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

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SCHEDULE 14D-9
Solicitation/Recommendation Statement Under
Section 14(d)(4) of the Securities Exchange Act of 1934

The Female Health Company
(Name of Subject Company)

The Female Health Company
(Name of Person Filing Statement)

Common Stock, par value $0.01 per share
(Title of Class of Securities)

314462102
(CUSIP Number of Class of Securities)

O.B. Parrish
Chairman of the Board of Directors, Chief Executive Officer and President
The Female Health Company
515 North State Street, Suite 2225
Chicago, Illinois 60610
(312) 595-9123
(Name, Address and Telephone Number of Person Authorized to Receive Notices and
Communications on Behalf of Person Filing Statement)

With a copy to:
James M. Bedore, Esq.
Benjamin G. Lombard, Esq.
Reinhart Boerner Van Deuren s.c.
1000 North Water Street, Suite 2100
Milwaukee, Wisconsin 53202
(414) 298-1000

☐ Check the box if the filing relates solely to preliminary communications made before the commencement of a tender offer.
Item 1. Subject Company Information.

(a) Subject Company. The name of the subject company to which this Solicitation/Recommendation Statement on Schedule 14D-9 (this “Schedule 14D-9”) relates is The Female Health Company, a Wisconsin corporation (“FHC” or the “Company”). The address of the principal executive offices of the Company is 515 North State Street, Suite 2225, Chicago, Illinois 60610, and its telephone number is (312) 595-9123.

(b) Class of Securities. The title of the class of equity securities to which this Schedule 14D-9 relates is the common stock, par value $0.01 per share, of the Company (the “Common Stock”). As of the close of business on March 30, 2007, there were 24,601,861 shares of Common Stock outstanding. The Common Stock is traded on the OTC Bulletin Board under the symbol “FHCO.”

Item 2. Identity and Background of Filing Person.

(a) Name and Address. The name, address and telephone number of the Company, which is the person filing this Schedule 14D-9, are set forth in Item 1(a) above.

(b) Tender Offer. This Schedule 14D-9 relates to a tender offer by Red Oak Fund, L.P. (the “Purchaser”), a Delaware limited liability company, disclosed in a Tender Offer Statement on Schedule TO, dated March 30, 2007 (as amended or supplemented from time to time, the “Schedule TO”), to purchase up to 1,200,000 shares of Common Stock at a purchase price of $2.27 per share, net to the seller in cash, without interest thereon (the “Offer Price”), upon the terms and subject to the conditions set forth in the Offer to Purchase, dated March 30, 2007 (as amended or supplemented from time to time, the “Offer to Purchase”), and in the related Letter of Transmittal (as amended or supplemented from time to time, the “Letter of Transmittal,” which together with the Offer to Purchase constitute the “Offer”). The Schedule TO was filed with the Securities and Exchange Commission (the “SEC”) on March 30, 2007. According to the Offer to Purchase, the Offer will expire at 5:00 P.M., New York Time, on April 30, 2007, unless the Offer is extended. Copies of the Offer to Purchase and Letter of Transmittal are filed as Exhibit (a)(1)(A) and Exhibit (a)(1)(B) hereto, respectively, and are incorporated herein by reference. This description of the terms of the Offer is qualified in its entirety by reference to the Offer to Purchase, Letter of Transmittal and other related materials.

As set forth in the Schedule TO, the address of the principal executive offices of the Purchaser is 145 Fourth Avenue, Suite 15A, New York, New York 10003, and its telephone number is (212) 614-8952.

Item 3. Past Contacts, Transactions, Negotiations and Agreements.

Except as set forth in this Schedule 14D-9, as of the date hereof, there are no agreements, arrangements or understandings or any actual or potential conflicts of interest between the Company or its affiliates and: (i) its executive officers, directors or affiliates; or (ii) the Purchaser or its executive officers, directors or affiliates.

2007 Proxy Statement

Information regarding any agreements, arrangements and understandings and any actual or potential conflicts of interest is included in the following sections of the Company’s Proxy Statement filed on Schedule 14A with the SEC on February 20, 2007 (the “2007 Proxy Statement”), which sections are filed as Exhibit (e)(1) hereto and are incorporated herein by reference: “Election of Directors” on pages 2-4 of the 2007 Proxy Statement, “Director Compensation and Benefits” on page 8 of the 2007 Proxy Statement, “Executive Officers” on pages 8-9 of the 2007 Proxy Statement, “Executive Compensation” on pages 10-12 of the 2007 Proxy Statement and “Certain Relationships and Related Transactions” on page 15 of the 2007 Proxy Statement.

Since the filing of the 2007 Proxy Statement, Robert R. Zic resigned as the Vice President-Finance of the Company on March 29, 2007.
Pursuant to sections 180.0850 to 180.0859 of the Wisconsin Business Corporation Law, the Company's directors and officers are entitled to mandatory indemnification from the Company against certain liabilities and expenses (i) to the extent such officers or directors are successful in the defense of a proceeding and (ii) in proceedings in which the director or officer is not successful in the defense thereof, unless (in the latter case only) it is determined that the director or officer breached or failed to perform his or her duties to the Company and such breach or failure constitutes: (a) willful failure to deal fairly with the Company or its shareholders in connection with a matter in which the director or officer had a material conflict of interest; (b) a violation of the criminal law unless the director or officer had reasonable cause to believe his or her conduct was lawful or had no reasonable cause to believe his or her conduct was unlawful; (c) a transaction from which the director or officer derived an improper personal profit; or (d) willful misconduct. It should be noted that section 180.0859 of the Wisconsin Business Corporation Law specifically states that it is the public policy of Wisconsin to require or permit indemnification in connection with a proceeding involving securities regulation, as described therein, to the extent required or permitted under sections 180.0850 to 180.0858 as described above. Additionally, under the Wisconsin Business Corporation Law, the Company's directors are not subject to personal liability to us, our shareholders or any person asserting rights on behalf thereof for certain breaches or failures to perform any duty resulting solely from their status as such directors, except in circumstances paralleling those in subparagraphs (a) through (d) outlined above.

Consistent with sections 180.0850 to 180.0859 of the Wisconsin Business Corporation Law, Article VIII of the Company's Amended and Restated By-Laws provides that the Company shall indemnify any person in connection with legal proceedings threatened or brought against him by reason of his present or past status as one of the Company's officers or directors in the circumstances described above. Article VIII of the Amended and Restated By-Laws also provides that the Company's directors are not subject to personal liability to the Company, its shareholders or persons asserting rights on behalf thereof, as provided in the Wisconsin Business Corporation Law. The Amended and Restated By-Laws also contain a nonexclusivity clause which provides in substance that the indemnification rights under the Amended and Restated By-Laws shall not be deemed exclusive of any other rights to which those seeking indemnification may be entitled under any agreement with the Company, any Amended and Restated By-Law or otherwise.

Standstill Agreement

See Item 4(b) below for a description of the Standstill Agreement that the Company entered into with the Purchaser on March 28, 2007.

Item 4. The Solicitation or Recommendation.

(a) Solicitation Recommendation—No Opinion/Remaining Neutral Toward the Offer.

The FHC Board is expressing no opinion to the Company's shareholders and is remaining neutral with respect to the Offer. The FHC Board has not made a determination whether the Offer is fair to or in the best interests of the Company's shareholders and is not making a recommendation regarding whether the FHC shareholders should accept the Offer and tender their shares, and if so how many shares to tender, or reject the Offer and not tender their shares.

The FHC Board has determined that a shareholder’s decision on whether or not to tender its shares in the Offer and, if so, how many shares to tender, is a personal investment decision based upon each individual shareholder’s particular circumstances. The FHC Board urges each shareholder to make its own decision regarding the Offer based on all of the available information, including the adequacy of the Offer Price in light of the shareholder’s own investment objectives, the shareholder’s views as to prospects and outlook, the factors considered by the FHC Board as described below and any other factors that the shareholder deems relevant to its investment decision. The FHC Board also urges each shareholder to consult with its financial and tax advisors regarding the Offer. The FHC Board notes that it observed that acceptance of the Offer would permit a shareholder to realize a premium to the trading price of the shares prior to the announcement of the Offer by the Purchaser, subject to the risk of the Offer being oversubscribed and the shares purchased on a pro rata basis, whereas a decision not to tender in the Offer would permit shareholders who believe the shares have a greater intrinsic value to realize greater long-term value if their view of the greater intrinsic value of the shares is recognized in the trading market.

On April 11, 2007, the Company issued a press release stating that the FHC Board had determined to express no opinion to its shareholders and to remain neutral with respect to the Offer. A copy of the Company's press release is filed herewith as Exhibit (a)(2) hereto and is incorporated herein by reference.
(b) Background and Reasons for the FHC Board's Position.

Background

The Purchaser originally contacted the Company's Chief Executive Officer in December 2006 to advise the Company that the Purchaser was a shareholder who wished to become a more significant shareholder but had not found shares of Common Stock available in the over-the-counter market. From time to time the Company's management attempted to help the Purchaser identify shares that might be available for purchase.

In February 2007, the Purchaser advised FHC's management that the Purchaser remained interested in acquiring additional shares of Common Stock and was considering a partial tender offer which would result in the Purchaser owning a larger, but non-controlling, position in the Company. The Purchaser informally requested access to the Company's shareholder list and consent to request the Company's transfer agent to serve as Depositary. After such request, the Company held discussions with the Purchaser concerning the Purchaser's desire to make a partial tender offer and negotiated a standstill agreement (the "Standstill Agreement"), which was executed as of March 28, 2007. The key provisions of the Standstill Agreement are:

- The Purchaser agreed not to acquire more than 15% of the Company's outstanding voting shares until the earlier of one year from March 28, 2007 or nine months from the expiration of the Offer (the "Standstill Period").

- During the Standstill Period, the Purchaser will not seek representation on the FHC board of directors, or propose any merger, sale of assets, other business combination or other extraordinary corporate transaction with FHC (including recapitalizations, dividends, share repurchases, and liquidations or other transactions which could result in a change of control) or encourage or solicit any other person to do so.

- The Purchaser agreed during the Standstill Period not to solicit any proxies or make any shareholder proposals to FHC.

- The Purchaser agreed not to enter into any voting trust or voting agreement with other persons with respect to FHC, form a "group" with respect to FHC which must be reported on Schedule 13D or otherwise seek to exercise control or influence over the management, board of directors or policies of FHC, during the Standstill Period.

- The Purchaser also agreed that during the Standstill Period and until the 2008 annual meeting of FHC it would vote in accordance with the recommendations of the FHC board of directors with respect to the election of directors and other matters, subject to certain exceptions described below.

- FHC agreed to grant the Purchaser access to its shareholder list in order to permit the Offer to proceed and agreed to instruct its Transfer Agent that FHC has no objection if FHC's Transfer Agent serves as Depositary with respect to the Offer.

- The Purchaser agreed not to engage in "short sales" of FHC shares during the Standstill Period.

The Purchaser's agreements about actions during the Standstill Period are suspended if a third party files a Schedule 13D indicating that it has acquired beneficial ownership of 15% or more of the voting securities of FHC which expresses an intention or possible intention to assume control of FHC, or if a third party commences a tender offer seeking to acquire beneficial ownership of 15% or more of the voting power of FHC, or if any third party commences a proxy solicitation intended to change a majority of the members of the board of directors of FHC. Likewise, if FHC signs any agreement providing for a change of control, the restrictions imposed on the Purchaser by the Standstill Agreement will be suspended. In addition, the agreement of the Purchaser to vote in accordance with the recommendations of the board of directors of FHC does not require the Purchaser to vote in favor of any merger, sale of assets or similar transaction and does not require the Purchaser to vote in favor of a compensation plan if Institutional Shareholder Services or a similar firm has recommended a "no" vote with respect to such plan. A copy of the Standstill Agreement has been filed with the SEC as Exhibit (e)(2) to this Schedule 14d-9.
Reasons for the FHC Board’s Position

In evaluating the Offer and determining to express no opinion to the Company’s shareholders and to remain neutral with respect to the Offer, the FHC Board consulted with the Company’s senior management and legal counsel and considered a number of factors. The factors that the FHC Board believed were in favor of expressing no opinion to the Company’s shareholders and remaining neutral with respect to the Offer included the following:

- **Not a Change of Control Transaction.** The FHC Board considered that the Offer would not by itself result in a change of control of the Company and that the FHC Board expected that the Company would continue to be an independent company and that the Common Stock would continue to be publicly traded following the completion of the Offer, regardless of whether the Offer is successfully completed by the Purchaser.

- **Individual Investment Decision.** The FHC Board considered that each shareholder could make an independent judgment of whether to maintain its interest in the Company or to reduce or eliminate its interest in the Company by participating in the Offer based on all of the available information. Personal considerations that the FHC Board believed may be relevant to this decision include:

  - the shareholder’s determination of the adequacy of the Offer Price in light of the shareholder’s own investment objectives;
  
  - the shareholder’s views as to the Company’s prospects and outlook or the likelihood that the Company will enter into a strategic transaction that will include a change of control premium to be paid to the Company’s shareholders that is larger than any premium paid in the Offer;
  
  - the shareholder’s need for liquidity or diversification of its investment portfolio;
  
  - other investment opportunities, including other types of investments, available to the shareholder;
  
  - whether the shareholder requires current income on its investment in the Company;
  
  - the shareholder’s assessment of the appropriateness for investing in equity securities generally in the current economic, business and political climate, with respect to which the shareholder may wish to consult with competent investment professionals;
  
  - the shareholder’s assessment of the prospects of companies engaged in selling consumer health products such as the female condom and of small business issuers such as the Company, with respect to which the shareholder may wish to consult with competent investment professionals;
  
  - the tax consequences to the shareholder of participating in the Offer, for which the shareholder may wish to consult with competent tax advisors; and
  
  - the factors considered by the FHC Board as described herein and any other factors that the shareholder deems relevant to its investment decision.

- **Offer Price Compared to Market Price.** Since March 29, 2007, the day on which the Purchaser announced its intention to commence the Offer, the trading price of the Common Stock on the OTC Bulletin Board has generally traded slightly below the Offer Price. For example, on April 10, 2007, the last trading date prior to the filing of this Schedule 14D-9, the Common Stock traded at a price as high as $2.25 per share. The FHC Board determined that it cannot predict the price at which the Common Stock will trade on the OTC Bulletin Board in the future, including as compared to the Offer Price. Shareholders should get current market stock price information on the Common Stock, as well as information on comparative broker’s commissions, before tendering any shares in the Offer, as a shareholder who wants to tender some or all of its Shares in the Offer may be able to obtain a higher price for such shares (net of broker’s commissions) by selling such shares on the OTC Bulletin Board.
Ability to Change Recommendation. The FHC Board considered the fact that the FHC Board can change its position and make a recommendation to the Company's shareholders with respect to the Offer at a later time prior to the expiration of the Offer, including if there is a change of events or circumstances or additional information comes to the attention of the FHC Board. The FHC Board considered that the Company's shareholders who tender their shares in the Offer would have withdrawal rights as provided in the Offer to Purchase and could withdraw Shares tendered in the Offer prior to the expiration of the Offer if they desire to do so based on any changes to the FHC Board's position with respect to the Offer or otherwise.

As part of its consideration of its position with respect to the Offer, the FHC Board also recognized that there were certain factors that may be in favor of recommending that the Company's shareholders reject the Offer and not tender their shares in the Offer and certain factors that may be in favor of recommending that shareholders accept the Offer and tender their shares in the Offer.

The factors that the FHC Board considered were in favor of recommending that the Company's shareholders reject the Offer and not tender their shares in the Offer included the following:

- **Shares Purchased in the Offer will not Benefit from any Future Increase in Value of the Common Stock.** The FHC Board considered the fact that the nature of the Offer as a cash transaction would prevent the Company's shareholders who tender their shares of Common Stock in the Offer from being able to participate in any value creation of the Company (whether by the Company or otherwise) that could be generated going forward.

- **Possibility of Alternative Strategic Transactions.** The FHC Board considered that shareholders whose shares of Common Stock are tendered and purchased in the Offer will not participate in any future strategic transactions involving the Company, such as a sale of the Company or a significant part of its assets or capital stock. Although no such transaction is pending or contemplated at this time, FHC cannot predict if or when any such transaction may result in the future and, if such a transaction were to occur, whether the terms of any such transaction would be more favorable or less favorable to the Company's shareholders than the Offer.

- **Effect of Successful Completion of the Offer in Making the Purchaser a Large Shareholder.** The FHC Board considered the fact that if the Offer is fully subscribed for and is completed by the Purchaser, the Purchaser will become a large shareholder of the Company, with approximately 6.9% of the outstanding shares of Common Stock (based on the information contained in the Offer to Purchase). In that capacity, the Purchaser's influence over the Company and its policies may be greater than its current influence, and such influence on the Company may have effects on the Company's business strategy, policies or performance. The Standstill Agreement does prohibit the Purchaser from acquiring more than 15% of the Company's voting shares during the Standstill Period and imposes other restrictions on the Purchaser during the Standstill Period. However, those limits will lapse at the end of the Standstill Period and also are suspended earlier upon certain events as described under "Background" above in this Item 4(b).

- **Pro Ration.** The FHC Board also considered that if the Offer is oversubscribed, the Purchaser may not accept for purchase all of the shares tendered in accordance with the pro ration mechanism set forth in the Offer to Purchase, and as a result a shareholder may not be able to dispose of all of its shares of Common Stock in the Offer even if it wishes to do so.

- **Tax Treatment.** The FHC Board considered the fact that gains from the sale of shares of Common Stock to the Purchaser in the Offer would be taxable for U.S. federal income tax purposes to the Company's shareholders who tender their shares in the Offer.

The factors that the FHC Board considered were in favor of recommending that the Company's shareholders accept the Offer and tender their shares in the Offer included the following:
• **Offer Price Represents a Premium to Pre-Announcement Trading Price.** The FHC Board reviewed the historical market prices, volatility and trading information with respect to the Common Stock, including the fact that the Offer Price represented a premium of $0.15 per share, or approximately 7.0% over the $2.12 closing price per share of the Common Stock on the OTC Bulletin Board on March 28, 2007, the last trading day prior to the announcement by the Purchaser of its intention to commence the Offer.

• **Shares Purchased in the Offer will not be Subject to Company Operation Risk.** The FHC Board considered that the Offer provides for a cash tender offer for Shares to the Company's shareholders, thereby enabling shareholders to obtain a premium value to prior market prices of their shares in exchange for their shares and eliminating many risks and uncertainties that come with owning shares of the Common Stock, including those related to the performance of FHC, the industry in which FHC operates, the financial markets and prices at which other offerors may be willing to pay for their shares of Common Stock.

The FHC Board determined that, in light of these factors, it should express no opinion to the Company's shareholders and should remain neutral with respect to the Offer. The FHC Board has determined that a shareholder’s decision on whether or not to tender its shares in the Offer and, if so, how many shares to tender, is a personal investment decision based upon each individual shareholder’s particular circumstances. The FHC Board urges each shareholder to make its own decision regarding the Offer based on all of the available information, including the factors considered by the FHC Board as described above and any other factors that the shareholder deems relevant to its investment decision. The FHC Board also urges each shareholder to consult with its financial and tax advisors regarding the Offer.

The foregoing discussion of information and factors considered by the FHC Board is not intended to be exhaustive. In light of the variety of factors considered in connection with its evaluation of the Offer, the FHC Board did not find it practicable to, and did not, quantify or otherwise assign relative weights to the specific factors considered in reaching its determinations and recommendations. Moreover, each member of the FHC Board applied his or her own personal business judgment to the process and may have given different weight to different factors. In arriving at their respective positions, the members of the FHC Board were aware of the interests of executive officers and directors of the Company as described under “Past Contracts, Transactions, Negotiations and Agreements” in Item 3 hereof.

(c) **Intent to Tender.**

To the Company’s knowledge after reasonable inquiry, neither the Company nor any of the Company’s executive officers, directors, affiliates or subsidiaries currently intend to tender shares of Common Stock held of record or beneficially by them in the Offer, other than Stephen M. Dearholt, who has indicated that he may tender up to 100,000 shares in the Offer. The foregoing does not include any Common Stock over which, or with respect to which, any such executive officer, director, affiliate or subsidiary acts in a fiduciary or representative capacity or is subject to the instructions of a third party with respect to such tender.

**Item 5. Persons/Assets, Retained, Employed, Compensated or Used.**

Neither the Company, nor any person acting on its behalf, has directly or, to its knowledge, indirectly, employed, retained or agreed to compensate any person or class of persons to make solicitations or recommendations in connection with the Offer.

**Item 6. Interest in Securities of the Subject Company.**

Other than set forth below, to the Company's knowledge after reasonable inquiry, no transactions in the Common Stock have been effected during the past 60 days by the Company or by any executive officer, director, affiliate or subsidiary of the Company.

On February 21, 2007, Stephen M. Dearholt sold 100,000 shares of Common Stock at a price of $1.97 per share to the Purchaser. On April 9, 2007, Stephen M. Dearholt exercised 200,000 warrants at an exercise price of $1.16 per share on a cashless basis, receiving 95,495 shares of Common Stock on exercise.

Michael Pope sold 4,000 shares of Common Stock at a price of $1.955 per share on February 20, 2007 and 8,000 shares of Common Stock at a price of $1.91 per share on February 16, 2007.
Item 7. Purposes of the Transaction and Plans or Proposals.

(a) Except as indicated in Item 4 above, no negotiations are being undertaken or are underway by the Company in response to the Offer that relate to a tender offer or other acquisition of the Company’s securities by the Company, any subsidiary of the Company or any other person.

(b) Except as indicated in Item 4 above, no negotiations are being undertaken or are underway by the Company in response to the Offer that relate to, or would result in, (i) any extraordinary transaction, such as a merger, reorganization or liquidation, involving the Company or any subsidiary of the Company, (ii) any purchase, sale or transfer of a material amount of assets of the Company or any subsidiary of the Company, or (iii) any material change in the present dividend rate or policy, or indebtedness or capitalization of the Company or any subsidiary of the Company.

(c) Except as indicated in Item 4 above, there are no transactions, resolutions of the FHC Board, agreements in principle or signed contracts in response to the Offer that relate to or would result in one or more of the matters referred to in this Item 7.

Item 8. Additional Information.

State Takeover Laws

The Company is incorporated under the laws of the State of Wisconsin. Section 180.1150 of the Wisconsin Business Corporation Law provides that the voting power of shares of public corporations such as the Company which are held by any person holding in excess of 20% of the voting power of our stock shall be limited to 10% of the full voting power of the shares. This statutory voting restriction does not apply to shares acquired directly from the Company, acquired in a transaction incident to which the Company's shareholders vote to restore the full voting power of the shares and under other circumstances more fully described in section 180.1150. In addition, this statutory voting restriction is not applicable to shares of Common Stock acquired before April 22, 1986.

Section 180.1141 of the Wisconsin Business Corporation Law provides that a "resident domestic corporation," such as the Company, may not engage in a "business combination" with a person beneficially owning 10% or more of the voting power of the Company's outstanding stock for three years after the date the interested shareholder acquired his 10% or greater interest, unless the business combination or the acquisition of the 10% or greater interest was approved before the stock acquisition date by our Board of Directors. After the three-year period, a business combination that was not so approved can be completed only if it is approved by a majority of the outstanding voting shares not held by the interested shareholder or is made at a specified price intended to provide a fair price for the shares held by noninterested shareholders. Section 180.1141 is not applicable to shares of common stock acquired by a shareholder prior to the registration of the common stock under the Securities Exchange Act of 1934 and shares acquired before September 10, 1987.

In the Standstill Agreement, FHC and the Purchaser agreed that neither the execution and delivery of the Standstill Agreement by FHC nor any action taken by FHC or its Board of Directors in connection with the Standstill Agreement or the transactions contemplated by the Standstill Agreement would constitute any approval by the Company or its Board of Directors of any acquisition of the Company's voting securities by the Purchaser or any other transaction by the Purchaser for purposes of, or would create any exemption from, the requirements of any state takeover laws.

Appraisal Rights

The Company's shareholders do not have appraisal rights in connection with the Offer.

Item 9. Exhibits.

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<tr>
<th>Exhibit No.</th>
<th>Description</th>
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<tr>
<td>(a)(1)(A)</td>
<td>Offer to Purchase, dated March 30, 2007.*</td>
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<td>(a)(1)(B)</td>
<td>Forms of Letter of Transmittal.*</td>
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<tr>
<td>(a)(1)(C)</td>
<td>Form of Notice of Guaranteed Delivery.*</td>
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<tr>
<td>(a)(1)(E)</td>
<td>Letter to Clients for use by Brokers, Dealers, Commercial Banks, Trust Companies and Other Nominees, dated March 30, 2007.*</td>
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<tr>
<td>(a)(1)(F)</td>
<td>Letter from Red Oak Fund, L.P. to Shareholders.*</td>
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<td>(a)(3)</td>
<td>Not Applicable</td>
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<td>(a)(4)</td>
<td>Not Applicable</td>
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<td>(a)(5)</td>
<td>Not Applicable</td>
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<tr>
<td>(e)(1)</td>
<td>Excerpts from The Female Health Company's Proxy Statement filed by The Female Health Company on Schedule 14A on February 20, 2007.</td>
</tr>
<tr>
<td>(e)(3)</td>
<td>Amended and Restated Articles of Incorporation of The Female Health Company (incorporated by reference to the registration statement on Form SB-2 of The Female Health Company filed on October 19, 1999).</td>
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<td>(g)</td>
<td>Not Applicable</td>
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After due inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

THE FEMALE HEALTH COMPANY

BY /s/ O.B. Parrish
O.B. Parrish, Chairman of the Board of Directors,
Chief Executive Officer and President

Date: April 11, 2007
Contacts:

William R. Gargiulo, Jr. 231.526.1244
Donna Felch 312.595.9123

For Immediate Release

The Female Health Company Remains Neutral With Respect to Partial Tender Offer

CHICAGO, April 11, 2007- The Female Health Company (OTC BB FHCO) announced that today it is filing a Schedule 14D-9 Solicitation/Recommendation Statement with the Securities and Exchange Commission in response to an unsolicited partial tender offer to purchase up to 1,200,000 shares of the Company's common stock for $2.27 per share in cash made on March 30, 2007 by Red Oak Fund, L.P.

The Board of Directors of the Company has determined not to make any recommendation to the Company’s shareholders as to whether they should tender their shares in the tender offer. The Board of Directors is expressing no opinion to the Company's shareholders and is remaining neutral with respect to the tender offer.

As stated in the Schedule 14D-9 Solicitation/Recommendation Statement that is being filed today by the Company with the Securities and Exchange Commission, the Board of Directors has determined that a shareholder’s decision on whether or not to tender its shares in the tender offer and, if so, how many shares to tender, is a personal investment decision based upon each individual stockholder’s particular circumstances. The Schedule 14D-9 Solicitation/Recommendation Statement explains in additional detail the factors considered by the Board of Directors in reaching its position.

To the Company’s knowledge, none of the Company’s executive officers or directors currently intend to tender shares of the Company's common stock in the tender offer, other than Stephen M. Dearholt, who has indicated that he may tender up to 100,000 shares in the tender offer.

The Board of Directors urges each shareholder to make its own decision regarding the tender offer based on all of the available information, including the adequacy of the offer price in light of the shareholder’s own investment objectives, the shareholder’s views as to the Company’s prospects and outlook, the factors considered by the Board of Directors as described in the Schedule 14D-9 Solicitation/Recommendation Statement and any other factors that the stockholder deems relevant to its investment decision. The Board of Directors also urges each shareholder to consult with its financial and tax advisors regarding the tender offer. The Board of Directors urges each shareholder to read the Schedule 14D-9 Solicitation/Recommendation Statement, as well as Red Oak's Offer to Purchase and other offer materials, prior to making any decision regarding the tender offer.
Notice to Investors

This communication is neither an offer to purchase nor a solicitation of an offer to sell any securities. A solicitation and offer to buy shares of the Company's common stock is being made pursuant to an offer to purchase and related materials that Red Oak has filed with the Securities and Exchange Commission. Red Oak has filed a tender offer statement on Schedule TO with the Securities and Exchange Commission and the Company is filing today a Solicitation/Recommendation Statement on Schedule 14D-9 with respect to the tender offer. Red Oak's Schedule TO and the Company's Solicitation/Recommendation Statement on Schedule 14D-9 contain important information that should be read carefully and considered before any decision is made with respect to the tender offer. All of these materials (and all other materials filed by the Company with the Securities and Exchange Commission) are or will be available at no charge from the Securities and Exchange Commission through its website at www.sec.gov. Red Oak has stated that free copies of its offer to purchase, related letter of transmittal and certain other offering documents will be made available free of charge by Red Oak. Investors and security holders may also obtain free copies of the Company's Schedule 14D-9 Solicitation/Recommendation Statement and the other documents filed with the Securities and Exchange Commission by the Company by contacting Donna Feltch, the Company's Chief Financial Officer, at The Female Health Company, 515 North State Street, Suite 2225, Chicago, Illinois 60610, telephone number (312) 595-9123.

About The Female Health Company, Inc.

The Female Health Company, based in Chicago, Illinois, manufactures and markets the FC Female Condom®, which is primarily distributed by public health organizations and donor groups in over 90 developing countries around the world. World-wide, the Female Condom is available in various programs in 108 countries. The Company owns certain worldwide rights to the FC Female Condom®, including patents that have been issued in the United States, United Kingdom, Japan, France, Italy, Germany, Spain, the European Patent Convention, the People's Republic of China, Canada, South Korea and Australia. FC Female Condom® is the only available FDA-approved product controlled by a woman that offers dual protection against sexually transmitted diseases, including HIV/AIDS, and unintended pregnancy.

“Safe Harbor” statement under the Private Securities Litigation Reform Action of 1995: The statements in this release which are not historical fact are forward-looking statements based upon the Company's current plans and strategies, and reflect the Company's current assessment of the risks and uncertainties related to its business, including such things as product demand and market acceptance; the economic and business environment and the impact of government pressures; currency risks; capacity; efficiency and supply constraints; and other risks detailed in the Company's press releases, shareholder communications and Securities and Exchange Commission filings. Actual events affecting the Company and the impact of such events on the Company's operations may vary from those currently anticipated.
EXHIBIT (e)(1)

EXCERPTS FROM THE FEMALE HEALTH COMPANY’S PROXY STATEMENT
DATED FEBRUARY 20, 2007

ELECTION OF DIRECTORS
(Item 1)

Pursuant to the authority contained in the Amended and Restated By-Laws of the Company, the Board of Directors has established the number of directors at nine. The Board of Directors has nominated O.B. Parrish, Mary Ann Leeper, Ph.D., William R. Gargiulo, Jr., David R. Bethune, Stephen M. Dearholt, Michael R. Walton, James R. Kerber, Richard E. Wenninger and Mary Margaret Frank, Ph.D. for election as directors, all to serve until the 2008 Annual Meeting of Shareholders.

As indicated below, all persons nominated by the Board of Directors are incumbent directors. The Company anticipates that all of the nominees listed in this Proxy Statement will be candidates when the election is held. However, if for any reason any nominee is not a candidate at that time, proxies will be voted for any substitute nominee designated by the Company (except where a proxy withholds authority with respect to the election of directors).

NOMINEES FOR ELECTION AS DIRECTORS

O.B. PARRISH
Age: 73; Elected Director: 1987; Present Term Ends: 2007 Annual Meeting

O.B. Parrish has served as Chief Executive Officer of the Company since 1994, as acting President since May 2006, as acting Chief Financial and Accounting Officer from February 1996 to March 1999 and as the Chairman of the Board and a Director of the Company since 1987. Mr. Parrish is a shareholder and has served as the President and as a Director of Phoenix Health Care of Illinois, Inc. ("Phoenix of Illinois") since 1987. Phoenix of Illinois owns approximately 233,501 shares of the Company's Common Stock. Mr. Parrish also is Chairman and a Director of ViatiCare, L.L.C., a financial services company, and Chairman and a Director of Abiant, Inc., a neuroimaging company. Mr. Parrish is also a trustee of Lawrence University. From 1977 until 1986, Mr. Parrish was the President of the Global Pharmaceutical Group of G.D. Searle & Co. ("Searle"), a pharmaceutical/consumer products company. From 1974 until 1977, Mr. Parrish was the President of Searle International, the foreign sales operation of Searle. Prior to that, Mr. Parrish was Executive Vice President of Pfizer's International Division.
MARY ANN LEEPER, Ph.D.  
Age: 66; Elected Director: 1987;  
Present Term Ends: 2007 Annual Meeting

Dr. Leeper has served as Senior Strategic Adviser to the Company since May 2006. Dr. Leeper served as the President and Chief Operating Officer of the Company from 1996 to April 2006. Dr. Leeper served as President and Chief Executive Officer of The Female Health Company Division from May 1994 until January 1996, as Senior Vice President - Development of the Company from 1989 until January 1996 and as a Director of the Company since 1987. Dr. Leeper is a shareholder and has served as a Vice President and Director of Phoenix of Illinois since 1987. From 1981 until 1986, Dr. Leeper served as Vice President - Market Development for Searle's Pharmaceutical Group and in various Searle research and development management positions. As Vice President - Market Development, Dr. Leeper was responsible for worldwide licensing and acquisition, marketing and market research. In earlier positions, she was responsible for preparation of new drug applications and was a liaison with the FDA. Dr. Leeper serves on the Board of Neenah Paper, Inc. and is chair of its nominating and governance committee. She is also an adjunct professor at the University of Virginia Darden School of Business.

WILLIAM R. GARGIULO, JR.  
Age: 78; Elected Director: 1987; Present Terms Ends: 2007 Annual Meeting

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

DAVID R. BETHUNE  
Age: 66; Elected Director: 1996; Present Term Ends: 2007 Annual Meeting

Mr. Bethune has served as a Director of the Company since January 1996. He is currently a member of the Board of Directors of the CAMBREX Corporation, a life sciences company dedicated to providing products and services that accelerate and improve the discovery and commercialization of human therapeutics. Mr. Bethune served as Chairman and Chief Executive Officer of Atrix Laboratories, Inc. from 1999 until his retirement in 2004. From 1997 to 1998, Mr. Bethune held the positions of President and Chief Operating Officer of the IVAX Corporation. From 1996 to 1997, Mr. Bethune was a consultant to the pharmaceutical industry. From 1995 to 1996, Mr. Bethune was President and Chief Executive Officer of Aesgen, Inc., a generic pharmaceutical company. From 1992 to 1995, Mr. Bethune was Group Vice President of American Cyanamid Company and a member of its Executive Committee until the sale of the company to American Home Products. While at American Cyanamid Company, he had global executive authority for human biologicals, consumer health products, pharmaceuticals and ophthalmics, as well as medical research. Mr. Bethune is a founding trustee of the American Cancer Society Foundation. He is the founding chairman of the Corporate Council of the Children's Health Fund in New York City and served on the Arthritis Foundation Corporate Advisory Council.
STEPHEN M. DEARHOLT
Age: 60; Elected Director: 1996; Present Term Ends: 2007 Annual Meeting

Mr. Dearholt has served as a Director of the Company since April 1996. Mr. Dearholt is a co-founder of, and partner in, Insurance Processing Center, Inc., one of the largest privately owned life insurance marketing organizations in the United States, since 1972. He has over 33 years of experience in direct response advertising and data based marketing of niche products. Since 1985, he has been a 50% owner of R.T. of Milwaukee, a private investment holding company which operates a stock brokerage business in Milwaukee, Wisconsin. In late 1995, Mr. Dearholt arranged, on very short notice, a $1 million bridge loan which assisted the Company in its purchase of Chartex. Mr. Dearholt is also very active in the non-profit sector. He is currently on the Board of Directors of Children's Hospital Foundation of Wisconsin, an honorary board member of the Zoological Society of Milwaukee, and the national Advisory Council of the Hazelden Foundation. He is a past board member of Planned Parenthood Association of Wisconsin, and past Chairman of the Board of the New Day Club, Inc.

MICHAEL R. WALTON
Age: 69; Elected Director: 1999; Present Term Ends: 2007 Annual Meeting

Mr. Walton has served as a Director of the Company since April 1999. Mr. Walton is President and owner of Sheboygan County Broadcasting Co., Inc., a company he founded in 1972. The company has focused on start-up situations, and growing value in under-performing, and undervalued radio stations and newspapers. Sheboygan County Broadcasting Co. has owned and operated businesses in Wisconsin, Illinois, Michigan and New York. It has specialized in creating, building and managing news media properties and has acquired existing companies, as well. Prior to 1972, Mr. Walton was owner and President of Walton Co., an advertising representative firm he founded in New York City. He has held sales and management positions with Forbes Magazine, The Chicago Sun Times and Gorman Publishing Co. Mr. Walton has served on the Board of the American Red Cross, the Salvation Army, the Sheboygan County Chamber of Commerce and the Rogers Memorial Hospital Foundation.

JAMES R. KERBER
Age: 74; Director: 1999; Present Term Ends: 2007 Annual Meeting

Mr. Kerber has served as a Director of the Company since April 1999. Mr. Kerber has been a business consultant to the insurance industry since January 1996. He has over 40 years of experience in operating insurance companies, predominately those associated with life and health. From 1994 to 1996, he was Chairman, President, Chief Executive Officer and director of the 22 life and health insurance companies which comprise the ICH Group. In 1990, Mr. Kerber was a founding partner in the Life Partners Group where he was Senior Executive Vice President and a director. Prior to that, he was involved with operating and consolidating over 200 life and health insurance companies for ICH Corporation, HCA Corporation and US Life Corporation.
Mr. Wenninger has served as a Director of the Company since July 2001. Mr. Wenninger currently serves as Chairman of Wenninger Company, Inc., a mechanical contracting and engineering company. From 1976 to 2001, Mr. Wenninger served as President and Chief Executive Officer of Wenninger Company, Inc. He is also Secretary of Wenn Soft, Inc., a software development, sales and service company he founded in 1997. From 1992 to 1999, Mr. Wenninger served as Secretary of Lifco, Inc. Mr. Wenninger is a current board member of the Boys & Girls Club of Milwaukee, a former President and board member of the Milwaukee Athletic Club, a former board member of the Wisconsin Psychoanalytic Foundation, a former board member of University Lake School, the former President and a current board member of the Plumbing and Mechanical Contractors Association of Milwaukee, the former President and a former board member of the Sheet Metal Contractors Association of Milwaukee and a former board member of the Mechanical Contractors Association of America.

Mary Margaret Frank, Ph.D.
Age: 37; Director: 2004; Present Term Ends: 2007 Annual Meeting

Dr. Frank has served as a Director of the Company since October 2004. Dr. Frank has served as an Assistant Professor of Accounting at the Darden Graduate School of Business at the University of Virginia where she has taught financial and tax accounting since 2002. From 1999 to 2002, Dr. Frank was an Assistant Professor at the Graduate School of Business at the University of Chicago. During 1997, Dr. Frank was an accounting instructor at the Kenan-Flagler Business School at the University of North Carolina at Chapel Hill. From 1992 to 1994, Dr. Frank served as a Senior Tax Consultant at Arthur Andersen.

The Board of Directors recommends that shareholders vote FOR all nominees.
Directors who are officers of the Company do not receive compensation for serving in such capacity. Individual directors who are not officers of the Company receive $1,000 for attendance in person at each meeting of the Board of Directors or meeting of a committee of which he or she is a member. In addition, each director who is not an employee of the Company receives an automatic grant of options to purchase 30,000 shares of Common Stock under the Company's Outside Director Stock Option Plan. Stephen M. Dearholt, Richard E. Wenninger, Mary Margaret Frank, Ph.D., James R. Kerber, David R. Bethune and Michael R. Walton were awarded a post-election grant of 30,000 options each on October 12, 2006. All of the options awarded on October 12, 2006 have an exercise price of $1.27 per share, vest pro rata over a 36-month period commencing November 12, 2006 and ending on October 12, 2009 and expire on October 12, 2016.
The names of, and certain information regarding, executive officers and certain key employees of the Company who are not directors of the Company, are set forth below.

<table>
<thead>
<tr>
<th>Name</th>
<th>Age</th>
<th>Position</th>
</tr>
</thead>
<tbody>
<tr>
<td>Donna Felch</td>
<td>59</td>
<td>Vice President and Chief Financial Officer</td>
</tr>
<tr>
<td>Michael Pope</td>
<td>49</td>
<td>Vice President and General Manager of The Female Health Company (UK) Plc.</td>
</tr>
<tr>
<td>Robert R. Zic</td>
<td>43</td>
<td>Vice President - Finance</td>
</tr>
<tr>
<td>Jack Weissman</td>
<td>59</td>
<td>Vice President - Sales</td>
</tr>
</tbody>
</table>

**DONNA FELCH**
Age: 59; Vice President and Chief Financial Officer

Ms. Felch has served as Vice President and Chief Financial Officer of the Company since February 2006. Prior to joining the Company, Ms. Felch was Vice President and Treasurer of American Pharmaceutical Partners Inc., a pharmaceutical company that develops, manufactures and markets injectable pharmaceutical products, from November 2002 until June 2005. In these positions, she directed the treasury, tax, financial planning and analysis, credit and collections and risk management functions. Ms. Felch joined American Pharmaceutical Partners Inc. in 1998 and during such time held the positions of Senior Director of Corporate Accounting and Director in General Accounting and Tax. In these roles, her responsibilities included internal and external financial reporting, tax, treasury, financing planning, credit and risk management. Previously, Ms. Felch served as Director of Corporate Tax with Fujisawa USA, a subsidiary of a major Japanese pharmaceutical company. Ms. Felch had formerly worked as a Tax Manager for LyphoMed, Inc., a generic pharmaceutical manufacturer.

**MICHAEL POPE**
Age: 49; Vice President, General Manager - The Female Health Company (UK) Plc.

Mr. Pope has served as Vice President of the Company since 1996 and as General Manager of The Female Health Company (UK) Plc. (formerly Chartex International, Plc.) since the Company's 1996 acquisition of Chartex. Mr. Pope has also served as a Director of The Female Health Company, Ltd. (formerly Chartex Resources Limited) and The Female Health Company (UK) Plc. since 1995. From 1990 until 1996, Mr. Pope was Director of Technical Operations for Chartex with responsibility for manufacturing, engineering, process development and quality assurance. Mr. Pope was responsible for the development of the high speed proprietary manufacturing technology for the female condom and securing the necessary approvals of the manufacturing process by regulatory organizations, including the FDA. Mr. Pope was also instrumental in developing and securing Chartex's relationship with its Japanese marketing partner. Prior to joining Chartex, from 1986 to 1990, Mr. Pope was Production Manager and Technical Manager for Franklin Medical, a manufacturer of disposable medical devices. From 1982 to 1986, Mr. Pope was Site Manager, Engineering and Production Manager, Development Manager and Silicon Manager for Warne Surgical Products.
Mr. Zic has served as Vice President - Finance of the Company since February 2006. Mr. Zic served as Principal Accounting Officer from March 1999 until February 2006. From 1998 to 1999, Mr. Zic held the dual positions of Acting Controller and Acting Chief Financial Officer at Ladbrooke's Pacific Racing Association division. From 1995 to 1998, Mr. Zic served as the Chief Accounting Manager and Assistant Controller at Argonaut Insurance Company. In this capacity, he was responsible for the financial and accounting operations of Argonaut and its four subsidiaries. From 1990 to 1994, he was the Assistant Controller of CalFarm Insurance Company, where he was responsible for external reporting duties. From 1988 to 1990, Mr. Zic was a Senior Accountant responsible for the statutory-based financials of Allstate Insurance Company. Mr. Zic began his career in 1986 as an auditor with Arthur Andersen & Co.

Mr. Weissman has served as Vice President - Sales since June 1995. From 1992 to 1994, Mr. Weissman was Vice President-Sales for Capitol Spouts, Inc., a manufacturer of pouring spouts for gable paper cartons. From 1989 to 1992, he acted as General Manager-HTV Group, an investment group involved in the development of retail stores. From 1985 to 1989, Mr. Weissman was Director - Retail Business Development for The NutraSweet Company, a Searle subsidiary. Mr. Weissman joined Searle's Consumer Products Group in 1979 and held positions of increasing responsibility, including National Account and Military Sales Manager. Prior to Searle, Mr. Weissman worked in the consumer products field as account manager and territory manager for Norcliff Thayer and Whitehall Laboratories.
The table below provides information for each of the Company’s last three fiscal years regarding all annual, long-term and other compensation paid by the Company to its Chief Executive Officer, the other two executive officers of the Company whose total annual salary and bonus exceeded $100,000 for services rendered during the fiscal year ended September 30, 2006 and the other former executive officer whose total annual salary and bonus exceeded such amount during fiscal 2006. The individuals listed in this table are referred to elsewhere in this proxy statement as the "named executive officers."

### SUMMARY COMPENSATION TABLE

<table>
<thead>
<tr>
<th>Name and Principal Position</th>
<th>Fiscal Year</th>
<th>Annual Compensation</th>
<th>Long-Term Compensation Awards</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Salary ($)</td>
<td>Bonus ($)</td>
</tr>
<tr>
<td>O.B. Parrish, Chairman,</td>
<td>2006</td>
<td>110,833</td>
<td>---</td>
</tr>
<tr>
<td>Chief Executive Officer</td>
<td>2005</td>
<td>90,000</td>
<td>---</td>
</tr>
<tr>
<td>and Acting President</td>
<td>2004</td>
<td>90,000</td>
<td>---</td>
</tr>
<tr>
<td>Mary Ann Leeper, Ph. D.,</td>
<td>2006</td>
<td>204,167</td>
<td>---</td>
</tr>
<tr>
<td>Senior Strategic Adviser</td>
<td>2005</td>
<td>250,000</td>
<td>---</td>
</tr>
<tr>
<td>(6)</td>
<td>2004</td>
<td>250,000</td>
<td>---</td>
</tr>
<tr>
<td>Michael Pope, Vice President</td>
<td>2006</td>
<td>168,811</td>
<td>---</td>
</tr>
<tr>
<td>and General Manager of the</td>
<td>2005</td>
<td>160,343</td>
<td>---</td>
</tr>
<tr>
<td>Female Health Company (UK) Plc. (8)</td>
<td>2004</td>
<td>155,059</td>
<td>---</td>
</tr>
<tr>
<td>Donna Felch, Chief Financial Officer and Vice President (9)</td>
<td>2006</td>
<td>108,202</td>
<td>25,050(10)</td>
</tr>
</tbody>
</table>

(1) On October 3, 2005, Mr. Parrish, Dr. Leeper and Mr. Pope were issued 50,000, 30,000 and 15,000 shares, respectively, of restricted Common Stock by the Company’s Board of Directors. The shares had a one year restriction and became vested on October 1, 2006. The closing price of the Company’s Common Stock on October 3, 2005 was $1.70 per share. As of September 30, 2006, the value of Mr. Parrish’s restricted stock was $66,500, the value of Dr. Leeper’s restricted stock was $39,900 and the value of Mr. Pope’s restricted stock was $19,950 based on a value of $1.33 per share, the closing price of the Company’s Common Stock on that date. The shares of restricted stock have all the rights of the Company’s Common Stock, including voting and dividend rights.
On May 1, 2006, Mr. Parrish was issued 300,000 shares of restricted Common Stock by the Company’s Board of Directors. The shares vest pro rata over a two-year period such that 150,000 shares vest on each of May 1, 2007 and May 1, 2008. None of the shares were vested on October 1, 2006. The closing price of the Company’s Common Stock on May 1, 2006 was $1.51 per share. As of September 30, 2006, the value of Mr. Parrish’s restricted stock was $399,000 based on a value of $1.33 per share, the closing price of the Company’s Common Stock on that date. The shares of restricted stock have all the rights of the Company’s Common Stock, including voting and dividend rights.

On October 1, 2004, Mr. Parrish, Dr. Leeper and Mr. Pope were issued 50,000, 25,000 and 5,000 shares, respectively, of restricted Common Stock by the Company’s Board of Directors. The shares had a one year restriction and became vested on October 1, 2005. The closing price of the Company’s Common Stock on October 1, 2004 was $1.50 per share. As of September 30, 2006, the value of Mr. Parrish’s restricted stock was $66,500, the value of Dr. Leeper’s restricted stock was $33,250 and the value of Mr. Pope’s restricted stock was $6,650 based on a value of $1.33 per share, the closing price of the Company’s Common Stock on that date. The shares of restricted stock have all the rights of the Company’s Common Stock, including voting and dividend rights.

On October 1, 2003, Mr. Parrish, Dr. Leeper, and Mr. Pope were issued 50,000, 20,000 and 5,000 shares, respectively, of restricted Common Stock by the Company’s Board of Directors. The shares had a one year restriction and became vested on October 1, 2004. The closing price of the Company’s Common Stock on October 1, 2003 was $2.35 per share. As of September 30, 2006, the value of Mr. Parrish’s restricted stock was $66,500, the value of Dr. Leeper’s restricted stock was $26,600, and the value of Mr. Pope’s restricted stock was $6,650 based on a value of $1.33 per share, the closing price of the Company’s Common Stock on that date. The shares of restricted stock have all the rights of the Company’s Common Stock, including voting and dividend rights.

On April 22, 2003, Mr. Parrish, Dr. Leeper and Mr. Pope were issued options to purchase shares of the Company’s Common Stock as part of an exchange for the cancellation of previously issued Common Stock options, which cancellation occurred on September 26, 2002. The Common Stock options have an exercise price of $1.40 per share, which was the closing stock price of the Company’s Common Stock on April 22, 2003. The options vested pro rata (one thirty-sixth) on the first of each month for 36 months following the date of the grant, commencing on May 1, 2003 and ending on April 1, 2006.

Dr. Leeper ceased to be an executive officer of the Company on May 1, 2006.
On June 30, 2006, Mr. Pope and Ms. Felch were each issued 60,000 shares of restricted Common Stock by the Company’s Board of Directors. The shares vest pro rata over a two-year period such that 30,000 shares vest on each of June 30, 2007 and June 30, 2008. None of the shares were vested on October 1, 2006. The closing price of the Company’s Common Stock on June 30, 2006 was $1.35 per share. As of September 30, 2006, the value of both Mr. Pope and Ms. Felch’s restricted stock was $79,800 based on a value of $1.33 per share, the closing price of the Company’s Common Stock on that date. The shares of restricted stock have all the rights of the Company’s Common Stock, including voting and dividend rights.

Mr. Pope’s salary is paid in U.K. pounds. Amounts shown for Mr. Pope’s salary are based on the 12- month average exchange rate for each year, which was 1.80 U.S. dollars per U.K. pound in fiscal 2006, was 1.85 U.S. dollars per U.K. pound in fiscal 2005 and 1.79 U.S. dollars per U.K. pound in fiscal 2004.

Ms. Felch became an executive officer of the Company with her appointment as Chief Financial Officer and Vice President in February 2006.

On February 6, 2006, Ms. Felch was issued 15,000 shares of Common Stock by the Company. The closing price of the Company’s Common Stock on February 6, 2006 was $1.67 per share.

**Stock Options**

No stock options were granted to the named executive officers of the Company during the fiscal year ended September 30, 2006.

The following table provides information regarding the value of unexercised options held by the named executive officers at September 30, 2006. No named executive officer exercised any option during the fiscal year ended September 30, 2006.

<table>
<thead>
<tr>
<th>Name</th>
<th>Number of Securities Underlying Unexercised Options at Fiscal Year End (#) Exercisable/Unexercisable</th>
<th>Value of Unexercised In-the-Money Options at Fiscal Year End ($) Exercisable/Unexercisable (1)</th>
</tr>
</thead>
<tbody>
<tr>
<td>O.B. Parrish</td>
<td>464,000 / 0</td>
<td>0 / 0</td>
</tr>
<tr>
<td>Mary Ann Leeper</td>
<td>790,000 / 0</td>
<td>0 / 0</td>
</tr>
<tr>
<td>Michael Pope</td>
<td>370,000 / 0</td>
<td>0 / 0</td>
</tr>
<tr>
<td>Donna Felch</td>
<td>0 / 0</td>
<td>0 / 0</td>
</tr>
</tbody>
</table>

(1) Calculated based upon a closing sale price of $1.33 on September 30, 2006.
On January 20, 2006, the Company entered into an employment agreement with Dr. Leeper, the Company's Senior Strategic Adviser and former President and Chief Operating Officer of the Company, and a member of the Company's Board of Directors. The employment agreement was effective as of May 1, 2006. The employment agreement terminated all previous agreements between the parties relating to Dr. Leeper's employment, including the employment agreement between the Company and Dr. Leeper effective as of May 1, 1994. Pursuant to the terms of the employment agreement, Dr. Leeper will serve as a strategic adviser to the Company. The employment agreement originally expired on September 30, 2006, but was extended for a period of 90 days. Pursuant to the employment agreement, Dr. Leeper originally received an annual base salary of $150,000. As part of the extension of the employment agreement, Dr. Leeper temporarily assumed some additional duties and her base salary was increased to $200,000. On February 8, 2007, the Company's Board of Directors further extended Dr. Leeper's employment for a period of ninety days commencing on February 8, 2007 in accordance with the same terms as previously extended. The employment agreement may be further extended upon the mutual agreement of the Company and Dr. Leeper. Under the employment agreement, Dr. Leeper is entitled to participate in the Company's bonus plans, stock incentive plan and other employee benefit plans. Additionally, under the employment agreement, Dr. Leeper is eligible to participate in any medical, health, dental, disability and life insurance policy that is in effect for the Company's other senior management. Pursuant to the employment agreement, Dr. Leeper has agreed not to compete with the Company during employment and for a period of two years following termination of employment (six months if employment is terminated by the Company after a "change of control") and has agreed to maintain the confidentiality of the Company's proprietary information and trade secrets during the term of employment and for three years thereafter. The employment agreement provides that if Dr. Leeper's employment is terminated by the Company without "cause" or by Dr. Leeper for "good reason," Dr. Leeper will be entitled to a severance payment of $125,000 and a payment of $50,000 in consideration of the noncompetition and confidentiality covenants, except that if such termination occurs at any time after or in anticipation of a "change of control" with respect to the Company, Dr. Leeper will be entitled solely to those amounts to which she is entitled under the Amended and Restated Change of Control Agreement dated October 1, 2005 by and between the Company and Dr. Leeper. If the termination of Dr. Leeper's employment occurs as a result of the death or disability of Dr. Leeper, then she shall be entitled to receive the greater of (a) her base salary or (b) the remaining amounts due her under the terms of the employment agreement.

Effective February 2, 2006, the Company entered into a letter agreement with Donna Felch, the Company's Chief Financial Officer and Vice President regarding the terms of her employment with the Company. Pursuant to the terms of the letter agreement, Ms. Felch will serve as the Company's Vice President and Chief Financial Officer and will be responsible for the Company's financial reporting, financial analysis and related filings with the Securities and Exchange Commission. Ms. Felch will receive an annual base salary of $165,000. Additionally, Ms. Felch is entitled to participate in the Company's bonus plans, stock incentive plan and other employee benefit plans. As a hiring bonus, Ms. Felch received a grant of 15,000 shares of common stock. Additionally, the Company agreed to grant Ms. Felch an additional 15,000 shares of common stock on the one year anniversary date of her hire date if she remained employed by the Company on such date. Ms. Felch is eligible to participate in any medical, health, dental, disability and life insurance policy that is in effect for the Company's other employees who are located in the United States.
Effective October 1, 2005, the Company entered into Amended and Restated Change of Control Agreements with each of O.B. Parrish, its Chairman and Chief Executive Officer, Mary Ann Leeper, its Senior Strategic Adviser and a director, and Michael Pope, its Vice President, and effective February 8, 2006, the Company entered into a change of control agreement with Donna Felch, its Chief Financial Officer and Vice President. These agreements essentially act as springing employment agreements which provide that, upon a change of control, as defined in the agreement, the Company will continue to employ the executive for a period of three years in the same capacities and with the same compensation and benefits as the executive was receiving prior to the change of control, in each case as specified in the agreements. If the executive is terminated without cause or if he or she quits for good reason, in each case as defined in the agreements, after the change of control, the executive is generally entitled to receive a severance payment from the Company equal to the amount of compensation remaining to be paid to the executive under the agreement for the balance of the three-year term.
Between September 2004 and January 2005, the Company conducted a program to induce the holders of the Company’s outstanding Common Stock purchase warrants to exercise their warrants. Pursuant to this program, the Company offered an incentive to such holders providing for issuance of (1) shares of the Company’s Common Stock equal to 10% of the aggregate number of Common Stock purchase warrants exercised or (2) new Common Stock purchase warrants equal to 20% of the aggregate number of outstanding warrants exercised containing an exercise price per share equal to the closing price of the Company’s Common Stock as reported on the OTC Bulletin Board on the date the holder committed to exercise the outstanding warrants. Under this incentive program, one investor exercised 500,000 warrants as of September 30, 2004 and received 550,000 shares of Common Stock which includes 50,000 incentive shares. Between October 2004 and January 2005 four investors opted to exercise 1,000,000 warrants and receive 1,100,000 shares of Common Stock which includes 100,000 incentive shares and two investors opted to exercise 1,200,000 warrants and received 1,200,000 shares of Common Stock and 240,000 incentive warrants with an exercise price in each case of $1.50 per share and an expiration date of November 23, 2007. Among the seven persons participating in this program were three of the Company’s directors (Stephen M. Dearholt, Richard E. Wenninger and O.B. Parrish). The Company received aggregate proceeds of $2.5 million from the exercise of the outstanding warrants.

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