IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re:	)	Chapter 11
	)	
WOMEN FIRST HEALTHCARE, INC.	)	Case No.: 04-11278 (MFW)
	)	
Debtor.	)	Re: Docket No. 24

STATEMENT OF THE OFFICIAL COMMITTEE OF UNSECURED CREDITORS REGARDING DEBTOR'S MOTION FOR ORDER (I) APPROVING BIDDING PROCEDURES WITH RESPECT TO THE SALE OF THE DEBTOR'S VANIQA® ASSETS; (II) APPROVING BREAK-UP FEE AND EXPENSE REIMBURSEMENT; (III) ESTABLISHING DEADLINE BY WHICH PARTIES MAY OBJECT TO PROPOSED ASSUMPTION AND/OR ASSIGNMENT OF ASSUMED CONTRACTS AND ASSERT CLAIMS FOR CURE AMOUNTS; (IV) APPROVING FORM AND MANNER OF NOTICE OF SALE; AND (V) SCHEDULING AUCTION AND FINAL HEARING ON APPROVAL OF ASSET SALE

The Official Committee of Unsecured Creditors (the "Committee") files this Statement Regarding the Debtor's Motion for Order (i) Approving Bidding Procedures with Respect to the Sale of the Debtor's Vaniqa Assets; (ii) Approving Break-up Fee and Expense Reimbursement; (iii) Establishing Deadline by Which Parties may Object to the Proposed Assumption and/or Assignment of Assumed Contracts and Assert Claims for Cure Amounts; (iv) Approving Form and Manner of Notice of Sale; and (v) Scheduling Auction and Final Hearing on Approval of Asset Sale (the "Motion") and asserts as follows:

FACTUAL BACKGROUND

1. On April 29, 2004 the Debtor filed a voluntary petition for relief under chapter 11, title 11, of the United States Code, 11 U.S.C. §§ 101 *et seq.* (the "Bankruptcy Code").

2. The Debtor continues to operate its business and manage its property as a debtor in possession pursuant to Sections 1107(a) and 1108 of the Bankruptcy Code.

3. On May 11, 2004 the United States Trustee conducted a formational meeting of the Debtor's unsecured creditors and formed the Committee.

RESERVATION OF RIGHTS

7. The Committee has reviewed the Motion and supports the sale process. Although the Committee supports the sale process, the Committee expressly reserves its right to object to the sale of the Vaniqa assets and the disbursement of the proceeds from the sale of the Vaniqa assets.

COMMENT REGARDING THE BREAK UP FEE AND EXPENSE REIMBURSEMENT

8. In the Motion, the Debtor identifies SkinMedica, Inc. ("SkinMedica") as the "stalking horse" bidder for the Vaniqa assets. Under the terms of the Motion, SkinMedica is entitled to a break up fee of $750,000 and expense reimbursement of up to $250,000 in the event that SkinMedica is not approved by the Court as the successful bidder.

9. Pursuant to the Asset Purchase Agreement for Vaniqa between the Debtor, as seller, and SkinMedica, as Purchaser, dated April 29, 2004 (the "APA"), the gross purchase price is $25,000,000. See APA at § 2.03(a)(i), p.13. The Committee Notes that the break up fee and expense reimbursement equal 4% of the *gross* purchase price of the Debtor's Vaniqa asset. The customary *maximum* break up fee and expense reimbursement permitted by bankruptcy courts is 3%. See generally Samjens Partners I v. Burlington Indus., Inc., 663 F.Supp. 614, 620 (S.D.N.Y. 1987) (declaring that most break up fees were approximately 1% of the transaction value); B. Markell, *The Case Against Breakup Fees,* Am.Bankr.L.J. 349, 356 n.30 (1992) (noting that courts have approved break up fees approximating 2% of the transaction value).

10. The net purchase price for the Vaniqa assets is $25,000,000 minus (a) the dollar amount of any obligations of the Debtor to wholesalers and chain warehouses for Vaniqa

product returned by such parties to the Debtor on or before the seventh business day prior to the Closing Date and not replaced by the Debtor with alternative product or a return of purchase price on or before such date, utilizing payment terms acceptable to these customers and the Debtor, provided such payment terms shall not be below 90% of the original net invoice price without SkinMedica's approval; minus (b) the Repurchase Liability (as defined in the APA); minus (c) an amount equal to $1,854,279 to be used by SkinMedica (in whole or in part) to obtain a supply arrangement; and minus (d) the value (based on the Debtor's January 2004 Wholesale Acquisition Cost price of $42.32 per tube) of any tubes of Vaniqa shipped by the Debtor between April 15, 2004 and the seventh business day prior to the closing date in excess or 16,463 tubes of Vaniqa (provided that any tubes of Vaniqa sold by the Debtor directly to physicians consistent with past practice shall not be counted in this calculation). See APA at § 2.03(a)(i), p. 13.

10. As the net purchase price is likely to be between $17,000,000 to $18,000,000 after purchase price adjustments, the combined break up fee and expense reimbursement actually total 5.5% to 5.8% of the purchase price.

WHEREFORE, the Committee respectfully requests that the Court take notice of (1) the Committee's statement, (2) its reservation of rights, and (3) its comments regarding the break up fee and expense reimbursement.

Dated: May 14, 2004
Wilmington, Delaware

Respectfully submitted,

By: /s/ Kurt F. Gwynne

Kurt F. Gwynne (No. 3951)
REED SMITH LLP
1201 Market Street, Suite 1500
Wilmington, DE 19801
Telephone: (302) 778-7500
Facsimile: (302) 778-7575
E-mail: kgwynne@reedsmith.com

Proposed Counsel to the Official
Committee of Unsecured Creditors