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, 2022

☐ 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: 001-34780

FORWARD INDUSTRIES, INC.

(Exact name of registrant as specified in its charter)

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

700 Veterans Memorial Highway, Suite 100, Hauppauge, NY 11788
(Address of principal executive offices, including zip code)

(631) 547-3041
(Registrant's telephone number, including area code)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value $0.01	FORD	The Nasdaq Stock Market LLC (The Nasdaq Capital Market)

Securities registered pursuant to Section 12(g) of the Act: None

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 every Interactive Data File required to be submitted 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 whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer", "accelerated filer", "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act).

☐ Large accelerated filer	☐ Accelerated filer
☒ Non-accelerated filer	☒ Smaller reporting company
☐ Emerging growth company	

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☐

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

As of March 31, 2022, the aggregate market value of the registrant's common stock held by non-affiliates of the registrant was approximately $12,000,000 based on the closing price as reported on the Nasdaq Stock Market.

There were 10,061,185 shares of the registrant’s common stock outstanding as of December 9, 2022.

Documents Incorporated by Reference

Portions of the registrant's Proxy Statement for the 2023 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, 2022.

		Page No.
	PART I	
Item 1.	Business	1
Item 1A.	Risk Factors	7
Item 1B.	Unresolved Staff Comments	17
Item 2.	Properties	17
Item 3.	Legal Proceedings	17
Item 4.	Mine Safety Disclosures	17
	PART II	
Item 5.	Market for Registrant's Common Equity, Related Shareholder Matters and Issuer Purchases of Equity Securities	18
Item 6.	Reserved	18
Item 7.	Management's Discussion and Analysis of Financial Condition and Results of Operations	18
Item 7A.	Quantitative and Qualitative Disclosures About Market Risk	26
Item 8.	Financial Statements and Supplementary Data	26
Item 9.	Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	26
Item 9A.	Controls and Procedures	26
Item 9B.	Other Information	27
Item 9C.	Disclosure Regarding Foreign Jurisdictions that Prevent Inspections	27
	PART III	
Item 10.	Directors, Executive Officers and Corporate Governance	28
Item 11.	Executive Compensation	28
Item 12.	Security Ownership of Certain Beneficial Owners and Management and Related Shareholder Matters	28
Item 13.	Certain Relationships and Related Transactions and Director Independence	28
Item 14.	Principal Accountant Fees and Services	28
	PART IV	
Item 15.	Exhibits and Financial Statement Schedules	29
	Signatures	30

PART I

ITEM 1. BUSINESS

General

Forward Industries, Inc. (“Forward”, “we”, “our” or the “Company”), through its wholly-owned subsidiaries, Forward Industries (IN), Inc. (“Forward US”), Forward Industries (Switzerland) GmbH (“Forward Switzerland”), Forward Industries UK Limited (“Forward UK”), Intelligent Product Solutions, Inc. (“IPS”), and Kablooe, Inc. (“Kablooe”), is a global design, manufacturing, sourcing and distribution group serving top tier medical and technology customers worldwide. As a result of the continued expansion of our design development capabilities through our wholly-owned subsidiaries, IPS and Kablooe, we are able to introduce proprietary products to the market from concepts brought to us from a number of different sources, both inside and outside the Company.

The principal customer market in our original equipment manufacturer (“OEM”) distribution business has been 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 medical monitoring and diagnostic kits and a variety of other portable electronic and non-electronic products such as sporting and recreational products, bar code scanners, GPS location devices, tablets and firearms. Our OEM customers are located in various regions worldwide.

Our retail distribution business, which we began in 2019, sources and sells smart-enabled furniture, hot tubs and a variety of other products through various online retailer websites to customers predominantly located in the U.S. The rollout of many of these products was delayed by COVID-19 as discussed below. As we expanded our retail distribution network, we have been able to sell a variety of products through retailers such as Best Buy, Wayfair, Walmart, Costco, and Amazon. The manufacturer representative model allows us to engage and support a large sales team and cover a larger territory with a variable cost model as these representatives work on commission only.

We do not manufacture any of our OEM or retail distribution products and source substantially all these products from independent suppliers in China through Forward Industries Asia-Pacific Corporation, a British Virgin Islands corporation (“Forward China”). Forward China is owned by our Chairman and Chief Executive Officer.

Our design business provides a full spectrum of hardware and software product design and engineering services to customers predominantly located in the U.S. Our expertise in various disciplines enables us to serve a wide variety of industries and provide clients with a single source solution for concepts, industrial design, mechanical engineering, embedded software and systems architecture, mobile and enterprise application software, and optical engineering.

The outbreak of the COVID-19 virus had a significant impact on our business. In Fiscal 2020, the business shutdowns resulting from the pandemic disrupted our supply chain and the manufacture and shipment of our OEM products and delayed the rollout of our retail products. Demand for our design and development services was reduced or delayed because of the pandemic as certain customers reduced discretionary spending. In Fiscal 2021, the economy began to open across the world, and consumer demand grew much faster than manufacturers could satisfy, leading to extensive shipping delays, a global shipping container shortage and higher ocean freight costs. This continued to reduce the availability of many of our products and increased their cost of importation. The increase in consumer demand continued in Fiscal 2022, which dramatically increased demand for ocean freight, particularly from the Asia-Pacific region. Labor shortages at U.S. ports and in ground transportation services caused container ships to spend a significant amount of time waiting to be unloaded and to arrive at our warehouses, which caused an increase in the demand for and cost of ground transportation. These factors resulted in further cost increases and delayed consumer availability for many of our products. The impact of inflation in Fiscal 2022 caused an increase in the cost of acquiring and retaining employees in our design business.

The effects of COVID-19 may further impact our business in ways we cannot predict, and such impacts could be significant. The current economic conditions may continue to negatively impact our results of operations, cash flows and financial position in future periods as well as that of our customers, including their ability to pay for our products and services and to choose to allocate their budgets to new or existing projects which may or may not require our products and services. The long-term financial impact on our business cannot be reasonably estimated at this time. As a result, the effects of COVID-19 may not be fully reflected in our financial results until future periods.

Until the effects of the pandemic have fully receded, we expect business conditions to remain challenging. In response to these challenges, we will continue to focus on those factors that we can control: closely managing and controlling our expenses and inventory levels; aligning our design and development schedules with demand in a proactive manner to minimize our cash operating costs; pursuing further improvements in the productivity and effectiveness of our development, selling and administrative activities and, where appropriate, taking advantage of opportunities to enhance our business growth and strategy.

Corporate History

Forward 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.

In January 2018, Forward acquired IPS, an engineering design company, and in August 2020, Forward acquired the assets of Kablooe Design, a medical and consumer design and development company. We believe that the design and engineering service capabilities of Kablooe will complement the IPS business and further diversify the industries and customers with which we do business.

Customers

Our OEM distribution customers are located in all geographic regions worldwide. Our retail distribution customers are predominantly located in the U.S.

Our design business provides product development services for Fortune 500 companies, established mid-level companies, and start-ups. The wide range of industries served includes industrial electronics, medical and dental equipment, food/beverage, certain luxury brands, and oil/gas. Our design customers are located primarily in the U.S.

Products

Our 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 and recreational products, bar code scanners, GPS location devices, tablets, and firearms). Our products also include smart-enabled furniture, hot tubs and a variety of other products sold through our retail distribution network. We do not manufacture any of our products and we source substantially all our products from independent suppliers in China through Forward China, a related party (see Note 13 to the consolidated financial statements).

Diabetic Products

We sell carrying cases for blood glucose diagnostic kits directly to OEM customers, or their contract manufacturers. These electronic monitoring kits are made for use by diabetics. The diabetic products customer (or its contract manufacturer) packages our carry cases "in box" as a custom accessory for the customer'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.

Other Products

We also sell carrying and protective solutions to customers for a diverse array of other portable electronic and other products, including sporting and recreational products, bar code scanners, GPS location devices, tablets, and firearms, on a made-to-order basis that are customized to fit the products sold by our customers. Our selling prices for these products vary across a broad range, depending on the size and nature of the product for which we design and sell the carry solution.

Retail Products

In Fiscal 2020, as a result of the build out and growth of our retail distribution network, we began selling smart-enabled products, such as speakers and lamps that provide lighting and sound with Bluetooth® connectivity. In Fiscal 2021, we began expanding our retail product offerings to include additional smart-enabled furniture, such as desks and side tables, as well as hot tubs and various other products that are sold through retailer websites.

Our design business provides a complete range of design, engineering and development services with respect to a diverse array of consumer and industrial electronics products. These include but are not limited to medical products, smart displays, beverage vending, enterprise and mobile software applications, lighting, security and detections systems, cameras, wearables and vehicle controls. Solutions in these and other areas are designed and developed in-house, beginning at product concept, extending through design, engineering and prototype, and final design for manufacturing and computer-aided design files.

Product Development

In the OEM division, we typically receive requests to submit product designs in connection with a customer's introduction and rollout to market of a new product. We collaborate with clients to determine functionality, size and other basic specifications and requirements for products. Our design and production resources develop more detailed product specifications and design options for our customers' evaluation. We provide documentation of each phase to the client and gain approval of a working prototype. 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 products are available to be packaged with the customer's additional product components prior to shipment and sale, or to make the product available to the customer for direct sale through its retail distribution channels.

In the retail division, we work with various retailers to understand their product requirements and specifications and consumer demand and utilize our sourcing resources to obtain products that meet these needs. Additionally, we have a portfolio of retail products that we share with retailers to gauge the level of consumer interest. We receive design and marketing services for some retail products from The Justwise Group Ltd., a company owned by Terence Wise, our Chairman, Chief Executive Officer and largest shareholder.

Services

Services offered in our design business vary from full development utilizing a wide range of in-house design and engineering functions, to targeted design and engineering support for clients with in-house development teams. Our in-house capabilities include the following:

- Electrical Engineering
- Mechanical Engineering
- Software Engineering
- Industrial Design
- User Experience/User Interface (UX/UI) Design and Development
- Optical Engineering
- Program Management
- IoT System Architecture
- Marketing
- IT Support

Distribution

Channels of Distribution

We primarily ship our OEM distribution products directly to our 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.

We primarily ship our retail distribution products directly to end customers from distribution centers located in the U.S. and Canada. We may also ship certain retail products directly to some larger retailers. We continue to evaluate our strategy for the retail distribution business in an effort to increase profitability and match our product offerings with consumer demand.

Distribution Hubs for Customers

We have arrangements with certain customers' distribution hubs. These arrangements obligate us to supply our products to our customers' distribution hubs where their products are manufactured, kitted, and/or warehoused pending sale, and where our products are packaged "in box" with the distribution customers' products. The product quantities we are required to supply to each distribution hub are based on the distribution customer's purchase orders and forecasts. We do not recognize revenue for product shipped to a customer's hub until we have been notified by our customer that our product has been used by the distribution hub. Hub arrangements have had the general effect of providing financing for our customers' inventory purchases by extending the time between our placement of orders to our suppliers and the time that we are able to recognize revenue. The corollary effect is an increase in our inventory levels.

Third-Party and Consignment Warehouses

We also have arrangements with third-party warehouses and consignment warehouses of major retailers in the U.S. and Canada to store, manage and ship our retail products. We do not recognize revenue for retail products shipped to any of these warehouses until the product has been shipped to the end customer and our performance obligation is complete.

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 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 from suppliers based on our specifications.

The manufacture of smart furniture consists of laser cutting, punching, welding and powder coating the various parts and finished product, including lamination, board cutting and drilling for certain products. The main materials used include particle board, engineered wood composite, tempered glass and metal. The manufacture of certain other retail products includes mold creation and assembly and uses various plastics and light components.

We do not believe that any of the component materials or parts used in the manufacture of our products are 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

We have a Buying Agency and Supply Agreement (the "Supply Agreement") with Forward China. The Supply Agreement provides that Forward China acts as our exclusive buying agent for the products we sell. Forward China also arranges for sourcing, manufacture and exportation of such products. We purchase products at Forward China's cost and pay them a monthly service fee calculated at $100,000 plus 4% of "Adjusted Gross Profit", which is defined as the selling price less the cost from Forward China. The Supply Agreement has been extended to October 22, 2023. Terence Wise, our Chairman, Chief Executive Officer and largest shareholder, is the owner of Forward China. See "Item 1A. – Risk Factors" regarding our dependence on Forward China.

Suppliers

We procure substantially all our OEM and retail distribution products from independent suppliers in China through Forward China. Depending on the product, we may require several different suppliers to furnish component parts or pieces. We place orders for particular products and do not have minimum supply requirement agreements to guarantee a supply of finished product, nor have we made purchase commitments to purchase minimum amounts. However, from time to time, we may order certain OEM products 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 customers' anticipated delivery demands.

There are very few suppliers required for the design segment of the business as it is a service-based business. We do, however, purchase supplies and equipment to develop prototypes or "mock-ups" for design and development projects. Design business suppliers are predominantly based in the United States.

Quality Assurance

Forward's quality assurance manager oversees the process to ensure that our distribution products manufactured in China meet our quality assurance standards. The quality assurance manager independently verifies and supervises the inspection of products provided by independent contractors in China. In July 2015, Forward China received its ISO 9001:2008 quality certification, which was renewed and is valid until July 2024.

Our design business follows general industry standard practices for review and corrective actions related to its design services. There are no independent quality assurance standards in place for its design and engineering work. Customer specifications and scope of services are laid out in the project contracts and we work closely with the customer to identify and correct any quality issues that arise.

Competition

Distribution Business

Our OEM and retail distribution businesses are highly competitive in terms of product pricing, design, delivery terms, and customer service. In the production of our distribution products, we compete with numerous U.S. 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, quality control, shipment capabilities and expertise in sourcing.

Design Business

The depth and breadth of services offered and industries served by our design segment are unique. Our management team is aware that there are very few competitive firms that have the full set of capabilities that our design segment has under one roof. There are, however, numerous design and engineering companies that compete with us in specific industries and/or with specific targeted skills or have competitive advantages.

Human Capital/Employees

As of November 30, 2022, we had approximately 100 employees, substantially all of whom work full-time, none of which are covered by a collective bargaining agreement. We hire consultants on an as-needed basis.

Human capital management is critical to our ongoing business success, which requires investing in our people. Our aim is to create a highly engaged and motivated workforce where employees are inspired by leadership, engaged in purpose-driven, meaningful work and have opportunities for growth and development. We are committed to creating and maintaining a work environment in which employees are treated with respect and dignity. We value our diverse employees and provide career and professional development opportunities that foster the success of our company.

An effective approach to human capital management requires that we invest in talent, development, culture and employee engagement. We aim to create an environment where our employees are encouraged to make positive contributions and fulfill their potential. We emphasize our core values of innovation, encouragement, motivation, and curiosity with our employees to instill our culture and create an environment of growth and positivity.

Our Compensation Committee is also actively involved in reviewing and approving executive compensation, and succession plans so that we have leadership in place with the requisite skills and experience to deliver results the right way. We offer fair, competitive compensation and benefits that support our employees' overall wellbeing. In addition to health benefits, we contribute to employees' 401(k) plans and offer student tuition reimbursement (if certain requirements are met).

Impact of COVID-19

The health and well-being of our employees is of utmost importance to us. Starting in March 2020, the majority of our employees transitioned to a remote workforce. Since that time, our employees have demonstrated resilience, wisdom, commitment, and compassion in working with our customers. As conditions improved, employees in the U.S. were encouraged to return to their offices. We encourage all employees to follow Centers for Disease Control and Prevention and local guidelines and recommendations.

Regulation and Environmental Protection

Our retail and OEM distribution businesses are subject to various regulations in various jurisdictions, including the U.S. and member states of the European Union, 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 regulations in China become 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.

There are no specific regulatory or environmental requirements imposed upon the design segment of our business. As a paid service provider, customers are assisted in securing regulatory certifications including UL (Underwriters Laboratories – a U.S. based safety certification organization), FCC (Federal Communications Commission – U.S. governmental certification department for electronic goods), CE (Conformité Européenne – a European certification for health, safety and environmental protection standards) and others depending on needs, product types and locations of customers' product markets.

Available Information

Our corporate website is www.forwardindustries.com. On our website under "Investors" "SEC Filings", we make available access to our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, Proxy Statements on Schedule 14A and amendments to those materials filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (the "Exchange Act"), free of charge. The contents of the website are not incorporated into this report.

ITEM 1A. RISK FACTORS

Investing in our common stock involves a high degree of risk. You should carefully consider the following risk factors before deciding whether to purchase or sell stock in the Company. Additional risks and uncertainties not presently known to us, or that we currently deem immaterial, may also impair our business operations or our financial condition. If any of the events discussed below occur, our business, consolidated financial condition, results of operations or prospects could be materially and adversely affected. In such case, the value and marketability of the common stock could decline.

Risks Relating to Our Business, Liquidity and Operations

The COVID-19 pandemic and measures intended to prevent its spread have had, and may continue to have, a material and adverse effect on our business and results of operations.

Global health concerns relating to the COVID-19 pandemic and related government actions taken to reduce the spread of the virus have weighed on the macroeconomic environment, and the pandemic has significantly increased economic uncertainty and reduced economic activity in the past. Small businesses, which represent a large portion of our design customers, were impacted particularly hard. The pandemic resulted in government authorities and businesses implementing numerous measures to try to contain the virus, such as travel bans and restrictions, quarantines, shelter in place or total lockdown orders, school closures, and business limitations and shutdowns. Such measures contributed significantly to increased unemployment and negatively impacted consumer and business spending. Business shutdowns disrupted our supply chain and the manufacture or shipment of our products and delayed the rollout of our retail distribution products. While many of the foregoing developments have largely subsided since the pandemic's peak, there can be no assurances that a subsequent wave will not occur in the future or that a new, potentially more contagious or dangerous variant will not arise.

Various regions throughout China have been subject to government mandated Covid lockdowns. While these lockdowns have not had a material impact on our ability to source product, there is no assurance that future actions will not affect our supply chain. The timing and extent of these lockdowns, as well as the potential impact on our business, are largely unknown and difficult to predict. Disruption of our key suppliers could have a material impact on our ability to source product and the related cost of these products.

Even after the COVID-19 pandemic has completely subsided, we may experience material and adverse impacts to our business as a result of the virus's global economic impact, including the availability of credit, bankruptcies or insolvencies of customers, and recession or economic downturn. For example, in the U.S. and other countries, stimulus packages, rising inflation and demand and other developments during and in the wake of the pandemic have created an inflationary market environment, and in response the Federal Reserve and foreign entities have imposed significant interest rate increases which have resulted in the increased likelihood of a recession in the short-term.

Any of the issues discussed above could have a material adverse effect on our business if this continues for an extended period of time. If we incur significant declines in customer orders, increased aging of accounts receivable or other negative consequences due to COVID-19, the extent of which remains highly uncertain, it will have a material adverse effect on our business, financial condition and results of operations.

During Fiscal 2022, we generated an operating loss and negative cash flow from operations. We cannot assure you that we will regain profitability in the future.

In Fiscal 2022, we generated an operating loss of approximately $1,240,000. We can provide no assurance that we will not continue to experience operating losses. In addition to our $1,300,000 commercial line of credit (the "Line of Credit"), none of which has been utilized as of the date of this report, Forward China holds a $1,400,000 note which is due December 31, 2024. Forward China, which is owned by our Chief Executive Officer and Chairman of the Board, has previously agreed to extend this note numerous times to assist the Company with its liquidity. We cannot provide you with any assurance that Forward China will continue to grant us extensions on this note. If we cannot generate sufficient revenues to operate profitably, we may be forced to cease, limit or suspend operations, or we may be required to raise capital or incur additional debt to maintain or grow our operations. There is no assurance that we will be able to raise such capital and if so on terms that are not onerous and dilutive to the Company and its shareholders. 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 OEM distribution 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 revenues from any such large customer, our business would be materially and adversely affected.

Revenues from diabetic products accounted for 85% of our OEM distribution revenues in Fiscal 2022, and OEM distribution revenue accounted for approximately 43% of our overall revenue in Fiscal 2022. As a result, our financial condition and results of operations are subject to higher risk from the loss of a major diabetic products customer or changes in their business practices. For example, in 2018 a new diabetes monitoring product was brought to the market which does not use a carrying case. If our customers use new solutions in their diabetes product lines that do not use carrying cases, 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.

Each of our distribution and design businesses can at times be concentrated with certain larger customers. Our largest design customer accounted for 10.6% of our consolidated net revenue in Fiscal 2022. Further, two distribution customers accounted for 23.0% of our consolidated net revenue in Fiscal 2022 and three distribution customers represented 36.8% of our consolidated net revenue in Fiscal 2021. Although our customer concentration changes from year to year, and we continue our efforts to diversify our business, we cannot provide any assurance that we will be successful. The loss of any of these customers would have a material adverse effect on our financial condition, liquidity and results of operations.

If any one or more of our OEM distribution 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 OEM distribution 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. Any measures to restrict healthcare spending could result in decreased sales of our products. If one or more of our distribution customers reduce or discontinue the practice of including carry case accessories "in box" or if our customers experience reduced demand for their products as a result of political changes, we may incur a significant decline in our revenues and our results of operations and financial condition would be materially and adversely affected.

Rising threats of international tariffs, including tariffs applied to goods between the U.S. and China, may materially and adversely affect our business.

Rising threats of international tariffs, including tariffs applied to goods traded between the U.S. and China, could materially and adversely affect our business and results of operations. Since the beginning of 2018, there has been increasing rhetoric, in some cases coupled with legislative or executive action, from several U.S. and foreign leaders regarding the possibility of instituting tariffs on the foreign imports of certain materials and products. More specifically, throughout 2020 and 2019, the U.S. and China imposed tariffs or announced proposed tariffs to be applied in the future to certain of each other's exports. As of the date of this report, the Company had not been directly affected by any tariffs previously implemented by former President Trump on the medical technology industry which remain in place pending the Biden Administration's continued review of the tariffs. However, we do not know if the Biden administration will implement any new tariffs or alter current tariffs. If any such tariffs or any restrictions are imposed on products that we import for our customers, we would be required to raise our prices, which may result in the loss of customers and harm our business. Additionally, some of our non-diabetic distribution customers and customers in the design and development business have been affected by these tariffs, specifically those who manufacture electronic products. This may cause these customers to reduce the amount of discretionary spending they use on outsource product design and engineering services supplied by our design segment.

Changes in political conditions in China and changes in the state of China-U.S. relations, including any tensions relating to potential military conflict between China and Taiwan, are difficult to predict and could adversely affect the operations or financial condition of the Company. In addition, because of our involvement in the Chinese market, any deterioration in political or trade relations might cause a public perception in the U.S. or elsewhere that might cause our business to become less attractive. Such an impact could adversely affect our revenues and cash flows. In an effort to reduce the impact of this potential disruption, we continue to explore low-cost opportunities from non-China manufacturers. We can provide no assurance that we will obtain alternate sources or that our mitigation efforts will prevent any such disruptions.

We continue to encounter pressure from our largest customers to maintain or even decrease prices, or to provide lower priced 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 and labor.

During Fiscal 2022, we continued to experience significant pricing pressure from many customers, including some of our largest customers, to 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. The recent inflationary environment in the U.S. and globally has caused production costs to increase in Fiscal 2022. Similarly, due to continued trends of high demand and low supply in the labor market which have persisted despite Federal Reserve interest rate increases, the cost of labor has risen in both our design and distribution businesses. These developments have a material adverse impact on our margins and our ability to achieve or maintain profitability. 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 costs 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 or services, coupled with pressure from the market and our customers to decrease our prices, would have a material adverse effect on our business, financial condition, and results of operations.

Increasingly, our OEM distribution 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 OEM distribution 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.

Our distribution business depends 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 the owner 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 distribution products. Historically, 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, although historically Forward China has absorbed these costs. 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 through Forward China to mitigate the risk that the failure of any single supplier will adversely affect our business. Nevertheless, either a prolonged inability to obtain certain components or the failure of one of our suppliers to do so 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. 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 was to suffer or we are unable to extend our agreement with Forward China which expires in October 2023, we could suffer irreparable harm resulting in substantial damage to the distribution business.

Our business has benefited from customers deciding to outsource their carry and protective solutions assembly needs, as well as product development and design functions, to us. If our customers 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 our current and prospective customers. Current and prospective customers continuously evaluate our performance against other providers. They also evaluate the potential benefits of developing, designing, manufacturing and transporting their products themselves. To the extent that outsourcing opportunities are not available either due to these customers deciding to develop, design, produce or transport 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 services or if we are unable to deliver our products and/or services 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 customers, we must demonstrate our ability to develop, design and produce products and services at the level of quality, responsiveness, timeliness, and cost that our customers require. If our products or services are provided at what customers believe are of a substandard quality, if they are not delivered on time, if we are not responsive to our customers' demands or cannot meet their needs, our reputation as a reliable supplier of high-quality products and a sophisticated product designer and developer would likely be damaged. If we are unable to meet anticipated product and service standards imposed by contractual arrangements, customer expectations, industry practices, regulatory requirements and competitive forces, we may be unable to obtain new or keep our existing customers, and this would have a material adverse effect on our business, financial condition, and results of operations.

If our design teams fail to complete a project in a timely manner, miss a required performance standard, or otherwise fail to adequately perform on a project, then we may incur a loss on that project.

Our design engagements often involve large-scale, complex projects. The quality of our performance on such projects depends in large part upon our ability to manage the relationship with our clients and our ability to effectively manage the project and deploy appropriate resources, including third-party contractors and our own personnel, in a timely manner. We may commit to a client that we will complete a project by a scheduled date and/or at a fixed fee. We may also commit that a project, when completed, will achieve specified performance standards. If the project is not completed by the scheduled date or fails to meet required performance standards, we may incur significant additional costs or be held responsible for the costs incurred by the client to rectify damages due to late completion or failure to achieve the required performance standards. The uncertainty of the timing of a project can present difficulties in planning the amount of personnel needed for the project. If the project is delayed or canceled, we may bear the cost of an underutilized workforce that was dedicated to fulfilling the project. In addition, performance of projects can be affected by a number of factors beyond our control, including unavoidable delays from government inaction, inability to obtain financing, weather conditions, unavailability of vendor materials, changes in the project scope of services requested by our clients, industrial accidents, environmental hazards, and labor disruptions. Furthermore, our entrance into fixed price arrangements mean that if the costs of supplies, labor and other resources rise due to shortages, heightened demand, inflation or other factors, our margin for a given project will decline. To the extent these events occur, the total costs of the project could exceed our estimates, and we could experience reduced profits or, in some cases, incur a loss on a project, which may reduce or eliminate our overall profitability on that project or in general. Further, any defects or errors, or failures to meet our clients' expectations, could result in claims for damages against us. Failure to meet performance standards or complete performance on a timely basis could also adversely affect our reputation.

Our results of operations could suffer if we are not able to maintain adequate utilization of our workforce.

The cost of providing our design services, including the extent to which we utilize our workforce, affects our profitability. The rate at which we utilize our workforce is affected by a number of factors, including:

- our ability to transition employees from completed projects to new assignments and to hire and assimilate new employees;
- our ability to forecast demand for our services and thereby maintain an appropriate headcount in each of our operating units;
- our ability to engage employees in assignments during natural disasters or pandemics;
- our ability to manage attrition;
- our need to devote time and resources to training, business development, professional development, and other non-chargeable activities; and
- our ability to match the skill sets of our employees to the needs of the marketplace.

If we over-utilize our workforce, our employees may become disengaged, which could impact employee attrition. If we under-utilize our workforce, our profit margin and profitability could suffer.

Employee or agent misconduct, or our failure to comply with anti-bribery and other laws or regulations, could harm our reputation, reduce our revenue and profits, and subject us to criminal and civil enforcement actions.

Misconduct, fraud, non-compliance with applicable laws and regulations, or other improper activities by one of our employees or agents could have a significant negative impact on our business and reputation. Such misconduct could include the failure to comply with various procurement regulations, regulations regarding the protection of confidential information, regulations prohibiting bribery and other foreign corrupt practices, regulations regarding the pricing of labor and other costs in contracts, regulations on lobbying or similar activities, regulations pertaining to the internal controls over financial reporting, environmental laws, and any other applicable laws or regulations. For example, the Foreign Corrupt Practices Act, or FCPA, and similar anti-bribery laws in other jurisdictions generally prohibit companies and their intermediaries from making improper payments to non-U.S. officials for the purpose of obtaining or retaining business. Our policies mandate compliance with these regulations and laws, and we take precautions to prevent and detect misconduct. However, since our internal controls are subject to inherent limitations, including human error, it is possible that these controls could be intentionally circumvented or become inadequate because of changed conditions. As a result, we cannot assure that our controls will protect us from reckless or criminal acts committed by our employees or agents. Our failure to comply with applicable laws or regulations or acts of misconduct could subject us to fines and penalties and suspension or debarment from contracting, any or all of which could harm our reputation, reduce our revenue and profits, and subject us to criminal and civil enforcement actions.

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.

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 and operating in multiple segments.

Because our revenues can at times be 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 distribution 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 revenues. Additionally, our large design and development customers may have their budgets limited from many factors including economic declines (resulting from a pandemic or any other reason) causing discretionary budgets to decline or may from-time-to-time choose to do their development work in-house. Further, in our design and development business customers may decline to use us for future work after a project is completed, which may be due to lack of continued need for our services after their product has been developed, produced and marketed or because they are dissatisfied with our pricing or performance. All of 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 increases or decreases the size(s) of, or eliminates, their orders or engagement from us by amounts that are material to our business.

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

Our gross profit margins on the products and services we sell can vary widely depending on the product or project type, customer, and contract or order size. Because of the broad variability in price ranges and product and project 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. Similarly, because we offer a wide range of products and services which often vary with each customer and project, we face challenges in maintaining and enhancing operational efficiencies. For example, because of the range of products and services we offer and our general lack of specializations within our fields relative to some of our competitors, we may not enjoy the advantages offered by more focused or streamlined operations, such as economies of scale or improved production capabilities from our labor, facilities, and procedures with the passage of time. If our gross margins decrease, our results of operations will be adversely affected.

Product manufacture is often outsourced by our distribution 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 distribution customer's product. As a consequence of this business practice, we often sell our carry solutions 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 distribution customer. Therefore, it is the contract manufacturing firm to which we must look for payment in such cases and not our OEM distribution customer. If we fail to receive payment from the contract manufacturer, our ability to be paid for products already delivered would be limited. In such event, our results of operations and cash flows will be adversely affected.

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 may become subject to delays or cancellation due to work stoppages or slowdowns, piracy, damage to port facilities, 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. For example, in March 2021, a container ship carrying some of our products ran aground in the Suez Canal and was immobilized for six days. Although this accident did not have a material adverse effect on our business, there is no assurance that, if it happened again, that it would not. In any such case, our customers 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 to 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.

Issues with our products or services may lead to product liability, personal injury or property damage claims, recalls, withdrawals, replacements of products, or regulatory actions by governmental authorities that could divert resources, affect business operations, decrease sales, increase costs, and put us at a competitive disadvantage, any of which could have a significant adverse effect on our financial condition.

We may experience issues with products that we source or develop, or with the services we render, that may lead to product liability, personal injury or property damage claims, recalls, withdrawals, replacements of products, or regulatory actions by governmental authorities. Any of these activities could result in increased governmental scrutiny, harm to our reputation, reduced demand by consumers for products or services, decreased willingness by retailer customers to purchase our products or procure our services, absence or increased cost of insurance, or additional safety and testing requirements. Such results could divert development and management resources, adversely affect our business operations, decrease sales, increase legal fees and other costs, and put us at a competitive disadvantage compared to other companies not affected by similar issues with products and services, any of which could have a significant adverse effect on our financial condition and results of operations. Although the Company carries product liability insurance and works with its customers to satisfy product quality concerns (the cost of such efforts are typically covered by our sourcing agent, Forward China) we can provide no assurance that customers will not seek damages beyond what we warranty or beyond our insurance coverage. Although we have not had significant claims for damages or losses from the products we distribute in our distribution business or assist in the development, design or production of in our design business, any uninsured claim, if successful and of significant magnitude, could have a material adverse effect on our business, prospects, results of operations or financial condition.

The product distribution and design businesses are highly competitive and do not pose significant barriers to entry.

There are many competitors in the sale of carry solutions products to our customers including 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 customers, thereby adversely affecting our net revenues, results of operations, and financial condition. Further, with respect to our design business, while management believes there are a limited number of customers offering the broad range of design and development services we do, there are numerous design and engineering companies that compete with us in specific industries and/or with specific targeted skills or competitive advantages, and some prospective customers might prefer a competitor that focuses in a specialty area in which they operate or target over an offering such as ours that is not limited to any specific industry or product type.

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. Potential customers may prefer the pricing terms offered by competitors. 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. If we are not effectively able to compete, our results of operations will be adversely affected.

If we fail to retain our key personnel, we may not be able to achieve our anticipated level of growth and our business could suffer.

Our future depends, in part, on our ability to attract and retain key sales personnel and the continued contribution of our executive officers including Terence Wise, our Chief Executive Officer, who would be difficult to replace. Our design and development business is highly labor intensive and, therefore, our ability to attract and retain professional and technical staff is an important factor in our future success. The market for qualified engineers is competitive and, from time to time, it may be difficult to attract and retain qualified individuals with the required expertise within the timeframe demanded by our clients. The loss of the services of any of our key personnel and the process to replace any key personnel would involve significant time and expense and may significantly delay or prevent the achievement of our business objectives.

If a third party asserts that we are infringing on its intellectual property, whether successful or not, it could subject us to costly and time-consuming litigation or require us to obtain expensive licenses, and our business may be adversely affected.

Third party lawsuits alleging our infringement of patents, trade secrets or other intellectual property rights could cause us to do one or more of the following:

- stop using technology that contains the allegedly infringing intellectual property;
- incur significant legal expenses;
- cause our management to divert substantial time to our defenses;
- pay substantial damages to the party whose intellectual property rights we may be found to be infringing;
- indemnify customers; or
- attempt to obtain a license to the relevant intellectual property from third parties, which may not be available to us on reasonable terms or at all.

Third party lawsuits alleging our infringement of patents, trade secrets or other intellectual property rights could have a material adverse effect on our business, results of operations and financial condition. In addition to our products, potential adverse developments involving intellectual property described above may occur with respect to customers' products incorporating our products or services that we render.

If we experience system interruptions, it may cause us to lose customers and may harm our business.

Our inability to maintain and improve our information technology systems and infrastructure may result in system interruptions. System interruptions and slow delivery times, unreliable service levels, prolonged or frequent service outages, or insufficient capacity may prevent us from efficiently providing services to our customers on our website, which could result in our losing customers and revenue.

We lease space for our data center for power, security, connectivity and other services. We also rely on third-party providers for bandwidth. We do not control these vendors and it would take significant time and effort to replace them. We have experienced, and may experience in the future, website disruptions, outages and other performance problems due to a variety of factors, including infrastructure changes, human or software errors and capacity constraints.

Our systems are vulnerable to damage or interruption from terrorist attacks, floods, fires, power loss, telecommunications failures, hurricanes, computer viruses, computer denial of service attacks or other attempts to harm our systems. Any such damage or interruption would adversely affect our results of operations.

Because our networks and IT systems may be vulnerable to unauthorized persons hacking our systems, it could disrupt our operations and result in the theft of our proprietary information.

A party who is able to breach the security measures on our networks could misappropriate either our or our customers' proprietary information, or cause interruptions or malfunctions in our operations. Hacking of companies' infrastructure is a growing problem. Although we believe our systems and engineering team have the capability of protecting the Company from any such hacking, we can provide you with no such assurance. If we grow and obtain more visibility, we may be more vulnerable to hacking. We may be required to expend significant capital and other resources to protect against such threats or to alleviate problems caused by breaches in security, which could have a material adverse effect on our financial performance and operating results.

Our design business uses software that is highly technical, and undetected errors, if any, could adversely affect our business.

Our design business may use software that is highly technical and complex. Our software has contained, and may now or in the future contain, undetected errors, bugs, flaws, corrupted data or vulnerabilities. Some errors in our software code may only be discovered after the code has been released. Any errors, bugs, flaws or corrupted data could result in damage to our reputation, loss of users, or loss of revenue, any of which could adversely affect our business and financial results.

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 18% of the outstanding shares of our common stock as of December 9, 2022. 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 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.

Risks Related to Our Common Stock

Due to factors beyond our control, our stock price may be volatile.

Any of the following factors could affect the market price of our common stock:

- Our failure to increase revenue in each succeeding quarter and achieve and thereafter maintain profitability;
- Our failure to meet our revenue and earnings guidance or our failure to meet financial analysts' performance expectations;
- The loss of Forward China as our agent;
- Cybersecurity breaches;
- The loss of customers or our failure to attract more customers;
- Creditworthiness and solvency of clients;
- Loss of key employees;
- The sale of a large amount of common stock by our shareholders;
- Our announcement of a pending or completed acquisition or our failure to complete a proposed acquisition;
- An adverse court ruling or regulatory action;
- Changes in regulatory practices, including tariffs and taxes;
- Changes in market valuations of similar companies;
- Short selling activities;
- Our announcement of any financing or a change in the direction of our business;
- Announcements by us, or our competitors, of significant contracts, acquisitions, commercial relationships, joint ventures or capital commitments; or
- Other forces outside of our control such as inflation, Federal Reserve interest rate increases and the recessionary environment it could bring, geopolitical turmoil such as the recent Ukraine war, and other developments that could adversely impact the U.S. and global economies and erode investor sentiment.

In the past, following periods of volatility in the market price of a company's securities, securities class action litigation has often been instituted. A securities class action suit against us could result in substantial costs and divert our management's time and attention, which would otherwise be used to benefit our business.

Failure to meet the continued listing requirements of Nasdaq, could result in delisting of our common stock, which in its turn would negatively affect the price of our common stock and limit investors' ability to trade in our common stock.

Our common stock trades on Nasdaq. Nasdaq rules impose certain continued listing requirements, including the minimum $1 bid price, corporate governance standards and number of public stockholders. At December 9, 2022, our closing price was $1.25. If we fail to meet these continued listing requirements, Nasdaq may take steps to delist our common stock. If our common stock is delisted from The Nasdaq Capital Market, we could face significant material adverse consequences, including:

- a limited availability of market quotations for our common stock;
- reduced liquidity with respect to our common stock;
- a determination that our shares of common stock are a "penny stock" which will require broker-dealers trading in our common stock to adhere to more stringent rules, possibly resulting in a reduced level of trading activity in the secondary trading market for our common stock;
- a limited amount of news and analyst coverage for our company; and
- a limited ability to issue additional securities or obtain additional financing in the future.

If we become subject to a regulatory investigation, it could cause us to incur substantial costs or require us to change our business practices in a manner materially adverse to our business.

From time to time, we may receive inquiries from regulators regarding our compliance with laws and other matters. In 2019, we incurred significant expenses responding to an SEC investigation into potential insider trading by certain insiders of the Company. Although that investigation has concluded, responding to, or defending other such actions would cause us to continue to incur substantial expenses and divert our management's attention.

Violation of existing or future regulatory orders or consent decrees could subject us to substantial monetary fines and other penalties that could negatively affect our financial condition and results of operations. In addition, it is possible that future orders issued by, or enforcement actions initiated by, regulatory authorities could cause us to incur substantial costs or require us to change our business practices in a manner materially adverse to our business.

We do not expect to pay dividends in the future, which means that investors may not be able to realize the value of their shares except through a sale.

We do not anticipate that we will declare or pay a cash dividend. We expect to retain future earnings, if any, for our business and do not anticipate paying dividends on common stock at any time in the foreseeable future. Because we do not anticipate paying dividends in the future, the only opportunity for our shareholders to realize the creation of value in our common stock will likely be through a sale of those shares.

ITEM 1B. UNRESOLVED STAFF COMMENTS

Not Applicable.

ITEM 2. PROPERTIES

We lease all properties where our business is operated. We believe that these properties are adequate for the purposes for which they are 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. The following properties which are material to the Company's business are described below:

We lease 14,000 square feet in Hauppauge, New York for our executive offices and IPS, which we rent under a lease agreement scheduled to expire in 2027. The lease has annual escalations and rent payments were approximately $30,000 per month during Fiscal 2022.

We lease 11,000 square feet in Coon Rapids, Minnesota for Kablooe, which we rent under a lease agreement scheduled to expire in June 2026. The lease has annual escalations and rent payments were approximately $10,000 per month during Fiscal 2022.

ITEM 3. LEGAL PROCEEDINGS

From time to time, the Company may become a party to legal actions or proceedings in the ordinary course of its business. As of September 30, 2022, 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 Nasdaq. Our common stock is traded under the symbol "FORD".

On December 9, 2022, the closing price for our common stock was $1.25.

Holders of Common Stock

At November 30, 2022, there were approximately 70 holders of record of our common stock. Because many of our shares of common stock are held by brokers and other institutions on behalf of stockholders, we are unable to estimate the total number of stockholders represented by these record holders.

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.

Recent Sales of Unregistered Securities

None.

ITEM 6. RESERVED

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 consolidated financial statements and related notes appearing elsewhere in this report on Form 10-K. The following discussion and analysis compares our results of operations for the year ended September 30, 2022 ("Fiscal 2022") with those for the year ended September 30, 2021 ("Fiscal 2021"). All dollar amounts and percentages presented herein have been rounded to approximate values. In addition to historical information, this discussion and analysis contains forward-looking statements that involve risks, uncertainties, and assumptions. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of certain factors, including but not limited to those set forth under "Risk Factors."

Cautionary statement regarding Forward-Looking Statements

This report includes "forward-looking statements", as such term is used within the meaning of the Private Securities Litigation Reform Act of 1995. These statements include, among other things, statements regarding our liquidity, plans on repaying outstanding debt obligations, expectations regarding the effect of the pandemic and inflation on our business, as well as other statements regarding our future operations, financial condition and prospects, and business strategies. Forward-looking statements generally can be identified by words such as "anticipates," "believes," "estimates," "expects," "intends," "plans," "predicts," "projects," "will be," "will continue," "will likely result," and similar expressions. These forward-looking statements are based on current expectations and assumptions that are subject to risks and uncertainties, which could cause our actual results to differ materially and adversely from those reflected in the forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those discussed in this Annual Report on Form 10-K, and in particular, the risks discussed under the caption "Risk Factors" in Item 1A of this report and those discussed in other documents we file with the SEC. We undertake no obligation to revise or publicly release the results of any revision to these forward-looking statements, except as required by law. Given these risks and uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements.

Business Overview

Forward Industries, Inc. is a global design, manufacturing, sourcing and distribution group serving top tier medical and technology customers worldwide. As a result of the continued expansion of our design development capabilities through our wholly-owned subsidiaries, IPS and Kablooe, the Company is now able to introduce proprietary products to the market from concepts brought to it from a number of different sources, both inside and outside the Company.

Our design division provides hardware and software product design and engineering services to customers predominantly located in the U.S. Our OEM distribution division sources and sells carrying cases and other accessories for medical monitoring and diagnostic kits as well as a variety of other portable electronic and non-electronic devices to OEMs, or their contract manufacturers worldwide, that either package our products as accessories "in box" together with their branded product offerings or sell them through their retail distribution channels. Our retail distribution division sources and sells smart-enabled furniture, hot tubs and various other products through various online retailer websites to customers predominantly located in the U.S.

The effects of the COVID-19 pandemic continue to impact the retail and OEM distribution segments of our business. The increase in global consumer demand, coupled with the global shipping container shortage, dramatically increased demand for both ocean freight and ground transportation. These factors led to a significant increase in freight costs, particularly from the Asia-Pacific region and most notably in Fiscal 2022. Labor shortages at U.S. ports and in ground transportation services caused container ships to spend a significant amount of time waiting for goods to be unloaded and to arrive at our warehouses. These factors caused an increase in the demand for and cost of ground transportation and delayed consumer availability for many of our products in Fiscal 2022. The timing and extent of these COVID-19 related transportation disruptions are still largely unknown but are expected to continue into Fiscal 2023.

The effects of the pandemic had a lesser impact on the design segment of our business. Rising inflation caused an increase in the cost of acquiring and retaining our employees, particularly in the second half of Fiscal 2022. The timing and extent of future inflation is difficult to predict, but we expect these rising costs to continue into Fiscal 2023.

The effects of COVID-19 may further impact our business in ways we cannot predict, and such impacts could be significant. The current economic conditions may continue to negatively impact our results of operations, cash flows and financial position in future periods as well as that of our customers, including their ability to pay for our products and services and to choose to allocate their budgets to new or existing projects which may or may not require our products and services. The long-term financial impact on our business cannot be reasonably estimated at this time. As a result, the effects of COVID-19 may not be fully reflected in our financial results until future periods.

Until the effects of the pandemic have fully receded, we expect business conditions to remain challenging. In response to these challenges, we will continue to focus on those factors that we can control: closely managing and controlling our expenses and inventory levels; aligning our design and development schedules with demand in a proactive manner to minimize our cash operating costs; pursuing further improvements in the productivity and effectiveness of our development, selling and administrative activities and, where appropriate, taking advantage of opportunities to enhance our business growth and strategy.

Additionally, see Part I, Item 1A "Risk Factors" for a description of the material risks we currently face in connection with COVID-19.

Variability of Revenues and Results of Operations

A significant portion of our revenue is concentrated with several large customers, some of which are the same and some of which change over time. Orders from some of these customers can be highly variable, with short lead times, which can cause our quarterly revenues, and consequently our results of operations, to vary 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 U.S. GAAP, with no need for management's judgment. 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 report. The 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.

Revenue Recognition

OEM Distribution Segment

The OEM distribution segment recognizes revenue when finished goods are shipped to its customers (in general, these conditions occur at either point of shipment or point of destination, depending on the terms of sale and transfer of control); (ii) there are no other deliverables or performance obligations; and (iii) there are no further obligations to the customer after the title of the goods has transferred. If the Company receives consideration before achieving the criteria previously mentioned, it records a contract liability, which is classified as a component of deferred income in the accompanying consolidated balance sheets.

Retail Distribution Segment

The retail distribution segment sells products primarily through online websites operated by authorized third-party retailers. Revenue is recognized when control, as defined in Accounting Standards Codification ("ASC") 606, "Revenue from Contracts with Customers", of the related goods is transferred to the retailer, which generally occurs upon shipment to the end customer. Other than product delivery, the retail distribution segment does not typically have other deliverables or performance obligations associated with its products. Revenue is measured as the amount of consideration expected to be received in exchange for the products provided, net of allowances taken by retailers for product returns and any taxes collected from customers that will be remitted to governmental authorities. When the Company receives consideration before achieving the criteria previously mentioned, it records a contract liability, which is classified as a component of deferred income in the accompanying consolidated balance sheets.

Design Segment

The design segment applies the "cost to cost" and "right to invoice" methods of revenue recognition to its contracts with customers. The design segment typically engages in two types of contracts: (i) time and material and (ii) fixed price. The Company recognizes revenue over time on its time and material contracts utilizing a "right to invoice" method. Revenues from fixed price contracts that require performance of services that are not related to the production of tangible assets are recognized by using cost inputs to measure progress toward the completion of its performance obligations, or the "cost to cost" method. Revenues from fixed price contracts that contain specific deliverables are recognized when the performance obligation has been satisfied or the transfer of goods to the customer has been completed and accepted.

Recognized revenues that will not be billed until a later date, or contract assets, are recorded as an asset and classified as a component of accounts receivable in the accompanying consolidated balance sheets. Contracts where collections to date have exceeded recognized revenues, or contract liabilities, are recorded as a liability and classified as a component of deferred income in the accompanying consolidated balance sheets.

Segment Reporting

We have three reportable segments: OEM distribution, retail distribution and design. The OEM distribution segment sources and distributes carrying cases and other accessories for medical monitoring and diagnostic kits and a variety of other portable electronic and non-electronic devices directly to OEMs or their contract manufacturers worldwide. The retail distribution segment sources and sells smart-enabled furniture, hot tubs and a variety of other products through various online retailer websites to customers predominantly located in the U.S. The design segment consists of two operating segments (IPS and Kablooe, which have been aggregated into one reportable segment) that provide a full spectrum of hardware and software product design and engineering services to customers predominantly located in the U.S.

Our chief operating decision maker ("CODM") regularly reviews revenue and operating income for each segment to assess financial results and allocate resources. For our OEM and retail distribution segments, we exclude general and administrative and general corporate expenses from their measure of profitability as these expenses are not allocated to the segments and therefore not included in the measure of profitability used by the CODM. For the design segment, general and administrative expenses directly attributable to that segment are included in its measure of profitability as these expenses are included in the measure of its profitability reviewed by the CODM. We do not include intercompany activity in our segment results to be consistent with the information that is presented to the CODM. Segment assets consist of accounts receivable and inventory, which are regularly reviewed by the CODM, as well as goodwill and intangible assets resulting from design segment acquisitions (see Note 15 to the consolidated financial statements).

Inventory Valuation

Inventories consist primarily of finished goods and are stated at the lower of cost (determined by the first-in, first-out method) or net realizable value. Based on management's estimates, an allowance is made to reduce excess, obsolete, or otherwise unsellable inventories to net realizable value. The allowance is established through charges to cost of sales in the Company's consolidated statements of operations. 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.

Goodwill and Intangible Assets

We review goodwill for impairment at least annually, or more often if triggering events occur. We have two reporting units with goodwill (the IPS and Kablooe operating segments) and we perform our annual goodwill impairment test on September 30, the end of the fiscal year, or upon the occurrence of a triggering event. We have the option to perform a qualitative assessment to determine if an impairment is more likely than not to have occurred. If we can support the conclusion that it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, then we would not need to perform a quantitative impairment test for the reporting unit. If we cannot support such a conclusion or do not elect to perform the qualitative assessment, then we will perform the quantitative impairment test by comparing the fair value of the reporting unit with its carrying amount, including goodwill. If the fair value of the reporting unit exceeds its carrying amount, no impairment charge is recognized. If the fair value of the reporting unit is less than its carrying amount, an impairment charge will be recognized for the amount by which the reporting unit's carrying amount exceeds its fair value. A significant amount of judgment is required in performing goodwill impairment tests including estimating the fair value of a reporting unit. There were no indications of goodwill impairment in Fiscal 2022 or Fiscal 2021.

Our intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In assessing the recoverability of our intangible assets, we must make estimates and assumptions regarding future cash flows and other factors to determine the fair value of the respective assets. These estimates and assumptions could have a significant impact on whether an impairment charge is recognized and the magnitude of any such charge. Fair value estimates are made at a specific point in time, based on relevant information. These estimates are subjective in nature and involve uncertainties and matters of significant judgments and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates. If these estimates or material related assumptions change in the future, we may be required to record impairment charges related to our intangible assets. There were no indications of impairment of intangible assets in Fiscal 2022 or 2021.

Recent Accounting Pronouncements

In November 2019, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2019-11, "Codification Improvements to Topic 326, Financial Instruments – Credit Losses." ASU 2019-11 is an accounting pronouncement that provides clarity to and amends earlier guidance on this topic and would be effective concurrently with the adoption of such earlier guidance. This pronouncement is effective for us for fiscal years beginning after December 15, 2022 and interim periods within those fiscal years. We are currently evaluating the effects of this pronouncement on our consolidated financial statements.

In December 2019, the FASB issued ASU 2019-12 "Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes." This guidance removes certain exceptions to the general principles in Topic 740 and provides consistent application of U.S. GAAP by clarifying and amending existing guidance. The effective date of the new guidance for public companies is for fiscal years beginning after December 15, 2020 and interim periods within those fiscal years. Early adoption is permitted. We adopted this guidance in the first quarter of fiscal 2022 with no material impact to our consolidated financial statements.

RESULTS OF OPERATIONS FOR FISCAL 2022 COMPARED TO FISCAL 2021

Consolidated Results

The table below summarizes our consolidated results of operations for Fiscal 2022 as compared to Fiscal 2021:

	Consolidated Results of Operations			
	Fiscal 2022	**Fiscal 2021**	**Change ($)**	**Change (%)**
Net revenues	$ 42,337,000	$ 39,022,000	$ 3,315,000	8.5%
Cost of sales	33,969,000	30,888,000	3,081,000	10.0%
Gross profit	8,368,000	8,134,000	234,000	2.9%
Sales and marketing expenses	2,855,000	2,503,000	352,000	14.1%
General and administrative expenses	6,753,000	6,396,000	357,000	5.6%
Loss from operations	(1,240,000)	(765,000)	(475,000)	62.1%
Other expense/(income), net	135,000	(1,289,000)	1,424,000	(110.5%)
Income tax provision	3,000	–	3,000	–
Consolidated net (loss)/income	$ (1,378,000)	$ 524,000	$ (1,902,000)	(363.0%)

The increase in net revenues in Fiscal 2022 was primarily driven by revenue growth in the design segment and to a lesser extent, revenue growth in the retail segment, which was partially offset by a decline in revenue in the OEM distribution segment.

Gross profit increased $234,000, but gross margin declined from 20.8% in Fiscal 2021 to 19.8% in Fiscal 2022. Better utilization and higher billing rates in the design segment were mostly offset by higher importation and logistics costs, which drove OEM and retail distribution margins down. Due to inflation and the continued uncertainty surrounding supply chain stability, management believes there will be continued volatility in OEM and retail distribution cost of sales in Fiscal 2023.

Sales and marketing expenses increased due to higher advertising and promotional costs, primarily in the retail segment. Sales and marketing expenses as a percentage of revenue increased from 6.4% in Fiscal 2021 to 6.7% in Fiscal 2022. If revenues from the retail segment grow to comprise a larger portion of the overall business, management expects sales and marketing costs, both in total and as a percentage of revenue, to increase in future periods.

General and administrative expenses increased in Fiscal 2022, primarily related to an increase in payroll costs and non-employee board members' cash and equity compensation due to the cost cutting measures taken in Fiscal 2021 which were not implemented in Fiscal 2022. These increases were partially offset by lower bad debt expense. Management continues to monitor the various components of general and administrative expenses and how these costs are affected by inflationary and other factors. We intend to adjust these costs as needed based on the overall needs of the business.

We reported other expense of $135,000 in Fiscal 2022 as compared to other income of $1,289,000 in Fiscal 2021. The variance is primarily due to the $1,357,000 forgiveness of note payable related to the Paycheck Protection Program loan ("PPP loan") and to a lesser extent, driven by a decrease in interest income on a note receivable from a customer which was fully reserved for in Fiscal 2019.

In Fiscal 2022, we recorded a tax provision of $3,000, generated a loss before income taxes of $1,376,000 and had an effective tax rate of (0.2%). In Fiscal 2021, we recorded no tax provision or benefit, and we generated income before income taxes of $524,000, primarily resulting from the $1,357,000 forgiveness of note payable related to the PPP loan. The forgiveness of the PPP loan was not recognized as taxable income per the Coronavirus Aid, Relief and Economic Security Act (the "CARES Act"). We maintain significant net operating loss carryforwards and do not recognize a significant income tax provision or benefit as our deferred tax provision is typically offset by maintaining a full valuation allowance on our net deferred tax assets.

Consolidated basic and diluted earnings/(loss) per share was $(0.14) and $0.05 for Fiscal 2022 and Fiscal 2021, respectively.

Segment Results

The discussion that follows below provides further details about the results of operations for each segment as compared to the prior year.

	Segment Results of Operations				
	OEM Distribution	**Retail Distribution**	**Design**	**Corporate Expenses**	**Consolidated**
Fiscal 2022 revenues	$ 18,036,000	$ 4,130,000	$ 20,171,000	$ –	$ 42,337,000
Fiscal 2021 revenues	19,290,000	3,183,000	16,549,000	–	39,022,000
Change	$ (1,254,000)	$ 947,000	$ 3,622,000	$ –	$ 3,315,000
Fiscal 2022 operating income/(loss)	$ 905,000	$ (1,809,000)	$ 2,148,000	$ (2,484,000)	$ (1,240,000)
Fiscal 2021 operating income/(loss)	1,479,000	(779,000)	603,000	(2,068,000)	(765,000)
Change	$ (574,000)	$ (1,030,000)	$ 1,545,000	$ (416,000)	$ (475,000)

OEM Distribution

Net revenues in the OEM distribution segment declined due to reduced revenues in the sale of diabetic products and, to a lesser extent, a decline in other OEM product revenue. Revenues from diabetic products declined $1,185,000 and revenues from other products declined $69,000. As consumer demand increases for diabetic testing products which require no carrying case, we expect diabetic product sales to represent a smaller portion of our OEM distribution revenue.

The following tables set forth revenues by product line of our OEM distribution segment customers for the periods indicated:

	OEM Revenues by Product Line			
	Fiscal 2022	**Fiscal 2021**	**Change ($)**	**Change (%)**
Diabetic products	$ 15,403,000	$ 16,588,000	$ (1,185,000)	(7.1%)
Other products	2,633,000	2,702,000	(69,000)	(2.6%)
Total net revenues	$ 18,036,000	$ 19,290,000	$ (1,254,000)	(6.5%)

Diabetic Product Revenues

Our OEM distribution segment sources to the order of, and sells 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, sells them through their retail distribution channels.

Revenues from diabetic products declined due to lower revenues from all major diabetic customers due to a reduction in the volume of orders from most major diabetic customers. An increase in competition and continued pricing pressures, driven by inflation and in some cases a transition to lower cost carrying cases, drove diabetic revenues down further. These declines were partially offset by a net increase in revenue from other diabetic customers which were less significant. As mentioned above, management believes that revenues from diabetic customers will continue to decline.

Revenues from diabetic products represented 85% of net revenues for the OEM distribution segment in Fiscal 2022 compared to 86% in Fiscal 2021.

Other Product Revenues

Our OEM distribution segment sources and sells cases and protective solutions for a diverse array of portable electronic and non-electronic products (such as sporting and recreational products, bar code scanners, GPS devices, tablets and firearms) on a made-to-order basis that are customized to fit the products sold by our OEM customers.

Revenues from other products decreased due to a decrease in sales volume from certain existing customers, which was offset by increases in business from other customers. We will continue to focus on our sales and sales support teams in our attempt to expand and diversify our other products customer base.

Operating Income

Operating income for the OEM distribution segment declined and operating income margin declined to 5.0% in Fiscal 2022, compared to 7.7% in Fiscal 2021, primarily due to rising material and importation costs and continued pricing pressure from our major diabetic customers. The cost of importing all products from China has increased and both the diabetic and other OEM product lines have experienced pricing pressures from customers, resulting in a decrease in gross margin as compared to the prior year. The decline in gross margin was partially mitigated by lower selling and marketing costs related to OEM sales commissions. We continue to work on expanding our product offerings to include higher margin products and enhancing our sales efforts to grow revenue and increase gross profit.

Retail Distribution Segment

Net revenues increased in Fiscal 2022 due to an increase in sales volume on certain products with two retailers. As the cost of products increases and inflation continues to reduce consumer spending, profitability becomes more challenging in the retail segment. We plan to focus our sales and sales support teams on efforts to match our product offerings with consumer demand, strategically increase the volume of revenue from more profitable products and expand these product offerings through additional retailer websites.

The rising cost of freight, storage and other logistics services outpaced the increase in revenue, which, when coupled with additional expense associated with increases in other inventory related costs, led to a decrease in gross profit from Fiscal 2021 to Fiscal 2022. This was further exacerbated by higher sales and marketing expenses related to sales commissions, and advertising and promotional expenses necessary to support the growth in revenue, which increased the operating loss margin from 24.5% in Fiscal 2021 to 43.8% in Fiscal 2022.

Design Segment

The increase in net revenues was driven by new customers and an increase in projects from certain existing customers, which was partially offset by declines in revenues from certain prior year customers.

Operating income increased and operating income margin improved from 3.6% in Fiscal 2021 to 10.6% in Fiscal 2022. The increase in gross profit, driven by higher revenue and better utilization and billing rates, was further enhanced by a decrease in general and administrative expenses primarily due to a reduction in bad debt expense, partially offset by higher payroll costs.

LIQUIDITY AND CAPITAL RESOURCES

Our primary source of liquidity is our operations. The primary demand on our working capital has historically been (i) operating losses, (ii) repayment of debt obligations, and (iii) any increases in accounts receivable and inventories arising in the ordinary course of business. Historically, our sources of liquidity have been adequate to satisfy working capital requirements arising in the ordinary course of business. At September 30, 2022, our working capital was $4,362,000 compared to $5,587,000 at September 30, 2021, the decrease primarily due to higher payables and accrued expenses, partially offset by higher inventory levels. At November 30, 2022, we had approximately $3,200,000 cash on hand and $1,300,000 available under our line of credit with a bank which matures May 31, 2023.

Forward China, our largest vendor and an entity owned by our Chairman of the Board and Chief Executive Officer, holds a $1,600,000 promissory note (the “FC Note”) issued by us which matures on December 31, 2024 (see Note 13 to the consolidated financial statements). The balance of the FC Note was reduced to $1,400,000 after we made principal payments of $200,000 in Fiscal 2022. Although the FC Note has been extended on multiple occasions to assist us with our liquidity position, we plan on funding the repayment at maturity using existing cash balances and/or obtaining an additional credit facility as deemed necessary. Additionally, Forward China has extended payment terms on our outstanding payables due to them when necessary. We can provide no assurance that (i) Forward China will extend the FC Note again if we request an extension, (ii) Forward China will continue to extend payment terms on outstanding payables when we need them, or (iii) any additional credit facility will be available on terms acceptable to us or at all.

We anticipate that our liquidity and financial resources for the 12 months following the date of this report will be adequate to manage our operating and financial requirements. If we have the opportunity to make a strategic acquisition (as we have in the past with the acquisitions of IPS and Kablooe) or an investment in a product or partnership, we may require additional capital beyond our current cash balance to fund the opportunity. If we seek to raise additional capital, there is no assurance that we will be able to raise funds on terms that are acceptable to us or at all. In the current environment of rising interest rates, any future borrowing is expected to result in higher interest expense.

Although we do not anticipate the need to purchase any additional material capital assets in order to carry out our business, it may be necessary for us to purchase equipment and other capital assets in the future, depending on need.

Cash Flows

During Fiscal 2022 and Fiscal 2021, our sources and uses of cash were as follows:

Operating Activities

During Fiscal 2022, cash provided by operating activities of $1,535,000 resulted from an increase in accounts payable and amounts due to Forward China of $1,856,000, a decrease in accounts receivable of $953,000, non-cash charges for depreciation, amortization, share-based compensation and bad debt expense of $775,000, an increase in accrued expenses of $624,000 and the net change in other operating assets and liabilities of $443,000, partially offset by the net loss of $1,378,000 and an increase in inventories of $1,738,000.

During Fiscal 2021, cash used in operating activities of $528,000 resulted from an operating loss of $765,000, an increase in accounts receivable of $1,665,000, an increase in inventories of $787,000, a decrease in deferred income of $297,000 and the net change in other operating assets and liabilities of $223,000, partially offset by an increase in accounts payable and amounts due to Forward China of $2,306,000 and non-cash expenses of $903,000 related to depreciation, amortization, share-based compensation and bad debt expense.

Investing Activities

In Fiscal 2022 and Fiscal 2021, cash used for investing activities of $170,000 and $67,000, respectively, resulted from purchases of property and equipment.

Financing Activities

In Fiscal 2022, cash used in financing activities of $200,000 consisted of principal payments on the promissory note held by Forward China.

In Fiscal 2021, cash used in financing activities of $919,000 consisted of net repayments under our line of credit of $1,000,000, repayments of notes payable and finance lease liabilities of $187,000, partially offset by proceeds from stock options exercised of $268,000.

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 beginning on page F-1 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

Evaluation of Disclosure Controls and Procedures

Our management carried out an evaluation, with the participation of our Principal Executive Officer and Principal Financial Officer, of the effectiveness of our disclosure controls and procedures as defined in Rule 13a-15(e) under the Exchange Act. Based on their evaluation, our Principal Executive Officer and Principal Financial Officer concluded that our disclosure controls and procedures were effective as of September 30, 2022.

Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act). Our management, under the supervision and with the participation of our Principal Executive Officer and Principal Financial Officer, evaluated the effectiveness of our internal control over financial reporting as of the end of the period covered by this report. In making this assessment, our management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control-Integrated Framework as issued in 2013. Based on that evaluation, our management concluded that our internal control over financial reporting as of September 30, 2022 was effective based on that criteria.

Our internal control over financial reporting is a process designed under the supervision of our Principal Executive Officer and Principal Financial Officer to provide reasonable assurance regarding the reliability of financial reporting and the preparation of our financial statements for external reporting purposes in accordance with U.S. GAAP. Internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. GAAP, and that receipts and expenditures are being made only in accordance with authorizations of our management and directors; and (iii) 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, internal control over financial reporting may not prevent or detect misstatements. Also, 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 policies or procedures may deteriorate.

Changes in Internal Control

There were no changes in our internal control over financial reporting identified in management's evaluation pursuant to Rules 13a-15(d) or 15d-15(d) of the Exchange Act during the fourth quarter of Fiscal 2022 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

Not Applicable.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by this item is incorporated by reference to our Proxy Statement for the 2023 Annual Meeting of Stockholders to be filed with the SEC within 120 days of the fiscal year ended September 30, 2022. Our Board has adopted a Code of Business Conduct and Ethics applicable to all officers, directors and employees, which is available on our website (https://forwardindustries.com) under “Investors”, "Governance." We intend to satisfy the disclosure requirement under Item 5.05 of Form 8-K regarding amendment to, or waiver from, a provision of our Code of Conduct and by posting such information on the website address and location specified above.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this item is incorporated by reference to our Proxy Statement for the 2023 Annual Meeting of Stockholders to be filed with the SEC within 120 days of the fiscal year ended September 30, 2022.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED SHAREHOLDER MATTERS

The information required by this item is incorporated by reference to our Proxy Statement for the 2023 Annual Meeting of Stockholders to be filed with the SEC within 120 days of the fiscal year ended September 30, 2022.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE

The information required by this item is incorporated by reference to our Proxy Statement for the 2023 Annual Meeting of Stockholders to be filed with the SEC within 120 days of the fiscal year ended September 30, 2022.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by this item is incorporated by reference to our Proxy Statement for the 2023 Annual Meeting of Stockholders to be filed with the SEC within 120 days of the fiscal year ended September 30, 2022.

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 Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: December 16, 2022

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, 2022	/s/ Terence Wise Terence Wise Principal Executive Officer and Director
December 16, 2022	/s/ Anthony Camarda Anthony Camarda Principal Financial Officer and Chief Accounting Officer
December 16, 2022	/s/ Sangita Shah Sangita Shah Director
December 16, 2022	/s/ James Ziglar James Ziglar Director
December 16, 2022	/s/ Sharon Hrynkow Sharon Hrynkow Director

EXHIBIT INDEX

Exhibit No.	Exhibit Description	Incorporated by Reference Form	Date	Number	Filed or Furnished Herewith
2.1	Stock Purchase Agreement dated January 18, 2018 - Intelligent Product Solutions, Inc.+	8-K	1/18/18	2.1	
2.2	Asset Purchase Agreement dated August 17, 2020 - Kablooe, Inc.+	8-K	8/17/20	2.1	
3.1	Restated Certificate of Incorporation	10-K	12/8/10	3(i)	
3.2	Certificate of Amendment of the Certificate of Incorporation, April 26, 2013	8-K	4/26/13	3.1	
3.3	Certificate of Amendment of the Certificate of Incorporation, June 28, 2013	8-K	7/3/13	3.1	
3.4	Third Amended and Restated Bylaws, as of May 28, 2014	10-K	12/10/14	3(ii)	
4.1	Description of securities registered under Section 12 of the Exchange Act of 1934	10-K	12/27/19	4.1	
4.2	Promissory Note dated January 18, 2018 – Forward Industries (Asia-Pacific) Corporation (as amended and restated)				Filed
10.1	2011 Long Term Incentive Plan, as amended	10-Q	2/14/19	4.3	
10.2	2021 Equity Incentive Plan	8-K	12/23/20	4.1	
10.3	Buying Agency and Supply Agreement - Forward Industries (Asia-Pacific) Corporation	10-K	12/16/15	10.7	
10.3(a)	Amendment No. 1 to Buying Agency and Supply Agreement - Forward Industries (Asia-Pacific) Corporation	10-Q	8/14/17	10.2	
10.3(b)	Amendment No. 2 to Buying Agency and Supply Agreement - Forward Industries (Asia-Pacific) Corporation	8-K	9/22/17	10.1	
10.3(c)	Amendment No. 3 to Buying Agency and Supply Agreement – Forward Industries (Asia-Pacific) Corporation	10-Q	5/15/19	10.1(c)	
10.3(d)	Amendment No. 4 to Buying Agency and Supply Agreement – Forward Industries (Asia-Pacific) Corporation	10-K	12/27/19	10.3(d)	
10.3(e)	Amendment No. 5 to Buying Agency and Supply Agreement – Forward Industries (Asia-Pacific) Corporation	10-K	12/17/20	10.2(e)	
10.4	Form of Employment Agreement dated January 18, 2018 – Paul Severino*+	8-K	1/18/18	10.1	
10.4(a)	Form of Employment Agreement dated May 26, 2021 - Paul Severino*$	10-K	12/16/21	10.4(a)	
10.5	Employment Agreement dated May 16, 2018 - Terence Wise*$	10-Q	5/18/18	10.5	
10.6	Employment Agreement dated June 26, 2020 – Anthony Camarda*$	8-K	7/2/20	10.1	
10.7	Paycheck Protection Program Term Note payable to TD Bank, N.A. dated April 18, 2020	8-K	4/22/20	10.1	
10.8	Amended and Restated TD Bank Revolving Term Note dated September 28, 2018	8-K	10/2/18	10.1	
10.9	TD Bank Modification Agreement dated September 28, 2018	8-K	10/2/18	10.2	
10.10	Consultancy Agreement dated March 1, 2022 - Justwise Group Ltd.	10-Q	5/12/22	10.1	
10.11	Consultancy Agreement dated September 1, 2022 - Justwise Group Ltd.				Filed
10.12	Employment Agreement dated January 18, 2018 - Robert Wild*				Filed
10.13	Employment Agreement dated August 17, 2020 - Tom KraMer*				Filed
21.1	List of Subsidiaries	10-K	12/17/20	21.1	
23.1	Consent of Independent Registered Public Accounting Firm				Filed
31.1	CEO Certifications (302)				Filed
31.2	CFO Certification (302)				Filed
32.1	CEO and CFO Certifications (906)				Furnished
101.INS	Inline XBRL Instance Document (the Instance Document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document)				Filed
101.SCH	Inline XBRL Taxonomy Extension Schema Document				Filed
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document				Filed
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document				Filed
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document				Filed
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document				Filed
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)				

* Management compensatory agreement or arrangement.

\+ Certain schedules, appendices and exhibits to this agreement have been omitted in accordance with Item 601 of Regulation S-K. A copy of any omitted schedule and/or exhibit will be furnished supplementally to the Securities and Exchange Commission staff upon request.

$ As previously disclosed, this executive officer has received an increase to his annual Base Salary.

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.; 700 Veterans Memorial Hwy, Suite 100, Hauppauge, NY 11788; Attention: Corporate Secretary.

FORWARD INDUSTRIES, INC. AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS

	Page
Report of Independent Registered Public Accounting Firm	F-2
Consolidated Balance Sheets at September 30, 2022 and 2021	F-3
Consolidated Statements of Operations for the Years Ended September 30, 2022 and 2021	F-4
Consolidated Statements of Shareholders' Equity for the Years Ended September 30, 2022 and 2021	F-5
Consolidated Statements of Cash Flows for the Years Ended September 30, 2022 and 2021	F-6
Notes to Consolidated Financial Statements	F-7

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Forward Industries, Inc. and Subsidiaries (the "Company") as of September 30, 2022 and 2021, and the related consolidated statements of operations, shareholders' equity and cash flows for the years then ended, and the related notes (collectively referred to as the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of September 30, 2022 and 2021, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of the internal control over financial reporting 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.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that: (i) related to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of a critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which they relate.

Assessment of Going Concern (Note 1 to the Consolidated Financial Statements)

Significant judgment is exercised by the Company in determining whether there is substantial doubt the Company will continue as a going concern. Specifically, the Company's forecasted cash flows are sensitive to significant assumptions such as projected revenue and projected operating results, all of which are affected by the expected future market or economic conditions, including the residual effects of the global pandemic, and inflation.

Given these factors, the related audit effort in evaluating management's judgments in determining the Company's ability to continue as a going concern was challenging, subjective, and complex and required a high degree of auditor judgment.

How our Audit Addressed the Critical Audit Matter

Our principal audit procedures related to the Company's assessment of going concern included the following:

- Obtaining an understanding of and evaluating the Company's process to develop forecasted cash flows, including significant assumptions used in developing forecasted cash flows as well as considering the appropriateness of the underlying data used by the Company in its analyses.
- Evaluating the reasonableness of the Company's forecasted revenue, operating results, and cash flows by comparing those forecasts to underlying business strategies, including customer relationships and the Company's ability to obtain new customers, and to historical results. In addition, we performed sensitivity analyses related to the key inputs used in the Company's forecasted cash flows, including evaluating whether the changes in the assumptions would result in a material change in forecasted cash flows.
- Evaluating management's ability to accurately forecast future cash flows by comparing the Company's historical forecasted sales, operating results and cash flow forecasts to actual results.

/s/ CohnReznick LLP

We have served as the Company's auditor since 2011.

Melville, New York
December 16, 2022

FORWARD INDUSTRIES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	September 30, 2022	September 30, 2021
Assets		
Current assets:		
Cash	$ 2,575,522	$ 1,410,365
Accounts receivable, net	7,542,666	8,760,715
Inventories, net	3,801,030	2,062,557
Prepaid expenses and other current assets	417,605	561,072
Total current assets	14,336,823	12,794,709
Property and equipment, net	241,146	167,997
Intangible assets, net	1,105,901	1,318,658
Goodwill	1,758,682	1,758,682
Operating lease right of use assets, net	3,427,726	3,743,242
Other assets	68,737	72,251
Total assets	$ 20,939,015	$ 19,855,539
Liabilities and shareholders' equity		
Current liabilities:		
Accounts payable	$ 268,160	$ 391,992
Due to Forward China	7,713,880	5,733,708
Deferred income	438,878	187,695
Current portion of earnout consideration	25,000	25,000
Current portion of operating lease liability	377,940	340,151
Accrued expenses and other current liabilities	1,153,906	529,497
Total current liabilities	9,977,764	7,208,043
Other liabilities:		
Note payable to Forward China	1,400,000	1,600,000
Operating lease liability, less current portion	3,249,824	3,559,053
Earnout consideration, less current portion	45,000	45,000
Total liabilities	14,672,588	12,412,096
Commitments and contingencies (Note 11)		
Shareholders' equity:		
Common stock, par value $0.01 per share; 40,000,000 shares authorized; 10,061,185 shares issued and outstanding at September 30, 2022 and 2021	100,612	100,612
Additional paid-in capital	20,115,711	19,914,476
Accumulated deficit	(13,949,896)	(12,571,645)
Total shareholders' equity	6,266,427	7,443,443
Total liabilities and shareholders' equity	$ 20,939,015	$ 19,855,539

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

FORWARD INDUSTRIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

	For the Fiscal Years Ended September 30, 2022	For the Fiscal Years Ended September 30, 2021
Revenues, net	$ 42,337,385	$ 39,021,996
Cost of sales	33,969,115	30,887,577
Gross profit	8,368,270	8,134,419
Sales and marketing expenses	2,854,664	2,503,518
General and administrative expenses	6,753,280	6,395,900
Loss from operations	(1,239,674)	(764,999)
Gain on forgiveness of note payable	–	(1,356,570)
Fair value adjustment of earnout consideration	–	(20,000)
Interest income	–	(88,760)
Interest expense	123,411	171,957
Other expense, net	12,612	4,569
(Loss)/income before income taxes	(1,375,697)	523,805
Provision for income taxes	2,554	–
Net (loss)/income	$ (1,378,251)	$ 523,805
(Loss)/earnings per share:		
Basic	$ (0.14)	$ 0.05
Diluted	$ (0.14)	$ 0.05
Weighted average common shares outstanding:		
Basic	10,061,185	9,950,094
Diluted	10,061,185	10,443,018

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 Year Ended September 30, 2022								
	Common Stock			Additional Paid-In		Accumulated			
	Shares		Amount		Capital		Deficit		Total
Balance at September 30, 2021	10,061,185	$	100,612	$	19,914,476	$	(12,571,645)	$	7,443,443
Share-based compensation	–		–		201,235		–		201,235
Net loss	–		–		–		(1,378,251)		(1,378,251)
Balance at September 30, 2022	10,061,185	$	100,612	$	20,115,711	$	(13,949,896)	$	6,266,427

	For the Fiscal Year Ended September 30, 2021								
	Common Stock			Additional Paid-In		Accumulated			
	Shares		Amount		Capital		Deficit		Total
Balance at September 30, 2020	9,883,851	$	98,838	$	19,579,684	$	(13,095,450)	$	6,583,072
Share-based compensation	–		–		68,855		–		68,855
Stock options exercised	177,334		1,774		265,937		–		267,711
Net income	–		–		–		523,805		523,805
Balance at September 30, 2021	10,061,185	$	100,612	$	19,914,476	$	(12,571,645)	$	7,443,443

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, 2022	2021
Operating Activities:		
Net (loss)/income	$ (1,378,251)	$ 523,805
Adjustments to reconcile net (loss)/income to net cash provided by/(used in) operating activities:		
Share-based compensation	201,235	68,855
Depreciation and amortization	309,239	327,290
Bad debt expense	264,912	506,469
Gain on forgiveness of note payable	–	(1,356,570)
Change in fair value of earn-out consideration	–	(20,000)
Changes in operating assets and liabilities:		
Accounts receivable	953,137	(1,664,868)
Inventories	(1,738,473)	(786,863)
Prepaid expenses and other current assets	143,467	(141,600)
Other assets	3,514	44,446
Accounts payable and due to Forward China	1,856,340	2,306,277
Deferred income	251,183	(297,383)
Net changes in operating lease liabilities	44,076	49,258
Accrued expenses and other current liabilities	624,409	(87,427)
Net cash provided by/(used in) operating activities	1,534,788	(528,311)
Investing Activities:		
Purchases of property and equipment	(169,631)	(67,207)
Net cash used in investing activities	(169,631)	(67,207)
Financing Activities:		
Proceeds from line of credit borrowings	–	150,000
Repayment of line of credit borrowings	–	(1,150,000)
Repayment of notes payable	–	(156,798)
Repayment of note payable to Forward China	(200,000)	–
Proceeds from stock options exercised	–	267,711
Repayments of finance leases	–	(29,657)
Net cash used in financing activities	(200,000)	(918,744)
Net increase/(decrease) in cash	1,165,157	(1,514,262)
Cash at beginning of year	1,410,365	2,924,627
Cash at end of year	$ 2,575,522	$ 1,410,365
Supplemental Disclosures of Cash Flow Information:		
Cash paid for interest	$ 123,411	$ 154,510
Cash paid for taxes	$ 10,856	$ 8,389
Supplemental Disclosures of Non-Cash Information:		
Operating lease assets obtained in exchange for operating lease liabilities	$ 204,881	$ 565,590

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

NOTE 1 OVERVIEW

Business

Forward Industries, Inc. (“Forward”, “we”, “our”, or the “Company”), is a global design, manufacturing, sourcing and distribution group serving top tier medical and technology customers worldwide. As a result of the continued expansion of our design development capabilities through our wholly-owned subsidiaries, IPS and Kablooe, the Company is able to introduce proprietary products to the market from concepts brought to it from a number of different sources, both inside and outside the Company.

The Company’s design division provides hardware and software product design and engineering services to customers predominantly located in the U.S. The Company’s OEM distribution division sources and sells carrying cases and other accessories for medical monitoring and diagnostic kits as well as a variety of other portable electronic and non-electronic devices to original equipment manufacturers (“OEM”s), or their contract manufacturers worldwide, that either package our products as accessories “in box” together with their branded product offerings or sell them through their retail distribution channels. The Company’s retail distribution division sources and sells smart-enabled furniture, hot tubs and various other products through various online retailer websites to customers predominantly located in the U.S.

The Company does not manufacture any of its OEM or retail products and sources substantially all of these products from independent suppliers in China, through Forward Industries Asia-Pacific Corporation, a British Virgin Islands corporation (“Forward China”). See Note 13.

Liquidity

In Fiscal 2022, the Company generated a net loss of $1,378,000 and $1,535,000 of cash flows from operating activities. Based on our forecasted cash flows, we believe our existing cash balance and working capital will be sufficient to meet our liquidity needs through at least December 31, 2023.

Impact of COVID-19

The effects of the COVID-19 pandemic continue to impact the retail and OEM distribution segments of our business. The increase in global consumer demand, coupled with the global shipping container shortage, dramatically increased demand for both ocean freight and ground transportation. These factors led to a significant increase in freight costs, particularly from the Asia-Pacific region and most notably in Fiscal 2022. Labor shortages at U.S. ports and in ground transportation services caused container ships to spend a significant amount of time waiting for goods to be unloaded and to arrive at our warehouses. These factors caused an increase in the demand for and cost of ground transportation and delayed consumer availability for many of our products in Fiscal 2022. The timing and extent of these COVID-19 related transportation disruptions are still largely unknown but are expected to continue into Fiscal 2023.

The effects of the pandemic had a lesser impact on the design segment of our business. Rising inflation caused an increase in the cost of acquiring and retaining our employees, particularly in the second half of Fiscal 2022. The timing and extent of future inflation is difficult to predict, but we expect these rising costs to continue into Fiscal 2023.

The effects of COVID-19 may further impact our business in ways we cannot predict, and such impacts could be significant. The current economic conditions may continue to negatively impact our results of operations, cash flows and financial position in future periods as well as that of our customers, including their ability to pay for our products and services and to choose to allocate their budgets to new or existing projects which may or may not require our products and services. The long-term financial impact on our business cannot be reasonably estimated at this time. As a result, the effects of COVID-19 may not be fully reflected in our financial results until future periods.

Until the effects of the pandemic have fully receded, we expect business conditions to remain challenging. In response to these challenges, we will continue to focus on those factors that we can control: closely managing and controlling our expenses and inventory levels; aligning our design and development schedules with demand in a proactive manner to minimize our cash operating costs; pursuing further improvements in the productivity and effectiveness of our development, selling and administrative activities and, where appropriate, taking advantage of opportunities to enhance our business growth and strategy.

NOTE 2 ACCOUNTING POLICIES

Use of Estimates

The preparation of the Company's consolidated financial statements in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") 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. Within this report, certain dollar amounts and percentages have been rounded to their approximate values.

The extent to which COVID-19 may impact our financial condition or results of operations is uncertain. As of the date of issuance of this report, we are not aware of any specific events or circumstances that would require us to update our estimates or judgments or adjust the carrying amount of our assets or liabilities.

Basis of Presentation

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

Segment Reporting

The Company has three reportable segments: OEM distribution, retail distribution and design. The OEM distribution segment sources and sells carrying cases and other accessories for medical monitoring and diagnostic kits and a variety of other portable electronic and non-electronic devices (such as sporting and recreational products, bar code scanners, GPS location devices, tablets and firearms) on a made-to-order basis that are customized to fit the products sold by our OEM customers worldwide. The retail distribution segment sources and sells smart-enabled furniture, hot tubs and a variety of other products through various online retailer websites to customers predominantly located in the U.S. The design segment consists of two operating segments (IPS and Kablooe, which have been aggregated into one reportable segment) that provide a full spectrum of hardware and software product design and engineering services to customers predominantly located in the U.S. See Note 15 for more information on segments.

Goodwill

The Company reviews goodwill for impairment at least annually, or more often if triggering events occur. The Company has two reporting units with goodwill (the IPS and Kablooe operating segments) and we perform our annual goodwill impairment test on September 30, the end of the fiscal year, or upon the occurrence of a triggering event. The Company has the option to perform a qualitative assessment to determine if an impairment is more likely than not to have occurred. If the Company can support the conclusion that it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, then the Company would not need to perform a quantitative impairment test for the reporting unit. If the Company cannot support such a conclusion or does not elect to perform the qualitative assessment, then the Company will perform the quantitative impairment test by comparing the fair value of the reporting unit with its carrying amount, including goodwill. If the fair value of the reporting unit exceeds its carrying amount, no impairment charge is recognized. If the fair value of the reporting unit is less than its carrying amount, an impairment charge will be recognized for the amount by which the reporting unit's carrying amount exceeds its fair value. A significant amount of judgment is required in performing goodwill impairment tests including estimating the fair value of a reporting unit. Management evaluated and concluded there were no indications of impairment of goodwill in Fiscal 2022 or 2021.

Intangible Assets

Intangible assets include trademarks and customer relationships, which were acquired as part of the acquisitions of IPS in Fiscal 2018 and Kablooe in Fiscal 2020 and are amortized over their estimated useful lives, which are periodically evaluated for reasonableness.

Our intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In assessing the recoverability of our intangible assets, we must make estimates and assumptions regarding future cash flows and other factors to determine the fair value of the respective assets. These estimates and assumptions could have a significant impact on whether an impairment charge is recognized and the magnitude of any such charge. Fair value estimates are made at a specific point in time, based on relevant information. These estimates are subjective in nature and involve uncertainties and matters of significant judgments and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates. If these estimates or material related assumptions change in the future, we may be required to record impairment charges related to our intangible assets. Management evaluated and concluded that there were no indications of impairments of intangible assets at September 30, 2022 or 2021.

Cash

The Company maintains cash deposits in banks with financial institutions in the United States (that at times may exceed federally insured limits of $250,000 per financial institution) and Switzerland. At September 30, 2022 and 2021, there were deposits totaling $2,037,000 (which includes $467,000 in a foreign bank) and $805,000 (which includes $436,000 in a foreign bank), respectively, held in excess of federally insured limits. Historically, we have not experienced any losses due to such cash concentrations.

Accounts Receivable

Accounts receivable consist of unsecured trade accounts with customers in amounts that have been invoiced ($7,861,000 and $8,864,000 at September 30, 2022 and 2021, respectively) and contract assets as described further below under the heading “Revenue Recognition.” The Company maintains an allowance for doubtful accounts, which is recorded as a reduction to accounts receivable on the consolidated balance sheets. Collectability of accounts receivable is estimated by evaluating the number of days accounts are outstanding, customer payment history, recent payment trends and perceived creditworthiness, adjusted as necessary based on specific customer situations. At September 30, 2022 and 2021, the Company had allowances for doubtful accounts of $0 and $90,000, respectively, for the OEM distribution segment, $20,000 and $0, respectively, for the retail segment and $852,000 and $706,000, respectively, for the design segment.

The Company has agreements with various retailers which contain different terms for trade discounts, promotional and other sales allowances. At September 30, 2022, 2021 and 2020, the Company recorded accounts receivable allowances of $55,000, $0 and $0, respectively, for the retail distribution segment.

In Fiscal 2019, the Company recorded bad debt expense of $1,626,000 to fully reserve accounts receivable deemed uncollectible from a customer. In Fiscal 2020, the Company converted the amount outstanding from this customer into a non-negotiable secured promissory note with interest that accrues at a rate of 8% per annum and reclassified the related allowance for doubtful accounts to an allowance on the note receivable. The Company received $101,000 from this customer in Fiscal 2021, of which $89,000 was applied to past due interest and penalties and recorded as interest income, and $12,000 was applied to principal and recorded as a recovery of bad debt expense as a reduction of general and administrative expense. No payments were received from this customer in Fiscal 2022.

Inventories

Inventories consist primarily of finished goods and are stated at the lower of cost (determined by the first-in, first-out method) or net realizable value. Based on management's estimates, an allowance is made to reduce excess, obsolete, or otherwise unsellable inventories to net realizable value. The allowance is established through charges to cost of sales in the Company's consolidated statements of operations. 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, 2022 and 2021, the allowance for slow-moving inventory, which relates entirely to our retail segment, was $535,000 and $50,000, respectively.

Property and Equipment

Property and equipment consist of computer hardware and software, furniture, fixtures and equipment 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 lives for all property and equipment ranges from three to five years.

Leases

Lease assets and liabilities are recognized at lease commencement date based on the present value of lease payments over the lease term, using the Company's incremental borrowing rate commensurate with the lease term, since the Company's lessors do not provide an implicit rate, nor is one readily available. The Company has certain leases that may include an option to renew and when it is reasonably probable to exercise such option, the Company will include the renewal option terms in determining the lease asset and lease liability. Lease assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease. Lease expense for lease payments is recognized on a straight-line basis over the lease term. Operating lease assets are shown as right of use assets and financing lease assets are a component of property and equipment on the consolidated balance sheets. The current and long-term portions of operating and financing lease liabilities are shown separately as such on the consolidated balance sheets.

Income Taxes

The Company recognizes 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 carryforwards to the extent that realization of these benefits is more likely than not. At September 30, 2022, there was no change to our assessment that a full valuation allowance was required against all net deferred tax assets as it is not probable that such deferred tax assets will be realized. Accordingly, any deferred tax provision or benefit was offset by an equal and opposite change to the valuation allowance. Our income tax provision or benefit is generally not significant due to the existence of significant net operating loss carryforwards.

Revenue Recognition

OEM Distribution Segment

The OEM distribution segment recognizes revenue when: (i) finished goods are shipped to its customers (in general, these conditions occur at either point of shipment or point of destination, depending on the terms of sale and transfer of control); (ii) there are no other deliverables or performance obligations; and (iii) there are no further obligations to the customer after the title of the goods has transferred. If the Company receives consideration before achieving the criteria previously mentioned, it records a contract liability, which is classified as a component of deferred income in the accompanying consolidated balance sheets. The OEM distribution segment had no contract liabilities at September 30, 2022, 2021 or 2020.

Retail Distribution Segment

The retail distribution segment sells products primarily through online websites operated by authorized third-party retailers. Revenue is recognized when control (as defined in ASC 606, "Revenue from Contracts with Customers") of the related goods is transferred to the retailer, which generally occurs upon shipment to the end customer. Other than product delivery, the retail distribution segment does not typically have other deliverables or performance obligations associated with its products. Revenue is measured as the amount of consideration expected to be received in exchange for the products provided, net of allowances taken by retailers for product returns and any taxes collected from customers that will be remitted to governmental authorities. When the Company receives consideration before achieving the criteria previously mentioned, it records a contract liability, which is classified as a component of deferred income in the accompanying consolidated balance sheets. The retail distribution segment had contract liabilities of $0, $0 and $75,000 at September 30, 2022, 2021 and 2020, respectively.

Design Segment

The Company applies the "cost to cost" and "right to invoice" methods of revenue recognition to the contracts with customers in the design segment. The design segment typically engages in two types of contracts: (i) time and material and (ii) fixed price. The Company recognizes revenue over time on its time and material contracts utilizing a "right to invoice" method. Revenues from fixed price contracts that require performance of services that are not related to the production of tangible assets are recognized by using cost inputs to measure progress toward the completion of its performance obligations, or the "cost to cost" method. Revenues from fixed price contracts that contain specific deliverables are recognized when the performance obligation has been satisfied or the transfer of goods to the customer has been completed and accepted.

Recognized revenues that will not be billed until a later date, or contract assets, are recorded as an asset and classified as a component of accounts receivable in the accompanying consolidated balance sheets. The design segment had contract assets of $609,000, $693,000, $649,000 at September 30, 2022, 2021 and 2020, respectively. Contracts where collections to date have exceeded recognized revenues, or contract liabilities, are recorded as a liability and classified as a component of deferred income in the accompanying consolidated balance sheets. The design segment had contract liabilities at of $439,000, $188,000, $410,000 at September 30, 2022, 2021 and 2020, respectively.

Shipping and Handling Fees

The Company includes shipping and handling fees billed to customers in net revenues and the related transportation costs in cost of sales.

Foreign Currency Transactions

The Company's functional currency is the U.S. dollar. 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 or expense in the accompanying consolidated statements of operations. The approximate net losses from foreign currency transactions were $13,000 and $5,000 for Fiscal 2022 and 2021, respectively. Such foreign currency transaction losses were primarily the result of euro denominated revenues from certain customers.

Fair Value Measurements

We perform fair value measurements in accordance with the guidance provided by ASC 820, "Fair Value Measurement." ASC 820 defines fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities required to be recorded at their fair values, we consider the principal or most advantageous market in which we would transact and consider assumptions that market participants would use when pricing the assets or liabilities, such as inherent risk, transfer restrictions, and risk of nonperformance.

ASC 820 establishes a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. An asset's or liability's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. ASC 820 establishes three levels of inputs that may be used to measure fair value:

- Level 1: quoted prices in active markets for identical assets or liabilities;
- Level 2: inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices in active markets for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities; or
- Level 3: unobservable inputs that are supported by little or no market activity and that are significant to the fair values of the assets or liabilities.

Share-Based Compensation Expense

The Company estimates the fair value of employee and non-employee director share-based compensation on the date of grant 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. The fair value of employee and non-employee director share-based compensation is recognized in the consolidated statements of operations over the related service or vesting period of each grant. 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 (see Note 8).

Business Combinations

The Company allocates the fair value of purchase consideration to the tangible and intangible assets acquired and liabilities assumed based on their estimated fair values. The excess of the purchase consideration over the fair values of these identifiable assets and liabilities is recorded as goodwill. When determining the fair values of assets acquired and liabilities assumed, the Company makes significant estimates and assumptions, especially with respect to intangible assets.

Critical estimates in valuing certain intangible assets include, but are not limited to, future expected cash flows from customer relationships and developed technology, discount rates and terminal values. Our estimates of fair value are based upon assumptions believed to be reasonable, but actual results may differ from estimates. Other estimates associated with the accounting for acquisitions may change as additional information becomes available regarding the assets acquired and liabilities assumed.

Recent Accounting Pronouncements

In November 2019, the FASB issued ASU 2019-11, “Codification Improvements to Topic 326, Financial Instruments – Credit Losses.” ASU 2019-11 is an accounting pronouncement that provides clarity to and amends earlier guidance on this topic and would be effective concurrently with the adoption of such earlier guidance. This pronouncement is effective for the Company for fiscal years beginning after December 15, 2022 and interim periods within those fiscal years. The Company is currently evaluating the effects of this pronouncement on its consolidated financial statements.

In December 2019, the FASB issued ASU 2019-12 “Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes.” This guidance removes certain exceptions to the general principles in Topic 740 and provides consistent application of U.S. GAAP by clarifying and amending existing guidance. The effective date of the new guidance for public companies is for fiscal years beginning after December 15, 2020 and interim periods within those fiscal years. Early adoption is permitted. The Company adopted this guidance in the first quarter of fiscal 2022 with no material impact to its consolidated financial statements.

NOTE 3 INTANGIBLE ASSETS AND GOODWILL

Intangible Assets

The Company's intangible assets consist of the following:

	September 30, 2022			September 30, 2021		
	Trademarks	Customer Relationships	Total Intangible Assets	Trademarks	Customer Relationships	Total Intangible Assets
Gross carrying amount	$ 585,000	$ 1,390,000	$ 1,975,000	$ 585,000	$ 1,390,000	$ 1,975,000
Less accumulated amortization	(164,000)	(705,000)	(869,000)	(125,000)	(531,000)	(656,000)
Net carrying amount	$ 421,000	$ 685,000	$ 1,106,000	$ 460,000	$ 859,000	$ 1,319,000

The Company's intangible assets were acquired as a result of the acquisitions of Kablooe and IPS in Fiscal 2020 and Fiscal 2018, respectively, and relate to the design segment of our business. Intangible assets are amortized over their expected useful lives of 15 years for the trademarks and 8 years for the customer relationships. During Fiscal 2022 and Fiscal 2021, the Company recorded amortization expense related to intangible assets of $213,000, which is included in general and administrative expenses in the Company's consolidated statements of operations.

At September 30, 2022, estimated amortization expense for the Company's intangible assets for each of the next five years and thereafter is as follows:

Fiscal 2023	$ 213,000
Fiscal 2024	213,000
Fiscal 2025	213,000
Fiscal 2026	121,000
Fiscal 2027	81,000
Thereafter	265,000
Total	$ 1,106,000

Goodwill

Goodwill represents the future economic benefits of assets acquired in a business combination that are not individually identified or separately recognized. The Company's goodwill resulted from the acquisitions of Kablooe and IPS in Fiscal 2020 and Fiscal 2018, respectively. The goodwill associated with the IPS acquisition is not deductible for tax purposes, but the goodwill associated with the Kablooe acquisition is deductible for tax purposes. All of the Company's goodwill is held under the design segment of our business.

NOTE 4 PROPERTY AND EQUIPMENT

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

	September 30, 2022	September 30, 2021
Computer hardware and software	$ 473,000	$ 483,000
Furniture and fixtures	67,000	159,000
Equipment	74,000	52,000
Property and equipment, cost	614,000	694,000
Less accumulated depreciation and amortization	(373,000)	(526,000)
Property and equipment, net	$ 241,000	$ 168,000

Depreciation expense was $96,000 and $115,000 for Fiscal 2022 and Fiscal 2021, respectively.

NOTE 5 FAIR VALUE MEASUREMENTS

The earnout consideration of $70,000 at September 30, 2022 and 2021 represents the fair value of the contingent earnout consideration related to the acquisition of Kablooe, which provides annual contingent earnout payments based on results of operations through August 2025. The current and non-current portions of this liability are shown in the corresponding categories on the consolidated balance sheets in each period presented. The fair value of the earnout liability is measured on a recurring basis at each reporting date using a Black-Scholes valuation model with the following inputs and assumptions, which are categorized within level three of the fair value hierarchy:

	September 30, 2022	September 30, 2021
Volatility	40%	40%
Risk-free interest rate	4.1%	0.3%
Expected term in years	0.4 - 2.4	0.5 - 3.4
Dividend yield	-	-

In Fiscal 2022, there were no changes to the total fair value of this earnout liability. In Fiscal 2021, the Company reduced this liability from $90,000 to $70,000 based on changes in the expected likelihood of Kablooe reaching the specified earnings targets.

NOTE 6 ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

Accrued expenses and other current liabilities at September 30, 2022 and 2021 are as follows:

	September 30, 2022	September 30, 2021
Accrued commissions/bonuses	$ 722,000	$ 127,000
Paid time off	228,000	241,000
Other	201,000	161,000
Total	$ 1,151,000	$ 529,000

NOTE 7 SHAREHOLDERS' EQUITY

"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, 100,000 shares have been authorized as the Series A Participating Preferred Stock. There were no shares of preferred stock issued or outstanding at September 30, 2022 or 2021.

Warrants

At September 30, 2022, the Company had 151,000 warrants outstanding and exercisable. The warrants have exercise prices ranging from $1.75 to $1.84 per share and have a weighted average exercise price of $1.80 per share. At September 30, 2022, 76,000 of these warrants have a remaining life of 0.9 years and 75,000 warrants have an expiration date 90 days after a registration statement registering common stock (other than pursuant to an employee benefit plan) is declared effective by the Securities and Exchange Commission.

Other Activity

In Fiscal 2021, the Company issued 177,000 shares of its common stock pursuant to the exercise of stock options (see Note 8).

NOTE 8 SHARE-BASED COMPENSATION

2021 Equity Incentive Plan

In February 2021, shareholders of the Company approved the 2021 Equity Incentive Plan (the "2021 Plan"), which is administered by the Compensation Committee of the Board of Directors and authorizes 1,291,000 shares of common stock for grants of various types of equity awards to officers, directors, employees and consultants. Upon approval of the 2021 Plan, no additional awards were granted under the 2011 Long Term Incentive Plan (the "2011 Plan"), which expired according to its terms in March 2021. Shares authorized under the 2021 Plan include 1,000,000 new shares and 291,000 shares that remained available under the 2011 Plan. Awards which are forfeited or expire are eligible for regrant under the 2021 Plan. The exercise prices of stock options granted may not be less than the fair market value of the common stock as quoted on the Nasdaq stock market on the grant date and the expiration date of option awards may not exceed 10 years. At September 30, 2022, there were 1,014,000 shares of common stock available for grants under the 2021 Plan.

2011 Long Term Incentive Plan

In March 2011, shareholders of the Company approved the 2011 Plan, which originally authorized 850,000 shares of common stock for grants of various types of equity awards to officers, directors, employees, consultants, and independent contractors. In February 2018, the shareholders of the Company approved an amendment to the 2011 Plan to increase the aggregate number of shares of the Company's common stock authorized for issuance under the 2011 Plan by 1,000,000 shares of common stock, from 850,000 shares of common stock to 1,850,000 shares of common stock. Upon approval of the 2021 Plan, no additional awards were granted under the 2011 Plan, which expired according to its terms in March 2021.

Stock Options

The fair value of option awards is estimated on the date of grant using the Black-Scholes option pricing model that uses the assumptions in the following table. 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” option grants. The expected volatility used is based on the historical price of the Company’s stock over the most recent period commensurate with the expected term of the award. The risk-free interest rate used is based on the implied yield of U.S. Treasury zero-coupon issues with a remaining term equivalent to the award’s expected term. 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 accounts for forfeitures in the period they occur.

In applying the Black-Scholes option pricing model to options granted, the Company used the following assumptions:

	Fiscal 2022	Fiscal 2021
Expected term (years)	2.5 - 5.0	–
Expected volatility	68.8% - 78.6%	–
Risk free interest rate	0.4% - 3.1%	–
Expected dividends	–	–

The Company made no grants of stock options or other equity awards in Fiscal 2021. In Fiscal 2022, the Company made the following option grants:

- Options to current and former non-employee directors to purchase an aggregate of 297,000 shares of its common stock. The options were granted throughout Fiscal 2022, expire five to ten years from the date of grant, 145,000 vested immediately, 129,000 vest one year from the date of grant and 23,000 were forfeited prior to vesting. These options had an aggregate grant date fair value of $245,000, which is being recognized ratably over the vesting period.
- Options to an employee to purchase 27,000 shares of its common stock. These options were granted in January and July of 2022, vest ratably over two years, expire five years from the date of grant and had an aggregate grant date fair value of $20,000, which is being recognized ratably over the vesting period.

The options granted during Fiscal 2022 had a weighted average grant date fair value of $0.82 per share. The Company recognized compensation expense for stock option awards of $201,000 and $69,000 during Fiscal 2022 and Fiscal 2021, respectively, which was recorded as a component of general and administrative expenses in its consolidated statements of operations.

No options were exercised during Fiscal 2022. During Fiscal 2021, the Company issued 177,000 shares of its common stock pursuant to the exercise of stock options for aggregate cash proceeds of $268,000, which had an aggregate intrinsic value of $306,000.

At September 30, 2022, there was $48,000 of unrecognized compensation cost related to nonvested stock option awards that is expected to be recognized over a weighted average period of 0.6 years.

The following table summarizes stock option activity during Fiscal 2022:

	Number of Options		Weighted Average Exercise Price	Weighted Average Remaining Life (Yrs.)		Aggregate Intrinsic Value
Outstanding at September 30, 2021	928,000	$	1.43			
Granted	324,000	$	1.73			
Exercised	–	$	–			
Forfeited	(23,000)	$	1.90			
Expired	(144,000)	$	1.60			
Outstanding at September 30, 2022	1,085,000	$	1.48	2.6	$	26,920
Exercisable at September 30, 2022	938,000	$	1.45	2.3	$	26,920

Options outstanding at September 30, 2022 have an exercise price between $1.13 and $2.39 per share.

NOTE 9 INCOME TAXES

The following table summarizes the Company's consolidated provision for U.S. federal, state and foreign taxes on income:

		Fiscal 2022		Fiscal 2021
Current:				
Federal	$	–	$	–
State		3,000		–
Foreign		–		–
Deferred:				
Federal		(224,000)		(506,000)
State		6,000		(47,000)
Foreign		(22,000)		(146,000)
		(237,000)		(699,000)
Change in valuation allowance		240,000		699,000
Income tax provision	$	3,000	$	–

The deferred tax provision/(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 carryforwards and changes in tax rates during the fiscal year. The Company’s deferred tax assets and liabilities are comprised of the following:

	September 30, 2022	September 30, 2021
Deferred tax assets		
Net operating losses	$ 2,006,000	$ 2,093,000
Share-based compensation	220,000	175,000
Excess tax over book basis in inventory	101,000	43,000
Reserves and other allowances	649,000	569,000
Accrued compensation	70,000	15,000
Interest expense limitation	48,000	40,000
Other items	18,000	16,000
Total deferred tax assets	3,112,000	2,951,000
Deferred tax liabilities		
Depreciation	(12,000)	(18,000)
Prepaid expenses	(96,000)	(131,000)
Intangible assets	(178,000)	(216,000)
Total deferred tax liabilities	(286,000)	(365,000)
Valuation allowance	(2,826,000)	(2,586,000)
Net deferred tax assets	$ –	$ –

The Company recorded a provision for income taxes which includes net expense of $3,000 and $0 in Fiscal 2022 and 2021, respectively. The Fiscal 2022 expense of $3,000 is for state income tax expenses in states where net operating loss carryforwards (“NOLs”) were not available.

At September 30, 2022, the Company had available net NOLs for U.S. federal income tax purposes of $6,940,000 and NOLs for state income tax purposes of $978,000. NOLs generated prior to 2018 expire beginning in 2031 while NOLs generated after 2018 have an indefinite carryforward period. The NOLs result in a deferred tax asset of $1,680,000 with respect to U.S. federal income taxes and $40,000 with respect to state income taxes. In addition, at September 30, 2022, the Company had available NOLs for foreign income tax purposes of $1,569,000, resulting in a deferred tax asset of $283,000, expiring through 2028. Total net deferred tax assets, before valuation allowance, were $2,826,000 and $2,586,000 at September 30, 2022 and 2021, respectively. Undistributed earnings of the Company's foreign subsidiaries are considered permanently reinvested; therefore, in accordance with U.S. GAAP, no provision for U.S. federal or state income taxes would result. In Fiscal 2022, Forward Switzerland had a net loss for tax purposes of $45,000 and Forward UK had net income for tax purposes of $150,000.

At September 30, 2022, 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, including, among others, projections of future taxable income, current year NOL 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 remaining deferred tax assets, except with respect to the U.S. federal income taxes in the event the Company elects to effect repatriation of certain foreign source income of Forward Switzerland, which income is currently considered to be permanently reinvested and for which no U.S. tax liability has been accrued. Accordingly, the Company has determined to maintain a full valuation allowance against its net deferred tax assets. At September 30, 2022 and 2021, the valuation allowance was $2,826,000 and $2,586,000, respectively. In the future, the utilization of the Company's NOLs may be subject to certain change of control limitations. If the Company determines that it will be able to use some or all of its deferred tax assets in a future reporting period, the adjustment to reduce or eliminate the valuation allowance would reduce its income tax expense and increase after-tax income.

The significant elements contributing to the difference between the U.S. federal statutory tax rate and the Company's effective tax rate are as follows:

	Fiscal 2022	Fiscal 2021
U.S. federal statutory rate	21.0%	21.0%
State tax rate, net of federal benefit	3.0%	(8.3%)
Foreign rate differential	2.9%	(2.6%)
Tax return to provision adjustments	(1.9%)	(78.8%)
Effect of state tax rate change	(3.8%)	(7.8%)
Change in valuation allowance	(20.3%)	129.9%
Permanent differences	(1.1%)	(53.4%)
Effective tax rate	(0.2%)	0.0%

In December 2020, the Company received approval of its application for forgiveness of its note payable related to the Paycheck Protection Program (the "PPP loan") in the aggregate principal amount of $1,357,000, which was not recognized as taxable income pursuant to the CARES Act. Pursuant to the Consolidated Appropriations Act, 2021, which was enacted by Congress and signed into law by the President on December 27, 2020, all expenses utilizing funds from PPP loans will be deductible against taxable income.

At September 30, 2022 and 2021, the Company had not accrued any interest or 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. For the periods presented in the accompanying consolidated statements of operations, no material income tax related interest or penalties were assessed or recorded. All fiscal years prior to the fiscal year ended September 30, 2019 are closed to federal and state examination.

NOTE 10 EARNINGS PER SHARE

Basic earnings 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 earnings 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 shares that would be issued upon the exercise of stock options and warrants, computed using the treasury stock method. A reconciliation of basic and diluted earnings/loss per share is as follows:

	For the Fiscal Years Ended September 30,	
	2022	2021
Numerator:		
Net (loss)/income	$ (1,378,000)	$ 524,000
Denominator:		
Weighted average common shares outstanding	10,061,000	9,950,000
Dilutive common share equivalents	–	493,000
Weighted average dilutive shares outstanding	10,061,000	10,443,000
(Loss)/earnings per share:		
Basic	$ (0.14)	$ 0.05
Diluted	$ (0.14)	$ 0.05

There were no anti-dilutive securities excluded from the calculation of diluted earnings per share in Fiscal 2021. The following securities were excluded from the calculation of diluted earnings per share in Fiscal 2022 because their inclusion would have been anti-dilutive:

	Fiscal 2022
Options	1,085,000
Warrants	151,000
Total potentially dilutive shares	1,236,000

NOTE 11 COMMITMENTS AND CONTINGENCIES

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, 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.

In February 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 $77,000 at September 30, 2022) 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 revenues 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 it renews automatically for one-year periods on February 28 of each subsequent year unless Forward Switzerland provides the Swiss bank with written notice of termination at least 60 days prior to the renewal date. 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 $467,000 at September 30, 2022). At September 30, 2022, the Company had not incurred a liability in connection with this guarantee.

Legal Proceedings

From time to time, the Company may become a party to legal actions or proceedings in the ordinary course of its business. At September 30, 2022, there were no such actions or proceedings, either individually or in the aggregate, that, if decided adversely to its interests, the Company believes would be material to its business.

NOTE 12 LEASES

The Company's operating leases are primarily for corporate, engineering and administrative office space. Total operating lease expense in Fiscal 2022 was $631,000, of which $57,000 was recorded in sales and marketing expenses and $574,000 was recorded in general and administrative expenses on the consolidated statements of operations. Total operating lease expense in Fiscal 2021 was $611,000, of which $55,000 was recorded in sales and marketing expenses and $556,000 was recorded in general and administrative expenses on the consolidated statements of operations. Cash paid for amounts included in operating lease liabilities in Fiscal 2022 and Fiscal 2021, which have been included in cash flows from operating activities, was $601,000 and $489,000, respectively.

At September 30, 2022, the Company's operating leases had a weighted average remaining lease term of 8.4 years and a weighted average discount rate of 5.7%.

Future minimum payments under non-cancellable operating leases are as follows:

Fiscal 2023	$	575,000
Fiscal 2024		592,000
Fiscal 2025		556,000
Fiscal 2026		510,000
Fiscal 2027		419,000
Thereafter		1,979,000
Total future minimum lease payments		4,631,000
Less imputed interest		(1,003,000)
Total	$	3,628,000

NOTE 13 RELATED PARTY TRANSACTIONS

Buying Agency and Supply Agreement

The Company has a Buying Agency and Supply Agreement (the "Supply Agreement") with Forward China. The Supply Agreement provides that, upon the terms and subject to the conditions set forth therein, Forward China will act as the Company's exclusive buying agent and supplier of Products (as defined in the Supply Agreement) in the Asia-Pacific region. The Company purchases products at Forward China's cost and pays to Forward China a monthly service fee equal to the sum of (i) $100,000, and (ii) 4% of "Adjusted Gross Profit", which is defined as the selling price less the cost from Forward China. The Supply Agreement expires October 22, 2023. Terence Wise, Chief Executive Officer and Chairman of the Company, is the owner of Forward China. In addition, Jenny P. Yu, a Managing Director of Forward China, beneficially owns more than 5% of the Company's common stock. The Company recorded service fees to Forward China of $1,398,000 and $1,404,000 during Fiscal 2022 and Fiscal 2021, respectively, which are included as a component of cost of sales upon sales of the related products.

The Company has a separate agreement with Forward China to address the potential impact of customers sourcing directly from Forward China. In the event a customer bypasses the services of the Company and does business directly with Forward China, Forward China will pay a commission of 50% of the net revenue, less direct costs, generated from the products or services sold. The Company recognized revenue of $12,000 of commissions related to this agreement in Fiscal 2021. No commissions were recognized in Fiscal 2022.

The Company made prepayments to Forward China for inventory purchases of $20,000 and $317,000 at September 30, 2022 and 2021, respectively, which are included in prepaid expenses and other current assets on the consolidated balance sheets.

Promissory Note

On January 18, 2018, the Company issued a $1,600,000 unsecured promissory note payable to Forward China to fund the acquisition of IPS. The promissory note bears interest at a rate of 8% per annum and had an original maturity date of January 18, 2019. Monthly interest payments commenced on February 18, 2018, with the principal due at maturity. The Company incurred and paid interest associated with this note of $122,000 and $128,000 in Fiscal 2022 and Fiscal 2021, respectively. The maturity date of this note was extended to December 31, 2024. The maturity date of the note has been extended on several occasions to assist the Company with liquidity. The Company made principal payments of $200,000 on this note during Fiscal 2022.

Other Related Party Activity

In October 2020, the Company began selling smart-enabled furniture, which is sourced by Forward China and sold in the U.S. under the Koble brand name. The Koble brand is owned by The Justwise Group Ltd. ("Justwise") a company owned by Terence Wise, Chief Executive Officer and Chairman of the Company. The Company recognized revenues from the sale of Koble products of $1,741,000 and $1,493,000 in Fiscal 2022 and Fiscal 2021, respectively.

The Company entered into an agreement with Justwise effective March 1, 2022, under which (i) Justwise will perform design and marketing services related to the Koble products sold by the Company and (ii) the Company was granted a license to sell Koble products. In exchange for such services, the Company will pay Justwise $10,000 per month plus 1% of the cost of Koble products purchased from Forward China. This agreement is effective until August 31, 2023, may be extended thereafter for a mutually agreed upon term and can be terminated thereafter by either party giving three months' notice. The Company incurred costs of $90,000 under this agreement for Fiscal 2022, of which $84,000 was included in selling and marketing expenses and $6,000 is included as a component of cost of sales upon sales of the related products. The Company had accounts payable to Justwise of $15,000 and $1,000 at September 30, 2022 and 2021, respectively.

The Company recorded revenue from a customer whose principal owner is an immediate family member of Jenny P. Yu, a shareholder of the Company and managing director of Forward China. The Company recognized revenues from this customer of $780,000 and $418,000 in Fiscal 2022 and Fiscal 2021, respectively. The Company had no accounts receivable from this customer at September 30, 2022 or 2021.

A member of the Company's Audit, Governance and Compensation Committees of its Board of Directors is also a member of the Board of Directors of a company to whom the Company's OEM distribution segment sold products during Fiscal 2021. The Company recognized revenue of $13,000 and $63,000 from the sale of such products during Fiscal 2022 and 2021, respectively.

NOTE 14 401(k) PLAN

The Company maintains a 401(k) benefit plan allowing eligible employees to make pre-tax and/or after-tax contributions of a portion of their salary in amounts subject to IRS limitations. The Company made immediately vested contributions of $379,000 during Fiscal 2022, of which $313,000 was recorded to cost of sales, $16,000 was recorded to sales and marketing expense and $50,000 was recorded to general and administrative expense on the consolidated statement of operations. The Company made immediately vested matching contributions of $331,000 in Fiscal 2021, of which $260,000 was recorded to cost of sales and $71,000 was recorded to general and administrative expenses on the consolidated statement of operations.

NOTE 15 SEGMENTS AND CONCENTRATIONS

Segments

The Company has three reportable segments: OEM distribution, retail distribution and design. See Note 2 for more information on the composition and accounting policies of our reportable segments.

Our chief operating decision maker ("CODM") regularly reviews revenue and operating income for each segment to assess financial results and allocate resources. For our OEM and retail distribution segments, we exclude general and administrative and general corporate expenses from their measure of profitability as these expenses are not allocated to the segments and therefore not included in the measure of profitability used by the CODM. For the design segment, general and administrative expenses directly attributable to that segment are included in its measure of profitability as these expenses are included in the measure of its profitability reviewed by the CODM. We do not include intercompany activity in our segment results shown below to be consistent with the information that is presented to the CODM. Segment assets consist of accounts receivable and inventory, which are regularly reviewed by the CODM, as well as goodwill and intangible assets resulting from design segment acquisitions.

Information by segment and related reconciliations are shown in tables below:

	Revenues	
	Fiscal 2022	Fiscal 2021
OEM distribution	$ 18,036,000	$ 19,290,000
Retail distribution	4,130,000	3,183,000
Design	20,171,000	16,549,000
Total segment revenues	$ 42,337,000	$ 39,022,000

	Operating Income/(Loss)	
	Fiscal 2022	Fiscal 2021
OEM distribution	$ 905,000	$ 1,479,000
Retail distribution	(1,809,000)	(779,000)
Design	2,148,000	603,000
Total segment operating income	1,244,000	1,303,000
General corporate expenses	(2,484,000)	(2,068,000)
Total loss from operations	(1,240,000)	(765,000)
Other expense/(income), net	136,000	(1,289,000)
(Loss)/income before income taxes	$ (1,376,000)	$ 524,000

	Depreciation and Amortization	
	Fiscal 2022	Fiscal 2021
OEM distribution	$ 8,000	$ 7,000
Retail distribution	–	1,000
Design	301,000	319,000
Total	$ 309,000	$ 327,000

	Segment Assets	
	September 30,	
	2022	2021
OEM distribution	$ 4,276,000	$ 5,898,000
Retail distribution	3,816,000	2,178,000
Design	6,116,000	5,824,000
Total segment assets	14,208,000	13,900,000
General corporate assets	6,731,000	5,956,000
Total assets	$ 20,939,000	$ 19,856,000

Geographic Concentrations

The Company's long-lived assets consist of property and equipment and operating lease right of use assets, all of which are located in the United States. The following table sets forth our consolidated net revenues by country for Fiscal 2022 and Fiscal 2021:

	Revenues	
	Fiscal 2022	Fiscal 2021
United States	$ 29,490,000	$ 25,670,000
China	5,325,000	5,640,000
Germany	2,976,000	2,787,000
Poland	2,643,000	3,111,000
Other foreign countries	1,903,000	1,814,000
Total	$ 42,337,000	$ 39,022,000

Customer Concentrations

In Fiscal 2022 and Fiscal 2021, the Company had certain customers in the OEM distribution segment whose individual percentage of the Company's consolidated revenues was 10% or greater. Revenues from two of these customers or their affiliates or contract manufacturers represented 23.0% of the Company's consolidated net revenues in Fiscal 2022 and revenues from three of these customers or their affiliates or contract manufacturers represented 36.8% of the Company's consolidated net revenues in Fiscal 2021.

In Fiscal 2022, the Company had one customer in the design segment whose individual percentage of the Company's consolidated revenues was 10% or greater. Revenues from this customer represented 10.6% of the Company's consolidated net revenues in Fiscal 2022. There were no customers in the design segment whose individual percentage of the Company's consolidated net revenues was 10% or greater in Fiscal 2021.

At September 30, 2022 and 2021, the Company had customers in the OEM distribution segment whose accounts receivable balances accounted for 10% or more of the Company's consolidated accounts receivable. Accounts receivable from two customers or their affiliates or contract manufacturers represented 28.1% of the Company's consolidated accounts receivable at September 30, 2022 and accounts receivable from three customers or their affiliates or contract manufacturers represented 44.0% of the Company's consolidated accounts receivable at September 30, 2021.

Supplier Concentration

The Company's OEM and retail distribution segments procure substantially all their products through independent suppliers in China through Forward China. Depending on the product, Forward China may require several different suppliers to furnish component parts or pieces.

NOTE 16 LINE OF CREDIT

The Company, specifically IPS, has a $1,300,000 revolving line of credit with a bank which was renewed in February 2022. The line of credit has a maturity date of May 31, 2023, is guaranteed by the Company and is secured by all of IPS' assets. The interest rate on the line of credit is 0.75% above *The Wall Street Journal* prime rate. The effective interest rate was 7.0% and 4.0% at September 30, 2022 and 2021, respectively. In March 2021, the Company paid down the outstanding balance on the line of credit and $1,300,000 was available at September 30, 2022 and 2021. The Company is subject to certain debt-service ratio requirements which are measured annually. The Company was in compliance with such covenants at September 30, 2022.

NOTE 17 DEBT

On April 18, 2020, the Company entered into a PPP loan in an aggregate principal amount of $1,357,000. The loan was unsecured, bore interest at a rate of 1.0% per annum and was scheduled to mature on April 18, 2022. In October 2020, the Company filed for forgiveness of this loan and in December 2020, the Small Business Administration ("SBA") approved its forgiveness request. The forgiveness has been accounted for as an extinguishment of debt and the resulting gain has been recorded as forgiveness of note payable on the consolidated statement of operations for Fiscal 2021. There is a six-year period during which the SBA can review the Company's forgiveness.

Exhibit 4.2

<u>AMENDED AND RESTATED PROMISSORY NOTE</u>

U.S. $1,600,000[1] January 18, 2018

The undersigned maker, Forward Industries Inc, a New York Corporation ("<u>Borrower</u>") promises to pay to the order of Forward Industries (Asia-Pacific) Corporation ("<u>Lender</u>"), at 101, Building 13, Bishui Laintian,, New Century Villas, Dongguan City, Guandong Province, China, 523123, the principal sum of one million six hundred thousand Dollars (U.S. $1,600,000), together with interest accruing thereon from the date hereof at the rate and time hereinafter provided.

Interest (computed on the basis of a 360-day year for the actual number of days elapsed) on the outstanding balance of principal evidenced by this Note shall accrue at a rate per annum (the "<u>Applicable Interest Rate</u>") equal to eight percent (8%).

Interest only shall be due and payable on February 18, 2018, and on the 18^{th} day (or 17^{th} on the maturity date) of each month thereafter until December 31, 2024, at which time the entire principal and all accrued interest hereunder shall be immediately due and payable in full.

The failure of Borrower to pay to Lender promptly within five (5) days after written notice from Lender that amounts are due and payable under this Note shall constitute an event or default under this Note. At any time after the occurrence of any such event of default, the indebtedness evidenced by this Note and/or any note(s) or other obligation(s) which may be taken in renewal, extension, substitution or modification of all or any part of the indebtedness evidenced thereby and all other obligations of Borrower to Lender howsoever created and existing shall, at the option of the Lender in its sole discretion, immediately become due and payable without demand upon or notice to Borrower, and Lender shall be entitled to exercise all remedies as provided by law and/or equity.

Borrower hereby waives presentment for payment, demand, notice of dishonor and protest and agrees that (i) any collateral, lien or right of setoff securing any indebtedness evidenced by this Note may, from time to time, in whole or in part, be exchanged or released, and any person liable on or with respect to this Note may be released, all without notice to or further reservations of rights against Borrower, any endorser, surety or guarantor and all without in any way affecting or releasing the liability of Borrower, any endorser, surety or guarantor, and (ii) none of the terms or provisions hereof may be waived, altered, modified or amended except as Lender may consent thereto in writing.

Borrower hereby agrees to pay all out-of-pocket costs and expenses, including reasonable attorneys' fees, incurred by Lender in the collection of the indebtedness evidenced by this Note, in enforcing any of the rights, powers, remedies and privileges of Lender hereunder, or in connection with any further negotiations, modifications, releases, or otherwise incurred by Lender in connection with this Note. As used in this Note, the term "attorneys' fees" shall mean reasonable charges and expenses for legal services rendered to or on behalf of Lender in connection with the collection of the indebtedness evidenced by this Note at any time whether prior to the commencement of judicial proceedings and/or thereafter at the trial and/or appellate level and/or in pre-judgment and post-judgment or bankruptcy proceedings.

In no event shall the rate of interest charged under this Note exceed the rate that may legally be charged to Borrower for obligations of this nature under the laws of the State of Florida, and any interest that may be paid in excess of the legal limit shall, at the option of Lender, be refunded to Borrower or shall be applied towards payment of the principal obligation under this Note.

If any installment of interest, principal or principal and interest shall become overdue for a period in excess of ten (10) days, in addition to such payment, a "late charge" in the amount of five percent (5%) of such overdue payment shall be paid by Borrower to Lender on demand for the purpose of defraying the expenses incident to handling such delinquent payments.

[1] As for the filing date of the Form 10-K for the fiscal year ended September 30, 2022, the principal had been reduced to $1,400,000.

During the continuation of any default by Borrower in the payment of any installment of interest, principal or principal and interest under this Note, the interest rate provided herein shall be increased to a rate which shall be equal to the maximum rate of interest allowable under the laws of the State of Florida. Venue of any litigation arising in connection with this Note shall be in Palm Beach County, Florida.

To the extent that Lender receives any payment on account of any of Borrower's obligations, and any such payment(s) or any part thereof are subsequently invalidated, declared to be fraudulent or preferential, set aside, subordinate and/or required to be repaid to a trustee, receiver or any other person or entity under any bankruptcy act, state or federal law, common law or equitable cause, then, to the extent of such payment(s) received, Borrower's obligations or part thereof intended to be satisfied shall be revived and continue in full force and effect, as if such payment(s) had not been received by Lender and applied on account of Borrower's obligations.

Borrower agrees that this Note shall be deemed to have been made under and shall be governed by the laws of the State of Florida in all respects, including matters of construction, validity and performance. If any provisions of this Note shall be deemed unenforceable under applicable law, such provision shall be ineffective, but only to the extent of such unenforceability, without invalidating the remainder of such provision or the remaining provisions of this Note. All of the terms and provisions of this Note shall be applicable to and be binding upon each and every maker, endorser, surety, guarantor, all other persons who are or may become liable for the payment hereof and their heirs, personal representatives, successors or assigns.

BORROWER AND LENDER (BY ACCEPTING THIS NOTE) HEREBY MUTUALLY WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM BROUGHT BY EITHER BORROWER OR LENDER AGAINST THE OTHER AND BASED UPON, ARISING OUT OF, OR IN CONNECTION WITH, THIS NOTE OR OTHER DOCUMENTS EXECUTED IN CONNECTION WITH THE LOAN EVIDENCED BY THIS NOTE.

FORWARD INDUSTRIES, INC.

By:___________________________________
Name: _________________
Its: Chief Financial Officer

STATE OF _________________)
) SS:
COUNTY OF _______________)

The foregoing Promissory Note was acknowledged before me this _____ day of _______________, 20__, by ____________________, the _______________ of _______________ ____________________________________, a ____________________, on behalf of the _______________, ( ) who is personally known to me OR ( ) who produced ____ as identification.

____
Notary Signature

____
Print Notary Name

NOTARY PUBLIC
State of _______________ at Large

My Commission Expires:

Promissory Note Signature Page

Exhibit 10.11

Forward Industries, Inc.
700 Veterans Hwy, Suite 100
Hauppauge, NY 11788
www.forwardindustries.com

TO: **JUSTWISE GROUP Ltd**, 6, The Shires, Shire Hill, Saffron Walden CB11 3AP. ("Consultant")

FROM: **FORWARD INDUSTRIES, Inc.** (the "holding company" and its subsidiaries) (Referred to herein as "FORD")

Date: September 1, 2022

Dear Mr Morgan:

CONSULTANCY AGREEMENT

This letter sets out the terms on which you and Justwise, as of the date above written, have been engaged jointly as a Consultant (the "Consultant") for new product development within Forward Industries and /or its subsidiaries or associated companies and JV's:

1. You will be reporting directly to James Berberian.

2. In consideration of your services FORD will disburse a fee of $10,000 per month excluding any pre-agreed expense. These services shall be provided as directed by Mr Berberian and as outlined in the attached appendix, subject, however, to changes which shall be agreed to in writing.

3. Fees and expenses will become due and payable to Consultant on the first business day of each month and shall be settled promptly within five business days thereafter.

4. This agreement is effective as of the date of this letter for a twelve-month period and may be extended for such period thereafter based on the mutual agreement of the parties hereto.

5. The agreement can be terminated by either party with three months' written notice.

6. The Consultant undertakes not to engage with any company in this "sector" other than FORD during the agreement term and for a period of three months after termination. The business sector as defined herein is any and all household furniture for sale within the North America geographic region, as well as Costco worldwide.

7. As part of this agreement, FORD has the right to sell Koble branded products within the North America geographic region, as well as to Costco worldwide. Justwise warrants that it has the right to grant FORD permission to sell Koble products. In exchange, FORD will pay Justwise a license fee equal to 1% of FORD's cost to acquire Koble products.

8. Each party agrees to keep strictly confidential and not to disclose to any person (in particular to any competitor of either party) the content of this Agreement, the arrangement set out therein, the Project, undertaken under the terms of this agreement, the identity of any introduced persons and the confidential information of the other party (including without limitation the details of the other party's business practices and contacts) except that FORD may disclose confidential information relating to the Project to the introduced persons to the extent necessary to provide its services in relation to the Project. This obligation of confidentiality shall not apply to any information which a party is required to disclose by any applicable law or any regulatory authority to which that party is subject.

9. The intellectual property (IP) associated with this arrangement may fall into the following categories.

    a. Justwise developed IP; of which FORD may sell into North America and Costco worldwide.

    b. Mutually developed IP; of which FORD may sell into North America and Costco worldwide, and Justwise may sell into the rest of the world.

    c. FORD developed IP; of which FORD may sell globally and to which Justwise has no rights under this agreement.

10. The Consultant agrees to indemnify and hold FORD harmless against all reasonable actions, claims, costs, liabilities, and issues which may be made against it or which it may suffer or incur because of, or which relate to or arise directly from any breach by the Consultant of the terms in this Agreement. The Consultant's liability shall be limited to the value of the total fees to which it is entitled under this Agreement (and any extension thereof).

11. Each of the parties will bear their own costs in relation to the negotiation, execution, and performance of this Agreement.

12. Nothing in this Agreement is intended to or shall operate to create a partnership between the parties or, save as otherwise expressly set out in this agreement, to authorise either party to act as agent for the other and neither party shall have authority to act in the name or on behalf of or otherwise to bind the other in any way (including but not limited to) the making of any representation or warranty, the assumption of any obligation or liability and the exercise of any right or power and neither party shall hold itself out as or represent itself as an agent of the other.

13. The parties agree that this Agreement does not confer any rights or benefits enforceable by any person not party to it within the meaning of the Contracts (Rights of Third Parties) Act 1999.

14. This Agreement shall be governed by English law and the parties submit to the jurisdiction of the English Courts.

If you agree to the above terms and conditions, please acknowledge your acceptance by signing and returning the enclosed copy of this letter.

Yours sincerely

………………….........................
Chief Financial Officer
for and on behalf of FORWARD INDUSTRIES, Inc.
700 Veterans Memorial Hwy, Suite 100, Hauppauge, NY 11788

I accept the above terms and conditions.

………………….........................

Howard Morgan (Mr)
for and on behalf of Justwise Group Ltd.,
6, The Shires, Shire Hill, Saffron Walden CB11 3AP

Dated 2022

Appendix: Justwise Statement of Work

Brands:
- Koble
- Highmore
- Any other launched by Forward

Market Trend Analysis:
- Analyze and Recommend future Trends
  - In furniture and home décor design
  - Trends in Style
  - Trends in material (Fabrics)
  - Trends in Color
  - Trends in texture
  - Trends in integrated technology
  - Supported by data, Mood boards and examples

Product Roadmap:
- Same chart as the original agreement summarized below:
  - Stage 1 – Ideation
  - Stage 2 – Trend Analysis
  - Stage 3 – Briefing
  - Stage 4 – Sampling
  - Stage 5 – Marketing Support
  - Stage 6 – Post Selection Support

- Customer Specific Roadmaps: Forward to provide direction by account.
  - Costco
  - Wayfair
  - Best Buy
  - Apple
  - Staples / Office Depot

- Product Specific Projects:
  - Turnkey Inspired Desks
  - Love Sack Inspired Couches
  - Secret Labs Inspired Gaming Desk
  - Quick Charge Integration? (Magsafe / USB / USC)
  - Smart Desk (Apple inspired design)

Product Development:
- Develop engineered drawings to be delivered to the factory for development
- Develop Spec pack to be delivered to the factory
- Work with FIC and Factories to develop “golden” sample
- Work with FIC and Factories to develop packaging
- Tooling analysis. Funding of tooling to be agreed upon in advance by all parties on the project.
- Coordinate compliance with Andy Ball
- Share compliance cost where there is overlap with Justwise and Forward
- Work with Andy Ball to ensure there is compliance

Marketing Support:
- Photography and videography – Based on customer requests and requirements
- Access to original files in the format needed by customer.
- Descriptions and Ad copy for online setups, packaging development and production
- Power-point presentation slides for each product developed, for each category, trends, and for over all sales function.
- Share Koble social media data to help guide US strategy.

Customer Involvement:
- Participate in customer sales meetings in person on an as needed basis (subject to agreed budget for flights / accommodation)
- Participate in customer sales call via Zoom on an as needed basis
- Analyze US Customer web sites to develop market data on best sellers and trends through analyzing reviews and number of reviews.
- Identify opportunities

Furniture Channel in the US:
- Assist in developing strategy to break into the furniture channel in the North America
- Furniture store analysis (through website analysis)
- Recommended product roadmap for this channel.

Teamwork:
- Meet with Justwise quarterly for strategy and review
- Justwise to Travel to US on and as needed basis (subject to agreed travel budget)
- Weekly Zoom with both teams

Exhibit 10.12

EMPLOYMENT AGREEMENT

This Employment Agreement (this "**Agreement**") is entered into as of January ____, 2018 (the "**Effective Date**") by and between Intelligent Product Solutions, Inc., a New York corporation (the "**Company**") and Robert Wild, an individual ("**Employee**"). Each of the Company and Employee may be referred to herein individually as a "Party," and collectively as the "**Parties**."

WHEREAS, the Company desires to employ Employee and Employee desires to be employed by the Company on the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the mutual agreements and covenants, promises, and obligations contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereby agree as follows:

1. **Duties and Extent of Services**

1.1 **Efforts.** During the term of employment, Employee shall devote his or her full-time business efforts to the performance of Employee's duties and the furtherance of the Company's interests as well as the interests of the Company's parent-company, Forward Industries, Inc. and its subsidiaries (collectively, the "Parent").

1.2 **Duties.** Employee shall serve as Senior Vice President with all duties, responsibilities and authority as are commensurate and consistent with such position, and as may be, from time to time, assigned to Employee by the President and/or COO of the Company.

1.3 **Place of Performance.** The principal place of Employee's employment shall be the Company's office currently located at Hauppauge, New York; provided that, Employee may be required to travel on Company business while employed by the Company.

2. **Compensation**

2.1 **Base Salary.** The Company shall pay Employee an annual rate of base salary of $235,000.00 ("**Base Salary**") in accordance with the Company's customary payroll practices and all applicable wage payment laws.

2.2 **Additional Benefits.**

2.2.1 Employee Benefits. While employed by the Company, Employee shall be entitled to all applicable Company benefits, which may be changed by the Company at any time in the Company's sole and absolute discretion and without notice of any kind to Employee. Current benefits are summarized in Exhibit "A" attached hereto. Notwithstanding anything contained in Exhibit "A" to the contrary, Employee shall be entitled to four (4) weeks PTO per calendar year.

2.2.2 Equity Awards. On the Effective Date, the Company will cause its corporate parent, Forward Industries, Inc. ("Forward") to grant the following equity awards to the Executive pursuant to the Forward Industries, Inc. 2011 Long Term Incentive Plan (the "Plan"): shares of Restricted Stock of Forward valued at $25,000, which shall vest as follows: $10,000 on the date hereof, and two (2) equal increments of $7,500, the first six (6) months from the Effective Date and the second twelve (12) months from the Effective Date, subject to continued employment with the Company on the applicable vesting date. The number of shares shall be determined by the average of the NASDAQ Closing Price for Forward Industries, Inc. for the ten (10) trading days ending on the day prior to the Effective Date hereof. All other terms and conditions of such awards shall be governed by the terms and conditions of the Plan (a copy of which is annexed as Exhibit "B" attached hereto), the applicable award agreements and further subject to Section 7.4.4 herein.

2.2.3 Business Expenses. Employee shall be entitled to reimbursement for reasonable and necessary out-of-pocket business, entertainment, and travel expenses incurred by Employee in connection with the performance of Employee's duties, in accordance with the Company's expense reimbursement policies, including but not limited to reimbursement for cell phone expenses and all tolls.

3. **<u>Disclosure of Confidential Information</u>**

3.1 **Confidential Information.**

3.1.1 For purposes of this Agreement, "**Confidential Information**" includes, but is not limited to, all information not generally known to the public, in spoken, printed, electronic or any other form or medium, relating directly or indirectly to: business processes, products, patents, sources of supply, customer dealings, data, source code, business plans, practices, methods, policies, publications, research, operations, strategies, techniques, agreements, transactions, potential transactions, negotiations, know-how, trade secrets, computer programs, computer software, applications, operating systems, software design, work-in-process, databases, records, systems, supplier information, vendor information, financial information, results, legal information, marketing and advertising information, pricing information, design information, personnel information, developments, reports, internal controls, graphics, drawings, market studies, sales information, revenue, costs, notes, communications, algorithms, product plans, designs, models, ideas, inventions, unpublished patent applications, original works of authorship, discoveries, experimental processes, experimental results, specifications, customer information, customer lists, distributor lists, and buyer lists of the Company or its subsidiaries, affiliates or any existing or prospective customer, supplier, investor or other associated third party, or of any other Person that has entrusted information to the Company in confidence. Employee understands that the above list is not exhaustive, and that Confidential Information also includes other information that is marked or otherwise identified as confidential or proprietary, or that would otherwise appear to a reasonable person to be confidential or proprietary in the context and circumstances in which the information is known or used. For purposes of this Agreement, "**Person**" means an individual, corporation, partnership, joint venture, limited liability company, governmental authority, unincorporated organization, trust, association, or other entity.

3.1.2 Employee recognizes, acknowledges and agrees that Employee has had and will continue to have access to secret and Confidential Information regarding the Company. Employee acknowledges and agrees that such information is of great value to the Company, has been and at all times and shall remain the sole and exclusive property of the Company, and will be acquired by Employee in the strictest of confidence. In consideration of the obligations undertaken by the Company herein, Employee will not, at any time during or after Employee's employment hereunder, reveal, divulge or make known to any Person, any Confidential Information acquired by Employee during the course of his employment. Employee agrees to use Employee's best efforts to maintain the confidentiality of the Confidential Information during the course of, and at all times after, Employee's employment with the Company, including adopting and implementing all procedures prescribed by the Company to prevent unauthorized use of Confidential Information or disclosure of Confidential Information to any unauthorized Person. Employee shall take all necessary administrative, technical, and physical actions necessary to secure and protect the confidentiality, integrity, and security of the Confidential Information, as well as any third-party financial information and Personally Identifiable Information received, accessed, or used by Employee in the performance of Employee's duties. "**Personally Identifiable Information**" means information that, whether maintained or transmitted individually or in the aggregate with other information, and whether or not Confidential Information, allows a natural person to be identified, including, but not limited to, the name, birthday, address, telephone number, social security number or other unique identifiers of any natural person. Employee agrees that Employee will not download, upload, or otherwise transfer copies of Confidential Information to any external storage media or cloud storage (except as authorized by the Company when necessary in the performance of Employee's duties for the Company and for the Company's sole benefit).

3.1.3 Notwithstanding the foregoing, Employee shall have no confidentiality obligations with respect to any Confidential Information that: (i) is or becomes publicly known through publication, inspection of a product, or otherwise, and through no negligence or other wrongful act of Employee; (ii) is obtained or received by Employee from a third party without similar restriction and without breach of any agreement; or (iii) is required to be disclosed under applicable law or judicial process.

3.2 **Whistleblower Provision.** Nothing contained in this Agreement shall be construed to prevent Employee from reporting any act or failure to act to the Securities and Exchange Commission or other governmental body or prevent Employee from obtaining a fee as a "whistleblower" under Rule 21F-17(a) under the Securities Exchange Act of 1934 or other rules or regulations implemented under the Dodd-Frank Wall Street Reform Act and Consumer Protection Act.

3.3 **Notice of Immunity Under the Economic Espionage Act of 1996, as amended by the Defend Trade Secrets Act of 2016 ("DTSA").** Notwithstanding any other provision of this Agreement, Employee will not be held criminally or civilly liable under any federal or state trade secret law for any disclosure of a trade secret that is made (a) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney; and (b) solely for the purpose of reporting or investigating a suspected violation of law; or is made in a complaint or other document filed under seal in a lawsuit or other proceeding. If Employee files a lawsuit for retaliation by the Company for reporting a suspected violation of law, Employee may disclose the Company's trade secrets to Employee's attorney and use the trade secret information in the court proceeding if Employee files any document containing trade secrets under seal and does not disclose trade secrets, except pursuant to court order.

For purposes of Sections 3, 4, 5 and 6, "Company" shall include the Parent and the Parent's subsidiaries and/or affiliates.

4. <u>Restrictive Covenants</u>

4.1 **Non-Competition.** Because of the Company's legitimate business interest as described herein and the good and valuable consideration offered by the Company to Employee, during Employee's employment with the Company and for six (6) months thereafter, to run consecutively, beginning on the Termination Date (as hereinafter defined), and whether employment is terminated at the option of Employee or the Company for any reason or no reason at all, Employee agrees and covenants not to (on Employee's own behalf or that of any Person other than the Company) engage in Prohibited Activity.

For purposes of this Section 4.1, "**Prohibited Activity**" is an activity in which Employee contributes his knowledge or efforts, directly or indirectly, in whole or in part, as an employee, employer, owner, operator, manager, member, advisor, consultant, contractor, agent, partner, director, stockholder, officer, volunteer, intern, or any other similar capacity to an entity whose business consists, exclusively or primarily, of the provision of consulting services related to the design and/or engineering of products for consumer, industrial or commercial use. Prohibited Activity also includes any activity that requires or may require the knowledge or disclosure of trade secrets, proprietary information or Confidential Information. Activities which do not constitute "Prohibited Activity" may be performed as an employee, independent contractor or consultant.

4.2 **Non-Solicitation of Employees.** Employee agrees and covenants not to (on Employee's own behalf or that of any other Person other than the Company), directly or indirectly, solicit, hire, recruit, attempt to hire or recruit, or induce the termination of employment of any employee of the Company during the term of Employee's employment hereunder and for a term of six (6) months thereafter, to run consecutively, beginning on the Termination Date.

4.3 **Non-Solicitation of Customers.**

4.3.1 Employee understands and acknowledges that because of Employee's experience with, and relationship to, the Company, Employee will have access to information pertaining to the Company's customers including, but not limited to, names, phone numbers, addresses, e-mail addresses, order history, order preferences, chain of command, pricing information, and other information identifying such customers and the products or services offered to same.

4.3.2 Employee agrees and covenants, during the term of Employee's employment hereunder and for six (6) months thereafter, to run consecutively, beginning on the Termination Date, not to directly or indirectly (on Employee's own behalf or that of any other Person other than the Company) solicit, contact (including but not limited to e-mail, regular mail, express mail, telephone, fax, and instant message), attempt to contact, or meet with any of the Company's current or former customers or referral sources for purposes of offering or accepting consulting services which are directly competitive with those offered by the Company. Employee understands and acknowledges that a breach of this <u>Section 4.3.2</u> will cause significant and irreparable harm to the Company.

4.4 **Non-Disparagement.** Employee agrees and covenants that Employee will not, directly or indirectly, at any time during or after Employee's employment with the Company, make, publish or communicate to any Person or in any public forum any defamatory or disparaging remarks, comments, or statements concerning the Company or its businesses, or any of its subsidiaries, affiliates, employees, officers, directors, investors, managers, members, beneficial owners and other associated third parties.

4.5 **Reasonableness of Restrictive Covenants.**

4.5.1 Employee agrees that the promises made in this Section 4 are reasonable and necessary for the protection of the Company's legitimate business interests including, but not limited to: (i) the Confidential Information; client, customer, and vendor goodwill associated with the specific marketing and trade area in which the Company conducts its business; (ii) the Company's substantial relationships with prospective and existing clients, customers, vendors, referral sources, and suppliers; and (iii) a productive, competent and undisrupted workforce. Employee agrees that the restrictive covenants in this Section 4 will not prevent Employee from earning a livelihood in Employee's chosen business, they do not impose an undue hardship on Employee, and that they will not injure the public. If any restriction is found by a court of competent jurisdiction to be unenforceable because it extends for too long a period of time, over too broad a range of activities, or in too large a geographic area, that restriction shall be interpreted to extend only over the maximum period of time, range of activities, or geographic area as to which it may be enforceable.

4.5.2 This Section 4 does not, in any way, restrict or impede Employee from exercising protected rights to the extent that such rights cannot be waived by agreement or from complying with any applicable law or regulation, or a valid order of a court of competent jurisdiction or an authorized government agency, provided that such compliance does not exceed that required by such law, regulation, or order. Employee shall promptly provide written notice of any such court or agency order to the Employee's immediate superior at the Company.

5. Proprietary Rights

5.1 **Work Product.**

5.1.1 Employee acknowledges and agrees that all right, title, and interest in and to all writings, works of authorship, technology, inventions, discoveries, processes, techniques, methods, ideas, concepts, research, proposals, materials, and all other work product of any nature whatsoever, that are created, prepared, produced, authored, edited, amended, conceived, or reduced to practice by Employee individually or jointly with others during the period of his employment by the Company and that relate in any way to the business or contemplated business, products, activities, research, or development of the Company or result from any work performed by Employee for the Company (in each case, regardless of when or where prepared or whose equipment or other resources is used in preparing same), all rights and claims related to the foregoing, and all printed, physical and electronic copies, and other tangible embodiments thereof (collectively, "**Work Product**"), as well as any and all rights in and to United States and foreign: (i) patents, patent disclosures and inventions (whether patentable or not); (ii) trademarks, service marks, trade dress, trade names, logos, corporate names, and domain names, and other similar designations of source or origin, together with the goodwill symbolized by any of the foregoing; (iii) copyrights and copyrightable works (including computer programs), mask works, and rights in data and databases; (iv) trade secrets, know-how, and other Confidential Information; and (v) all other intellectual property rights, in each case whether registered or unregistered and including all registrations and applications for, and renewals and extensions of, such rights, all improvements thereto and all similar or equivalent rights or forms of protection in any part of the world (collectively, "**Intellectual Property Rights**"), shall be the sole and exclusive property of the Company.

5.1.2 For purposes of this Agreement, Work Product includes, but is not limited to, Company information, including plans, publications, research, strategies, techniques, documents, contracts, terms of agreements, negotiations, know-how, computer programs, computer applications, software design, web design, work in process, databases, manuals, results, developments, reports, graphics, drawings, market studies, formulae, notes, communications, algorithms, product plans, product designs, styles, models, audiovisual programs, inventions, unpublished patent applications, original works of authorship, discoveries, experimental processes, experimental results, specifications, customer information, customer lists, marketing and advertising information and sales information.

5.2 **Work Made for Hire; Assignment.** Employee acknowledges that, to the extent permitted by law, all Work Product consisting of copyrightable subject matter created by Employee during his employment with the Company is a "work made for hire" as defined in 17 U.S.C. § 101 and such copyrights are therefore owned by the Company. To the extent that the foregoing does not apply, Employee hereby irrevocably assigns to the Company, for no additional consideration, Employee's entire right, title, and interest in and to all Work Product and Intellectual Property Rights therein, including the right to sue, counterclaim, and recover for all past, present, and future infringement, misappropriation, or dilution thereof, and all rights corresponding thereto throughout the world. Nothing contained in this Agreement shall be construed to reduce or limit the Company's rights, title, or interest in any Work Product or Intellectual Property Rights so as to be less in any respect than that the Company would have had in the absence of this Agreement.

5.3 **Further Assurances; Power of Attorney.** During and after Employee's employment, Employee agrees to reasonably cooperate with the Company to: (i) apply for, obtain, perfect, and transfer to the Company the Work Product as well as any and all Intellectual Property Rights in the Work Product in any jurisdiction in the world; and (ii) maintain, protect and enforce the same, including, without limitation, giving testimony and executing and delivering to the Company any and all applications, oaths, declarations, affidavits, waivers, assignments, and other documents and instruments as shall be requested by the Company. Employee hereby irrevocably grants the Company a power of attorney to execute and deliver any such documents on Employee's behalf and in Employee's name and to do all other lawfully permitted acts to transfer the Work Product to the Company and further the transfer, prosecution, issuance, and maintenance of all Intellectual Property Rights therein, to the full extent permitted by law, in the event Employee does not promptly cooperate with the Company's request (without limiting the rights the Company shall have in such circumstances by operation of law). This power of attorney is coupled with an interest and shall not be affected by Employee's subsequent incapacity.

5.4 **No License.** Employee understands that this Agreement does not, and shall not be construed to, grant Employee any license or right of any nature with respect to any Work Product or Intellectual Property Rights or any Confidential Information, materials, software, or other tools made available to him by the Company.

6. **<u>Security</u>**

6.1 **Security and Access.** Employee agrees and covenants: (i) to comply with all Company security policies and procedures as in force from time to time including, without limitation, those regarding computer equipment, monitoring, internet, social media and instant messaging systems, computer systems, e-mail systems, computer networks, document storage systems, software, data security, encryption, firewalls, passwords and any and all other Company IT resources and communication technologies ("**Facilities and Information Technology Resources**"); (ii) not to access or use any Facilities and Information Technology Resources except as authorized by the Company; and (iii) not to access or use any Facilities and Information Technology Resources in any manner after the termination of Employee's employment with the Company. Employee agrees to notify the Company promptly in the event Employee learns of any violation of the foregoing by others, or of any other misappropriation or unauthorized access, use, reproduction, or reverse engineering of, or tampering with any Facilities and Information Technology Resources or other Company property or materials by others.

6.2 **Exit Obligations.** Upon either the voluntary or involuntary termination of Employee's employment or the request of the Company's during Employee's employment, Employee shall: (i) provide or return to the Company any and all Company property and data and all Company documents and materials belonging to the Company and stored in any fashion, including but not limited to those that constitute or contain any Confidential Information or Work Product, that are in the possession or control of Employee, whether they were provided to Employee by the Company or any of its subsidiaries or affiliates or created by Employee in connection with his employment by the Company; and (ii) delete or destroy all copies of any such documents and materials not returned to the Company that remain in Employee's possession or control, including those stored on any non-Company devices, networks, storage locations, or media in Employee's possession or control.

7. <u>Term and Termination of Employment</u>

7.1 **Term.** The Company and the Employee acknowledge and agree that the Employee's employment is and shall continue to be at-will, as defined under applicable law. If Employee's employment terminates for any reason, the Employee shall not be entitled to any payments, benefits, damages, awards or compensation other than as provided for in this <u>Section 7</u>, or as may otherwise be established under the Company's then existing employee benefit plans or policies at the time of such termination.

7.2 **Termination Without Cause.**

7.2.1 Employee's employment with the Company may be terminated:

7.2.1.1 By Employee at any time and for any reason or no reason at all upon at least fourteen (14) days' advance written notice to the Company;

7.2.1.2 By the Company at any time and for any reason or no reason at all upon ninety (90) days' advance written notice to Employee; or

7.2.1.3 By the Company, upon the death or Disability (as hereinafter defined) of Employee, or pursuant to a Change of Control (as hereinafter defined).

7.3 **Termination For Cause.** The Company may terminate Employee's employment with the Company at any time for Cause. For purposes of this Agreement, "**Cause**" shall mean:

7.3.1 Employee's dishonesty, illegal conduct, or gross misconduct, which is, in each case, injurious to the Company or its affiliates or subsidiaries;

7.3.2 Employee's embezzlement, misappropriation, or fraud, whether or not related to Employee's employment with the Company;

7.3.3 Employee's conviction or plea of guilty or nolo contendere to a crime that constitutes a felony (or state law equivalent) or a crime that constitutes a misdemeanor involving moral turpitude (or state law equivalent);

7.3.4 Employee's willful and material failure to perform his duties;

7.3.5 Employee's willful unauthorized disclosure of Confidential Information;

7.3.6 Employee's material breach of any obligation under this Agreement or any other written agreement between Employee and the Company; or

7.3.7 any material failure by Employee to comply with the Company's written policies or rules, as they may be in effect from time to time during the Term.

In the event of a breach of Subsections 7.3.1 through 7.3.3 above, the Company may terminate Employee without notice and with immediate effect. Subject to the immediately preceding sentence, the Company shall not terminate Employee's employment for Cause unless and until the Company delivers to Employee written notice setting forth that Employee has engaged in the conduct described in any of Subsections 7.3.5 through 7.3.8 above. Employee shall have ten (10) business days from the delivery of such written notice by the Company within which to cure any acts constituting Cause; provided however, that if the Company reasonably expects irreparable injury from a delay of ten (10) business days, the Company may give Employee notice of such shorter period within which to cure as is reasonable under the circumstances, and which may include the termination of Employee's employment without notice and with immediate effect.

7.4 **Compensation Upon Termination Without Cause.** Upon Employee's termination pursuant to the provisions of Sections 7.2.1.2 and 7.2.1.3 hereof, Employee shall be entitled to receive:

7.4.1 any accrued but unpaid Base Salary, which shall be paid on the pay date immediately following the Termination Date (as hereinafter defined) in accordance with the Company's customary payroll procedures;

7.4.2 reimbursement for unreimbursed business expenses properly incurred by Employee, which shall be subject to and paid in accordance with the Company's expense reimbursement policy; and

7.4.3 such employee benefits, if any, to which Employee may be entitled under the Company's employee benefit plans as of the Termination Date; provided that, in no event shall Employee be entitled to any payments in the nature of severance or termination payments except as specifically provided herein.

7.4.4 shares vested pursuant to Section 2.2.2 as of the Termination Date shall not be subject to forfeiture or any buy back option of the Company under any circumstances.

7.5 **Disability.** For purposes of this Agreement, "**Disability**" shall mean Employee's inability, due to physical or mental incapacity, to perform the essential functions of his job, with or without reasonable accommodation, for ninety (90) days out of any three hundred sixty-five (365) day period or ninety (90) consecutive days. Any question as to the existence of Employee's Disability as to which Employee and the Company cannot agree shall be determined in writing by a qualified independent physician mutually acceptable to Employee and the Company. If Employee and the Company cannot agree as to a qualified independent physician, each shall appoint such a physician and those two physicians shall select a third who shall make such determination in writing. The determination of Disability made in writing to the Company and Employee shall be final and conclusive for all purposes of this Agreement. Upon termination for Disability, the Employee shall be entitled to such payments and reimbursements as are described in Section 7.4.

7.6 **Change of Control.** For purposes of this Agreement, "**Change of Control**" shall mean the occurrence of any of the following after the Effective Date:

7.6.1 one Person (or more than one Person acting as a group) acquires ownership of more than fifty percent (50%) of the total issued and outstanding shares of the Company; or

7.6.2 the sale of all or substantially all of the Company's assets.

7.6.3 Change of Control shall not include the transactions described in Sections 7.6.1 and 7.6.2 if any such transaction is with a parent, affiliate or subsidiary of the Company.

Notwithstanding the foregoing, Employee shall not be entitled to any salary or benefits whatsoever [in accordance with Section 7.6 hereof] in the event Employee enters into an employment agreement (whether written or oral) with any Person acquiring control of the Company within fourteen (14) days of any such Change of Control.

7.7 **Termination Date.** Employee's "**Termination Date**" shall be:

7.7.1 If Employee's employment hereunder terminates on account of Employee's death, the date of Employee's death;

7.7.2 If Employee's employment hereunder is terminated on account of Employee's Disability, the date that it is determined that Employee has a Disability;

7.7.3 If Employee's employment hereunder is terminated on account of a Change of Control, the date that it is fourteen (14) days after any such Change of Control;

7.7.4 If Employee terminates his employment, the date specified in the Employee's notice of termination, which shall be no less than fourteen (14) days following the date on which the notice of termination is delivered; provided that, the Company may waive all or any part of the fourteen (14) day notice period for no consideration by giving written notice to Employee and for all purposes of this Agreement, Employee's Termination Date shall be the date determined by the Company;

7.7.5 If the Company terminates Employee's employment for Cause, the date the notice of termination is delivered to Employee; and

7.7.6 If the Company terminates the Employees employment without Cause, the date specified in the Company's notice of termination.

8. <u>Section 409A</u>

8.1 **General Compliance.** This Agreement is intended to comply with Section 409A of the Internal Revenue Code ("**Section 409A**") or an exemption thereunder and shall be construed and administered in accordance with Section 409A. Notwithstanding any other provision of this Agreement, payments provided under this Agreement may only be made upon an event and in a manner that complies with Section 409A or an applicable exemption. Any payments under this Agreement that may be excluded from Section 409A either as separation pay due to an involuntary separation from service or as a short-term deferral shall be excluded from Section 409A to the maximum extent possible. For purposes of Section 409A, each installment payment provided under this Agreement shall be treated as a separate payment. Any payments to be made under this Agreement upon a termination of employment shall only be made upon a "separation from service" under Section 409A. Notwithstanding the foregoing, the Company makes no representations that the payments and benefits provided under this Agreement comply with Section 409A, and in no event shall the Company be liable for all or any portion of any taxes, penalties, interest, or other expenses that may be incurred by Employee on account of non-compliance with Section 409A.

8.2 **Specified Employees.** Notwithstanding any other provision of this Agreement, if any payment or benefit provided to Employee in connection with his termination of employment is determined to constitute "nonqualified deferred compensation" within the meaning of Section 409A and Employee is determined to be a "specified employee" as defined in Section 409A(a)(2)(b)(i), then such payment or benefit shall not be paid until the first payroll date to occur following the six (6)-month anniversary of the Termination Date (the "**Specified Employee Payment Date**"). The aggregate of any payments that would otherwise have been paid before the Specified Employee Payment Date shall be paid to Employee in a lump sum on the Specified Employee Payment Date and thereafter, any remaining payments shall be paid without delay in accordance with their original schedule.

8.3 **Reimbursements**. To the extent required by Section 409A, each reimbursement or in-kind benefit provided under this Agreement shall be provided in accordance with the following: (i) the amount of expenses eligible for reimbursement, or in-kind benefits provided, during each calendar year cannot affect the expenses eligible for reimbursement, or in-kind benefits to be provided, in any other calendar year; (ii) any reimbursement of an eligible expense shall be paid to Employee on or before the last day of the calendar year following the calendar year in which the expense was incurred; and (iii) any right to reimbursements or in-kind benefits under this Agreement shall not be subject to liquidation or exchange for another benefit.

9. <u>Miscellaneous</u>

9.1 **Governing Law; Jurisdiction and Venue.** This Agreement shall be governed by the laws of New York, without regard to conflict of law principles. Any action or proceeding by either of the Parties to enforce this Agreement shall be brought only in a state or federal court located in the State of New York, County of New York. The Parties hereby irrevocably submit to the exclusive jurisdiction of such courts and waive the defense of inconvenient forum with respect to the maintenance of any such action or proceeding in such venue.

9.2 **Indemnification.** Employee shall indemnify and hold harmless the Company from and against any and all loss, liability, cost or expense based upon, arising out of or otherwise in respect of any material breach or violation of Sections 3,4 or 5 of this Agreement by Employee.

9.3 **Entire Agreement.** Unless specifically provided herein, this Agreement contains all of the understandings and representations between Employee and the Company pertaining to the subject matter hereof and supersedes all prior and contemporaneous understandings, agreements, representations and warranties, both written and oral, with respect to such subject matter. The Parties mutually agree that the Agreement can be specifically enforced in court and can be cited as evidence in legal proceedings alleging breach of the Agreement.

9.4 **Modification and Waiver.** No provision of this Agreement may be amended or modified unless such amendment or modification is agreed to in writing and signed by Employee and the Company. No waiver by either Party of a breach of any condition or provision of this Agreement to be performed by the other Party shall be deemed a waiver of any similar or dissimilar provision or condition at the same or any prior or subsequent time, nor shall the failure of or delay by either Party in exercising any right, power, or privilege hereunder operate as a waiver thereof to preclude any other or further exercise thereof or the exercise of any other such right, power, or privilege.

9.5 **Severability.** Should any provision of this Agreement be held by a court of competent jurisdiction to be enforceable only if modified, or if any portion of this Agreement shall be held as unenforceable and thus stricken, such holding shall not affect the validity of the remainder of this Agreement, the balance of which shall continue to be binding upon the Parties with any such modification to become a part hereof and treated as though originally set forth in this Agreement.

9.6 **Insider Trading Policy**. The Employee acknowledges that the Parent is publicly-held and, as a result, has implemented inside information policies designed to preclude its employees and those of its subsidiaries and affiliates from violating the federal securities laws by trading on material, non-public information or passing such information on to others in breach of any duty owed to the Company, or any third party. The Employee shall promptly execute any agreements generally distributed by the Parent or Company to its employees requiring such employees, including the Employee, to abide by its inside information policies.

9.7 **Representations of Employee.** Employee represents that Employee is able to accept his employment with the Company and carry out the work that it would involve without: (i) interfering with or hindering Employee's ability to undertake the obligations and expectations of employment with the Company; or (ii) breaching any legal restrictions on his activities, such as non-competition, non-solicitation, or other work-related restrictions imposed by a current or former employer or any other Person. Employee also represents that Employee will inform the Company about any such restrictions and provide the Company with as much information about them as possible, including any agreements between Employee and such Person describing such restrictions on his activities. Employee further confirms that Employee will not remove or take any documents or proprietary data or materials of any kind, electronic or otherwise, from any Person and provide them to the Company without written authorization from such Person, nor will Employee use or disclose any such confidential information during the course and scope of his employment with the Company.

9.8 **Withholding.** The Company shall have the right to withhold from any amount payable hereunder any federal, state, and local taxes in order for the Company to satisfy any withholding tax obligation it may have under any applicable law or regulation.

9.9 **Intentionally Deleted.**

9.10 **Notification to Subsequent Employer.** Employee authorizes the Company to provide a copy of the restrictive covenants sections of this Agreement to any subsequent employer.

9.11 **Successors and Assigns.** This Agreement is personal to Employee and shall not be assigned by Employee. Any purported assignment by Employee shall be null and void from the initial date of the purported assignment. The Company may assign this Agreement to any successor or assign (whether direct or indirect, by purchase, merger, consolidation, or otherwise) of all or substantially all of the business or assets of the Company. This Agreement shall inure to the benefit of the Company and permitted successors and assigns.

9.12 **Notice.** All notices, offers, acceptance and any other acts under this Agreement (except payment) shall be in writing, and shall be sufficiently given if delivered to the addressees in person, by FedEx or similar receipted delivery, or next business day delivery to the addresses detailed below (or to such other address, as either of them, by notice to the other may designate from time to time), or by e-mail delivery (in which event a copy shall immediately be sent by FedEx or similar receipted delivery), as follows:

To the Company: Intelligent Product Solutions, Inc.
700 Veterans Memorial Highway
Hauppauge, New York 11788
Attn: Michael Matte, CFO
Email: mmatte@forwardindustries.com

With a copy to: Nason, Yeager, Gerson White & Lioce, P.A.
Attn: Brian Bernstein
3001 PGA Blvd., Suite 305
Palm Beach Gardens, Florida 33410
Email: bbernstein@nasonyeager.com

To the Executive:

9.13 **Survival.** On the Termination Date, the respective rights and obligations of the Parties hereto shall survive such termination to the extent expressly set forth herein or, if not expressly set forth herein, for a period of time necessary to carry out the intentions of the Parties hereto.

9.14 **Remedies.** Employee acknowledges and agrees that it would be difficult to measure the damages to the Company from any breach or threatened breach by Employee of Sections 3, 4, 5, and 6 of this Agreement; that injury to the Company from any such breach would be irreparable; and that money damages would therefore be an inadequate remedy for any such breach. Employee agrees that if Employee breaches or threatens to breach any of his obligations under this Agreement, then the Company, in addition to any other remedies available to it under law, shall be entitled to specific performance and other equitable relief, including temporary and permanent injunctive relief, to enforce Sections 3, 4, 5, and 6 of this Agreement.

9.15 **Prevailing Party.** In the event any dispute arises out of or relating to this Agreement, whether in law or equity, the prevailing Party shall be entitled to recover, in addition to the relief awarded, its reasonable attorneys' fees, paralegals' fees and costs, including, without limitation, fees and costs for any appeal, efforts for the collection of amounts owed or fees related thereto and hereto, and fees incurred in connection with any fee dispute.

9.16 **Headings.** The headings used in this Agreement are solely for convenience of reference and shall not affect its interpretation.

9.17 **ACKNOWLEDGEMENT OF FULL UNDERSTANDING.** EMPLOYEE ACKNOWLEDGES AND AGREES THAT EMPLOYEE HAS FULLY READ, UNDERSTANDS AND VOLUNTARILY ENTERS INTO THIS AGREEMENT. EMPLOYEE ACKNOWLEDGES AND AGREES THAT EMPLOYEE HAS HAD AN OPPORTUNITY TO ASK QUESTIONS AND CONSULT WITH AN ATTORNEY OF HIS CHOICE BEFORE SIGNING THIS AGREEMENT, AND THAT ANY RULE OF CONSTRUCTION TO THE EFFECT THAT AMBIGUITIES ARE TO BE RESOLVED AGAINST THE DRAFTING PARTY SHALL NOT APPLY IN THE INTERPRETATION OF THIS AGREEMENT.

9.18 **WAIVER OF JURY TRIAL.** EACH PARTY ACKNOWLEDGES AND AGREES THAT ANY CONTROVERSY THAT MAY ARISE UNDER THIS AGREEMENT, INCLUDING ANY EXHIBITS, SCHEDULES, AND ATTACHMENTS ATTACHED HERETO, IS LIKELY TO INVOLVE COMPLICATED AND DIFFICULT ISSUES AND, THEREFORE, EACH PARTY IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LEGAL ACTION ARISING OUT OF OR RELATING TO THIS AGREEMENT, INCLUDING ANY EXHIBITS, SCHEDULES, AND ATTACHMENTS ATTACHED HERETO, OR THE TRANSACTIONS CONTEMPLATED HEREBY.

9.19 **Gender Neutral.** Where appropriate herein, the references to the masculine gender shall include the feminine and neuter, and vice versa, and the singular shall include the plural and the plural the singular, in each case as the context may require.

9.20 **Counterparts.** This Agreement may be executed in separate counterparts, and by facsimile signature or e-mail of a PDF signature, each of which shall be deemed an original, but all of which taken together shall constitute one and the same instrument.

[*Signature Page Follows*]

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement as of the Effective Date.

INTELLIGENT PRODUCT SOLUTIONS, INC.:	**EMPLOYEE:**
By: ______________________________	By: ______________________________
Name:	Name: Robert Wild
Title:	

[EXHIBIT "A"]

[EXHIBIT "B"]

Exhibit 10.13

EMPLOYMENT AGREEMENT

This Employment Agreement (this "**Agreement**") is entered into as of August 17, 2020 (the "**Effective Date**"), by and between Kablooe, Inc., a New York corporation (the "**Company**") and Tom KraMer, an individual ("**Executive**"). Each of the Company and the Executive may be referred to herein individually as a "**Party**," and collectively as the "**Parties**."

RECITALS:

WHEREAS, the Company and the Executive are parties to that certain Asset Purchase Agreement, dated effective as of August 17, 2020, by and among Forward Industries, Inc. ("**Forward**"), the Company, Kablooe Design, Inc., a Minnesota corporation ("**Kablooe**"), and the Executive (the "**Acquisition Agreement**");

WHEREAS, pursuant to the Acquisition Agreement, the Company purchased substantially all of the assets of Kablooe of which the Executive is the sole owner;

WHEREAS, the Company desires to employ the Executive and to ensure the continued availability to the Company of Executive's services post-acquisition, and the Executive is willing to accept such employment and render such services on the terms and conditions set forth herein; and

WHEREAS, the Company desires to preserve and protect its legitimate business interests further by restricting competitive activities of the Executive during the term of this Agreement and for a reasonable time following the termination of this Agreement.

NOW, THEREFORE, in consideration of the mutual covenants herein contained and other good and valuable consideration, the receipt and sufficiency of which the Parties hereby acknowledge, the Parties agree as follows:

1. EMPLOYMENT TERM

The term of employment hereunder (the "**Term**") shall commence on the Commencement Date (as defined herein) and shall continue for five (5) years thereafter, unless earlier terminated in accordance with the terms of this Agreement. For purposes of this Agreement, the "**Commencement Date**" shall be the date in which that certain Transition Services Agreement by and between Kablooe, the Company and Executive dated as of even date herewith is terminated or otherwise expires.

2. EMPLOYMENT DUTIES AND SERVICES

The Company hereby employs the Executive as its Chief Executive Officer for the Term of this Agreement, and the Executive hereby accepts such employment and agrees to undertake the duties and responsibilities inherent in such position. In such position, the Executive shall have such duties, authority, and responsibilities as shall be determined from time to time by Forward's President (and Chief Executive Officer) and the Board of Directors of Forward (the "**Board**"), which duties, authority, and responsibilities are consistent with the Executive's position. The duties, authority and responsibilities undertaken by the Executive may be altered or modified from time to time by Forward's President (and Chief Executive Officer), and the Board; provided, however, that the Executive's duties and responsibilities shall be no less than those traditionally inherent in the position of Chief Executive Officer. The Executive agrees to abide by the rules, regulations, instructions, personnel practices and policies of the Company and Forward, and any changes thereto that are applicable to the employees of the Company and Forward in general.

Subject to reasonable absences for vacation and illness in accordance with Company (or Forward's) policies, the Executive shall serve the Company faithfully and to the best of Executive's ability and shall devote Executive's full time and attention to the business and affairs of the Company and Forward, and consistent with the restrictive covenants set forth in Section 9, will not engage in consulting work or any trade or business for Executive's own account or for and on behalf of any other Person (as defined below) that competes, conflicts or materially interferes with the performance of Executive's duties hereunder in any way. Notwithstanding the foregoing, the Executive may engage in charitable activities, for reasonable periods of time during the Term so long as such charitable activities do not interfere with the Executive's obligations under this Agreement. The Executive also shall perform services for Forward and such subsidiaries of Forward, including but not limited to Intelligent Product Solutions, Inc. and Forward Industries (IN), Inc. as may be necessary and requested from time to time.

3. **COMPENSATION**

(a) Salary. The Executive shall be entitled to receive for all services rendered by the Executive in any and all capacities in connection with the Executive's employment hereunder a salary (as it may be adjusted from time to time, "**Salary**") at the rate of Two Hundred Fifty Thousand and No/100 Dollars ($250,000.00) per annum, payable in equal instalments in accordance with the prevailing practices of the Company (but not less frequently than monthly).

(b) Bonus: Calculation and Payment.

(i) The Executive shall be eligible to receive a bonus with respect to each full fiscal year or part thereof (subject to Sections 3-8 hereof) in respect of his employment hereunder, as set forth in this Section 3. The amount of bonus, if any, that the Executive is eligible to earn in any fiscal year during the Term hereof pursuant to this Section 3(b) shall be based on the fiscal targets and performance metrics that Forward's Compensation Committee of the Board (the "**Compensation Committee**") adopts, in its sole discretion, from year to year. The Executive's bonus may be awarded to the Executive in a combination of cash, restricted stock, restricted stock units, stock options, and/or other equity, the combination and vesting of which shall be determined by the Compensation Committee in its sole discretion consistent with the terms of Forward's equity incentive plan then in effect.

(ii) The Compensation Committee shall have the authority to pay the Executive a discretionary bonus from time to time based upon the Executive's and the Company's performance.

(c) Expenses. The Executive will be reimbursed for all reasonable and necessary expenses incurred by the Executive in carrying out the duties contemplated under this Agreement, in accordance with Company's (or Forward's) practices and procedures in effect from time to time, as such practices may be changed from time to time by the Board.

(d) Benefits. The Executive shall be entitled to participate in all group health and other insurance programs and all other fringe benefits (including vacation) and retirement plans (including any 401(k) plan) or other compensatory plans that the Company (or Forward) may hereafter elect to make available to its executives generally on terms no less favorable than those provided to other executives generally, provided the Executive meets the qualifications therefor. This Agreement shall not require the Company to establish any such program or plan.

(e) Withholding. All payments required to be made by the Company hereunder to the Executive shall be subject to the withholding of authorized deductions and such amounts relating to taxes and other governmental assessments as the Company may reasonably determine it should withhold pursuant to any applicable law, rule or regulation.

(f) 409A. The intent of the parties is that payments and benefits under this Agreement comply with, or be exempt from, Internal Revenue Code Section 409A and the regulations and guidance promulgated thereunder (collectively "**Code Section 409A**") and, accordingly, to the maximum extent permitted, this Agreement shall be interpreted to be in compliance therewith.

(i) A termination of employment shall not be deemed to have occurred for purposes of any provision of this Agreement providing for the payment of any amounts or benefits upon or following a termination of employment that are considered "nonqualified deferred compensation" under Code Section 409A unless such termination is also a "separation from service" within the meaning of Code Section 409A and, for purposes of any such provision of this Agreement, references to a "termination," "termination of employment" or like terms shall mean "separation from service." If the Executive is deemed on the date of termination to be a "specified employee" within the meaning of that term under Code Section 409A(a)(2)(B), then with regard to any payment that is considered non-qualified deferred compensation under Code Section 409A payable on account of a "separation from service," such payment or benefit shall be made or provided at the date which is the earlier of (A) the expiration of the six month period measured from the date of such "separation from service" of the Executive, and (B) 30 days from the date of the Executive's death.

(ii) With regard to any provision herein that provides for reimbursement of costs and expenses or in-kind benefits, except as permitted by Code Section 409A, (i) the right to reimbursement or in-kind benefits shall not be subject to liquidation or exchange for another benefit, (ii) the amount of expenses eligible for reimbursement, or in-kind benefits, provided during any taxable year shall not affect the expenses eligible for reimbursement, or in-kind benefits to be provided, in any other taxable year, provided that this foregoing clause (ii) shall not be violated without regard to expenses reimbursed under any arrangement covered by Internal Revenue Code Section 105(b) solely because such expenses are subject to a limit related to the period the arrangement is in effect and (iii) such payments shall be made on or before the last day of the Executive's taxable year following the taxable year in which the expense occurred.

(iii) For purposes of Code Section 409A, the Executive's right to receive any installment payments pursuant to this Agreement shall be treated as a right to receive a series of separate and distinct payments. Whenever a payment under this Agreement specifies a payment period with reference to a number of days (e.g., "within 60 days following the date of termination"), the actual date of payment within the specified period shall be within the sole discretion of the Company to comply with Code Section 409A.

(g) Clawback Provisions. Notwithstanding any other provisions in this Agreement to the contrary, any incentive-based compensation, or any other compensation, paid to the Executive pursuant to this Agreement or any other agreement or arrangement with the Company which is subject to recovery under any law, government regulation, or stock exchange listing requirement, will be subject to such deductions and clawback as may be required to be made pursuant to such law, government regulation, or stock exchange listing requirement (or any policy adopted by the Company and/or Forward, as applicable, pursuant to any such law, government regulation or stock exchange listing requirement).

4. **TERMINATION BY THE COMPANY FOR CAUSE**

(a) The Board may, by written notice given at any time during the Term, or any renewal thereof, terminate the employment of the Executive for Cause, as determined by the Board. For purposes of this Agreement, "**Cause**" shall mean the Executive's:

(i) willful misconduct in connection with the performance of any of his duties or services hereunder, including without limitation (1) misappropriation or improper diversion of funds, rights or property of the Company, Forward or any subsidiary or affiliate, or (2) securing or attempting to secure personally (including for the benefit of any family member, or person sharing the same household, or any entity (corporate, partnership, unincorporated association, proprietorship, limited liability company, trust, or otherwise) in which the Executive has any economic or beneficial interest) any profit or benefit in connection with any transaction entered into on behalf of the Company, Forward or any subsidiary or affiliate unless the transaction benefiting the entity has been approved by the Board upon the basis of full disclosure of such benefit, or (3) material breach of (x) any provision of this Agreement or (y) Forward's Insider Trading Policy or Code of Business Conduct and Ethics or other material policy or procedure of the Company or any subsidiary or affiliate, as in effect from time to time, or (4) any other action in violation of the Executive's fiduciary duty owed to the Company, Forward or any subsidiary or affiliate or the Executive's acting in a manner adverse to the interests of the Company, Forward or any subsidiary or affiliate and for his own pecuniary benefit or that of a family member (or member of his household) or any entity (as described in clause (i)(2) of Section 4(a) above) in which he or any such Person has an economic or beneficial interest or (5) the Executive's failure to cooperate, if requested by the Board, with any investigation or inquiry into his or the Company's, Forward's or any subsidiary's or affiliate's business practices, whether internal or external. For purposes of this Agreement, "**Person**" means an individual, corporation, partnership, joint venture, limited liability company, governmental authority, unincorporated organization, trust, association, or other entity.

(ii) willful failure, neglect or refusal to perform his duties or services under this Agreement, which failure, neglect or refusal shall continue for a period of 15 days after written notice thereof shall have been given to the Executive by or on behalf of the Board;

(iii) commission of, conviction of, or nolo contendere or guilty plea in connection with, a felony or a crime of moral turpitude; and/or

(iv) material breach or default by either of Executive or Kablooe under the Acquisition Agreement or any ancillary agreement entered into in connection therewith.

(b) Termination for Cause under paragraph (a) of this Section 4 shall be effective immediately upon the giving of such written notice. For purposes of this Agreement, an act or failure to act on the Executive's part shall be considered "willful" if it was done or omitted to be done by him not in good faith.

(c) Upon termination of employment by the Company for Cause, the Executive shall be entitled to receive, and his sole remedies under this Agreement shall be:

(i) any earned and unpaid Salary accrued through the date of termination for Cause, payable in a lump sum not later than 15 days following the Executive's termination of employment;

(ii) compensation for any unused vacation days accrued in the fiscal year in which termination occurs through the date of termination, payable as in clause (i) of this Section 4(c);

(iii) except for any bonus compensation (for which the Executive shall not be eligible), any unpaid benefits accrued through the day immediately prior to the date of termination that may be due the Executive under any employee benefit plans or programs of the Company (or Forward), payable in accordance with the terms of such plans or programs, together with any documented, unreimbursed business expenses, payable in accordance with the Company's (or Forward's) policies; and

(iv) any stock options, grants of common stock, restricted share grants or other benefits under any of the Company's (or Forward's) compensation plans may not be exercised or obtained on or after the effective date of termination and shall be forfeited for no consideration in accordance with the provisions of the plan.

(d) Termination of the Executive's employment under this Section 4 shall be in addition to and not exclusive of any other rights and remedies that the Company has or may have relating to the Executive with respect to the facts and circumstances pertaining to such termination.

5. **TERMINATION BY THE EXECUTIVE FOR GOOD REASON OR TERMINATION WITHOUT CAUSE**

(a) In the event the Executive terminates his employment under this Agreement for Good Reason (as hereinafter defined), or in the event the Executive's employment is terminated without Cause, which termination shall be effective as of the date specified by the Company in written notice delivered to the Executive not fewer than 15 days prior to the date of termination other than due to death or Disability (as hereinafter defined), the Executive shall be entitled to receive, and his sole remedies under this Agreement shall be:

(i) any earned and unpaid Salary accrued through the date of termination, payable in a lump sum not later than 15 days following the Executive's termination of employment;

(ii) Salary, at the annualized rate in effect on the date of termination of the Executive's employment (or, in the event a reduction in Salary is a basis for termination for Good Reason, then the Salary in effect immediately prior to such reduction), equal to the amount of Salary payable for a period of six months or at the longest period offered to other executives of the Company and/or Forward, which may be reviewed and increased by the Board from time to time, following such termination, payable in a lump sum not later than 15 days following the date the Release in <u>Exhibit I</u> becomes fully effective and nonrevocable by its terms;

(iii) compensation for any unused vacation days accrued in the fiscal year in which termination occurs through the date of termination, payable as in clause (i) of this Section 5(a);

(iv) any unpaid benefits accrued through the day immediately prior to the date of termination that may be due the Executive under any employee benefit plans or programs of the Company, payable in accordance with the terms of such plans or programs, together with any documented, unreimbursed business expenses, payable in accordance with the Company's (or Forward's) policies; and

(v) provided that the Release in Exhibit I becomes fully effective and nonrevocable by its terms, any stock options, grants of Common Stock, restricted share grants or other benefits under any of the Company's (or Forward's) compensation plans that were vested as of 5:00 PM New York time on the date immediately prior to the date of termination, may be exercised (in the case of options) or delivered (in the case of restricted stock) in accordance with the terms of such plans and any applicable plan award agreements with the Executive.

(b) Termination by the Executive for Good Reason shall be effected by his giving prior written notice to the Company, in which case this Agreement shall terminate on the date specified in such notice; provided, however, that the circumstances or event asserted as the basis for termination for Good Reason must have occurred no later than 20 days before such notice, and provided, that such notice shall specify (i) in reasonable detail the circumstances or event asserted as the basis for termination for Good Reason, and (ii) a date of termination that shall be at least 30 days after the date of delivery of such notice; and provided, further, that the Company shall have the right during such 30 day period to remedy the circumstances or event giving rise to the notice of termination for Good Reason prior to the date specified in such notice, in which case no right of termination or other right shall exist.

(c) For purposes of this Agreement, the term "**Good Reason**" shall mean:

(i) the assignment to the Executive without his consent of duties materially inconsistent with the Executive's position as contemplated by Section 2 of this Agreement;

(ii) a decrease in annual Salary rate, other than an across the board decrease in salary applicable to all senior executives of the Company of not more than 10%;

(iii) any failure by the Company to perform any material obligation under, or its breach of a material provision of, this Agreement; or

(iv) pursuant to Section 13(b) of this Agreement, failure of any Successor to expressly assume and agree to perform this Agreement in the same manner and to the same extent as the Company would have had there been no Successor.

6. **TERMINATION FOR DEATH OR DISABILITY**

(a) The Executive's employment shall terminate immediately upon his death or Disability (as hereinafter defined). Upon such termination, the Executive, his estate, or his beneficiaries, as the case may be, shall be entitled to receive, and their sole remedies under this Agreement shall be:

(i) subject to Section 6(b), any earned and unpaid Salary accrued through the date of termination, payable in a lump sum not later than 15 days following the Executive's termination of employment;

(ii) subject to Section 6(b), compensation for any unused vacation days accrued in the fiscal year in which termination occurs through the date of termination, payable as in clause (i) of this Section 6(a);

(iii) any unpaid benefits accrued through the date of termination that may be due the Executive under any employee benefit plans or programs of the Company (or Forward), payable in accordance with the terms of such plans or programs, together with any documented, unreimbursed business expenses, payable in accordance with the Company's (or Forward's) policies; and

(iv) provided that the Release in Exhibit I becomes fully effective and nonrevocable by its terms (which may be executed upon the Executive's death or Disability by his executor or estate, as applicable) any stock options, grants of Common Stock, restricted share grants or other benefits under any of the Company's compensation plans that were vested as of 5:00 PM New York time on the date immediately prior to the date of termination, may be exercised (in the case of options) or delivered (in the case of restricted stock) in accordance with the terms of such plans and any applicable plan award agreements with the Executive.

(b) For purposes of this Agreement, the term "**Disability**" shall mean any disability, illness, or other incapacity that prevents the Executive from performing services as contemplated by Section 2, for 60 or more consecutive days, or for an aggregate of 90 days in any consecutive 12-month period. In such event, the Company shall have the right to terminate this Agreement upon 10 days' prior written notice to the Executive. During the period of any such disability, illness, or incapacity, (i) the obligation of the Company to pay Salary to the Executive pursuant to Section 3 shall be reduced to the extent of any amount received by the Executive pursuant to any disability insurance policy maintained and paid for by the Company, and (ii) no bonus compensation or other employee benefits shall accrue or be earned or count toward proration. Termination under this Section shall not prejudice any rights of the Executive under disability policies, if any, being maintained by the Company (or Forward) for the Executive under the terms of this Agreement.

7. **TERMINATION UPON EXPIRATION OF THE TERM**

(a) The Executive's employment shall terminate upon the expiration of the Term. Upon such termination, the Executive shall be entitled to receive, and his sole remedies under this Agreement shall be:

(i) any earned and unpaid Salary accrued through the date of termination, payable in a lump sum not later than 15 days following the Executive's termination of employment;

(ii) compensation for any unused vacation days accrued in the fiscal year in which termination occurs through the date of termination, payable as in clause (i) of this Section 7(a);

(iii) any unpaid benefits accrued through the date of termination that may be due the Executive under any employee benefit plans or programs of the Company (or Forward), payable in accordance with the terms of such plans or programs, together with any documented, unreimbursed business expenses, payable in accordance with the Company's (or Forward's) policies; and

(iv) provided that the Release in Exhibit I becomes fully effective and nonrevocable by its terms, any stock options, grants of Common Stock, restricted share grants or other benefits under any of the Company's compensation plans that were vested as of 5:00 PM New York time on the date immediately prior to the date of termination, may be exercised (in the case of options) or delivered (in the case of restricted stock) in accordance with the terms of such plans and any applicable plan award agreements with the Executive.

8. **OBLIGATIONS UPON TERMINATION**

(a) Upon the termination of employment for any reason hereunder, all provisions of this Agreement shall terminate except for Sections 4-12 of this Agreement and the provisions contained in Exhibit I hereto, the terms of which shall survive such termination, and the Company and Forward shall have no further obligation to the Executive hereunder, except as herein and therein expressly provided. The Company shall comply with the terms of settlement of all deferred compensation arrangements to which the Executive is a party in accordance with his duly executed deferral election forms and plan provisions.

(b) In the event of a termination of employment by the Executive on his own initiative during the Term or any renewal thereof by delivery of written notice of such resignation 10 business days in advance, other than due to Disability or termination for Good Reason, the Executive shall have the same entitlements as provided in Section 4, Termination by the Company for Cause.

(c) In the event of a termination of employment, payment made and performance by the Company in accordance with the provisions of Section 4, 5, 6, or 7 as the case may be, and this Section 8 shall operate to fully discharge and release the Company, Forward and their respective affiliates, subsidiaries, directors, officers, managers, employees, contractors, consultants, shareholders, members, successors, assigns, agents, and representatives (all of the foregoing collectively, the "**releasees**") from any further obligation or liability with respect to the Executive's rights under this Agreement. Other than payment and performance as aforesaid, none of the releasees shall have any further obligation or liability to the Executive or any other person or entity arising out of termination of the Executive's employment under this Agreement except as expressly set forth in Exhibit I hereto. The Company's payment of any severance or other amounts pursuant to this Agreement shall be subject to delivery by the Executive to the Company of a release in form and substance satisfactory to the Company releasing any and all claims the Executive, his estate, representatives, and assigns may have against the Company and any other releasee arising out of this Agreement, as substantially set forth in Exhibit I hereto.

9. **RESTRICTIVE COVENANTS**

(a) Non-Competition. In connection with the Acquisition Agreement, including the transfer of goodwill, which Forward and the Company consider to be a valuable asset, and in exchange for good and valuable consideration offered to the Executive including the payments and benefits under this Agreement, the Executive agrees, during the Term of this Agreement and for 24 consecutive months thereafter beginning on the termination date (the "**Restricted Period**"), to run consecutively, beginning on the last day of the Term, not to (on Executive's own behalf or that of any Person other than the Company), (i) engage in or assist others (other than the Company) in engaging in the Restricted Business in the Territory; or (ii) have an interest in any Person that engages directly or indirectly in the Restricted Business in the Territory in any capacity, including as a partner, shareholder, member, employee, principal, agent, director, officer, trustee or consultant (except as a passive investment of less than two percent (2%) of the outstanding equity securities of any Person listed on any national securities exchange or traded actively in any national over-the-counter market so long as such Party has no other relationship with such Person in violation of this Agreement).

For purposes of this Section 9(a), (i) "**Restricted Business**" means any business or activity that competes, directly or indirectly, with the business of providing medical device design and development services; and (ii) "**Territory**" means anywhere in the entire world. For the avoidance of doubt, Restricted Business also includes any activity that requires or may require the knowledge or disclosure of the Company's or its affiliate's and/or subsidiary's trade secrets, proprietary information or other Confidential Information (as defined below).

(b) Non-Solicitation of Employees. During the Restricted Period, to run consecutively, beginning on the last day of the Term, the Executive agrees (on Executive's own behalf or that of any Person other than the Company), not to, directly or indirectly, hire or solicit any Person who is or was employed or engaged by the Company during the Restricted Period, or encourage any such employee or consultant to leave such employment or consulting position or hire any such employee or consultant who has left such employment or consulting position, except pursuant to a general solicitation which is not directed specifically to any such employees or consultants.

(c) Non-Solicitation of Clients and/or Customers.

(i) The Executive understands and acknowledges that because of the Executive's experience with, and relationship to, the Company, the Executive will have access to information pertaining to the Company's customers and clients including, but not limited to, names, phone numbers, addresses, e-mail addresses, order history, order preferences, chain of command, pricing information, and other information identifying such customers or clients and the products or services offered to same.

(ii) During the Restricted Period, to run consecutively, beginning on the last day of the Term, the Executive agrees (on Executive's own behalf or that of any Person other than the Company), not to, directly or indirectly, cause, induce or encourage any material actual or prospective client, customer, supplier or licensor of the Company's business (including any existing or former client or customer of Kablooe or the Company and any Person that becomes a client or customer of the Company's business after the Closing), or any other Person who has a material business relationship with the Company's business, to terminate or modify any such actual or prospective relationship. The Executive understands and acknowledges that a breach of this Section 9(c) will cause significant and irreparable harm to the Company and Forward.

(d) Non-Disparagement. The Executive agrees and covenants that he will not, directly or indirectly, at any time during or after Executive's employment with the Company, make, publish or communicate to any Person or in any public forum any defamatory or disparaging remarks, comments, or statements concerning the Company, Forward, or their respective businesses, or any of their respective subsidiaries, affiliates, and each of their respective employees, officers, directors, investors, shareholders, managers, members, beneficial owners and other associated third parties. The Company and Forward also agree to use reasonable efforts to cause Forward's senior level executive management not to directly or indirectly make any defamatory or disparaging remarks concerning the Executive.

(e) Reasonableness of Restrictive Covenants**.**

(i) The Executive agrees that the promises made in this Section 9 are reasonable and necessary for the protection of the Company's legitimate business interests including, but not limited to: (i) the Confidential Information; client, customer, supplier or licensor, and vendor goodwill associated with the specific marketing and trade area in which the Company conducts its business; (ii) the Company's substantial relationships with prospective and existing client, customer, supplier or licensor and referral sources; and (iii) a productive, competent and undisrupted workforce. The Executive agrees that the restrictive covenants in this Section 9 will not prevent the Executive from earning a livelihood in the Executive's chosen business, they do not impose an undue hardship on the Executive, and that they will not injure the public. If any restriction is found by a court of competent jurisdiction to be unenforceable because it extends for too long a period of time, over too broad a range of activities, or in too large a geographic area, that restriction shall be interpreted to extend only over the maximum period of time, range of activities, or geographic area as to which it may be enforceable.

This Section 9 does not, in any way, restrict or impede the Executive from exercising protected rights to the extent that such rights cannot be waived by agreement or from complying with any applicable law or regulation, or a valid order of a court of competent jurisdiction or an authorized government agency, provided that such compliance does not exceed that required by such law, regulation, or order. The Executive shall promptly provide written notice of any such court or agency order to the Board.

(f) Upon the expiration or termination of this Agreement for any reason, the Executive shall promptly deliver to the Company all documents, papers and records in his possession relating to the business or affairs of the Company, Forward or any subsidiary or affiliate and that he obtained or received in his capacity as an employee or officer of the Company, Forward or any subsidiary or affiliate and any other Company, Forward, subsidiary or affiliate property or equipment in his possession or control.

(g) In the event that either Party shall violate or be in violation of any provision of this Section 9 (which provisions the parties hereby acknowledge are reasonable and equitable), in addition to the parties right to exercise any and all remedies, legal and equitable, which it may have under applicable laws, the Executive shall not be entitled to any, and hereby waives any and all rights to, each and every, termination payment or benefit under this Agreement.

(h) The Executive acknowledges and agrees that the provisions of Section 9 and Section 10 hereof constitute independent, separable and severable covenants, for which the Executive is receiving consideration, which shall survive the termination of employment, and which shall be enforceable by the Company notwithstanding any rights or remedies the Company may have under any other provision hereof.

10. **DISCLOSURE OF CONFIDENTIAL INFORMATION**

(a) Confidential Information.

(i) For purposes of this Agreement, "**Confidential Information**" includes, but is not limited to, all information not generally known to the public, in spoken, printed, electronic or any other form or medium, relating directly or indirectly to: business processes, products, patents, sources of supply, customer dealings, client dealings, data, source code, business plans, practices, methods, policies, publications, research, operations, strategies, techniques, agreements, transactions, potential transactions, negotiations, know-how, trade secrets, computer programs, computer software, applications, operating systems, software design, work-in-process, databases, records, systems, supplier information, vendor information, financial information, results, legal information, marketing and advertising information, pricing information, design information, personnel information, developments, reports, internal controls, graphics, drawings, market studies, sales information, revenue, costs, notes, communications, algorithms, product plans, designs, models, ideas, inventions, unpublished patent applications, original works of authorship, discoveries, experimental processes, experimental results, specifications, customer information, client information, customer lists, client lists, distributor lists, and buyer lists of the Company, Forward or their respective subsidiaries, affiliates or any existing or prospective customer, client, supplier, investor or other associated third party, or of any other Person that has entrusted information to the Company in confidence. The Executive understands that the above list is not exhaustive, and that Confidential Information also includes other information that is marked or otherwise identified as confidential or proprietary, or that would otherwise appear to a reasonable person to be confidential or proprietary in the context and circumstances in which the information is known or used.

(ii) The Executive recognizes, acknowledges and agrees that Executive has had and will continue to have access to secret and Confidential Information regarding the Company and/or Forward. The Executive acknowledges and agrees that such information is of great value to the Company and Forward, has been and at all times and shall remain the sole and exclusive property of the Company and Forward, as applicable, and will be acquired by Employee in the strictest of confidence. In consideration of the obligations undertaken by the Company herein, the Executive will not, at any time during or after Employee's employment hereunder, reveal, divulge or make known to any Person, any Confidential Information acquired by Executive during the course of his employment. The Executive agrees to use Executive's best efforts to maintain the confidentiality of the Confidential Information during the course of, and at all times after, the Executive's employment with the Company, including adopting and implementing all procedures prescribed by the Company to prevent unauthorized use of Confidential Information or disclosure of Confidential Information to any unauthorized Person. The Executive shall take all necessary administrative, technical, and physical actions necessary to secure and protect the confidentiality, integrity, and security of the Confidential Information, as well as any third-part financial information and Personally Identifiable Information received, accessed, or used by the Executive in the performance of the Executive's duties. "**Personally Identifiable Information**" means information that, whether maintained or transmitted individually or in the aggregate with other information, and whether or not Confidential Information, allows a natural person to be identified, including, but not limited to, the name, birthday, address, telephone number, social security number or other unique identifiers of any natural person. The Executive agrees that he will not download, upload, or otherwise transfer copies of Confidential Information to any external storage media or cloud storage (except as authorized by the Company when necessary in the performance of the Executive's duties for the Company and for the Company's sole benefit).

(iii) Notwithstanding the foregoing, the Executive shall have no confidentiality obligations with respect to any Confidential Information that: (i) is or becomes publicly known through publication, inspection of a product, or otherwise, and through no negligence or other wrongful act of the Executive; (ii) is obtained or received by the Executive from a third party without similar restriction and without breach of any agreement; or (iii) is required to be disclosed under applicable law or judicial process.

(b) Whistleblower Provision. Nothing contained in this Agreement shall be construed to prevent the Executive from reporting any act or failure to act to the Securities and Exchange Commission or other governmental body or prevent the Executive from obtaining a fee as a "whistleblower" under Rule 21F-17(a) under the Securities Exchange Act of 1934 or other rules or regulations implemented under the Dodd-Frank Wall Street Reform Act and Consumer Protection Act.

(c) Notice of Immunity Under the Economic Espionage Act of 1996, as amended by the Defend Trade Secrets Act of 2016 ("DTSA"). Notwithstanding any other provision of this Agreement, the Executive will not be held criminally or civilly liable under any federal or state trade secret law for any disclosure of a trade secret that is made (a) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney; and (b) solely for the purpose of reporting or investigating a suspected violation of law; or is made in a complaint or other document filed under seal in a lawsuit or other proceeding. If the Executive files a lawsuit for retaliation by the Company for reporting a suspected violation of law, the Executive may disclose the Company's trade secrets to the Executive's attorney and use the trade secret information in the court proceeding if the Executive files any document containing trade secrets under seal and does not disclose trade secrets, except pursuant to court order.

For purposes of Sections 3, 4, 5, 6, 9, 10, 11 and 12, the "Company" shall include Forward and their respective subsidiaries and affiliates.

11. **PROPRIETARY RIGHTS**

(a) Work Product. The Executive acknowledges and agrees that all right, title, and interest in and to all writings, works of authorship, technology, inventions, discoveries, processes, techniques, methods, ideas, concepts, research, proposals, materials, and all other work product of any nature whatsoever, that are created, prepared, produced, authored, edited, amended, conceived, or reduced to practice by the Executive individually or jointly with others during the period of his employment by the Company and that relate in any way to the business or contemplated business, products, activities, research, or development of the Company or result from any work performed by the Executive for the Company (in each case, regardless of when or where prepared or whose equipment or other resources is used in preparing same), all rights and claims related to the foregoing, and all printed, physical and electronic copies, and other tangible embodiments thereof (collectively, "**Work Product**"), as well as any and all rights in and to United States and foreign: (i) patents, patent disclosures and inventions (whether patentable or not); (ii) trademarks, service marks, trade dress, trade names, logos, corporate names, and domain names, and other similar designations of source or origin, together with the goodwill symbolized by any of the foregoing; (iii) copyrights and copyrightable works (including computer programs), mask works, and rights in data and databases; (iv) trade secrets, know-how, and other Confidential Information; and (v) all other intellectual property rights, in each case whether registered or unregistered and including all registrations and applications for, and renewals and extensions of, such rights, all improvements thereto and all similar or equivalent rights or forms of protection in any part of the world (collectively, "**Intellectual Property Rights**"), shall be the sole and exclusive property of the Company. For purposes of this Agreement, Work Product includes, but is not limited to, Company information, including plans, publications, research, strategies, techniques, documents, contracts, terms of agreements, negotiations, know-how, computer programs, computer applications, software design, web design, work in process, databases, manuals, results, developments, reports, graphics, drawings, market studies, formulae, notes, communications, algorithms, product plans, product designs, styles, models, audiovisual programs, inventions, unpublished patent applications, original works of authorship, discoveries, experimental processes, experimental results, specifications, customer information, customer lists, marketing and advertising information and sales information.

(b) Work Made for Hire; Assignment. The Executive acknowledges that, to the extent permitted by law, all Work Product consisting of copyrightable subject matter created by the Executive during his employment with the Company is a "work made for hire" as defined in 17 U.S.C. § 101 and such copyrights are therefore owned by the Company. To the extent that the foregoing does not apply, the Executive hereby irrevocably assigns to the Company, for no additional consideration, the Executive's entire right, title, and interest in and to all Work Product and Intellectual Property Rights therein, including the right to sue, counterclaim, and recover for all past, present, and future infringement, misappropriation, or dilution thereof, and all rights corresponding thereto throughout the world. Nothing contained in this Agreement shall be construed to reduce or limit the Company's rights, title, or interest in any Work Product or Intellectual Property Rights so as to be less in any respect than that the Company would have had in the absence of this Agreement.

(c) Further Assurances; Power of Attorney. During and after the Executive's employment, the Executive agrees to reasonably cooperate with the Company to: (i) apply for, obtain, perfect, and transfer to the Company the Work Product as well as any and all Intellectual Property Rights in the Work Product in any jurisdiction in the world; and (ii) maintain, protect and enforce the same, including, without limitation, giving testimony and executing and delivering to the Company any and all applications, oaths, declarations, affidavits, waivers, assignments, and other documents and instruments as shall be requested by the Company. The Executive hereby irrevocably grants the Company a power of attorney to execute and deliver any such documents on the Executive's behalf and in the Executive's name and to do all other lawfully permitted acts to transfer the Work Product to the Company and further the transfer, prosecution, issuance, and maintenance of all Intellectual Property Rights therein, to the full extent permitted by law, in the event the Executive does not promptly cooperate with the Company's request (without limiting the rights the Company shall have in such circumstances by operation of law). This power of attorney is coupled with an interest and shall not be affected by the Executive's subsequent incapacity.

(d) No License. The Executive understands that this Agreement does not, and shall not be construed to, grant the Executive any license or right of any nature with respect to any Work Product or Intellectual Property Rights or any Confidential Information, materials, software, or other tools made available to him by the Company.

(e) Notice to Employee. THE FOREGOING NOTWITHSTANDING, THIS AGREEMENT DOES NOT APPLY TO AN INVENTION FOR WHICH NO EQUIPMENT, SUPPLIES, FACILITY OR TRADE SECRET INFORMATION OF THE EMPLOYER WAS USED AND WHICH WAS DEVELOPED ENTIRELY ON THE EMPLOYEE'S OWN TIME, AND (1) WHICH DOES NOT RELATE (A) DIRECTLY TO THE BUSINESS OF THE EMPLOYER OR (B) TO THE EMPLOYER'S ACTUAL OR DEMONSTRABLY ANTICIPATED RESEARCH OR DEVELOPMENT, OR (2) WHICH DOES NOT RESULT FROM ANY WORK PERFORMED BY THE EMPLOYEE FOR THE EMPLOYER.

12. **SPECIFIC PERFORMANCE**

(a) The Executive acknowledges and agrees that:

(i) the services to be rendered and covenants to be performed under this Agreement are of a special and unique character and that the Company and any subsidiary or affiliate would be irreparably harmed if such services were lost to it or if the Executive breached its obligations and covenants hereunder;

(ii) the Company and Forward are relying on the Executive's performance of the covenants contained herein, including, without limitation, those contained in Sections 9-11 above, as a material inducement for its entering into this Agreement;

(iii) the Company and Forward may be damaged if the provisions hereof are not specifically enforced; and

(iv) the award of monetary damages may not adequately protect the Company and Forward in the event of a breach hereof by the Executive.

(b) By virtue thereof, the Executive agrees and consents that if the Executive breaches any of the provisions of this Agreement, the Company and Forward, in addition to any other rights and remedies available under this Agreement or under applicable laws, shall (without any bond or other security being required and without the necessity of proving monetary damages) be entitled to a temporary and/or permanent injunction to be issued by a court of competent jurisdiction restraining the Executive from committing or continuing any violation of this Agreement, or any other appropriate decree of specific performance. Such remedies shall not be exclusive and shall be in addition to any other remedy that the Company and Forward may have.

13. **MISCELLANEOUS**

(a) Entire Agreement; Amendment. This Agreement constitutes the entire employment agreement between the parties and may not be modified, amended or terminated (other than pursuant to the terms hereof) except by a written instrument executed by the parties hereto. All other agreements, written or oral, between the parties pertaining to the employment or remuneration of the Executive not specifically contemplated hereby or incorporated or merged herein are hereby terminated and shall be of no further force or effect.

(b) Assignment; Successors. This Agreement is not assignable by the Executive and any purported assignment by the Executive of the Executive's rights and/or obligations under this Agreement shall be null and void. Except as provided below, this Agreement may be assigned by the Company at any time, upon delivery of written notice to the Executive, to any successor to the business of the Company, or to any subsidiary or affiliate. In the event that another corporation or other business entity becomes a Successor of the Company, then this Agreement may not be assigned to such Successor unless the Successor shall assume and agree to perform this Agreement in the same manner and to the same extent as the Company would be required to perform if there had been no Successor. The term "**Successor**" as used herein shall mean any corporation or other business entity that succeeds to substantially all of the assets or conducts the business of the Company, whether directly or indirectly, by purchase, merger, consolidation or otherwise. This Agreement shall be binding upon and inure to the benefit of the parties and their respective heirs, executors, administrators, personal representatives, successors and permitted assigns.

(c) Waivers. No waiver of any breach or default hereunder shall be considered valid unless in writing, and no such waiver shall be deemed a waiver of any subsequent breach or default of the same or similar nature. The failure of any party to insist upon strict adherence to any term of this Agreement on any occasion shall not operate or be construed as a waiver of the right to insist upon strict adherence to that term or any other term of this Agreement on that or any other occasion.

(d) Provisions Overly Broad. In the event that any term or provision of this Agreement shall be deemed by a court of competent jurisdiction to be overly broad in scope, duration or area of applicability, the court considering the same shall have the power and hereby is authorized and directed to modify such term or provision to limit such scope, duration or area, or all of them, so that such term or provision is no longer overly broad and to enforce the same as so limited. Subject to the foregoing sentence, in the event that any provision of this Agreement shall be held to be invalid or unenforceable for any reason, such invalidity or unenforceability shall attach only to such provision and shall not affect or render invalid or unenforceable any other provision of this Agreement.

(e) Notices. Any notice permitted or required hereunder shall be in writing and shall be deemed to have been given on the date of delivery or, if mailed by certified mail, postage prepaid, return receipt requested, documented overnight courier, or by email, on the date mailed or emailed.

(i) If to the Executive to:
Tom KraMer
8560 Cottonwood Suite NW, #100
Minneapolis, Minnesota 55433
Email: ideas@kablooe.com

(ii) If to the Company to:
Kablooe, Inc.
700 Veterans Memorial Highway, Suite 100
Hauppauge, NY 11788
Attention: Terry Wise, President
Email: twise@forwardindustries.com

with a copy (not constituting notice) to:

Forward Industries, Inc.
700 Veterans Memorial Highway, Suite 100
Hauppauge, NY 11788
Attention: Anthony Camarda, CFO
Email: acamarda@forwardindustries.com

(f) Law Governing; Consent to Jurisdiction. This Agreement shall be governed by and construed in accordance with the laws of the State of New York governing contracts made and to be performed in New York without regard to conflict of law principles thereof. Each Party hereby (i) agrees to the exclusive jurisdiction of any state or federal court within Suffolk County, New York with respect to any claim or cause of action arising under or relating to this Agreement, and (ii) waives any objection based on forum non conveniens and waives any objection to venue of any such action.

(g) Survival. All obligations of the Company to the Executive and the Executive to the Company shall terminate upon the termination of this Agreement, except as expressly provided herein. The provisions of Sections 4-11 shall survive termination of this Agreement.

(h) Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original, and each party may become a party hereto by executing a counterpart hereof. This Agreement and any counterpart so executed shall be deemed to be one and the same instrument. It shall not be necessary in making proof of this Agreement or any counterpart hereof to produce or account for any of the other counterparts. Facsimile or electronic copies of this Agreement shall be of the same force and effect as the original.

(i) Headings. The headings in this Agreement are for convenience of reference only.

(j) Representation. The Executive represents and warrants to the Company, and the Executive acknowledges that the Company has relied on such representations and warranties in offering to employ the Executive, that neither the Executive's duties as an employee of the Company nor his performance of this Agreement will breach any other agreement to which the Executive is a party, including without limitation, any agreement limiting the use or disclosure of any information acquired by the Executive prior to his employment by the Company. In addition, the Executive represents and warrants and acknowledges that the Company has relied on such representations and warranties in employing the Executive that he has not entered into, and will not enter into, any agreement, either oral or written, in conflict herewith. If it is determined that the Executive is in breach or has breached any of the representations set forth herein, the Company shall have the right to terminate the Executive's employment for Cause.

(k) Remedies Cumulative. Except as otherwise provided herein, no remedy herein conferred upon a Party hereto is intended to be exclusive of any other remedy. No single or partial exercise by a Party hereto of any right, power or remedy hereunder shall preclude any other or further exercise thereof. All remedies under this Agreement or otherwise afforded to any Party, shall be cumulative and not alternative.

(l) Further Instruments and Actions. The Parties agree to execute such further instruments and to take such further actions as may reasonably be necessary to carry out the intent of this Agreement.

(m) Attorney's Fees. In the event that any dispute between the Parties to this Agreement should result in litigation, the prevailing party in such dispute shall be entitled to recover from the losing party all fees, costs, and expenses of enforcing any right of such prevailing party under or with respect to this Agreement, including without limitation, such reasonable fees and expenses of attorneys and accountants, which shall include, without limitation, all fees, costs, and expenses of appeals.

Signature Page Immediately Follows

IN WITNESS WHEREOF, the Company and the Executive have executed this Agreement as of the date and year first above written.

THE EXECUTIVE

____
Tom KraMer
EMAIL: ideas@kablooe.com

THE COMPANY

Kablooe, Inc., a New York corporation

By: ________________________________
Name: ______________________________
Its: ________________________________

EMAIL: ____________________________

EXHIBIT I

1. Release. This Release of Claims (the "Release") is entered into by you as a condition precedent to receiving the severance and severance related benefits provided in the Employment Agreement to which this Exhibit I relates (the "Employment Agreement"). In exchange for the receipt of the severance and severance related benefits, you for yourself, your heirs and assigns and anyone else acting on your behalf, hereby voluntarily, knowingly and irrevocably and forever discharge the Company, each of its subsidiaries and affiliates, and their respective predecessors and successors, as well as each of their respective present, former, and future officers, directors, shareholders, employees, and agents, in both their individual and representative capacities, and each of their heirs and assigns (the "Releasees") from all actions, claims, demands, causes of actions, obligations, damages, liabilities, expenses and controversies of any nature whatsoever, whether known or not now known or suspected , which you had, have or may have against the Releasees from the beginning of time up to and including the date you sign this Release (the "Waived Claims"). The Waived Claims that you forever and irrevocably give up and release when the Release becomes effective include, but are not limited to, all claims related to (i) your employment at each of the Company and its subsidiaries or affiliates or the termination of such employment, (ii) statements, acts or omissions by the Releasees, (iii) any express or implied agreement between you and the Releasees, (iv) wrongful discharge, defamation, slander, breach of express or implied contract, negligent and/or intentional misrepresentation or infliction of emotional distress, breach of an implied covenant of good faith and fair dealing, claims of intentional or negligent interference with economic, employment, or contractual rights or promissory estoppel, (v) any federal, state, or local law or regulation prohibiting discrimination in employment or otherwise regulating employment, including but not limited to, Title VII of the Civil Rights Act of 1964 (Title VII), the Americans with Disabilities Act (ADA), the Family and Medical Leave Act (FMLA) (regarding existing but not prospective claims), the Fair Labor Standards Act (FLSA), the Equal Pay Act, the Employee Retirement Income Security Act (ERISA) (regarding unvested benefits), the Civil Rights Act of 1991, Section 1981 of U.S.C. Title 42, the Fair Credit Reporting Act (FCRA), the Worker Adjustment and Retraining Notification (WARN) Act, the National Labor Relations Act (NLRA), the Age Discrimination in Employment Act (ADEA), the Uniform Services Employment and Reemployment Rights Act (USERRA), the Genetic Information Nondiscrimination Act (GINA), the Immigration Reform and Control Act (ICRA), the Minnesota Human Rights Act, the Minnesota Equal Pay for Equal Work Law, the Minnesota Termination of Sales Representative Act, the Minnesota Whistleblower Act, the Minnesota Whistleblower Protection Laws, the Minnesota Parental Leave Act, all including any amendments and their respective implementing regulations, and any other federal, state, local, or foreign law that may be legally waived and released; however, the identification of specific statutes is for purposes of example only, and the omission of any specific statute or law shall not limit the scope of this Release in any manner, (vi) any claim for wages, commissions, bonuses, incentive compensation, vacation pay, employee benefits, expenses or allowances of any kind, or any other payment or compensation. You are not waiving or releasing any rights or claims that may arise after the date that you sign this Release.

2. Termination and Severance Benefits. The Release does not affect your vested rights and eligibility for benefits under the Company 40l(k) Plan, or any other employee benefit plan covered by ERISA (other than a severance plan). Eligibility for benefits under these plans is determined by the applicable plan documents. The Release does not affect your right to reimbursement of expenses incurred but not reimbursed prior to the date you sign the Release, subject to the Company's expense reimbursement policies. This Release does not affect your rights under any insurance policies held by the Company or any rights of indemnification, including those contained in the Company's Articles or bylaws.

3. No Suit. This Release does not impair any rights you have to file a charge of discrimination with a federal or state administrative agency; provided, however, that you acknowledge and agree that neither you nor your heirs, executors, administrators, successors or assigns will be entitled to any personal recovery in any proceeding of any nature whatsoever against the Releasees arising out of any of the matters released in Section 1. You represent and warrant that as of the date hereof, you nor anyone acting on your behalf has made or filed, commenced, maintained, prosecuted or participated in any action, suit, charge, grievance, complaint or proceeding of any kind against the Company, any subsidiary or affiliate thereof, and/or Releasees in any federal, state or local court, agency or investigative body.

4. Representations. You acknowledge and agree that:

(a) You have read and fully understand the legal effect and binding nature of the promises and obligations contained in this Release;

(b) You are executing this Release freely and voluntarily;

(c) You have been advised to consult with legal counsel, at your own expense, before signing this Release;

(d) You are receiving benefits as a condition to signing this Release and it becoming effective that you would not otherwise be entitled to receive but for this Release becoming effective;

(e) You have not, during the term of your employment under the Employment Agreement or thereafter performed any act, or directed any other person or entity to perform any act on your or their behalf, the intended or proximate result of which would constitute a violation of the covenants to be performed by you referred to or set forth in the Employment Agreement, nor are there any agreements, arrangements, or understandings, written or oral, that would, if performed or acted upon, constitute such a violation;

(f) There are no promises or representations that have been made to you to sign this Release except those that are included in the Employment Agreement and this Release; and

(g) You have 21 days to consider this Release, although you may sign it sooner, and once you sign this Release, you have 7 days to revoke your consent to this Release. Any such revocation shall be made in writing by hand delivery, email, or overnight courier so as to be received by the Company prior to (or if by overnight courier, on or prior to) the 8th day following your execution of this Release; and if no such revocation occurs, this Release shall become fully effective on the 8th day following your execution of this Release. In the event that you do not sign within such 21-day period or you revoke your consent as permitted above, this Release shall be null and void.

5. Employment Agreement. You further acknowledge and agree that the following provisions of the Employment Agreement are incorporated by reference into this Release as if fully set forth herein: 9 (Restrictive Covenants), 12 (Specific Performance) and 13 (Miscellaneous). You hereby reaffirm such sections and acknowledge and agree that such sections shall survive the termination of your employment for whatever reason and continue as set forth in the Employment Agreement.

6. No Admission. This Release is not an admission of any liability or wrongdoing by you, the Company and/or any Releasee.

7. No Reinstatement. By entering into this Agreement, you acknowledge that you (i) waive any claim to reinstatement and/or future employment with the Company or any subsidiary or affiliate and (ii) are not and shall not be entitled to any payments, benefits or other obligations from the Company or any subsidiary or affiliate thereof whatsoever (except as expressly set forth herein).

Your signature below acknowledges that you knowingly and voluntarily agree to all of the terms and conditions contained in this Release.

Executive: ____ Date________________
Tom KraMer

FORWARD INDUSTRIES, INC.

[____] Date________________
Name Position

KABLOEE, INC.

[____] Date________________
Name Position

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in registration statement No. 333- 253461 on Form S-8 of Forward Industries, Inc. of our report dated December 16, 2022 on our audits of the consolidated financial statements of Forward Industries, Inc. as of September 30, 2022 and 2021 and for the years then ended, which report is included in the Annual Report on Form 10-K of Forward Industries, Inc. for the year ended September 30, 2022.

/s/ CohnReznick LLP

Melville, New York
December 16, 2022

Exhibit 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER

I, Terence Wise, certify that:

1. I have reviewed this annual report on Form 10-K of Forward Industries, Inc.;

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(s) 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 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(s) 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, 2022

/s/ Terence Wise

Terence Wise
Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER

I, Anthony Camarda, certify that:

1. I have reviewed this annual report on Form 10-K of Forward Industries, Inc.;

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(s) 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 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(s) 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, 2022

/s/ Anthony Camarda

Anthony Camarda
Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the annual report of Forward Industries, Inc. (the “Company”) on Form 10-K for the fiscal year ended September 30, 2022, as filed with the Securities and Exchange Commission on the date hereof, I, Terence Wise, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

1. The annual report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and

2. The information contained in the annual report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Terence Wise

Terence Wise
Chief Executive Officer
(Principal Executive Officer)
Dated: December 16, 2022

In connection with the annual report of Forward Industries, Inc. (the “Company”) on Form 10-K for the fiscal year ended September 30, 2022, as filed with the Securities and Exchange Commission on the date hereof, I, Anthony Camarda, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

1. The annual report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and

2. The information contained in the annual report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Anthony Camarda

Anthony Camarda
Chief Financial Officer
(Principal Financial Officer)
Dated: December 16, 2022