall be similarly withheld from sale), all to the extent requisite to permit the sale or other disposition (in accordance
with the intended method of disposition thereof as aforesaid) by the prospective seller or sellers of the securities so registered. In the event an underwriter is involved with a registration initiated by the Company of the Common Stock, and the Lender requests to participate in the registration, the Lender must commit to sell through the underwriter. The Company may, in its sole discretion, withdraw any registration contemplated by this Section 8.2 and abandon the proposed offering in which the Lender had requested to participate without any further obligation to the Lender with respect to such registration statement or offering; provided however that the Lender shall be indemnified by the Company for any fees, costs and expense of and incidental to such registration, excluding the fees and disbursements of counsel acting solely on behalf of the Lender.

8.3 Obligations of The Lender. It shall be a condition precedent to the obligation of the Company to register any Common Stock pursuant to Sections 8.1 and 8.2 hereof that the Lender shall (i) furnish to the Company such information regarding the Common Stock held by him and the intended method of disposition thereof and other information concerning the Lender as the Company shall reasonably request and as shall be required in connection with the registration statement to be filed by the Company; (ii) agree to abide by such additional or customary terms affecting the proposed offering as reasonably may be requested by the managing underwriter of such offering, including a requirement, if applicable, to withhold (on a pro-rata basis) from the public market for a period of at least one hundred twenty (120) days after any such offering, any shares excluded from the offering at the instance of the underwriter as permitted under Sections 8.1 and 8.2 hereof; and (iii) agree in writing in form satisfactory to the Company to pay the underwriting discounts and commissions applicable to the Common Stock being sold by the Lender.

8.4 Registration Proceedings. If and whenever the Company is required by the provisions of Sections 8.1 and 8.2 hereof to effect the registration of the Common Stock under the Securities Act, until the securities covered by such registration statement have been sold or for six (6) months after effectiveness, whichever is the shorter period of time, the Company shall:

(a) Promptly prepare and file with the SEC a registration statement with respect to such Common Stock and use all reasonable efforts to cause such registration statement to become effective as soon as practicable after the filing thereof and to remain effective, subject to the Company's right to withdraw any registration contemplated by Section 8.2 hereof;

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

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

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

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

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

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

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

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

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

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

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

8.5 Expenses. With respect to each inclusion of Common Stock of the Lender in a registration statement pursuant to Sections 8.1 and 8.2 hereof, all registration expenses, fees, costs and expenses of and incidental to such registration, including any public offering in connection therewith, shall be borne by the Company (including the fees and disbursements of advisors retained by the Lender and counsel acting solely on behalf of the Lender); provided, however, that the Lender shall bear his pro rata share of the underwriting discount and commissions. The fees, costs and expenses of registration to be borne by the Company shall include, without limitation, all registration, filing and NASD fees, printing expenses, fees and disbursements of counsel and accountants for the Company (including the cost of any special audit requested in order to effect such registration), fees and disbursements of counsel for
the underwriter or underwriters of such securities (if the Company and/or
selling security holders are required to bear such fees and disbursements), all
legal fees and disbursements and other expenses of complying with state
securities or "Blue Sky" laws of any jurisdiction in which the securities to be
offered are to be registered or qualified.

8.6 Indemnification of The Lender. Subject to the conditions set forth below,
in connection with any registration of securities pursuant to Sections 8.1 or
8.2 hereof, the Company agrees to indemnify and hold harmless the Lender as
follows:

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

(b) Subject to the proviso contained in the last sentence of Section 8.6(a)
above, against any and all loss, liability, claim, damage and expense
whatsoever to the extent of the aggregate amount paid in settlement of any
litigation, commenced or threatened, or of any claim whatsoever based upon any
such untrue statement or omission or any such alleged untrue statement or
omission (including, but not limited to, any and all expense whatsoever
reasonably incurred in investigating, preparing or defending against any such
litigation or claim) if such settlement is effected with the written consent of
the Company and no indemnity shall inure to the benefit of the Lender if the
person asserting the claim failed to receive a copy of the final prospectus at
or prior to the written confirmation of the sale of shares of Common Stock to
such person if the untrue statement or omission had been corrected in such
final prospectus and the failure to receive such final prospectus is not a
necessary element of such person's claim;

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

8.7 Indemnification of Company. In connection with any registered offering pursuant to Section 8.1 and 8.2 above, the Lender agrees to indemnify and hold harmless the Company and each of the officers and directors and agents of it and each other person, if any, who controls the Company within the meaning of Section 15 of the Securities Act against any and all such losses, liabilities, claims, damages and expenses as are indemnified against by the Company under Section 8.6 hereof; provided, however, that such indemnification shall be limited to statements or omissions, if any, made (or in settlement of any litigation effected with the written consent of the Lender alleged to have been made) in any preliminary prospectus, the registration statement or prospectus or any amendment or supplement thereof or any application or other document in reliance upon, and in conformity with, written information furnished in respect of the Lender, by or on behalf of the Lender expressly for use in any preliminary prospectus, the registration statement or prospectus or any amendment or supplement thereof or in any such application or other document. In case any action shall be brought against the Company, or any other person so indemnified based on any preliminary prospectus, the registration statement or prospectus or any amendment or supplement thereof or any such application or other documents, in respect of which indemnity may be sought against the Lender, it shall have the rights and duties given to the Company, and each other person so indemnified shall have the rights and duties given to the Lender, by the provisions of Section 8.6(c) hereof. The Company agrees to notify the Lender promptly after the assertion of any claim against the Company in connection with the sale of securities covered by this Agreement.

8.8 Future Registration Rights. The Company may agree with its shareholders other than the Lender to allow their participation in any registered offering which may be requested pursuant to Section 8.1 hereof, provided all such rights of participation by shareholders other than the Lender shall be subordinate to the rights of the Lender herein, in a manner reasonably satisfactory to the Lender and his counsel.

9. Definitions. When used in this Agreement, the following terms shall have the meanings specified:

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

(b) "Common Shares" shall mean and include the Company's presently authorized shares of Common Stock and shall also include any capital stock of any class of the Company hereafter authorized which shall not be limited to a fixed sum or percentage of par value in respect of the rights of the holders thereof to participate in dividends or in the distribution of assets upon the voluntary or involuntary liquidation, dissolution or winding up of the Company; provided that the shares issuable pursuant to this Agreement shall include shares designated as Common Stock of the Company on the date hereof or, in case of any reclassification of the outstanding shares thereof, the stock, securities or assets provided for in Section 4(a) hereof.

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

(d) "Other Securities", as used in Section 8 hereof, shall mean any stock (other than Common Stock) and other securities of the Company or any other Person (corporate or otherwise) which the Lender at any time shall be entitled to receive, or shall have received, under this Agreement, in lieu of or in addition to Common Stock, or which at any time shall be issuable or shall have been issued in exchange for or in replacement of Common Stock or Other Securities pursuant to Section 4 hereof or otherwise.

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

(f) "Termination Date" shall have the meaning assigned thereto in Section 6 hereof.

10. Descriptive Headings. The descriptive headings of the several sections of this Agreement are inserted for convenience only and do not constitute a part of this Agreement.

11. Notices. Any notice or other communication pursuant to this Agreement shall be in writing and shall be deemed sufficiently given upon receipt, if personally delivered or telecopied (with receipt acknowledged), or if mailed, upon deposit with the United States Postal Service by first class, certified or registered mail, postage prepaid, return receipt requested, addressed as follows:

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

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

12. Governing Law: Consent to Jurisdiction. The Company and the Lender each hereby consents to the exclusive jurisdiction of any state or federal court situated in Milwaukee County, Wisconsin, and waives any objection based on lack of personal jurisdiction, improper venue or forum non conveniens, with regard
to any actions, claims, disputes or proceedings relating to this Agreement, or any document delivered hereunder or in connection herewith, or any transaction arising from or connected to any of the foregoing. Nothing herein shall affect either party's right to serve process in any manner permitted by law, or limit either party's right to bring proceedings against the other or their property or assets in the competent courts of any other jurisdiction or jurisdictions. This Agreement shall be construed and interpreted in accordance with the internal laws of the State of Wisconsin.

13. Successors and Assigns. The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective heirs, personal representatives, successors and assigns.

14. Further Assurances. The Company agrees that it will execute and record such documents as the Lender shall reasonably request to secure for the Lender any of the rights represented by this Agreement.

15. Entire Agreement: Amendment and Modifications. This Agreement constitutes the entire agreement between the Lender and the Company with respect to the subject matter hereof, superseding all previous communications and negotiations, and no representation, understanding, promise or condition concerning the subject matter hereof shall be binding upon either party unless expressed herein. This Agreement may be amended, modified or supplemented only by written agreement of the Company and the Lender.

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

THE FEMALE HEALTH COMPANY

By: /s/ O.B. Parrish
Chairman of the Board
and Chief Executive Officer

/s/ Stephen M. Dearholt
Stephen M. Dearholt
EXHIBIT A
PROMISSORY NOTE
$250,000.00                                            February 12, 1999

FOR VALUE RECEIVED, THE FEMALE HEALTH COMPANY, a Wisconsin corporation, promises to pay to the order of Stephen M. Dearholt, at his office in the City of Milwaukee, Wisconsin, the principal sum of Two Hundred Fifty Thousand Dollars ($250,000.00), payable in full on February 12, 2000.

The unpaid principal balance hereof shall bear interest, payable monthly on the last day of each calendar month commencing February 28, 1999, and at maturity (whether stated maturity or upon acceleration), computed at a rate equal to 12% per annum. Principal amounts unpaid at the maturity thereof (whether by fixed maturity or acceleration) shall bear interest from and after maturity until paid computed at a rate equal to 18% per annum. Principal of and interest on this Note shall be payable in lawful money of the United States.

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

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

THE FEMALE HEALTH COMPANY
By:     /s/ O.B. Parrish
Chairman of the Board
and Chief Executive Officer
THIS WARRANT HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR QUALIFIED UNDER ANY STATE SECURITIES LAW. THIS WARRANT AND ANY INTEREST HEREIN MAY BE OFFERED, TRANSFERRED, SOLD OR OTHERWISE DISPOSED OF ONLY IF REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR IF AN EXEMPTION FROM REGISTRATION IS AVAILABLE, AND ONLY IN STRICT COMPLIANCE WITH APPLICABLE STATE SECURITIES LAWS AND REGULATIONS.

WARRANT
FOR THE PURCHASE OF COMMON STOCK
OF
THE FEMALE HEALTH COMPANY, INC.
Warrant Number 7

THIS CERTIFIES THAT, FOR VALUE RECEIVED, Stephen M. Dearholt, or assigns, is entitled to subscribe for and purchase from The Female Health Company, Inc. a Wisconsin corporation (the "Company"), 50,000 shares of the fully paid and non-assessable shares of Common Stock, $.01 par value per share, of the Company, at the Purchase Price (as hereinafter defined) per share. This Warrant and all warrants issued in substitution or exchange for all or part hereof are herein individually called a "Warrant" and collectively the "Warrants".

1. Definitions. When used in this Warrant, the following terms shall have the meanings specified:

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

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

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

(d) "Expiration Date" shall mean the earliest to occur of the following: (i) the exercise of all of the rights to purchase Common Stock represented by this Warrant; or (ii) February 12, 2008.

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

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

(g) "Purchase Price" shall mean the per share purchase price of $1.248 [the average of the last bid and ask prices as quoted through the NASDAQ Work Station II on February 12, 1999 less a discount of 20% of said average] (subject to adjustment under Section 5) to be paid for shares of Common Stock purchased pursuant to the exercise of this Warrant.

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

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

2. Exercise: Issuance of Certificates: Payment for Shares. This Warrant may be exercised by the Holder, in whole or in part, at any time and from time to time on or after February 12, 1999, by the surrender of this Warrant (properly endorsed if required), and payment by the Holder to the Company of the Purchase Price for each share of Common Stock purchased with respect to such exercise by wire transfer or certified or cashier's check. Upon such surrender and payment, the Holder shall be entitled to receive a certificate or certificates representing the shares of Common Stock so purchased, which certificate(s) may contain a standard legend indicating that such shares have not been registered under the Securities Act and prohibiting resale thereof without registration or an opinion of counsel that an exemption from registration is available. The Company agrees that the shares so purchased shall be deemed to be issued to the Holder as the record owner of such shares as of the close of business on the date on which this Warrant shall have been surrendered and payment made for such shares as aforesaid. Subject to the Company's Amended and Restated Articles of Incorporation, certificates for the shares of Common Stock so purchased shall be delivered to the Holder within a reasonable time, not exceeding ten days, after the rights represented by this Warrant shall have been so exercised. If the rights of the Holder of this Warrant are exercised in part, the number of shares of Common Stock which thereafter may be purchased pursuant to this Warrant shall be reduced accordingly and the Company shall reissue a Warrant or Warrants of like tenor representing in the aggregate the right to purchase the number of shares of Common Stock as so reduced.

3. Affirmative Covenants.

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

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

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

5. Anti-Dilution Provisions. The above provisions are, however, subject to the following:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

12.1 Demand Registration. At any time (whether before or after the Expiration
Date) following the exercise of the right to purchase Common Stock pursuant to
this Warrant, a Holder may demand registration under the Securities Act of
1933, as amended (the "Securities Act") of the resale of all or part of the
Common Stock issuable or which has been issued upon exercise of this Warrant,
on Form S-1 or any similar long-form registration or, in the Company's sole
discretion, on Form S-2 or S-3 or any similar short-form registration, if
available under applicable rules of the SEC. If such request is made by less
than all Holders, the Company shall send written notice of such registration
request to the remaining Holders within 15 days of receipt of the initial
registration request. Unless a remaining Holder shall deliver to the Company,
within 20 days after such notice is sent by the Company, a written request for
inclusion in the registration demanded by the initial request of all or part of
the Common Stock issuable or which has been issued upon exercise of the Warrant
held by such remaining Holder, all rights of such remaining Holder under this
Section 12.1 shall be terminated. The written request to be delivered by a
Holder to the Company pursuant to this Section 12.1 shall (i) specify the
number of shares intended to be offered and sold by the Holder, (ii) express
the present intent of the Holder to offer such shares for distribution, and
(iii) describe the nature and method of the proposed offer and sale thereof.
The registration requested pursuant to this Section 12.1 is referred to herein
as "Demand Registration", which term shall also include any Demand Registration
as defined in any of the Dearholt Stock Documents referenced in Section 12.1(a)
hereof.

(a) Number of Registrations. Notwithstanding any contrary provision contained
in this document, the Note Purchase and Warrant Agreement between the Company
and Stephen M. Dearholt of even date, the Stock Issuance Agreement between such
parties of even date (the "February 1999 Stock Issuance Agreement"), the Note
Purchase and Warrant Agreement between the Company and Stephen M Dearholt dated
as of March 25, 1998, the Warrant issued by the Company to Stephen M. Dearholt
dated as of March 25, 1998, the Stock Issuance Agreement between the Company
and Stephen M. Dearholt dated March 25, 1998, the Note Purchase and Warrant
Agreement between the Company and Stephen M Dearholt dated as of March 25,
1997, the Warrant issued by the Company to Stephen M. Dearholt dated as of
March 25, 1997, the Note Purchase and Warrant Agreement by and among the
Company and Stephen M. Dearholt dated as of March 25, 1996, the Warrant issued
by the Company to Stephen M. Dearholt dated as of March 26, 1996, and the
Warrant issued by the Company to Stephen M. Dearholt dated as of November 21,
1995 (collectively, the "Dearholt Stock Documents"), the Holder Group shall be entitled to an unlimited number of Demand Registrations under all such Dearholt Stock Documents, and shall be entitled to include all or part of the stock received under any or all of such Dearholt Stock Documents in any Demand Registration, as the Holder Group shall request from time to time; provided, however, that, except for Demand Registrations requested pursuant to the last sentence of this Section 12.1(a), any such Demand Registration shall include at least two hundred thousand (200,000) shares of Common Stock (subject to adjustment pursuant to Section 5(a)). A registration initiated as a Demand Registration may be withdrawn at any time at the request of the Holders of a majority of the shares of the Common Stock requested to be included in such Demand Registration (the "Required Percentage"); provided that in the event a registration initiated as a Demand Registration is so withdrawn, all expenses in connection with such withdrawn registration (including, without limitation, reasonable fees of counsel and accountants for the Company) shall be paid by the participating Holders, pro rata. In the event Stephen M. Dearholt shall pledge or assign his rights and interests to all or part of the Common Stock issued to him upon exercise of this Warrant, or upon exercise of his rights under any of the Dearholt Stock Documents, as collateral pursuant to a borrowing, the rights to Demand Registrations hereunder may be assigned and transferred to said lender (and only one lender at any given time) in connection therewith, and said lender shall be entitled to request such Demand Registrations at any time, without regard to the two hundred thousand (200,000) share minimum under the first sentence of this Section 12.1(a), and notwithstanding the provisions of the first sentence of Section 12.1(c) below.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

13. Descriptive Headings. The descriptive headings of the several sections of this Warrant are inserted for convenience only and do not constitute a part of this Warrant.

14. Notices. Any notice or other communication pursuant to this Warrant shall be in writing and shall be deemed sufficiently given upon receipt, if personally delivered or telecopied (with receipt acknowledged), or if mailed, upon deposit with the United States Postal Service by first class, certified or registered mail, postage prepaid, return receipt requested, addressed as follows:
(a) If to the Company, to The Female Health Company, 875 North Michigan Street, Suite 3660, Chicago, Illinois 60611, Attention: Secretary, or such other address as the Company has designated in writing to the Holder.

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

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

16. Governing Law. This Warrant shall be construed and interpreted in accordance with the internal laws of the State of Wisconsin.

17. Successors and Assigns. The provisions of this Warrant shall be binding upon and inure to the benefit of the Company and the Holder and their respective successors, assigns and transferees.

18. Further Assurances. The Company agrees that it will execute and record such documents as the Holder shall reasonably request to secure for the Holder any of the rights represented by this Warrant.

19. Amendment and Modifications. This Warrant may be amended, modified or supplemented only by written agreement of the Company and the Holder.

IN WITNESS WHEREOF, The Female Health Company has caused this Warrant to be signed by its duly authorized officer and this Warrant to be dated as of February 12, 1999.

THE FEMALE HEALTH COMPANY

By: /s/ O.B. Parrish

Chairman of the Board
and Chief Executive Officer
NOTE PURCHASE AND WARRANT AGREEMENT

February 12, 1999

Stephen M. Dearholt
Insurance Processing Center
741 North Milwaukee Street
Milwaukee, Wisconsin  53202

THE FEMALE HEALTH COMPANY, a Wisconsin corporation (the "Company"), hereby
requests that you, Stephen M. Dearholt (hereinafter referred to as the
"Lender"), purchase a promissory note in the principal amount of $250,000 from
the Company on the terms and conditions set forth below.

ARTICLE I

NOTE

1.1 Purchase of Note. On the date hereof the Lender will purchase a
promissory note from the Company in the principal amount of $250,000 (the
"Note") in the form of Exhibit A attached hereto for a purchase price of
$250,000. The Note is being executed by the Company and delivered to the
Lender against the delivery of funds to the Company in an amount equal to the
purchase price.

ARTICLE II

THE WARRANT

2.1 Issuance of Warrant. On the date hereof the Company shall issue to Lender
a warrant which shall entitle the Lender to purchase 50,000 of the issued and
outstanding shares of Common Stock, $.01 par value per share, of the Company on
the date of exercise at a purchase price of $1.248 per share (subject to
adjustment as provided therein) in the form attached hereto as Exhibit B (the
"Warrant").

ARTICLE III

REPRESENTATIONS AND WARRANTIES OF COMPANY

The Company represents and warrants to the Lender as follows:

3.1 Organization. The Company is a corporation duly organized and existing in
active status under the laws of the State of Wisconsin, and has all requisite
power and authority, corporate or otherwise, to conduct its business and to own
its properties.

3.2 Authority. The execution, delivery and performance of this Agreement, the
Note, the Warrant and the Stock Issuance Agreement between the Company and
Lender of even date herewith (the "Stock Issuance Agreement") are within the
corporate powers of the Company, have been duly authorized by all necessary
corporate action and do not and will not (i) require any consent or approval of
the stockholders of the Company; (ii) violate any provision of the amended and
restated articles of incorporation or amended and restated by-laws of the
Company or of any law, rule, regulation, order, writ, judgment, injunction,
decree, determination or award presently in effect having applicability to the
Company; (iii) require the consent or approval of, or filing or registration
with, any governmental body, agency or authority except for filing with the
Securities and Exchange Commission, applicable state securities regulatory
agencies as required to register the resale of any of the shares issued upon
exercise of the Warrant or pursuant to the Stock Issuance Agreement under the
Securities Act of 1933, as amended, and the securities laws of all applicable
states; or (iv) result in a breach of or constitute a default under, or result
in the imposition of any lien, charge or encumbrance upon any property of the
Company pursuant to, any indenture or other agreement or instrument under which
the Company is a party or by which it or its properties may be bound or
affected. This Agreement constitutes, and the Note, the Warrant and the Stock
Issuance Agreement when executed and delivered hereunder will each constitute,
legal, valid and binding obligations of the Company enforceable in accordance
with its terms, except as such enforceability may be limited by bankruptcy,
insolvency or similar laws now or hereafter in effect affecting the
enforceability of creditors' rights generally and subject to general principles
of equity.
3.3 Capital Stock. The authorized capital stock of the Company consists of 15,000,000 shares of Common Stock, $.01 par value per share and 5,000,000 shares of Class A Preferred Stock, $.01 par value per share. There are presently outstanding 10,446,227 shares of Common Stock, and 670,000 shares of Class A Convertible Preferred Stock Series 1. Other than (i) the Warrant and 50,000 shares of Common Stock to be issued to the Lender upon certain contingencies set forth in a Stock Issuance Agreement between the Company and Lender of even date, (ii) other warrants to purchase shares of Common Stock issued to the Lender pursuant to a Note Purchase and Warrant Agreements dated March 25, 1997 and March 25, 1998, to the Lender and William Lacy pursuant to a Note Purchase Agreement dated March 25, 1996, and to the Lender and an affiliate of Lender pursuant to a Note Purchase and Warrant Agreement dated November 21, 1995, (iii) warrants to purchase 90,000 and 75,000 shares of common stock issued to Malcom McGuire and Vector Securities, respectively, (iv) options to purchase 1,163,228 shares of the Company's Common Stock issued to certain employees, officers, directors, consultants and affiliates of the Company (which number excludes 292,000 options which have been authorized but not issued), (v) warrants to purchase up to 107,534 shares of the Company's Common Stock related to certain convertible debentures issued by the Company, (vi) rights to purchase 670,000 shares of the Company's Common Stock upon conversion of the Series 1 Class A Convertible Preferred Stock issued by the Company, and (vii) warrants to purchase up to 296,000 shares of the Company's Common Stock related to the Series 1 Class A Convertible Preferred Stock, there are no subscriptions, options, warrants, rights or agreements (contingent or otherwise) providing for the issuance by the Company of Common Stock or other equity securities of the Company having rights, benefits or privileges equal or superior to that of the Common Stock.

3.4 Full Disclosure. The Company is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act") and has within the previous 12 months filed with the Securities and Exchange Commission all reports, proxy statements and other information in respect to the Company required under the Exchange Act. No such report or information filed with the SEC within the previous 2 years, and no information or report furnished by the Company to the Lender in connection with the negotiation or execution of this Agreement (all of which information or reports so furnished are set forth in Section 5.2 hereof), contained any misstatement of a material fact as of the date when made or omitted to state a material fact required to be stated therein or necessary to make the statements contained therein, in light of the circumstances under which they were made, not misleading as of the date when made.
ARTICLE IV
DEFAULTS

4.1 Defaults. The occurrence of any one or more of the following events shall constitute an "Event of Default":

(a) The Company shall fail to pay any principal or interest due on the Note within 5 days of its due date;

(b) Any representation or warranty made by the Company herein shall prove to have been false in any material respect;

(c) The Company shall: (i) fail, or admit in writing its inability, to pay its debts as they mature; or (ii) make a general assignment for the benefit of creditors or to an agent authorized to liquidate any substantial amount of its property; or (iii) become the subject of an "order for relief" within the meaning of the United States Bankruptcy Code; or (iv) become the subject of a creditor's petition for liquidation, reorganization or to effect a plan or other arrangement with creditors which petition has not been dismissed or stayed within 90 days of the filing thereof; or (v) apply to a court for the appointment of a custodian or receiver for any of its assets; or (vi) have a custodian or receiver appointed for substantially all of its assets (with or without its consent); provided that, if the appointment is without the Company's consent, such appointment has not been vacated or stayed within 90 days of such appointment; or (vii) otherwise become the subject of any insolvency proceedings (and if such proceedings are commenced without the Company's consent, such proceedings shall not have been dismissed within 90 days after commencement thereof) or propose or enter into any formal or informal composition or arrangement with its creditors.

(d) This Agreement, the Note, the Warrant, or any other warrant described in section 3.3(ii) hereof, shall, at any time after their respective execution and delivery, and for any reason other than full performance thereof, cease to be in full force and effect or be declared null and void, or the validity or enforceability thereof or hereof shall be contested by the Company or any shareholder of the Company, or the Company shall deny that it has any or further liability or obligation thereunder or hereunder, as the case may be.

4.2 Acceleration of Obligations. Upon the occurrence of any Event of Default:

(a) As to any Event of Default (other than an Event of Default under section 4.1(c)) and at any time thereafter during which such Event of Default is continuing, and in each case, the Lender may, by written notice to the Company, immediately declare the unpaid principal balance of the Note, together with all interest accrued thereon, to be immediately due and payable; and the unpaid principal balance of and accrued interest on such Note shall thereupon be due and payable without further notice of any kind, all of which are hereby waived, and notwithstanding anything to the contrary herein or in the Note contained;

(b) As to any Event of Default under section 4.1(c), the unpaid principal balance of the Note, together with all interest accrued thereon, shall immediately and forthwith be due and payable, all without presentment, demand, protest, or further notice of any kind, all of which are hereby waived, notwithstanding anything to the contrary herein or in the Note contained; and
(c) As to each Event of Default, the Lender shall have all the remedies for default provided by applicable law.

 ARTICLE V

 MISCELLANEOUS

5.1 Expenses: Indemnities.

(a) The Company shall pay, or reimburse the Lender for (i) all out-of-pocket costs and expenses (including, without limitation, attorneys' fees and expenses not to exceed $2,500) paid or incurred by the Lender in connection with the negotiation, preparation, execution and delivery of this Agreement, the Note, the Warrant, the Stock Issuance Agreement, and any other document required hereunder or thereunder; (ii) all out-of-pocket costs and expenses (including, without limitation, reasonable attorneys' fees and expenses) paid or incurred by the Lender in connection with the negotiation, preparation, execution and delivery of any amendment, supplement, modification or waiver of any of the documents referenced above or before and after judgment in enforcing, protecting or preserving his rights under this Agreement, the Note, the Warrant, the Stock Issuance Agreement, and other documents required hereunder or thereunder; and (iii) any and all recording and filing fees and any and all stamp, excise, intangibles and other taxes (other than income taxes), if any, which may be payable or determined to be payable in connection with the negotiation, preparation, execution, delivery, administration or enforcement of this Agreement, the Note, the Warrant, the Stock Issuance Agreement, or any other document required hereunder or thereunder or any amendment, supplement, modification or waiver of or to any of the foregoing, or consummation of any of the transactions contemplated hereby or thereby, including all costs and expenses incurred in contesting the imposition of any such tax, and any and all liability with respect to or resulting from any delay in paying the same, whether such taxes are levied upon the Lender, the Company or otherwise.

(b) The Company agrees to indemnify the Lender against any and all losses, claims, damages, liabilities and expenses, (including, without limitation, reasonable attorneys' fees and expenses) incurred by the Lender arising out of or resulting from (i) any acquisition or attempted acquisition of stock or assets of another person or entity by the Company or any subsidiary, (ii) the use of any of the proceeds of the loan made hereunder by the Company for the making or furtherance of any such acquisition or attempted acquisition, (iii) the construction or operation of any facility owned or operated by the Company or any subsidiary, or resulting from any pollution or other environmental condition on the site of, or caused by, any such facility, (iv) the negotiation, preparation, execution, delivery and enforcement of this Agreement, the Note, the Warrant, the Stock Issuance Agreement, and any other document required hereunder or thereunder, including without limitation any amendment, supplement, modification or waiver of or to any of the foregoing or the consummation or failure to consummate the transactions contemplated hereby or thereby, (v) any claim, litigation, investigation or proceedings related to any of the foregoing, whether or not the Lender is a party thereto; provided, however, that such indemnity shall not apply to any such losses, claims, damages, liabilities or related expenses arising from (A) any breach by the Lender of his obligations under this Agreement, or in his fiduciary duties as a director of the Company for which he would not otherwise be entitled to indemnification as a director of the Company, (B) any commitment made by the Lender to a person other than the Company which would be breached by the
performance of the Lender's obligations under this Agreement or (C) Lender's
gross negligence or willful misconduct; and provided further that clauses (i),
(ii) and (iii) of this paragraph shall apply only to losses, claims, damages,
liabilities and expenses arising out of or resulting from third party claims.

(c) The foregoing agreements and indemnities shall remain operative and in
full force and effect regardless of termination of this Agreement, the
consummation of or failure to consummate either the transactions contemplated
by this Agreement or any amendment, supplement, modification or waiver, the
repayment of the loan made hereunder, the invalidity or unenforceability of any
term or provision of this Agreement, the Note, the Warrant, the Stock Issuance
Agreement, or any other document required hereunder or thereunder, any
investigation made by or on behalf of the Lender, or the content or accuracy of
any representation or warranty made under this Agreement or any other document
required hereunder or thereunder.

5.2 Securities Act of 1933. (a) With respect to the Note and the Warrant to
be issued to the Lender, the Lender hereby represents, warrants and covenants
as follows:

(i) He understands that the issuance of the Note and the Warrant has not been
registered under the Securities Act of 1933, as amended (the "Act") or
applicable state securities laws (collectively, the "Laws") on the basis that
the issuance of the Note and the Warrant is exempt from such registration under
the Act and Laws based in part upon the representations made herein;

(ii) He does not presently intend to sell or otherwise dispose of the Note
or the Warrant being issued to him hereunder;

(iii) He is acquiring the Note and the Warrant for investment purposes only
and for his own account and not with a present view to sell or otherwise
distribute the same, and he will not sell or otherwise distribute the Note or
the Warrant without registration under the Act and applicable Laws or pursuant
to applicable exemptions therefrom;

(iv) He is an "accredited investor" under the Act and the rules
promulgated thereunder;

(v) He has been given access to and has carefully reviewed the Company's Form
He desires no additional information to evaluate the merits and risks of the
issuance of the Note and the Warrant hereunder, and he is not relying upon any
other information in connection therewith.

(vi) He has been given an opportunity to ask questions of, and receive
answers from, management of the Company concerning the issuance of the Note
and the Warrant hereunder, and has been given access to all information which he
has deemed necessary to verify the accuracy of the information furnished to
him;

(vii) He has such knowledge and experience in financial and business
matters that he is capable of evaluating the merits and risks of the
transactions contemplated by this Agreement, has carefully reviewed all
information indicated above and, by virtue of such review, understands and has
evaluated the merits and risks of his participation in such transactions and
has decided to go forward with such transactions; and
He understands that the Company is relying on the accuracy of the
statements contained herein in entering into this Agreement and the
transactions contemplated herein.

5.3 Successors. The provisions of this Agreement shall inure to the benefit of
any holder of the Note or Warrant, and shall inure to the benefit of and be
binding upon any successor to any of the parties hereto. No delay on the part
of the Lender or any holder of the Note or a Warrant in exercising any right,
power or privilege hereunder shall operate as a waiver thereof nor shall any
single or partial exercise of any right, power or privilege hereunder preclude
other or further exercise thereof or the exercise of any other right, power or
privilege. The rights and remedies herein specified are cumulative and are not
exclusive of any rights or remedies which the Lender or the holder of the Note
or a Warrant would otherwise have.

5.4 Survival. All agreements, representations and warranties made herein
shall survive the execution of this Agreement, the making of the loan hereunder
and the execution and delivery of the Note and the Warrant.

5.5 Wisconsin Law. This Agreement and the Note and Warrant issued hereunder
shall be governed by and construed in accordance with the internal laws of the
State of Wisconsin, except to the extent superseded by federal law.

5.6 Counterparts. This Agreement may be signed in any number of counterparts
with the same effect as if the signatures thereto and hereto were upon the same
instrument.

5.7 Notices. All communications or notices required under this Agreement
shall be deemed to have been given on the date when deposited in the United
States mail, postage prepaid, and addressed as follows (unless and until any of
such parties advises the other in writing of a change in such address): (a) if
to the Company, with the full name and address of the Company as shown on this
Agreement below; and (b) if to the Lender, with the full name and address of
the Lender as shown on this Agreement above.

5.8 Entire Agreement; No Agency. This Agreement and the other documents
referred to herein contain the entire agreement between the Lender and the
Company with respect to the subject matter hereof, superseding all previous
communications and negotiations, and no representation, undertaking, promise or
condition concerning the subject matter hereof shall be binding upon the Lender
unless clearly expressed in this Agreement or in the other documents referred
to herein. Nothing in this Agreement or in the other documents referred to
herein and no action taken pursuant hereto shall cause either the Company or
the Lender to be treated as an agent of the other, or shall be deemed to
constitute a partnership, association, joint venture or other entity.

5.9 Consent to Jurisdiction. The parties hereto hereby consent to the
exclusive jurisdiction of any state or federal court situated in Ozaukee County
or Milwaukee County, Wisconsin, and waive any objection based on lack of
personal jurisdiction, improper venue or forums non conveniens, with regard to
any actions, claims disputes or proceedings relating to this Agreement, the
Note, the Warrant or any other document delivered hereunder or in connection
herewith, or any transaction arising from or connected to any of the foregoing.
Nothing herein shall affect the parties' rights to serve process in any manner
permitted by law.
5.10 Waiver of Jury Trial. The Company and the Lender hereby jointly and severally waive any and all right to trial by jury in any action or proceeding relating to this Agreement, the Note, the Warrant or any other document delivered hereunder or in connection herewith, or any transaction arising from or connected to any of the foregoing. The Company and the Lender each represent that this waiver is knowingly, willingly and voluntarily given. If the foregoing is satisfactory to you please sign the form of acceptance below and return a signed counterpart hereof to the Company, whereupon this instrument will evidence a binding agreement between the Lender and the Company.

Very truly yours,
THE FEMALE HEALTH COMPANY
Address: Suite 3660
875 North Michigan Ave.
Chicago, Illinois  60611

By:  /s/ O.B. Parrish
Chairman of the Board and
Chief Executive Officer

The foregoing Agreement is hereby confirmed and accepted as of the date thereof.

/s/ Stephen M. Dearholt
Stephen M. Dearholt
STOCK ISSUANCE AGREEMENT

THIS AGREEMENT, is made as of February 18, 1999 between O.B. Parrish, an adult resident of the State of Illinois ("Lender") and THE FEMALE HEALTH COMPANY a Wisconsin corporation (the "Company").

RECATIALS

A. The Company desires to issue and sell its Promissory Note in the principal amount of Fifty Thousand Dollars ($50,000) (the "Note") to Lender pursuant to a Note Purchase and Warrant Agreement of even date between the Lender and the Company (the "Note Purchase and Warrant Agreement").

B. Lender has required, as a condition of providing the loan to the Company under the Note Purchase and Warrant Agreement that the Company enter into this Agreement and undertake the obligations and liabilities set forth herein.

C. It is necessary and in the business interests of the Company that the Lender enter into the Note Purchase and Warrant Agreement.

COVENANTS:

IN CONSIDERATION OF these premises and other good and valuable consideration receipt of which is hereby acknowledged, it is agreed that:

1. Issuance and Sale of Shares. (a) The Company agrees that in the event the Company shall default in the payment of principal due on the Note and shall fail to pay such principal amount within five (5) days of receipt of written notice of default from the Lender, the Company shall issue to The Lender ten thousand (10,000) fully paid and non-assessable shares of Common Stock, $.01 par value per share, of the Company; provided that the Company shall issue to the Lender a proportionately fewer or greater number of shares of such Common Stock if the Company combines by reverse stock split or otherwise or subdivides by stock split, stock dividend or otherwise its outstanding Common Stock. The Company shall be obligated to issue, and the Lender shall have the right to receive, all such shares without payment of any further consideration whatsoever. Notwithstanding the foregoing, the Company shall remain liable for all amounts remaining due under and in accordance with the terms of the Note.

(b) At such time, if any, as the Company shall become obligated to issue shares of its Common Stock to the Lender pursuant to Section 1(a) of this Agreement, the Lender shall be entitled to receive a certificate or certificates representing such shares of Common Stock, which certificate(s) may contain a standard legend indicating that such shares have not been registered under the Securities Act of 1933, as amended (the "Securities Act") and prohibiting resale thereof without registration or an opinion of counsel that an exemption from registration is available. Subject to the Company's Amended and Restated Articles of Incorporation, certificates for the shares of Common Stock required to be issued hereunder shall be delivered to the Lender within a reasonable time, not exceeding ten days, after the Company shall have become obligated to issue such shares pursuant to Section 1(a) hereof.

2. Reservation of Shares.

The Company covenants and agrees that the shares of Common Stock issuable hereunder will, upon such issuance in accordance herewith, be duly authorized, validly issued, fully paid and non-assessable (except as set forth in Section 180.0622(2)(b), Wis. Stats., as amended and interpreted) and free from all taxes, liens and charges. The Company further covenants and agrees that, prior to the Termination Date (as hereinafter defined) it will at all times have authorized and reserved a sufficient number of shares of its Common Stock to provide for the issuance of the shares required by this Agreement.

3. Issuance of Preferred Stock. Prior to the Termination Date, the Company will not issue any capital stock of any class preferred as to dividends or as to the distribution of assets upon voluntary or involuntary liquidation, dissolution or winding up, unless the rights of the holders thereof shall be limited to a fixed sum or percentage of par value in respect of participation in dividends and in the distribution of such assets.
4. Anti-Dilution Provisions. The above provisions are, however, subject to the following:

(a) If any capital reorganization or reclassification of the capital stock of the Company, or consolidation or merger of the Company with another corporation, or the sale of all or substantially all of its assets to another corporation shall be effected in such a way that holders of Common Stock shall be entitled to receive stock, securities or assets with respect to or in exchange for Common Stock, then, as a condition of such reorganization, reclassification, consolidation, merger or sale, lawful and adequate provision shall be made whereby the Lender shall hereafter have the right to receive upon the basis and upon the terms and conditions specified in this Agreement and in lieu of the shares of the Common Stock of the Company immediately theretofore receivable hereunder, such shares of stock, securities or assets as may be issued or payable with respect to or in exchange for a number of outstanding shares of such Common Stock equal to the number of shares of such stock immediately theretofore receivable hereunder had such reorganization, reclassification, consolidation, merger or sale not taken place, and in any such case appropriate provision shall be made with respect to the rights and interests of the Lender hereunder to the end that the provisions hereof shall thereafter be applicable, as nearly as may be, in relation to any shares of stock, securities or assets thereafter issuable hereunder. The Company shall not effect any such consolidation, merger or sale, unless prior to the consummation thereof the successor corporation (if other than the Company) resulting from such consolidation or merger or the corporation purchasing such assets shall assume by written instrument executed and mailed to the Lender at the last address specified pursuant to Section 11 hereof, the obligation to issue and deliver to the Lender such shares of stock, securities or assets as, in accordance with the foregoing provisions, he may be entitled to receive.

5. Certain Events. If any event occurs as to which the provisions for the issuance of Common Stock set forth in this Agreement are not strictly applicable or, if strictly applicable would not fairly protect the rights of the Lender in accordance with the essential intent and principles of such provisions, then the Board of Directors of the Company shall make an adjustment in the application of such provisions, in accordance with such essential intent and principles, so as to protect the Lender's rights as aforesaid.

6. Termination Date. The obligation of the Company to issue, and the right of the Lender to receive, Common Stock pursuant to this Agreement shall terminate at such time as the Company shall have made payment in full of the
Note, and such payments are not subject to any right of recovery (the "Termination Date").

7. Issue Tax. The issuance of certificates for shares of Common Stock pursuant to this Agreement shall be made without charge to the Lender for any issuance tax in respect thereof.

8. Registration Rights. All references in this Section 8 to Common Stock shall be deemed to include Other Securities as applicable.

8.1 Demand Registration. At any time following the issuance of Common Stock pursuant to this Agreement, the Lender may demand registration under the Securities Act of all or part of the Common Stock which has been issued pursuant to this Agreement, on Form S-1 or any similar long-form registration or, in the Company's sole discretion, on Form S-2 or S-3 or any similar short-form registration, if available under applicable rules of the SEC. The written request to be delivered by the Lender to the Company pursuant to this Section 8.1 shall (i) specify the number of shares intended to be offered and sold by the Lender, (ii) express the present intent of the Lender to offer such shares for distribution, and (iii) describe the nature and method of the proposed offer and sale thereof. The registration requested pursuant to this Section 8.1 is referred to herein as "Demand Registration", which term shall also include any Demand Registration as defined in any of the Lender Stock Documents referenced in Section 8.1(a) hereof.

(a) Number of Registrations. Notwithstanding any contrary provision contained in this Agreement (except the last sentence of this Section 8.1(a) which shall continue to apply), the Note Purchase and Warrant Agreement between the Company and O.B. Parrish of even date, (collectively the "Lender Stock Documents"), the Lender shall be entitled to an unlimited number of Demand Registrations under all such documents, and shall be entitled to include all or part of the stock received under any or all of such documents in any Demand Registration; provided, however, that, except for Demand Registrations requested pursuant to the last sentence of this Section 8.1(a), any such Demand Registration shall include at least ten thousand (10,000) shares of Common Stock (subject to adjustment pursuant to Section 4(a)). A registration initiated as a Demand Registration may be withdrawn at any time at the request of the Lender; provided that in the event a registration initiated as a Demand Registration is so withdrawn, all registration expenses in connection with such withdrawn registration shall be paid by the Lender. In the event the Lender shall pledge or assign his rights and interests to all or part of the Common Stock issued to him hereunder or issued to him upon the exercise of his rights under any of the Lender Stock Documents as collateral pursuant to a borrowing, the rights to Demand Registrations hereunder may be assigned and transferred to a lender (and only one lender at any given time) in connection therewith and said lender shall be entitled to request such Demand Registrations at any time without regard to the ten thousand (10,000) share minimum under the first sentence of this Section 8.1(a) and notwithstanding the provisions of the first sentence of Section 8.1(c) below.

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

(c) Restrictions on Demand Registration. Subject to the last sentence of Section 8.1(a), the Company will not be obligated to effect a Demand Registration within one hundred twenty (120) days after the effective date of a registration in which the Lender was given an opportunity to participate in a registered offering pursuant to Section 8.2. The Company may postpone for up to ninety (90) days the filing or the effectiveness of a registration statement for a Demand Registration if the Company and the Lender reasonably and in good faith agree that such Demand Registration might have an adverse effect on any proposal or plan by the Company to engage in any financing, acquisition of assets (other than in the ordinary course of business) or any corporate reorganization, merger, consolidation, tender offer or similar transaction.

(d) Selection of Underwriters. If the Demand Registration involves an underwritten public offering, the Company will have the right to select the investment banker(s) and manager(s) to administer the offering, subject to the Lender's approval (which will not be unreasonably withheld) of such investment banker(s) and manager(s).

8.2 Participation in Registered Offerings. If the Company at any time or times proposes or is required to register any of its Common Stock or other equity securities for public sale in an underwritten public offering for cash (other than in connection with any stock option, bonus or other employee benefit plan or arrangement) under the Securities Act or any applicable state securities law, it will each such time give written notice to the Lender of its intention to do so. Upon the written request of the Lender given within thirty (30) business days after receipt of any such notice (which request shall state the intended method of disposition of such equity securities and shall state in reasonable detail, to the extent practicable, the net consideration, after all commissions and discounts which the prospective seller expects to receive upon such disposition), the Company shall use all reasonable efforts to cause all such Common Stock issued hereunder which the Lender so requested to be registered (which request will not be for less than ten thousand (10,000) shares of Common Stock) to be registered under the Securities Act and any applicable state securities laws (provided, that if the managing underwriter advises that less than all of the registered shares of equity securities should be offered for sale so as not to materially and adversely affect the price or salability of the offering being registered by the Company or the Lender for a period not to exceed one hundred twenty (120) days, the Lender will withhold from sale for such period of time such number of shares of Common Stock as the underwriter may specify; provided further that a pro rata number of shares proposed to be offered by the Company and all other shareholders of the Company also shall be similarly withheld from sale), all to the extent requisite to permit the sale or other disposition (in accordance with the intended method of disposition thereof as aforesaid) by the prospective seller or sellers of the securities so registered. In the event an underwriter is involved with a registration initiated by the Company of the Common Stock, and the Lender requests to participate in the registration, the Lender must commit to sell through the underwriter. The Company may, in its sole discretion, withdraw any
registration contemplated by this Section 8.2 and abandon the proposed offering in which the Lender had requested to participate without any further obligation to the Lender with respect to such registration statement or offering; provided however that the Lender shall be indemnified by the Company for any fees, costs and expense of and incidental to such registration, excluding the fees and disbursements of counsel acting solely on behalf of the Lender.

8.3 Obligations of The Lender. It shall be a condition precedent to the obligation of the Company to register any Common Stock pursuant to Sections 8.1 and 8.2 hereof that the Lender shall (i) furnish to the Company such information regarding the Common Stock held by him and the intended method of disposition thereof and other information concerning the Lender as the Company shall reasonably request and as shall be required in connection with the registration statement to be filed by the Company; (ii) agree to abide by such additional or customary terms affecting the proposed offering as reasonably may be requested by the managing underwriter of such offering, including a requirement, if applicable, to withhold (on a pro-rata basis) from the public market for a period of at least one hundred twenty (120) days after any such offering, any shares excluded from the offering at the instance of the underwriter as permitted under Sections 8.1 and 8.2 hereof; and (iii) agree in writing in form satisfactory to the Company to pay the underwriting discounts and commissions applicable to the Common Stock being sold by the Lender.

8.4 Registration Proceedings. If and whenever the Company is required by the provisions of Sections 8.1 and 8.2 hereof to effect the registration of the Common Stock under the Securities Act, until the securities covered by such registration statement have been sold or for six (6) months after effectiveness, whichever is the shorter period of time, the Company shall:

(a) Promptly prepare and file with the SEC a registration statement with respect to such Common Stock and use all reasonable efforts to cause such registration statement to become effective as soon as practicable after the filing thereof and to remain effective, subject to the Company's right to withdraw any registration contemplated by Section 8.2 hereof;

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

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

(d) Use all reasonable efforts to register or qualify the securities covered by such registration statement under such state securities or "Blue Sky" laws of such jurisdictions as the Lender may reasonably request within twenty (20) days prior to the original filing of such registration statement, except that the Company shall not for any purpose be required to qualify to do business as a foreign corporation in any jurisdiction wherein it is not so qualified, and except that the Company shall not be required to so register or qualify in more than twenty (20) such jurisdictions if in the good faith judgment of the managing underwriter such additional registrations or qualifications would be unreasonably expensive or harmful to the consummation of the proposed offering;
(e) Notify the Lender, promptly after it shall receive notice thereof, of the time when such registration statement has become effective or a supplement to any prospectus forming a part of such registration statement has been filed;

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

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

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

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

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

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

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

8.5 Expenses. With respect to each inclusion of Common Stock of the Lender in a registration statement pursuant to Sections 8.1 and 8.2 hereof, all registration expenses, fees, costs and expenses of and incidental to such registration, including any public offering in connection therewith, shall be borne by the Company (including the fees and disbursements of advisors retained by the Lender and counsel acting solely on behalf of the Lender); provided, however, that the Lender shall bear his pro rata share of the underwriting discount and commissions. The fees, costs and expenses of registration to be borne by the Company shall include, without limitation, all registration, filing and NASD fees, printing expenses, fees and disbursements of counsel and accountants for the Company (including the cost of any special audit requested in order to effect such registration), fees and disbursements of counsel for the underwriter or underwriters of such securities (if the Company and/or selling security holders are required to bear such fees and disbursements), all legal fees and disbursements and other expenses of complying with state securities or "Blue Sky" laws of any jurisdiction in which the securities to be offered are to be registered or qualified.
8.6 Indemnification of The Lender. Subject to the conditions set forth below, in connection with any registration of securities pursuant to Sections 8.1 or 8.2 hereof, the Company agrees to indemnify and hold harmless the Lender as follows:

(a) Against any and all loss, claim, damage and expense whatsoever arising out or based upon (including, but not limited to, any and all expense whatsoever reasonably incurred in investigating, preparing or defending any litigation, commenced or threatened, or any claim whatsoever based upon) any untrue or alleged untrue statement of a material fact contained in any preliminary prospectus (if used prior to the effective date of the registration statement), the registration statement or the final prospectus (as from time to time amended and supplemented if the Company shall have filed with the SEC any amendment thereof or amendment thereto) if used within the period during which the Company is required to keep the registration statement or prospectus current, or in any application or other document executed by the Company or based upon written information furnished by the Company filed in any jurisdiction in order to qualify the Company's securities under the securities laws thereof; or the omission or alleged omission therefrom of a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; or any other violation of applicable federal or state statutory or regulatory requirements or limitations relating to action or inaction by the Company in the course of preparing, filing, or implementing such registered offering; provided, however, that the indemnity agreement contained in this Section 8.6(a) shall not apply to any loss, claim, damage, liability or action arising out of or based upon any untrue or alleged untrue statement or omission made in reliance upon and in conformity with any information furnished in writing to the Company by or on behalf of the Lender expressly for use in connection therewith;

(b) Subject to the proviso contained in the last sentence of Section 8.6(a) above, against any and all loss, liability, claim, damage and expense whatsoever to the extent of the aggregate amount paid in settlement of any litigation, commenced or threatened, or of any claim whatsoever based upon any such untrue statement or omission or any such alleged untrue statement or omission (including, but not limited to, any and all expense whatsoever reasonably incurred in investigating, preparing or defending against any such litigation or claim) if such settlement is effected with the written consent of the Company and no indemnity shall inure to the benefit of the Lender if the person asserting the claim failed to receive a copy of the final prospectus at or prior to the written confirmation of the sale of shares of Common Stock to such person if the untrue statement or omission had been corrected in such final prospectus and the failure to receive such final prospectus is not a necessary element of such person's claim;

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

8.7 Indemnification of Company. In connection with any registered offering pursuant to Section 8.1 and 8.2 above, the Lender agrees to indemnify and hold harmless the Company and each of the officers and directors and agents of it and each other person, if any, who controls the Company within the meaning of Section 15 of the Securities Act against any and all such losses, liabilities, claims, damages and expenses as are indemnified against by the Company under Section 8.6 hereof; provided, however, that such indemnification shall be limited to statements or omissions, if any, made (or in settlement of any litigation effected with the written consent of the Lender alleged to have been made) in any preliminary prospectus, the registration statement or prospectus or any amendment or supplement thereof or any application or other document in reliance upon, and in conformity with, written information furnished in respect of the Lender, by or on behalf of the Lender expressly for use in any preliminary prospectus, the registration statement or prospectus or any amendment or supplement thereof or in any such application or other document. In case any action shall be brought against the Company, or any other person so indemnified based on any preliminary prospectus, the registration statement or prospectus or any amendment or supplement thereof or any such application or other documents, in respect of which indemnity may be sought against the Lender, it shall have the rights and duties given to the Company, and each other person so indemnified shall have the rights and duties given to the Lender, by the provisions of Section 8.6(c) hereof. The Company agrees to notify the Lender promptly after the assertion of any claim against the Company in connection with the sale of securities covered by this Agreement.

8.8 Future Registration Rights. The Company may agree with its shareholders other than the Lender to allow their participation in any registered offering which may be requested pursuant to Section 8.1 hereof, provided all such rights of participation by shareholders other than the Lender shall be subordinated to the rights of the Lender herein, in a manner reasonably satisfactory to the Lender and his counsel.

9. Definitions. When used in this Agreement, the following terms shall have the meanings specified:

(a) "Affiliate" shall mean any Person directly or indirectly controlling, controlled by or under direct or indirect common control with another Person. A Person shall be deemed to control a corporation if such Person possesses, directly or indirectly, the power to direct or cause the direction of the management and policies of such corporation, whether through the ownership of voting securities, by contract or otherwise.
(b) "Common Shares" shall mean and include the Company's presently authorized shares of Common Stock and shall also include any capital stock of any class of the Company hereafter authorized which shall not be limited to a fixed sum or percentage of par value in respect of the rights of the holders thereof to participate in dividends or in the distribution of assets upon the voluntary or involuntary liquidation, dissolution or winding up of the Company; provided that the shares issuable pursuant to this Agreement shall include shares designated as Common Stock of the Company on the date hereof or, in case of any reclassification of the outstanding shares thereof, the stock, securities or assets provided for in Section 4(a) hereof.

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

(d) "Other Securities", as used in Section 8 hereof, shall mean any stock (other than Common Stock) and other securities of the Company or any other Person (corporate or otherwise) which the Lender at any time shall be entitled to receive, or shall have received, under this Agreement, in lieu of or in addition to Common Stock, or which at any time shall be issuable or shall have been issued in exchange for or in replacement of Common Stock or Other Securities pursuant to Section 4 hereof or otherwise.

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

(f) "Termination Date" shall have the meaning assigned thereto in Section 6 hereof.

10. Descriptive Headings. The descriptive headings of the several sections of this Agreement are inserted for convenience only and do not constitute a part of this Agreement.

11. Notices. Any notice or other communication pursuant to this Agreement shall be in writing and shall be deemed sufficiently given upon receipt, if personally delivered or telecopied (with receipt acknowledged), or if mailed, upon deposit with the United States Postal Service by first class, certified or registered mail, postage prepaid, return receipt requested, addressed as follows:

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

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

12. Governing Law: Consent to Jurisdiction. The Company and the Lender each hereby consents to the jurisdiction of any state or federal court situated in Milwaukee County, Wisconsin, and waives any objection based on lack of personal jurisdiction, improper venue or forum non conveniens, with regard to any actions, claims, disputes or proceedings relating to this Agreement, or any document delivered hereunder or in connection herewith, or any transaction arising from or connected to any of the foregoing. Nothing herein shall affect either party’s right to serve process in any manner permitted by law, or limit
either party's right to bring proceedings against the other or their property or assets in the competent courts of any other jurisdiction or jurisdictions. This Agreement shall be construed and interpreted in accordance with the internal laws of the State of Wisconsin.

13. Successors and Assigns. The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective heirs, personal representatives, successors and assigns.

14. Further Assurances. The Company agrees that it will execute and record such documents as the Lender shall reasonably request to secure for the Lender any of the rights represented by this Agreement.

15. Entire Agreement: Amendment and Modifications. This Agreement constitutes the entire agreement between the Lender and the Company with respect to the subject matter hereof, superseding all previous communications and negotiations, and no representation, understanding, promise or condition concerning the subject matter hereof shall be binding upon either party unless expressed herein. This Agreement may be amended, modified or supplemented only by written agreement of the Company and the Lender.

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

THE FEMALE HEALTH COMPANY

By: /s/ O.B. Parrish

President
O.B. Parrish
EXHIBIT A

PROMISSORY NOTE

$50,000.00                                                  February 18, 1999

FOR VALUE RECEIVED, THE FEMALE HEALTH COMPANY, a Wisconsin corporation, promises to pay to the order of O.B. Parrish, at his office in the City of Chicago, Illinois, the principal sum of Fifty Thousand Dollars ($50,000.00), payable in full on February 18, 2000.

The unpaid principal balance hereof shall bear interest, payable monthly on the last day of each calendar month commencing February 28, 1999, and at maturity (whether stated maturity or upon acceleration), computed at a rate equal to 12% per annum. Principal amounts unpaid at the maturity thereof (whether by fixed maturity or acceleration) shall bear interest from and after maturity until paid computed at a rate equal to 18% per annum. Principal of and interest on this Note shall be payable in lawful money of the United States.

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

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

THE FEMALE HEALTH COMPANY

By:    /s/ O.B. Parrish

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President
WARRANT

FOR THE PURCHASE OF COMMON STOCK

OF

THE FEMALE HEALTH COMPANY, INC.

Warrant Number OBPI

THIS CERTIFIES THAT, FOR VALUE RECEIVED, O.B. Parrish, or assigns, is entitled to subscribe for and purchase from The Female Health Company, Inc. a Wisconsin corporation (the "Company"), 10,000 shares of the fully paid and non-assessable shares of Common Stock, $.01 par value per share, of the Company, at the Purchase Price (as hereinafter defined) per share.

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

1. Definitions. When used in this Warrant, the following terms shall have the meanings specified:

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

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

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

(d) "Expiration Date" shall mean the earliest to occur of the following: (i) the exercise of all of the rights to purchase Common Stock represented by this Warrant; or (ii) February __, 2007.

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

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

(g) "Purchase Price" shall mean the per share purchase price of $____ [the average of the last bid and ask prices as quoted through the NASDAQ Work Station II on February __, 1999 less a discount of 20% of said average] (subject to adjustment under Section 5) to be paid for shares of Common Stock purchased pursuant to the exercise of this Warrant.
(h) "Other Securities", as used in Section 12 hereof, shall mean any stock (other than Common Stock) and other securities of the Company or any other Person (corporate or otherwise) which the Holder of this Warrant at any time shall be entitled to receive, or shall have received, on the exercise of this Warrant, in lieu of or in addition to Common Stock, or which at any time shall be issuable or shall have been issued in exchange for or in replacement of Common Stock or Other Securities pursuant to Section 5 hereof or otherwise.

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

2. Exercise: Issuance of Certificates: Payment for Shares. This Warrant may be exercised by the Holder, in whole or in part, at any time and from time to time on or after February __, 1999, by the surrender of this Warrant (properly endorsed if required), and payment by the Holder to the Company of the Purchase Price for each share of Common Stock purchased with respect to such exercise by wire transfer or certified or cashiers check. Upon such surrender and payment, the Holder shall be entitled to receive a certificate or certificates representing the shares of Common Stock so purchased, which certificate(s) may contain a standard legend indicating that such shares have not been registered under the Securities Act and prohibiting resale thereof without registration or an opinion of counsel that an exemption from registration is available. The Company agrees that the shares so purchased shall be deemed to be issued to the Holder as the record owner of such shares as of the close of business on the date on which this Warrant shall have been surrendered and payment made for such shares as aforesaid. Subject to the Company's Amended and Restated Articles of Incorporation, certificates for the shares of Common Stock so purchased shall be delivered to the Holder within a reasonable time, not exceeding ten days, after the rights represented by this Warrant shall have been so exercised. If the rights of the Holder of this Warrant are exercised in part, the number of shares of Common Stock which thereafter may be purchased pursuant to this Warrant shall be reduced accordingly and the Company shall reissue a Warrant or Warrants of like tenor representing in the aggregate the right to purchase the number of shares of Common Stock as so reduced.

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

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

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

5. Anti-Dilution Provisions. The above provisions are, however, subject to the following:

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

(b) In case any time:

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

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

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

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

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

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

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

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

8. Issue Tax. The issuance of certificates for shares of Common
Stock upon the total or partial exercise of this Warrant shall be made without
charge to the Holder for any issuance tax in respect thereof.
9. Closing of Books. The Company will at no time close its transfer books against the transfer of this Warrant or act in any manner which interferes with the timely exercise of the rights represented by this Warrant.

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

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

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

12.1 Demand Registration. At any time (whether before or after the Expiration Date) following the exercise of the right to purchase Common Stock pursuant to this Warrant, a Holder may demand registration under the Securities Act of 1933, as amended (the "Securities Act") of the resale of all or part of the Common Stock issuable or which has been issued upon exercise of this Warrant, on Form S-1 or any similar long-form registration or, in the Company's sole discretion, on Form S-2 or S-3 or any similar short-form registration, if available under applicable rules of the SEC. If such request is made by less than all Holders, the Company shall send written notice of such registration request to the remaining Holders within 15 days of receipt of the initial registration request. Unless a remaining Holder shall deliver to the Company, within 20 days after such notice is sent by the Company, a written request for inclusion in the registration demanded by the initial request of all or part of the Common Stock issuable or which has been issued upon exercise of the Warrant held by such remaining Holder, all rights of such remaining Holder under this Section 12.1 shall be terminated. The written request to be delivered by a Holder to the Company pursuant to this Section 12.1 shall (i) specify the number of shares intended to be offered and sold by the Holder, (ii) express the present intent of the Holder to offer such shares for distribution, and (iii) describe the nature and method of the proposed offer and sale thereof. The registration requested pursuant to this Section 12.1 is referred to herein as "Demand Registration", which term shall also include any Demand Registration as defined in any of the Parrish Stock Documents referenced in Section 12.1(a) hereof.

(a) Number of Registrations. Notwithstanding any contrary provision contained in this document, the Note Purchase and Warrant Agreement between the Company and O.B. Parrish of even date, and the Stock Issuance Agreement between such parties of even date, (collectively, the "Parrish Stock Documents"), the Holder Group shall be entitled to an unlimited number of Demand Registrations under all such Parrish Stock Documents, and shall be entitled to include all or part of the stock received under any or all of such Parrish Stock Documents in
any Demand Registration, as the Holder Group shall request from time to time; provided, however, that, except for Demand Registrations requested pursuant to the last sentence of this Section 12.1(a), any such Demand Registration shall include at least ten thousand (10,000) shares of Common Stock (subject to adjustment pursuant to Section 5(a)). A registration initiated as a Demand Registration may be withdrawn at any time at the request of the Holders of a majority of the shares of the Common Stock requested to be included in such Demand Registration (the "Required Percentage"); provided that in the event a registration initiated as a Demand Registration is so withdrawn, all expenses in connection with such withdrawn registration (including, without limitation, reasonable fees of counsel and accountants for the Company) shall be paid by the participating Holders, pro rata. In the event O.B. Parrish shall pledge or assign his rights and interests to all or part of the Common Stock issued to him upon exercise of this Warrant, or upon exercise of his rights under any of the Parrish Stock Documents, as collateral pursuant to a borrowing, the rights to Demand Registrations hereunder may be assigned and transferred to said lender (and only one lender at any given time) in connection therewith, and said lender shall be entitled to request such Demand Registrations at any time, without regard to the ten thousand (10,000) share minimum under the first sentence of this Section 12.1(a), and notwithstanding the provisions of the first sentence of Section 12.1(c) below.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

12.6 Indemnification of Holders. Subject to the conditions set forth below, in connection with any registration of securities pursuant to Sections 12.1 or 12.2 hereof, the Company agrees to indemnify and hold harmless each Holder and each person, if any, who controls the Holder (and the respective officers, directors and agents of Holders), within the meaning of Section 15 of the Securities Act, as follows:
(a) Against any and all loss, claim, damage and expense whatsoever arising out or based upon (including, but not limited to, any and all expense reasonably incurred in investigating, preparing or defending any litigation, commenced or threatened, or any claim whatsoever based upon) any untrue or alleged untrue statement of a material fact contained in any preliminary prospectus (if used prior to the effective date of the registration statement), the registration statement or the final prospectus (as from time to time amended and supplemented if the Company shall have filed with the SEC any amendment thereof or amendment thereto) if used within the period during which the Company is required to keep the registration statement or prospectus current, or in any application or other document executed by the Company or based upon written information furnished by the Company in any jurisdiction in order to qualify the Company's securities under the securities laws thereof; or the omission or alleged omission therefrom of a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; or any other violation of applicable federal or state statutory or regulatory requirements or limitations relating to action or inaction by the Company in the course of preparing, filing, or implementing such registered offering; provided, however, that the indemnity agreement contained in this Section 12.6(a) shall not apply to any loss, claim, damage, liability or action arising out of or based upon any untrue or alleged untrue statement or omission made in reliance upon and in conformity with any information furnished in writing to the Company by or on behalf of the Holder expressly for use in connection therewith;

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

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

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

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

13. Descriptive Headings. The descriptive headings of the several sections of this Warrant are inserted for convenience only and do not constitute a part of this Warrant.

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

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

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

16. Governing Law. This Warrant shall be construed and interpreted in accordance with the internal laws of the State of Wisconsin.

17. Successors and Assigns. The provisions of this Warrant shall be binding upon and inure to the benefit of the Company and the Holder and their respective successors, assigns and transferees.

18. Further Assurances. The Company agrees that it will execute and record such documents as the Holder shall reasonably request to secure for the Holder any of the rights represented by this Warrant.

19. Amendment and Modifications. This Warrant may be amended, modified or supplemented only by written agreement of the Company and the Holder.

IN WITNESS WHEREOF, The Female Health Company has caused this Warrant to be signed by its duly authorized officer and this Warrant to be dated as of February 18, 1999.

THE FEMALE HEALTH COMPANY

By: /s/ O.B. Parrish

President
NOTE PURCHASE AND WARRANT AGREEMENT

February 18, 1999

O.B. Parrish
C/o The Female Health Company
Suite 3660
875 North Michigan Avenue
Chicago, IL 60611

THE FEMALE HEALTH COMPANY, a Wisconsin corporation (the "Company"), hereby requests that you, O.B. Parrish (hereinafter referred to as the "Lender"), purchase a promissory note in the principal amount of $50,000 from the Company on the terms and conditions set forth below.

ARTICLE I

NOTE

1.1 Purchase of Note. On the date hereof the Lender will purchase a promissory note from the Company in the principal amount of $50,000 (the "Note") in the form of Exhibit A attached hereto for a purchase price of $50,000. The Note is being executed by the Company and delivered to the Lender against the delivery of funds to the Company in an amount equal to the purchase price.

ARTICLE II

THE WARRANT

2.1 Issuance of Warrant. On the date hereof the Company shall issue to Lender a warrant which shall entitle the Lender to purchase 10,000 of the issued and outstanding shares of Common Stock, $.01 par value per share, of the Company on the date of exercise at a purchase price of $1.35 per share (subject to adjustment as provided therein) in the form attached hereto as Exhibit B (the "Warrant").

ARTICLE III

REPRESENTATIONS AND WARRANTIES OF COMPANY

The Company represents and warrants to the Lender as follows:

3.1 Organization. The Company is a corporation duly organized and existing in active status under the laws of the State of Wisconsin, and has all requisite power and authority, corporate or otherwise, to conduct its business and to own its properties.

3.2 Authority. The execution, delivery and performance of this Agreement, the Note, the Warrant and the Stock Issuance Agreement between the Company and Lender of even date herewith (the "Stock Issuance Agreement") are within the corporate powers of the Company, have been duly authorized by all necessary corporate action and do not and will not (i) require any consent or approval of the stockholders of the Company; (ii) violate any provision of the amended and restated articles of incorporation or amended and restated by-laws of the Company or of any law, rule, regulation, order, writ, judgment, injunction, decree, determination or award presently in effect having applicability to the Company; (iii) require the consent or approval of, or filing or registration with, any governmental body, agency or authority except for filing with the Securities and Exchange Commission, applicable state securities regulatory agencies as required to register the resale of any of the shares issued upon exercise of the Warrant or pursuant to the Stock Issuance Agreement under the Securities Act of 1933, as amended, and the securities laws of all applicable states; or (iv) result in a breach of or constitute a default under, or result in the imposition of any lien, charge or encumbrance upon any property of the Company pursuant to, any indenture or other agreement or
instrument under which the Company is a party or by which it or its properties may be bound or affected. This Agreement constitutes, and the Note, the Warrant and the Stock Issuance Agreement when executed and delivered hereunder will each constitute, legal, valid and binding obligations of the Company enforceable in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency or similar laws now or hereafter in effect affecting the enforceability of creditors' rights generally and subject to general principles of equity.

3.3 Capital Stock. The authorized capital stock of the Company consists of 15,000,000 shares of Common Stock, $.01 par value per share and 5,000,000 shares of Class A Preferred Stock, $.01 par value per share. There are presently outstanding 10,446,227 shares of Common Stock, and 670,000 shares of Class A Convertible Preferred Stock Series 1. Other than (i) the Warrant and 10,000 shares of Common Stock to be issued to the Lender upon certain contingencies set forth in a Stock Issuance Agreement between the Company and Lender of even date, (ii) warrants to purchase 600,000, 20,000 and 20,000 shares of Common Stock issued to Stephen Dearholt, Stephen Dearholt and an Affiliate of Dearholt, and William Lacy, respectively, pursuant to various loan agreements with the Company, as borrower, and 250,000 shares of Common Stock to be issued to Stephen Dearholt upon certain contingencies under stock issuance agreements in connection with such loan agreements, (iii) warrants to purchase 90,000 and 75,000 shares of common stock issued to Malcom McGuire and Vector Securities, respectively, (iv) options to purchase 1,163,228 shares of the Company's Common Stock issued to certain employees, officers, directors, consultants and affiliates of the Company (which number excludes 292,000 options which have been authorized but not issued), (v) warrants to purchase up to 107,534 shares of the Company's Common Stock related to certain convertible debentures issued by the Company, (vi) rights to purchase 670,000 shares of the Company's Common Stock upon conversion of the Series 1 Class A Convertible Preferred Stock issued by the Company, and (vii) warrants to purchase up to 296,000 shares of the Company's Common Stock related to the Series 1 Class A Convertible Preferred Stock, there are no subscriptions, options, warrants, rights or agreements (contingent or otherwise) providing for the issuance by the Company of Common Stock or other equity securities of the Company having rights, benefits or privileges equal or superior to that of the Common Stock.

3.4 Full Disclosure. The Company is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act") and has within the previous 12 months filed with the Securities and Exchange Commission all reports, proxy statements and other information in respect to the Company required under the Exchange Act. No such report or
information filed with the SEC within the previous 2 years, and no information or report furnished by the Company to the Lender in connection with the negotiation or execution of this Agreement (all of which information or reports so furnished are set forth in Section 5.2 hereof), contained any misstatement of a material fact as of the date when made or omitted to state a material fact required to be stated therein or necessary to make the statements contained therein, in light of the circumstances under which they were made, not misleading as of the date when made.

ARTICLE IV

DEFAULTS

4.1 Defaults. The occurrence of any one or more of the following events shall constitute an "Event of Default":

(a) The Company shall fail to pay any principal or interest due on the Note within 5 days of its due date;

(b) Any representation or warranty made by the Company herein shall prove to have been false in any material respect;

(c) The Company shall: (i) fail, or admit in writing its inability, to pay its debts as they mature; or (ii) make a general assignment for the benefit of creditors or to an agent authorized to liquidate any substantial amount of its property; or (iii) become the subject of an "order for relief" within the meaning of the United States Bankruptcy Code; or (iv) become the subject of a creditor's petition for liquidation, reorganization or to effect a plan or other arrangement with creditors which petition has not been dismissed or stayed within 90 days of the filing thereof; or (v) apply to a court for the appointment of a custodian or receiver for any of its assets; or (vi) have a custodian or receiver appointed for substantially all of its assets (with or without its consent); provided that, if the appointment is without the Company's consent, such appointment has not been vacated or stayed within 90 days of such appointment; or (vii) otherwise become the subject of any insolvency proceedings (and if such proceedings are commenced without the Company's consent, such proceedings shall not have been dismissed within 90 days after commencement thereof) or propose or enter into any formal or informal composition or arrangement with its creditors.

(d) This Agreement, the Note, the Warrant, or any other warrant described in section 3.3(ii) hereof, shall, at any time after their respective execution and delivery, and for any reason other than full performance thereof, cease to be in full force and effect or be declared null and void, or the validity or enforceability thereof or hereof shall be contested by the Company or any shareholder of the Company, or the Company shall deny that it has any or further liability or obligation thereunder or hereunder, as the case may be.

4.2 Acceleration of Obligations. Upon the occurrence of any Event of Default:

(a) As to any Event of Default (other than an Event of Default under section 4.1(c)) and at any time thereafter during which such Event of Default is continuing, and in each case, the Lender may, by written notice to the Company, immediately declare the unpaid principal balance of the Note, together with all interest accrued thereon, to be immediately due and payable; and the unpaid principal balance of and accrued interest on such Note shall thereupon
be due and payable without further notice of any kind, all of which are hereby waived, and notwithstanding anything to the contrary herein or in the Note contained;

(b) As to any Event of Default under section 4.1(c), the unpaid principal balance of the Note, together with all interest accrued thereon, shall immediately and forthwith be due and payable, all without presentment, demand, protest, or further notice of any kind, all of which are hereby waived, notwithstanding anything to the contrary herein or in the Note contained; and

(c) As to each Event of Default, the Lender shall have all the remedies for default provided by applicable law.

ARTICLE V

MISCELLANEOUS

5.1 Expenses: Indemnities.

(a) The Company shall pay, or reimburse the Lender for (i) all out-of-pocket costs and expenses (including, without limitation, attorneys' fees and expenses not to exceed $2,500) paid or incurred by the Lender in connection with the negotiation, preparation, execution and delivery of this Agreement, the Note, the Warrant, the Stock Issuance Agreement, and any other document required hereunder or thereunder; (ii) all out-of-pocket costs and expenses (including, without limitation, reasonable attorneys' fees and expenses) paid or incurred by the Lender in connection with the negotiation, preparation, execution and delivery of any amendment, supplement, modification or waiver of any of the documents referenced above or before and after judgment in enforcing, protecting or preserving his rights under this Agreement, the Note, the Warrant, the Stock Issuance Agreement, and other documents required hereunder or thereunder; and (iii) any and all recording and filing fees and any and all stamp, excise, intangibles and other taxes (other than income taxes), if any, which may be payable or determined to be payable in connection with the negotiation, preparation, execution, delivery, administration or enforcement of this Agreement, the Note, the Warrant, the Stock Issuance Agreement, or any other document required hereunder or thereunder or any amendment, supplement, modification or waiver of or to any of the foregoing, or consummation of any of the transactions contemplated hereby or thereby, including all costs and expenses incurred in contesting the imposition of any such tax, and any and all liability with respect to or resulting from any delay in paying the same, whether such taxes are levied upon the Lender, the Company or otherwise.

(b) The Company agrees to indemnify the Lender against any and all losses, claims, damages, liabilities and expenses, (including, without limitation, reasonable attorneys' fees and expenses) incurred by the Lender arising out of or resulting from (i) any acquisition or attempted acquisition of stock or assets of another person or entity by the Company or any subsidiary, (ii) the use of any of the proceeds of the loan made hereunder by the Company for the making or furtherance of any such acquisition or attempted acquisition, (iii) the construction or operation of any facility owned or operated by the Company or any subsidiary, or resulting from any pollution or other environmental condition on the site of, or caused by, any such facility, (iv) the negotiation, preparation, execution, delivery and enforcement of this Agreement, the Note, the Warrant, the Stock Issuance Agreement, and any other
document required hereunder or thereunder, including without limitation any amendment, supplement, modification or waiver of or to any of the foregoing or the consummation or failure to consummate the transactions contemplated hereby or thereby, or the performance by the parties of their obligations hereunder or thereunder, (v) any claim, litigation, investigation or proceedings related to any of the foregoing, whether or not the Lender is a party thereto; provided, however, that such indemnity shall not apply to any such losses, claims, damages, liabilities or related expenses arising from (A) any breach by the Lender of his obligations under this Agreement, or in his fiduciary duties as a director of the Company for which he would not otherwise be entitled to indemnification as a director of the Company, (B) any commitment made by the Lender to a person other than the Company which would be breached by the performance of the Lender’s obligations under this Agreement or (C) Lender’s gross negligence or willful misconduct; and provided further that clauses (i), (ii) and (iii) of this paragraph shall apply only to losses, claims, damages, liabilities and expenses arising out of or resulting from third party claims.

(c) The foregoing agreements and indemnities shall remain operative and in full force and effect regardless of termination of this Agreement, the consummation of or failure to consummate either the transactions contemplated by this Agreement or any amendment, supplement, modification or waiver, the repayment of the loan made hereunder, the invalidity or unenforceability of any term or provision of this Agreement, the Note, the Warrant, the Stock Issuance Agreement, or any other document required hereunder or thereunder, any investigation made by or on behalf of the Lender, or the content or accuracy of any representation or warranty made under this Agreement or any other document required hereunder or thereunder.

5.2 Securities Act of 1933. (a) With respect to the Note and the Warrant to be issued to the Lender, the Lender hereby represents, warrants and covenants as follows:

(i) He understands that the issuance of the Note and the Warrant has not been registered under the Securities Act of 1933, as amended (the "Act") or applicable state securities laws (collectively, the "Laws") on the basis that the issuance of the Note and the Warrant is exempt from such registration under the Act and Laws based in part upon the representations made herein;

(ii) He does not presently intend to sell or otherwise dispose of the Note or the Warrant being issued to him hereunder;

(iii) He is acquiring the Note and the Warrant for investment purposes only and for his own account and not with a present view to sell or otherwise distribute the same, and he will not sell or otherwise distribute the Note or the Warrant without registration under the Act and applicable Laws or pursuant to applicable exemptions therefrom;

(iv) He is an "accredited investor" under the Act and the rules promulgated thereunder;

(v) He has been given access to and has carefully reviewed the Company's Form 10-K and annual report to shareholders for the year ended September 30, 1998. He desires no additional information to evaluate the merits and risks of the issuance of the Note and the Warrant hereunder, and he is not relying upon any other information in connection therewith.
(vi) He has been given an opportunity to ask questions of, and receive answers from, management of the Company concerning the issuance of the Note and the Warrant hereunder, and has been given access to all information which he has deemed necessary to verify the accuracy of the information furnished to him;

(vii) He has such knowledge and experience in financial and business matters that he is capable of evaluating the merits and risks of the transactions contemplated by this Agreement, has carefully reviewed all information indicated above and, by virtue of such review, understands and has evaluated the merits and risks of his participation in such transactions and has decided to go forward with such transactions; and

(viii) He understands that the Company is relying on the accuracy of the statements contained herein in entering into this Agreement and the transactions contemplated herein.

5.3 Successors. The provisions of this Agreement shall inure to the benefit of any holder of the Note or Warrant, and shall inure to the benefit of and be binding upon any successor to any of the parties hereto. No delay on the part of the Lender or any holder of the Note or a Warrant in exercising any right, power or privilege hereunder shall operate as a waiver thereof nor shall any single or partial exercise of any right, power or privilege hereunder preclude other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies herein specified are cumulative and are not exclusive of any rights or remedies which the Lender or the holder of the Note or a Warrant would otherwise have.

5.4 Survival. All agreements, representations and warranties made herein shall survive the execution of this Agreement, the making of the loan hereunder and the execution and delivery of the Note and the Warrant.

5.5 Wisconsin Law. This Agreement and the Note and Warrant issued hereunder shall be governed by and construed in accordance with the internal laws of the State of Wisconsin, except to the extent superseded by federal law.

5.6 Counterparts. This Agreement may be signed in any number of counterparts with the same effect as if the signatures thereto and hereto were upon the same instrument.

5.7 Notices. All communications or notices required under this Agreement shall be deemed to have been given on the date when deposited in the United States mail, postage prepaid, and addressed as follows (unless and until any of such parties advises the other in writing of a change in such address): (a) if to the Company, with the full name and address of the Company as shown on this Agreement below; and (b) if to the Lender, with the full name and address of the Lender as shown on this Agreement above.

5.8 Entire Agreement; No Agency. This Agreement and the other documents referred to herein contain the entire agreement between the Lender and the Company with respect to the subject matter hereof, superseding all previous communications and negotiations, and no representation, undertaking, promise or condition concerning the subject matter hereof shall be binding upon the Lender unless clearly expressed in this Agreement or in the other documents referred to herein. Nothing in this Agreement or in the other documents referred to herein and no action taken pursuant hereto shall cause either the Company or the Lender to be treated as an agent of the other, or shall be deemed to constitute a partnership, association, joint venture or other entity.
5.9 Consent to Jurisdiction. The parties hereto hereby consent to the jurisdiction of any state or federal court situated in Ozaukee County or Milwaukee County, Wisconsin, and waive any objection based on lack of personal jurisdiction, improper venue or forums non conveniens, with regard to any actions, claims disputes or proceedings relating to this Agreement, the Note, the Warrant or any other document delivered hereunder or in connection therewith, or any transaction arising from or connected to any of the foregoing. Nothing herein shall affect jurisdiction of any other state or federal court or the parties' rights to serve process in any manner permitted by law.

5.10 Waiver of Jury Trial. The Company and the Lender hereby jointly and severally waive any and all right to trial by jury in any action or proceeding relating to this Agreement, the Note, the Warrant or any other document delivered hereunder or in connection therewith, or any transaction arising from or connected to any of the foregoing. The Company and the Lender each represent that this waiver is knowingly, willingly and voluntarily given. If the foregoing is satisfactory to you please sign the form of acceptance below and return a signed counterpart hereof to the Company, whereupon this instrument will evidence a binding agreement between the Lender and the Company.

Very truly yours,

THE FEMALE HEALTH COMPANY
Address: Suite 3660
875 North Michigan Ave.
Chicago, Illinois 60611

By: _______________________________
President

The foregoing Agreement is hereby confirmed and accepted as of the date thereof.

/s/ O.B. Parrish
-------------------
O.B. Parrish
NOTE PURCHASE AND WARRANT AGREEMENT

March 25, 1999

Stephen M. Dearholt
Insurance Processing Center
741 North Milwaukee Street
Milwaukee, Wisconsin 53202

THE FEMALE HEALTH COMPANY, a Wisconsin corporation (the "Company"), and you entered into a Note Purchase and Warrant Agreement, dated March 25, 1998 pursuant to which you purchased a promissory note in the principal amount of $1,000,000 from the Company (the "1998 Note"). The Company hereby requests that you, Stephen M. Dearholt (hereinafter referred to as the "Lender"), surrender the 1998 Note in exchange for a new promissory note in the principal amount of $1,000,000 from the Company on the terms and conditions set forth below.

ARTICLE I
NOTE

1.1 Purchase of Note. On the date hereof the Lender will accept a promissory note from the Company in the principal amount of $1,000,000 (the "Note") in the form of Exhibit A attached hereto in exchange for and upon surrender of the 1998 Note, together with payment of all accrued interest on the 1998 Note to the date hereof. The Note is being executed by the Company and delivered to the Lender against the delivery and in full payment of the 1998 Note.

ARTICLE II
THE WARRANT

2.1 Issuance of Warrant. On the date hereof the Company shall issue to Lender a warrant which shall entitle the Lender to purchase 200,000 of the issued and outstanding shares of Common Stock, $.01 par value per share, of the Company on the date of exercise at a purchase price of $1.16 per share (subject to adjustment as provided therein) in the form attached hereto as Exhibit B (the "Warrant").

ARTICLE III
REPRESENTATIONS AND WARRANTIES OF COMPANY

The Company represents and warrants to the Lender as follows:

3.1 Organization. The Company is a corporation duly organized and existing in active status under the laws of the State of Wisconsin, and has all requisite power and authority, corporate or otherwise, to conduct its business and to own its properties.

3.2 Authority. The execution, delivery and performance of this Agreement, the Note, the Warrant and the Stock Issuance Agreement between the Company and Lender of even date herewith (the "Stock Issuance Agreement") are within the corporate powers of the Company, have been duly authorized by all necessary corporate action and do not and will not (i) require any consent or approval of the stockholders of the Company; (ii) violate any provision of the amended and restated articles of incorporation or amended and restated by-laws of the Company or of any law, rule, regulation, order, writ, judgment, injunction, decree, determination or award presently in effect having applicability to the Company; (iii) require the consent or approval of, or filing or registration with, any governmental body, agency or authority except for filing with the Securities and Exchange Commission, applicable state securities regulatory agencies as required to register the resale of any of the shares issued upon exercise of the Warrant or pursuant to the Stock Issuance Agreement under the Securities Act of 1933, as amended, and the securities laws of all applicable states; or (iv) result in a breach of or constitute a default under, or result in the imposition of any lien, charge or encumbrance upon any property of the Company pursuant to, any indenture or other agreement or instrument under which the Company is a party or by which it or its properties may be bound or affected. This Agreement constitutes, and the Note, the Warrant and the Stock Issuance Agreement when executed and delivered hereunder will each constitute, legal, valid and binding obligations of the Company enforceable in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency or similar laws now or hereafter in effect affecting the Company.
3.3 Capital Stock. The authorized capital stock of the Company consists of 15,000,000 shares of Common Stock, $.01 par value per share and 5,000,000 shares of Class A Preferred Stock, $.01 par value per share. There are presently outstanding 10,446,227 shares of Common Stock, and 670,000 shares of Class A Convertible Preferred Stock Series 1. Other than (i) the Warrant and 200,000 shares of Common Stock to be issued to the Lender upon certain contingencies set forth in a Stock Issuance Agreement between the Company and Lender of even date, (ii) other warrants to purchase shares of Common Stock issued to the Lender pursuant to Note Purchase and Warrant Agreements dated March 25, 1997, March 25, 1998, and February 12, 1999, to the Lender and William Lacy pursuant to a Note Purchase Agreement dated March 25, 1996, and to the Lender and an affiliate of Lender pursuant to a Note Purchase and Warrant Agreement dated November 21, 1995, (iii) warrants to purchase 10,000 shares of Common Stock issued to O. B. Parrish and 10,000 shares of Common Stock to be issued to Mr. Parrish upon certain contingencies set forth in a Stock Issuance Agreement, dated February 18, 1999, between the Company and Mr. Parrish, and (iv) such other rights, options and warrants to purchase shares of Common Stock as disclosed in the Company's public filings, there are no subscriptions, options, warrants, rights or agreements (contingent or otherwise) providing for the issuance by the Company of Common Stock or other equity securities of the Company having rights, benefits or privileges equal or superior to that of the Common Stock.

3.4 Full Disclosure. The Company is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act") and has within the previous 12 months filed with the Securities and Exchange Commission all reports, proxy statements and other information in respect to the Company required under the Exchange Act. No such report or information filed with the SEC within the previous 2 years, and no information or report furnished by the Company to the Lender in connection with the negotiation or execution of this Agreement (all of which information or reports so furnished are set forth in Section 5.2 hereof), contained any misstatement of a material fact as of the date when made or omitted to state a material fact required to be stated therein or necessary to make the statements contained therein, in light of the circumstances under which they were made, not misleading as of the date when made.
4.1 Defaults. The occurrence of any one or more of the following events shall constitute an "Event of Default":

(a) The Company shall fail to pay any principal or interest due on the Note within 5 days of its due date;

(b) Any representation or warranty made by the Company herein shall prove to have been false in any material respect;

(c) The Company shall: (i) fail, or admit in writing its inability, to pay its debts as they mature; or (ii) make a general assignment for the benefit of creditors or to an agent authorized to liquidate any substantial amount of its property; or (iii) become the subject of an "order for relief" within the meaning of the United States Bankruptcy Code; or (iv) become the subject of a creditor's petition for liquidation, reorganization or to effect a plan or other arrangement with creditors which petition has not been dismissed or stayed within 90 days of the filing thereof; or (v) apply to a court for the appointment of a custodian or receiver for any of its assets; or (vi) have a custodian or receiver appointed for substantially all of its assets (with or without its consent); provided that, if the appointment is without the Company's consent, such appointment has not been vacated or stayed within 90 days of such appointment; or (vii) otherwise become the subject of any insolvency proceedings (and if such proceedings are commenced without the Company's consent, such proceedings shall not have been dismissed within 90 days after commencement thereof) or propose or enter into any formal or informal composition or arrangement with its creditors.

(d) This Agreement, the Note, the Warrant, or any other warrant described in section 3.3(ii) hereof, shall, at any time after their respective execution and delivery, and for any reason other than full performance thereof, cease to be in full force and effect or be declared null and void, or the validity or enforceability thereof or hereof shall be contested by the Company or any shareholder of the Company, or the Company shall deny that it has any or further liability or obligation thereunder or hereunder, as the case may be.

4.2 Acceleration of Obligations. Upon the occurrence of any Event of Default:

(a) As to any Event of Default (other than an Event of Default under section 4.1(c)) and at any time thereafter during which such Event of Default is continuing, and in each case, the Lender may, by written notice to the Company, immediately declare the unpaid principal balance of the Note, together with all interest accrued thereon, to be immediately due and payable; and the unpaid principal balance of and accrued interest on such Note shall thereupon be due and payable without further notice of any kind, all of which are hereby waived, and notwithstanding anything to the contrary herein or in the Note contained;

(b) As to any Event of Default under section 4.1(c), the unpaid principal balance of the Note, together with all interest accrued thereon, shall immediately and forthwith be due and payable, all without presentment, demand, protest, or further notice of any kind, all of which are hereby waived, notwithstanding anything to the contrary herein or in the Note contained; and

(c) As to each Event of Default, the Lender shall have all the remedies for default provided by applicable law.

ARTICLE V
MISCELLANEOUS

5.1 Expenses: Indemnities.
(a) The Company shall pay, or reimburse the Lender for (i) all out-of-pocket costs and expenses (including, without limitation, attorneys' fees and expenses not to exceed $2,500) paid or incurred by the Lender in connection with the negotiation, preparation, execution and delivery of this Agreement, the Note, the Warrant, the Stock Issuance Agreement, and any other document required hereunder or thereunder; (ii) all out-of-pocket costs and expenses (including, without limitation, reasonable attorneys' fees and expenses) paid or incurred by the Lender in connection with the negotiation, preparation, execution and delivery of any amendment, supplement, modification or waiver of any of the documents referenced above or before and after judgment in enforcing, protecting or preserving his rights under this Agreement, the Note, the Warrant, the Stock Issuance Agreement, and other documents required hereunder or thereunder; and (iii) any and all recording and filing fees and any and all stamp, excise, intangibles and other taxes (other than income taxes), if any, which may be payable or determined to be payable in connection with the negotiation, preparation, execution, delivery, administration or enforcement of this Agreement, the Note, the Warrant, the Stock Issuance Agreement, or any other document required hereunder or thereunder or any amendment, supplement, modification or waiver of or to any of the foregoing, or consummation of any of the transactions contemplated hereby or thereby, including all costs and expenses incurred in contesting the imposition of any such tax, and any and all liability with respect to or resulting from any delay in paying the same, whether such taxes are levied upon the Lender, the Company or otherwise.

(b) The Company agrees to indemnify the Lender against any and all losses, claims, damages, liabilities and expenses, (including, without limitation, reasonable attorneys' fees and expenses) incurred by the Lender arising out of or resulting from (i) any acquisition or attempted acquisition of stock or assets of another person or entity by the Company or any subsidiary, (ii) the use of any of the proceeds of the loan made hereunder by the Company for the making or furtherance of any such acquisition or attempted acquisition, (iii) the construction or operation of any facility owned or operated by the Company or any subsidiary, or resulting from any pollution or other environmental condition on the site of, or caused by, any such facility, (iv) the negotiation, preparation, execution, delivery and enforcement of this Agreement, the Note, the Warrant, the Stock Issuance Agreement, and any other document required hereunder or thereunder, including without limitation any amendment, supplement, modification or waiver of or to any of the foregoing or the consummation or failure to consummate the transactions contemplated hereby or thereby, (v) any claim, litigation, investigation or proceedings related to any of the foregoing, whether or not the Lender is a party thereto; provided, however, that such indemnity shall not apply to any such losses, claims, damages, liabilities or related expenses arising from (A) any breach by the Lender of his obligations under this Agreement, or in his fiduciary duties as a director of the Company for which he would not otherwise be entitled to indemnification as a director of the Company, (B) any commitment made by the Lender to a person other than the Company which would be breached by the performance of the Lender's obligations under this Agreement or (C) Lender's gross negligence or willful misconduct; and provided further that clauses (i), (ii) and (iii) of this paragraph shall apply only to losses, claims, damages, liabilities and expenses arising out of or resulting from third party claims.

(c) The foregoing agreements and indemnities shall remain operative and in full force and effect regardless of termination of this Agreement, the consummation of or failure to consummate either the transactions contemplated by this Agreement or any amendment, supplement, modification or waiver, the repayment of the loan made hereunder, the invalidity or unenforceability of any
term or provision of this Agreement, the Note, the Warrant, the Stock Issuance Agreement, or any other document required hereunder or thereunder, any investigation made by or on behalf of the Lender, or the content or accuracy of any representation or warranty made under this Agreement or any other document required hereunder or thereunder.

5.2 Securities Act of 1933. (a) With respect to the Note and the Warrant to be issued to the Lender, the Lender hereby represents, warrants and covenants as follows:

(i) He understands that the issuance of the Note and the Warrant has not been registered under the Securities Act of 1933, as amended (the "Act") or applicable state securities laws (collectively, the "Laws") on the basis that the issuance of the Note and the Warrant is exempt from such registration under the Act and Laws based in part upon the representations made herein;

(ii) He does not presently intend to sell or otherwise dispose of the Note or the Warrant being issued to him hereunder;

(iii) He is acquiring the Note and the Warrant for investment purposes only and for his own account and not with a present view to sell or otherwise distribute the same, and he will not sell or otherwise distribute the Note or the Warrant without registration under the Act and applicable Laws or pursuant to applicable exemptions therefrom;

(iv) He is an "accredited investor" under the Act and the rules promulgated thereunder;

(v) He has been given access to and has carefully reviewed the Company's Form 10-Q for the first fiscal quarter of 1999, the Company's Form 10-K and annual report to shareholders for the year ended September 30, 1998, and the Company's Proxy Statement for the 1999 annual meeting of shareholders. He desires no additional information to evaluate the merits and risks of the issuance of the Note and the Warrant hereunder, and he is not relying upon any other information in connection therewith.

(vi) He has been given an opportunity to ask questions of, and receive answers from, management of the Company concerning the issuance of the Note and the Warrant hereunder, and has been given access to all information which he has deemed necessary to verify the accuracy of the information furnished to him;

(vii) He has such knowledge and experience in financial and business matters that he is capable of evaluating the merits and risks of the transactions contemplated by this Agreement, has carefully reviewed all information indicated above and, by virtue of such review, understands and has evaluated the merits and risks of his participation in such transactions and has decided to go forward with such transactions; and

(viii) He understands that the Company is relying on the accuracy of the statements contained herein in entering into this Agreement and the transactions contemplated herein.

5.3 Successors. The provisions of this Agreement shall inure to the benefit of any holder of the Note or Warrant, and shall inure to the benefit of and be binding upon any successor to any of the parties hereto. No delay on the part of the Lender or any holder of the Note or a Warrant in exercising any right,
power or privilege hereunder shall operate as a waiver thereof nor shall any single or partial exercise of any right, power or privilege hereunder preclude other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies herein specified are cumulative and are not exclusive of any rights or remedies which the Lender or the holder of the Note or a Warrant would otherwise have.

5.4 Survival. All agreements, representations and warranties made herein shall survive the execution of this Agreement, the making of the loan hereunder and the execution and delivery of the Note and the Warrant.

5.5 Wisconsin Law. This Agreement and the Note and Warrant issued hereunder shall be governed by and construed in accordance with the internal laws of the State of Wisconsin, except to the extent superseded by federal law.

5.6 Counterparts. This Agreement may be signed in any number of counterparts with the same effect as if the signatures thereto and hereto were upon the same instrument.

5.7 Notices. All communications or notices required under this Agreement shall be deemed to have been given on the date when deposited in the United States mail, postage prepaid, and addressed as follows (unless and until any of such parties advises the other in writing of a change in such address): (a) if to the Company, with the full name and address of the Company as shown on this Agreement below; and (b) if to the Lender, with the full name and address of the Lender as shown on this Agreement above.

5.8 Entire Agreement; No Agency. This Agreement and the other documents referred to herein contain the entire agreement between the Lender and the Company with respect to the subject matter hereof, superseding all previous communications and negotiations, and no representation, undertaking, promise or condition concerning the subject matter hereof shall be binding upon the Lender unless clearly expressed in this Agreement or in the other documents referred to herein. Nothing in this Agreement or in the other documents referred to herein and no action taken pursuant hereto shall cause either the Company or the Lender to be treated as an agent of the other, or shall be deemed to constitute a partnership, association, joint venture or other entity.

5.9 Consent to Jurisdiction. The parties hereto hereby consent to the exclusive jurisdiction of any state or federal court situated in Ozaukee County or Milwaukee County, Wisconsin, and waive any objection based on lack of personal jurisdiction, improper venue or forums non conveniens, with regard to any actions, claims disputes or proceedings relating to this Agreement, the Note, the Warrant or any other document delivered hereunder or in connection herewith, or any transaction arising from or connected to any of the foregoing. Nothing herein shall affect the parties' rights to serve process in any manner permitted by law.

5.10 Waiver of Jury Trial. The Company and the Lender hereby jointly and severally waive any and all right to trial by jury in any action or proceeding relating to this Agreement, the Note, the Warrant or any other document delivered hereunder or in connection herewith, or any transaction arising from or connected to any of the foregoing. The Company and the Lender each represent that this waiver is knowingly, willingly and voluntarily given. If the foregoing is satisfactory to you please sign the form of acceptance below and return a signed counterpart hereof to the Company, whereupon this
instrument will evidence a binding agreement between the Lender and the Company.

Very truly yours,

THE FEMALE HEALTH COMPANY
Address: Suite 3660
        875 North Michigan Avenue
        Chicago, Illinois 60611

By:   /s/ O.B. Parrish
      ------------------------
      Chairman of the Board and
      Chief Executive Officer

The foregoing Agreement is hereby confirmed and accepted as of the date thereof.

    /s/ Stephen M. Dearholt
    ------------------------
    Stephen M. Dearholt
FOR VALUE RECEIVED, THE FEMALE HEALTH COMPANY, a Wisconsin corporation, promises to pay to the order of Stephen M. Dearholt, at his office in the City of Milwaukee, Wisconsin, the principal sum of One Millions Dollars ($1,000,000.00), payable in full on March 25, 2000.

The unpaid principal balance hereof shall bear interest, payable monthly on the last day of each calendar month commencing March 31, 1999, and at maturity (whether stated maturity or upon acceleration), computed at a rate equal to 12% per annum. Principal amounts unpaid at the maturity thereof (whether by fixed maturity or acceleration) shall bear interest from and after maturity until paid computed at a rate equal to 18% per annum. Principal of and interest on this Note shall be payable in lawful money of the United States.

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

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

THE FEMALE HEALTH COMPANY

By: O.B. Parrish
-------------------
President
STOCK ISSUANCE AGREEMENT

THIS AGREEMENT, is made as of March 25, 1999 between STEPHEN M. DEARHOLT, an adult resident of the State of Wisconsin ("Lender") and THE FEMALE HEALTH COMPANY a Wisconsin corporation (the "Company").

RECITALS

A. The Company desires to issue and sell its Promissory Note in the principal amount of One Million Dollars ($1,000,000) (the "Note") to Lender pursuant to a Note Purchase and Warrant Agreement of even date among the Lender and the Company (the "Note Purchase and Warrant Agreement"), and in exchange for and upon surrender of the rights and interests of Lender under the Stock Issuance Agreement, dated as March 25, 1998, among the Lender and the Company (the "1998 Stock Issuance Agreement").

B. Lender has required, as a condition of providing the loan to the Company under the Note Purchase and Warrant Agreement that the Company enter into this Agreement and undertake the obligations and liabilities set forth herein.

C. It is necessary and in the business interests of the Company that the Lender enter into the Note Purchase and Warrant Agreement.

COVENANTS:

IN CONSIDERATION of these premises and other good and valuable consideration receipt of which is hereby acknowledged, it is agreed that:

1. Issuance and Sale of Shares. (a) The Company agrees that in the event the Company shall default in the payment of principal due on the Note and shall fail to pay such principal amount within five (5) days of receipt of written notice of default from the Lender, the Company shall issue to The Lender two hundred thousand (200,000) fully paid and non-assessable shares of Common Stock, $.01 par value per share, of the Company; provided that the Company shall issue to the Lender a proportionately fewer or greater number of shares of such Common Stock if the Company combines by reverse stock split or otherwise or subdivides by stock split, stock dividend or otherwise its outstanding Common Stock. The Company shall be obligated to issue, and the Lender shall have the right to receive, all such shares without payment of any further consideration whatsoever. Notwithstanding the foregoing, the Company shall remain liable for all amounts remaining due under and in accordance with the terms of the Note.

(b) At such time, if any, as the Company shall become obligated to issue shares of its Common Stock to the Lender pursuant to Section 1(a) of this Agreement, the Lender shall be entitled to receive a certificate or certificates representing such shares of Common Stock, which certificate(s) may contain a standard legend indicating that such shares have not been registered under the Securities Act of 1933, as amended (the "Securities Act") and prohibiting resale thereof without registration or an opinion of counsel that an exemption from registration is available. Subject to the Company's Amended and Restated Articles of Incorporation, certificates for the shares of Common Stock required to be issued hereunder shall be delivered to the Lender within a reasonable time, not exceeding ten days, after the Company shall have become obligated to issue such shares pursuant to Section 1(a) hereof.

2. Reservation of Shares.

The Company covenants and agrees that the shares of Common Stock issuable hereunder will, upon such issuance in accordance herewith, be duly authorized, validly issued, fully paid and nonassessable (except as set forth in Section 180.0622(2)(b), Wis. Stats., as amended and interpreted) and free from all taxes, liens and charges. The Company further covenants and agrees that, prior to the Termination Date (as hereinafter defined) it will at all times have authorized and reserved a sufficient number of shares of its Common Stock to provide for the issuance of the shares required by this Agreement.

3. Issuance of Preferred Stock. Prior to the Termination Date, the Company will not issue any capital stock of any class preferred as to dividends or as to the distribution of assets upon voluntary or involuntary liquidation, dissolution or winding up, unless the rights of the holders thereof shall be limited to a fixed sum or percentage of par value in respect of participation...
4. Anti-Dilution Provisions. The above provisions are, however, subject to the following:

(a) If any capital reorganization or reclassification of the capital stock of the Company, or consolidation or merger of the Company with another corporation, or the sale of all or substantially all of its assets to another corporation shall be effected in such a way that holders of Common Stock shall be entitled to receive stock, securities or assets with respect to or in exchange for Common Stock, then, as a condition of such reorganization, reclassification, consolidation, merger or sale, lawful and adequate provision shall be made whereby the Lender shall hereafter have the right to receive upon the basis and upon the terms and conditions specified in this Agreement and in lieu of the shares of the Common Stock of the Company immediately theretofore receivable hereunder, such shares of stock, securities or assets as may be issued or payable with respect to or in exchange for a number of outstanding shares of such Common Stock equal to the number of shares of such stock immediately theretofore receivable hereunder had such reorganization, reclassification, consolidation, merger or sale not taken place, and in any such case appropriate provision shall be made with respect to the rights and interests of the Lender hereunder to the end that the provisions hereof shall thereafter be applicable, as nearly as may be, in relation to any shares of stock, securities or assets thereafter issuable hereunder. The Company shall not effect any such consolidation, merger or sale, unless prior to the consummation thereof the successor corporation (if other than the Company) resulting from such consolidation or merger or the corporation purchasing such assets shall assume by written instrument executed and mailed to the Lender at the last address specified pursuant to Section 11 hereof, the obligation to issue and deliver to the Lender such shares of stock, securities or assets as, in accordance with the foregoing provisions, he may be entitled to receive.

5. Certain Events. If any event occurs as to which the provisions for the issuance of Common Stock set forth in this Agreement are not strictly applicable or, if strictly applicable would not fairly protect the rights of the Lender in accordance with the essential intent and principles of such provisions, then the Board of Directors of the Company shall make an adjustment in the application of such provisions, in accordance with such essential intent and principles, so as to protect the Lender's rights as aforesaid.

6. Termination Date. The obligation of the Company to issue, and the right of the Lender to receive, Common Stock pursuant to this Agreement shall terminate at such time as the Company shall have made payment in full of the
Note, and such payments are not subject to any right of recovery (the “Termination Date”).

7. Issue Tax. The issuance of certificates for shares of Common Stock pursuant to this Agreement shall be made without charge to the Lender for any issuance tax in respect thereof.

8. Registration Rights. All references in this Section 8 to Common Stock shall be deemed to include Other Securities as applicable.

8.1 Demand Registration. At any time following the issuance of Common Stock pursuant to this Agreement, the Lender may demand registration under the Securities Act of all or part of the Common Stock which has been issued pursuant to this Agreement, on Form S-1 or any similar long-form registration or, in the Company’s sole discretion, on Form S-2 or S-3 or any similar short-form registration, if available under applicable rules of the SEC. The written request to be delivered by the Lender to the Company pursuant to this Section 8.1 shall (i) specify the number of shares intended to be offered and sold by the Lender, (ii) express the present intent of the Lender to offer such shares for distribution, and (iii) describe the nature and method of the proposed offer and sale thereof. The registration requested pursuant to this Section 8.1 is referred to herein as “Demand Registration”.

(a) Number of Registrations. Notwithstanding any contrary provision contained in this Agreement (except the last sentence of this Section 8.1(a) which shall continue to apply), the Note Purchase and Warrant Agreement between the Company and Stephen M. Dearholt of even date, the Warrant issued by the Company to Stephen M. Dearholt as of even date, and such other documents, agreements and warrants under which the Lender may demand registration under the Securities Act, the Lender shall be entitled to one or more Demand Registration under all such documents, and shall be entitled to include all of the stock received under all of such documents in any Demand Registration; provided, however, that any such Demand Registration shall include at least two hundred thousand (200,000) shares of Common Stock (subject to adjustment pursuant to Section 4(a)). A registration initiated as a Demand Registration may be withdrawn at any time at the request of the Lender; provided that in the event a registration initiated as a Demand Registration is so withdrawn, all registration expenses in connection with such withdrawn registration shall be paid by the Lender. In the event the Lender shall pledge or assign his rights and interests to all or part of the Common Stock issued to him hereunder as collateral pursuant to a borrowing, the rights to Demand Registrations hereunder may be assigned and transferred to a lender (and only one lender at any given time) in connection therewith and said lender shall be entitled to request such Demand Registration at any time notwithstanding the provisions of clauses (i) and (ii) of Section 8.1(c) below.

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

(c) Restrictions on Demand Registration. Subject to the last sentence of Section 8.1(a), the Company will not be obligated to effect a Demand Registration (i) within one hundred twenty (120) days after the effective date of a registration in which the Lender was given an opportunity to participate in a registered offering pursuant to Section 8.2 or (ii) within twelve (12) months of a Demand Registration given to the Lender pursuant to any other warrants or agreements between the Company and the Lender. The Company may postpone for up to ninety (90) days the filing or the effectiveness of a registration statement for a Demand Registration if the Company and the Lender reasonably and in good faith agree that such Demand Registration might have an adverse effect on any proposal or plan by the Company to engage in any financing, acquisition of assets (other than in the ordinary course of business) or any corporate reorganization, merger, consolidation, tender offer or similar transaction.

(d) Selection of Underwriters. If the Demand Registration involves an underwritten public offering, the Company will have the right to select the investment banker(s) and manager(s) to administer the offering, subject to the Lender's approval (which will not be unreasonably withheld) of such investment banker(s) and managers(s).

8.2 Participation in Registered Offerings. If the Company at any time or times proposes or is required to register any of its Common Stock or other equity securities for public sale in an underwritten public offering for cash (other than in connection with any stock option, bonus or other employee benefit plan or arrangement) under the Securities Act or any applicable state securities law, it will each such time give written notice to the Lender of its intention to do so. Upon the written request of the Lender given within thirty (30) business days after receipt of any such notice (which request shall state the intended method of disposition of such equity securities and shall state in reasonable detail, to the extent practicable, the net consideration, after all commissions and discounts which the prospective seller expects to receive upon such disposition), the Company shall use all reasonable efforts to cause all such Common Stock issued hereunder which the Lender so requested to be registered (which request will not be for less than fifty percent (50%) of the number of shares of Common Stock issued under this Agreement and all other agreements giving registration rights) to be registered under the Securities Act and any applicable state securities laws (provided, that if the managing underwriter advises that less than all of the registered shares of equity securities should be offered for sale so as not to materially and adversely affect the price or salability of the offering being registered by the Company or the Lender for a period not to exceed one hundred twenty (120) days, the Lender will withhold from sale for such period of time such number of shares of Common Stock as the underwriter may specify; provided further that a pro rata number of shares owned by all other shareholders of the Company also shall be similarly withheld from sale), all to the extent requisite to permit the sale or other disposition (in accordance with the intended method of disposition thereof as aforesaid) by the prospective seller or sellers of the securities so registered. In the event an underwriter is involved with a registration initiated by the Company of the Common Stock, and the Lender requests to participate in the registration, the Lender must commit to sell through the underwriter. The Company may, in its sole discretion, withdraw any
registration contemplated by this Section 8.2 and abandon the proposed offering in which the Lender had requested to participate without any further obligation to the Lender with respect to such registration statement or offering; provided however that the Lender shall be indemnified by the Company for any fees, costs and expense of and incidental to such registration, excluding the fees and disbursements of counsel acting solely on behalf of the Lender.

8.3 Obligations of The Lender. It shall be a condition precedent to the obligation of the Company to register any Common Stock pursuant to Sections 8.1 and 8.2 hereof that the Lender shall (i) furnish to the Company such information regarding the Common Stock held by him and the intended method of disposition thereof and other information concerning the Lender as the Company shall reasonably request and as shall be required in connection with the registration statement to be filed by the Company; (ii) agree to abide by such additional or customary terms affecting the proposed offering as reasonably may be requested by the managing underwriter of such offering, including a requirement, if applicable, to withhold (on a pro-rata basis) from the public market for a period of at least one hundred twenty (120) days after any such offering, any shares excluded from the offering at the instance of the underwriter as permitted under Sections 8.1 and 8.2 hereof; and (iii) agree in writing in form satisfactory to the Company to pay the underwriting discounts and commissions applicable to the Common Stock being sold by the Lender.

8.4 Registration Proceedings. If and whenever the Company is required by the provisions of Sections 8.1 and 8.2 hereof to effect the registration of the Common Stock under the Securities Act, until the securities covered by such registration statement have been sold or for six (6) months after effectiveness, whichever is the shorter period of time, the Company shall:

(a) Promptly prepare and file with the SEC a registration statement with respect to such Common Stock and use all reasonable efforts to cause such registration statement to become effective as soon as practicable after the filing thereof and to remain effective, subject to the Company's right to withdraw any registration contemplated by Section 8.2 hereof;

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

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

(d) Use all reasonable efforts to register or qualify the securities covered by such registration statement under such state securities or "Blue Sky" laws of such jurisdictions as the Lender may reasonably request within twenty (20) days prior to the original filing of such registration statement, except that the Company shall not for any purpose be required to qualify to do business as a foreign corporation in any jurisdiction wherein it is not so qualified, and except that the Company shall not be required to so register or qualify in more than twenty (20) such jurisdictions if in the good faith judgment of the managing underwriter such additional registrations or qualifications would be unreasonably expensive or harmful to the consummation of the proposed offering;
(e) Notify the Lender, promptly after it shall receive notice thereof, of the time when such registration statement has become effective or a supplement to any prospectus forming a part of such registration statement has been filed;

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

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

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

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

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

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

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

8.5 Expenses. With respect to each inclusion of Common Stock of the Lender in a registration statement pursuant to Sections 8.1 and 8.2 hereof, all registration expenses, fees, costs and expenses of and incidental to such registration, including any public offering in connection therewith, shall be borne by the Company (including the fees and disbursements of advisors retained by the Lender and counsel acting solely on behalf of the Lender); provided, however, that the Lender shall bear his pro rata share of the underwriting discount and commissions. The fees, costs and expenses of registration to be borne by the Company shall include, without limitation, all registration, filing and NASD fees, printing expenses, fees and disbursements of counsel and accountants for the Company (including the cost of any special audit requested in order to effect such registration), fees and disbursements of counsel for the underwriter or underwriters of such securities (if the Company and/or selling security holders are required to bear such fees and disbursements), all legal fees and disbursements and other expenses of complying with state securities or "Blue Sky" laws of any jurisdiction in which the securities to be offered are to be registered or qualified.
8.6 Indemnification of The Lender. Subject to the conditions set forth below, in connection with any registration of securities pursuant to Sections 8.1 or 8.2 hereof, the Company agrees to indemnify and hold harmless the Lender as follows:

(a) Against any and all loss, claim, damage and expense whatsoever arising out or based upon (including, but not limited to, any and all expense whatsoever reasonably incurred in investigating, preparing or defending any litigation, commenced or threatened, or any claim whatsoever based upon) any untrue or alleged untrue statement of a material fact contained in any preliminary prospectus (if used prior to the effective date of the registration statement), the registration statement or the final prospectus (as from time to time amended and supplemented if the Company shall have filed with the SEC any amendment thereof or amendment thereto) if used within the period during which the Company is required to keep the registration statement or prospectus current, or in any application or other document executed by the Company or based upon written information furnished by the Company filed in any jurisdiction in order to qualify the Company's securities under the securities laws thereof; or the omission or alleged omission therefrom of a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; or any other violation of applicable federal or state statutory or regulatory requirements or limitations relating to action or inaction by the Company in the course of preparing, filing, or implementing such registered offering; provided, however, that the indemnity agreement contained in this Section 8.6(a) shall not apply to any loss, claim, damage, liability or action arising out of or based upon any untrue or alleged untrue statement or omission made in reliance upon and in conformity with any information furnished in writing to the Company by or on behalf of the Lender expressly for use in connection therewith;

(b) Subject to the proviso contained in the last sentence of Section 8.6(a) above, against any and all loss, liability, claim, damage and expense whatsoever to the extent of the aggregate amount paid in settlement of any litigation, commenced or threatened, or of any claim whatsoever based upon any such untrue statement or omission or any such alleged untrue statement or omission (including, but not limited to, any and all expense whatsoever reasonably incurred in investigating, preparing or defending against any such litigation or claim) if such settlement is effected with the written consent of the Company and no indemnity shall inure to the benefit of the Lender if the person asserting the claim failed to receive a copy of the final prospectus at or prior to the written confirmation of the sale of shares of Common Stock to such person if the untrue statement or omission had been corrected in such final prospectus and the failure to receive such final prospectus is not a necessary element of such person's claim;

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

8.7 Indemnification of Company. In connection with any registered offering pursuant to Section 8.1 and 8.2 above, the Lender agrees to indemnify and hold harmless the Company and each of the officers and directors and agents of it and each other person, if any, who controls the Company within the meaning of Section 15 of the Securities Act against any and all such losses, liabilities, claims, damages and expenses as are indemnified against by the Company under Section 8.6 hereof; provided, however, that such indemnification shall be limited to statements or omissions, if any, made (or in settlement of any litigation effected with the written consent of the Lender alleged to have been made) in any preliminary prospectus, the registration statement or prospectus or any amendment or supplement thereof or any application or other document in reliance upon, and in conformity with, written information furnished in respect of the Lender, by or on behalf of the Lender expressly for use in any preliminary prospectus, the registration statement or prospectus or any amendment or supplement thereof or in any such application or other document. In case any action shall be brought against the Company, or any other person so indemnified based on any preliminary prospectus, the registration statement or prospectus or any amendment or supplement thereof or any such application or other documents, in respect of which indemnity may be sought against the Lender, it shall have the rights and duties given to the Company, and each other person so indemnified shall have the rights and duties given to the Lender, by the provisions of Section 8.6(c) hereof. The Company agrees to notify the Lender promptly after the assertion of any claim against the Company in connection with the sale of securities covered by this Agreement.

8.8 Future Registration Rights. The Company may agree with its shareholders other than the Lender to allow their participation in any registered offering which may be requested pursuant to Section 8.1 hereof, provided all such rights of participation under Section 8.1 hereof shall be subordinated to the rights of the Lender herein, in a manner reasonably satisfactory to the Lender and his counsel.

9. Definitions. When used in this Agreement, the following terms shall have the meanings specified:

(a) "Affiliate" shall mean any Person directly or indirectly controlling, controlled by or under direct or indirect common control with another Person. A Person shall be deemed to control a corporation if such Person possesses, directly or indirectly, the power to direct or cause the direction of the management and policies of such corporation, whether through the ownership of voting securities, by contract or otherwise.
(b) "Common Shares" shall mean and include the Company's presently authorized shares of Common Stock and shall also include any capital stock of any class of the Company hereafter authorized which shall not be limited to a fixed sum or percentage of par value in respect of the rights of the holders thereof to participate in dividends or in the distribution of assets upon the voluntary or involuntary liquidation, dissolution or winding up of the Company; provided that the shares issuable pursuant to this Agreement shall include shares designated as Common Stock of the Company on the date hereof or, in case of any reclassification of the outstanding shares thereof, the stock, securities or assets provided for in Section 4(a) hereof.

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

(d) "Other Securities", as used in Section 8 hereof, shall mean any stock (other than Common Stock) and other securities of the Company or any other Person (corporate or otherwise) which the Lender at any time shall be entitled to receive, or shall have received, under this Agreement, in lieu of or in addition to Common Stock, or which at any time shall be issuable or shall have been issued in exchange for or in replacement of Common Stock or Other Securities pursuant to Section 4 hereof or otherwise.

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

(f) "Termination Date" shall have the meaning assigned thereto in Section 6 hereof.

10. Descriptive Headings. The descriptive headings of the several sections of this Agreement are inserted for convenience only and do not constitute a part of this Agreement.

11. Notices. Any notice or other communication pursuant to this Agreement shall be in writing and shall be deemed sufficiently given upon receipt, if personally delivered or telecopied (with receipt acknowledged), or if mailed, upon deposit with the United States Postal Service by first class, certified or registered mail, postage prepaid, return receipt requested, addressed as follows:

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

(b) If to the Lender, to Stephen Dearholt, c/o Response Marketing, 741 North Milwaukee Street, Milwaukee Wisconsin 53202 or to such other address as The Lender has designated in writing to the Company.

12. Governing Law: Consent to Jurisdiction. The Company and the Lender each hereby consents to the exclusive jurisdiction of any state or federal court situated in Milwaukee County, Wisconsin, and waives any objection based on lack of personal jurisdiction, improper venue or forum non conveniens, with regard to any actions, claims, disputes or proceedings relating to this Agreement, or any document delivered hereunder or in connection herewith, or any transaction arising from or connected to any of the foregoing. Nothing herein shall affect either party's right to serve process in any manner permitted by law, or limit either party's right to bring proceedings against the other or their property
or assets in the competent courts of any other jurisdiction or jurisdictions. This Agreement shall be construed and interpreted in accordance with the internal laws of the State of Wisconsin.

13. Successors and Assigns. The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective heirs, personal representatives, successors and assigns.

14. Further Assurances. The Company agrees that it will execute and record such documents as the Lender shall reasonably request to secure for the Lender any of the rights represented by this Agreement.

15. 1998 Stock Issuance Agreement. This Agreement supersedes and replaces the 1998 Stock Issuance Agreement in its entirety, which shall be of no further force or effect as of the date hereof.

16. Entire Agreement: Amendment and Modifications. This Agreement constitutes the entire agreement between the Lender and the Company with respect to the subject matter hereof, superseding all previous communications and negotiations, and no representation, understanding, promise or condition concerning the subject matter hereof shall be binding upon either party unless expressed herein. This Agreement may be amended, modified or supplemented only by written agreement of the Company and the Lender.

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

THE FEMALE HEALTH COMPANY

By: /s/ O.B. Parrish

Chairman of the Board
and Chief Executive
Officer

/s/ Stephen M. Dearholt

-------------------------
Stephen M. Dearholt
EXHIBIT B

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

WARRANT
FOR THE PURCHASE OF COMMON STOCK
OF
THE FEMALE HEALTH COMPANY, INC.
Warrant Number 7

THIS CERTIFIES THAT, FOR VALUE RECEIVED, Stephen M. Dearholt, or assigns, is entitled to subscribe for and purchase from The Female Health Company, Inc. a Wisconsin corporation (the "Company"), 260,000 shares of the fully paid and non-assessable shares of Common Stock, $.01 par value per share, of the Company, at the Purchase Price (as hereinafter defined) per share.

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

1. Definitions. When used in this Warrant, the following terms shall have the meanings specified:

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

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

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

(d) "Expiration Date" shall mean the earliest to occur of the following: (i) the exercise of all of the rights to purchase Common Stock represented by this Warrant; or (ii) March 25, 2008.

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

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

(g) "Purchase Price" shall mean the per share purchase price of $1.16 (subject to adjustment under Section 5) to be paid for shares of Common Stock purchased
pursuant to the exercise of this Warrant.

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

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

2. Exercise: Issuance of Certificates: Payment for Shares. This Warrant
may be exercised by the Holder, in whole or in part, at any time and from time
to time on or after March 25, 1999, by the surrender of this Warrant (properly
endorsed if required), and payment by the Holder to the Company of the Purchase
Price for each share of Common Stock purchased with respect to such exercise by
wire transfer or certified or cashiers check. Upon such surrender and payment,
the Holder shall be entitled to receive a certificate or certificates
representing the shares of Common Stock so purchased, which certificate(s) may
contain a standard legend indicating that such shares have not been registered
under the Securities Act and prohibiting resale thereof without registration or
an opinion of counsel that an exemption from registration is available. The
Company agrees that the shares so purchased shall be deemed to be issued to the
Holder as the record owner of such shares as of the close of business on the
date on which this Warrant shall have been surrendered and payment made for
such shares as aforesaid. Subject to the Company's Amended and Restated
Articles of Incorporation, certificates for the shares of Common Stock so
purchased shall be delivered to the Holder within a reasonable time, not
exceeding ten days, after the rights represented by this Warrant shall have
been so exercised. If the rights of the Holder of this Warrant are exercised
in part, the number of shares of Common Stock which thereafter may be
purchased pursuant to this Warrant shall be reduced accordingly and the Company
shall reissue a Warrant or Warrants of like tenor representing in the aggregate
the right to purchase the number of shares of Common Stock as so reduced.

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

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

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

5. Anti-Dilution Provisions. The above provisions are, however, subject to the following:

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

(b) In case any time:

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

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

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

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

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

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

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

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

8. Issue Tax. The issuance of certificates for shares of Common Stock upon the total or partial exercise of this Warrant shall be made without charge to the Holder for any issuance tax in respect thereof.
9. **Closing of Books.** The Company will at no time close its transfer books against the transfer of this Warrant or act in any manner which interferes with the timely exercise of the rights represented by this Warrant.

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

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

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

12.1 **Demand Registration.** At any time (whether before or after the Expiration Date) following the exercise of the right to purchase Common Stock pursuant to this Warrant, a Holder may demand registration under the Securities Act of 1933, as amended (the "Securities Act") of the resale of all or part of the Common Stock issuable or which has been issued upon exercise of this Warrant, on Form S-1 or any similar long-form registration or, in the Company's sole discretion, on Form S-2 or S-3 or any similar short-form registration, if available under applicable rules of the SEC. If such request is made by less than all Holders, the Company shall send written notice of such registration request to the remaining Holders within 15 days of receipt of the initial registration request. Unless a remaining Holder shall deliver to the Company, within 20 days after such notice is sent by the Company, a written request for inclusion in the registration demanded by the initial request of all or part of the Common Stock issuable or which has been issued upon exercise of the Warrant held by such remaining Holder, all rights of such remaining Holder under this Section 12.1 shall be terminated. The written request to be delivered by a Holder to the Company pursuant to this Section 12.1 shall (i) specify the number of shares intended to be offered and sold by the Holder, (ii) express the present intent of the Holder to offer such shares for distribution, and (iii) describe the nature and method of the proposed offer and sale thereof. The registration requested pursuant to this Section 12.1 is referred to herein as "Demand Registration", which term shall also include any Demand Registration as defined in any of the Dearholt Stock Documents referenced in Section 12.1(a) hereof.

(a) **Number of Registrations.** Notwithstanding any contrary provision contained in this document, the Note Purchase and Warrant Agreement between the Company and Stephen M. Dearholt of even date, the Stock Issuance Agreement between such parties of even date (the "1999 Stock Issuance Agreement"), and such other documents, agreements and warrants that the Holder may demand registration under the Securities Act (collectively, the "Dearholt Stock Documents"), the Holder Group shall be entitled to an unlimited number of Demand Registrations
under all such Dearholt Stock Documents, and shall be entitled to include all or part of the stock received under any or all of such Dearholt Stock Documents in any Demand Registration, as the Holder Group shall request from time to time; provided, however, that, except for Demand Registrations requested pursuant to the last sentence of this Section 12.1(a), any such Demand Registration shall include at least two hundred thousand (200,000) shares of Common Stock (subject to adjustment pursuant to Section 5(a)). A registration initiated as a Demand Registration may be withdrawn at any time at the request of the Holders of a majority of the shares of the Common Stock requested to be included in such Demand Registration (the "Required Percentage"); provided that in the event a registration initiated as a Demand Registration is so withdrawn, all expenses in connection with such withdrawn registration (including, without limitation, reasonable fees of counsel and accountants for the Company) shall be paid by the participating Holders, pro rata. In the event Stephen M. Dearholt shall pledge or assign his rights and interests to all or part of the Common Stock issued to him upon exercise of this Warrant, or upon exercise of his rights under any of the Dearholt Stock Documents, as collateral pursuant to a borrowing, the rights to Demand Registrations hereunder may be assigned and transferred to said lender (and only one lender at any given time) in connection therewith, and said lender shall be entitled to request such Demand Registrations at any time, without regard to the two hundred thousand (200,000) share minimum under the first sentence of this Section 12.1(a), and notwithstanding the provisions of the first sentence of Section 12.1(c) below.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(l) At the request of a participating Holder (i) use all reasonable efforts to obtain and furnish on the effective date of the registration statement or, if such registration includes an underwritten public offering, at the closing provided for in the underwriting agreement, an opinion, dated such date, of the counsel representing the Company for the purposes of such registration, addressed to the underwriters, if any, and to each participating Holder, which shall contain such opinions as are customary in an underwritten public offering, or, if the offering is not underwritten, shall state that such registration statement has become effective under the Securities Act and that (or substantially to the effect that): (a) to the best of such counsel's knowledge, no stop order suspending the effectiveness thereof has been issued and no proceedings for that purpose have been instituted or are pending or contemplated under the Securities Act; (b) the registration statement, related prospectus and each amendment or supplement thereto comply as to form in all material respects with the requirements of the Securities Act and applicable rules and regulations of the SEC thereunder (except that such counsel need express no opinion as to financial statements, schedules or other financial or statistical data contained therein); (c) such counsel has no reason to believe that either the registration statement or the prospectus or any amendment or supplement thereto (other than financial statements and schedules or financial and statistical data, as to which such counsel need not comment) contains any
12.5 Expenses. With respect to each inclusion of Common Stock of a Holder in a registration statement pursuant to Sections 12.1 and 12.2 hereof, all registration expenses, fees, costs and expenses of and incidental to such registration, including any public offering in connection therewith shall be borne by the Company (excluding the fees and disbursements of advisors retained by the Holder and counsel acting solely on behalf of the Holder); provided, however, that the Holder shall bear the Holder's pro rata share of the underwriting discount and commissions (up to a maximum aggregate amount equal to 8% of the offering price of the Holder's shares so offered). The fees, costs and expenses of registration to be borne by the Company shall include, without limitation, all registration, filing and NASD fees, printing expenses, fees and disbursements of counsel and accountants for the Company (including the cost of any special audit requested in order to effect such registration), fees and disbursements of counsel for the underwriter or underwriters of such securities (if the Company and/or selling security holders are required to bear such fees and disbursements), all legal fees and disbursements and other expenses of complying with state securities or blue sky laws of any jurisdiction in which the securities to be offered are to be registered or qualified.

12.6 Indemnification of Holders. Subject to the conditions set forth below, in connection with any registration of securities pursuant to Sections 12.1 or 12.2 hereof, the Company agrees to indemnify and hold harmless each Holder and each person, if any, who controls the Holder (and the respective officers, directors and agents of Holders), within the meaning of Section 15 of the Securities Act, as follows:
(a) Against any and all loss, claim, damage and expense whatsoever arising out or based upon (including, but not limited to, any and all expense whatsoever reasonably incurred in investigating, preparing or defending any litigation, commenced or threatened, or any claim whatsoever based upon) any untrue or alleged untrue statement of a material fact contained in any preliminary prospectus (if used prior to the effective date of the registration statement), the registration statement or the final prospectus (as from time to time amended and supplemented if the Company shall have filed with the SEC any amendment thereof or amendment thereto) if used within the period during which the Company is required to keep the registration statement or prospectus current, or in any application or other document executed by the Company or based upon written information furnished by the Company filed in any jurisdiction in order to qualify the Company's securities under the securities laws thereof; or the omission or alleged omission therefrom of a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; or any other violation of applicable federal or state statutory or regulatory requirements or limitations relating to action or inaction by the Company in the course of preparing, filing, or implementing such registered offering; provided, however, that the indemnity agreement contained in this Section 12.6(a) shall not apply to any loss, claim, damage, liability or action arising out of or based upon any untrue or alleged untrue statement or omission (including, but not limited to, any and all expense whatsoever reasonably incurred in investigating, preparing or defending against any such litigation or claim) if such settlement is effected with the written consent of the Company and no indemnity shall inure to the benefit of the Holder or any controlling person thereof if the person asserting the claim failed to receive a copy of the final prospectus at or prior to the written confirmation of the sale of shares of Common Stock to such person if the untrue statement or omission had been corrected in such final prospectus and the failure to receive such final prospectus is not a necessary element of such person's claim;

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

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

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

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

13. Descriptive Headings. The descriptive headings of the several sections of this Warrant are inserted for convenience only and do not constitute a part of this Warrant.

14. Notices. Any notice or other communication pursuant to this Warrant shall be in writing and shall be deemed sufficiently given upon receipt, if personally delivered or telecopied (with receipt acknowledged), or if mailed, upon deposit with the United States Postal Service by first class, certified or registered mail, postage prepaid, return receipt requested, addressed as follows:
(a) If to the Company, to The Female Health Company, 875 North Michigan Street, Suite 3660, Chicago, Illinois 60611, Attention: Secretary, or such other address as the Company has designated in writing to the Holder.

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

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

16. Governing Law. This Warrant shall be construed and interpreted in accordance with the internal laws of the State of Wisconsin.

17. Successors and Assigns. The provisions of this Warrant shall be binding upon and inure to the benefit of the Company and the Holder and their respective successors, assigns and transferees.

18. Further Assurances. The Company agrees that it will execute and record such documents as the Holder shall reasonably request to secure for the Holder any of the rights represented by this Warrant.

19. Amendment and Modifications. This Warrant may be amended, modified or supplemented only by written agreement of the Company and the Holder.

IN WITNESS WHEREOF, The Female Health Company has caused this Warrant to be signed by its duly authorized officer and this Warrant to be dated as of March 25, 1999.

THE FEMALE HEALTH COMPANY

By: /s/ O.B. Parrish
Chairman of the Board
and Chief Executive Officer