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 , 2024

☐ 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) 547-3055
(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. ☐

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the fi ling reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant’s executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

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, 2024, the aggregate market value of the registrant’s common stock held by non-affiliates of the registrant was approximately $ 4,800,000 based on the closing price as reported on the Nasdaq Stock Market.

There were 1,101,069 shares of the registrant’s common stock outstanding as of December 6, 2024.

Documents Incorporated by Reference

Portions of the registrant’s Proxy Statement for the 2025 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, 2024.

FORWARD INDUSTRIES, INC. AND SUBSIDIARIES

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, sourcing and distribution company serving top tier medical and technology customers worldwide.

The principal customer 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.

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 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.

Discontinued Operations

Considering the recurring losses incurred by the retail segment, in July 2023, the Company decided to cease operations of our retail distribution segment and we are presenting the results of operations for this segment within discontinued operations in the current and prior periods presented herein. The discontinuation of the retail segment represents a strategic shift in the Company's business. The primary assets of the retail segment were inventory and accounts receivable. The Company sold, liquidated, or otherwise disposed of the remaining retail inventory and collected the remaining retail accounts receivable as of September 30, 2024. As of September 30, 2024, the retail segment was fully discontinued, and we expect to have no further significant involvement in this segment. The inventory of the retail segment is presented as discontinued assets held for sale on the balance sheet at September 30, 2023 and the results of operations for the retail segment have been classified as discontinued operations on the consolidated statements of operations for the years ended September 30, 2024 and 2023. All information and results in this annual report on Form 10-K exclude the discontinued retail segment unless otherwise noted. See Note 3 to our consolidated financial statements for additional information on the discontinued retail segment.

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 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 has complemented the IPS business and further diversified the industries and customers with which we do business.

Customers

Our OEM distribution customers are located in all geographic regions worldwide. Our design business provides services to 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). 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 14 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.

Design Products

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.

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

- IT Support

Distribution

Channels of Distribution

We ship the majority of 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 utilize a third-party warehouse in Europe to store certain inventory items. We do not recognize revenue for products shipped to the warehouse until such products have been shipped to the 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.

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 through March 2023 paid 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. Considering the loss of a significant OEM distribution customer (see Note 16 to the consolidated financial statements), effective April 1, 2023, the Company and Forward China agreed to reduce the fixed portion of the sourcing fee from $100,000 to $83,333 per month for the remaining term of the Supply Agreement, which expired in October 2023, resulting in cash savings of $100,000 in Fiscal 2023. Effective October 2023, the Company and Forward China entered into a new sourcing agreement under which the fixed portion of the sourcing fee was further reduced to $65,833 per month. Other terms in the agreement were substantially the same as the prior agreement. Due to the Company’s decision to cease operations of its retail distribution segment and the decline in the OEM distribution segment business, the new sourcing agreement expired October 31, 2024. In November 2024, the Company and Forward China agreed to: (i) extend the sourcing agreement until April 30, 2025, but allow either party to cancel with 30 days notice, (ii) reduce the fixed portion of the sourcing fee to $35,000 per month, and (iii) change the payment terms to better align with payments from our customers. Terence Wise, our Chairman, Chief Executive Officer and largest shareholder, 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. See “Item 1A. – Risk Factors” regarding our dependence on Forward China.

Suppliers

We procure substantially all our OEM 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 2024, Forward China received its ISO 9001:2008 quality certification, which was renewed and is valid until July 2027.

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 project contracts and we work closely with the customer to identify and correct any quality issues that arise.

Competition

Distribution Business

Our OEM distribution business is 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, 2024, 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).

Regulation and Environmental Protection

Our OEM distribution business is subject to various regulations in various jurisdictions, including the U.S., Canada 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

We have experienced recurring losses and our ability to continue as a going concern is in doubt.

We incurred net losses of approximately $1,951,000 and $3,737,000 in Fiscal 2024 and 2023, respectively. We expect to generate losses for the foreseeable future. We will need to generate increased revenues to achieve profitability in the future. Despite our efforts, we may not achieve profitability in the future or sustain profitability for a prolonged period of time. In December 2024, our largest design customer notified us of its plan to discontinue their insulin patch program on which we were providing design services. In Fiscal 2024, this design customer was responsible for 25.2% of our revenues. While we plan to mitigate the impact of this lost revenue with cost reduction efforts, seeking continued flexibility on payments to Forward China and exploring additional sources of financing, these efforts may not be sufficient to meet our liquidity needs through December 31, 2025.

Accordingly, our independent registered public accounting firm stated in their report on our annual financial statements for the fiscal year ended September 30, 2024, that these conditions raise substantial doubt about our ability to continue as a going concern. If we are unable to continue as a going concern, our shareholders will likely lose all of their investment in the Company.

The COVID-19 pandemic, or any other future pandemic, has had, and may continue to have, a material and adverse effect on our business and results of operations.

On May 11, 2023, the U.S. Department of Health and Human Services declared the end of the Public Health Emergency for COVID-19. Though the severity of COVID-19 has subsided, new variants or any other future pandemic could interrupt business, cause renewed labor and supply chain disruptions, and negatively impact the global and US economy, which could materially and adversely impact our business. During the height of COVID-19 our supply chain experienced significant disruptions which, together with other factors such as the increase in global consumer demand and the global shipping container shortage, resulted in longer delivery times and higher importation costs for most of our products. While our supply chain appears to generally be stable at this time, should a resurgence of COVID-19, or a similar pandemic, occurs, our supply chain could again be negatively impacted; for example, the factories that manufacture our products could be required by government authorities to temporarily cease operations or might be limited in their production capacity. If governments take protective actions in response to a resurgence of COVID-19 or the outbreak of a new pandemic, it may have a material adverse impact on our business, financial condition and operating results for the reasons described above.

During Fiscal 2024, we generated a net loss. We cannot assure you that we will regain profitability in the future.

In Fiscal 2024, we generated a net loss of approximately $1,951,000. While we generated income from continuing operations in Fiscal 2023, we can provide no assurance that we will not experience operating losses in the future. Forward China holds a $600,000 note which is due on June 30, 2025. Additionally, we owe Forward China approximately $7,226,000 in accounts payable. See Note 14 to the consolidated financial statements for a discussion on these payables and the limited amounts that we are required to pay over any 12-month period. Forward China, which is owned by our Chief Executive Officer and Chairman of the Board, has previously agreed to extend the note on numerous occasions to assist the Company with its liquidity. We cannot provide 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.

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.

In Fiscal 2024, revenues from diabetic products accounted for 77% of our OEM distribution revenues and OEM distribution revenue accounted for 34% of our consolidated net revenue. 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. Many new diabetes monitoring products brought to the market in recent years do not use a carrying case. If consumer demand continues to increase for 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. In Fiscal 2024, our largest design customer accounted for 25.2% of our consolidated net revenue and one OEM distribution customer accounted for 13.0% of our consolidated net revenue. In Fiscal 2023, our largest design customer accounted for 27.9% of our consolidated net revenue and one OEM distribution customer accounted for 11.2% of our consolidated net revenue. In December 2024, our largest design customer notified the Company of its plan to discontinue their insulin patch program, on which the Company was working. We expect this to cause a material decrease in our revenues beginning with the second quarter of fiscal 2025. We are currently working on cost reduction efforts to mitigate the reduction in revenue.

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 2019 and 2020, 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 has not been directly affected by any tariffs previously implemented by former President Trump on the medical technology industry which currently remain in place. In May 2022 the U.S. Trade Representative (the "USTR") announced a statutory four-year review of the tariffs against China. The USTR also announced in May 2022 that it reinstated or extended various eligible tariff exclusions on certain products from China through December 2023. In September 2024, the USTR completed its statutory four-year review and announced tariff increases on imports from China on various products. Further, we do not know if the administration that takes office in 2025 will implement any new tariffs or alter current tariffs. If any tariffs or 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 non-medical 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.

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 2024, we continued to experience significant pricing pressure from many customers, including some of our largest distribution 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. In Fiscal 2023, due to increased pricing pressure, we did not renew our contract with one major OEM distribution customer, which expired in March 2023. If pricing pressures continue and we are unable to find comparable concessions from our suppliers, we may be unable to renew future contracts with our customers. The recent inflationary environment in the U.S. and globally has caused production costs to increase in Fiscal 2023 and in Fiscal 2024. 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 any 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 a Buying Agency and Supply Agreement with Forward China under which Forward China acts 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. 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 maintain our agreement with Forward China, which is currently in effect until April 30, 2025, but may be terminated prior to that with 30 days' notice, 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 means 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 would 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 consolidated 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 more than one segment.

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 products 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 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 and in these cases, it is the contract manufacturer to which we must look for payment.

Contract manufacturing firms perform 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 Fiscal 2024, we experienced shipping delays resulting from cargo ship piracy in the Red Sea, and in March 2021, a container ship carrying some of our products ran aground in the Suez Canal and was immobilized for six days. Although these events did not have a material adverse effect on our business, there is no assurance that, if they happened again, that they would not. In any such case, our customers may cancel or change the terms of their purchase orders, 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 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. Further, as part of the Company's ongoing efforts to reduce expenses, we recently reduced the salaries of three of our executive officers. While the salary reductions were agreed to by the executives, it is possible that the decrease in salary may cause either or both officers to look for employment elsewhere. 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, which could result in our losing customers and revenue.

Our IT infrastructure including power, security, connectivity and other services is housed within our office space in which we lease. 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 money market or other cash, we may incur a loss to the extent such loss exceeds the insurance limitation, which could have a material adverse effect upon our financial conditions and our results of operations.

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

Terence Wise, our Chairman and Chief Executive Officer, is a significant shareholder who beneficially owns approximately 19.9% of the outstanding shares of our common stock as of December 9, 2024. Mr. Wise would beneficially own significantly more shares without a 19.9% blocker (shareholder approval cap) under our Series A-1 Convertible Preferred Stock. 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 wars in Ukraine and Israel, 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 standards of Nasdaq could result on the delisting of our common stock.

Our common stock is listed on Nasdaq. As part of being listed on Nasdaq, we are required to meet certain continued listing requirements.

On July 31, 2023, the Company received a notice from Nasdaq that the Company had failed to comply with Nasdaq Listing Rule 5550(a)(2) (the "Minimum Bid Price Rule") by failing to maintain a minimum bid price of at least $1.00 per share of common stock for 30 consecutive business days. The Company was given a 180-day grace period to regain compliance, but the Company failed to regain compliance within the grace period. The Company then timely requested a hearing before an independent Nasdaq Hearings Panel. The hearing occurred on April 9, 2024.

Further, on February 22, 2024, the Company received a notice from Nasdaq that the Company's stockholders' equity did not comply with the applicable Nasdaq Listing Rule 5550(b)(1) (the "Stockholders' Equity Rule"), requiring listed companies to maintain a stockholders' equity of at least $2,500,000, as reported in the Company's Form 10-Q for the fiscal period ended December 31, 2023. The Company was instructed to present its views with respect to its failure to meet the requirements of the Stockholders' Equity Rule at the April 9, 2024, hearing before the Nasdaq Hearings Panel.

As a result of the reverse stock split effected in June 2024 and the entrance into the Accounts Payable Conversion Agreements with Forward China (described in Note 14 to the consolidated financial statements), the Company regained compliance with the Minimum Bid Price Rule and Stockholders' Equity Rule in July 2024 and was formally notified by Nasdaq that such requirements were met. Until July 24, 2025, the Company is subject to a Nasdaq "Panel Monitor" which provides for in the event the Company fails to satisfy the Stockholders' Equity Rule during the monitoring period, the Company will be required to request a hearing before the Panel in order to maintain its listing rather than taking the interim step of submitting a compliance plan for the Nasdaq Listing Qualifications Staff's review or receiving any otherwise applicable grace period. We can provide no assurance that if the Company fails to satisfy the Stockholders' Equity Rule during this period that the Company will be able to maintain its Nasdaq listing.

If our stock price declines below $1.00 for more than 30 consecutive business days, and thereby fails to satisfy the Minimum Bid Price Rule, we may ask shareholders to approve another reverse stock split. Reverse stock splits require approval by stockholders who hold a majority of our voting power. Because many of our shares are held in street name and brokers do not necessarily vote unvoted shares, we may not receive approval for another reverse split. Additionally, a reverse stock split typically has the effect of reducing the number of holders of shares in "round lots" meaning those holding 100 or more shares. Another requirement for being listed on Nasdaq is that the Company have a minimum of 300 round lot holders, so if our stock price falls too low, a reverse split may not be sufficient to cure noncompliance based on the minimum round lot requirement.

If we fail to meet continued listing requirements in the future and are unable to get an extension to regain compliance, Nasdaq may delist our common stock. If our common stock is delisted, 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, including being unable to solicit buyers for our common stock;
- a limited amount of news and analyst coverage for our Company; and
- a limited ability to raise capital 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 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.

We have incurred, and may in the future incur, impairment charges related to our goodwill, which could have a material adverse effect on our business, results of operations and financial condition.

As of September 30, 2024, we had goodwill of $1,559,000. The carrying value of goodwill may be reduced if we determine that goodwill is impaired. We test goodwill for impairment in the fourth quarter of each year, or more frequently if indicators of an impairment exist, to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying value. We have had to impair our goodwill in the past, and in Fiscal 2024, we recorded a goodwill impairment charge of $200,000. The testing of goodwill for impairment requires us to make significant estimates about future performance and cash flows, as well as other assumptions. These estimates can be affected by numerous factors, including potential changes in economic, industry or market conditions; changes in business operations; changes in competition or changes in the price of our ordinary shares and market capitalization and other relevant events and factors affecting the fair value of the reporting unit. Changes in these factors, or changes in actual performance compared with estimates of our future performance, may affect the fair value of goodwill and could result in an impairment charge.

ITEM 1B. UNRESOLVED STAFF COMMENTS

Not Applicable.

ITEM 1C. CYBERSECURITY

Risk Management and Strategy

We recognize the importance of developing, implementing and maintaining cybersecurity measures to safeguard our information and operational technologies and protect the confidentiality, integrity and availability of our data. Our business is dependent upon our computer systems, devices, software and networks to collect, process and store the data necessary to conduct almost all aspects of our business.

We have designed our cybersecurity procedures based on the National Institute of Standards and Technology Cybersecurity Framework ("NIST CSF"). We have used NIST CSF as a guide to help identify, assess and manage cybersecurity risks relative to our business, but this does not imply that our cybersecurity program meets any particular technical standard, specification or requirement.

We have processes in place to assess, identify, manage and address material cybersecurity threats and incidents. These include, among other things, annual and ongoing security awareness training for employees, mechanisms to detect and monitor unusual network activity, use of encryption and authentication technologies, penetration testing and containment and incident response tools. We regularly assess risks from cybersecurity and technology threats and monitor our information systems for potential vulnerabilities.

We maintain an incident response plan with a cross-functional team comprised of members of the information technology department, senior management and other appropriate individuals. The team is responsible for assessing and managing the cybersecurity incident response process and taking necessary corrective actions to mitigate and/or eliminate any issues.

Our control over the security posture of and ability to monitor the cybersecurity practices of third-party vendors and service providers is limited and there can be no assurance that we can prevent, mitigate or remediate the risk of any compromise or failure in the cybersecurity infrastructure owned or controlled by third parties.

As of the filing date of this Annual Report on Form 10-K, we are not aware of any cybersecurity incidents that have materially affected or are reasonably likely to materially affect our business strategy, results of operations or financial condition. However, despite our efforts, we cannot eliminate all risks from cybersecurity threats or incidents or provide assurances that we have not experienced an undetected cybersecurity incident. For more information about these risks, see "Item 1A – Risk Factors."

Governance

Our Board of Directors has overall responsibility for the oversight of risk management, including cybersecurity risks. The Board receives periodic briefings on cybersecurity matters, including key risks to the Company, recent developments and risk mitigation activities from management.

Our information technology team is responsible for assessing and maintaining our cybersecurity risk management program and may engage third-party experts on an as-needed basis for risk assessment and system enhancements. Our information technology team are experienced information systems security professionals with many years of experience in the information technology field and various degrees and cybersecurity-related certifications.

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 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 $32,000 per month during Fiscal 2024.

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 $11,000 per month during Fiscal 2024.

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, 2024, and through the filing date of this Form 10-K, 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 6, 2024, the closing price for our common stock was $4.24.

Holders of Common Stock

At November 30, 2024, there were approximately 35 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, 2024 ("Fiscal 2024") with those for the year ended September 30, 2023 ("Fiscal 2023"). 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, 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, sourcing and distribution Company serving top tier medical and technology customers worldwide.

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. The Company does not manufacture any of its OEM 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”). Forward China is owned by our Chairman of the Board and Chief Executive Officer.

In June 2024, the Company’s stockholders authorized, and the Company’s Board of Directors approved, a 1-for-10 reverse stock split of our common stock, which became effective on June 18, 2024. Accordingly, all references made to share, per share, or common share amounts in the accompanying consolidated financial statements and applicable disclosures have been retroactively adjusted to reflect the reverse stock split.

Considering the recurring losses incurred by the retail segment, in July 2023, the Company decided to cease operations of our retail distribution segment, and we are presenting the results of operations for this segment within discontinued operations in the current and prior periods presented herein. The discontinuation of the retail segment represents a strategic shift in the Company’s business. The primary assets of the retail segment are inventory and accounts receivable. The Company sold, liquidated, or otherwise disposed of the remaining retail inventory and collected the remaining retail accounts receivable as of September 30, 2024. As of September 30, 2024, the retail segment was fully discontinued, and we expect to have no further significant involvement in this segment. The inventory of the retail segment is presented as discontinued assets held for sale on the balance sheet at September 30, 2023 and the results of operations for the retail segment have been classified as discontinued operations on the consolidated statements of operations for the years ended September 30, 2024 and 2023. All information and results in this annual report on Form 10-K exclude the discontinued retail segment unless otherwise noted. See Note 3 to our consolidated financial statements for additional information on the discontinued retail segment.

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: (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.

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

As a result of discontinuing our retail reportable segment, we now have two reportable segments: OEM 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 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 distribution segment, we exclude general and administrative and general corporate expenses from its 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 16 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. During Fiscal 2024, the Company recorded an impairment charge of $200,000 related to goodwill (See Note 4 to the consolidated financial statements).

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 2024 or Fiscal 2023.

Recent Accounting Pronouncements

In December 2023, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2023-09, "Income Taxes - Improvements to Income Tax Disclosures", requiring enhancements and further transparency to certain income tax disclosures, most notably the tax rate reconciliation and income taxes paid. This ASU is effective for fiscal years beginning after December 15, 2024 on a prospective basis and retrospective application is permitted. The Company is currently evaluating the effects of this pronouncement on its consolidated financial statements.

In November 2023, the FASB issued ASU 2023-07, "Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures," which requires expanded segment reporting and disclosure and is effective for the Company for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. The Company is currently evaluating the effects of this pronouncement on its consolidated financial statements.

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 adopted this guidance in the first quarter of Fiscal 2024 with no material impact on its consolidated financial statements.

RESULTS OF OPERATIONS FOR FISCAL 2024 COMPARED TO FISCAL 2023

Consolidated Results

The table below summarizes our consolidated results of continuing operations for Fiscal 2024 as compared to Fiscal 2023:

	Consolidated Results of Continuing Operations			
	Fiscal 2024	**Fiscal 2023**	**Change ($)**	**Change (%)**
Net revenues	$ 30,195,000	$ 36,688,000	$ (6,493,000)	(17.7%)
Cost of sales	23,986,000	28,324,000	(4,338,000)	(15.3%)
Gross profit	6,209,000	8,364,000	(2,155,000)	(25.8%)
Sales and marketing expenses	1,425,000	1,663,000	(238,000)	(14.3%)
General and administrative expenses	6,516,000	6,541,000	(25,000)	(0.4%)
Goodwill impairment	200,000	–	200,000	–
Operating (loss) income	(1,932,000)	160,000	(2,092,000)	(1307.5%)
Other income, net	(7,000)	(19,000)	12,000	(63.2%)
Income tax provision	23,000	20,000	3,000	15.0%
(Loss) / income from continuing operations	$ (1,948,000)	$ 159,000	$ (2,107,000)	(1325.2%)

The decrease in net revenues in Fiscal 2024 was primarily driven by a decline in revenue in the OEM distribution segment and, to a lesser extent, the design segment.

Gross profit decreased and gross margin declined from 22.8% in Fiscal 2023 to 20.6% in Fiscal 2024. This decrease was mainly driven by lower utilization rates in our design segment and a change in the mix of our OEM distribution segment revenue, partially offset by a reduction in our sourcing fee with Forward China.

Sales and marketing expenses decreased primarily due to staff reduction in our OEM distribution segment and lower sales related expenses in the design segment. Sales and marketing expenses as a percentage of revenue increased from 4.5% in Fiscal 2023 to 4.7% in Fiscal 2024.

General and administrative expenses decreased slightly in Fiscal 2024. Lower payroll costs were partially offset by increased corporate expenses, primarily driven by costs related to Nasdaq non-compliance issues, and a credit loss recovery of approximately $200,000 in Fiscal 2023 that did not recur in Fiscal 2024. 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.

During Fiscal 2024, the Company recorded a goodwill impairment charge of $200,000 related to the Kablooe reporting unit, which is included in the design segment. This impairment charge resulted from the quantitative goodwill impairment testing performed at September 30, 2024 and was driven by historical losses and a reduction in expected future performance of the Kablooe reporting unit.

We reported other income of $7,000 in Fiscal 2024 as compared to $19,000 in Fiscal 2023. The variance is due to fair value adjustments of $70,000 in Fiscal 2023 to reduce to the fair value of the earnout consideration related to the Kablooe acquisition, $18,000 of net duty drawback income received in Fiscal 2023 offset by an increase in interest income from interest bearing deposits and a decrease in interest expense resulting from a reduction in the amount of debt outstanding.

In Fiscal 2024, we recorded a tax provision of $23,000, incurred a loss from continuing operations before income taxes of $1,925,000 and had an effective tax rate of (1.3%). In Fiscal 2023, we recorded a tax provision of $20,000, generated income from continuing operations before income taxes of $179,000 and had an effective tax rate of 11.2%.

Consolidated basic and diluted (loss)/earnings per share from continuing operations was ($1.77) and $0.14 for Fiscal 2024 and Fiscal 2023, respectively.

Segment Results

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

	Segment Results of Operations			
	OEM Distribution	Design	Corporate Expenses	Consolidated
Fiscal 2024 revenues	$ 10,204,000	$ 19,991,000	$ –	$ 30,195,000
Fiscal 2023 revenues	14,002,000	22,686,000	–	36,688,000
Change	$ (3,798,000)	$ (2,695,000)	$ –	$ (6,493,000)
Fiscal 2024 operating income/(loss)	$ 369,000	$ 26,000	$ (2,327,000)	$ (1,932,000)
Fiscal 2023 operating income/(loss)	440,000	2,182,000	(2,462,000)	160,000
Change	$ (71,000)	$ (2,156,000)	$ 135,000	$ (2,092,000)

OEM Distribution

Net revenues in the OEM distribution segment decreased from lower sales volume from our diabetic customers, slightly offset by an increase in revenues from other OEM customers. As consumer demand increases for diabetic testing products which require no carrying case, we expect diabetic product sales to continue to represent a smaller portion of our OEM distribution revenue. In March 2023, a contract with one of our major diabetic customers expired. Due to increased pricing pressures, we did not extend our contract with this customer. Revenue from this customer represented approximately 7.8% of our consolidated net revenues in Fiscal 2023. We expect the loss of this customer to cause a significant decline in OEM distribution segment revenues in future periods.

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 2024	Fiscal 2023	Change ($)	Change (%)
Diabetic products	$ 7,885,000	$ 11,805,000	$ (3,920,000)	(33.2%)
Other products	2,319,000	2,197,000	122,000	5.6%
Total net revenues	$ 10,204,000	$ 14,002,000	$ (3,798,000)	(27.1%)

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 decreased due to the loss of a major customer in March 2023, lower demand from our major diabetic customers and the loss of one product to a competitor. As mentioned above, management believes that revenues from diabetic customers will continue to decline.

Revenues from diabetic products represented 77% of net revenues for the OEM distribution segment in Fiscal 2024 compared to 84% in Fiscal 2023.

Other Product Revenues

Our OEM distribution segment also 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 increased due to new customers and higher sales volume with some existing customers, partially offset by reduced demand from other customers. We will continue to focus on our sales and sales support teams in our continued efforts to expand and diversify our other products customer base.

Operating Income

Operating income for the OEM distribution segment decreased but operating income margin increased to 3.6% in Fiscal 2024, compared to 3.1% in Fiscal 2023, driven by a decrease in the sourcing fee and lower sales and marketing expenses. While revenues decreased in diabetic products, a large portion of this decrease was from lower margin products, driving overall gross margins up. Lower selling and marketing costs further improved the operating income margin. 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.

Considering the loss of a significant diabetic customer, management reduced its OEM distribution segment sales and marketing personnel in March 2023 and reduced its sourcing fee with Forward China. Effective April 1, 2023, the Company and Forward China agreed to reduce the fixed portion of the sourcing fee from $100,000 to $83,333 per month for the remaining term of the sourcing agreement. The Company and Forward China signed a new Supply Agreement effective October 2023, which further reduced the fixed portion of the sourcing fee to $65,833 per month and expired October 2024. In November 2024, the Company and Forward China agreed to: (i) extend the sourcing agreement until April 30, 2025, but allow either party to cancel with 30 days notice, (ii) reduce the fixed portion of the sourcing fee to $35,000 per month, and (iii) change the payment terms to better align with payments from the Company's customers. See Note 14 to the consolidated financial statements for more information on the sourcing agreement with Forward China.

Design Segment

The decrease in net revenues in the design segment was primarily driven by one customer whose revenue declined approximately $2,600,000, as well as a net decrease in volume of work and projects with continuing customers, partially offset by projects from new customers. In December 2024, our largest design customer notified the Company of its plan to discontinue their insulin patch program, on which the Company was working. We expect this to cause a material decrease in our revenues beginning with the second quarter of fiscal 2025. We are currently working on cost reduction efforts to mitigate the reduction in revenue.

Operating income for the design segment decreased and operating income margin decreased from 9.6% in Fiscal 2023 to 0.1% in Fiscal 2024. This decrease was driven by lower utilization rates, impairment of goodwill and credit loss recoveries in Fiscal 2023 that did not recur in Fiscal 2024, partially offset by lower payroll costs and increased billing rates on some projects.

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, 2024, our working capital was $273,000 compared to $26,000 at September 30, 2023, which excludes discontinued assets held for sale. The increase was primarily due to the equity conversion of amounts due to Forward China (see Note 14 to the consolidated financial statements), lower accrued expenses, partially offset by a decrease in accounts receivable and cash. At November 30, 2024, we had approximately $2,300,000 cash on hand.

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 June 30, 2025 (see Note 14 to the consolidated financial statements). The balance of the FC Note was reduced to $600,000 after we made principal payments of $1,000,000 through Fiscal 2024. 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 additional extensions as deemed necessary. Additionally, Forward China has extended payment terms on our outstanding payables due to them when necessary. At September 30, 2024, our accounts payable due to Forward China was approximately $7,226,000. In connection with the new sourcing agreement entered into October 2023 (see Note 14 to the consolidated financial statements) and in order to preserve our future liquidity, Forward China agreed to limit the amount of outstanding payables it would seek to collect from us to $500,000 in any 12-month period, which we agreed to pay within 30 days of any such request. This agreement pertains only to payables that were outstanding at October 30, 2023 of $7,365,000. Purchases from Forward China made after October 30, 2023, are not covered by this agreement and are expected to be paid according to normal payment terms. At September 30, 2024, the remaining balance covered by this agreement was approximately $4,881,000. We can provide no assurance that (i) Forward China will extend the FC Note again if we request an extension, (ii) Forward China will extend additional payment terms on any payables not covered by the agreement if needed, or (iii) any additional credit facility will be available on terms acceptable to us or at all.

Our consolidated financial statements have been prepared assuming the Company will continue as a going concern, which contemplates, among other things, the realization of assets and satisfaction of liabilities in the ordinary course of business. We had an accumulated deficit and working capital of $19,637,000 and $273,000, respectively, at September 30, 2024, a net loss of $1,951,000 in Fiscal 2024 and a cash balance of approximately $2,300,000 at November 30, 2024.

In December 2024, our largest design customer notified us of its plan to discontinue their insulin patch program, on which we were working. We expect this to cause a material decrease in our revenues beginning with the second quarter of Fiscal 2025. Based on our forecasted cash flows, we believe that there is substantial doubt about our ability to continue as a going concern for a period of 12 months from the date of issuance of the consolidated financial statements.

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 or obtain additional borrowings, 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 2024 and Fiscal 2023, our sources and uses of cash were as follows:

Operating Activities

During Fiscal 2024, cash provided by operating activities of $407,000 resulted from a decrease in accounts receivable of $1,244,000, a decrease in discontinued assets held for sale of $508,000, an increase in amounts due to Forward China (excluding the non-cash impact of the Conversion Agreements) of $1,180,000, and non-cash charges for depreciation, amortization, share-based compensation, credit loss expense and goodwill impairment of $654,000, partially offset by the net loss of $1,951,000, a decrease in accrued expenses and other current liabilities $745,000, a decrease in accounts payable $390,000 and the net change in other operating assets and liabilities of $93,000.

During Fiscal 2023, cash provided by operating activities of $1,041,000 resulted from a decrease in discontinued assets held for sale of $2,642,000, an increase in accounts payable and amounts due to Forward China of $783,000, an increase in accounts receivable of $495,000, non-cash charges for depreciation, amortization, share-based compensation and credit loss expense of $481,000 and the net change in other operating assets and liabilities of $447,000, partially offset by the $70,000 non-cash adjustment to the fair value of the Kablooe earnout consideration and the net loss of $3,737,000.

Investing Activities

In Fiscal 2024 and Fiscal 2023, cash used for investing activities of $65,000 and $136,000, respectively, resulted from purchases of property and equipment.

Financing Activities

In Fiscal 2024 and Fiscal 2023, cash used in financing activities of $500,000 and $300,000, respectively, consisted of principal payments on the promissory note held by Forward China.

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, 2024.

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, 2024, 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 consolidated 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 2024 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

During the three months ended September 30, 2024, no director or officer of the company adopted , modified or terminated a "Rule 10b5-1 trading arrangement" or "non-rule 10b5-1 trading arrangement," as each term is defined in Item 408(a) or Regulation S-K.

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 2025 Annual Meeting of Stockholders to be filed with the SEC within 120 days of the fiscal year ended September 30, 2024. 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 2025 Annual Meeting of Stockholders to be filed with the SEC within 120 days of the fiscal year ended September 30, 2024.

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 2025 Annual Meeting of Stockholders to be filed with the SEC within 120 days of the fiscal year ended September 30, 2024.

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 2025 Annual Meeting of Stockholders to be filed with the SEC within 120 days of the fiscal year ended September 30, 2024.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by this item is incorporated by reference to our Proxy Statement for the 2025 Annual Meeting of Stockholders to be filed with the SEC within 120 days of the fiscal year ended September 30, 2024.

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.

ITEM 16. FORM 10-K SUMMARY

Not Applicable.

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 27, 2024

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 27, 2024	/s/ Terence Wise Terence Wise Principal Executive Officer and Director
December 27, 2024	/s/ Kathleen Weisberg Kathleen Weisberg Chief Financial Officer Principal Financial Officer and Principal Accounting Officer
December 27, 2024	/s/ Sangita Shah Sangita Shah Director
December 27, 2024	/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 – Series A Participating Preferred Stock	8-K	4/26/13	3.1	
3.3	Certificate of Amendment of the Certificate of Incorporation – 6% Senior Convertible Preferred Stock	8-K	7/3/13	3.1	
3.4	Certificate of Amendment of the Certificate of Incorporation – Reverse Stock Split	8-K	6/20/24	3.1	
3.5	Certificate of Amendment of the Certificate of Incorporation – Series A-1 Convertible Preferred Stock	8-K	7/8/24	4.1	
3.6	Certificate of Amendment of the Certificate of Incorporation – Increasing the Authorized Series A-1	8-K	10/4/24	4.1	
3.7	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	Form of Employment Agreement dated May 26, 2021 – Paul Severrino *	10-K	12/16/21	10.4(a)	
10.4	Summary of Employment Arrangement - Terence Wise*	10-K	12/21/23	10.4	
10.5	Employment Agreement dated July 1, 2023 – Kathleen Weisberg*	8-K	6/30/23	10.1	
10.6	Paycheck Protection Program Term Note payable to TD Bank, N.A. dated April 18, 2020	8-K	4/22/20	10.1	
10.7	Amended and Restated TD Bank Revolving Term Note dated September 28, 2018	8-K	10/2/18	10.1	
10.8	TD Bank Modification Agreement dated September 28, 2018	8-K	10/2/18	10.2	
10.9	Consultancy Agreement dated March 1, 2022 - Justwise Group Ltd.	10-Q	5/12/22	10.1	
10.10	Consultancy Agreement dated September 1, 2022 - Justwise Group Ltd.	10-K	12/16/22	10.11	
10.10(a)	Extension to the Consultancy Agreement – Justwise Group Ltd.	8-K	11/8/23	10.4	
10.11	Employment Agreement dated January 18, 2018 - Robert Wild *	10-K	12/16/22	10.12	
10.12	Employment Agreement dated August 17, 2020 – Tom KraMer *	10-K	12/16/22	10.13	
10.13	Buying Agency and Supply Agreement dated November 2, 2023 – Forward Industries (Asia-Pacific) Corporation+	8-K	11/8/23	10.1	
10.13(a)	Amendment to the Buying Agency and Supply Agreement - November 2024	8-K	11/18/24	10.1	
10.14	Deferred Payment Agreement - Forward Industries (Asia – Pacific) Corporation	8-K	11/8/23	10.2	
10.15	Account Payables Conversion Agreement - Forward Industries (Asia-Pacific) Corporation – July 2024	8-K	7/8/24	10.1	
10.16	Account Payables Conversion Agreement - Forward Industries (Asia-Pacific) Corporation – September 2024	8-K	10/4/24	10.1	
19.1	Insider Trading Policy				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
97	Clawback Policy				Filed

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.

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

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, 2024 and 2023, 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, 2024 and 2023, 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.

Going Concern

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the consolidated financial statements, the Company has suffered recurring losses from operations that raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 1. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these 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 internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the entity’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 matters communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters 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 matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Evaluation of Going Concern assessment and of impairment of Kablooe goodwill and intangible assets (Note 1, Note 2 and Note 4 to the Consolidated Financial Statements)

As discussed in 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. As discussed in Notes 2 and 4 to the consolidated financial statements, the Company has goodwill and intangible assets related to its Kablooe, Inc. (“Kablooe”) operating unit. The Company reviews goodwill for impairment at least annually, or more often if triggering events occur, and performs an annual goodwill impairment test on September 30, the end of the fiscal year, or upon the occurrence of a triggering event. The Company reviews intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. The Company estimates the fair value of its reporting unit using a combination of the income, or discounted cash flows approach, and the market approach, which utilizes Kablooe’s forecasted operating results. Specifically, the Company’s forecasted cash flows are sensitive to significant assumptions such as forecasted revenue and operating results, all of which are affected by the expected future market or economic conditions and inflation.

Significant judgment is exercised by the Company in forecasting operating results which factor into the Company’s going concern assessment and its goodwill and intangible assets impairment analysis related to its Kablooe operating segment. Specifically, the forecasted operating results used by the Company in its going concern assessment and the impairment analysis of goodwill and intangible assets included in its Kablooe operating segment are sensitive to significant assumptions such as future revenue and expenses, all of which are affected by uncertain future events.

Given these factors, the related audit effort in evaluating management’s judgments in forecasting operating results which factor into the Company’s going concern assessment and its goodwill and intangible assets impairment analysis related to its Kablooe reporting segment, were 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 forecasted cash flows and operating results used in the Company’s going concern assessment and impairment of Kablooe’s goodwill and intangible assets analysis included the following:

- We gained an understanding of and evaluated the design and implementation of the Company’s process to develop forecasted cash flows and operating results, including significant assumptions used in developing forecasted cash flows and operating results 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, expenses, 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 revenue, expenses and cash flows, including evaluating whether the changes in the assumptions would result in a material change in forecasted cash flows and operating results.
- Evaluating management’s ability to accurately forecast future operating results by comparing the Company’s historical forecasted revenue, expenses and cash flows to actual results.

/s/ CohnReznick LLP

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

Melville, New York
December 27, 2024

FORWARD INDUSTRIES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	September 30, 2024	September 30, 2023
Assets		
Current assets:		
Cash	$ 3,022,436	$ 3,180,468
Accounts receivable, net of allowances for credit losses of $ 27,282 and $ 955,965 as of September 30, 2024 and 2023, respectively	5,609,032	6,968,778
Accounts receivable (related party)	96,487	–
Inventories, net	489,996	334,384
Discontinued assets held for sale	–	508,077
Prepaid expenses and other current assets	426,240	378,512
Total current assets	9,644,191	11,370,219
Property and equipment, net	219,297	274,046
Intangible assets, net	680,386	893,143
Goodwill	1,558,682	1,758,682
Operating lease right-of-use assets, net	2,593,112	3,021,315
Other assets	72,688	68,737
Total assets	$ 14,768,356	$ 17,386,142
Liabilities and shareholders' equity		
Current liabilities:		
Note payable to Forward China (related party)	$ 600,000	$ –
Accounts payable	129,060	518,892
Due to Forward China (related party)	7,226,012	8,246,015
Deferred income	399,439	297,407
Current portion of operating lease liability	404,056	416,042
Accrued expenses and other current liabilities	613,029	1,357,743
Total current liabilities	9,371,596	10,836,099
Other liabilities:		
Note payable to Forward China (related party)	–	1,100,000
Operating lease liability, less current portion	2,429,726	2,833,782
Total liabilities	11,801,322	14,769,881
Commitments and contingencies(Note 12)		
Shareholders' equity:		
Series A-1 Convertible Preferred Stock, par value $0.01 per share; stated value of $ 1,000 per share; 2,700 shares authorized, 2,200 and 0 shares issued and outstanding at September 30, 2024 and 2023, respectively (liquidation preference of $ 2,200,000)	2,200,000	–
Common stock, 40,000,000 shares authorized; par value $ 0.01 per share; 1,101,069 shares issued and outstanding at September 30, 2024 and 2023	11,011	11,011
Additional paid-in capital	20,393,163	20,291,803
Accumulated deficit	(19,637,140)	(17,686,553)
Total shareholders' equity	2,967,034	2,616,261
Total liabilities and shareholders' equity	$ 14,768,356	$ 17,386,142

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, 2024	For the Fiscal Years Ended September 30, 2023
Revenues, net	$ 29,613,438	$ 36,062,794
Revenues, net - related party	581,845	625,513
Total revenues, net	30,195,283	36,688,307
Cost of sales	14,807,116	15,549,013
Cost of sales - related party	9,179,577	12,774,809
Total cost of sales	23,986,693	28,323,822
Gross profit	6,208,590	8,364,485
Sales and marketing expenses	1,424,829	1,663,791
General and administrative expenses	6,516,246	6,541,036
Goodwill impairment	200,000	–
Operating (loss) / income	(1,932,485)	159,658

Fair value adjustment of earnout consideration	–	(70,000)
Interest income	(78,863)	(23,188)
Interest expense - related party	62,662	104,201
Other expense / (income), net	8,316	(30,019)
(Loss) / income from continuing operations before income taxes	(1,924,600)	178,664
Provision for income taxes	22,947	20,006
(Loss) / income from continuing operations	(1,947,547)	158,658
Loss from discontinued operations, net of tax	(3,040)	(3,895,315)
Net loss	$ (1,950,587)	$ (3,736,657)
Basic loss per share :		
Basic (loss) / income per share from continuing operations	(1.77)	0.14
Basic loss per share from discontinued operations	(0.00)	(3.53)
Basic loss per share	(1.77)	(3.39)
Diluted loss per share:		
Diluted (loss) / income per share from continuing operations	(1.77)	0.14
Diluted loss per share from discontinued operations	(0.00)	(3.53)
Diluted loss per share	(1.77)	(3.39)
Weighted average common shares outstanding:		
Basic	1,101,069	1,101,069
Diluted	1,101,069	1,101,069

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, 2024						
	Series A-1 Convertible Preferred Stock		Common Stock		Additional Paid-In	Accumulated	
	Shares	Amount	Shares	Amount	Capital	Deficit	Total
Balance at September 30, 2023, unadjusted	–	$ –	10,061,185	$ 100,612	$ 20,202,202	$ (17,686,553)	$ 2,616,261
Adjustment for reverse stock split 1-for-10, effective June 18, 2024			(8,960,116)	(89,601)	89,601	–	–
Balance at September 30, 2023, as adjusted	–	–	1,101,069	11,011	20,291,803	(17,686,553)	2,616,261
Share-based compensation	–	–	–	–	101,360	–	101,360
Net loss	–	–	–	–	–	(1,950,587)	(1,950,587)
Preferred Stock issued in connection with conversion of accounts payable to Forward China	2,200	2,200,000	–	–	–	–	2,200,000
Balance at September 30, 2024	2,200	$ 2,200,000	1,101,069	$ 11,011	$ 20,393,163	$ (19,637,140)	$ 2,967,034

	For the Fiscal Year Ended September 30, 2023						
	Series A-1 Convertible Preferred Stock		Common Stock		Additional Paid-In	Accumulated	
	Shares	Amount	Shares	Amount	Capital	Deficit	Total
Balance at September 30, 2022, unadjusted	–	$ –	10,061,185	$ 100,612	$ 20,115,711	$ (13,949,896)	$ 6,266,427
Adjustment for reverse stock split 1-for-10, effective June 18, 2024			(8,960,116)	(89,601)	89,601	–	–
Balance at September 30, 2022, as adjusted	–	–	1,101,069	11,011	20,205,312	(13,949,896)	6,266,427
Share-based compensation	–	–	–	–	86,491	–	86,491
Net loss	–	–	–	–	–	(3,736,657)	(3,736,657)
Balance at September 30, 2023	–	$ –	1,101,069	$ 11,011	$ 20,291,803	$ (17,686,553)	$ 2,616,261

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,	
	2024	2023
Operating Activities:		
Net loss	$ (1,950,587)	$ (3,736,657)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Share-based compensation	101,360	86,491
Depreciation and amortization	332,660	315,940
Credit loss expense	19,505	78,786
Change in fair value of earn-out consideration	–	(70,000)
Goodwill impairment	200,000	–
Changes in operating assets and liabilities:		
Accounts receivable	1,340,241	495,102
Accounts receivable (related party)	(96,487)	–
Inventories	(155,612)	316,469
Discontinued assets held for sale	508,077	2,642,100
Prepaid expenses and other current assets	(47,728)	39,093
Other assets	(3,951)	–
Accounts payable	(389,832)	250,732
Due to Forward China (related party)	1,179,997	532,135
Deferred income	102,032	(141,471)
Net changes in operating lease liabilities	12,161	28,471
Accrued expenses and other current liabilities	(744,714)	203,837
Net cash provided by operating activities	407,122	1,041,028
Investing Activities:		
Purchases of property and equipment	(65,154)	(136,082)
Net cash used in investing activities	(65,154)	(136,082)
Financing Activities:		
Repayment of note payable to Forward China (related party)	(500,000)	(300,000)
Net cash used in financing activities	(500,000)	(300,000)
Net (decrease) / increase in cash	(158,032)	604,946
Cash at beginning of year	3,180,468	2,575,522
Cash at end of year	$ 3,022,436	$ 3,180,468
Supplemental Disclosures of Cash Flow Information:		
Cash paid for interest	$ 62,662	$ 104,201
Cash paid for taxes	$ 7,069	$ 10,271
Supplemental Disclosures of Non-Cash Information:		
Conversion of accounts payable to convertible preferred stock	$ 2,200,000	$ –

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

FORWARD INDUSTRIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 OVERVIEW

Business

Forward Industries, Inc. (“Forward”, “we”, “our”, or the “Company”), is a global design, sourcing and distribution company serving top tier medical and technology customers worldwide.

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 original equipment manufacturing (“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 does not manufacture any of its OEM 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 14.

Discontinued Operations

In July 2023, the Company decided to cease operations of its retail distribution segment and is presenting the results of operations for this segment within discontinued operations in the current and prior periods presented herein. Our retail distribution business sourced and sold smart-enabled furniture, hot tubs and saunas and a variety of other products through various online retailer websites to customers predominantly located in the U.S. and Canada. The inventory of the retail segment is presented as discontinued assets held for sale on the balance sheet at September 30, 2023. Where applicable, certain footnotes exclude the discontinued operations unless otherwise noted. See Note 3 for additional information on discontinued operations.

Liquidity and Going Concern

The accompanying consolidated financial statements have been prepared assuming the Company will continue as a going concern, which contemplates, among other things, the realization of assets and satisfaction of liabilities in the ordinary course of business. The Company had an accumulated deficit and working capital of $19,637,000 and $273,000, respectively, at September 30, 2024, a net loss of $1,951,000 in Fiscal 2024 and a cash balance of approximately $2,300,000 at November 30, 2024.

The Company's OEM distribution segment procures substantially all its products through independent suppliers in China through Forward China. In connection with the new sourcing agreement and in order to preserve future liquidity, in November 2023, the Company and Forward China entered into an agreement whereby Forward China agreed to limit the amount of outstanding payables it would seek to collect from the Company to $500,000 in any 12-month period, which the Company agreed to pay within 30 days of any such request (see Note 14). This agreement pertains only to payables that were outstanding at October 30, 2023 of approximately $7,365,000. Purchases from Forward China made after October 30, 2023 are not covered by this agreement and are expected to be paid according to normal payment terms.

In December 2024, our largest design customer notified us of its plan to discontinue their insulin patch program, on which we were working. We expect this to cause a material decrease in our revenues beginning with the second quarter of Fiscal 2025. Based on our forecasted cash flows, we believe our existing cash balance and working capital will not be sufficient to meet our liquidity needs through December 31, 2025, 12 months from the date of issuance of these consolidated financial statements. These factors raise substantial doubt about our ability to continue as a going concern.

Management plans to initiate cost reduction measures in Fiscal 2025 to mitigate the impact of the loss of our largest customer, including a reduction in force which was communicated in December 2024. These plans will be evaluated and adjusted as deemed necessary based on the ongoing needs of the business. Management also plans to seek flexibility on payment terms for ongoing purchases from Forward China and attempt to obtain debt or equity financing to fund its ongoing operations. However, there are no current agreements or understanding with regard to the form, time or amount of such financing and there is no assurance that any financing can be obtained, that Forward China will grant any flexibility on payment terms or that our cost reduction efforts will be sufficient to enable the Company to continue as a going concern. The consolidated financial statements do not include any adjustments that might result if the Company is unable to continue as a going concern. Such adjustments could be material.

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.

Basis of Presentation

The accompanying consolidated financial statements include the accounts of Forward Industries, Inc. and 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"). All significant intercompany transactions and balances have been eliminated in consolidation.

Segment Reporting

As a result of the discontinued retail segment, as disclosed in Note 3, the Company now has two reportable segments: OEM 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 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 16 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 such as an overall change in economic climate, changes in the industry and competitive environment, and earnings quality and sustainability. 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. See Note 4.

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, 2024 or 2023.

Cash

The Company maintains cash deposits and a money market account 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, 2024 and 2023, there were deposits totaling $ 2,334,000 (which includes $ 245,000 in a foreign bank) and $ 2,565,000 (which includes $ 358,000 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 ($ 4,460,000 and $ 6,949,000 at September 30, 2024 and 2023, respectively) and contract assets as described further below under the heading “Revenue Recognition.” The Company maintains an allowance for credit losses 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, 2024 and 2023, the Company had no allowances for credit losses for the OEM distribution segment, allowances for credit losses of $ 0 and $ 185,000 , respectively, for the discontinued retail distribution segment and $ 27,000 and $ 771,000 , respectively, for the design segment.

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.

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, 2024, 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, 2024, 2023 or 2022.

Discontinued Retail Distribution Segment

The retail distribution segment sold products primarily through online websites operated by authorized third-party retailers. Revenue was recognized when control (as defined in Accounting Standards Codification (“ASC”) 606, “Revenue from Contracts with Customers”) of the related goods was transferred to the retailer, which generally occured upon shipment to the end customer. Other than product delivery, the retail distribution segment did not typically have other deliverables or performance obligations associated with its products. Revenue was 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 received consideration before achieving the criteria previously mentioned, it recorded a contract liability, which was classified as a component of deferred income in the accompanying consolidated balance sheets.

The retail distribution segment had no contract liabilities at September 30, 2024, 2023 or 2022. The results of operations of the retail segment are reported as discontinued operations for Fiscal 2024 and Fiscal 2023 (see Note 3).

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 $ 1,273,000 , $ 976,000 and $ 609,000 at September 30, 2024, 2023 and 2022, 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 of $ 399,000 , $ 297,000 and $ 439,000 at September 30, 2024, 2023 and 2022, 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 gains (losses) from foreign currency transactions were $8,000 and $2,000 in Fiscal 2024 and Fiscal 2023, respectively.

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.

The carrying amounts of cash, accounts receivable (including accounts receivable from related party), accounts payable, due to Forward China, and the Note payable to Forward China approximate fair value due their short-term maturities.

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 9).

Recent Accounting Pronouncements

In December 2023, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2023-09, "Income Taxes -

Improvements to Income Tax Disclosures", requiring enhancements and further transparency to certain income tax disclosures, most notably the tax rate reconciliation and income taxes paid. This ASU is effective for fiscal years beginning after December 15, 2024 on a prospective basis and retrospective application is permitted. The Company is currently evaluating the effects of this pronouncement on its consolidated financial statements.

In November 2023, the FASB issued ASU 2023-07, "Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures," which requires expanded segment reporting and disclosure and is effective for the Company for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. The Company is currently evaluating the effects of this pronouncement on its consolidated financial statements.

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 adopted this guidance in the first quarter of Fiscal 2024 with no material impact on its consolidated financial statements.

NOTE 3 DISCONTINUED OPERATIONS AND ASSETS HELD FOR SALE

Considering the recurring losses incurred by the retail segment, in July 2023, the Company decided to cease operations of its retail distribution segment ("Retail Exit"). The primary assets of the retail segment were inventory and accounts receivable. The Company sold, liquidated, or otherwise disposed of the remaining retail inventory as of September 30, 2024, and collected all remaining retail accounts receivable by the end of Fiscal 2024. As of September 30, 2024, the retail segment was fully discontinued, and we expect to have no further significant involvement in this segment. The Retail Exit is considered a strategic shift that will have a significant impact on the Company's operations and financial results. The inventory of the retail segment meets the criteria to be considered "held-for-sale" in accordance with ASC 205-20, "Discontinued Operations." Accordingly, the retail inventory is classified on our consolidated balance sheet as "discontinued assets held for sale" at September 30, 2023, and the results of operations for the retail segment have been classified as "Discontinued Operations" on the consolidated statements of operations for the years ended September 30, 2024 and 2023.

The total amount related to the retail segment included in Due to Forward China on the consolidated balance sheets was approximately $ 641,000 and $ 1,002,000 at September 30, 2024 and 2023, respectively.

The following table presents the major classes of the "Net loss from discontinued operations, net of tax" in our consolidated statements of operations.

	For the Fiscal Years Ended September 30,	
	2024	2023
Revenues, net	$ 757,000	$ 4,333,000
Cost of sales	468,000	5,285,000
Gross profit	289,000	(952,000)
Sales and marketing expenses	225,000	1,211,000
General and administrative expenses	67,000	27,000
Loss from operations	(3,000)	(2,190,000)
Loss on classification as held for sale	–	1,705,000
Loss from discontinued operations, net of tax	$ (3,000)	$ (3,895,000)

At September 30, 2023, discontinued assets held for sale of $ 508,000 consisted of the net inventory of the retail segment. This number includes an allowance of $ 1,464,000 to reduce excess or otherwise unsellable inventory to its estimated net realizable value.

There was no depreciation, amortization, investing or financing cash flow activities, or other significant noncash operating cash flow activities for the retail segment in Fiscal 2024 or Fiscal 2023.

NOTE 4 INTANGIBLE ASSETS AND GOODWILL

Intangible Assets

The Company's intangible assets consist of the following:

	September 30, 2024			September 30, 2023		
	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	(242,000)	(1,053,000)	(1,295,000)	(203,000)	(879,000)	(1,082,000)
Net carrying amount	$ 343,000	$ 337,000	$ 680,000	$ 382,000	$ 511,000	$ 893,000

The Company's intangible assets resulted from 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 eight years for the customer relationships. During Fiscal 2024 and Fiscal 2023, 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.

FORWARD INDUSTRIES, INC. AND SUBSIDIARIES
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At September 30, 2024, estimated amortization expense for the Company's intangible assets for each of the next five years and thereafter is as follows:

Fiscal 2025	$	213,000
Fiscal 2026		121,000
Fiscal 2027		81,000
Fiscal 2028		78,000
Fiscal 2029		39,000
Thereafter		148,000
Total	$	680,000

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 and are held under the design segment of our business. 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.

Due to historical losses of the Kablooe reporting unit, the Company elected to bypass the qualitative assessment and perform quantitative goodwill impairment testing for the Kablooe reporting unit at September 30, 2024. Using an income approach methodology, the fair value of the Kablooe reporting unit was estimated with a discounted cash flow analysis incorporating variables categorized within level 3 of the fair value hierarchy such as projected revenues, growth rate and discount rate. This quantitative testing indicated the carrying amount of the Kablooe reporting unit exceeded its fair value, resulting in a goodwill impairment charge of $ 200,000 in fiscal 2024, primarily driven by a reduction in the expected future performance of the Kablooe reporting unit.

The Company performed the annual goodwill impairment test for Fiscal 2023 and determined there was no impairment.

Below is the rollforward of goodwill for the design segment, the only reportable segment with goodwill:

Balance at September 30, 2023	$	1,759,000
Impairment of Kablooe reporting unit		(200,000)
Balance September 30, 2024	$	1,559,000

NOTE 5 PROPERTY AND EQUIPMENT

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

	September 30,			
	2024		2023	
Computer hardware and software	$	505,000	$	502,000
Furniture and fixtures		48,000		67,000
Equipment		83,000		171,000
Property and equipment, cost		636,000		740,000
Less accumulated depreciation and amortization		(417,000)		(466,000)
Property and equipment, net	$	219,000	$	274,000

Depreciation expense was $ 120,000 and $ 103,000 for Fiscal 2024 and Fiscal 2023, respectively.

NOTE 6 FAIR VALUE MEASUREMENTS - EARNOUT

The acquisition of Kablooe provides annual contingent earnout payments based on results of operations through August 2025. The fair value of this 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 3 of the fair value hierarchy:

	September 30,	
	2024	2023
Volatility	40%	40%
Risk-free interest rate	3.6%	4.9%-5.3%
Expected term in years	0.5	0.4 - 1.4
Dividend yield	–	–

In Fiscal 2023, the Company reduced this liability from $70,000 to $0 based on changes in the expected likelihood of Kablooe reaching the specified earnings targets. In Fiscal 2024, there were no changes to the total fair value of this earnout liability.

NOTE 7 ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

Accrued expenses and other current liabilities at September 30, 2024 and 2023 are as follows:

	September 30,	
	2024	2023
Accrued commissions/bonuses	$ 132,000	$ 872,000
Paid time off	284,000	285,000
Other	197,000	201,000
Total	$ 613,000	$ 1,358,000

NOTE 8 SHAREHOLDERS' EQUITY

Reverse Stock Split

The Company's shareholders authorized, and the Board of Directors approved a 1-for-10 reverse stock split, which became effective on June 18, 2024. Any fractional shares that would have otherwise resulted from the reverse stock split were rounded up to the nearest whole share. Accordingly, all references made to shares, per share, or common share amounts in the accompanying consolidated financial statements and applicable disclosures have been retroactively adjusted to reflect the reverse stock split. The reverse stock split did not change the par value of the common stock nor the authorized number of shares of common stock or any series of preferred stock.

Nasdaq

In July 2023, the Company was notified by Nasdaq that it was not in compliance with Nasdaq Listing Rule 5550(a)(2) (the "Minimum Bid Price Rule"). Thereafter, in February 2024, the Company was notified that it was not in compliance with Nasdaq Listing Rule 5550(b)(1) (the "Stockholders' Equity Rule") (collectively, with the Minimum Bid Price Rule, the "Minimum Requirements"). In April 2024, the Company presented a plan of action to the Nasdaq Hearings Panel to meet compliance with the Minimum Requirements. As a result of the reverse stock split effected in June 2024 and the entrance into the Accounts Payable Conversion Agreement (described in Note 14), the Company regained compliance with the Minimum Requirements in July 2024 and was formally notified by Nasdaq that the Minimum Requirements were met. Until July 24, 2025, the Company is subject to a Nasdaq "Panel Monitor" which provides for in the event the Company fails to satisfy the Stockholders' Equity Rule (not the Minimum Bid Price Rule) during the monitoring period, the Company will be required to request a hearing before the Panel in order to maintain its listing rather than taking the interim step of submitting a compliance plan for the Listing Qualifications Staff's review or receiving any otherwise applicable grace period. We can provide no assurance that if the Company falls below the Stockholders' Equity Rule requirement during this period that the Company will be able to maintain its Nasdaq listing.

"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 Series A preferred stock issued or outstanding at September 30, 2024 or 2023.

In connection with the Conversion Agreements with Forward China (see Note 14), the Company filed two Certificates of Amendment to the Certificate of Incorporation (the "COD") designating 2,700 shares of Series A-1 Convertible Preferred Stock, with a stated value of $ 1,000 per share (the "Stated Value").

The holders of the Series A-1 Convertible Preferred Stock have no voting rights and rank senior to all classes or series of the Company's common stock with respect to the distribution of assets upon liquidation, dissolution, or winding up. Subject to a 19.9% share cap (as defined in the COD), the Series A-1 Convertible Preferred Stock shall be convertible into a number of shares of the Company's common stock as determined by (i) multiplying the number of shares to be converted by the Stated Value, (ii) adding the result of all accrued and accumulated and unpaid dividends on such shares to be converted, and then (iii) dividing the result by the conversion price of $ 7.50 , subject to adjustment as defined in the COD. The Series A-1 Convertible Preferred Stock is not redeemable.

Warrants

At September 30, 2024, the Company had 7,500 warrants outstanding and exercisable, which have an exercise price of $ 17.50 per share and 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.

NOTE 9 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, 2024, there were 1,243,000 shares of common stock available for grants under the 2021 Plan.

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 2024	Fiscal 2023
Expected term (years)	3.00	2.75
Expected volatility	66.4 %	69.0 %
Risk free interest rate	4.83 %	4.31 %
Expected dividends	–	–

In Fiscal 2024, the Company granted options to three of its non-employee directors to purchase an aggregate of 33,243 shares of its common stock at an exercise price of $ 7.60 per share. The options vest one year from the date of grant, expire five years from the date of grant and 11,081 were forfeited prior to vesting. The options have a weighted average grant-date fair value of $ 3.60 per share and an aggregate grant-date fair value of $ 120,000 , which will be recognized, net of forfeitures, ratably over the vesting period.

In Fiscal 2023, the Company granted options to three of its non-employee directors to purchase an aggregate of 12,474 shares of its common stock at an exercise price of $ 10.30 per share. The options vested six months from the date of grant and expire five years from the date of grant. The options have a weighted average grant-date fair value of $ 4.80 per share and an aggregate grant-date fair value of $ 60,000 , which were recognized ratably over the vesting period.

The Company recognized compensation expense for stock option awards of $ 101,000 and $ 86,000 during Fiscal 2024 and Fiscal 2023, respectively, which was recorded as a component of general and administrative expenses in its consolidated statements of operations.

No options were exercised during Fiscal 2024 and Fiscal 2023.

At September 30, 2024, there were no material amounts of unrecognized compensation cost related to nonvested stock option awards.

The following table summarizes stock option activity during Fiscal 2024:

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Life (Yrs.)	Aggregate Intrinsic Value
Outstanding at September 30, 2023	92,000	$ 14.31		
Granted	33,000	$ 7.60		
Forfeited	(11,000)	$ 7.60		
Expired	(33,000)	$ 15.12		
Outstanding at September 30, 2024	81,000	$ 12.15	2.5	$ –
Exercisable at September 30, 2024	59,000	$ 13.86	2.0	$ –

Options outstanding at September 30, 2024 have an exercise price between $ 7.60 and $ 23.90 per share.

NOTE 10 INCOME TAXES

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

	Fiscal 2024	Fiscal 2023
Current:		
Federal	$ –	$ –
State	23,000	20,000
Foreign	–	–
Deferred:		
Federal	(141,000)	112,000
State	(71,000)	(244,000)
Foreign	(16,000)	(39,000)

	(205,000)	(151,000)
Change in valuation allowance	228,000	171,000
Income tax provision	$ 23,000	$ 20,000

The deferred tax provision 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,	
	2024	**2023**
Deferred tax assets		
Net operating losses	$ 3,586,000	$ 2,976,000
Share-based compensation	269,000	242,000
AMT & other tax credits	–	5,000
Excess tax over book basis in inventory	–	18,000
Reserves and other allowances	388,000	893,000
Lease liability	702,000	794,000
Accrued compensation	32,000	101,000
Accrued related party interest	5,000	5,000
Charitable contributions	1,000	1,000
Interest expense limitation	82,000	46,000
Total deferred tax assets	5,065,000	5,081,000
Deferred tax liabilities		
Depreciation	(11,000)	(9,000)
Prepaid expenses	(41,000)	(88,000)
Intangible assets	(64,000)	(145,000)
Operating lease right-of-use assets	(642,000)	(737,000)
Total deferred tax liabilities	(758,000)	(979,000)
Valuation allowance	(4,307,000)	(4,102,000)
Net deferred tax assets	$ –	$ –

The Company recorded a provision for income taxes which includes net expense of $23,000 and $20,000 in Fiscal 2024 and Fiscal 2023, respectively, primarily for state income tax expenses in states where net operating loss carryforwards ("NOLs") were not available.

At September 30, 2024, the Company had available NOLs for U.S. federal income tax purposes of $ 13,012,000 and NOLs for state income tax purposes of $ 7,425,000 . 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 $ 2,732,000 with respect to U.S. federal income taxes and $ 516,000 for state income taxes. In addition, at September 30, 2024, the Company had available NOLs for foreign income tax purposes of $ 1,975,000 , resulting in a deferred tax asset of $ 338,000 , expiring through 2028. Total net deferred tax assets, before valuation allowance, were $ 4,307,000 and $ 4,102,000 at September 30, 2024 and 2023, 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 2024, Forward Switzerland had a net loss for tax purposes of $ 96,000 and Forward UK had a net loss for tax purposes of $ 41,000 .

At September 30, 2024, 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, 2024 and 2023, the valuation allowance was $4,307,000 and $4,102,000, respectively. The change in the valuation allowance of $205,000 is comprised of a $228,000 increase from continuing operations and a $23,000 decrease from discontinued operations. 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 2024	**Fiscal 2023**
U.S. federal statutory rate	21.0 %	21.0 %
State tax rate, net of federal benefit	2.1 %	3.9 %
Foreign rate differential	0.7 %	(9.2 %)
Tax return to provision adjustments	(14.3 %)	(94.6 %)
Effect of state tax rate change	1.9 %	(8.5 %)
Change in valuation allowance	(12.6 %)	95.7 %
Permanent differences	(0.1 %)	2.9 %
Effective tax rate	(1.3 %)	11.2 %

At September 30, 2024 and 2023, the Company had no uncertain tax positions or related interest or penalties requiring accrual. 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, 2021, are closed to federal and state examination.

NOTE 11 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, and the conversion of preferred stock, using the if-converted method. A reconciliation of basic and diluted earnings/loss per share is as follows:

	For the Fiscal Years Ended September 30,	
	2024	**2023**
Numerator:		
(Loss) / income from continuing operations	$ (1,948,000)	$ 159,000
Loss from discontinued operations, net of tax	(3,000)	(3,895,000)
Net loss	$ (1,951,000)	$ (3,736,000)
Denominator:		
Weighted average common shares outstanding	1,101,000	1,101,000
Dilutive common share equivalents	–	–
Weighted average dilutive shares outstanding	1,101,000	1,101,000
Basic loss per share :		
Basic (loss) / earnings per share from continuing operations	$ (1.77)	$ 0.14
Basic loss per share from discontinued operations	(0.00)	(3.53)
Basic loss per share	$ (1.77)	$ (3.39)
Diluted loss per share:		
Diluted (loss) / earnings per share from continuing operations	$ (1.77)	$ 0.14
Diluted loss per share from discontinued operations	(0.00)	(3.53)
Diluted loss per share	$ (1.77)	$ (3.39)

The following securities were excluded from the calculation of diluted earnings per share in Fiscal 2024 and Fiscal 2023 because their inclusion would have been anti-dilutive:

	For the Fiscal Years Ended September 30,	
	2024	**2023**
Options	81,400	92,300
Warrants	7,500	7,500
Total potentially dilutive shares	88,900	99,800

NOTE 12 COMMITMENTS AND CONTINGENCIES

Guarantee Obligation

In February 2010, Forward Switzerland and its European logistics provider (freight forwarding and customs agent) entered into an 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 $84,000 at September 30, 2024) 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 $245,000 at September 30, 2024). At September 30, 2024, 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, 2024, 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 13 LEASES

The Company's operating leases are primarily for corporate, engineering, and administrative office space. Total operating lease expense in Fiscal 2024 was $ 619,000 , of which $ 15,000 was recorded in sales and marketing expenses and $ 604,000 was recorded in general and administrative expenses on the consolidated statements of operations. Total operating lease expense in Fiscal 2023 was $ 621,000 , of which $ 3,000 was recorded in sales and marketing expenses and $ 618,000 was recorded in general and administrative expenses on the consolidated statements of operations. Cash paid for amounts included in operating lease liabilities in Fiscal 2024 and Fiscal 2023, which have been included in cash flows from operating activities, was $ 592,000 and $ 575,000 , respectively.

At September 30, 2024, the Company's operating leases had a weighted average remaining lease term of 6.9 years and a weighted average discount rate of 5.8 %.

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

Fiscal 2025	$	556,000
Fiscal 2026		510,000
Fiscal 2027		419,000
Fiscal 2028		428,000
Fiscal 2029		440,000
Thereafter		1,111,000
Total future minimum lease payments		3,464,000
Less imputed interest		(630,000)
Present value of lease liabilities		2,834,000
Less current portion of lease liabilities		(404,000)
Long-term portion of lease liabilities	$	2,430,000

NOTE 14 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 through March 2023 paid 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. Considering the loss of a significant OEM distribution customer (see Note 16), effective April 1, 2023, the Company and Forward China agreed to reduce the fixed portion of the sourcing fee from $100,000 to $83,333 per month for the remaining term of the Supply Agreement, which expired in October 2023. Effective October 2023, the Company and Forward China entered into a new sourcing agreement under which the fixed portion of the sourcing fee was further reduced to $65,833 per month. Other terms in the agreement are substantially the same as the prior agreement. Due to the Retail Exit and decline in the OEM distribution segment business, the new sourcing agreement expired October 31, 2024. In November 2024, the Company and Forward China agreed to: (i) extend the sourcing agreement until April 30, 2025, but allow either party to cancel with 30 days notice, (ii) reduce the fixed portion of the sourcing fee to $35,000 per month, and (iii) change the payment terms to better align with payments from the Company's customers.

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 $ 891,000 and $ 1,266,000 during Fiscal 2024 and Fiscal 2023, respectively, which are included as a component of cost of sales upon sales of the related products. The Company had purchases from Forward China of $ 7,862,000 and $ 12,799,000 during Fiscal 2024 and Fiscal 2023, respectively.

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 of the Company 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. No commissions were recognized in Fiscal 2024 and Fiscal 2023.

In order to preserve the Company's current and future liquidity, in November 2023, the Company and Forward China entered into an agreement whereby Forward China agreed to limit the amount of outstanding payables it would seek to collect from the Company to $500,000 in any 12-month period, which the Company agreed to pay within 30 days of any such request. This agreement pertains only to payables that were outstanding at October 30, 2023 of approximately $ 7,365,000 . Purchases from Forward China made after October 30, 2023 are not covered by this agreement and are expected to be paid according to normal payment terms. At September 30, 2024, the remaining balance covered by this agreement was approximately $ 4,881,000 .

During Fiscal 2023, as a result of the Retail Exit, the Company recognized a loss of approximately $ 1,021,000 relating to the termination of unfulfilled purchase orders with Forward China for retail products (see Note 3).

Accounts Payable Conversion Agreement

In order to maintain compliance with Nasdaq's listing standards, the Company entered into two separate agreements with Forward China (the "Conversion Agreements"), which were effective in July and September of 2024, to convert portions of amounts Due to Forward China into shares of preferred stock. Under the terms of the Conversion Agreements, Forward China agreed to convert $ 2,200,000 of the Due to Forward China payable into 2,200 shares of the Company's newly designated Series A-1 convertible preferred stock with a stated value of $ 1,000 per share (see Note 8).

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 $ 63,000 and $ 104,000 in Fiscal 2024 and Fiscal 2023, respectively. At September 30, 2024, the maturity date of this note was December 31, 2024 . In October 2024, the maturity date of this note was extended to June 30, 2025 . The maturity date of the note has been extended on several occasions to assist the Company with liquidity. The Company made principal payments of $ 500,000 and $ 300,000 on this note during Fiscal 2024 and Fiscal 2023, respectively, and this note has a remaining balance of $ 600,000 at September 30, 2024.

Other Related Party Activity

In October 2020, the Company began selling smart-enabled furniture, which was 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 $ 380,000 and $ 2,058,000 in Fiscal 2024 and Fiscal 2023, respectively. Due to the Retail Exit, these revenues are included in the loss from discontinued operations for Fiscal 2024 and Fiscal 2023.

The Company had an agreement with Justwise, under which (i) Justwise performed design, marketing and inventory management 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 paid Justwise $10,000 per month plus 1% of the cost of Koble products purchased from Forward China. This agreement was effective until August 31, 2023 and was extended on a month-to-month basis until November 30, 2023. The Company incurred costs under this agreement of $ 20,000 and $ 127,000 for Fiscal 2024 and Fiscal 2023, respectively. Due to the Retail Exit, these costs are included in the loss from discontinued operations for Fiscal 2024 and Fiscal 2023. The Company had accounts payable to Justwise of $ 0 and $ 10,000 at September 30, 2024 and 2023, 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 $ 523,000 and $ 626,000 in Fiscal 2024 and Fiscal 2023, respectively. The Company had accounts receivable of $ 96,000 and $ 0 from this customer at September 30, 2024 and 2023, respectively.

NOTE 15 401(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 Internal Revenue Service limitations. The Company made immediately vested contributions based on a percentage of the employee's salary of $ 442,000 during Fiscal 2024, of which $ 341,000 was recorded to cost of sales, $ 24,000 was recorded to sales and marketing expense and $ 77,000 was recorded to general and administrative expense on the consolidated statement of operations. The Company made immediately vested contributions based on a percentage of the employee's salary of $ 426,000 during Fiscal 2023, of which $ 310,000 was recorded to cost of sales, $ 25,000 was recorded to sales and marketing expense and $ 91,000 was recorded to general and administrative expense on the consolidated statement of operations.

NOTE 16 SEGMENTS AND CONCENTRATIONS

Segments

As a result of discontinuing the retail segment, see Note 3, the Company now has two reportable segments: OEM distribution and design. See Note 2 for more information on the composition and accounting policies of our reportable segments. The results of the retail segment were classified as discontinued operations as discussed in Note 3. Segment information presented herein excludes the results of the retail segment for all periods presented.

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 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 2024	**Fiscal 2023**
OEM distribution	$ 10,204,000	$ 14,002,000
Design	19,991,000	22,686,000
Total segment revenues	$ 30,195,000	$ 36,688,000

	Operating Income/(Loss)	
	Fiscal 2024	Fiscal 2023
OEM distribution	$ 369,000	$ 440,000
Design	26,000	2,182,000
Total segment operating income	395,000	2,622,000
General corporate expenses	(2,327,000)	(2,462,000)
Operating (loss)/income from continuing operations before income taxes	(1,932,000)	160,000
Other income, net	(7,000)	(19,000)
(Loss)/income from continuing operations before income taxes	$ (1,925,000)	$ 179,000

	Depreciation and Amortization	
	Fiscal 2024	Fiscal 2023
OEM distribution	$ 4,000	$ 4,000
Design	329,000	312,000
Total	$ 333,000	$ 316,000

	Segment Assets	
	September 30,	
	2024	2023
OEM distribution	$ 2,614,000	$ 2,478,000
Design	5,820,000	6,721,000
Total segment assets	8,434,000	9,199,000
General corporate assets	6,334,000	6,924,000
Discontinued assets held for sale	–	508,000
Other assets of discontinued retail segment	–	755,000
Total assets	$ 14,768,000	$ 17,386,000

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 2024 and Fiscal 2023:

	Revenues	
	Fiscal 2024	Fiscal 2023
United States	$ 23,593,000	$ 27,116,000
Poland	2,797,000	1,275,000
Germany	1,276,000	3,000,000
China	435,000	3,443,000
Other foreign countries	2,094,000	1,854,000
Total	$ 30,195,000	$ 36,688,000

Customer Concentrations

The Company had certain customers in the OEM distribution segment whose individual percentage of the Company's consolidated revenues was 10% or greater. Revenue from one of these customers or their affiliates or contract manufacturers represented 13.0 % and 11.2 % of the Company's consolidated net revenues in Fiscal 2024 and Fiscal 2023, respectively.

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 25.2 % and 27.9 % of the Company's consolidated net revenues in Fiscal 2024 and Fiscal 2023, respectively. In December 2024, our largest design customer notified the Company of its plan to discontinue their insulin patch program, on which the Company was working. We expect this to cause a material decrease in our revenues beginning with the second quarter of fiscal 2025. We are currently working on cost reduction efforts to mitigate the reduction in revenue, including a reduction in force which was communicated in December 2024. See Note 1.

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. One customer or its affiliate or contract manufacturer represented 14.5 % and 12.0 % of the Company's consolidated accounts receivable at September 30, 2024 and 2023, respectively.

At September 30, 2024, the Company had one customer in the design segment whose accounts receivable balances accounted for 10% or more of the Company's consolidated accounts receivable. Accounts receivable from this customer represented 19.0 % and 31.1 % of the Company's consolidated accounts receivable at September 30, 2024 and 2023, respectively.

Supplier Concentration

The Company's OEM distribution segment procures substantially all its products through independent suppliers in China through Forward China (see Note 14). Depending on the product, Forward China may require several different suppliers to furnish component parts or pieces.

Exhibit 4.2

Amended and restated Promissory Note

U.S. $1,600,000[1]

January 18, 2018

The undersigned maker, Forward Industries Inc, a New York Corporation (" Borrower") promises to pay to the order of Forward Industries (Asia-Pacific) Corporation ("Lender"), 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 "Applicable Interest Rate") equal to eight percent (8%).

Interest only shall be due and payable on February 18, 2018, and on the 18 th day (or 17th on the maturity date) of each month thereafter until June 30, 2025, 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, 2024, the principal had been reduced to $600,000.

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 ____, 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 19.1

MEMORANDUM

TO:	All Directors, Officers, Employees and Consultants
FROM:	Nason Yeager Gerson White & Lioce, PA
DATE:	September 3, 2018
RE:	Insider Trading Policy

We believe that the best way to protect Forward Industries, Inc. (the "Company") and its executive officers, directors, consultants and employees from potential liability under the insider trading laws is to adopt and implement and enforce a clear policy that defines insider trading and prohibits all employees, officers, directors and other individuals who are aware of Material Non- Public Information (as described beginning at page 6) from trading in the Company's securities or providing Material Non-Public Information to other persons who may trade on the basis of that information. When we use the term Company throughout this Policy, it also includes any of the Company's subsidiaries.

Engaging in securities transactions on the basis of Material Non-Public Information or the communication of such information to others who use it in securities trading violates the federal securities laws. Such violations are likely to result in harsh consequences for the individuals involved including exposure to investigations by the Securities and Exchange Commission ("SEC"), criminal and civil prosecution, and disgorgement of any profits realized or losses avoided and penalties three times any profits gained or losses avoided. Insider trading violations expose the Company, its management, and other personnel acting in supervisory capacities to potential civil liabilities and penalties for the actions of employees under their control who engage in insider trading violations.

This Memorandum constitutes the Company's implementation and the requirements of the Policy and sets forth procedures to assure that Material Non-Public Information will not be used by Insiders (as defined on page 2) in securities transactions and that the confidentiality of such information will be maintained. Strict compliance with these policies and procedures is expected of all Insiders, including members of their households, and any infringement thereof may result in sanctions, including termination of office or employment.

I. The Statement of Policy

A. Who Does This Policy Apply To?

"Insiders" are directors, officers and all employees of the Company. Additionally, the following persons may also be subject to the restrictions contained in this Policy (i) the Company's independent contractors and (iii) other persons associated with the Company and its subsidiaries who receive or have access to Material Non-Public Information. As an Insider this Policy applies to you. The same restrictions that apply to you, also apply to your family members who reside with you, anyone else who lives in your household and any family members who do not live in your household but whose transactions in Company securities are directed by you or are subject to your influence or control. You are responsible for making sure that the purchase or sale of any security covered by this Policy by any such person complies with this Policy.

Please note that certain restrictions and requirements under this Policy are applicable to only certain individuals. <u>**The Blackout Periods apply to all Insiders. The Event-Specific Trading Restriction Periods apply to all directors, officers and the persons designated by the Chief Executive Officer or the Compliance Officer. Additionally, the pre-clearance requirements apply to our officers, directors, and employees in the finance/accounting department, any other employee at the vice president level or above and others who are uniquely situated to know of material financial or other information and are given notice in writing from an officer.**</u> If you have any doubt regarding whether you fall within any of these categories, please contact the Compliance Officer (or alternatively, our SEC Legal Counsel, Brian Bernstein at 561-686-3307). <u>**For purposes of this Policy, our Compliance Officer is the Chief Financial Officer**</u> . If the Compliance Officer changes, the Company will notify you immediately.

All Insiders are expected to maintain the confidentiality of Non-Public Material Information. Disclosure of such information to any individual outside the Company, whether or not in the form of a recommendation to purchase or sell the securities of the Company, is prohibited and may be criminal. If anyone becomes aware of a leak of Material Non-Public Information, whether inadvertent or otherwise, they should immediately be reported to our Compliance Officer.

As a general policy, the Company and all Insiders shall follow all laws, rules and regulations relating to Insider trading.

B. What are the Prohibited Activities?

- **No Trading Based on Material Non-Public Information** . The Policy prohibits trading based on Material Non-Public Information. <u>The SEC will presume that if you are in possession of Material Non-Public Information, your trading is based on it.</u>

- **No Trading in Other Corporations.** You may not trade in the securities of any other company if you are aware of Material Non-Public Information about that company which you obtained in the course of your employment with the Company.

- **No Tipping.** You may not pass Material Non-Public Information on to others or recommend to anyone the purchase or sale of any securities when you are aware of such information. This practice known as "tipping," also violates the securities laws and can result in the same civil and criminal penalties that apply to insider trading, even though you did not trade and did not gain any benefit from another's trading.

- **No Dissemination of Material Non-Public Information.** You should not discuss any confidential information within the hearing range of outsiders, including friends and relatives. It is particularly important to exercise care and refrain from discussing Material Non-Public Information in public places such as elevators, trains, taxis, airplanes, lavatories, restaurants, or other places where the discussions might be overheard.

- **No Short-Term Trading.** No Insider who purchases Company securities in the open market may sell any Company securities of the same class during the 30 days following the purchase. Executive officers and directors must wait more than six months to buy or sell after an offsetting or opposite way transaction.

- **Short Sale Transactions**. No Insider may engage in short sales of the Company's securities. Short sales are the sale of securities which the seller does not own. The seller is speculating that the price will fall, in the hope of later purchasing the same number of securities at a lower price, thereby making a profit. An Insider who engages in short sale transaction is betting against the Company and sends an alarming signal to his or her broker. In addition, Section 16(c) of the Securities Exchange Act of 1934 prohibits officers and directors from engaging in short sales.

- **Hedging Transactions.** No Insider may enter into a hedging transaction. When an Insider engages in this type of transaction, this Insider may no longer have the same objectives as the Company's other stockholders.

- **Margin Accounts and Pledges.** No Insider may hold Company securities in a margin account or pledge Company securities as collateral for a loan.

C. What Transactions Does this Policy Apply To?

- **Personal Transactions**. This Policy applies to your personal transactions and those indirectly through a spouse, friend, corporation or other entity.

- **Types of Securities**. Purchases and sales of stock, derivative securities such as put and call options and convertible debentures or preferred stock.

- **Stock Options/Warrants**. This Policy applies to: (i) any sale of stock as part of a broker-assisted cashless exercise of options or warrants, or any other market sale for the purpose of generating the cash needed to pay the exercise price of an option or warrants and (ii) any sale of common stock received upon exercise of options or warrants. This Policy does not apply to the exercise of stock options granted to the Insider under any of the Company's equity incentive plans for cash or the delivery of previously owned Company stock.

- **Former Insiders**. This Policy continues to apply to former Insiders in possession of Material Non-Public Information at the time their status as an Insider terminates. No former Insider may trade Company securities until that information has become public or is no longer material.

D. Rule 10b5-1 Plans as an Exception

The restrictions outlined above shall not prohibit transfers of Company securities made pursuant to a written contract, letter of instruction or plan that (a) complies with the requirements of Rule 10b5-1 (a "Plan") and (b) complies with all of the following:

- o Review and Approve the Proposed Arrangement in Advance . The Company will require all Plans to be in writing and submitted to the Company for approval prior to any transactions under the Plan. This will allow the Company to ensure that each Plan is in compliance with the requirements of Rule 10b5-1 and Company policies with regard to lock-up agreements, among other items, allowing the individual to conduct transactions under the Plan without preclearance by the Company. Because of recent concerns arising from possible abuses of Plans, the Company may require evidence that the party exercising trading authority has no personal or substantial business relationship with the Insider. The Blackout Periods and Event- Specific Trading Restrictions do not apply to transactions conducted pursuant to a Plan. If you are subject to and within either a Blackout Period or Event Specific Trading Restriction period, you may not enter into, modify or terminate a Plan until such time as the applicable trading restriction period has ended.

- o Add Additional Safeguards. It is essential that the Company ensure that there is no Material Non-Public Information that the Insider has knowledge of that has not been publicly disclosed at the time the Plan is adopted. In addition, if the Plan is going to be modified or terminated, notice must immediately be given to the Company and all transactions effected pursuant to the Plan must cease. Any change to an approved Plan will necessitate submission of the revised Plan to the Company for review and approval before transactions may resume.

- o Consider a Public Announcement. On a case by case basis, the Company will consider whether a public announcement in connection with each Plan under Rule 10b5-1 is appropriate.

- o Establish Procedures with Third Parties. In order to ensure that a Plan complies with Rule 10b5-1 in all respects, the Company will set up procedures with the parties handling the transactions under the Plan, including reminding them of the need to file Form 144s and Form 4s (where applicable).

E. What is Material Non-Public Information?

Material Information

What is "material" is often difficult to evaluate and is always judged in hindsight.

Generally, information is material if there is a substantial likelihood that a reasonable investor would consider it important in deciding whether to buy, hold or sell a security. Both positive and negative information can be considered material. While it is not possible to define all categories of material information, there are various categories of information that are particularly sensitive and, as a general rule, should always be considered material. Examples of such information include:

- Financial results
- Projections of future earnings or losses or other earnings guidance

- News of a pending or proposed merger or an acquisition or disposition of significant assets
- Impending bankruptcy or financial liquidity problems
- Gain or loss of a substantial clients
- Stock splits
- New equity or debt offerings
- Significant litigation exposure due to actual or threatened litigation
- Major changes in management
- Important changes in the Company's business
- New major contracts, orders, customers or financing, or the loss of any of these
- Cybersecurity risks and incidents, including vulnerabilities and breaches

If you are unsure whether information is material, you should either consult the Compliance Officer before making any decision to disclose such information (other than to persons who need to know it) or to trade in or recommend securities to which that information relates or assume that the information is material.

Non-Public Information

Non-public information is information that has not been disclosed to the general public and is not available to the general public. For most companies including the Company, disclosure on its website is still not considered public by the SEC. One common misconception is that material information loses its "non-public" status as soon as a press release is issued. Non-public information will generally be deemed to be public when (i) it is filed with the SEC or a press release is issued and the public has had a period of time (as much as 24 hours) to fully absorb the information.

F. Blackout Periods/Event-Specific Trading Restriction Periods

Regular (Quarterly) Blackout Periods

Certain Insiders including officers, directors, employees in the finance/accounting department and any other employee at the vice president level or above are prohibited from trading in the Company's securities during certain "Blackout Periods." The Company will notify you if you are subject to the Blackout Periods.

The four Blackout Periods begin on the 20th day of the last month of each fiscal quarter and end after the first full business day following the Company's issuance of its quarterly (or annual) earnings release or the filing of the Company's financial statements with the SEC (Form 10-K or Form 10-Q) if no earnings release is issued (an "Earnings Announcement").

Example: If the quarter ends on September 30th, the **Blackout Period** begins after the market closes on September 19th (or prior trading day if the 19th is not a trading day) and all trading of the Company's securities by Insiders must cease until an Earnings Announcement is released. If the Earnings Announcement is made on November 13th, the **Blackout Period** would end after the market close on November 14th. Therefore, your **Trading Window** (when you can trade) for a quarter ending December 31, in this example, would begin November 15th (or, if falls on a non-trading day, the next trading day), and would end after the market close on December 19th (or the last trading day).

The Company reserves the right to shorten or close the Trading Window without prior notice.

Event Specific Blackout Periods

From time to time, an event may occur that is material to the Company and is known by only a few directors, officers and/or employees. So long as the event remains material and nonpublic, all directors, officers and the persons designated by the Chief Executive Officer or Compliance Officer may not trade Company common stock. In addition, the Company's financial results may be sufficiently material in a particular fiscal quarter that, in the judgment of the Compliance Officer, designated persons should refrain from trading in Company common stock even sooner than the typical Blackout Period described above. In that situation, the Compliance Officer may notify these persons that they should not trade in the Company's common stock, without disclosing the reason for the restriction.

The existence of an event-specific trading restriction period or extension of a Blackout Period will not be announced to the Company as a whole, and should not be communicated to any other person. Even if the Compliance Officer has not designated you as a person who should not trade due to an event-specific restriction, you should not trade while aware of Material Non-Public Information. Exceptions will not be granted during an event-specific trading restriction period.

G. Preclearance

Preclearance is required only for the Company's officers, directors, and employees in the finance/accounting department, any other employee at the vice president level or above and others who are uniquely situated to know of material financial or other information and are given notice in writing from an officer that he or she is subject to preclearance. The Company will notify those persons who are subject to preclearance. Of course, family members of any of these people require preclearance. A request for preclearance must be submitted to the Compliance Officer on the form attached to this Policy as Exhibit A at least **two** days in advance of the proposed transaction. Preclearance requires the approval of the Compliance Officer. If your trade is pre-cleared by the Compliance Officer, the transaction must be effected within **three** business days. If the transaction is not effected within that time period it will be subject to pre-clearance again.

The responsibility for determining whether the Insider has Material Non-Public Information rests with the Insider, and pre-approval of the transaction does not constitute legal advice and does not in any way insulate the Insider from liability under the securities laws.

II. Compliance and Company Assistance

The Company is indebted to all Insiders who have helped to make the Company successful and is appreciative of all efforts on its behalf. To protect the Company and its shareholders, it is necessary to implement the foregoing Policy. The Company appreciates your continued cooperation and support in this effort.

You should remember that the ultimate responsibility for adhering to this Policy and avoiding improper trading rests with you. If you violate this Policy, the Company may take disciplinary action, including dismissal for cause. Each of you should sign one copy of this Policy and return it to the Company acknowledging that you have read and understand it. If anyone has any questions or wants to have an office conference concerning the issues raised by this Policy, please contact the Compliance Officer.

I acknowledge that I have read and understand this Memorandum and to abide by the Company's Policy on stock trading.

Dated: _____________ ___, 201_

____
Signature

____
Print Name

Exhibit A

**REQUEST FOR PRECLEARANCE OF
PURCHASE OR SALE OF SECURITIES**

Name:________________________________ Date: ____________

Proposed Transaction:
☐ Purchase of Stock
☐ Sale of Stock
☐ Exercise of Options ☐ Incentive Stock Options
☐ Non-Qualified Options
☐ Exercise of Warrants
Date of Grant of Options, Warrants or Other Securities:
____
☐ Other [Please explain] ______________________________

Number of Shares/Options: ______________________

Date of Proposed Transaction: ______________________

1. Have you made purchase(s) of Forward Industries, Inc. (the "Company") stock within the last six months?

☐ Yes ☐ No

If so, please complete:

Date(s) of Purchase(s): ______________________ No. of Shares: ___________
______________________ ___________
______________________ ___________

2. Have you made sales of the Company's stock within the last six months?

☐ Yes ☐ No

If so, please complete:

Date(s) of Sale(s): ______________________ No. of Shares: ___________
______________________ ___________
______________________ ___________

3. Have you made exercises or conversions of the Company's options/warrants or other securities of the Company within the last six months?

☐ Yes ☐ No

If so, please complete:

Date(s) of Exercise(s): ______________________ No. of Options: ___________
______________________ ___________
______________________ ___________

4. Have you received grants of the Company's options/warrants or other securities of the Company within the last six months?

☐ Yes ☐ No

If so, please complete:

Date(s) of Grant(s): ______________________ No. of Options: ___________
______________________ ___________
______________________ ___________

In consideration of this approval, I affirm that I am not in possession of Material Non-Public Information.

Signature: ____________________________
Print Name: ____________________________

Request Approved: ☐ Yes ☐ No

If Denied, Reason: ____

Date:_____________ ____

____
Compliance Officer

____
Legal Counsel

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the Registration Statement (Form S-8 No. 333- 253461) pertaining to Forward Industries, Inc. of our report dated December 27, 2024, with respect to the consolidated financial statements of Forward Industries, Inc. included in this Annual Report (Form 10-K) for the year ended September 30, 2024. Our report includes an explanatory paragraph related to Forward Industries, Inc.’s ability to continue as a going concern.

/s/ CohnReznick LLP

Melville, New York
December 27, 2024

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 27, 2024

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

Exhibit 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER

I, Kathleen Weisberg, 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 27, 2024

/s/ Kathleen Weisberg
Kathleen Weisberg
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, 2024, 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 27, 2024

In connection with the annual report of Forward Industries, Inc. (the “Company”) on Form 10-K for the fiscal year ended September 30, 2024, as filed with the Securities and Exchange Commission on the date hereof, I, Kathleen Weisberg, 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/ Kathleen Weisberg
Kathleen Weisberg
Chief Financial Officer
(Principal Financial Officer)
Dated: December 27, 2024

FORWARD INDUSTRIES, INC. (“the Company”)
CLAWBACK POLICY

Introduction

The Board of Directors of the Company (the “Board”) believes that it is in the best interests of the Company and its shareholders to create and maintain a culture that emphasizes integrity and accountability and that reinforces the Company’s pay-for-performance compensation philosophy. The Board has therefore adopted this policy which provides for the recoupment of certain executive compensation in the event of an accounting restatement resulting from material noncompliance with financial reporting requirements under the federal securities laws (the “Policy”). This Policy is designed to comply with Section 10D of the Securities Exchange Act of 1934 (the “Exchange Act”) and Nasdaq Listing Rule 5608 (the “Clawback Listing Standards”).

Administration

This Policy shall be administered by the Board or, if so designated by the Board, the Compensation Committee, in which case references herein to the Board shall be deemed references to the Compensation Committee. Any determinations made by the Board shall be final and binding on all affected individuals.

Covered Executives

This Policy applies to the Company’s current and former executive officers, as determined by the Board in accordance with the definition in Section 10D of the Exchange Act and the Clawback Listing Standards, and such other senior executives/employees who may from time to time be deemed subject to the Policy by the Board (the “Covered Executives”).

Recoupment; Accounting Restatement

In the event the Company is required to prepare an accounting restatement of its financial statements due to the Company’s material noncompliance with any financial reporting requirement under the securities laws, including any required accounting restatement to correct an error in previously issued financial statements that is material to the previously issued financial statements or that would result in a material misstatement if the error were corrected in the current period or left uncorrected in the current period, the Board will require reimbursement or forfeiture of any excess Incentive Compensation received by any Covered Executive during the three completed fiscal years immediately preceding the date on which the Company is required to prepare an accounting restatement.

Incentive Compensation

For purposes of this Policy, Incentive Compensation includes any of the following; provided that, such compensation is granted, earned, or vested based wholly or in part on the attainment of a financial reporting measure:

- Annual bonuses and other short- and long-term cash incentives.
- Stock options.
- Stock appreciation rights.
- Restricted stock.
- Restricted stock units.

Financial reporting measures include:

- Company stock price.
- Total shareholder return.
- Revenues.
- Earnings before interest, taxes, depreciation, and amortization.

Excess Incentive Compensation: Amount Subject to Recovery

The amount to be recovered will be the excess of the Incentive Compensation paid to the Covered Executive based on the erroneous data over the Incentive Compensation that would have been paid to the Covered Executive had it been based on the restated results, as determined by the Board, without regard to any taxes paid by the Covered Executive in respect of the Incentive Compensation paid based on the erroneous data.
If the Board cannot determine the amount of excess Incentive Compensation received by the Covered Executive directly from the information in the accounting restatement, then it will make its determination based on a reasonable estimate of the effect of the accounting restatement.

Method of Recoupment

The Board will determine, in its sole discretion, the method for recouping Incentive Compensation hereunder which may include, without limitation:

a. requiring reimbursement of cash Incentive Compensation previously paid;
b. seeking recovery of any gain realized on the vesting, exercise, settlement, sale, transfer, or other disposition of any equity-based awards;
c. offsetting the recouped amount from any compensation otherwise owed by the Company to the Covered Executive;
d. cancelling outstanding vested or unvested equity awards; and/or
e. taking any other remedial and recovery action permitted by law, as determined by the Board.

No Indemnification

The Company shall not indemnify any Covered Executives against the loss of any incorrectly awarded Incentive Compensation, notwithstanding anything in any Indemnification Agreement to the contrary.

Interpretation

The Board is authorized to interpret and construe this Policy and to make all determinations necessary, appropriate, or advisable for the administration of this Policy. It is intended that this Policy be interpreted in a manner that is consistent with the requirements of Section 10D of the Exchange Act, any applicable rules or standards adopted by the Securities and Exchange Commission, and the Clawback Listing Standards.

Effective Date

This Policy shall be effective as of November 20, 2023 (the "Effective Date") and shall apply to Incentive Compensation that is received by Covered Executives on or after the Effective Date, even if such Incentive Compensation was approved, awarded, or granted to Covered Executives prior to the Effective Date.

Amendment; Termination

The Board may amend this Policy from time to time in its discretion and shall amend this Policy as it deems necessary to reflect final regulations adopted by the Securities and Exchange Commission under Section 10D of the Exchange Act and to comply with the Clawback Listing Standards and any other rules or standards adopted by a national securities exchange on which the Company's securities are listed. The Board may terminate this Policy at any time.

Other Recoupment Rights

Any right of recoupment under this Policy is in addition to, and not in lieu of, any other remedies or rights of recoupment that may be available to the Company pursuant to the terms of any similar policy in any employment agreement, equity award agreement, or similar agreement and any other legal remedies available to the Company.

Relationship to Other Plans and Agreements

The Board intends that this Policy will be applied to the fullest extent of the law. The Board may require that any employment agreement, equity award agreement, or similar agreement entered into on or after the Effective Date shall, as a condition to the grant of any benefit thereunder, require a Covered Executive to agree to abide by the terms of this Policy. In the event of any inconsistency between the terms of the Policy and the terms of any employment agreement, equity award agreement, or similar agreement under which Incentive Compensation has been granted, awarded, earned or paid to a Covered Executive, whether or not deferred, the terms of the Policy shall govern.

Acknowledgment

The Covered Executive shall sign an acknowledgment form in the form attached hereto as Exhibit A in which they acknowledge that they have read and understand the terms of the Policy and are bound by the Policy.

Impracticability

The Board shall recover any excess Incentive Compensation in accordance with this Policy unless such recovery would be impracticable, as determined by the Board in accordance with Rule 10D-1 of the Exchange Act and the Clawback Listing Standards.

Successors

This Policy shall be binding and enforceable against all Covered Executives and their beneficiaries, heirs, executors, administrators or other legal representatives.

Exhibit A
Acknowledgement Form

CLAWBACK POLICY ACKNOWLEDGMENT

The Board of Directors of Forward Industries, Inc. (the "Company") has adopted a Clawback Policy (the "Policy") which is applicable to the Company's Covered Executives.

I, the undersigned, acknowledge that I have received a copy of the Policy, as it may be amended, restated, supplemented or modified from time to time, and that I have read it, understand it, and acknowledge that I am fully bound by, and subject to, all of the terms and conditions thereof.

In the event of any inconsistency between the terms of the Policy and the terms of any employment agreement to which I am a party, or the terms of any compensation plan, program, or arrangement under which Incentive Compensation has been granted, awarded, earned, or paid to me, whether or not deferred, the terms of the Policy shall govern.

If the Board of Directors determines that any Incentive Compensation I have received must be forfeited, repaid, or otherwise recovered by the Company, I shall promptly take whatever action is necessary to effectuate such forfeiture, repayment, or recovery.

I acknowledge that I am not entitled to indemnification in connection with the Company's enforcement of the Policy, notwithstanding anything in any Indemnification Agreement to the contrary.

I understand that any delay or failure by the Company to enforce any requirement contained in the Policy will not constitute a waiver of the Company's right to do so in the future.

Any capitalized terms used in this Acknowledgment that are not otherwise defined shall have the meaning ascribed to them in the Policy.

____
(Executive's Signature)

____
(Executive's Printed Name)

____
(Date)