

FORWARD INDUSTRIES INC
 Form DEF 14A
 December 28, 2007

SCHEDULE 14A

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Confidential, For Use of the Commission
 Only (as permitted by Rule 14A-6(e)(2))

Preliminary Proxy Statement

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to § 240.14a-12

	Forward Industries, Inc.
	(Name of Registrant as Specified In Its Charter)
	(Name of Person(s) Filing Proxy Statement, if other than the Registrant)
	Payment of Filing Fee (Check the appropriate box):
	<input checked="" type="checkbox"/> No fee required.
	<input type="checkbox"/> Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
	1) Title of each class of securities to which transaction applies:
	2) Aggregate number of securities to which transaction applies:
	3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11: ¹
	4) Proposed maximum aggregate value of transaction:
	5) Total fee paid:

Edgar Filing: FORWARD INDUSTRIES INC - Form DEF 14A

		1) Set forth the amount on which the filing fee is calculated and state how it was determined.	
	<input type="checkbox"/> Fee paid previously with preliminary materials. <input type="checkbox"/> Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the form or schedule and the date of its filing.		
		1) Amount Previously Paid:	
		2) Form, Schedule or Registration Statement No.:	
		3) Filing Party:	
		4) Date Filed:	

December 26, 2007

To Our Shareholders:

Forward's 2007 fiscal year ended September 30 was again difficult for shareholders and management as we incurred our first net loss in five years. We are facing challenging conditions in our business and operating environment. Our OEM customers, some of whom are facing their own product acceptance and market challenges, are pressuring us on price, payment terms, and inventory arrangements making it difficult for us to maintain or increase our margins. While we gained some cost concessions from our suppliers, these did not offset the pricing pressure we received from our customers. As a result, our profitability suffered, particularly in our cell phone line of products.

Unlike in years past, this year's letter will not review operating results of the past fiscal year in any detail. A detailed analysis of our financial condition and results of operations for Fiscal 2007 is available in the Management's Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report on Form 10-K for Fiscal 2007, which accompanies this proxy statement. We strongly urge you read the MD&A in the Annual Report and the other disclosures and risk factors that appear therein. They are important to understanding your investment in Forward Industries.

The Year Ahead, The Challenges, and The Responses

Where do we go from here? The results of Fiscal 2007 are not acceptable, and changes need to be made. We are committed to growing our business internally and externally where it makes sense. We are reviewing every aspect of our business to ensure we aggressively pursue new customers and products, cut unproductive costs, and reinvest where we see opportunity for growth. This review will include a continuing focus on a possible acquisition or other combination that makes sense in the context of our existing business, without jeopardizing the strong financial position that we have worked so hard to build.

Some of the changes are already in view. A new management team is in place and has been charged with vigorously pursuing these objectives. I am stepping down as Chief Executive Officer, but will remain as Chairman. Doug Sabra, who has been our Chief Financial Officer since 2000, will succeed me as CEO, and he has already begun the review and reassessments needed to restore the company to profitability. I am confident that he will make the tough decisions necessary to return the Company to profitability, even in the difficult environment in which we are operating.

In addition to a new chief executive officer, there are other changes that we must properly recognize. First, Michael Schiffman will no longer serve as our President and Chief Operating Officer as of January 1st, 2008. Michael, who is one of our largest shareholders and has dedicated more than 23 years to the Company, has agreed to stand for re-election as a director on our board. I look forward to working with him in that capacity.

Finally, two of our non-employee directors are stepping down after significant service to our Company. Norm Ricken, who has been director since 2000, and whom you know as the Chairman of our Audit Committee and our Compensation Committee, has decided to retire from the Board by not standing for re-election. Edwin A. Levy, who has been director since 2003, and whom you know as the Chairman of our Nominating and Governance Committee, has also decided to retire from the Board by not standing for re-election. They have served the Company well, and we will miss their timely insight, ability to keep the Board focused and, most of all, their sage counsel. We wish them well.

Annual Meeting

We invite you to review the accompanying Annual Report on Form 10-K for the fiscal year ended September 30, 2007, and proxy documents relating to our Annual Meeting for Fiscal 2007. The Notice of Annual Meeting and Proxy Statement that follow this letter provide information concerning matters to be considered and acted upon at the Annual Meeting, scheduled to be held on February 13, 2008. At the Annual Meeting management will provide a report on our business followed by a question and answer period.

We urge you to attend our Annual Meeting. Whether or not you plan to attend, please be sure that your shares are represented by promptly signing, dating, and returning the accompanying proxy card in the enclosed postage-paid envelope or vote using the phone or Internet.

On behalf of the Board of Directors, management and employees, we thank you for your continued support and look forward to keeping you apprised of the Company's developments.

Sincerely,

Jerome E. Ball

Chairman and CEO



FORWARD INDUSTRIES, INC.
1801 Green Road
Suite E
Pompano Beach, Florida 33064

NOTICE OF ANNUAL SHAREHOLDERS MEETING

To the Shareholders of Forward Industries, Inc., 1801 Green Road, Suite E, Pompano Beach, Florida 33064

Notice is hereby given that the Annual Shareholders Meeting of Forward Industries, Inc. relating to its fiscal year ended September 30, 2007, will be held on Wednesday, February 13, 2008, at 11:00 A.M., Eastern Standard Time, at the executive offices of Forward, 1801 Green Road, Suite E, Pompano Beach, Florida 33064, for the following purposes:

1. To elect a Board of Directors for the current fiscal year.
2. To ratify the appointment of Kaufman, Rossin & Co., P.A., as our independent registered public accounting firm for the fiscal year ending September 30, 2008.
3. To transact such other business as may properly come before the meeting.

All shareholders are invited to attend the annual meeting. Only shareholders of record at the close of business on December 26, 2007, the record date fixed by the Board of Directors, are entitled to notice of and to vote at the annual meeting. A complete list of shareholders entitled to notice of and to vote at the annual meeting will be open to examination by shareholders beginning ten days prior to the annual meeting for any purpose germane to the annual meeting during normal business hours at the office of the Secretary of Forward Industries, 1801 Green Road, Suite E, Pompano Beach, Florida 33064.

Whether or not you plan to attend the annual meeting, please be sure that your shares of common stock are represented at the annual meeting by signing, dating, and returning the enclosed proxy card in the enclosed postage-paid envelope, or vote using the telephone or Internet.

By Order of the Board of Directors

Douglas W. Sabra

Assistant Secretary

Pompano Beach, Florida

December 26, 2007

PLEASE SIGN, DATE, AND RETURN THE ENCLOSED PROXY CARD PROMPTLY, OR VOTE BY TELEPHONE OR INTERNET. THE PROXY IS REVOCABLE. THIS MEANS THAT, AFTER YOU HAVE SIGNED, DATED, AND RETURNED THE PROXY, IT WILL NOT BE USED IF YOU: (1) GIVE WRITTEN NOTICE OF REVOCATION TO THE SECRETARY OF FORWARD INDUSTRIES, 1801 GREEN ROAD, SUITE E, POMPAÑO BEACH, FLORIDA 33064, PRIOR TO THE VOTE TO BE TAKEN AT THE ANNUAL MEETING; (2) FILE A LATER-DATED PROXY, OR VOTE BY TELEPHONE OR INTERNET, ON A LATER DATE, PROVIDED THE NEW PROXY IS RECEIVED BY AMERICAN STOCK TRANSFER PRIOR TO SUCH VOTE; OR (3) ATTEND AND VOTE AT THE ANNUAL MEETING.

FORWARD INDUSTRIES, INC.

1801 Green Road

Suite E

Pompano Beach, Florida 33064

(954) 419-9544

PROXY STATEMENT

The accompanying proxy is solicited by the Board of Directors of Forward Industries, Inc., a New York corporation, for use at our Annual Meeting of Shareholders for the fiscal year ended September 30, 2007 (the Annual Meeting), to be held Wednesday, February 13, 2008, at 11:00 A.M., Eastern Standard Time, at our executive offices, 1801 Green Road, Suite E, Pompano Beach, Florida 33064, and any postponement or adjournment thereof.

This Proxy Statement and related proxy materials will be first mailed to shareholders on or about January 2, 2008, to holders of record of Forward Industries common stock, par value \$.01 per share (the Common Stock), at the close of business on December 26, 2007, the record date for the Annual Meeting.

We will bear the cost of solicitation of proxies. In addition to the solicitation of proxies by mail, certain of our officers, consultants and employees, without extra remuneration, may also solicit proxies personally by facsimile and by telephone. In addition to mailing copies of this proxy material to shareholders, we may request persons (such as banks, brokers, and others), and reimburse them for their expenses in connection therewith, who hold Common Stock in their names or custody or in the names of nominees for others to forward such material to those persons for whom they hold Common Stock and to request their authority for execution of the proxies.

Internet Availability of Proxy Materials

Under rules recently adopted by the Securities and Exchange Commission (SEC), we are now furnishing proxy materials to our shareholders on the Internet, rather than mailing paper copies of the materials (including our Annual Report on Form 10-K for fiscal 2007) to each shareholder. If you received only a Notice Regarding the Availability of Proxy Materials (the Notice) by mail or electronic mail, you will not receive a paper copy of these proxy materials unless you request one. Instead, the Notice will instruct you as to how you may access and review the proxy materials on the Internet. The Notice will also instruct you as to how you may access your proxy card to vote over the Internet. If you received a Notice by mail or electronic mail and would like to receive a paper copy of our proxy materials, free of charge, please follow the instructions included in the Notice. We anticipate that the Notice Regarding the Availability of Proxy Materials will be mailed to our shareholders on or about January 2, 2008.

VOTING

Whether or not you plan to attend the Annual Meeting, please be sure that shares of Common Stock that you own are represented by signing, dating, and returning the enclosed proxy card in the enclosed postage-paid envelope or vote using the telephone or Internet. Telephone and Internet voting instructions are provided on the proxy card. A control number, located on the proxy card, is designed to verify your identity and allow you to vote your shares and confirm that your voting instructions have been properly recorded.

If your shares of Common Stock are held in street name and thus are registered in the name of a broker, bank, or other nominee, follow the voting instructions on the form you receive from the nominee. The availability of telephone and Internet voting will depend on the nominee's voting procedures.

Record Date; Voting Securities

The Board of Directors has fixed December 26, 2007, as the record date for voting at the Annual Meeting: only shareholders of record as of the close of business on that date are entitled to notice of and to vote at the Annual Meeting and any postponement or adjournment thereof. At the close of business on the record date, 7,877,438 shares of Common Stock were outstanding and eligible for voting at the Annual Meeting. Each such share of Common Stock entitles the holder of record on the record date to one vote on each matter to be voted on at the Annual Meeting. Cumulative voting is not permitted. See "Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters."

Quorum

The quorum necessary to conduct any business at the Annual Meeting consists of a majority of the shares of our Common Stock issued and outstanding on the record date, present in person or represented by proxy (received by mail, telephone, or the Internet) at the Annual Meeting. Proxies submitted that contain abstentions and broker non-votes are counted as present for purposes of determining whether the quorum requirement is satisfied. If a share is deemed present at the Annual Meeting for any matter, it will be deemed present for all matters. Abstentions and broker non-votes will not have the effect of votes in opposition to a director, the nominees for which must receive a plurality of votes cast at the Annual Meeting.

Proxies

The shares of Common Stock represented by your properly completed and delivered proxy card or by your proxy voted by telephone or Internet will be voted in accordance with your instructions. With respect to Proposal Number 1, Election of Directors, the form of proxy solicited by our Board of Directors affords you the ability to choose between approval or withholding approval of all nominees or withholding authority to vote for one or more nominees. With respect to Proposal Number 2 (Ratification of the Appointment of Kaufman, Rossin & Co., P.A. as our Independent Registered Public Accounting Firm for Fiscal 2008) the form of proxy affords you the ability to approve, or disapprove, or abstain from voting.

All shares of Common Stock represented at the Annual Meeting by properly executed proxies that are timely returned (by mail, telephone, or Internet) and not revoked will be voted in accordance with your instructions, if any, given therein. If you sign, date, and return the proxy but you provide no voting instructions, the shares of Common Stock represented by such proxy will be voted: by the persons named in the accompanying proxy (1) **FOR** all seven of the Board of Directors' nominees for director and (2) **FOR** ratification of the appointment of Kaufman, Rossin & Co., P.A. as our independent registered public accounting firm in respect of the fiscal year ending September 30, 2008. The Board of Directors is not aware of any other matters to be presented for action at the Annual Meeting, but if other matters are properly brought before the Annual Meeting, shares of Common Stock represented by properly completed proxies received by mail, telephone, or the Internet will be voted in accordance with the judgment of the persons named as proxies. See [Deadline for Shareholder Proposals for 2008](#).

Revocation of Proxies

A shareholder who has duly and validly given a proxy (by mail, telephone, or Internet) may revoke it at any time before its exercise at the Annual Meeting if such shareholder: (i) delivers (by mail or otherwise) written notice of such revocation to our Corporate Secretary at the address appearing at the top of page one of this Proxy Statement before the Annual Meeting; or (ii) executes and delivers to Forward at such address a duly and validly completed, later dated proxy reflecting contrary instructions or votes by telephone or the Internet on a later date, provided the new proxy is received by American Stock Transfer & Trust Company (which will have a representative present at the

Annual Meeting) before the vote; or (iii) attends the Annual Meeting and takes appropriate steps to cast the votes represented by your shares in person.

No Dissenters Rights

Under the New York Business Corporation Law, shareholders are not entitled to dissenters rights of appraisal with respect to the election of directors or the proposal to ratify the appointment of Kaufman, Rossin & Co., P.A., as our independent registered public accounting firm for the fiscal year ending September 30, 2008.

PROPOSAL 1

ELECTION OF DIRECTORS

General Information

In respect of the fiscal year ended September 30, 2007, and as of the date of this proxy statement, the board of directors of the Company consists of seven members, four of whom are non-employee, independent directors, and three of whom are executive officers who are also directors. Under our By-laws, the number of directors serving on our Board may not be more than seven nor fewer than three and is set by a resolution adopted by a majority of the entire Board of Directors.

Nominees for Election as Directors

In December 2007, our Nominating and Governance Committee nominated seven nominees for election as directors at the Annual Meeting, and our Board of Directors accepted the Committee's recommendations. Accordingly, seven nominees for director are to be elected at the Annual Meeting to constitute the Board of Directors for the fiscal year 2008. Two incumbent, independent directors, Messrs. Edwin Levy and Norman Ricken, informed the Company that they do not intend to stand for re-election. In their places, the Nominating and Governance Committee of the Board nominated Messrs. John F. Chiste and Fred Hamilton to complete the slate of Directors. See Structure and Practices of the Board of Directors Board of Directors and Director Independence.

Each nominee for director is standing to be elected to hold office for a period of one year, or until his successor has been elected and qualified. It is intended that the accompanying proxy will be voted in favor of each and all of the following persons to serve as directors, unless you the shareholder indicate to the contrary on the proxy by withholding authority to vote for one or more of the nominees named below. The nominees are as follows:

Name	Age	Principal Occupation
Jerome E. Ball (a)	72	Director since 1998; Chief Executive Officer of Forward from October 1998 until December 2007, and Chairman of the Board since April 1999.
John F. Chiste	51	Nominee for Director; Chief Financial Officer of Falcone Group, a privately held diversified portfolio of real estate companies since 2005; Senior Vice President, Chief Financial Officer and Treasurer of Bluegreen Corporation, a publicly held developer and operator of timeshare resorts from 1997 to 2005.
Bruce Galloway (a) (b)	50	

Director since April 2002; Chairman and Chief Executive Officer of Galloway Capital Management, a private investment firm, since August 2005; Managing Director of Burnham Securities from 1993 to August 2005; Mr. Galloway serves as a director and Chairman of Command Security Corporation, a publicly held security guard and aviation screening services provider; and as non-executive Chairman and a member of the Compensation Committee of Broadcaster Inc. a new media and software company. He was a Director of Datametrics, a manufacturer of ruggedized computer equipment, from August 2000 to October 2006 and was a director of GVI Security Solutions Inc., a video surveillance equipment provider, from February 2004 until June 2006.

Fred Hamilton

63 Nominee for Director; An independent consultant to the marine industry for Fortune 500 and International Companies since 2002; Director of United Services Automobile Association (USAA) a fortune 200 full service Financial Services Insurance, Banking, Brokerage and Real Estate company since 1999 where he is a member of the Finance and Audit committee,

Name	Age	Principal Occupation
Louis Lipschitz (a) (b)	62	Director since June 2005; Executive Vice President and Chief Financial Officer of Toys "R" Us, Inc. from February 1996 until March 2004. Mr. Lipschitz serves as a director of Majesco Entertainment, Inc., a publicly held software and digital content provider for electronic games, where he is Chairman of the Audit Committee and a member of Compensation and Nominating and Governance Committees; a director of New York & Company Inc., a publicly held specialty clothing chain, where he is the Chairman of the Audit Committee; and as a director of Finlay Enterprises Inc., a publicly held specialty retailer of fine jewelry, where he is the Chairman of the Audit Committee.

Douglas W. Sabra (a)	48	Director since April 2006; Vice President and Chief Financial Officer of Forward since June 2000, Assistant Secretary since February 2005.
----------------------	----	--

Michael Schiffman (a)	42	Director since 1992; President and Chief Operating Officer of Forward since June 1998; Executive Vice President of Forward from 1992 to 1998.
-----------------------	----	---

Notes:

(a) Incumbent director

(b) Current Member of the Audit Committee, the Compensation Committee, and the Nominating and Governance Committee.

Mr. Norman Ricken, who is not standing for re-election, is the current Chairman of the Audit Committee and Compensation Committee. Mr. Edwin Levy, who is also not standing for re-election, is the current Chairman of the Nominating and Governance Committee. It is anticipated that selection of Committee chairs for 2008 will be made as soon as practicable following the Annual Meeting.

Each of the nominees above has consented to be named in this proxy statement as a nominee and to serve as a director if elected. The Board of Directors has no reason to believe that any nominee will not serve if elected. However, if any nominee should be unavailable to serve or decline to serve as a director prior to the vote at the Annual Meeting, and if the Board of Directors designates a substitute nominee for such person, the person named in the accompanying proxy will vote for the substitute nominee designated by the Board of Directors. We know of no reason why this

would occur.

Shareholders may nominate candidates for director, in accordance with guidelines summarized below under the caption *Structure and Practices of the Board of Directors Nominating and Governance Committee* , and in compliance with the advance notice and other provisions of our By-Laws. See *Deadline for Shareholder Proposals for 2008* .

Shareholder Vote Required

Assuming a quorum is achieved at the Annual Meeting, to be elected a nominee for director must receive a plurality of the votes of Common Stock cast at the Annual Meeting by holders of shares present in person or represented by proxy and entitled to vote for the election of directors. Therefore, shareholders who do not vote, or who withhold their vote from one or more of the seven nominees proposed herein and do not vote for another person, will not affect the outcome of the election, provided that a quorum is present at the meeting. If you timely submit a signed and dated proxy but fail to specify instructions to vote for nominees for director, the accompanying proxy will be voted in favor of each and all of the Board's nominees. In general, a broker or bank that is the record owner of shares of Common Stock held in street name (i.e., beneficially owned by the broker's customer) will have discretionary authority to vote such shares in the election of directors if the broker has not received voting instructions from the beneficial owner by the tenth day before the Annual Meeting, provided that this proxy statement has been transmitted to the beneficial owner at least 15 days before the meeting.

The Board of Directors UNANIMOUSLY Recommends a Vote FOR Each of the Nominees FOR Election to the Board of Directors, WHICH IS DESIGNATED AS PROPOSAL 1 ON THE ENCLOSED PROXY CARD.

STRUCTURE AND PRACTICES OF THE BOARD OF DIRECTORS

Board of Directors and Director Independence

To assist it in the discharge of its responsibilities, the Board of Directors has established a separately designated, standing Audit Committee, Compensation Committee, and Nominating and Governance Committee, the principal responsibilities of each of which are set forth below. The current members of each such committee are Bruce Galloway, Edwin A. Levy, Louis Lipschitz, and Norman Ricken.

Director Independence. The Board of Directors has determined that each of Messrs. Galloway, Levy, Lipschitz, and Ricken, who comprise a majority of our Board of Directors, is independent in accordance with Nasdaq Stock Market's (NASDAQ) listing standards, including without limitation Marketplace Rule 4200(a)(15). These standards specify that a majority of our Board must consist of independent directors. These four directors constitute the entire membership of each of the Audit Committee, Compensation Committee, and Nominating and Governance Committee of the Board of Directors in compliance with NASDAQ Marketplace Rules 4350(d)(1), 4350(c)(3), and 4350(c)(4). In addition, we have determined, based on information provided by such persons, that each such director satisfied the additional requirements for director independence of members of an audit committee as set forth in NASDAQ Marketplace Rule 4350(d)(2).

In connection with their nomination to serve as members of the Board, the Board of Directors has also determined that each of Messrs. Chiste and Hamilton satisfies the independence qualifications set forth in the foregoing rules and requirements.

It is anticipated that, if elected at the Annual Meeting, each of Messrs. Chiste, Galloway, Hamilton, and Lipschitz will be appointed as members of the Audit Committee, the Compensation Committee, and the Nominating and Governance Committee.

Board Practices. Exclusive of committee meetings, the Board of Directors met, participated in meetings by means of conference call, or acted by unanimous written consent on four occasions during the fiscal year ended September 30, 2007. All directors attended all of the meetings held by the Board and all of the meetings of the committees of which they are members in person or by telephone conference call. All directors attended the Annual Meeting of Shareholders in May 2007 except Mr. Galloway; however, the Company maintains no formal policy mandating such attendance.

Exclusive of committee meetings, the independent director members of the Board met in executive session, without other Board members present, on four occasions during the fiscal year ended September 30, 2007.

Each committee of the Board of Directors is required to conduct an annual assessment to review the sufficiency of resources and time to fulfill its obligations and to review and assess its performance of its obligations under the charter by which it is constituted. Under the respective charters of the committees, each committee may retain consultants to assist it in carrying out its responsibilities.

Audit Committee. Our board of directors has established a separately designated, standing audit committee, as defined in and established in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934, or the Exchange Act . The Audit Committee was established in order to oversee the accounting and financial reporting processes of the Company and the audits of our financial statements. The current members of the Audit Committee are Norman Ricken, who is Chairman of the Committee, and Messrs. Galloway, Levy, and Lipschitz. Our Board of Directors has determined that each such director is independent in accordance with NASDAQ listing standards applicable to membership on audit committees. The Audit Committee held four meetings during the fiscal year ended September 30, 2007.

The Audit Committee oversees the accounting and financial reporting processes of the Company and audits of its financial statements. It is the responsibility of the Committee to maintain free and open communication between and among the Committee, the Company's independent registered public accounting firm, the Company's internal accounting staff, and management. The Audit Committee's approval is required in order to engage our independent registered public accounting firm to perform the audit and non-audit services in order to assure that the provision of such services does not impair such firm's independence. Unless a type of service to be provided to the Company has received general pre-approval from the Audit Committee, it requires specific pre-approval. The Committee also has the power to retain legal, accounting and other advisors, as it deems necessary to carry out its duties. In discharging its functions, the Committee is empowered to investigate any matter brought to its attention with full access to all books, records, facilities, and personnel of the Company. Our Audit Committee was established in 1999 and is governed by a written charter approved by the Board of Directors, which was amended and restated in March 2004. A copy of the Charter governing the activities of the Audit Committee is available for viewing at our web site at: http://www.forwardindustries.com/corporate_governance.php. Further information regarding the functions performed by the Audit Committee, as well as a copy of the Committee's Report to the Board of Directors for Fiscal 2007, see Matters Relating to Independent Registered Public Accountants.

Audit Committee Financial Expert. Our board of directors has determined that Mr. Ricken, who is currently a member and the chairman of the Audit Committee of our Board of Directors, is an audit committee financial expert, as defined in Item 407(d)(5) of Regulation S-K under the Exchange Act. The Company considers Mr. Ricken to be independent of the Company, as the term independent is used in Item 7(d)(3)(iv) of Schedule 14A under the Exchange Act and under NASDAQ Marketplace Rules 4200(a)(15), 4350(c)(1), and 4350(d)(2).

The foregoing information relating to the Audit Committee is not deemed to be soliciting material or to be filed with the Securities and Exchange Commission or subject to the SEC's proxy rules or to the liabilities of Section 18 of the Exchange Act, and such information shall not be deemed to be incorporated by reference into any prior or subsequent filing by Forward under the Securities Act of 1933 or the Exchange Act except to the extent expressly incorporated by reference.

Compensation Committee. The current members of the Compensation Committee are Norman Ricken, who is Chairman of the Committee, and Messrs. Galloway, Levy, and Lipschitz. Our Board of Directors has determined that each such director is independent in accordance with NASDAQ listing standards applicable to membership on compensation committees. The Compensation Committee met once during the fiscal year ended September 30, 2007. The purposes and responsibilities of the Compensation Committee are to establish and implement compensation policies and programs for our executives and to recommend policies for director compensation to the Board of Directors. There is no authority under the Committee's Charter to delegate these functions. At the annual shareholders meeting held in May 2007, shareholders approved the Forward Industries, Inc. 2007 Equity Incentive Plan. The Compensation Committee is charged with the administration of the 2007 Equity Incentive Plan. The Compensation Committee also has as one of its functions the responsibility to administer the Company's 1996 Stock Incentive Plan, which expired in November 2006. Although no new grants may be made under such plan, the Compensation Committee continues to function as administrator of options remaining outstanding under such plan. See Executive Compensation and Related Information and Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

Information relating to the Committee's processes and procedures is set forth under Executive Compensation and Related Information--Compensation Discussion and Analysis. The Compensation Committee, which was established by the Board in July 2000, is governed by a written charter that was adopted by the Board of Directors in February 2005. A copy of the Charter is available for viewing at our web site at:

http://www.forwardindustries.com/corporate_governance.php. For further information relating to the functions of the Compensation Committee, as well as a copy of the Report of the Compensation Committee to the Board of Directors, see Executive Compensation and Related Information and Compensation Committee Interlocks and Insider Participation.

Nominating and Governance Committee. The current members of the Nominating and Governance Committee are Edwin A. Levy, who is Chairman of the Committee, and Messrs. Galloway, Lipschitz, and Ricken. Our Board of Directors has determined that each such director is independent in accordance with NASDAQ listing standards applicable to membership on nominating committees. In November and December 2007, the Nominating and Governance Committee met twice and recommended to the Board the nominees identified above for election as

director at the Annual Meeting, and the Board of Directors unanimously approved such recommendations. The nominees for director, other than the incumbent directors who are standing for re-election, were identified and proposed to the Committee by an executive officer of the Company. The Nominating and Governance Committee met once during the fiscal year ended September 30, 2007.

In February 2007, the charter of our Board's Nominating Committee was amended to expand the mandate of that committee to include, among other things, responsibility for identifying, reviewing, evaluating, and resolving actual or potential conflicts of interest and related party transactions between any officer or director (or their family members and certain other persons) and the Company. In connection with the expanded responsibilities assigned to this committee, it was renamed the Nominating and Governance Committee.

Under the Nominating and Governance Committee Charter, with respect to its nominating function the responsibilities of the Nominating and Governance Committee include: identifying candidates qualified to become Board members; developing and reviewing background information on such candidates; evaluating such candidates based on their qualifications; and making recommendations to the Board regarding such candidates. The Nominating Committee may identify and evaluate candidates for directorships through the use of questionnaires, interviews, and other investigatory methods, including the use of search firms and payment of a fee, to determine the suitability of potential nominees. The Committee's responsibilities also include recommending to the Board the persons to be nominated for appointment to each of the Board's committees. The Nominating and Governance Committee is authorized to retain advisors and consultants and to compensate them for their services.

In recommending nominees for election to the Board of Directors, the Nominating and Governance Committee will seek to identify candidates who meet the current needs of our Board of Directors. The Committee Charter does not specify minimum qualifications that must be met by a nominee. However, the Committee Charter requires the Nominating and Governance Committee to consider, among other things, the candidate's integrity and honesty, ability to exercise independent business judgment, background, and experience in his/her profession or chosen field of expertise. In addition, the Charter requires the Committee to consider the individual candidate's ability to work constructively with others, the availability of sufficient time to devote to the affairs of the Company in order to carry out the responsibilities of a director, an absence of conflicts that might interfere with the proper performance of his/her responsibilities as director, and other criteria deemed relevant by the Committee.

Apart from shareholder submissions of candidates submitted directly for inclusion in the proxy statement, the Nominating and Governance Committee will, on the basis of the same foregoing procedures and bases, consider director nominee recommendations proposed to it by shareholders, provided, as an initial step required by our By-laws, the name and address of such nominee, accompanied by relevant biographical information specified in the Securities and Exchange Commission's rules, are submitted in writing to the Secretary of the Company, are accompanied by a written statement of the candidate's consent to serve and the amount of Common Stock owned beneficially and of record, and such submission otherwise complies with the criteria and procedures of the Committee and the Company's By-laws. See [Deadline for Shareholder Proposals for 2008](#) .

In November 2007, the Board of Directors amended the By-Laws of the Company by adopting Amended and Restated By-Laws. The Amended and Restated By-Laws, which become effective *after* the Annual Meeting to be held February 13, 2008, provides for a procedure for shareholder submission of nominees for director that is substantially similar to the current by-laws in force on the date of this Proxy Statement, with two exceptions: The Amended and Restated By-Laws require shareholders who submit nominee(s) for director of the Company to have continuously held shares of the Company's Common Stock aggregating the lesser of at least \$2,000 or one percent of the outstanding capital stock in market value for at least one year prior to the date of the meeting at which the nominee submission is to be made, or that such shareholder is entitled to cast votes with respect to at least 5% of the Common Stock as of the date of such notice, without regard to a minimum holding period. As is the case under the existing By-laws, the shareholder must submit biographical information pertaining to the candidate that required by the Commission in respect of a candidate in an election contest, as well as a copy of the candidate's written consent to serve as a director on our Board. The second exception relates to the number of days before an annual meeting when a nomination or

proposal must be made. See [Deadline for Shareholder Proposals for 2008](#) .

With respect to the Committee's governance function the responsibilities of the Committee include the identification, review, evaluation, and approval or rejection of related party transactions and conflicts of interest, and the development of governance policies with respect thereto; the review and assessment of the performance of the Board and Committees thereof and adequacy of structure and scope of the Committees of the Board; the development of and recommendation to the Board of governance principles; monitoring of compliance with the Company's Code of Business Conduct and Ethics; and the assessment of effectiveness of the Company's shareholder communications policy and recommendation of amendments thereto. See the information under the caption [Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters](#) [Certain Relationships, Director Independence, and Related Party Transactions](#) regarding the functions of the Committee relating to potential conflicts of interest between officers, directors, and certain other persons and the Company.

Our Board of Directors established the Nominating Committee as a separately designated, standing committee and adopted a written charter governing its responsibilities in February 2005. A copy of the charter of the Nominating and Governance Committee, as amended in February 2007, is available for viewing at our web site at: http://www.forwardindustries.com/corporate_governance.php.

Communications with the Board

The Board of Directors entertains communications from security holders and has unanimously adopted a written policy regarding same. A copy of this policy is available for viewing at our web site at: http://www.forwardindustries.com/corporate_governance.php. Communications should be sent to Forward at the address set forth on the first page of this Proxy Statement, attention: James McKenna.

Code of Ethics

In November 2003, Forward adopted a Code of Business Conduct and Ethics that applies to all officers, directors and employees regarding their obligations in the conduct of Company affairs. The Nominating and Governance Committee is charged with assessing the adequacy of and monitoring compliance with the Code of Business Conduct and Ethics. The Code of Ethics is available for viewing at the Company's web site at: http://www.forwardindustries.com/corporate_governance.php.

EXECUTIVE OFFICERS

The following table sets forth certain information with respect to each person who is currently an executive officer of Forward and is based on our records and information furnished to us by such persons. Reference is made to Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters for information pertaining to stock ownership by each director, director nominee, and executive officer.

<u>Name</u>	<u>Age</u>	<u>Position with Forward</u>	<u>Held Office Since</u>
Jerome E. Ball.....	72	Chief Executive Officer and Chairman of the Board	1998
Michael Schiffman.....	42	President, Chief Operating Officer and Director	1998
Douglas W. Sabra.....	48	Vice President, Chief Financial Officer, Assistant Secretary and Director	2000
Steven A. Malsin.....	60	Secretary	2005

JEROME E. BALL became Chief Executive Officer and Vice Chairman of the Board effective October 1998 and became Chairman of the Board in April 1999. Before joining Forward, from 1996 until October 1998 Mr. Ball served as Chairman and Chief Executive Officer of George Arzt Communications, a full service public relations firm. Prior to that time, Mr. Ball had been president of Balson-Hercules Group, a textile manufacturing company, which was sold to a Canadian Stock Exchange listed company, Consoltex Group, Inc., Ltd., where he served until 1996.

MICHAEL SCHIFFMAN has been employed by Forward in various capacities since 1985 and became a director in April 1992. Mr. Schiffman was employed as a salesman for our advertising specialties products in 1985. He became marketing manager for such products in 1987 and, following the acquisition of the custom carrying case business in 1989, was appointed General Manager of that division. From 1995 through June 1998, Mr. Schiffman was assigned

to our Hong Kong operations. Executive Vice-President from 1992 to 1998, Mr. Schiffman was appointed our President and Chief Operating Officer in June 1998.

DOUGLAS W. SABRA was appointed Vice President and Chief Financial Officer of Forward in September 2000 and has been a director since April 2006. Prior to joining Forward, Mr. Sabra was a Controller for Tyco Submarine Systems (now Tycom Ltd.), where he worked from 1998 to June 2000. Mr. Sabra retired from the Coast Guard in 1998 after 22 years of service where he held a variety of financial management positions. Mr. Sabra received an MBA from the University of South Florida and a Bachelors Degree in accounting from Florida International University. Mr. Sabra was appointed Assistant Secretary in January 2005.

STEVEN A. MALSIN was appointed Secretary of Forward in January 2005. He is, and has for more than the past five years, been engaged in private legal practice. He serves on the Board of Directors of one not-for-profit organization.

Pursuant to their respective employment agreements, Jerome E. Ball is employed as Chairman and Chief Executive Officer and Michael Schiffman is employed as President and Chief Operating Officer, in each case through December 31, 2007. Pursuant to his employment agreement, Douglas W. Sabra is employed as Vice President and Chief Financial Officer through December 31, 2008. Each of these employment agreements contains automatic renewal provisions for successive one-year terms unless the executive or Forward provides 90 days prior notice of intent not to renew the agreement. See Executive Compensation and Related Information Employment Agreements.

As previously reported in our Current Report on Form 8-K filed with the Commission on August 16, 2007, our Chief Executive Officer, Jerome E. Ball, retires as CEO effective December 31, 2007, upon the scheduled expiration of his current employment agreement. Subject to his re-election as director, Mr. Ball intends to stay on in his capacity as Chairman of the Board of Directors, and he has accepted a two-year consulting agreement with the Company commencing January 1, 2008. In connection with Mr. Ball's retirement, the Board of Directors appointed Douglas W. Sabra to succeed Mr. Ball as CEO, effective January 1, 2008. Mr. Schiffman will be leaving the Company's employ effective December 31, 2007. The Company is currently engaged in negotiating severance arrangements with Mr. Schiffman and expects that that these will be announced in the near term. Mr. Schiffman is a nominee for director for 2008. The Board of Directors also appointed James O. McKenna, age 34, to succeed Mr. Sabra as CFO, effective January 1, 2008. Mr. McKenna has served the Company as its Corporate Controller since December 2003. Prior to his joining the Company, Mr. McKenna was employed as the Assistant Controller with Medallist Developments Inc., a real estate development company, from January 2002 to December 2003. Mr. McKenna was also employed as an auditor with Ernst and Young LLP from September 1996 to December 2001 and is a Certified Public Accountant.

EXECUTIVE COMPENSATION AND RELATED INFORMATION

Compensation Discussion and Analysis

Overview

The Company's compensation of its executive officers in recent years has been characterized by: (i) increasing orientation toward performance-based, non-equity incentive compensation as an element to complement base salary; and (ii) smaller grants of equity-based compensation compared to earlier periods. The Compensation Committee of the Board of Directors believes that this represents a more prudent, restrained approach to executive compensation compared to earlier periods, which were characterized by large, outright grants of stock options to key executive officers. This more prudent approach has been influenced by factors such as changes in management and periods of volatility in the Company's operating results and price per share of its common stock.

Stock option grants from 1998-2001 remained largely unexercised until 2005-2006, when the share price of the Company's Common Stock achieved unprecedented levels. This share price appreciation led to the retention in July 2005 of an independent executive compensation consultant, James F. Reda & Associates, LLC, or Reda Associates. At the time Reda Associates was retained, (i) the share price of Common Stock had reached record levels, suggesting that all or most outstanding stock options would be exercised, (ii) performance based, non-equity compensation was poised to reach a very significant level for the three named executive officers in respect of Fiscal 2005, and (iii) in light of unprecedented but not necessarily sustained record results of operations, it was appropriate to reassess the overall compensation packages of executive officers compared to similarly situated executives, as well as director compensation. As a result of a detailed compensation analysis and comparison with peer companies, among other things, a target for Fiscal 2006 non-equity incentive compensation was set, new employment agreements at increased annual salary were recommended for Messrs. Ball and Schiffman, and it was recommended to develop

long term incentive compensation goals for executives and a compensation program for non-employee directors.

However, in large part because of the sizeable amount of stock options granted to Messrs. Ball and Schiffman in 2001 and earlier that remained outstanding and unexercised, no stock options were granted to executives under the 1996 Stock Incentive Plan, or the 1996 Plan, in Fiscal 2005 or 2006. Finally, a significant factor at play in the level of compensation granted to executive officers and directors is the succession in equity compensation plans adopted by the Company and its shareholders: The 1996 Plan, under which stock options covering approximately 1.8 million shares of Common Stock remained available for grant in 2006, expired in accordance with its terms in November 2006. In May 2007, the Forward Industries, Inc. 2007 Equity Incentive Plan, or the 2007 Plan, was approved by shareholders. Under the 2007 Plan, 400,000 shares of Common Stock were authorized for grant in the form of stock options and restricted stock, which authority implies a more modest level of grants in the near term, or until another equity plan is adopted, if at all.

Compensation Philosophy

The Compensation Committee is responsible for developing the Company's compensation policies, programs and amounts for executives and directors of the Company. The goals of the Company's compensation policies and programs are to (i) offer competitive compensation that will attract and retain the type of high caliber executives and directors necessary to achieve the Company's business objectives and (ii) align the interests of executives with the long-term interests of the Company and its shareholders. The Company has traditionally primarily used (i) base salary, (ii) annual performance-based bonuses, and (iii) equity grants of stock options to meet these goals. The Committee considers all three forms of compensation to be appropriate elements of a compensation package, and views performance-based, non-equity incentive compensation (or bonus, as previously termed) stock options, and restricted stock as serving an incentive function as well as a compensation function.

The Compensation Committee does not currently maintain a for