FORM 10-K

FORWARD INDUSTRIES INC - FORD

Filed: December 16, 2015 (period: September 30, 2015)

Annual report with a comprehensive overview of the company

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

FORM 10-K

☒ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended September 30, 2015

☐TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from_____to_______

Commission File Number: 0-6669

FORWARD INDUSTRIES, INC.
(Exact name of registrant as specified in its charter)

New York	**13-1950672**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

477 Rosemary Ave. Suite 219, West Palm Beach, FL 33401
(Address of principal executive offices, including zip code)

(561) 456-0030
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Common Stock, $0.01 par value per share

Securities registered pursuant to Section 12(g) of the Act:

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
☐ Yes ☒ No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act
☐ Yes ☒ No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

☒ Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rue 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

☒ Yes ☐ No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this form 10-K. [**X**]

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

☐ Large accelerated filer
☐ Non-accelerated filer (Do not check if a smaller reporting company)
☐ Accelerated filer
☒ Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act) ☐ Yes ☒ No

The aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, as of the last business day of the Registrant's most recently completed second fiscal quarter was: approximately $4.800,000.

As of December 10, 2015, 8,657,975 shares of the Registrant's common stock were outstanding.

Documents Incorporated by Reference

Portions of the registrant's Proxy Statement for the 2016 Annual Meeting of Shareholders are incorporated herein by reference in Part III of this Annual Report on Form 10-K to the extent stated herein. Such Proxy Statement will be filed with the Securities and Exchange Commission within 120 days of the registrant's fiscal year ended September 30, 2015.

Forward Industries, Inc.

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Note Regarding Use of Certain Terms

In this Annual Report on Form 10-K, unless the context otherwise requires, the following terms have the meanings assigned to them as set forth below:

"Forward", "Forward Industries", "we", "our", and the "Company" refer to Forward Industries, Inc., a New York corporation, together with its consolidated subsidiaries;
"common stock" refers to the common stock, $.01 par value per share, of Forward Industries, Inc.;
"Forward US" refers to Forward Industries' wholly owned subsidiary Forward Industries (IN), Inc., an Indiana corporation;
"Forward HK" refers to Forward Industries' wholly owned subsidiary Forward Industries HK, Ltd., a Hong Kong corporation;
"Forward Switzerland" refers to Forward Industries' wholly owned subsidiary Forward Industries (Switzerland) GmbH, a Swiss corporation;
"Forward UK" refers to Forward Industries' wholly owned subsidiary Forward Ind. (UK) Limited, a limited company of England and Wales;
"Forward China" refers to Forward Industries Asia-Pacific Corporation (f/k/a Seaton Global Corporation), a British Virgin Islands registered corporation that is Forward's exclusive sourcing agent in the Asia-Pacific region;
"GAAP" refers to accounting principles generally accepted in the United States;
"Commission" refers to the United States Securities and Exchange Commission;
"Exchange Act" refers to the United States Securities Exchange Act of 1934, as amended;
"Fiscal 2015" refers to our fiscal year ended September 30, 2015;
"Fiscal 2014" refers to our fiscal year ended September 30, 2014;
"Europe" refers to the countries included in the European Union;
"EMEA Region" means the geographic area encompassing Europe, the Middle East and Africa;
"APAC Region" refers to the Asia Pacific Region, consisting of Australia, New Zealand, Hong Kong, Taiwan, China, South Korea, Japan, Singapore, Malaysia, Thailand, Indonesia, India, the Philippines and Vietnam;
"Americas" refers to the geographic area encompassing North, Central, and South America;
"OEM" refers to Original Equipment Manufacturer;
"Retail" refers to the retail distribution channel; and
"Corporate" refers to the corporate distribution channel.

Note Regarding Presentation of Financial Information

Certain figures included in this Annual Report on Form 10-K have been subject to rounding adjustments; accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that precede them.

PART I

ITEM 1. BUSINESS

General

Forward Industries, Inc. designs and distributes carry and protective solutions, primarily for hand held electronic devices, including soft-sided carrying cases, bags, clips, hand straps, protective plates and other accessories made of leather, nylon, vinyl, plastic, PVC and other synthetic materials. Our principal customer market is original equipment manufacturers, or "OEMs" (or the contract manufacturing firms of these OEM customers), that either package our products as accessories "in box" together with their branded product offerings, or sell them through their retail distribution channels. Our OEM products include carrying cases and other accessories for blood glucose monitoring kits and a variety of other portable electronic and non-electronic products (such as sporting and recreational products, bar code scanners, smartphones, GPS and location devices, tablets, firearms and other products). Our carrying cases are designed to enable these devices to be stowed in a pocket, handbag, briefcase, or backpack, clipped to a belt or shoulder strap, or strapped to an arm, while protecting the consumer electronic or other product from scratches, dust, and mishandling. Our OEM customers are located in the Americas, Europe, the Middle East, and Africa, which we refer to as the "EMEA Region" and the Asia-Pacific Region, which we refer to as the APAC Region. We do not manufacture any of our OEM products and source substantially all of our OEM products from independent suppliers in China.

Corporate History

Forward Industries was incorporated in 1961 as a manufacturer and distributer of advertising specialty and promotional products. In 1989, we acquired Forward US, a manufacturer of soft-sided carrying cases. The carrying case business became our predominant business, and in September 1997, we sold the assets relating to the production of advertising specialty and promotional products, ceasing to operate in that segment.

In May 2001, we formed Forward Switzerland to facilitate distribution of aftermarket products under our licenses for cell phone cases with a major North American multinational and to further develop our OEM European business presence. After the expiration of the last of these licenses in March 2009, staff at Forward Switzerland was significantly reduced and in recent years has primarily served our OEM customers in Europe.

Products

Diabetic Products

We sell carrying cases for blood glucose diagnostic kits ("Diabetic Products") directly to OEMs (or their contract manufacturers) of these electronic monitoring kits made for use by diabetics. We typically sell these cases at prices ranging from approximately $0.50 to $6.00 per unit. Unit volumes are sold predominantly at the lower end of this price range. The OEM customer (or its contract manufacturer) packages our carry cases "in box" as a custom accessory for the OEM's blood glucose testing and monitoring kits, or to a much lesser extent, sells them through their retail distribution channels. These kits typically include a small, electronic blood glucose monitor, testing strips, lancets for drawing a drop of blood and our carrying case, customized with the manufacturer's logo and designed to fit and secure the glucose monitor, testing strips, and lancets in separate straps, pouches, and holders. As the kits and technology change, our carrying case designs change to accommodate the changes in size, shape and layout of the electronic monitoring device, strips and lancet. For Fiscal 2015, our Diabetic Products accounted for approximately 83% of our total net sales.

Other Products

We also sell carrying and protective solutions to OEMs for a diverse array of other portable electronic and other products ("Other Products"), including sporting and recreational products, bar code scanners, smartphones, GPS and location devices, tablets, and firearms, on a made-to-order basis that are customized to fit the products sold by our OEM customers. Our selling prices for these products also vary across a broad range, depending on the size and nature of the product for which we design and sell the carry solution. For Fiscal 2015, our Other Products accounted for approximately 17% of our total net sales.

Product Development

In our OEM business, the product life cycle in distributing and selling our technology solutions to our OEM customers is as described below. We typically receive requests to submit product designs in connection with a customer's introduction and rollout to market of a new product that the customer has determined to accessorize and customize with a carry solution. Our OEM customers furnish the desired functionality, size and other basic specifications for the carrying solutions or other product, including the OEM's identifying logo imprint on the product. Our design and production resources develop more detailed product specifications and design options for our customer's evaluation. We then furnish the customer with product samples. Working with our suppliers and the customer, samples are modified and refined. Once approved for commercial introduction and order by our customer, we work with our suppliers to ensure conformity of commercial production to the definitive product samples and specifications. Manufacture and delivery of products in production quantities are coordinated with the customer's manufacturing and shipment schedules so that our carry solution products are available with the customer's product (and included "in box", as the case may be) prior to shipment and sale, or to a lesser extent sold by our customer through its retail distribution channels.

Marketing, Distribution, and Sales

Geographic Sales Distribution

Through our wholly owned subsidiaries, Forward US and Forward Switzerland, we distribute and sell our products globally. The approximate percentages of net sales to OEM customers by their geographic location for Fiscal 2015 and Fiscal 2014 are as follows:

	Net Sales for the Fiscal Years Ended September 30,	
	2015	**2014**
Americas	26 %	30 %
APAC Region	40 %	35 %
EMEA Region	34 %	35 %
Total	100 %	100 %

The importance of the APAC Region is attributable to the fact that certain of our key customers outsource product manufacture to contract manufacturers located in China or elsewhere in Asia. In these instances, we ship product to, and product is packaged "in box" at, such contract manufacturer's facility. If payment to us is due from the contract manufacturer, we identify the sale to its geographic location rather than that of the customer for whom the contract manufacturer is supplying product. The increase in the APAC Region's contribution to total net sales in Fiscal 2015 compared to Fiscal 2014 was primarily due to the increase in revenue contribution from Diabetic Customer A within the APAC Region. The decrease in the Americas Region's contribution to total net sales in Fiscal 2015 compared to Fiscal 2014 was primarily due to decreased revenue contribution from Diabetic Customer B. The decrease in the EMEA Region's contribution to total net sales in Fiscal 2015 compared to Fiscal 2014 was not substantial.

Channels of Distribution

We primarily ship our products directly to our OEM customers (or their contract manufacturers), who package our accessory products "in box" with their branded products. Some of our customers also purchase certain of our products and offer them for sale as stand-alone accessories to complement their product offerings.

Sales by Product Line

Sales of carry and protective solutions for Diabetic Products and for Other Products (all products other than diabetic carry cases for blood glucose monitor kits) accounted for approximately the following percentages of total net sales in Fiscal 2015 and 2014:

	For the Fiscal Years Ended September 30,	
Sales:	**2015**	**2014**
Diabetic Products	83%	79%
Other Products	17%	21%
Totals	100%	100%

Sales Concentration

We have approximately 81 active OEM customers. Of these, four customers (including their affiliates and contract manufacturers) accounted for approximately 82% and 76% of our net sales from continuing operations in Fiscal 2015 and 2014, respectively. All four of these "major" customers are OEMs of diabetic monitoring kits. These customers package our carry and protective solutions "in box" with their branded products, or to a lesser extent, sell them through their retail distribution channels. The approximate percentages of net sales contributed by each of these four customers to continuing operations for Fiscal 2015 and Fiscal 2014 are as follows:

	For the Fiscal Years Ended September 30,	
Customer:	**2015**	**2014**
Diabetic Customer A	33%	27%
Diabetic Customer B	10%	14%
Diabetic Customer C	24%	24%
Diabetic Customer D	15%	11%
Totals	82%	76%

During Fiscal 2015 and 2014, all net sales of OEM products were made directly by our employees, which are assigned key accounts or defined geographic sales territories.

OEM Distribution Hubs

We have distribution hub arrangements with four OEM customers. These arrangements obligate us to supply our products to our customer's distribution hubs (may be multiple locations) where their products are manufactured, kitted, and/or warehoused pending sale, and where our products are packaged "in box" with the OEM customer's products or, to a much lesser extent, distributed for retail sale. The product quantities we are required to supply to each distribution hub are based on the OEM customer's purchase orders and forecasts. We do not recognize revenue for product shipped to a hub until we have been notified by our customer that our product has been withdrawn from the distribution hub and "consumed". Hub arrangements have had the general effect of extending financing for our customers' inventory build by extending the time between our placement of orders to our suppliers in order to ship and supply the hubs and the time that we are able to recognize revenue. The corollary effect is an increase in our inventory levels.

Credit Risk

We generally sell our OEM products on 30-day to 120-day credit terms customary in the industry and without interest. Historically, we have not had significant credit problems with our customers. Our significant OEM customers are large, multi-national companies with good credit histories. None of these customers is or has been in default to us, and payments from all customers are generally received from them on a timely basis.

When we ship products to our OEM customer's designated contract manufacturer and invoice such manufacturer (and not the OEM customer), even though our order flows originate with and depend on our relationship with the OEM, our accounts receivable credit risk lies with the contract manufacturer. Our OEM customer does not guarantee the payment obligations of the contract manufacturer to whom the OEM requests us to ship our carrying case products, and such order volumes may be significant from time to time. In most cases, these contract manufacturers are themselves major multinational enterprises with good credit.

Product Supply

Manufacturing

The manufacture of custom carrying cases and other carry and protective solutions generally consists of die cutting fabrics and heat sealing, gluing, sewing, and decorating (affixing logos to) the cut-outs by means of silk screening, hot-stamping, embroidering or embossing. The principal materials used in the manufacture of our products are vinyl, nylon, leather, metal and plastic parts (for clips, buckles, loops, hinges and other hardware), foam padding and cardboard, all of which are obtained according to our specifications from suppliers. We do not believe that any of the component materials or parts used by our suppliers in the manufacture of our products is supply constrained. We believe that there are adequate available alternative sources of supply for all of the materials used to manufacture, package, and ship our products.

Dependence on Sourcing Agent

On September 9, 2015, the Company renewed a Buying Agency and Supply Agreement (the "Supply Agreement") with Forward Industries (Asia-Pacific) Corporation, a BVI corporation (the "Agent") on substantially the same terms as its existing buying agency and supply agreement with the Agent, which was due to expire on September 11, 2015. The Supply Agreement provides that the Agent acts as the Company's exclusive buying agent of carry and protective solutions in the APAC region. The Agent also arranges for sourcing, manufacture and exportation of such products. The Company purchases products at the Agent's cost and pays a service fee to the Agent. The service fee is calculated at $100,000 monthly plus 4% of "Adjusted Gross Profit." "Adjusted Gross Profit" is defined as the selling price less the cost from the Agent. The Supply Agreement terminates on September 8, 2018, subject to renewal. Terence Wise, the Company's Chairman, Chief Executive Officer and largest shareholder, is a principal of the Agent. See "Item 1A. – Risk Factors" regarding our dependence on the Agent.

Suppliers

We procure substantially all our supply of carrying solutions products from independent suppliers in China through the Agent, Forward China. Depending on the product, we may require several different suppliers to furnish component parts or pieces.

We place orders with the Agent at the time we receive firm purchase orders and/or forecasts from our OEM customers for a particular product. Accordingly, we do not have minimum supply requirement agreements with our suppliers to guarantee us supply of finished product, nor have we made purchase commitments to purchase minimum amounts from any of our suppliers. However, from time to time, we may order products from our suppliers in advance of receiving a customer purchase order, or in quantities in excess of those forecasted to us by our customer, for which they are contractually obligated to us, in order to meet our customer's delivery demands. Beginning September 1, 2013 we began making purchases directly from Forward China. During the years ended September 30, 2015 and 2014, the majority of our purchases were made directly through Forward China.

Quality Assurance

To ensure that our products manufactured by our Chinese suppliers meet our quality assurance standards our products are inspected by independent contractors in China, which may be affiliated with one or more of our suppliers. These contractors were subject to the control and supervision of Forward China's quality assurance employees based in Hong Kong. In July 2012, Forward China received its ISO 9001:2008 quality certification, which covers all ISO activities previously covered under Forward's ISO quality certification.

Logistics

Once our products are approved for shipment by our quality assurance procedures, our products are typically shipped to our customer's destination port in the Americas and EMEA Region on ocean-going container vessels, or by ground transport to our APAC Region customer's locations in China or Hong Kong. In certain cases, and primarily at our customer's request, we will expedite the shipment of our products by using air transportation. Most ocean-going shipments bound for the United States are off-loaded at the port of Los Angeles or San Francisco, but certain customers arrange for shipments to East coast ports, such as Miami or Philadelphia. EMEA Region destined shipments generally are routed via Rotterdam.

Insurance

We maintain commercial loss and liability, business interruption, and general claims and other insurance customary for our business. We do not maintain credit insurance for our trade accounts receivable.

Competition

The business in which we engage is highly competitive in terms of product pricing, design, delivery terms, and customer service. In the production of our OEM products, we compete with numerous United States and foreign producers and distributors. Some of our competitors are substantially larger than we are and have greater financial and other resources. We believe that we sustain our competitive position through maintenance of an effective product design capability, rapid response time to customer requests for proposals and product shipment, reliable product delivery and product quality, and competitive pricing. We believe that our ability to compete based on product quality assurance considerations is enhanced by Forward China's local presence and their quality control and shipment capabilities

Employees

At September 30, 2015, we had 15 full-time employees. We consider our employee relations to be satisfactory. None of our employees are covered by a collective bargaining agreement.

Regulation and Environmental Protection

Our business is subject to various regulations in various jurisdictions, including the United States and member states of the European Community, that restrict the use or importation of products manufactured with compounds deemed to be hazardous. We work with our suppliers to ensure compliance with such regulations. In addition, from time to time one or more customers may require testing of our products to ensure compliance with applicable consumer safety rules and regulations or the customer's safety or packaging protocols. Because we do not manufacture the products that we sell and distribute, compliance with federal, state and local laws and regulations pertaining to the discharge of materials into the environment, or otherwise relating to the protection of the environment, has not had, and is not anticipated to have, any direct material effect upon our capital expenditures, earnings, or competitive position. However, compliance with such laws and regulations on the part of our suppliers may result in increased costs of supply to us, particularly if domestic environmental regulation in China becomes more prevalent.

We have not been engaged in any environmental litigation or incurred any material costs related to compliance with environmental or other regulations. From time to time we incur chemical and/or safety laboratory testing expenses in order to address customer requests regarding our product materials or method of manufacture or regarding their packaging methods and standards.

ITEM 1A. RISK FACTORS

We have a history of losses and negative cash flow from operations. We cannot assure you that we will achieve or sustain profitability in the future.

We have incurred significant losses and negative cash flows from operations in recent years. We incurred net losses of approximately $1.4 million and $0.8 million for the fiscal years ended September 30, 2015 and 2014, respectively, and had net cash used in operating activities of approximately $2.0 million for the fiscal year ended September 30, 2015 and net cash provided by operating activities of approximately $0.2 million for the fiscal year ended September 30, 2014. Further, we may incur net losses in future reporting periods as we incur expenses associated with the continuation of our business as well as its subsequent development, which development cannot be guaranteed. There is no assurance our future operations will be profitable. If we cannot generate sufficient revenues to operate profitably, we may be forced to cease or suspend operations, or we may be required to raise additional capital to maintain or grow our operations. There is no assurance that we will be able to raise such additional capital.

We expect to continue to invest incremental cash resources to execute our OEM growth strategy. While we believe that our existing cash resources are sufficient to support our growth strategy, there can be no assurances that our growth strategy will be successful or that we will earn a return on these investments.

Our business remains highly concentrated in our Diabetic Products line. If our Diabetic Products line were to suffer the loss of a principal customer or a material decline in or loss of sales, our business would be materially and adversely affected.

Sales of Diabetic Products to OEM customers accounted for approximately 83% of net revenues from continuing operations in Fiscal 2015. As a result, our financial condition and results of operations are subject to higher risk from the loss of a major diabetic customer or changes in their business practices, for example, a decision to reduce or eliminate inclusion of cases in box with the electronic device or a decision to focus on insulin pumps instead of insulin by injection. In any such events, our business would be materially and adversely affected.

The loss of any of, or a material reduction in orders from, our largest customers, would materially and adversely affect our results of operations and financial condition.

Our business is and has been characterized by a high degree of customer concentration. Our four largest customers accounted for approximately 82% and 76% of net sales from continuing operations in Fiscal 2015 and Fiscal 2014, respectively. The loss of any of these customers, whether as a result of its purchase of its carry solution requirements from another vendor, its decision to manufacture its own carrying cases, its decision to award its orders to one of our competitors, or otherwise, would have a material adverse effect on our financial condition, liquidity and results of operations.

If any one or more of our OEM customers elect to reduce or discontinue inclusion of cases "in box", our results of operations and financial condition would be materially and adversely affected.

The predominant percentage of our revenues is derived from sales of case accessories to our OEM customers who package our cases "in box" with their electronics. During recent years, there have been numerous federal legislative and administrative actions that have affected government programs, including adjustments that have reduced or increased payments to healthcare providers and patients. For example, the federal healthcare reform legislation that was enacted in March 2010 (known as the Patient Protection and Affordable Care Act of 2010 ("ACA")) may reduce reimbursement for some healthcare providers and patients while increasing reimbursement for others. In addition, ACA mandates the implementation of various programs and value and quality-based reimbursement incentives that may impact the amount of reimbursement for healthcare providers and patients. In addition and more significantly, third-party payers, including governmental health administration authorities, managed care providers and private health insurers, have increasingly challenged the price and examined the cost effectiveness of medical products and services, which has affected the reimbursement of such products to patients. Due to this uncertainty in medical reimbursements, OEMs have experienced reductions in demand and, as a result, have sought continuously to reduce expenses. If one or more of our OEM customers generally begin to reduce or discontinue the practice of including carry case accessories "in box", we would incur a significant decline in revenues and our results of operations and financial condition would be materially and adversely affected.

We continue to encounter pressures from our largest OEM customers to maintain or even decrease prices or to supply lower priced carry solutions, and expect such pressure to persist. The effects of such price constraints on our business may be exacerbated by inflationary pressures that affect our costs of supply.

During Fiscal 2015 and Fiscal 2014, we experienced significant pricing pressure from our largest OEM customers to maintain or even reduce the prices we charge them. When we are unable to extract comparable concessions from our suppliers on prices they charge us, our product sales margins erode. In addition, competitors may reduce their average selling prices faster than we are able to reduce costs, which can also accelerate the rate of decline of our selling prices.

In addition to margin compression from customers in general, we are encountering increased pricing from our Chinese suppliers who are reacting to inflationary increases in materials and labor costs incurred by them. In addition, prices that our Chinese vendors charge to us may reflect appreciation of the Chinese currency against the U.S. dollar, which can be passed through to us in the form of higher U.S. dollar prices. This in turn will tend to reduce gross profit if we are unable to raise our prices. Any decrease in demand for our products, coupled with pressure from the market and our customers to decrease our prices, would materially adversely affect our business, financial condition, and results of operations.

Increasingly, our customers are requesting that we enter into supply agreements with them that have restrictive terms and conditions. These agreements typically include provisions that increase our financial exposure, which could result in significant costs to us.

Increasingly, our customers are requesting that we enter into supply agreements with them. These agreements typically do not include volume commitments, but do include provisions that generally serve to increase our exposure for product liability and limited sales returns, which could result in higher costs to us as a result of such claims. In addition, these agreements typically contain provisions that seek to limit our operational and pricing flexibility and extend payment terms, which could materially adversely affect our cash flow, business, financial condition, and results of operations.

We depend on a single exclusive buying agent who, in turn, depends on a limited number of key suppliers.

Our Chairman, Chief Executive Officer and largest shareholder is a principal of Forward China, our exclusive sourcing agent in the Asia Pacific region. We have entered into a Buying Agency and Supply Agreement with Forward China whereby Forward China will act as the Company's exclusive agent to arrange for sourcing, manufacturing and exporting the Company's products. Forward China has relied on a limited number of suppliers to supply the component parts and pieces necessary for the production of our carry and protective solutions products. As a result, our ability to effectively push back against rising material costs may diminish. In addition, any inability to obtain supplies from a single or limited number of suppliers may result in difficulty obtaining the supplies necessary for our business and may restrict our ability to produce our carry and protective solutions products. Where practical, we intend to establish alternative sources to mitigate the risk that the failure of any single supplier will adversely affect our business. Nevertheless, a prolonged inability to obtain certain components or the failure of one of our suppliers could impair our ability to ship products and generate revenues, which could adversely affect our operating results and damage our customer relationships.

In addition, we depend significantly on Forward China as our exclusive buying agent for substantially all of our component parts in the APAC region. As a result, we have limited visibility as to our supplier base, making it difficult to forecast future events and to plan our operations. In addition, if Forward China fails to satisfactorily perform its obligations, including payment obligations, to our suppliers or its duties to us as our exclusive buying agent as a result of financial or other difficulties or for any other reason, or if our relationship with Forward China were to suffer, we could suffer irreparable harm resulting in substantial harm to the business.

Our business has benefited from OEMs deciding to outsource their carry and protective solutions assembly needs to us. If OEMs choose to provide these services in-house or select other providers, our business could suffer.

Our future revenue growth partially depends on new outsourcing opportunities from OEMs. Current and prospective customers continuously evaluate our performance against other providers. They also evaluate the potential benefits of manufacturing their products themselves. To the extent that outsourcing opportunities are not available either due to OEM decisions to produce these products themselves or to use other providers, our financial results and future growth could be materially adversely affected.

If we are unable to provide our customers with high-quality products, and responsive service, or if we are unable to deliver our products to our customers in a timely manner, our business, financial condition, and results of operations may be materially adversely affected.

In order to maintain our existing customer base and obtain business from new OEM customers, we must demonstrate our ability to produce our products at the level of quality, responsiveness of service, timeliness of delivery, and cost that our customers require. If our products are of substandard quality, if they are not delivered on time, if we are not responsive to our customers' demands, or if we cannot meet our customers' requirements, our reputation as a reliable supplier of our products would likely be damaged. If we are unable to meet anticipated product and service standards, we may be unable to obtain new contracts or keep our existing customers, and this would have a material adverse effect on our business, financial condition, and results of operations.

If we fail to maintain an effective system of internal controls over financial reporting, we may not be able to accurately report our financial results. As a result, current and potential stockholders could lose confidence in our financial reporting, which could harm our business and the trading price of our stock.

Effective internal controls over financial reporting are necessary for us to provide reliable financial reports. If we cannot maintain effective controls and reliable financial reports, our business and operating results could be harmed. We continue to work on improvements to our internal controls over financial reporting. Any failure to implement and maintain internal controls over our financial reporting or difficulties encountered in the implementation of improvements in our controls, could cause us to fail to meet our reporting obligations. Any failure to improve our internal controls over financial reporting or to address identified weaknesses in the future, if they were to occur, could also cause investors to lose confidence in our reported financial information, which could have a negative impact on the trading price of our stock.

If we are unable to manage our growth effectively, our business, financial condition, and results of operations could be materially adversely affected.

We may experience growth in the scope and complexity of our operations. This growth may strain our managerial, financial, manufacturing, and other resources. In order to manage our growth, we may be required to continue to implement additional operating and financial controls and hire and train additional personnel. There can be no assurance that we will be able to do so in the future, and failure to do so could jeopardize our expansion plans and seriously harm our operations.

Our results of operations are subject to the risks of fluctuations in the values of foreign currencies relative to the U.S. Dollar.

Our results of operations are expressed in U.S. dollars. When the U.S. dollar appreciates or depreciates in value against a currency in which all or a significant portion of revenues or other accounts receivable are denominated, such as the Euro, our results of operations can be adversely affected or benefited, respectively. The degree of impact is proportional to the amount of foreign currency expense or revenue, as the case may be, and the fluctuations in exchange rates over the period in which the effect is measured on our financial statements. In addition, such currency fluctuations may affect the comparability of our results of operations between financial periods.

Future revenues are difficult to predict and are likely to show significant variability as a consequence of customer concentration.

Because our revenues are highly concentrated in a few large customers, and because the volumes of these customers' order flows to us can fluctuate markedly in a short period of time, our quarterly revenues, and consequently our results of operations, may be highly variable and subject to significant changes over a relatively short period of time. Our largest OEM customers may keep consumer products with which our carry solutions are packaged "in-box" in active promotion for many months, or for a very short period of time, depending on various factors, including sales trends for the product, product development cycles, new product introductions, and our customers' competitors' product offerings. As demand for the consumer product relating to the in-box program matures and decreases, we may be forced to accept significant price and/or volume reductions in customer orders for our carry solutions, which will adversely affect revenue. These factors tend to lead to a high degree of variability in our quarterly revenue levels. Significant, rapid shifts in our operating results may occur if and when one or more of these customers increase or decrease the size(s) of, or eliminate, their orders from us by amounts that are material to our business.

Our gross margins, and therefore our profitability, vary considerably by customer and by product, and if the revenue contribution from one or more OEM customers or products changes materially, relative to total revenues, our gross profit percentage may fluctuate.

Our gross profit margins on the products we sell can vary widely depending on the product type, customer, and order size. Because of the broad variability in price ranges and product types, we anticipate that gross margins, and accordingly their impact on operating income or loss, may fluctuate depending on the relative revenue contribution from each customer or product.

Product manufacture is often outsourced by our OEM customers to contract manufacturing firms in China and in these cases it is the contract manufacturer to which we must look for payment.

Contract manufacturing firms are performing manufacturing, assembly, and product packaging functions, including the bundling of our product accessories with the OEM customer's product. As a consequence of this business practice, we often sell our carry solution products directly to the contract manufacturing firm. This is particularly significant in the case of diabetic product sales to certain customers. In these cases, we invoice the contract manufacturing firm and not the OEM customer. Therefore, it is the contract manufacturing firm to which we must look for payment in such cases and not that of our OEM customer. This may alter the credit profile of our customer base and may involve significant purchase order volumes. In some, but not all cases, the manufacturing firm is itself a large, multinational entity with significant financial resources.

Our dependence on foreign manufacturers creates quality control and other risks to our business. From time to time we may experience certain quality control, on-time delivery, cost, or other issues that may jeopardize customer relationships.

Our reliance on foreign suppliers, manufacturers and other contractors involves significant risks, including risk of product quality issues and reduced control over quality assurance, manufacturing yields and costs, pricing, timely delivery schedules, the potential lack of adequate manufacturing capacity and availability of product, the lack of capital and potential misappropriation of our designs. In any such event, our reputation and our business will be harmed.

Our shipments of products via container may become subject to delays or cancellation due to work stoppages or slowdowns, piracy, damage to port facilities caused by weather or terrorism, and congestion due to inadequacy of port terminal equipment and other causes.

To the extent that there are disruptions or delays in loading container cargo in ports of origin or off-loading cargo at ports of destination as a result of labor disputes, work-rules related slowdowns, tariff or World Trade Organization-related disputes, piracy, physical damage to port terminal facilities or equipment caused by severe weather or terrorist incidents, congestion in port terminal facilities, inadequate equipment to load, dock and offload container vessels or energy-related tie-ups or otherwise, or for other reasons, product shipments to our customers will be delayed. In any such case, our customer may cancel or change the terms of its purchase order, resulting in a cancellation or delay of payments to us. A closure or partial closure of port facilities or other causes of delays in the loading, importation, offloading or movement of our products to the shipping destination agreed with our customer could result in increased expenses, as we try to avoid such delays, delayed shipments or cancelled orders, or all of the above. Depending on the severity of such consequences, this may have an adverse effect on our financial condition and results of operations.

The OEM carrying solutions business is highly competitive and does not pose significant barriers to entry.

There are many competitors in the sale of carry solutions products to OEMs, and competition is intense. Since little or no significant proprietary technology is involved in the design, production or distribution of the types of products we sell, others may enter the business with relative ease and compete against us. Such competition may result in the diminution of our market share or the loss of one or more major OEM customers, thereby adversely affecting our net sales, results of operations, and financial condition. Many of our competitors are larger, better capitalized and more diversified than we are and may be better able to withstand a downturn in the general economy or in the product areas in which we specialize. These competitors may also have less sales concentration than we do and be better able to withstand the loss of a key customer or diminution in its orders.

Our business could suffer if the services of key sales personnel we rely on were lost to us.

We are highly dependent on the efforts and services of certain key sales representatives who have account responsibility for, and have longstanding relationships with one or more of our largest customers. Our business could be materially and adversely affected if we lost the services of any such individual. If we lost the services of a key sales representative, we might experience a material reduction in orders from his customers, resulting in a loss of revenues, which would materially and adversely affect our results of operations and financial condition.

We maintain cash balances in our bank accounts that exceed the FDIC insurance limitation.

We maintain our cash assets at commercial banks in the U.S. in amounts in excess of the Federal Deposit Insurance Corporation insurance limit of $250,000 and in Europe in amounts that may exceed any applicable deposit insurance limits. In the event of a failure at a commercial bank where we maintain our deposits or uninsured losses on money market or other cash equivalents in which we maintain cash balances, we may incur a loss to the extent such loss exceeds the insurance limitation, which could have a material adverse effect upon our financial conditions and our results of operations.

Our Chairman and Chief Executive Officer is a significant shareholder, which makes it possible for him to have significant influence over the outcome of all matters submitted to our shareholders for approval and which influence may be alleged to conflict with our interests and the interests of our other shareholders.

Terence Wise, our Chairman and Chief Executive Officer, is a significant shareholder who beneficially owns approximately 19.0% of the outstanding shares of our common stock as of December 11, 2015. Mr. Wise has substantial influence over the outcome of all matters submitted to our shareholders for approval, including the election of our directors and other corporate actions. This influence may be alleged to conflict with our interests and the interests of our other shareholders. In 2014, Mr. Wise successfully launched a proxy contest to elect a different slate of directors than what our Company proposed to shareholders. In addition, such influence by Mr. Wise could have the effect of discouraging potential business partners or create actual or perceived governance instabilities that could adversely affect the price of our common stock.

ITEM 1B. UNRESOLVED STAFF COMMENTS

Not Applicable

ITEM 2. PROPERTIES

We lease approximately 2,815 square feet in West Palm Beach, Florida for our executive offices, which we rent for approximately $6,200 per month under a lease agreement scheduled to expire in September 2020.

In April 2011, we relocated our executive offices from Pompano Beach, Florida to offices in Santa Monica, California, which consists of approximately 3,400 square feet, which we rented during Fiscal 2013 at approximately $14,000 per month under lease agreements, which expire in October 2016. Beginning in July 2013, we sub-leased this space for the remainder of our lease term at rates above those that we are contractually obligated to pay.

We sub-lease approximately 1,300 square feet of office space in Cham, Switzerland on a month-to-month basis from a tenant at the same location. We use this office as our EMEA Region headquarters from which we coordinate our sales and sales support activities throughout the EMEA Region.

We believe that each of the foregoing leased properties is adequate for the purposes for which it is used. All leases are with unaffiliated third parties. We believe that the loss of any lease would not have a material adverse effect on our operations, as we believe that we could identify and lease comparable facilities upon approximately equivalent terms.

ITEM 3. LEGAL PROCEEDINGS

From time to time, the Company may become a party to other legal actions or proceedings in the ordinary course of its business. As of September 30, 2015, there were no such actions or proceedings, either individually or in the aggregate, that, if decided adversely to the Company's interests, the Company believes would be material to its business.

ITEM 4. MINE SAFETY DISCLOSURES.

Not Applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED SHAREHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market for Common Stock

The principal market for our common stock is the NASDAQ SmallCap Market. Our common stock is traded under the symbol "FORD". The following table sets forth the high and low closing bid quotations for our common stock on the NASDAQ SmallCap Market for each quarter in the last two fiscal years:

Bid Price Information for Common Stock*

	Fiscal 2015		Fiscal 2014	
	High Bid	Low Bid	High Bid	Low Bid
First Quarter	$ 1.35	$ 0.82	$ 1.89	$ 1.41
Second Quarter	$ 1.25	$ 0.70	$ 2.10	$ 1.51
Third Quarter	$ 0.85	$ 0.58	$ 1.93	$ 1.15
Fourth Quarter	$ 3.90	$ 0.61	$ 1.73	$ 1.18

*High and low bid price information as furnished by The NASDAQ Stock Market Inc.

On December 10, 2015, the closing bid quotation for our common stock was $1.68.

Holders of common stock.

As of December 10, 2015, there were approximately 100 holders of record of our common stock.

Dividends

We have not paid any cash dividends on our common stock since 1987 and do not plan to pay cash dividends in the foreseeable future. The payment of dividends in the future, if any, will depend upon our results of operations, as well as our short-term and long-term cash availability, net working capital, working capital needs, and other factors, as determined by our Board of Directors. Currently, except as may be provided by applicable laws, there are no contractual or other restrictions on our ability to pay dividends if we were to decide to declare and pay them. See "—Recent sales of unregistered securities" below.

Recent redemption of convertible preferred stock

On January 9, 2015, the Company received a notice of deemed liquidation from a majority of the outstanding Convertible Preferred Stockholders in which they requested redemption of their Convertible Preferred Stock. On February 23, 2015 the Company paid an aggregate $1,287,737 to the Convertible Preferred Stockholders, in order to redeem all of the outstanding shares of Convertible Preferred Stock. See Note 7 to our audited consolidated financial statements.

Securities authorized for issuance under equity compensation plans.

Long-term equity based compensation is accomplished under the Forward Industries, Inc. 2007 Equity Incentive Plan, as amended (the "2007 Plan"), adopted by the Company and by its shareholders in May 2007 and amended February 2009, and the Forward Industries, Inc. 2011 Long Term Incentive Plan (the "2011 Plan"), adopted by the Company and by its shareholders in March 2011. Under the 2007 Plan, 800,000 shares of Common Stock were authorized for grants of awards of stock options and restricted stock, of which 149,640 shares remain available for grant as of September 30, 2015. Under the 2011 Plan, 850,000 shares of Common Stock were authorized for grants of awards of stock options and restricted stock, of which 424,813 shares remain available for grant as of September 30, 2015. There are options to purchase 20,000 shares of Common Stock outstanding under the 1996 Stock Incentive Plan.

Information relating to securities authorized for issuance under equity compensation plans as of September 30, 2015, is as follows:

Plan Category	Number of securities to be issued upon exercise of outstanding options	Weighted-average exercise price of outstanding options	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
	(a)	(b)	(c)
Equity compensation plans approved by security holders	311,000	$ 2.39	574,453
Equity compensation plans approved by security holders	-	$ -	-
Total	311,000	$ 2.39	574,453

Purchase of equity securities

None

ITEM 6. SELECTED FINANCIAL DATA

Not applicable.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis should be read in conjunction with our audited Consolidated Financial Statements and the notes thereto and other financial information appearing in Item 8 of this Annual Report on Form 10-K. This discussion and analysis compares our consolidated results of operations for Fiscal 2015 with those for Fiscal 2014, and is based on or derived from the audited Consolidated Financial Statements included in Item 8 in this Annual Report. All figures in the following discussion are presented on a consolidated basis. All dollar amounts and percentages presented herein have been rounded to approximate values.

Cautionary statement for purposes of the "Safe Harbor" provisions of the Private Securities Litigation Reform Act of 1995

The following management's discussion and analysis includes "forward-looking statements", as such term is used within the meaning of the Private Securities Litigation Reform Act of 1995. These "forward-looking statements" are not based on historical fact and involve assessments of certain risks, developments, and uncertainties in our business looking to the future. Such forward looking statements can be identified by the use of forward-looking terminology such as "may", "will", "should", "expect", "anticipate", "estimate", "intend", "continue", or "believe", or the negatives or other variations of these terms or comparable terminology. Forward-looking statements may include projections, forecasts, or estimates of future performance and developments. Forward-looking statements contained in this Annual Report are based upon assumptions and assessments that we believe to be reasonable as of the date of this Annual Report. Whether those assumptions and assessments will be realized will be determined by future factors, developments, and events, which are difficult to predict and may be beyond our control. Actual results, factors, developments, and events may differ materially from those we assumed and assessed. Risks, uncertainties, contingencies, and developments, including those discussed in this Management's Discussion and Analysis of Financial Condition and Results of Operations and those identified in "Risk Factors" in Item 1A of this Annual Report on Form 10-K, could cause our future operating results to differ materially from those set forth in any forward looking statement. There can be no assurance that any such forward looking statement, projection, forecast or estimate contained can be realized or that actual returns, results, or business prospects will not differ materially from those set forth in any forward looking statement.

Given these uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements. The Company disclaims any obligation to update any such factors or to publicly announce the results of any revisions to any of the forward-looking statements contained herein to reflect future results, events or developments.

Business Overview

Trends and Economic Environment

In June 2012, the Company made the strategic decision to focus solely on its core OEM business. Initially, we implemented several key restructuring measures in order to improve our operating performance and return the Company to profitability. These actions included replacing our legacy sourcing and quality assurance infrastructure with a variable lower cost solution through our use of an exclusive Asia-based sourcing agent (see Note 12 in our Notes to our Consolidated Financial Statements) and rationalizing our fixed operating expenses, including office closures and headcount reductions. Our financial results, most notably our reduction of overhead and operating expenses for Fiscal 2015, reflect the impact of these restructuring measures.

With the restructuring behind us, we have turned our focus to protecting the strong competitive position we have built across several key product categories, especially our Diabetic Products line. We have reinvested a portion of the savings generated by the restructuring towards expanding and better incentivizing our sales, design and sales support teams, which we believe has improved our ability to provide proactive and responsive support to our existing customer base. We also believe that these investments are expanding our ability to provide innovative and differentiated solutions to our existing and prospective customers. As an example, the diabetic products sector seems to be undergoing significant changes that, we believe, present us with meaningful opportunities if managed proactively.

We remain challenged by a highly concentrated customer base and product offering, especially with respect to our Diabetic Products line, where we operate in a price sensitive environment in which we continue to experience volatility in demand and downward pricing pressure from our major Diabetic Products customers. We believe that the investments we are making in our sales and sales support teams increase our ability to expand and diversify our customer base, which we believe is essential to overcoming these challenges and the impact they have on our gross margins.

In addition to our investments to grow and diversify our business organically, we are beginning an active search process to identify potential acquisition targets that would be complementary to our existing business and allow us to further leverage our operating infrastructure. We anticipate that this search process will be ongoing with the goal of identifying prospective target companies that, if acquired, would be accretive to our organic results.

We continue to be challenged by rising costs from our China-based supplier base, which causes our gross margins to narrow when we are not able to fully pass cost increases through to customers. Our dedicated Asia-based sourcing agent has made meaningful progress in areas such as quality assurance and overall operational performance during Fiscal 2015, which has better positioned us to negotiate such cost increases with our customers. However, we believe and anticipate that our supplier base may become more concentrated. As a result, our ability to effectively push back against rising material costs may diminish.

Variability of Revenues and Results of Operation

Because a high percentage of our sales revenues is highly concentrated in a few large customers, and because the volumes of these customers' order flows to us are highly variable, with short lead times, our quarterly revenues, and consequently our results of operations, are susceptible to significant variability over a relatively short period of time.

Critical Accounting Policies and Estimates

We have identified the accounting policies and significant estimation processes below as critical to our business operations and the understanding of our results of operations. The discussion below is not intended to be comprehensive. In many cases, the accounting treatment of a particular transaction is specifically dictated by GAAP, with no need for management's judgment of a particular transaction. In other cases, management is required to exercise judgment in the application of accounting principles with respect to particular transactions. The impact and any associated risks related to these policies on our business operations are discussed throughout this "Management's Discussion and Analysis of Financial Condition and Results of Operations" where such policies affect reported and expected financial results. For a detailed discussion of the applications of these and other accounting policies, see "Item 8. Financial Statements and Supplementary Data" in this Annual Report. Our preparation of our Consolidated Financial Statements requires us to make estimates and assumptions that are believed to be reasonable under the circumstances. There can be no assurance that actual results will not differ from those estimates and such differences could be significant.

Cash and Cash Equivalents

Cash and cash equivalents consist primarily of cash on deposit. We hold cash and cash equivalents at major financial institutions in the United States, at which cash amounts may significantly exceed the Federal Deposit Insurance Corporation's insured limits. At September 30, 2015 and 2014, this amount was approximately $3.9 million (which includes $2.0 million in a foreign bank) and $6.3 million (which includes $1.7 million in a foreign bank), respectively. Historically, we have not experienced any losses due to such cash concentrations.

Marketable Securities

At September 30, 2015 we did not hold any investments in marketable securities. In late December 2014, we closed our investments account and liquidated our investments in marketable securities. However, at September 30, 2014, we held investments in marketable securities that were classified as trading and were recorded at fair value with the corresponding unrealized holding gains or losses recognized in earnings. The fair value of marketable securities was determined based on quoted market prices. The cost of marketable securities sold was determined by the specific identification method. We classify our realized and unrealized gains and losses as non-operating income (expense) in its consolidated statements of operations and comprehensive loss. In addition, we classify the cash flows from the trading of these marketable securities as investing activities in our consolidated statements of cash flows.

Accounts Receivable

Accounts receivable consist of unsecured trade accounts with customers or their contract manufacturers. We perform periodic credit evaluations of our customers including an evaluation of days outstanding, payment history, recent payment trends, and perceived creditworthiness, and believe that adequate allowances for any uncollectible receivables are maintained. Credit terms to customers generally range from net thirty (30) days to net one hundred and twenty (120) days. We have not historically experienced significant credit or collection problems with our OEM customers or their contract manufacturers. At September 30, 2015 and 2014, no allowance for doubtful accounts relating to our continuing operations was deemed necessary.

Inventories

Inventories consist primarily of finished goods and are stated at the lower of cost (determined by the first-in, first-out method) or market. Based on management's estimates, an allowance is made to reduce excess, obsolete, or otherwise un-saleable inventories to net realizable value. The allowance is established through charges to cost of goods sold in our consolidated statements of operations and comprehensive loss. As reserved inventory is disposed of, we charge off the associated allowance. In determining the adequacy of the allowance, management's estimates are based upon several factors, including analyses of inventory levels, historical loss trends, sales history and projections of future sales demand. Our estimates of the allowance may change from time to time based on management's assessments, and such changes could be material. At September 30, 2015 and 2014, the allowance for obsolete inventory of our continuing operations was $0 and $33,000, respectively.

Income Taxes

We account for income taxes in accordance with GAAP, which requires, among other things, recognition of future tax benefits and liabilities measured at enacted rates attributable to temporary differences between financial statement and income tax bases of assets and liabilities and to net tax operating loss carry-forwards to the extent that realization of these benefits is more likely than not. We periodically evaluate the realizability of net deferred tax assets. See Note 9 to our Consolidated Financial Statements. Our policy is to account for interest and penalties relating to income taxes, if any, in "income tax expense" in our consolidated statements of operations and comprehensive loss and include accrued interest and penalties within "accrued expenses and other current liabilities" in our consolidated balance sheets, if applicable. For fiscal years ended September 30, 2015 and 2014, no income tax related interest or penalties were assessed or recorded.

6% Senior Convertible Preferred Stock

Temporary Equity

In accordance with Accounting Standards Codification ("ASC") 480-10-s99 – Distinguishing Liabilities from Equity – Overall – SEC Materials and Accounting Series Release ("ASR") 268 – Presentation in Financial Statements of "Redeemable Preferred Stock", equity securities are required to be classified out of permanent equity and classified as temporary equity, as the redemption of the convertible preferred stock is not solely within our control since it is at the option of the holder.

Warrants

In accordance with ASC 815-40 – Derivatives and Hedging – Contracts in Entity's Own Equity, our warrants were previously classified as a liability, at fair value, as a result of a related registration rights agreement that contained certain requirements for registering the underlying common shares, but has no provision for penalties upon the failure to register. At each consolidated balance sheet date, this liability's fair value was remeasured and adjusted with the corresponding change in fair value recorded in the consolidated statements of operations and comprehensive loss. After we met the requirements for registering the underlying common shares in the fiscal year ended September 30, 2014, the fair value of the warrants were reclassified to equity (additional paid-in capital).

Preferred Stock Accretion

The carrying amount of the convertible preferred stock at September 30, 2014 was less than the redemption value. As a result of our determination that redemption was probable, the carrying value was increased by periodic accretions so that the carrying value was equal to the redemption amount at the earliest redemption date. Such accretion was recorded as a preferred stock dividend.

Revenue Recognition

We generally recognize revenue from product sales to our customers when: (1) title and risk of loss are transferred (in general, these conditions occur at either point of shipment or point of destination, depending on the terms of sale); (2) persuasive evidence of an arrangement exists; (3) we have no continuing obligations to the customer; and (4) collection of the related accounts receivable is reasonably assured.

Fair Value of Financial Instruments

For certain of our financial instruments, including cash and cash equivalents, accounts receivable, accounts payable and other accrued liabilities, the carrying amount approximates fair value due to the short-term maturities of these instruments. We record our financial instruments that are accounted for under ASC 320, "Investments-Debt and Equity Securities" ("ASC 320") at fair value. The determination of fair value is based upon the fair value framework established by ASC 820. ASC 820 provides that a fair value measurement assumes that the transaction to sell an asset or transfer a liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market for the asset or liability. The fair value hierarchy is broken down into three levels based on the source of inputs as follows: (a) Level 1 – valuations based on unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities; (b) Level 2 – valuations based on quoted prices in markets that are not active, or financial instruments for which all significant inputs are observable; either directly or indirectly; and (c) Level 3 – valuations based on prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable, thus, reflecting assumptions about the market participants.

Share-Based Payment Expense

We recognize share-based compensation in our consolidated statements of operations and comprehensive loss at the grant-date fair value of stock options and other equity-based compensation. The determination of grant-date fair value is estimated using the Black-Scholes option-pricing model, which includes variables such as the expected volatility of our share price, the exercise behavior of its grantees, interest rates, and dividend yields. These variables are projected based on our historical data, experience, and other factors. Changes in any of these variables could result in material changes to the valuation of options granted in future periods and increases in the expense recognized for share-based payments. In the case of awards with multiple vesting periods, we have elected to use the graded vesting attribution method, which recognizes compensation cost on a straight-line basis over each separately vesting portion of the award as if the award was, in-substance, multiple awards. See Note 8, Share-Based Compensation, in our Notes to our Consolidated Financial Statements. In addition, we recognize share-based compensation to non-employees based upon the fair value, using the Black-Scholes option pricing model, determined at the deemed measurement dates over the related contract service period.

Recent Accounting Pronouncements

In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers," ("ASU 2014-09"). ASU 2014-09 supersedes the revenue recognition requirements in Accounting Standards Codification ("ASC") 605 -Revenue Recognition and most industry-specific guidance throughout the ASC. The standard requires that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. ASU 2014-09 was further amended and is effective for annual periods and interim periods within those annual periods beginning after December 15, 2017 and should be applied retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of initially applying ASU 2014-09 recognized at the date of initial application. The Company is currently evaluating the impact of the adoption of ASU 2014-09 on its consolidated financial statements.

In June 2014, the FASB issued ASU 2014-12, "Compensation - Stock Compensation (Topic 718): Accounting for Share-Based Payments When the Terms of an Award Provide that a Performance Target could be Achieved after the Requisite Service Period," ("ASU 2014-12"). The amendments in ASU 2014-12 require that a performance target that affects vesting and that could be achieved after the requisite service period be treated as a performance condition. A reporting entity should apply existing guidance in ASC Topic No. 718, "Compensation - Stock Compensation" as it relates to awards with performance conditions that affect vesting to account for such awards. The amendments in ASU 2014-12 are effective for annual periods and interim periods within those annual periods beginning after December 15, 2015. Early adoption is permitted. Entities may apply the amendments in ASU 2014-12 either: (a) prospectively to all awards granted or modified after the effective date; or (b) retrospectively to all awards with performance targets that are outstanding as of the beginning of the earliest annual period presented in the financial statements and to all new or modified awards thereafter. The Company does not anticipate that the adoption of ASU 2014-12 will have a material impact on its consolidated financial statements.

In July 2015, the FASB issued ASU 2015-11, "Inventory (Topic 330): Simplifying the Measurement of Inventory," which applies to inventory that is measured using first- in, first-out ("FIFO") or average cost. Under the updated guidance, an entity should measure inventory that is within scope at the lower of cost and net realizable value, which is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal and transportation. Subsequent measurement is unchanged for inventory that is measured using last-in, last-out ("LIFO"). This ASU is effective for annual and interim periods beginning after December 15, 2016, and should be applied prospectively with early adoption permitted at the beginning of an interim or annual reporting period. The Company is currently evaluating the impact of adopting this guidance.

In November 2015, the FASB issued ASU 2015-17, "Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes," which applies to the classification of deferred tax assets and liabilities. The update eliminates the requirement to classify deferred tax assets and liabilities as noncurrent or current within a classified statement of financial position. This ASU is effective for annual and interim periods beginning after December 15, 2016, and should be applied prospectively with early adoption permitted at the beginning of an interim or annual reporting period. The Company is currently evaluating the impact of adopting this guidance.

RESULTS OF OPERATIONS FOR FISCAL 2015 COMPARED TO FISCAL 2014

Loss from Continuing Operations

Loss from continuing operations was $1.6 million in Fiscal 2015 compared to loss of $0.5 million in Fiscal 2014. The loss in Fiscal 2015 was primarily due to an increase in general and administrative expenses, primarily attributable to the Company’s proxy defense, and a decline in sales volume and gross profit, which were offset, in part, by a reduction in sales and marketing expense and other expense as reflected in the table below:

	(dollars in thousands) For the Fiscal Years Ended September 30,		
	2015	**2014**	**Increase (Decrease)**
Net sales	$ 30,014	$ 33,360	$ (3,346)
Gross profit	5,793	6,555	(762)
Sales and marketing expenses	(2,363)	(2,806)	443
General and administrative expenses	(4,943)	(3,848)	(1,095)
Other expense	(120)	(375)	255
Income taxes expense (benefit)	-	-	-
Loss from continuing operations	$ (1,633)	$ (474)	$ (1,159)

Loss from continuing operations per basic and diluted share was $(0.25) and $(0.08) for Fiscal 2015 and 2014, respectively.

Net Sales

Net sales declined $3.3 million, or 10%, to $30.0 million in Fiscal 2015 from $33.4 million in Fiscal 2014 due to reduced sales in both product lines. Sales in Diabetic products declined $1.5 million and sales in Other products declined $1.9 million. The tables below set forth sales by channel, product line and geographic location of our customers for the periods indicated:

	Net Sales for the Fiscal Year Ended September 30, 2015 (millions of dollars)			
	APAC	Americas	Europe	Total
Diabetic Products	$ 10.1	$ 5.8	$ 8.9	$ 24.8
Other Products	1.8	2.0	1.4	5.2
Total net sales	$ 11.9	$ 7.8	$ 10.3	$ 30.0

	Net Sales for the Fiscal Year Ended September 30, 2014 (millions of dollars)			
	APAC	Americas	Europe	Total
Diabetic Products	$ 9.9	$ 6.3	$ 10.1	$ 26.3
Other Products	1.8	3.5	1.8	7.1
Total net sales	$ 11.7	$ 9.8	$ 11.9	$ 33.4

Diabetic Product Sales

We design to the order of, and sell carrying cases for blood glucose diagnostic kits directly to, OEMs (or their contract manufacturers). The OEM customer or its contract manufacturer packages our carry cases "in box" as a custom accessory for the OEM's blood glucose testing and monitoring kits, or to a lesser extent, sell them through their retail distribution channels.

Sales of Diabetic products declined $1.5 million to $24.8 million in Fiscal 2015 from $26.3 million in Fiscal 2014. This decrease was primarily due to lower sales of legacy program platforms, which are in the final stages of the product life cycle, to two of our major diabetic Customers (Diabetic Customers B and C) and a decline in sales to our Other Diabetic Products customers. The decline was offset, in part, by an increase in sales as a result of unique product releases to two major Diabetic Products customers (Diabetic Customers A and D).

The following table sets forth our sales by Diabetic Products customer for the periods indicated:

	(millions of dollars) For the Fiscal Years Ended September 30,		
	2015	2014	Increase (Decrease)
Diabetic Customer A	$ 9.9	$ 8.9	$ 1.0
Diabetic Customer B	3.1	4.5	(1.4)
Diabetic Customer C	7.2	8.1	(0.9)
Diabetic Customer D	4.5	3.7	0.8
All other Diabetic Product Customers	0.1	1.1	(1.0)
Totals	$ 24.8	$ 26.3	$ (1.5)

Sales of Diabetic Products represented 83% of our total net sales in Fiscal 2015 compared to 79% of our total net sales in Fiscal 2014.

Other Product Sales

We design and sell cases and protective solutions to OEMs for a diverse array of portable electronic devices (such as bar code scanners, GPS devices, cellular phones, tablets and cameras), as well as a variety of other products (such as sporting and recreational products and firearms) on a made-to-order basis that are customized to fit the products sold by our OEM customers.

Sales of Other Products decreased $1.9 million to $5.2 million in Fiscal 2015 from $7.1 million in Fiscal 2014. The decrease was primarily driven by the decline in sales of $1.7 million to a recreational vehicle customer, a decline in sales of $0.9 million to a camera customer, and a decline of $0.3 million to a GPS customer. The decrease was offset, in part, by an increase in sales of $0.7 million to an electronics device customer and an increase in sales of $0.3 million to a barcode scanner customer. Lesser fluctuations in several other customer accounts between Fiscal 2015 and Fiscal 2014 were not individually material.

Sales of Other Products represented 17% of our net sales in Fiscal 2015 compared to 21% of our total net sales in Fiscal 2014.

Gross Profit

Gross profit decreased $0.8 million, or 12%, to $5.8 million in Fiscal 2015 from $6.6 million in Fiscal 2014. As a percentage of sales, our gross profit declined to 19% in Fiscal 2015, compared to 20% in Fiscal 2014.

The gross profit decline was driven primarily by a year over year decrease in volumes related to global sales. Fiscal 2015 sales in Americas declined 20% to $7.8 million primarily due to a drop in sales to a recreational vehicle customer and Diabetic Customer B. Fiscal 2015 sales in Europe declined 13% to $10.3 primarily due to a drop in sales to Diabetic Customer C and a camera customer. The decline in sales in the Americas and Europe were partially offset by an increase in sales in APAC of 2% to $11.9 million in Fiscal 2015. The increase in APAC was primarily due an increase in sales to Diabetic Customer A, partially offset by a decline in sales to a GPS customer and Diabetic Customers B and D.

Sales and Marketing Expenses

Sales and marketing expenses declined $0.4 million, or 16%, to $2.4 million in Fiscal 2015 compared to $2.8 million in Fiscal 2014 due primarily to lower personnel costs. Personnel costs decreased $0.4 million in Fiscal 2015 primarily as a result of the reduction in workforce and restructuring of our sales and marketing department. Fluctuations in other components of "Sales and Marketing Expenses" were not material individually or in the aggregate.

General and Administrative Expenses

General and administrative expenses increased $1.1 million, or 29%, to $4.9 million in Fiscal 2015 from $3.8 million in Fiscal 2014 due primarily to the following:

- $0.8 million increase in professional fees (primarily attorney's fees) related to the legal support and representation surrounding the proxy defense and other legal matters;

- $0.2 million increase in personnel expenses due to an increase in settlements with the former CFO and CEO, offset by savings due to the vacancy of the CFO position the majority of the first three quarters.

Fluctuations in other components of "General and Administrative Expenses" that aggregated a net increase of $0.1 million were not individually material.

Other Income (Expense)

Other income (expense), net, consisting primarily of realized and unrealized gains and losses on investments in marketable securities, was $(0.1) million in Fiscal 2015 compared to $(0.4) million of expense in Fiscal 2014.

RESULTS OF DISCONTINUED OPERATIONS FOR FISCAL 2015 COMPARED TO FISCAL 2014

On June 21, 2012, we determined to exit our global Retail business and focus solely on growing our OEM business. The decision to eliminate the Retail division was primarily driven by the longer than estimated path to bring it to profitability and the strong net sales growth and cost rationalizations in the OEM business. We have substantially completed the exit of our Retail business and have not had, and do not expect to have, any continuing involvement in the Retail business after this date. Accordingly, the results of operations for the Retail division have been recorded as discontinued operations in the accompanying consolidated financial statements for the fiscal years presented.

Income from discontinued operations was $0.2 million in Fiscal 2015 compared to a loss of $0.3 million in Fiscal 2014. Fiscal 2015 income is due to the $0.2 million settlement with a third party related to G-Form. The Company had $280,000 of accounts receivable relating to overdue payments pursuant to a Settlement Agreement and General Release ("Settlement Agreement") executed on July 3, 2013 between the Company and G-Form LLC ("G-Form") in exchange for certain retail inventories, the Company's cooperation with certain administrative matters, and a mutual general release. Due to the age of the accounts receivable and G-Form's non-responsiveness to the Company's communication related to the matter, the Company established a full reserve for this receivable as of September 30, 2014. In December 2014, the Company recovered $200,000 from a third party, which was recognized as other income during Fiscal 2015.

LIQUIDITY AND CAPITAL RESOURCES

During Fiscal 2015, we used $2.0 million of cash from operations, which is derived from a net loss of $1.4 million, adjusted by $0.2 million for non-cash items (primarily realized and unrealized losses on marketable securities, share based compensation and depreciation), and net cash used by working capital items of $0.8 million. As to working capital items, cash used in operating activities consisted primarily of a decrease in accounts payable (including Forward China) of $1.6 million and an increase in inventories of $0.5 million offset, in part, by cash provided by operating activities, which consisted of decreases in accounts receivable and prepaid expenses of $0.7 million and $0.1 million, respectively, and an increase in accrued expenses and other current liabilities of $0.5 million.

The decrease in accounts payable (including Forward China) is primarily due to lower purchase volume in the final quarter of Fiscal 2015 compared to purchase volume in the final quarter Fiscal 2014. The increase in inventories is primarily due to the timing differences in inventory shipments enroute to and staged from our OEM customers' distribution hubs. The decrease in accounts receivable is a result of lower sales volume in the final quarter of Fiscal 2015 compared to the sales volume in the final quarter of Fiscal 2014. The decrease in prepaid expenses is due to lower prepaid development expenses. The increase in accrued expenses and other current liabilities is primarily due to the increase in deferred revenue.

During Fiscal 2014, we generated $0.2 million of cash from operations, which is derived from a net loss of $0.8 million, adjusted by $0.9 million for non-cash items (primarily bad debt expense, realized and unrealized losses on marketable securities, share based compensation and the change in fair value of a warrant liability), and net cash provided by working capital items of $0.1 million. As to working capital items, cash provided by operating activities consisted primarily of an increase in accounts payable (including due to Forward China) of $2.3 million offset, in part, by cash used in operating activities, which consisted of increases in accounts receivable and inventories of $1.7 million and $0.3 million, respectively, and a decrease in accrued expenses and other current liabilities of $0.2 million.

In Fiscal 2015, net cash provided by investing activities was $0.9 million, which consisted of $1.0 million provided by the liquidation of marketable equity securities offset, in part, by cash used for the purchases of property and equipment of $33 thousand. In Fiscal 2014, net cash used in investing activities was $0.3 million, which consisted of $5.8 million used for purchases of marketable equity securities, $5.6 million generated from sales of marketable equity securities, and $33 thousand used for purchases of property and equipment.

In Fiscal 2015, net cash used in financing activities was $1.3 million, which primarily consisted of the funds used to fully redeem the 6% Senior Convertible Preferred Stock. In Fiscal 2014, net cash used in financing activities was $0.1 million, which consisted of $76 thousand used to pay dividends on 6% senior convertible preferred stock (see Note 7 to our Notes to Consolidated Financial Statements – "Shareholders Equity") and $47 thousand related to restricted stock that was repurchased and retired.

At September 30, 2015, our current ratio (current assets divided by current liabilities) was 2.4; our quick ratio (current assets less inventories divided by current liabilities) was 1.8; and our working capital (current assets less current liabilities) was $7.3 million. As of such date, we had no short or long-term debt outstanding.

Our primary source of liquidity is our cash and cash equivalents. The primary demands on our working capital currently are: i) operating losses, should they occur, and ii) accounts payable arising in the ordinary course of business, the most significant of which arise when we order products from our suppliers. Historically, our sources of liquidity have been adequate to satisfy working capital requirements arising in the ordinary course of business. We anticipate that our liquidity and financial resources for the next twelve months will be adequate to manage our operating and financial requirements.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The consolidated financial statements and notes thereto included in this Annual Report may be found at pages F-1 to F-27 of this Annual Report on Form 10-K.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None

ITEM 9A. CONTROLS AND PROCEDURES

Our management is responsible for establishing and maintaining a system of disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) that is designed to ensure that information required to be disclosed by the Company in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by an issuer in the reports that it files or submits under the Exchange Act is accumulated and communicated to the issuer's management, including its principal executive officer or officers and principal financial officer or officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

In accordance with Exchange Act Rule 13a-15(b), our management, under the supervision and with the participation of our Principal Executive Officer and Principal Financial Officer, performed an evaluation of the effectiveness of the Company's disclosure controls and procedures as of the end of the period covered by this Report (the fourth quarter of Fiscal 2015). Based on that evaluation, the Company's Principal Executive Officer and Principal Financial Officer concluded that the Company's disclosure controls and procedures were effective as of the end of the period covered by this Report (the fourth quarter of Fiscal 2015), to provide reasonable assurance that information required to be disclosed in the Company's reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Commission's rules and forms.

Management's Report on Internal Control Over Financial Reporting

Our Principal Executive Officer and our Principal Financial Officer are responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is defined in Rule 13a-15(f) and 15d-15(f) under the Exchange Act as a process designed by, or under the supervision of, our principal executive and principal financial officers and effected by our Board of Directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with generally accepted accounting principles and includes those policies and procedures that:

- pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of our assets;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of management and our directors; and

- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

Because of its inherent limitations, our internal control over financial reporting may not prevent or detect misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Our Principal Executive Officer and our Principal Financial Officer assessed the effectiveness of our internal control over financial reporting as of September 30, 2015. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in Internal Control —Integrated Framework (2013). Based on this evaluation, the Company's management concluded that its internal control over financial reporting was effective as of September 30, 2015.

This annual report does not include an attestation report of the Company's independent registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's independent registered public accounting firm pursuant to rules of the Securities and Exchange Commission that permit the Company to provide only management's report in this Annual Report.

This report shall not be deemed to be filed for purposes of Section 18 of the Exchange Act or otherwise subject to the liabilities of that section, unless the registrant specifically states that the report is to be considered "filed" under the Exchange Act or incorporates it by reference into a filing under the Securities Act or the Exchange Act.

Changes in Internal Control

Our management, with the participation of our Principal Executive Officer and our Principal Financial Officer, performed an evaluation required by Rule 13a-15(d) of the Exchange Act as to whether any change in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) occurred during the last fiscal quarter of Fiscal 2015. Based on that evaluation, our Principal Executive Officer and our Principal Financial Officer concluded that there were no changes in our internal control over financial reporting during the last fiscal quarter of Fiscal 2015.

ITEM 9B. OTHER INFORMATION

None

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The response to this item is incorporated by reference from the discussion responsive in the Company's Proxy Statement for the 2016 Annual Meeting of Stockholders.

ITEM 11. EXECUTIVE COMPENSATION

The response to this item is incorporated by reference from the discussion responsive in the Company's Proxy Statement for the 2016 Annual Meeting of Stockholders.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The response to this item is incorporated by reference from the discussion responsive in the Company's Proxy Statement for the 2016 Annual Meeting of Stockholders.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTION, AND DIRECTOR INDEPENDENCE

The response to this item is incorporated by reference from the discussion responsive in the Company's Proxy Statement for the 2016 Annual Meeting of Stockholders.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The response to this item is incorporated by reference from the discussion responsive in the Company's Proxy Statement for the 2016 Annual Meeting of Stockholders.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) Documents filed as part of the report.

(1) Financial Statements. See Index to Consolidated Financial Statements, which appears on page F-1 hereof. The financial statements listed in the accompanying Index to Consolidated Financial Statements are filed herewith in response to this Item.

(2) Financial Statements Schedules. All schedules are omitted because they are not applicable or because the required information is contained in the consolidated financial statements or notes included in this report.

(3) Exhibits. See the Exhibit Index.

Signatures

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

Dated: December 16, 2015

FORWARD INDUSTRIES, INC.

By: /s/ Terence Wise
Terence Wise
Chief Executive Officer
(Principal Executive Officer)

In accordance with the Securities Exchange Act of 1934, as amended, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated:

December 16, 2015	/s/ Terence Wise Terence Wise Principal Executive Officer and Director
December 16, 2015	/s/ Michael Matte Michael Matte Principal Financial Officer and Chief Accounting Officer
December 16, 2015	/s/ N. Scott Fine N. Scott Fine Director
December 16, 2015	/s/ Sangita Shah Sangita Shah Director
December 16, 2015	/s/ Michael Luetkemeyer Michael Luetkemeyer Director
December 16, 2015	/s/ Eric Freitag Eric Freitag Director

December 16, 2015	/s/ Sharon Hrynkow Sharon Hrynkow Director
December 16, 2015	/s/ Howard Morgan Howard Morgan Director

EXHIBIT INDEX

Exhibit No.	Exhibit Description	Incorporated by Reference Form	Date	Number	Filed or Furnished Herewith
3.1	Restated Certificate of Incorporation	10-K	12/8/10	3	
3.2	Certificate of Amendment to the Amended and Restated Bylaws	8-K	2/14/12	3	
3.3	Certificate of Amendment to the Amended and Restated Bylaws	8-K	4/26/12	3	
3.4	Certificate of Amendment to the Amended and Restated Bylaws	8-K	7/3/2013	3	
3.5	Third Amended and Restated By-Laws	10-K	12/10/14	3	
4.1	Rights Agreement, dated as of April 26, 2013	8-K	4/26/13	4	
10.1	Wise Employment Agreement*	8-K	6/29/15	10.1	
10.2	Matte Employment Agreement*	8-K	6/29/15	10.2	
10.3	Luetkemeyer Employment Agreement*	8-K	3/17/15	10.1	
10.4	1996 Stock Incentive Plan	S-8	4/25/03	4	
10.5	2011 Long Term Incentive Plan	Def 14A	1/26/11	A	
10.6	2007 Equity Incentive Plan, as amended	S-8	2/25/10	4.1	
10.7	Buying Agency and Supply Agreement - Forward Industries (Asia-Pacific) Corporation				Filed
10.8	Form of Securities Purchase Agreement, dated as of June 28, 2013	8-K	7/3/13	10.1	
10.9	Form of Registration Rights Agreement, dated as of June 28, 2013	8-K	7/3/13	10.2	
10.10	Memorandum of Understanding, dated June 21, 2012 – G-Form LLC	10-Q	8/20/12	10.1	
21.1	List of Subsidiaries				Filed
22.1	Auditor Consent				Filed
31.1	CEO Certifications (302)				Filed
31.2	CFO Certification (302)				Filed
32.1	CEO and CFO Certifications (906)				Furnished
101 .INS	XBRL Instance Document				Filed
101 .SCH	XBRL Taxonomy Extension Schema Document				Filed
101 .CAL	XBRL Taxonomy Extension Calculation Linkbase Document				Filed
101 .DEF	XBRL Taxonomy Extension Definition Linkbase Document				Filed
101 .LAB	XBRL Taxonomy Extension Label Linkbase Document				Filed
101 .PRE	XBRL Taxonomy Extension Presentation Linkbase Document				Filed

* Management compensatory agreement.

Copies of this filing (including the financial statements) and any of the exhibits referred to above will be furnished at no cost to our shareholders who make a written request to Forward Industries, Inc., 477 Rosemary Ave. Suite 219, West Palm Beach, Florida 33401, Attention: Corporate Secretary.

FORWARD INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders of Forward Industries, Inc.

We have audited the accompanying consolidated balance sheets of Forward Industries, Inc. and Subsidiaries as of September 30, 2015 and 2014, and the related consolidated statements of operations and comprehensive loss, shareholders' equity and cash flows for the years then ended. Forward Industries, Inc. and Subsidiaries' management is responsible for these consolidated financial statements. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Forward Industries, Inc. and Subsidiaries as of September 30, 2015 and 2014, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

/s/ CohnReznick LLP

New York, New York
December 16, 2015

FORWARD INDUSTRIES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	September 30, 2015	September 30, 2014
Assets		
Current assets:		
Cash and cash equivalents	$ 4,042,124	$ 6,477,132
Marketable securities	-	1,051,230
Accounts receivable	5,454,129	6,124,871
Inventories	2,866,464	2,374,837
Prepaid expenses and other current assets	296,012	401,549
Total current assets	12,658,729	16,429,619
Property and equipment, net	78,733	98,990
Other assets	40,962	40,962
Total Assets	$ 12,778,424	$ 16,569,571
Liabilities and shareholders' equity		
Current liabilities:		
Accounts payable	$ 122,803	$ 666,630
Due to Forward China	4,168,021	5,215,768
Accrued expenses and other current liabilities	1,039,085	551,911
Total current liabilities	5,329,909	6,434,309
Other liabilities	115,202	115,202
Total Liabilities	5,445,111	6,549,511
6% Senior convertible preferred stock, par value $0.01 per share; 1,500,000 shares authorized; 0 and 648,846 shares issued and outstanding; aggregate liquidation value of $0 and $1,275,000 as of September 30, 2015 and 2014, respectively	-	833,365
Commitments and contingencies		
Shareholders' equity:		
Preferred stock, par value $0.01 per share; 4,000,000 shares authorized;		
2,400,000 undesignated:		
Series A participating preferred stock, par value $0.01; 100,000 shares authorized; no shares issued and outstanding	-	-
Common stock, par value $0.01 per share; 40,000,000 shares authorized; 8,641,755 and 9,159,796 shares issued; 8,641,755 and 8,453,386 shares outstanding, at September 30, 2015 and 2014, respectively	86,418	91,598
Additional paid-in capital	17,550,047	18,747,371
Treasury stock, 706,410 shares at cost	-	(1,260,057)
Accumulated deficit	(10,281,367)	(8,371,806)
Accumulated other comprehensive loss	(21,785)	(20,411)
Total shareholders' equity	7,333,313	9,186,695
Total liabilities and shareholders' equity	$ 12,778,424	$ 16,569,571

The accompanying notes are an integral part of the consolidated financial statements .

FORWARD INDUSTRIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

	For the Fiscal Years Ended September 30, 2015	2014
Net sales	$ 30,013,891	$ 33,359,918
Cost of goods sold	24,220,698	26,805,193
Gross profit	5,793,193	6,554,725
Operating expenses		
Sales and marketing	2,362,553	2,805,643
General and administrative	4,943,184	3,847,759
Total operating expenses	7,305,737	6,653,402
Loss from operations	(1,512,544)	(98,677)
Other (income) expense:		
Interest income	(3,022)	(33,916)
Loss on marketable securities, net	110,001	246,687
Loss on change in fair market value of warrant liabilities	-	136,258
Other expense, net	13,421	26,166
Total other expense, net	120,400	375,195
Loss from continuing operations before income tax expense	(1,632,944)	(473,872)
Income tax expense	-	-
Loss from continuing operations	(1,632,944)	(473,872)
Income (loss) from discontinued operations, net of tax provision of $0 and $0, respectively	198,963	(326,034)
Net loss	(1,433,981)	(799,906)
Preferred stock dividends, accretion and beneficial conversion feature	(475,580)	(193,200)
Net loss applicable to common equity	$ (1,909,561)	$ (993,106)
Net loss	$ (1,433,981)	$ (799,906)
Other comprehensive income (loss):		
Translation adjustments	(1,374)	40
Comprehensive loss	$ (1,435,355)	$ (799,866)
Net income (loss) per basic and diluted common shares:		
Loss from continuing operations	$ (0.25)	$ (0.08)
Income (loss) from discontinued operations	0.02	(0.04)
Net loss per share	$ (0.23)	$ (0.12)
Weighted average number of common and common equivalent shares outstanding		
Basic and diluted	8,342,168	8,186,926

The accompanying notes are an integral part of the consolidated financial statements .

FORWARD INDUSTRIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2015 AND 2014

	Common Stock		Additional Paid-In	Treasury Stock		Accumulated	Accumulated Other Comprehensive	
	Shares	Amount	Capital	Shares	Amount	Deficit	Loss	Total
Balance - October 1, 2013	9,190,467	$ 91,905	$ 17,961,613	706,410	$ (1,260,057)	$ (7,378,700)	$ (20,451)	$ 9,394,310
Restricted stock award issuances	95,000	950	(950)	-	-	-	-	-
Restricted stock award forfeitures	(85,000)	(850)	850	-	-	-	-	-
Restricted stock repurchased and retired	(40,671)	(407)	(46,771)	-	-	-	-	(47,178)
Share-based compensation	-	-	232,700	-	-	-	-	232,700
Preferred stock dividends	-	-	-	-	-	(76,499)	-	(76,499)
Preferred stock accretion	-	-	-	-	-	(116,701)	-	(116,701)
Reclassification of warrant liability	-	-	599,929	-	-	-	-	599,929
Foreign currency translation	-	-	-	-	-	-	40	40
Net loss	-	-	-	-	-	(799,906)	-	(799,906)
Balance - September 30, 2014	9,159,796	91,598	18,747,371	706,410	(1,260,057)	(8,371,806)	(20,411)	9,186,695
Restricted stock award issuances	325,000	3,250	(3,250)	-	-	-	-	-
Restricted stock award forfeitures	(126,291)	(1,263)	1,263	-	-	-	-	-
Restricted stock repurchased and retired	(10,340)	(103)	(12,095)	-	-	-	-	(12,198)
Treasury stock retired	(706,410)	(7,064)	(1,252,993)	(706,410)	1,260,057	-	-	-
Share-based compensation	-	-	69,751	-	-	-	-	69,751
Preferred stock dividends	-	-	-	-	-	(21,208)	-	(21,208)
Preferred stock accretion	-	-	-	-	-	(454,372)	-	(454,372)
Foreign currency translation	-	-	-	-	-	-	(1,374)	(1,374)
Net loss	-	-	-	-	-	(1,433,981)	-	(1,433,981)
Balance - September 30, 2015	8,641,755	$ 86,418	$ 17,550,047	-	-	$ (10,281,367)	$ (21,785)	$ 7,333,313

The accompanying notes are an integral part of the consolidated financial statements .

FORWARD INDUSTRIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Fiscal Years Ended September 30,	
	2015	**2014**
Cash Flows From Operating Activities:		
Net loss	$ (1,433,981)	$ (799,906)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:		
Realized and unrealized loss on marketable securities	110,001	246,687
Share-based compensation	69,751	232,700
Depreciation and amortization	53,445	64,482
Bad debt expense	-	280,034
Loss on change in fair value of warrant liabilities	-	136,258
Deferred rent	(14,649)	(42,506)
Changes in operating assets and liabilities:		
Accounts receivable	670,742	(1,742,465)
Inventories	(491,627)	(324,127)
Prepaid expenses and other current assets	105,538	47,952
Other assets	-	(469)
Accounts payable and due to Forward China	(1,596,344)	2,319,203
Accrued expenses and other current liabilities	505,219	(183,374)
Net cash (used in) provided by operating activities	(2,021,905)	234,469
Cash Flows From Investing Activities:		
Sales of marketable securities	952,127	5,566,758
Purchases of marketable securities	(10,898)	(5,783,928)
Purchases of property and equipment	(33,189)	(33,485)
Net cash provided by (used in) investing activities	908,040	(250,655)
Cash Flows From Financing Activities:		
Redemption of 6% Senior Convertible Preferred Stock	(1,287,737)	-
Dividends paid	(21,208)	(76,499)
Restricted stock repurchased and retired	(12,198)	(47,178)
Net cash used in financing activities	(1,321,143)	(123,677)
Net decrease in cash and cash equivalents	(2,435,008)	(139,863)
Cash and cash equivalents at beginning of year	6,477,132	6,616,995
Cash and cash equivalents at end of year	$ 4,042,124	$ 6,477,132
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the fiscal year for:		
Income taxes	$ -	$ 6,449
Supplemental disclosure of non-cash financing activity:		
Preferred stock accretion	$ 454,372	$ 116,701
Reclassification of warrant liabilities to equity	$ -	$ 599,929

The accompanying notes are an integral part of the consolidated financial statements .

NOTE 1 OVERVIEW

Forward Industries, Inc. ("Forward" or the "Company") was incorporated under the laws of the State of New York and began operations in 1961 as a manufacturer and distributor of specialty and promotional products. The Company designs, markets, and distributes carry and protective solutions, primarily for hand held electronic devices. The Company's principal customer market is original equipment manufacturers, or "OEMs" (or the contract manufacturing firms of these OEM customers), that either package its products as accessories "in box" together with their branded product offerings, or sell them through their retail distribution channels. The Company's OEM products include carrying cases and other accessories for medical monitoring and diagnostic kits and a variety of other portable electronic and non-electronic products (such as sporting & recreational products, bar code scanners, smartphones, GPS location devices, tablets, and firearms). The Company's OEM customers are located in the Americas, the EMEA Region, and the APAC Region. The Company does not manufacture any of its OEM products and sources substantially all of its OEM products from independent suppliers in China (refer to Note 12 – Related Party Transactions - Buying Agency and Supply Agreement).

On June 21, 2012, the Company determined to exit its global Retail business and focus solely on growing its OEM business. The decision to eliminate the Retail division was primarily driven by the longer than estimated path to bring it to profitability and the strong top line growth and cost rationalizations in the OEM business. The Retail business is presented as discontinued operations.

NOTE 2 ACCOUNTING POLICIES

Accounting Estimates

The preparation of the Company's consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates and assumptions.

Basis of Presentation

The accompanying consolidated financial statements include the accounts of Forward Industries, Inc. ("Forward") and its wholly owned subsidiaries (Forward US and Forward Switzerland; Forward HK and Forward UK are inactive). All significant intercompany transactions and balances have been eliminated in consolidation.

Reclassifications

Certain prior period amounts have been reclassified to conform to the current period presentation.

Cash and Cash Equivalents

Cash and cash equivalents consist primarily of cash on deposit. The Company holds cash and cash equivalents at major financial institutions in the United States and Switzerland, at which cash amounts may significantly exceed the Federal Deposit Insurance Corporation's insured limits. At September 30, 2015 and 2014, this amount was approximately $3.9 million (which includes $2.0 million in a foreign bank) and $6.3 million (which includes $1.7 million in a foreign bank), respectively. Historically, the Company has not experienced any losses due to such cash concentrations.

NOTE 2 ACCOUNTING POLICIES (CONTINUED)

Marketable Securities

As of September 30, 2014, the Company had investments in marketable securities that were classified as trading and were recorded at fair value with the corresponding unrealized holding gains or losses recognized in earnings. The fair value of marketable securities was determined based on quoted market prices. The cost of marketable securities sold was determined by the specific identification method. The Company classifies its realized and unrealized gains and losses as non-operating income (expense) in its consolidated statements of operations and comprehensive loss. In addition, the Company classified the cash flows from the trading of these marketable securities as investing activities in its consolidated statements of cash flows. During the year ended September 30, 2015, the Company sold its investments in marketable securities.

Accounts Receivable

Accounts receivable consist of unsecured trade accounts with customers or their contract manufacturers. The Company performs periodic credit evaluations of its customers including an evaluation of days outstanding, payment history, recent payment trends, and perceived creditworthiness, and believes that adequate allowances for any uncollectible receivables are maintained. Credit terms to customers generally range from net thirty (30) days to net one hundred and twenty (120) days. The Company has not historically experienced significant credit or collection problems with its OEM customers or their contract manufacturers. At September 30, 2015 and 2014, no allowance for doubtful accounts relating to the Company's continuing operations was deemed necessary.

Inventories

Inventories consist primarily of finished goods and are stated at the lower of cost (determined by the first-in, first-out method) or market. Based on management's estimates, an allowance is made to reduce excess, obsolete, or otherwise un-saleable inventories to net realizable value. The allowance is established through charges to cost of goods sold in the Company's consolidated statements of operations and comprehensive loss. As reserved inventory is disposed of, the Company charges off the associated allowance. In determining the adequacy of the allowance, management's estimates are based upon several factors, including analyses of inventory levels, historical loss trends, sales history and projections of future sales demand. The Company's estimates of the allowance may change from time to time based on management's assessments, and such changes could be material. At September 30, 2015 and 2014, the allowance for obsolete inventory of the Company's continuing operations was $0 and $33,000, respectively.

Property and Equipment

Property and equipment consist of furniture, fixtures, and equipment and leasehold improvements and are recorded at cost. Expenditures for major additions and improvements are capitalized, and minor replacements, maintenance, and repairs are charged to expense as incurred. When property and equipment are retired or otherwise disposed of, the cost and accumulated depreciation are removed from the accounts and any resulting gain or loss is included in the results of operations for the respective period. Depreciation is provided over the estimated useful lives of the related assets using the straight-line method. The estimated useful life for furniture, fixtures and equipment ranges from three to ten years. Amortization of leasehold improvements is computed using the straight-line method over the shorter of the remaining lease term or the estimated useful lives of the improvements. For the fiscal years ended September 30, 2015 and 2014, the Company recorded approximately $53,000 and $64,000 of depreciation and amortization expense from continuing operations, respectively.

NOTE 2 ACCOUNTING POLICIES (CONTINUED)

Income Taxes

The Company accounts for its income taxes in accordance with accounting principles generally accepted in the United States of America, which requires, among other things, recognition of future tax benefits and liabilities measured at enacted rates attributable to temporary differences between financial statement and income tax bases of assets and liabilities and to net tax operating loss carry-forwards to the extent that realization of these benefits is more likely than not. The Company periodically evaluates the realizability of its net deferred tax assets. See Note 9 –Income Taxes. The Company's policy is to account for interest and penalties relating to income taxes, if any, in "income tax expense" in its consolidated statements of operations and comprehensive loss and include accrued interest and penalties within "accrued liabilities" in its consolidated balance sheets, if applicable. For fiscal years ended September 30, 2015 and 2014, no income tax related interest or penalties were assessed or recorded.

6% Senior Convertible Preferred Stock

Temporary Equity

In accordance with Accounting Standards Codification ("ASC") 480-10-s99 - Distinguishing Liabilities from Equity – Overall – SEC Materials and Accounting Series Release ("ASR") 268 – Presentation in Financial Statements of "Redeemable Preferred Stock", equity securities are required to be classified out of permanent equity and classified as temporary equity, if the redemption of the convertible preferred stock is not solely within the control of the Company since it is at the option of the holder.

Warrants

In accordance with ASC 815-40 – Derivatives and Hedging – Contracts in Entity's Own Equity, the Company's warrants were previously classified as a liability, at fair value, as a result of a related registration rights agreement that contains certain requirements for registering the underlying common shares, but had no provision for penalties upon the failure to register. At each balance sheet date, this liability's fair value was re-measured and adjusted with the corresponding change in fair value recorded in the consolidated statements of operations and comprehensive loss. After the Company met the requirements for registering the underlying common shares in the fiscal year ended September 30, 2014, the fair value of the warrants was reclassified to equity (additional paid-in capital).

Preferred Stock Accretion

At the date of issuance, the carrying amount of the convertible preferred stock was less than the redemption value. As a result of the Company's determination that redemption was probable, the carrying value was increased by periodic accretions so that the carrying value was equal to the redemption amount at the earliest redemption date. Such accretion was recorded as a preferred stock dividend.

Revenue Recognition

The Company generally recognizes revenue from product sales to its customers when: (1) title and risk of loss are transferred (in general, these conditions occur at either point of shipment or point of destination, depending on the terms of sale); (2) persuasive evidence of an arrangement exists; (3) the Company has no continuing obligations to the customer; and (4) collection of the related accounts receivable is reasonably assured. The Company defers revenue when it receives consideration before achieving the criterion previously mentioned.

Shipping and Handling Costs

The Company classifies shipping and handling costs, including inbound and outbound freight charges, purchasing and receiving costs, inspection costs, warehousing costs, internal transfer costs and other costs, as a component of cost of goods sold in the accompanying consolidated statements of operations and comprehensive loss.

NOTE 2 ACCOUNTING POLICIES (CONTINUED)

Foreign Currency Transactions

Foreign currency transactions may generate receivables or payables that are fixed in terms of the amount of foreign currency that will be received or paid. Fluctuations in exchange rates between such foreign currency and the functional currency increase or decrease the expected amount of functional currency cash flows upon settlement of the transaction. These increases or decreases in expected functional currency cash flows are foreign currency transaction gains or losses that are included in “other (income) expense” in the accompanying consolidated statements of operations and comprehensive loss. The approximate net losses from foreign currency transactions for continuing operations was approximately $20,000 and $28,000 for the fiscal years ended September 30, 2015 and 2014, respectively. Such foreign currency transaction losses were primarily the result of Euro denominated sales to certain customers.

Accumulated Other Comprehensive Loss

Accumulated other comprehensive loss, which is included as a component of shareholders’ equity, represents translation adjustments related to the Company’s foreign subsidiaries.

Fair Value of Financial Instruments

For certain of the Company’s financial instruments, including cash and cash equivalents, accounts receivable, accounts payable, and other accrued liabilities, the carrying amount approximates fair value due to the short-term maturities of these instruments. The Company records its financial instruments that are accounted for under ASC 320, “Investments-Debt and Equity Securities” (“ASC 320”) at fair value. In addition, the Company recorded its warrant liability at fair value, prior to its reclassification to equity. The determination of fair value is based upon the fair value framework established by ASC 820 “Fair Value Measurement”. ASC 820 provides that a fair value measurement assumes that the transaction to sell an asset or transfer a liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market for the asset or liability. The fair value hierarchy is broken down into three levels based on the source of inputs as follows: (a) Level 1 –valuations based on unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities; (b) Level 2 – valuations based on quoted prices in markets that are not active, or financial instruments for which all significant inputs are observable; either directly or indirectly; and (c) Level 3 – valuations based on prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable, thus, reflecting assumptions about the market participants.

Share-Based Compensation Expense

The Company recognizes employee and director share-based compensation in its consolidated statements of operations and comprehensive loss at the grant-date fair value of stock options and other equity-based compensation. The determination of stock option grant-date fair value is estimated using the Black-Scholes option-pricing model, which includes variables such as the expected volatility of the Company’s share price, the exercise behavior of its grantees, interest rates, and dividend yields. These variables are projected based on the Company’s historical data, experience, and other factors. In the case of awards with multiple vesting periods, the Company has elected to use the graded vesting attribution method, which recognizes compensation cost on a straight-line basis over each separately vesting portion of the award as if the award was, in-substance, multiple awards. Refer to Note 8- Share-Based Compensation. In addition, the Company recognizes share-based compensation to non-employees based upon the fair value, using the Black-Scholes option pricing model, determined at the deemed measurement dates over the related contract service period.

NOTE 2 ACCOUNTING POLICIES (CONTINUED)

Recent Accounting Pronouncements

In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers," ("ASU 2014-09"). ASU 2014-09 supersedes the revenue recognition requirements in ASC 605 - Revenue Recognition and most industry-specific guidance throughout the ASC. The standard requires that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. ASU 2014-09 was further amended and is effective for annual periods and interim periods within those annual periods beginning after December 15, 2017 and should be applied retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of initially applying ASU 2014-09 recognized at the date of initial application. The Company is currently evaluating the impact of the adoption of ASU 2014-09 on its consolidated financial statements.

In June 2014, the FASB issued ASU 2014-12, "Compensation - Stock Compensation (Topic 718): Accounting for Share-Based Payments When the Terms of an Award Provide that a Performance Target could be Achieved after the Requisite Service Period," ("ASU 2014-12"). The amendments in ASU 2014-12 require that a performance target that affects vesting and that could be achieved after the requisite service period be treated as a performance condition. A reporting entity should apply existing guidance in ASC Topic No. 718, "Compensation -Stock Compensation" as it relates to awards with performance conditions that affect vesting to account for such awards. The amendments in ASU 2014-12 are effective for annual periods and interim periods within those annual periods beginning after December 15, 2015. Early adoption is permitted. Entities may apply the amendments in ASU 2014-12 either: (a) prospectively to all awards granted or modified after the effective date; or (b) retrospectively to all awards with performance targets that are outstanding as of the beginning of the earliest annual period presented in the financial statements and to all new or modified awards thereafter. The Company does not anticipate that the adoption of ASU 2014-12 will have a material impact on its consolidated financial statements.

In July 2015, the FASB issued ASU 2015-11, "Inventory (Topic 330): Simplifying the Measurement of Inventory," which applies to inventory that is measured using first-in, first-out ("FIFO") or average cost. Under the updated guidance, an entity should measure inventory that is within the scope at the lower of cost and net realizable value, which is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal and transportation. Subsequent measurement is unchanged for inventory that is measured using last-in, last-out ("LIFO"). This ASU is effective for annual and interim periods beginning after December 15, 2016, and should be applied prospectively with early adoption permitted at the beginning of an interim or annual reporting period. The Company is currently evaluating the impact of adopting this guidance.

In November 2015, the FASB issued ASU 2015-17, "Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes," which applies to the classification of deferred tax assets and liabilities. The update eliminates the requirement to classify deferred tax assets and liabilities as noncurrent or current within the classified balance sheet. This ASU is effective for annual and interim periods beginning after December 15, 2017, and should be applied prospectively with early adoption permitted at the beginning of an interim or annual reporting period. The Company is currently evaluating the impact of adopting this guidance.

NOTE 3 DISCONTINUED OPERATIONS

On June 21, 2012, the Company determined to exit its global Retail business and focus solely on growing its OEM business. The decision to eliminate the Retail division was primarily driven by the longer than estimated path to bring it to profitability and the strong net sales growth and cost rationalizations in the OEM business. Accordingly, the results of operations for the Retail division have been recorded as discontinued operations in the accompanying consolidated financial statements for the fiscal years presented. Summarized operating results of discontinued operations are presented in the following table:

	For the Fiscal Years Ended September 30,	
	2015	2014
Net sales	$ -	$ -
Gross (loss) profit	-	(9,700)
Operating expenses	(1,037)	(316,404)
Other income	200,000	70
Income (loss) from discontinued operations	$ 198,963	$ (326,034)

As of September 30, 2015, the Company did not have assets or liabilities associated with discontinued operations. As of September 30, 2014, the Company held an immaterial amount of assets and liabilities for discontinued operations.

The Company had $280,000 of accounts receivable relating to overdue payments pursuant to a Settlement Agreement and General Release (“Settlement Agreement”) executed on July 3, 2013 between the Company and G-Form LLC (“G-Form”) in exchange for certain retail inventories, the Company’s cooperation with certain administrative matters, and a mutual general release. Due to the age of the accounts receivable and G-Form’s non-responsiveness to the Company’s communication related to the matter, the Company established a full reserve for this receivable as of September 30, 2014, which was recognized as Operating Expenses in Fiscal 2014. In December 2014, the Company recovered $200,000 from a third party, which was recognized as other income in Fiscal 2015. The Company has completed its exit of its Retail business.

NOTE 4 MARKETABLE SECURITIES

In late December 2014, the Company closed its investments account and liquidated its investments in marketable securities. Equity securities were carried at fair value, as determined by quoted market prices, which is a Level 1 input, as established by the fair value hierarchy under ASC 820. The corresponding unrealized holding gains or losses of securities classified as trading are recognized in earnings. The Company’s marketable securities as of September 30, 2014 are summarized in the table below:

	Fiscal Year Ended September 30, 2014
Trading:	
Cost	$ 1,320,816
Unrealized gains	48,560
Unrealized losses	(318,146)
Total fair value	$ 1,051,230

NOTE 4 MARKETABLE SECURITIES (CONTINUED)

Net gains and losses on marketable securities for the fiscal year ended September 30, 2015 were $547,000 and $(657,000), respectively and are included in the accompanying consolidated statements of operations and comprehensive loss. Net gains and losses on marketable securities for the fiscal year ended September 30, 2014 were approximately $655,000 and $(902,000), respectively and are included in the accompanying consolidated statements of operations and comprehensive loss.

The following table presents the Company's fair value hierarchy for assets, consisting of marketable securities, measured at fair value on a recurring basis at September 30, 2014:

	Level 1	Level 2	Level 3	Total
Equity securities	$ 1,051,230	$ -	$ -	$ 1,051,230
Total assets at fair value at September 30, 2014	$ 1,051,230	$ -	$ -	$ 1,051,230

NOTE 5 PROPERTY AND EQUIPMENT

Property and equipment and related accumulated depreciation and amortization are summarized in the table below:

	As of September 30,	
	2015	2014
Furniture, fixtures and equipment	$ 398,903	$ 436,120
Leasehold improvements	97,107	99,854
Property and equipment, cost	496,010	535,974
Less: accumulated depreciation and amortization	(417,277)	(436,984)
Property and equipment, net	$ 78,733	$ 98,990

NOTE 6 ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

Accrued expenses and other current liabilities are summarized in the table below:

	As of September 30,	
	2015	2014
Deferred revenue	$ 713,105	$ -
Personnel cost	200,005	277,430
Accrued settlements (former CEO and CFO)	90,572	-
Accrued legal settlements	-	150,000
Other	35,403	124,481
Accrued expenses and other current liabilities	$ 1,039,085	$ 551,911

NOTE 7 SHAREHOLDERS' EQUITY

Anti-takeover Provisions

Shareholder Rights Plan

On April 26, 2013, the Board of Directors (the "Board") adopted a Shareholder Rights Plan, as set forth in the Rights Agreement between the Company and American Stock Transfer & Trust Company, LLC, as Rights Agent. Pursuant to the Rights Agreement, the Board declared a dividend distribution of one Right (a "Right") for each outstanding share of Company Common Stock, par value $0.01 per share (the "Common Stock") to shareholders of record at the close of business on May 6, 2013, which date will be the record date, and for each share of Common Stock issued (including shares distributed from treasury) by the Company thereafter and prior to the Distribution Date (as described below and defined in the Rights Agreement). Each Right entitles the registered holder, subject to the terms of the Rights Agreement, to purchase from the Company one one-thousandth of a share of Series A Participating Preferred Stock, $0.01 par value per share (the "Series A Preferred Stock"), at an exercise price of $4.00 per one one-thousandth of a share of Series A Preferred Stock, subject to adjustment.

NOTE 7 SHAREHOLDER'S EQUITY (CONTINUED)

Initially, no separate Rights certificates will be distributed and instead the Rights will attach to all certificates representing shares of outstanding Common Stock. Subject to certain exceptions specified in the Rights Agreement, the Rights will separate from the Common Stock and become exercisable on the distribution date (the "Distribution Date"), which will occur on the earlier of (i) the 10th business day (or such later date as may be determined by the Board) after the public announcement that an Acquiring Person (as defined in the Rights Agreement) has acquired beneficial ownership of 20% or more of the Common Stock then outstanding or (ii) the 10th business day (or such later date as may be determined by the Board) after a person or group announces a tender or exchange offer that would result in a person or group of affiliated and associated persons beneficially owning 20% or more of the Common Stock then outstanding.

"Blank Check" Preferred Stock

The Company is authorized to issue up to 4,000,000 shares of "blank check" preferred stock. The Board has the authority and discretion, without shareholder approval, to issue preferred stock in one or more series for any consideration it deems appropriate, and to fix the relative rights and preferences thereof including their redemption, dividend and conversion rights. Of these shares, 1,500,000 shares have been authorized as the 6% Senior Convertible Preferred Stock and 100,000 shares have been authorized as the Series A Participating Preferred Stock.

6% Senior Convertible Preferred Stock

In the event of a liquidation (or deemed liquidation, as described below) of the Company, the holders of the Company's 6% Senior Convertible Preferred Stock, par value $0.001 per share ("Convertible Preferred Stock"), shall receive in preference to the holders of common stock and any junior securities of the Company an amount (the "Liquidation Preference") equal to (i) $1.965 (the "Original Issue Price") per each outstanding share of Convertible Preferred Stock (subject to adjustment upon the occurrence of certain customary events), plus (ii) any accrued but unpaid dividends. A Change of Control of the Company (as defined in the Certificate of Amendment) will be treated as a liquidation at the option of the holders of a majority of the Convertible Preferred Stock, provided that the amount paid to holders of Convertible Preferred Stock in such event will be equal to 101% of the Original Issue Price, plus accrued but unpaid dividends.

Dividends on the Convertible Preferred Stock were payable, on a cumulative basis, in cash, at the rate per annum of 6% of the Liquidation Preference (as defined below) and were payable quarterly, in arrears, on each March 31, June 30, September 30 and December 31, commencing on September 30, 2013. The Company was prohibited from paying any dividend with respect to shares of common stock or other junior securities in any quarter unless full dividends were paid on the Convertible Preferred Stock in such quarter.

At the December 30, 2014 Annual Shareholders Meeting, the shareholder vote resulted in the turnover of a majority of the Board members, which represented a Change of Control pursuant to the terms of the Convertible Preferred Stock. On December 31, 2014, the Company recognized the balance of the accretion which brought the Convertible Preferred Stock carrying value up to its redemption value due to the likelihood of the holders requesting redemption. On January 9, 2015, the Company received a notice of deemed liquidation from a majority of the outstanding Convertible Preferred Stockholders in which they requested redemption of their Convertible Preferred Stock. On February 23, 2015 the Company paid an aggregate $1,287,737 to the Convertible Preferred Stockholders, in order to redeem all of the outstanding shares of Convertible Preferred Stock.

Dividends on the Convertible Preferred Stock totaled approximately $21,000 and $76,000 for the fiscal years ended September 30, 2015 and 2014, respectively. These dividends, in addition to the accretion, totaled approximately $476,000 and $193,000 for the fiscal years ended September 30, 2015 and 2014, respectively. As of September 30, 2015 and 2014, the carrying value of the Convertible Preferred Stock was $0 and approximately $833,000, respectively, and is included on the Company's consolidated balance sheets as temporary equity.

NOTE 7 SHAREHOLDER'S EQUITY (CONTINUED)

Warrants

During the quarter ended March 31, 2014, the Company met the requirements of a registration rights agreement for registering the underlying common shares and the 6% Senior Convertible Preferred Stock warrant liabilities with a fair value of $599,000 (net of issuance costs) were reclassified to equity (additional paid-in capital).

In accordance with ASC 815-40 "Derivatives and Hedging – Contracts in Entity's Own Equity", the Company's warrants were initially classified as a liability, at fair value, as a result of a related registration rights agreement that contained certain requirements for registering the underlying common shares, but has no provision for penalties upon the failure to register. At each consolidated balance sheet date, this liability's fair value was remeasured and adjusted with the corresponding change in fair value recorded in the consolidated statements of operations and comprehensive loss. After the Company met the requirements for registering the underlying common shares in the fiscal year ended September 30, 2014, the warrants were reclassified to equity (additional paid-in capital).

Between June 28, 2013 and August 14, 2013, in connection with the issuance of 6% Senior Convertible Preferred Stock, the Company issued ten-year warrants to purchase 648,846 shares of common stock with an exercise price of $1.84 per share.

During the fiscal year ended September 30, 1999, the Company issued warrants to purchase an aggregate of 75,000 shares of common stock at an exercise price of $1.75 per shares. By their terms these warrants expire 90 days after a registration statement registering common stock (other than pursuant to employee benefit plans) is declared effective by the United States Securities and Exchange Commission (the "Commission"). As of September 30, 2015, no such registration statement has been filed with the Commission.

Stock Repurchase

In September 2002 and January 2004, the Board authorized the repurchase of up to an aggregate of 486,200 shares of outstanding common stock. Under those authorizations, through September 30, 2015, the Company repurchased an aggregate of 223,614 shares at a cost of approximately $485,000. During the fiscal years ended September 30, 2015 and 2014, the Company repurchased and retired an aggregate of 10,340 and 40,671 shares, respectively, of its outstanding restricted common stock at a cost of approximately $12,000 and $47,000, respectively, in connection with the vesting of employee restricted stock awards, wherein certain employees surrendered a portion of their award in order to fund certain tax withholding obligations.

Retirement of Treasury Stock

On December 5, 2014, the Board of Directors approved the retirement of 706,410 shares of existing treasury stock.

NOTE 8 SHARE-BASED COMPENSATION

2011 Long Term Incentive Plan

In March 2011, shareholders of the Company approved the 2011 Long Term Incentive Plan (the "2011 Plan"), which authorizes 850,000 shares of common stock for grants of various types of equity awards to officers, directors, employees, consultants, and independent contractors. Forfeited awards are eligible for re-grant under the 2011 Plan. The total shares of common stock available for grants of equity awards under the 2011 Plan was 424,813 as of September 30, 2015. The exercise prices of stock options granted may not be less than the fair market value of the common stock as quoted at the close on the Nasdaq Stock Market on the grant date. The Compensation Committee administers the plan. Options generally expire ten years after the date of grant.

NOTE 8 SHARE-BASED COMPENSATION (CONTINUED)

2007 Equity Incentive Plan

The 2007 Equity Incentive Plan (the “2007 Plan”), which was approved by shareholders of the Company in May 2007, and, as amended, in February 2010, authorizes an aggregate of 800,000 shares of common stock for grants of restricted common stock and stock options to officers, employees, and non-employee directors of the Company. Forfeited awards are eligible for re-grant under the 2007 Plan. The total shares of common stock available for grants of equity awards under the 2007 Plan was 149,640 as of September 30, 2015. The exercise price of stock options granted may not be less than the fair market value of the common stock as quoted at the close on the Nasdaq Stock Market on the grant date. The Compensation Committee administers the 2007 Plan. Options generally expire ten years after the date of grant.

1996 Stock Incentive Plan

The Company’s 1996 Stock Incentive Plan (the “1996 Plan”) expired in accordance with its terms in November 2006. The exercise price of incentive stock options granted under the 1996 Plan to officers, employees, and non-employee directors of the Company was required by 1996 Plan provisions to be equal at least to the fair market value of the common stock at the date of grant. In general, options under this plan expire ten years after the date of grant. Unexercised options granted prior to 1996 Plan expiration remain outstanding until the earlier of exercise or option expiration. Under the 1996 Plan, 20,000 fully vested common stock options are the only awards that remain outstanding and unexercised, all at exercise prices higher than the fair market value of the common stock at September 30, 2015.

Stock Option Awards

On December 11, 2013, the Company granted ten-year incentive stock options to purchase an aggregate of 32,500 shares of common stock (25,000 options were granted pursuant to the 2007 Plan and 7,500 options were granted pursuant to the 2011 Plan) at an exercise price of $1.59 per share to executives of the Company. The options vest ratably over three years on the anniversaries of the date of grant. The options had an aggregate grant date value of $29,250.

Effective January 15, 2015, in connection with the Company’s former Chief Executive Officer’s voluntary termination, previously outstanding unvested stock options to purchase an aggregate of 83,334 shares of common stock at exercise prices ranging from $1.59 to $5.31 per share that would have been forfeited pursuant to their original terms were modified such that the options vested on January 28, 2015. In connection with the “improbable to probable” modification, the Company recorded a credit of approximately $(31,000) during the fiscal year ended September 30, 2015. See Note 11 for additional details in connection with the termination.

On June 25, 2015, the Company granted a ten-year incentive stock option to purchase 50,000 shares of common stock at an exercise price of $0.64 per share to an executive of the Company, pursuant to the 2011 Plan. The option vests as follows: 15,000 shares on the date of grant, 15,000 shares on the two year anniversary of the date of grant and 20,000 shares on the three year anniversary of the date of grant. The option had a grant date value of $19,000.

On August 4, 2015, the Company granted ten-year incentive stock options to six employees to purchase an aggregate of 32,500 shares of common stock at an exercise price of $0.67 per share, pursuant to the 2011 Plan. The options vest as follows: an aggregate of 10,832 shares on the one year anniversary of the date of grant, an aggregate of 10,832 shares on the two year anniversary of the date of grant and an aggregate of 10,836 shares on the three year anniversary of the date of grant. The options had an aggregate grant date value of $13,000.

The fair value of each stock option on the date of grant was estimated using a Black-Scholes option-pricing formula applying the following assumptions for each respective period:

	Fiscal Years Ended September 30,	
	2015	2014
Risk free interest rate	1.79% - 1.92%	1.86%
Expected term (years)	5.90 - 6.00	6.00
Expected volatility	64.4% - 65.3%	63.2%
Expected dividends	0%	0%
Estimated annual forfeiture rate	10%	10%

During the fiscal year ended September 30, 2015 and 2014, the Company granted 82,500 and 32,500 stock options at weighted average grant date fair values per share of $0.39 and $0.90, respectively.

NOTE 8 SHARE-BASED COMPENSATION (CONTINUED)

The expected term represents the period over which the stock option awards are expected to be outstanding. The Company utilizes the "simplified" method to develop an estimate of the expected term of "plain vanilla" employee option grants. The Company based the risk-free interest rate used in its assumptions on the implied yield currently available on U.S. Treasury zero-coupon issues with a remaining term equivalent to the award's expected term. The volatility factor used in the Company's assumptions is based on the historical price of its stock over the most recent period commensurate with the expected term of the award. The Company historically has not paid any dividends on its common stock and had no intention to do so on the date the share-based awards were granted.

The Company recognized compensation expense of approximately $(27,000) and $43,000 in continuing operations for stock option awards in its consolidated statements of operations and comprehensive loss for the fiscal years ended September 30, 2015 and 2014, respectively.

As of September 30, 2015, there was approximately $29,000 of total unrecognized compensation cost related to unvested stock option awards, which is expected to be recognized over the remainder of the weighted average vesting period of 1.8 years.

The following table summarizes stock option activity during the fiscal years ended September 30, 2015 and 2014:

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Life In Years	Intrinsic Value
Outstanding, September 30, 2013	897,000	$ 3.24		
Granted	32,500	1.59		
Exercised	-	-		
Forfeited	(151,000)	3.50		
Outstanding, September 30, 2014	778,500	$ 3.12		
Granted	82,500	0.65		
Exercised	-	-		
Forfeited	(550,000)	3.17		
Outstanding, September 30, 2015	311,000	$ 2.39	5.7	$ 61,025
Exercisable, September 30, 2015	235,125	$ 2.84	4.6	$ 13,400

The table below provides additional information regarding stock option awards that were outstanding and exercisable at September 30, 2015:

NOTE 8 SHARE-BASED COMPENSATION (CONTINUED)

Options Outstanding			Options Exercisable		
Exercise Price	Weighted Average Exercise Price	Outstanding Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Life In Years	Exercisable Number of Options
$0.64 to $1.99	$ 0.93	122,500	$ 1.28	6.4	55,000
$2.00 to $2.99	2.46	96,000	2.46	3.9	95,750
$3.00 to $3.99	3.74	72,500	3.74	5.4	64,375
$4.00 to $6.02	6.02	20,000	6.02	0.6	20,000
		311,000		4.6	235,125

Restricted Stock Awards

On December 11, 2013, the Company granted an aggregate of 90,000 shares of restricted stock to directors of the Company, pursuant to the 2007 Plan. The shares vest on the first anniversary of the date of grant. The aggregate grant date value of $143,100 will be recognized proportionate to the vesting period.

On January 9, 2014, the Company granted 5,000 shares of restricted stock to an employee of the Company, pursuant to the 2011 Plan. The shares vest ratably on each of November 11, 2014, November 11, 2015 and November 11, 2016. The grant date value of $8,350 will be recognized proportionate to the vesting period.

On December 5, 2014, the Company granted an aggregate of 30,000 shares of restricted stock to directors of the Company, pursuant to the 2011 Plan. The shares were scheduled to vest on the one-year anniversary from the date of grant and the aggregate grant date value of $34,800 was scheduled to be recognized proportionate to the vesting period. On January 5, 2015, the aggregate of 30,000 shares of restricted stock were forfeited and retired when the shareholders did not elect these directors.

On February 23, 2015, the Company granted an aggregate of 210,000 shares of restricted stock, of which 175,000 shares went to current directors and 35,000 went to a former officer (see Note 11 – Commitments and Contingencies – Former CFO Agreement) of the Company, of which 140,000 shares and 70,000 shares were pursuant to the 2007 Plan and 2011 Plan, respectively. The shares vest as follows: (i) 35,000 shares vest immediately, and (ii) 175,000 shares vest on the one-year anniversary from the date of grant. The aggregate grant date value of $193,200 will be recognized proportionate to the vesting period.

On June 25, 2015, the Company granted 50,000 shares of restricted stock to an executive of the Company, pursuant to the 2011 Plan. The shares vest as follows: 15,000 shares on the date of grant, 15,000 shares on the two year anniversary of the date of grant and 20,000 shares on the three year anniversary of the date of grant. The grant date value of $32,000 will be recognized proportionate to the vesting period.

On August 5, 2015, the Company granted 35,000 shares of restricted stock to a member of the Board, pursuant to the 2011 Plan which vests on the one year anniversary of the date of grant. The grant date value of $23,800 will be recognized proportionate to the vesting period.

The Company recognized compensation expense of approximately $97,000 and $189,000 in continuing operations for restricted stock awards in its consolidated statements of operations and comprehensive loss for the fiscal years ended September 30, 2015 and 2014, respectively.

As of September 30, 2015, there was approximately $109,000 of unrecognized compensation cost related to shares of unvested restricted stock, which is expected to be recognized over the remainder of the weighted average vesting period of 0.8 years.

The following table summarizes restricted stock activity during the fiscal years ended September 30, 2015 and 2014:

	Number of Shares	Weighted Average Grant Date Fair Value	Total Grant Date Fair Value
Non-vested, September 30, 2014	371,375	$ 1.16	$ 430,795
Granted	95,000	1.59	151,450
Vested	(123,794)	1.16	(143,601)
Forfeited	(85,000)	1.16	(98,600)
Non-vested, September 30, 2014	257,581	1.32	340,044
Granted	325,000	0.87	283,800
Vested	(192,958)	1.21	(234,281)
Forfeited	(126,291)	1.26	(159,398)
Non-vested, September 30, 2015	263,332	$ 0.87	$ 230,165

NOTE 9 INCOME TAXES

The Company's provision (benefit) for income taxes consists of the following United States federal and state, and foreign components:

	For The Fiscal Years Ended September 30,	
	2015	2014
Current:		
Federal	$ -	$ -
State	-	-
Foreign	-	-
Deferred:		
Federal	(307,369)	(364,106)
State	(45,201)	(21,418)
Foreign	14,013	11,669
	(338,557)	(373,855)
Change in valuation allowance	338,557	373,855
Income tax provision (benefit)	$ -	$ -

The deferred tax expense (benefit) is the change in the deferred tax assets and liabilities representing the tax consequences of changes in the amounts of temporary differences, net operating loss carry forwards and changes in tax rates during the fiscal year. The Company's deferred tax assets and liabilities are comprised of the following:

NOTE 9 INCOME TAXES (CONTINUED)

	As of September 30,	
	2015	2014
Deferred tax assets:		
Net operating losses	$ 3,936,614	$ 3,338,494
Realized losses on securities	383,795	321,557
Unrealized losses on securities	-	105,139
Share-based compensation	155,432	361,337
Alternative minimum tax credit	99,757	99,757
Excess tax over book basis in inventory	109,175	64,682
Other	-	34,437
	4,684,773	4,325,403
Valuation Allowance	(4,553,370)	(4,214,813)
Net deferred tax assets	131,403	110,590
Deferred tax liabilities		
Prepaid insurance	(118,167)	(89,721)
Excess book over tax basis in fixed assets	(13,236)	(20,869)
	(131,403)	(110,590)
Total	$ -	$ -

As of September 30, 2015 and 2014, the Company has no unrecognized income tax benefits. At September 30, 2015, the Company had available total net operating loss carryforwards for U.S. Federal and state income tax purposes of approximately $9,519,000 and $5,680,000, respectively, expiring through 2035, resulting in deferred tax assets in respect of U.S. Federal and state income taxes of approximately $3,237,000 and $292,000, respectively. In addition, at September 30, 2015, the Company had total available net operating loss carryforwards for foreign income tax purposes of approximately $4,637,000 resulting in a deferred tax asset of approximately $408,000, expiring through 2022. Total net deferred tax assets, before valuation allowances, was $4,553,000 and $4,215,000 at September 30, 2015 and 2014, respectively. Undistributed earnings of the Company's foreign subsidiaries are considered to be permanently invested; therefore, in accordance with U.S. generally accepted accounting principles, no provision for U.S. Federal and state income taxes would result. As of September 30, 2015, there were no accumulated earnings of any of the Company's foreign subsidiaries.

NOTE 9 INCOME TAXES (CONTINUED)

As of September 30, 2015, as part of its periodic evaluation of the necessity to maintain a valuation allowance against its deferred tax assets, and after consideration of all factors, both positive and negative (including, among others, projections of future taxable income, current year net operating loss carryforward utilization and the extent of the Company's cumulative losses in recent years), the Company determined that, on a more likely than not basis, it would not be able to use its remaining deferred tax assets (except in respect of United States income taxes in the event the Company elects to effect the repatriation of certain foreign source income of its Swiss subsidiary, which income is currently considered to be permanently invested and for which no United States tax liability has been accrued). Accordingly, the Company has determined to maintain a full valuation allowance against its total deferred tax assets. As of September 30, 2015 and 2014, the valuation allowances were approximately $4,553,000 and $4,215,000, respectively. In the future, the utilization of the Company's net operating loss carryfowards may be subject to certain change of control limitations. If the Company determines in a future reporting period that it will be able to use some or all of its deferred tax assets, the adjustment to reduce or eliminate the valuation allowance would reduce its tax expense and increase after-tax income. Changes in deferred tax assets and valuation allowance are reflected in the "Income tax expense" line item of the Company's consolidated statements of operations and comprehensive loss.

The significant elements contributing to the difference between the United States Federal statutory tax rate and the Company's effective tax rate are as follows:

	For The Fiscal Years Ended September 30,	
	2015	**2014**
US federal statutory rate	(34.0%)	(34.0%)
State tax rate, net of federal benefit	(5.0%)	(5.0%)
Permanent differences:		
Share-based compensation	9.9%	0.4%
Other	0.4%	7.4%
Foreign rate differential	(5.3%)	(5.0%)
Other	10.4%	(10.5%)
Change in valuation allowance	23.6%	46.7%
Income tax provision	0.0%	0.0%

As of September 30, 2015 and 2014, the Company has not accrued any interest and penalties related to uncertain tax positions. It is the Company's policy to recognize interest and/or penalties, if any, related to income tax matters in income tax expense in the consolidated statements of operations and comprehensive loss. For the periods presented in the accompanying consolidated statements of operations and comprehensive loss, no material income tax related interest or penalties were assessed or recorded. All fiscal years prior to the fiscal year ended September 30, 2012 are closed to Federal and State examination.

NOTE 10 LOSS PER SHARE

Basic loss per share data for each period presented is computed using the weighted-average number of shares of common stock outstanding during each such period. Diluted loss per share data is computed using the weighted-average number of common and dilutive common-equivalent shares outstanding during each period. Dilutive common-equivalent shares consist of (a) shares that would be issued upon the exercise of stock options and warrants, computed using the treasury stock method, (b) shares that would be issued upon the conversion of convertible preferred stock and (c) shares of non-vested restricted stock. Net loss from continuing operations per basic and diluted share for the fiscal years ended September 30, 2015 and 2014 are net of preferred stock cash dividends and accretion.

For the fiscal years ended September 30, 2015 and 2014, the Company calculated the basic and diluted loss per share in accordance with ASC 260, as follows:

NOTE 10 LOSS PER SHARE (CONTINUED)

	For the Fiscal Years Ended September 30, 2015	2014
Numerator:		
Net loss	$ (1,433,981)	$ (799,906)
Preferred stock dividends and accretion	(475,580)	(193,200)
Net loss to common shareholders	$ (1,909,561)	$ (993,106)
Denominator:		
Weighted average basic common shares	8,342,168	8,186,926
Effect of dilutive securities (1)	-	-
Weighted average diluted common shares	8,342,168	8,186,926
Basic loss per share	$ (0.23)	$ (0.12)
Diluted loss per share (1)	$ (0.23)	$ (0.12)

(1) Due to the net loss to common shareholders in each of the years presented above, diluted loss per share was computed without consideration to potentially dilutive instruments as their inclusion would have been antidilutive.

The following securities are excluded from the calculation of weighted average dilutive common shares because their inclusion would have been anti-dilutive:

	As of September 30, 2015	2014
Options	311,000	778,500
Warrants	723,846	723,846
Convertible preferred stock	-	692,919
Non-vested restricted stock	263,332	257,581
Total potentially dilutive shares	1,298,178	2,452,846

NOTE 11 COMMITMENTS AND CONTINGENCIES

Former CEO Agreement

Effective January 15, 2015, the Company's Chief Executive Officer ("Former CEO") voluntarily resigned from his position and entered into an agreement with the Company, pursuant to which the Former CEO agreed to waive all payments under his Employment Agreement and all future claims against the Company. Under the agreement, for six months following his termination of active employment, the Former CEO will receive his regular monthly base salary and will remain eligible to participate in medical and dental plans similar to his current coverage level for a period of twelve months. The Former CEO will also receive a cash payment of $7,852 in lieu of shares of restricted stock of the Company that would otherwise vest on November 8, 2015. In addition, the Former CEO will retain certain other ancillary benefits for limited periods. The agreement includes customary confidentiality, non-solicitation, non-competition, non-disparagement and release provisions. As of September 30, 2015, the remaining obligation to the Former CEO of approximately $1,000 is reflected as an accrual in the consolidated balance sheets.

Former CFO Agreement

On February 16, 2015, the Company entered into a settlement agreement and mutual release with the Company's former Chief Financial Officer ("Former CFO"), James McKenna, in connection with a lawsuit filed by Mr. McKenna on August 26, 2014 in the U.S. District Court for the Southern District of New York against the Company and then-directors Frank LaGrange Johnson, Robert Garrett, John F. Chiste, Timothy Gordon and Owen P.J. King (the "SDNY Lawsuit"), alleging purported claims of retaliation for whistleblowing under the Dodd-Frank Act, breach of contract and breach of the covenant of good faith and fair dealing all as against the Company, and a single claim for tortious interference with contract as against the individual defendants. The complaint sought an unspecified amount of monetary consequential damages and punitive damages. Pursuant to the agreement, Mr. McKenna and the Company agreed to settle and release all disputes or claims against the other party related to the SDNY Lawsuit and any such disputes or claims arising out of Mr. McKenna's employment with the Company, without an admission of liability or wrongdoing. Under the Agreement, Mr. McKenna will receive a cash payment of $315,000, representing 18 months' salary at the rate specified in Mr. McKenna's Amended Employment Agreement, signed between the Company and Mr. McKenna and dated October 26, 2012. Mr. McKenna will also receive approximately $375,000 in legal fees, back pay, prior out-of-pocket benefits, taxes and penalties on Mr. McKenna's 401(k) loan, and accrued paid time off, in addition to 35,000 restricted stock units vesting immediately. The Agreement includes customary non-disparagement and release provisions. As of September 30, 2015, the remaining obligation to the Former CFO of approximately $90,000 is reflected as an accrual in the consolidated balance sheets.

Appointment of Chief Executive Officer

Effective July 1, 2015, the Board of the Company appointed Terence Wise, 67, as its Chief Executive Officer ("CEO"). Mr. Wise has served as a director of Forward since February 2012 and was appointed Chairman of the Board in January 2015. He has over 30 years of experience in the furniture, plastics, luggage and accessories industries. Mr. Wise serves as principal and Chairman of The Justwise Group Limited, which he founded in 1977, a company that specializes in the procurement of consumer durable products from Asia and is an established supplier to a list of major U.K. multi-channel retailers. Mr. Wise also serves as a principal of Forward Industries Asia-Pacific Corporation (f/k/a Seaton Global Corporation) ("Forward China") and has significant shareholdings in two manufacturing plants in China.

Appointment of Chief Financial Officer

Effective June 22, 2015, the Board of the Company appointed Michael Matte, 56, as its Chief Financial Officer ("CFO"). Prior to joining the Company, Mr. Matte served as the CFO and Chief Accounting Officer of Aspen Group, Inc., an online distance-learning education service in the United States, until March 2014. Mr. Matte also served as an Executive Vice President of Finance and CFO of MeetMe, Inc. (formerly, QuePasa Corp.) from October 2007 to March 2013 and as the CFO for Cyberguard from February 2001 to April 2006. Mr. Matte currently serves on the Board of Directors of Coqui Radio Pharmaceutical, a position he has held since June 2013, and previously served on the Board of Directors of Iris International from January 2004 until April 2012. Mr. Matte has also served as a director for QuePasa Corp. from July 2006 until October 2007 and for Geltec Solutions from September 2008 until October 2009. Mr. Matte began his career at PricewaterhouseCoopers where he served as a senior audit manager.

NOTE 11 COMMITMENTS AND CONTINGENCIES (CONTINUED)

Guarantee Obligation

In February 2010, Forward Switzerland and its European logistics provider (freight forwarding and customs agent) entered into a Representation Agreement (the "Representation Agreement") whereby, among other things, the European logistics provider agreed to act as Forward Switzerland's Fiscal representative in The Netherlands for the purpose of providing services in connection with any value added tax matters. As part of this agreement, which succeeds a substantially similar agreement (except as to the amount and term of the undertaking) between the parties that expired June 30, 2009, Forward Switzerland agreed to provide an undertaking (in the form of a bank letter of guarantee) to the logistics provider with respect to any value added tax liability arising in The Netherlands that the logistics provider is required to pay to Dutch tax authorities on its behalf.

As of February 1, 2010, Forward Switzerland entered into a guarantee agreement with a Swiss bank relating to the repayment of any amount up to €75,000 (equal to approximately $84,000 as of September 30, 2015) paid by such bank to the logistics provider in order to satisfy such undertaking pursuant to the bank letter of guarantee. Forward Switzerland would be required to perform under the guarantee agreement only in the event that: (i) a value added tax liability is imposed on the Company's sales in The Netherlands, (ii) the logistics provider asserts that it has been called upon in its capacity as surety by the Dutch Receiver of Taxes to pay such taxes, (iii) Forward Switzerland or the Company on its behalf fails or refuses to remit the amount of value added tax due to the logistics provider upon its demand, and (iv) the logistics provider makes a drawing under the bank letter of guarantee. Under the Representation Agreement, Forward Switzerland agreed that the letter of guarantee would remain available for drawing for three years following the date that its relationship terminates with the logistics provider to satisfy any value added tax liability arising prior to expiration of the Representation Agreement but asserted by The Netherlands after expiration.

The initial term of the bank letter of guarantee expired February 28, 2011, but renews automatically for one-year periods until February 28, 2015 (as amended), unless Forward Switzerland provides the Swiss bank with written notice of termination at least 60 days prior to the renewal date. On January 8, 2015, an amendment was executed to extend the expiration to February 28, 2016. It is the intent of Forward Switzerland and the logistics provider that the bank letter of guarantee amount be adjusted annually. In consideration of the issuance of the letter of guarantee, Forward Switzerland has granted the Swiss bank a security interest in all of its assets on deposit with, held by, or credited to Forward Switzerland's accounts with, the Swiss bank (approximately $1.7 million at September 30, 2015). As of September 30, 2015, the Company had not incurred a liability in connection with this guarantee.

Lease Commitments

The Company rents certain of its facilities under leases expiring at various dates through September 2020. Total rent expense included in continuing operations for the years ended September 30, 2015 and 2014 amounted to approximately $138,000 and $179,000 (net of $185,000 and $185,000 of rental income from a sub-lease), respectively. The following table summarizes the future minimum lease payments required under these leases (exclusive of future minimum sublease rental receipts in the aggregate of approximately $201,000 due under non-cancelable subleases).

Fiscal Years Ended September 30,	Amount	
2016	$	278,000
2017		85,000
2018		87,000
2019		90,000
2020		93,000
Total lease commitments	$	633,000

NOTE 12 RELATED PARTY TRANSACTIONS

New York Office Rent

On February 1, 2014, the Company began leasing office space in New York, New York for its former Chief Executive Officer at a rate of $2,500 per month from LaGrange Capital Administration, L.L.C. ("LCA"). This lease was month-to-month and was cancellable by either the Company or LCA at any time. Effective April 1, 2014, LCA increased the monthly rental charge (inclusive of rent, allocable share of office assistant, and equipment leases) from $2,500 to approximately $12,700 per month. During the fiscal year ended September 30, 2015, the Company recognized approximately $51,000 of rent expense related to the New York office. During the fiscal year ended September 30, 2014, the Company recognized approximately $81,000 of rent expense related to the New York office. The month-to-month lease was cancelled by the Company in January 2015. Beginning in February 2015, the Company no longer rents an office in New York for the Chief Executive Officer.

Buying Agency and Supply Agreement

On September 9, 2015, the Company renewed a Buying Agency and Supply Agreement (the "Supply Agreement") with Forward Industries (Asia-Pacific) Corporation (formerly known as Seaton Global Corporation), a BVI corporation ("Forward China") on substantially the same terms as its existing buying agency and supply agreement with the Forward China, which was due to expire on September 11, 2015. The Supply Agreement provides that, upon the terms and subject to the conditions set forth therein, Forward China shall act as the Company's exclusive buying agent of Products (as defined in the Supply Agreement) in the Asia Pacific region. Forward China shall also arrange for sourcing, manufacture and exportation of such Products. The Company shall purchase products at Forward China's cost and shall pay a service fee to Forward China. The service fee is calculated at $100,000 monthly plus 4% of "Adjusted Gross Profit." "Adjusted Gross Profit" is defined as the selling price less the cost from Forward China. The Supply Agreement shall terminate on September 8, 2018, subject to renewal. Terence Bernard Wise, the Chairman and Chief Executive Officer of the Company, is a principal of Forward China. In addition, Jenny P. Yu, a Managing Director of Forward China, owns shares of the Company's common stock. The Company incurred approximately $1,522,000 and $1,406,000, respectively, during the fiscal years ended September 30, 2015 and 2014, in service fees paid to Forward China, which are included as a component of costs of goods sold in continuing operations in the accompanying consolidated statements of operations and comprehensive loss.

Investment Management Agreement

On April 16, 2013, the Company entered into an Investment Management Agreement (the "Agreement") with LCA, pursuant to which the Company retained LCA to manage certain investment accounts funded by the Company (collectively, the "Account"). The Agreement was effective as of February 1, 2013 and operations ceased just prior to December 31, 2014 and the agreement formally terminated effective February 1, 2015.

NOTE 12 RELATED PARTY TRANSACTIONS (CONTINUED)

As compensation for its services to the Company, LCA was entitled to advisory fees, comprised of an asset-based fee and a performance fee, as provided in the Agreement. The asset-based fee equaled 1% per annum of the average Account Net Asset Value ("Account NAV"). The performance fee equaled 20% of the increase (if any) in the Account NAV over an annual period. No performance fee was payable for any annual period in which the Account NAV at the end of such annual period is below the highest Account NAV at the end of any previous annual period. In addition to such advisory fees, the Company will reimburse LCA for certain investment and operational expenses. During the fiscal years ended September 30, 2015 and 2014, the Company recognized $0 and approximately $12,000, respectively, of expense in continuing operations in its consolidated statements of operations and comprehensive loss related to asset based advisory fees. The Company has not recorded any expense related to performance based advisory fees during the fiscal years ended September 30, 2015 and 2014.

There were no new funds invested with LCA during the fiscal years ended September 30, 2015 and 2014. During the fiscal years ended September 30, 2015 and 2014, the Company purchased approximately $11,000 and $5,800,000 of marketable securities, respectively. During the fiscal years ended September 30, 2015 and 2014, the Company sold approximately $952,000 and $5,600,000 of marketable securities, respectively. As a result of these activities, the Company recognized approximately $110,000 and $247,000 of net investment losses during the fiscal years ended September 30, 2015 and 2014, respectively.

NOTE 13 LEGAL PROCEEDINGS

From time to time, the Company may become a party to other legal actions or proceedings in the ordinary course of its business. As of September 30, 2015, there were no such actions or proceedings, either individually or in the aggregate, that, if decided adversely to the Company's interests, the Company believes would be material to its business.

NOTE 14 401(K) PLAN

The Company maintains a 401(k) benefit plan allowing eligible United States-based employees to contribute a portion of their salary in an amount up to the annual maximum amounts as set periodically by the Internal Revenue Service. In accordance with applicable Safe Harbor provisions, the Company made matching contributions related to its continuing operations of approximately $55,000 and $69,000 during the fiscal years ended September 30, 2015 and 2014, respectively, which are reflected in the accompanying consolidated statements of operations and comprehensive loss. The Company's contributions vest immediately.

NOTE 15 OPERATING SEGMENT INFORMATION

The Company reports and manages its continuing operations based on a single operating segment: the design and distribution of carry and protective solutions, primarily for hand held electronic devices. Products designed and distributed by this segment include carrying cases and other accessories for medical monitoring and diagnostic kits, portable consumer electronic devices (such as smartphones, tablets, personnel computers, notebooks, and GPS devices), and a variety of other portable electronic and non-electronic products (such as firearms, sporting, and other recreational products). This segment operates in geographic regions that include primarily APAC, the Americas, and EMEA. Geographic regions are defined by reference primarily to the location of the customer or its contract manufacturer.

Revenues from External Customers

NOTE 15 OPERATING SEGMENT INFORMATION (CONTINUED)

The following table presents net sales by geographic region.

	(dollars in thousands) Fiscal Years Ended September 30, 2015	2014
Americas:		
United States	$ 7,432	$ 9,382
Other	348	467
Total Americas	7,780	9,849
APAC Region:		
Hong Kong	9,628	8,608
Other	2,293	3,043
Total APAC	11,921	11,651
EMEA Region:		
Germany	5,319	7,238
Poland	3,998	3,955
Other	996	667
Total Europe	10,313	11,860
Total Net Sales	$ 30,014	$ 33,360

Long-Lived Assets

Identifiable long-lived assets, consisting predominately of property, plant and equipment, are presented net of accumulated depreciation and amortization and segregated by geographic region as follows:

	(dollars in thousands) Fiscal Years Ended September 30, 2015	2014
Americas	$ 120	$ 140
EMEA Region	-	-
APAC Region	-	-
Total long-lived assets (net)	$ 120	$ 140

Supplier Concentration

The Company procures all its supply of carrying solutions products from independent suppliers in China through Forward China. Depending on the product, the Company may require several different suppliers to furnish component parts or pieces. The Company purchased approximately 100% and 95% of its OEM products from four such suppliers in Fiscal 2015 and 2014, respectively. The approximate percentages of purchases of OEM products from each of these four suppliers with respect to continuing operations for Fiscal 2015 and Fiscal 2014 are as follows:

Supplier:	Fiscal Years Ended September 30, 2015	2014
OEM Supplier A	100 %	66 %
OEM Supplier B	-%	20 %
OEM Supplier C	-%	5 %
OEM Supplier D	-%	3 %
OEM Supplier E	-%	1 %
Totals	100 %	95 %

NOTE 15 OPERATING SEGMENT INFORMATION (CONTINUED)

Major Customers

The following customers or their affiliates or contract manufacturers accounted for more than ten percent of the Company’s net sales, by geographic region.

	Fiscal Year Ended September 30, 2015			
	Americas	APAC Region	EMEA Region	Total Company
Diabetic Customer A	-%	81%	2%	33%
Diabetic Customer B	20%	2%	12%	10%
Diabetic Customer C	34%	-%	44%	24%
Diabetic Customer D	20%	2%	27%	15%
Other Customer C	5%	-%	-%	1%

	Fiscal Year Ended September 30, 2014			
	Americas	APAC Region	EMEA Region	Total Company
Diabetic Customer A	-%	87%	4%	27%
Diabetic Customer B	24%	3%	19%	14%
Diabetic Customer C	24%	-%	58%	24%
Diabetic Customer D	14%	2%	22%	11%
Other Customer C	20%	-%	1%	6%

* Other Customer A, B, and D represented less than ten percent of the Company’s net sales of any geographic region during the fiscal years ended September 30, 2015 and 2014.

Four customers (including their affiliates or contract manufacturers) accounted for approximately 82% and 76% of the Company's accounts receivable at September 30, 2015 and 2014, respectively.

NOTE 16 SUBSEQUENT EVENTS

Compensation

On October 26, 2015, the Company awarded 17,500 shares of restricted stock (pursuant to the 2007 Plan) and a cash bonus of $20,000 to a former executive officer for his service during the year ended September 30, 2015. The shares vest on December 31, 2015 and the grant date value was $19,775.

On October 26, 2015, the Company accelerated the vesting date of a director grant of 35,000 shares of restricted stock from February 23, 2016 to December 31, 2015.

BUYING AGENCY AND SUPPLY AGREEMENT

This Agreement, made as of September 9**,** 2015 by and between FORWARD INDUSTRIES, INC. a New York corporation (hereafter referred to as "Principal"), having an address at 477 S. Rosemary Ave. Ste 219, West Palm Beach, Florida 33410 and FORWARD INDUSTRIES (ASIA-PACIFIC) CORPORATION, a BVI registered corporation wholly-owned by Terence Bernard Wise (hereinafter referred to as "Agent") having an address at 10F-5 No.16, Lane 609, Chung Shin Road, Section 5, San Chung District, New Taipei City, Taiwan, Republic of China.

WHEREAS, Principal designs, markets and distributes carry and protective solutions (the "Products");

WHEREAS, Agent is established as a buying and supplier agent in the Asia Pacific Region, consisting of Australia, New Zealand, Hong Kong, Taiwan, China, South Korea, Japan, Singapore, Malaysia, Thailand, Indonesia, India, the Philippines and Vietnam (the "Territory") for merchandise and is engaged in the exportation of products for sale to the United States and elsewhere, including, but not limited to the Products; and

WHEREAS, the parties desire to enter into this Agreement for Agent to source for Principal's Products and to arrange for sourcing, manufacture and exportation of such Products under and subject to all of the terms and conditions set forth herein.

NOW, THEREFORE, the parties hereto, in consideration of the foregoing and of the mutual covenants contained herein, and intending to be legally bound hereby, agree as follows:

1. **Engagement**. Principal hereby engages Agent and grants to Agent the right to act as the exclusive buying agent for Principal for, and in connection with, Principal's purchases, transactions and related dealings, directly or indirectly with regard to the sourcing of Products in the Territory, including compliance and logistical services. Agent shall be required to maintain an acceptable level of performance to maintain its exclusivity hereunder. Agent shall, only with the approval of Principal, be permitted to appoint sub-agents to provide some, or all, of the services, which are required by this engagement.

A. Agent shall:

(1) Visit manufacturers to determine their ability to manufacture and export Products of a type and quality appropriate for Principal, use all reasonable effort to negotiate most favorable pricing for such Product, and provide Principal with samples and other material, as may be reasonably necessary or appropriate with respect to such review. Agent shall visit such manufacturers and complete factory evaluations in a form, manner and frequency that is acceptable to Principal;

(2) Effectuate the execution by manufacturers of Principal's Manufacturing Acknowledgment, annexed hereto as Exhibit B, or such other form or amendments thereto as may from time to time be provided by Principal prior to placing any purchase orders for Products with such manufacturers;

(3) Familiarize itself with Principal's needs and survey the potential markets to obtain the best available products. Agent shall use all reasonable effort to negotiate the most favorable pricing for Products. Agent shall provide Principal with up-to-date information on a timely basis concerning relevant aspects of business. This information includes, without limitation, that which relates to labor rates and political situations, which may affect Principal's business or investment prospects.

(4) Arrange, as necessary, for the production and delivery of raw material, components, or sub-assemblies to manufacturers; the manufacture and delivery to Principal of all necessary or appropriate production samples; and the manufacture and delivery to Principal of finished Products in accordance with all applicable specifications and requirements set forth in Principal's purchase orders to Agent.

(5) Place purchase orders with manufacturers in Agent's name and in a manner consistent with Principal's Stock Planning principles outlined in Appendix A hereto.

(6) Quote to Principal F.O.B. factory prices in U.S. dollars (not including the buying Agent's commission) pursuant to the explicit request of Principal, and in a manner consistent with the best interests of Principal.

(7) Establish and maintain a quality assurance plan that is acceptable to Principal and be in charge of the quality control of Products, including the substantial conformity of Products to any approved samples and as to style, quantity, and other specifications in the applicable purchase orders of Principal, all in a manner consistent with Principal's Compliance Criteria principles outlined in Appendix B hereto. Agent shall prepare and maintain written documentation of the results and timing of its quality control procedures for Principal's review (e.g. inspection reports/certificates) and shall update the Principal's Logistics Collaboration Portal ("LCP") with such information, as required by Principal, in a timely manner. In the event of the shipment of defective or uncorrectable improperly labeled goods, or the shipment of goods in nonconformity with the purchase order, Agent shall coordinate the return of such goods to manufacturer or assist in other corrective action, as deemed necessary by Principal.

(8) Submit delivery and other logistical data, as may be required by Principal, to Principal via Principal's LCP, in a timely manner.

(9) Arrange for all inland freight, hauling, lighterage, storage and consolidation, etc. at the lowest cost possible within the realm of prudent delivery/shipping practices.

(10) Arrange for the exportation and delivery to Principal of the Products in accordance with all time limitations and deadlines set forth in the applicable purchase orders.

(11) Facilitate the acquisition of the documentation necessary for importation of Product into the country in which Product is to be sold.

(12) Be responsible for arranging all necessary globally recognized testing with manufacturers to ensure Product compliance. Any special testing or certifications that are not industry standard or that is performed by Agent or third parties shall be Principal's payment responsibility.

(13) Facilitate the acquisition of any raw materials, trimmings, labels, packaging materials or other components in a manner dictated by, and in the best interests of, Principal.

(14) Be responsible for the quality and timely delivery of raw materials in a manner dictated by, and in the best interests of, Principal.

(15) In addition to the quality assurance responsibility described in Subparagraph 7, above, verify that Products are being manufactured in the country and factory designated by Agent or Principal, in conformance with applicable laws and regulations of the country in which it is to be sold and the country of manufacture, as well as the Foreign Corrupt Practices Act, and that the appropriate visa, export licenses, etc. are used in connection with the exportation of the goods to the country designated by Principal for delivery.

(16) Agent shall itself comply with and shall require that factories are in compliance with Principal's Code of Conduct (the "Code"), which is attached hereto as Exhibit A, including any modification of such as may be provided by Principal from time to time. Such steps shall include, but are not limited to:

a. Ensuring that all manufacturers, subcontractors and suppliers working on, producing goods for or supplying goods to Principal execute and return to Principal or to its representative all documents required to ensure compliance with the Code. Such documents include, but are not limited to, Manufacturing Acknowledgements and Subcontractor Manufacturing Acknowledgements, in such form as Principal or its representative shall provide to Agent from time to time and as often as Principal deems necessary to ensure compliance with the Code.

b. Periodically inspecting the facilities of all manufacturers and subcontractors every twelve months and providing a written evaluation of these inspections to Principal or to its representative in such form as may be required by Principal or its representative from time to time.

c. For all manufacturers and subcontractors to be used by Agent to produce Products at the time of the execution of this Agreement, conducting a detailed evaluation of the production and residential facilities and providing a written evaluation of these inspections in such form and as often as is required by Principal or its representative from time to time.

d. In the event that Agent has knowledge that any manufacturer is not producing the Products in compliance with applicable local laws and/or the Code of Conduct, Agent shall immediately notify Principal. Further, Agent shall provide to Principal a certificate as to the country-of-origin of the Products.

e. Agent is responsible for costs associated with a third party auditing firm providing Social Accountability and Security, including without limitation CTPAT audits. However, Agent acknowledges that audits as requested by Principal will be no more frequent than every six (6) months, however additional audits of Agent requested by Principal may be more frequent, in which case the costs shall be borne by Principal. Costs for the initial audit, except associated travel expenses, and all costs associated with remediation of deficiencies as identified as a result of the audit shall be incurred exclusively by Agent. Pricing of Products hereunder shall not increase as a result of any audit activities or remediation costs. Principal will provide Agent with an invoice from a third-party audit firm, audit results, and remediation requirements following any such audit. Principal shall assume financial responsibility to make payment of said invoice within terms. If Principal pays any invoice, Principal will be entitled to offset that amount from any amounts owing to Agent. If any such six-month audit reveals any material non-compliance on the part of Agent or its manufacturers in respect of Social Accountability and Security and CTPAT standards, Principal may, within three months of completion of such audit, request a follow-up audit to monitor Agent's or its manufacturers progress in correcting such violations, and all costs and expenses incurred in connection with such audit, including associated travel expense, shall be borne by Agent.

(17) Attend to the return and/or of any Products deemed to be noncompliant or defective by Principal. Further, Agent shall use best effort to effectuate from manufacturer a credit note or refund for defecting or noncompliant Product, Product shortages, etc. and ensure manufacturers proper destruction and disposal thereof, when applicable.

(18) Inform Principal of any overproduction or production of counterfeit or infringing goods by the manufacturers.

(19) Agent shall perform all other services that may be reasonably necessary or appropriate to arrange for the manufacture, exportation, quality control, and delivery of the Products consistent with regular practices in the trade.

B. Agent shall arrange to have produced for Principal samples and prototypes on a timely basis at a price agreed upon in writing by Principal and consistent with Principal's Product Development principles outlined in Appendix C.

C. Agent shall act only upon the specific instructions of Principal and in no case shall the Agent act without such explicit instructions. Agent acknowledges that it has no right, power or authority to make any contract or incur any obligation or liability, which shall be binding upon Principal unless it has been specifically authorized in writing, and in advance by Principal.

D. The parties shall use good faith efforts to develop a performance appraisal methodology that is based on key operating metrics (such as quality, delivery, conduct, etc.) in order to evaluate Agent's performance. Continued non-performance by Agent under such methodology shall constitute a material breach hereunder.

2. **Compensation**.

A. "Invoice Price" shall mean the F.O.B. purchase price of the Products purchased by Agent for Principal, which price shall be the same as the price paid by Agent for such products, excluding any Agent commissions.

B. In consideration of the services rendered by Agent under this Agreement, Principal shall pay to Agent the sum of $100,000 per month plus four percent (4%) of the Adjusted Gross Profit (hereinafter defined) of all Products ordered and shipped pursuant to this Agreement (the "Service Fee"). For the purpose of computing the Service Fee due hereunder, the following directions shall apply:

a. "Adjusted Gross Profit" shall mean the amount which is equal to Net Sales less Material COGs.

b. “Gross Sales” shall mean all revenues received by Principal from the sale of Products.

c. “Material COGs” shall mean the amount which is equal to the cost of all materials, tooling, packaging, inbound freight, customs and duties incurred by Agent to deliver Products to Principal at the agreed upon shipping point (e.g. Port of Hong Kong or Port of Shen Zhen). Such “Material COGs” shall be equal to the amounts referenced in Principal’s approved purchase orders to Agent and to the amounts referenced on Agent’s invoices to Principal. Such Material COGs shall exclude Agent’s Service Fees and shall be equal to Agent’s actual cost basis as supported by the local supplier invoices.

d. “Net Sales” should be defined as being equal to Gross Sales less returns, discounts and allowances and should be recorded and recognized in accordance with Generally Accepted Accounting Principles in the United States.

Where Principal determines the Products to be defective, no Service Fee shall be paid by the Principal and Agent shall provide a credit or refund to Principal for any commission paid for Products by Principal.

C. In the event of a significant increase or decrease in the Principal’s Gross Sales over two consecutive financial quarters, such increase or decrease to be no less than 20% of Gross Sales from the prior quarter, Principal and Agent agree to negotiate in good faith on a revised Service Fee that may be more or less than the Service Fee considering any savings that may be achieved by Agent as a direct consequence of any significant reduction in Gross Sales and any additional resources that may be required by Agent as a direct consequence of any significant increase in Gross Sales.

D. The Service Fee above shall include all costs of travel and entertainment, telephone, telex, telecopies, postage, office space, personnel (including salaries, benefits, overtime, and any related taxes), legal and professional services and all other costs deemed necessary and incurred by Agent in the performance of its obligations hereunder.

E. Agent shall pay all costs of conducting its agency and all taxes, including assessments, which may be made against the salary or wages of those directly or indirectly employed by Agent.

3. **Payment**. Principal shall pay Agent for amounts due under the terms of this Agreement as follows:

A. For the purchase of Products, including samples and prototypes, Agent shall, at the end of each month, provide Principal with an itemized invoice for all Products delivered to Principal in such month, which invoice shall not include any Service Fee. Principal shall pay Agent within sixty (60) days of receipt of Agent’s monthly invoice.

B. Agent shall provide to Principal on a monthly basis, a separate invoice for the Service Fees earned during the previous month. Principal agrees to pay all Service Fees within sixty (60) days of receipt of the Agent's invoice; provided however that if Principal notifies Agent in writing that it objects to any invoice within ten (10) days of receipt of such invoice, payment on the disputed invoice shall be made when the dispute is resolved.

Principal shall pay to Agent a penalty of one percent (1%) per month on all unpaid and outstanding amounts past the due date of such payments.

4. **Purchases and Delivery.**

A. Principal's order of Products shall be effectuated by Principal's submission to Agent of a firm written purchase order in advance of delivery. Principal may submit to Agent forecasts of Principal's Product needs, however, any such forecasts shall be an estimate only and not a commitment to purchase. Agent shall either confirm or reject Principal's purchase orders within three (3) business days via the Principals LCP. Agent shall promptly update Principal with purchase, production, inspection and logistic data and documentation (e.g. Advanced Shipping Notification or Certificates of Origin), including via Principal's LCP, as requested and deemed necessary by Principal. No such purchase order may be changed or terminated without the prior written consent of Principal.

B. Amended Purchase Orders. Principal shall have the right prior to delivery of the Products to make changes to the purchase order. If any such changes cause an increase or decrease in cost or delivery time, Agent shall notify Principal in writing immediately and explain the amount and basis for any such adjustment in cost or delivery time. If Principal accepts such adjustments, Principal and Agent shall execute an amendment to the purchase order to evidence such adjustments or Principal shall issue a revised purchase order.

C. Late Delivery. If Agent determines that it is unable to deliver Product timely as provided in an accepted purchase order, Agent shall immediately notify Principal and Principal shall have the right to: (i) accept late delivery; (ii) specify a more rapid method of shipment with Agent paying the additional transportation cost (subject to Agent's use of best effort to effectuate manufacturers agreement to such); (iii) terminate the purchase order without liability or penalty (subject to Agent's use of best effort to effectuate manufacturers agreement to such).

D. Early Delivery. If Product is available for delivery to Principal prior to the specified or requested delivery date, Principal shall make reasonable effort to accept the Product. Otherwise, Agent shall be responsible for arranging the Product to be properly stored and redelivered on the specified or requested delivery date.

5. **Returns.** Returns of defective and/or noncompliant Products that are under warranty by Agent (refer to Section 7 below) shall be shipped pre-paid by Principal and Agent shall be charged back for shipping costs unless otherwise specifically agreed to by Principal (subject to Agent's use of best effort to effectuate manufacturers agreement to such). Prior to return of any Product, Principal shall notify Agent in writing, and Agent shall provide Principal with a Return Authorization within five (5) business days of such written notice. Under no circumstances is Agent or its manufacturers permitted to sell to any party other than Principal any Products or sample Products manufactured under this Agreement, including Products, samples and prototypes that are returned by Principal and that Agent is unable to rework to meet specifications and quality requirements. In addition, Agent agrees to submit to Principal a Certificate of Destruction in which Agent identifies the defective Products and sample Products and verifies under oath that such Products and sample Products have been destroyed.

6. **Representations by Agent**. Agent represents and warrants the following, each of which shall be deemed to be independently material and have been relied upon by Principal:

A. Agent is a corporation duly organized and validly existing under the laws of the country in which it maintains the office from which it shall perform its obligations under this Agreement.

B. Agent has the full right, power and authority to execute and deliver, and perform fully and in accordance with all of the terms of, this Agreement, and the performance by the Agent of all of its obligations and covenants hereunder does not and will not violate any law or regulation, agreement or other instrument to which Agent is a party or by which Agent may be bound.

C. Agent is engaged in the business of sourcing products in the Territory. Agent has the requisite experience to properly supervise the manufacture of the Products.

D. Agent warrants and represents that it will not knowingly or intentionally make any statement or representation inconsistent with the terms and provisions of this Agreement in any affidavit, special invoice, special Customs invoice, pro forma invoice, consular invoice or any other document or communication, oral, written or otherwise. In addition, no part of the compensation paid, or to be paid, to Agent pursuant to this Agreement shall in any manner be paid or payable directly or indirectly to any manufacturer of Products or to any government agent.

E. Agent, in executing this agreement, certifies that it has no ownership or direct financial interest in, nor any control of, the factories making the commodities purchased with the assistance of the Agent and that the factories have no ownership or financial interest in, or any control over, the Agent. In the event that any such interest is consummated, then the Agent will immediately inform Principal. Failure to do so will result in the forfeiture of the Agent's commission on the goods purchased from the related or controlled factories.

F. Agent shall accept no remuneration for its services other than the commissions paid hereunder by Principal and will not share commissions in any manner with the manufacturer or others.

7. **Claims, Inspections and Warranties**.

A. Principal may inform Agent of any claims against a manufacturer regarding the Products. Agent will, pursuant to the instructions of the Principal, act on behalf of the Principal in use its best efforts to assist in the resolution of any claim.

B. Agent shall allow, and shall require its manufacturers to allow, Principal or its designees the right to enter their manufacturing and storage facilities during regular business hours, with or without notice, to inspect Products, tools, packaging and working conditions in order to confirm Agent's and Manufacturer's compliance with this Agreement.

C. Agent shall make all reasonable efforts to provide Principal with a one (1) year product warranty from the date of delivery to Principal. Such warranty shall be predicated on Agent's ability to secure equivalent or better terms from its manufacturers in its manufacturing agreements. Agent shall make all reasonable efforts to ensure that the Products will be free from defects in materials and workmanship, be merchantable, safe and fit for the particular uses and purposes for which the Products were manufactured, and will strictly conform to all approved samples and specifications. For Products under warranty, Principal may return defective products for refund or credit, including shipping charges to return such defective product, if required.

8. **Term and Termination**. The term of this Agreement shall begin on the date hereof, and continue for three (3) years until September 8, 2018 (the "Term") subject to earlier termination as provided for in Section 9 below. Thereafter, provided the parties have reached an agreement in writing as to the Service Fee at least one hundred twenty (120) days prior to the end of the then expiring Term, the Term shall be eligible for renewal for one (1) two (2) year term (the "First Renewal Term"), unless terminated. Following the First Renewal Term, in each instance, provided the parties have reached an agreement in writing as to the Service Fee at least one hundred twenty (120) days prior to the end of then expiring Term, the Term shall be eligible for renewal for successive one (1) year terms (together with the First Renewal Term, the "Renewal Terms"). Renewal Terms that have commenced shall be included in the Term. On expiration or termination, this Agreement shall continue to apply to orders for Products placed during the Term, which may be shipped after expiration or termination of the Term.

9. **Termination**.

A. Termination for Cause. This Agreement may be terminated for Cause at any time. For purposes hereof, "Cause" shall mean: (i) a material breach by either party of the terms of this Agreement, (ii) a default by either party in the performance of any duties or obligations hereunder that is not remedied within thirty (30) days of written notice, (iii) a failure by Agent to maintain an acceptable level of performance in terms of price, quality, quantity or delivery; (iv) if Agent shall be insolvent or shall make an assignment for the benefit of creditors or is adjudged bankrupt in any legal proceeding under any applicable law or a trustee or receiver of its business or affairs or of a material part of its properties is appointed in any legal proceeding under any applicable law and any such proceeding is not dismissed within thirty (30) days after its commencement; or (v) upon any change of control of Agent. For purposes hereof, the term "change of control" shall mean the sale, transfer or conveyance of a majority of the presently existing voting stock of Agent, this Agreement may be terminated by the non-breaching/defaulting party on written notice to the other party.

B. Termination without Cause.

(1) As set forth in Section 8 above, in the event the parties do not reach an agreement on the Service Fee for the subsequent Renewal Term, Principal may terminate this Agreement on ninety (90) days written notice to Agent.

(2) No less than one hundred twenty (120) days prior to the expiration of the First Renewal Term or any Renewal Term thereafter, either party may give the other written notice of its decision not to renew and thereupon the Agreement shall terminate at the end of the then expiring Renewal Term.

10. **Seconds, Thirds or Excess Goods**. Agent agrees to use its best efforts to recover the cost of all seconds, thirds or excess goods from the manufacturer on Principal's behalf. Agent is not entitled to recover either the costs of reinspection or costs associated with obtaining refunds from Principal. Agent covenants that it will insure that no seconds will be released by the manufacturer.

11. **Proprietary Rights**.

A. Agent acknowledges that all patents, trademarks, tradenames, copyrights and designs relating to the merchandise shall be and remain the property of Principal, or its customers. Agent agrees that any use or copy of these patents, trademarks, tradenames, copyrights or designs must be accompanied by a statement of Principal's rights thereto. Agent will not, during the term of this agreement or at any time thereafter, claim any right or property interest in such patents, trademarks, tradenames, copyrights and designs, or take or permit any action which will have an adverse effect on Principal's rights to such owned or licensed patents, trademarks, tradenames, copyrights and designs. In case such rights of Principal or its customers are abused, Agent will do its best to give notice to Principal and to help Principal avoid the same, but all costs involved will be paid by Principal.

B. Principal shall own the exclusive rights to the trade dress and visual design of the Products, Product materials, and related packaging for the Products. Principal shall also own all right, title and interest in all tooling, molds or special equipment which have been furnished or paid for by, or charged against, Principal in connection with the manufacture of the Products.

12. **Non-Compete**. Agent agrees that during the Term of this Agreement and for twelve (12) months thereafter, neither it nor its affiliates or subsidiaries shall source or supply to any party other than Principal, products that, in Principal's sole determination, incorporate or are similar in nature, use, appearance, construction, design or performance to the characteristics of any of Principal's products.

13. **Confidentiality**.

A. For the purposes hereof, "Confidential Information" shall mean all proprietary and confidential information and trade secrets of a party about its business, including without limitation designs, drawings and graphics and information about colors, fabrics and other materials, new and modified products financial and business data and plans and related reports.

B. Each party acknowledges that the other party's Confidential Information constitutes valuable and proprietary trade secrets of such other party and, except as provided herein or in any other agreements between the parties or their affiliates, such party shall not use or cause to be used or disclose or cause to be disclosed any Confidential Information unless otherwise authorized in writing. Each party shall limit access to Confidential Information to the other party to those employees or agents whose duties require the possession thereof, and such party shall inform them of the confidential nature thereof. Each party shall use commercially reasonable efforts to safeguard the other party's Confidential Information and to prevent the unauthorized, negligent or inadvertent use of disclosure thereof. At the end of the Term hereof, each party will return or destroy the other parties Confidential Information.

C. The parties recognize that remedy at law for any breach of the provisions of this paragraph will be inadequate and, accordingly, agree that in addition to such other remedies that may be available, at law or in equity, any court of competent jurisdiction may enjoin, without the necessity of requiring proof of actual damages or the posting of any bond or other security, any actual or threatened breach of the provisions of any of this paragraph.

14. **Rights Upon Cancellation or Termination**. Upon the cancellation or termination of this Agreement: (a) all rights and obligations of the parties hereunder shall cease and terminate except as to rights and obligations accrued by either of the parties prior to the date of such cancellation or termination, including rights and obligations under outstanding import contracts not yet performed; (b) Principal shall have the right to deal with all manufacturers dealt with by Agent in connection with Principal's business either directly or through one or more other buying agents without further obligation to Agent; and (c) Agent shall turn over to Principal any and all copies of contracts and other information in the Agent's files relating to arrangements made by Agent with sellers of merchandise on Principal's behalf (it being understood that all such contracts and other information shall be treated by Agent as confidential and shall not be disclosed by Agent to any third party either during or after the term hereof). Without limiting the generality of any of the other terms of this Agreement, upon the expiration or termination of this Agreement, Agent shall not be entitled to, and hereby waives its right, if any, to make any claim for damages, losses or compensation arising from any expectancy of continuation of this Agreement, or for any other reason whatsoever (except with respect to Service Fees payable to Agent as a result of orders for Products placed prior to the termination of this Agreement but not shipped until after the termination of this Agreement disregarding the shipment date of the merchandise).

15. **No Joint Venture**. Nothing contained herein shall be construed to place the parties in the relationship of partners or joint ventures, it being agreed and understood that Agent is an independent contractor and not an employee of Principal. Agent shall have no power to obligate or bind Principal in any manner whatsoever except as otherwise provided herein. Agent shall not hold itself out as employed by or otherwise affiliated with Principal. Agent shall obtain all approvals and permits (if any) from any and all governmental authorities that are necessary or appropriate in order that Agent shall be permitted under the local laws of the Territory to engage in all activities provided for under this Agreement.

16. **Notices**. All notices required or permitted under this Agreement shall be in writing and shall be mailed by overnight delivery to the party to receive notice at the addresses first set forth above or at such other address as any party may, by written notice, direct and shall be made in accordance with New York law. All notices given under this paragraph shall be deemed as given on the two business days following the day on which the notice is mailed or faxed.

17. **Further Assurance**. Each party agrees, upon the reasonable request of the other party, to take such action and to execute and deliver such documents as may reasonably be necessary or appropriate to effectuate the terms of this Agreement and the transactions contemplated hereby.

18. **Assignments**.

A. Principal may assign this Agreement to a successor to all or substantially all of that portion of its business which deals with the Products. Agent may not assign this Agreement without the prior written consent of Principal.

B. Except as provided for in Subparagraph (A), neither party shall assign or transfer all or any portion of this Agreement, whether voluntarily, by operation of law, or otherwise, without the prior written consent of the other party.

19. **Headings**. The paragraph headings of this Agreement are for convenience of reference only and do not form a part of the terms and conditions of this Agreement or give full notice thereof.

20. **Construction**. This Agreement shall be governed by and construed and take effect as an enforceable contract in accordance with the laws of the State of New York governing such agreements, without regard to conflicts-of-law principles thereof that would require applicability of any other law.

21. **Jurisdiction**. Any legal action or proceeding with respect to this Agreement may be brought exclusively in the courts of the State of New York County or of the United States for the Southern District of New York. Each party hereto irrevocably submit to the exclusive jurisdiction of such courts, irrevocably waives any objection to the laying of venue of any such suit, action or proceeding brought in such courts and irrevocably waives any claim that any such suit, action or proceeding brought in any such court has been brought in an inconvenient forum. EACH OF THE PARTIES HERETO WAIVES ANY RIGHT TO REQUEST A TRIAL BY JURY IN ANY LITIGATION WITH RESPECT TO THIS AGREEMENT AND REPRESENTS THAT COUNSEL HAS BEEN CONSULTED SPECIFICALLY AS TO THIS WAIVER. The parties agree that a final judgment in any lawsuit, action or other proceeding arising out of or relating to this Agreement brought in such courts shall be conclusive and binding upon each of the parties hereto and may be enforced in any other courts to the jurisdiction of which each of the parties is or may be subject, by suit upon such judgment.

22. **Entire Agreement**. This Agreement contains the entire understanding between the parties with respect to the subject matter hereof. It may not be amended or modified in any manner, except by a written agreement duly executed by both parties hereto. No custom or course of dealing shall be referred to as amending or altering the terms of this Agreement and no waiver shall be deemed to apply to any matter other than or subsequent to the matter to which it relates.

23. **Indemnification**.

A. Agent shall indemnify Principal, its officers, agents, employees, directors, shareholders and representatives (collectively, the "Principal Indemnified Parties"), and hold them harmless, from and against any and all losses, damages, liabilities, claims, payments, liens, judgments, orders and decrees of every description, recoveries, costs and expenses (including attorneys' fees incurred by Principal Indemnified Parties both in connection with claims against Agent and as well as third party claims) arising out of or relating to, in whole or in part, any act or omission, negligence, misconduct or fraud of any of its officers, agents, employees, directors, shareholders, and representatives in performing its obligations under this Agreement.

B. Principal shall indemnify Agent, its officers, agents, employees, directors, shareholders and representatives (collectively, the "Agent Indemnified Parties"), and hold them harmless, from and against any and all losses, damages, liabilities, claims, payments, liens, judgments, orders and decrees of every description, recoveries, costs and expenses (including attorneys' fees incurred by Agent Indemnified Parties both in connection with claims against Agent and as well as third party claims) arising out of or relating to, in whole in part, any act or omission of any of Principal, its officers, agents, employees, directors, shareholders, and representatives in performing its obligations under this Agreement.

24. **No Waiver**. The failure by any party to complain of any act or omission on the part of the other, no matter how long the same may continue, shall not be deemed to be a waiver by such party of any of its rights under this Agreement. The waiver by any party at any time, expressed or implied, of any breach, attempted breach, or default of any provision of this agreement shall not be deemed a waiver of any other provision of this agreement or a consent to any subsequent breach, attempted breach or default of the same or any other type. If any action by Agent shall require the consent or approval of Principal, such consent or approval of Principal to such action on any one occasion shall not be deemed a consent or approval of any other action on the same or any subsequent occasion.

25. **Invalidity**. Should any term or provision of this agreement for any reason be held to be illegal, invalid, void or unenforceable either in its entirety or in a particular application, the remainder of this agreement shall nonetheless remain in full force.

26. **Counterparts**. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument.

FORWARD INDUSTRIES, INC.

By:	/s/ Michael Matte
Name:	Michael Matte
Title:	Chief Financial Officer

FORWARD INDUSTRIES (ASIA-PACIFIC) CORPORATION

By:	/s/ Terence Bernard Wise
Name:	Terence Bernard Wise
Title:	Principal

EXHIBIT A
Forward Industries, Inc.
Supplier Code of Conduct

Forward Industries, Inc. ("Forward") operates its business in accordance with the highest ethical standards and in compliance with the laws of the United States and of the countries in which we produce, buy and sell our products.

Forward is committed to legal compliance and ethical business practices in all operations and seeks to do business with suppliers who share that commitment. Forward actively seeks to engage as its suppliers companies which offer their workers safe and healthy workplaces.

Forward will not tolerate exploitative or abusive conditions once known. The Forward Supplier Code of Conduct (hereinafter the "Code of Conduct") defines our minimum expectations. No Code can be all inclusive, but we expect our suppliers to act reasonably in all respects and to ensure that no abusive, exploitative or illegal conditions exist at their workplaces.

Forward requires its suppliers to extend principles of fair and honest dealing to all others with whom they do business, including employees, subcontractors and other third parties. We also require our suppliers to ensure and to certify to us that no abusive, exploitative or illegal conditions exist at their workplaces, and those of their suppliers and subcontractors.

Forward will only do business with suppliers who obey the laws of the country in which they operate and the principles expressed in this Code of Conduct.

Forward will only do business with suppliers who have certified to us that their business practices are lawful, ethical and in compliance with the principles set forth in this Code of Conduct. Moreover, Forward will only do business with suppliers who have agreed to be monitored to ensure their compliance with this Code of Conduct.

Forced Labor: Forward will not purchase products or components thereof from suppliers that use forced labor, prison labor, indentured labor or bonded labor, or permit their suppliers to do so.

Child Labor: Forward will not purchase products or components thereof manufactured by persons younger than 14 years of age or younger than the age of completing compulsory education in the country of manufacture where such age is higher than 15.

Harassment or Abuse: Forward suppliers and subcontractors must treat their employees with respect and dignity. No employee shall be subject to physical, sexual or psychological harassment or abuse.

Nondiscrimination: Forward suppliers and subcontractors shall not subject any person to discrimination in employment, including hiring, salary, benefits, advancement, discipline, termination or retirement, on the basis of gender, race, religion, age, disability, sexual orientation, nationality, political opinion, or social or ethnic origin.

Health and Safety: Forward suppliers and subcontractors shall provide a safe and healthy working environment to prevent accidents and injury to health arising out of, linked with, or occurring in the course of work or as a result of the operation of employer facilities. Employers must fully comply with all applicable workplace conditions, safety and environmental laws.

Freedom of Association: Forward suppliers and subcontractors shall recognize and respect the right of employees to freely associate in accordance with the laws of the countries in which they are employed.

Wages and Benefits: Forward suppliers and subcontractors recognize that wages are essential to meeting employees' basic needs. Forward suppliers and subcontractors shall pay employees at least the minimum wage required by local law regardless of whether they pay by the piece or by the hour and shall provide legally mandated benefits.

Work Hours: Forward suppliers and subcontractors shall not require their employees to work more than the limits on regular and overtime hours allowed by the law of the country of manufacture. Except under extraordinary business circumstances, Forward suppliers' and subcontractors' employees shall be entitled to one day off in every seven day period. Forward suppliers and subcontractors must inform their workers at the time of their hiring if mandatory overtime is a condition of their employment. Forward suppliers and subcontractors shall not compel their workers to work excessive overtime hours.

Overtime Compensation: Forward suppliers' and subcontractors' employees, shall be compensated for overtime hours at such premium rate as is legally required in the country of manufacture or, in countries where such laws do not exist, at a rate at least equal to their regular hourly compensation rate.

Legal and Ethical Business Practices: Forward suppliers and subcontractors must fully comply with all applicable local, state, federal, national and international laws, rules and regulations including, but not limited to, those relating to wages, hours, labor, health and safety, and immigration. Forward suppliers and subcontractors must be ethical in their business practices.

Penalties: Forward reserves the right to terminate its business relationship with any supplier who violates this Code of Conduct or whose suppliers or subcontractors violate this Code of Conduct. Forward reserves the right to terminate its business relationship with suppliers who fail to provide written confirmation to Forward that they have a program in place to monitor their suppliers and subcontractors for compliance with this Code of Conduct.

Exhibit B

FORWARD INDUSTRIES (ASIA-PACIFIC) CORPORATION

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RE: Manufacturing Acknowledgement

Gentlemen/Ladies:

The undersigned manufacturer (the "Manufacturer") does hereby acknowledge that the following provisions shall apply to all orders placed for the production of products (the "Products") by you, Forward Industries (Asia-Pacific) Corporation, ("Forward AP") with Manufacturer, and for the benefit of Forward Industries, Inc. ("Buyer"):

1. Tooling Ownership, Maintenance, Marking, and Operation. Buyer shall own all right, title and interest in and to any tooling, equipment, material, dies, molds, jigs, fixtures, patterns, machinery, special test equipment, special tapes and gauges which have been furnished or paid for by, or charged against, Forward AP or Buyer, or which have had their cost amortized, in connection with the manufacture of Products and components ("Tooling") shall constitute Buyer's property, and shall remain the property of Buyer. Such property, while in Manufacturer's custody or control, shall be maintained, repaired and insured for loss or damage at Manufacturer's expense. Tooling shall be delivered in good condition, normal wear and tear excepted, to Buyer, at Buyer's expense, immediately upon request by Buyer. Manufacturer represents and warrants that Tooling will not be used for any work or for the production of any materials or parts other than for Buyer's direct benefit without Buyer's written permission. Manufacturer shall maintain the Tooling free and clear of all security interests, liens, encumbrances, or other defects in title. Manufacturer shall mark all of Buyer's Tooling with an identifying plate in English, which indicates:

- That the Tooling is property of Buyer
- The Buyer's Tooling number and Buyer's item name and item number
- Date of Tooling manufacture
- Tooling location

2. Compliance with Code of Conduct and Applicable Laws, Rules, Regulations, Directives and Standards. Manufacturer shall comply with the Foreign Corrupt Practices Act and Code of Conduct annexed hereto as Exhibit A.

Buyer, and its agents shall have the right to audit and inspect, at reasonable times, all or any portion of Manufacturer's books, records and facilities solely related to Buyer's business, whether for materials and labor costs accounting, security, social or environmental purposes. Manufacturer shall reasonably cooperate with Buyer and its agents with respect to such inspections.

3. Warranty; Returns. Manufacturer warrants for a period of one (1) year from delivery of Products to Buyer that all Products will be free of defects in materials and workmanship, be merchantable, be safe, be fit for the particular uses and purposes for which the Products were manufactured, and will strictly conform to all approved samples (in accordance with Section 5) and to the Specifications. If a Product is not as warranted within such warranty period, Buyer may return the defective Product for refund or credit (at the Buyer's discretion), including freight and shipping charges and related, documented expenses. If such a Product that is not as warranted causes incidental or consequential damages, Manufacturer shall reimburse the Buyer for any such incidental or consequential damages, including but not limited to any such damages Buyer paid to remedy its customers' incidental and consequential damages.

4. Subcontracting. The subcontracting of any work hereunder, if permitted by Forward AP or Buyer, shall not relieve Manufacturer from its obligations hereunder. In the event that Manufacturer is permitted to subcontract the manufacture, assembly, or packaging of Products, such subcontractor shall be required to execute a form of this acknowledgement in which it undertakes substantially the obligations of Manufacturer herein.

5. Trademarks. Except as designated or approved by Buyer in writing beforehand, none of Manufacturer, its affiliate, or agents shall use, distribute, license, or permit to be so used or licensed (and at Buyer's request shall obtain from its officers undertakings not to so use, distribute or license), directly or indirectly, any trademarks, trade names, product or packaging trade dress, brand names, corporate names, service marks, labels or product or package designs or any confusingly similar variations thereof which may now or hereafter be designated by Buyer for use in connection with the manufacture and sale of the Products and Product Materials (hereinafter collectively referred to as "Buyer's Trademarks") in any language or translation or medium. Manufacturer acknowledges that Buyer and/or its affiliates own all right, title and interest in and to Buyer's Trademarks and that none of Manufacturer, its affiliate, agents shall obtain any right, title or interest in or to such Buyer's Trademarks by virtue of this Agreement. Manufacturer may not use, adopt, register or attempt to register as a trademark, trade name, trade dress, labels, package or product designs, service mark, or design any word, design, symbol or emblem which is identical or confusingly similar to Buyer's Trademarks, whether during the term of this Agreement or after its termination. Manufacturer agrees to cooperate freely with the registration of any new trademark or trade names by Buyer. Upon termination of this Agreement for any reason, Manufacturer shall immediately cease any and all use of Buyer's Trademarks or any confusingly similar trade dress or trademarks and shall not manufacture and sell or enter into any agreement with any third party to manufacture or supply goods under Buyer's Trademarks or any confusingly similar variations thereof. The provisions of this Section 6(a) shall survive the expiration or termination of this Agreement.

6. No Competitive Products. None of Manufacturer, its affiliates or its agents shall infringe upon any of Buyer's Trademarks, patent rights, trade secrets, or other intellectual property during the Term or after termination of this Agreement. Manufacturer shall not, nor may its affiliates or agents, during the term of this Agreement or after termination of this Agreement, manufacture, package, market or sell any product that, in Buyer's sole determination, incorporates or is similar in appearance, construction, design or performance to the characteristics of any Product, including any of the dress design, or appearance encompassed in Buyer's Trademarks.

7. Rights to Products. Buyer shall own the exclusive right to the trade dress, visual design, and copyrights in the non-functional aspects of the Products, Product Materials and any related packaging for the Products. All intellectual property rights in the Products including but not limited to all invention rights, patent rights, trade secret rights, utility model rights as well as any design or development work relating to the Products or improvements made to the Products by Buyer or by Manufacturer is the exclusive property of Buyer during the Term and after termination of this Agreement. This provision shall survive termination of this Agreement.

8. Governing Law. The law of the State of New York, USA shall govern any claim or controversy arising in any way, directly or indirectly, from or relating to, this Agreement, including but not limited to its negotiation, formation, execution, performance, termination or interpretation, as if the Agreement were negotiated, agreed to, formed, executed and performed entirely within the New York, USA. The U.N. Convention on Contracts for the International Sales of Goods does not apply to this Agreement.

9. Exclusive Venue: Venue for any claim or controversy arising in any way, directly or indirectly, from or relating to, this Agreement, including but not limited to its negotiation, formation, execution, performance, termination or interpretation, shall be exclusively laid and limited to a state or federal court sitting in the State of New York, USA. The parties agree to submit themselves to the jurisdiction of that court for resolution of any such claim or controversy.

10. Manufacturer acknowledges that the provisions hereof shall inure to the benefit of, and may be enforced by, both Forward AP and Buyer.

Very truly yours,

MANUFACTURER

By: ______________________________

Name:
Title:

Appendix A

Forward Industries Inc. Stock Planning Principles

Ordering Timeframe:

i. Costing for all products is to be quoted from Forward Industries (Asia-Pacific) Corporation ("Forward AP") with a general validity of 6 months (unless specifically negotiated otherwise and confirmed by Jenny P. Yu, Managing Director).

ii. Additional purchase orders submitted within the six-month timeframe are automated and Forward AP should proceed to enter the order. However, purchase orders submitted outside this timeframe require that the cost be verified with Forward AP in advance of the order being entered. **Forward Industries will advise their customers if the agreed quoting time has elapsed since their last order such that pricing and lead time will need to be verified.**

Ordering Process:

i. Step 1 – Purchase order from customer is entered onto Forward Industries' order tracking system (Great Plains). Step 2 – Purchase order is issued to Forward AP with pricing confirmed prior to issue. Step 3 – Forward Industries sends Forward AP confirmation by e-mail at the time the purchase order is issued to advise Forward AP of the new purchase order (to be addressed to the Forward AP Production Manager, Shipping Manager and Managing Director).

ii. Forward AP will have access to all packing information from the Great Plains data base to ensure that all Forward Industries compliance requirements are considered when planning production.

iii. Forward AP Production Manager will advise Forward Industries' customer service of the confirmed factory ready-to-ship date by entering the relevant purchase order in the vendor delivery control log and confirming production schedules (detailing individual factory production status, ready date, and pre-shipment inspection dates). The vendor delivery control log is required to be emailed daily by Forward AP to Forward Industries.

iv. Forward Industries will confirm with their customers the agreed ship date and provide a calculation of delivery date based on the customer's selected mode of service.

v. In the event of any production or shipment delays, Forward AP is required to provide immediate updated details to Forward Industries' customer service by direct email (in addition to updating the vendor delivery control log).

vi. Forward AP is required to ensure that container bookings/LCL shipments are scheduled with the agreed designated carriers up to 14 days in advance of previously documented shipment dates. Any issues that would create delays with a carrier are required to be communicated immediately by Forward AP in a direct email to Forward customer service to ensure that both parties are coordinated and any assistance required from Forward Industries can be facilitated.

vii. Forward AP is required to provide confirmed container and vessel details, validating that the shipment has been affected.

viii. Forward AP is required to provide relevant customs authorities with the relevant documents and tariff codes necessary to facilitate shipments.

ix. Containers are to be released at the relevant factory, pass through relevant customs authorities, and directed to the designated port for shipment.

x. Copies of all ship documents and issuing notes are to be provided by Forward AP to Forward Industries to be submitted as documentation to release the goods to customers.

xi. Once this process is completed, the purchase order is closed out by Forward AP, resulting in an invoice being issued by Forward AP to Forward Industries accounting department for processing.

New Product Initial Ordering Process:

(These requirements are in addition to points 1-10 detailed in the normal ordering process above)

i. Once prepared, the final sample needs to be approved by the customer and Forward AP (in accordance with all compliance requirements, as detailed in the New Line Procurement Process).

ii. Forward AP to provide proposed pack-out data from the factory to be agreed by Forward Industries.

iii. Forward AP to re-confirm pricing plus lead time for initial production and repeat orders (subject to required terms from the customer, which may include freight and duty amortized to create a landed value).

iv. Forward AP will create carton markings based on the data base of information held on Great Plains to be submitted and approved by Forward Industries prior to production being completed.

KPI's:

i. Orders must be verified by Forward AP within 7 days of receipt from Forward Industries of the relevant production purchase orders.

Appendix

ii. Shipments must be made in accordance with the previously agreed and confirmed release date, unless prior notice of a revised production date has been authorised by Forward Industries.

iii. In the event the order is released and is held by the relevant customs authority, Forward AP is required to notify Forward Industries without delay. All larger purchases greater than USD$100,000 are required to be shipped in full 40' container loads (calculated in accordance with agreed data to fill).

iv. Forward AP are required to provide all relevant documentation to the shipper within 5 days of shipment.

Appendix B

Forward AP Compliance Criteria

In addition to its other obligations under the Buying Agency and Supply Agreement, Forward Industries (Asia-Pacific) Corporation ("Forward AP") shall be responsible for:

Prototyping and Sampling:

- Execution and distribution of prototype/sample requests in response to Forward Industries exacting specifications and detailed design requests.
- Accurate revenue and version number control of all samples that can be cross-referred to updated quotes.
- Maintaining a sample and sample document preparation, control and storage spreadsheet report to be updated weekly with the status of each sample.
- Qualification/commercialization of samples for mass production.
- Preparation, distribution and retention of current "Golden Samples" (with an agreed process to be put in place for sign-off and approval by customers).
- Documentation of approved Golden Samples for production: bill of materials, technical drawings, FA Reports, CoC's, CoA's, quality bulletins, work instructions, packaging/labeling guidelines, etc., as requested by customers.
- Execution of all compliance testing required by customer (REACH, RoHS, Cyto-toxicity, Phthalates, Azo, BPA, PVC, etc. as per individual customer requirements).
- Execution of all performance testing required by customers (cycle testing, abrasion testing, seam burst strength, UV exposure, etc. as per individual customer requirements).
- Reconciliation of all Forward Industries testing and documentation with customer requirements/specifications/guidelines.

Quality/Inspections/ISO:

- Maintaining a current ISO 9001 status including all required documentation related to ISO Re-Certification.
- Maintaining all required activities and documentation as per Forward Industries' ISO Quality Manual.
- Maintaining sufficient resources to execute all in-line and final AQL level inspections and documentation.

- Preparation and maintenance of an inspection packet to include quality bulletin's, current Golden Samples, customer supplied fit "dummies", process controls, etc. as required by project.

- Ongoing testing if required for each customer/project.

- Preparation of all in-line and final inspection reports, measurement data, etc., required by a customer or by the ISO Manual.

- Corrective Action Plan Reports (CAPR), i.e., to investigate, establish and analyse root causes, identify improvements/solutions, implement, feedback and review effectiveness.

- Monitoring factory 100% inspection reject rates vs. AQL reject rates.

- Monitoring customer reject rates against the above.

- Factory approvals and audits.

- Conducting supplier surveys/approvals prior to any sampling or production (maintaining ISO required surveys and approved vendor lists).

- Support all site visit and audit activities, including ISO audits, Forward Industries audits, or any third-party audits required by customers, including audits related to supplier capability/quality, ethical or corporate compliance, supplier hygiene, etc.

Appendix

Appendix C

Forward Industries Inc. New Business – Product Development

Prototyping and Sampling:

When executing prototype/sample requests,

- Forward Industries will create a standard request document/template, which will be sent to Forward Industries (Asia-Pacific) Corporation ("Forward AP") and will be recognized by Forward AP as an official instruction to respond. This document must include the following data:

  i. Customer
  ii. Project/Product Name
  iii. X Number
  iv. Quantity
  v. Request Date
  vi. Need Date
  vii. Drawings/Videos/3D Files

- Forward AP is required to respond within 2 business days of receipt of the official instruction confirming its acknowledgement of receipt and providing a commitment date (i.e., its ability to meet the Need Date or confirming the Lead Time for which they can produce a sample and be rated upon).

Exhibit 21.1

List of Subsidiaries of Forward Industries, Inc.

1. Forward Industries (IN), Inc., an Indiana Corporation;
2. Forward Industries HK Limited, a Hong Kong Limited Company;
3. Forward Industries (Switzerland) GmbH, a Switzerland GmbH
4. Forward Asia Pacific Limited, a Hong Kong Limited Company
5. Forward Ind. (UK) Limited, Limited Company of England and Wales

All subsidiaries are wholly-owned by Forward Industries, Inc. Each does business under its name as set forth above.

Exhibit 22.1

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the Registration Statements on Forms S-8 (Registration File Nos. 333-104743, 333-144442, 333-165075, and 333-194510) of Forward Industries, Inc., of our report on our audits of the consolidated financial statements of Forward Industries, Inc. and Subsidiaries as of and for the years ended September 30, 2015 and 2014, dated December 16, 2015, which report appears in this Annual Report on Form 10-K of Forward Industries, Inc. for the year ended September 30, 2015.

/s/ CohnReznick LLP

December 16, 2015
New York, New York

Exhibit 31.1

CERTIFICATION PURSUANT TO RULE 13a-14(a) UNDER THE EXCHANGE ACT

I, Terence Wise, certify that:

1. I have reviewed this annual report on Form 10-K for the fiscal year ended September 30, 2015, of Forward Industries, Inc. ("registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

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

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

Date: December 16, 2015

/s/ Terence Wise
Terence Wise
Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION PURSUANT TO RULE 13a-14(a) UNDER THE EXCHANGE ACT

I, Michael Matte, certify that:

1. I have reviewed this annual report on Form 10-K for the fiscal year ended September 30, 2015, of Forward Industries, Inc. ("registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:

    a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

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

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

Date: December 16, 2015

/s/ Michael Matte
Michael Matte
Chief Financial Officer
(Principal Financial and Accounting Officer)

Exhibit 32.1

**CERTIFICATIONS OF THE CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

Terence Wise, Chief Executive Officer of Forward Industries, Inc. ("Forward"), and Michael Matte, Chief Financial Officer of Forward, do each certify pursuant to 18 U.S.C. §1350 that, to the best of their knowledge:

1. Forward's annual report on Form 10-K for the fiscal year ended September 30, 2015 (the "Report") fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Forward.

IN WITNESS WHEREOF, the undersigned have set their hands hereto as of the 16th day of December 2015.

/s/ Terence Wise
Terence Wise
Chief Executive Officer
(Principal Executive Officer)

/s/ Michael Matte
Michael Matte
Chief Financial Officer
(Principal Financial and Accounting Officer)