

**AMENDED AND RESTATED  
CHARTER OF THE AUDIT COMMITTEE  
OF THE BOARD OF DIRECTORS OF FORWARD INDUSTRIES, INC.**

This Charter of the Audit Committee was adopted by the Board of Directors on December 8, 2009, and supersedes any prior Charter of the Committee.

**I.) COMMITTEE MEMBERSHIP**

A.) Composition and Qualifications

1. The Audit Committee of Forward Industries, Inc. (the "Company") shall be comprised of at least three directors each of whom shall satisfy the "independence requirements" under applicable rules of the Nasdaq Stock Market and of the Securities and Exchange Commission ("SEC" pursuant to the Securities Exchange Act of 1934 ("Exchange Act")) as from time to time in effect, except to the extent the Company determines to avail itself of an exemption under such rules.
2. All members of the Committee must be able to read and understand fundamental financial statements, including a company's balance sheet, income statement, and cash flow statement. In addition, the Audit Committee shall have at least one member who (a) has past employment experience in finance or accounting, requisite professional certification in accounting, or any other comparable experience or background which results in the member's financial sophistication (including being or having been a chief executive officer, chief financial officer or other senior officer with financial oversight responsibilities) and (b) who qualifies as an "audit committee financial expert" in accordance with Exchange Act rules.

B.) Appointment

1. Members and the Committee Chair shall be appointed annually by the Board and shall serve at the pleasure of the Board and for such term or terms as the Board may determine.

**II.) COMMITTEE PURPOSES AND FUNCTIONS**

A.) The purposes of the Audit Committee are to:

1. Assist the Board in its monitoring and oversight responsibilities of
  - i) the quality and integrity of the Company's financial statements,
  - ii) the Company's compliance with legal and regulatory requirements,
  - iii) the performance of the Company's internal audit function and independent auditors,
  - iv) the independent auditors' qualifications and independence and
  - v) the accounting and financial reporting processes of the Company.
2. Prepare an Audit Committee report as required by "SEC" for inclusion in the Company's annual proxy statement.

B.) Functions and Scope: The function of the Audit Committee is oversight.

1. Management of the Company is responsible for the preparation, presentation, and integrity of the Company's financial statements and for the effectiveness of internal control over financial reporting. Management and the internal audit function are responsible for maintaining appropriate accounting and financial reporting principles and policies and internal controls and procedures that enable compliance with accounting standards and applicable laws and regulations.
2. The independent auditors are responsible for planning and carrying out a proper audit of the Company's annual financial statements, reviews of the Company's quarterly

financial statements prior to the filing of each quarterly report, annually auditing management's assessment of the effectiveness of internal control over financial reporting in accordance with applicable SEC rules and other procedures.

3. In fulfilling their responsibilities hereunder, it is recognized that members of the Audit Committee are not employees of the Company and do not perform the functions of management, auditors or accountants. As such, it is not the duty or responsibility of the Audit Committee or its members to conduct "field work" or other types of auditing or accounting reviews or procedures, to plan or conduct audits, to set auditor independence standards or to verify that the Company's financial statements and disclosures are complete, accurate or in accordance with generally accepted accounting principles ("GAAP").

4. The Committee shall receive and review annually a formal written report prepared by the independent auditors (the "Auditors' Statement") describing: the auditors' internal quality-control procedures; any material issues raised by the most recent internal quality-control review or peer review of the auditors, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the auditors, and any steps taken to deal with any such issues; and (to assess the auditors' independence) all relationships between the independent auditors and the Company, including each non-audit service provided to the Company and the matters set forth in applicable SEC, Public Company Accounting Oversight Board ("PCAOB"), and Nasdaq rules relating to independence standards.

5. The Committee shall receive and review annually a formal written statement prepared by the independent auditors (not later than 60 days after the end of each fiscal year) of the fees billed in each of the last two fiscal years in respect of each of the categories of services required to be disclosed in the Company's annual proxy statement.

### **III.) COMMITTEE DUTIES AND RESPONSIBILITIES**

To carry out its purposes, the Audit Committee shall have the following duties and responsibilities:

#### **A.) With respect to the independent auditors:**

1. Select, appoint, evaluate, set terms of compensation and retention, and oversee the work of the independent auditors (including the resolution of disagreements between management and the independent auditors regarding financial reporting) engaged for the purpose of preparing or issuing an audit report or to perform audit, review or attestation services, who shall report directly to the Audit Committee;
2. elect, appoint, evaluate, set terms of compensation and retention, and oversee the work of any other registered public accounting firm engaged for the purpose of preparing or issuing an audit report or to perform audit, review or attestation services, which firm shall also report directly to the Audit Committee;
3. Pre-approve or adopt appropriate procedures to pre-approve the audit and non-audit fees and any other significant compensation to be paid to the independent auditor, who is ultimately accountable to the Audit Committee and the Board;
4. Review and discuss with the independent auditor the auditor's independence from the Company, and to obtain and review annually a written statement prepared by the independent auditor (which is responsible for the accuracy and completeness of this statement) describing all relationships between it and the Company, consistent with applicable regulations (including PCAOB Rule 3526, "Communication with Audit Committees Concerning Independence") and consider the impact that any relationships or services disclosed in this statement may have on the quality of audit services or the objectivity and independence of the independent auditor as well as any other matters required to be reported under Exchange Act Rule 10A and other applicable rules;

5. Review the independent auditor's audit plan for each annual audit regarding the planning, scope, rigor and staffing of the audit and to discuss the audited financial statements;
6. Receive on a timely basis from the independent auditors and review in connection with each audit a report relating to (a) the Company's annual audited financial statements describing all critical accounting policies and practices used, (b) all alternative treatments within GAAP for policies and practices related to material items that have been discussed with management, including ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the independent auditors, and (c) all material written communications between the independent auditors and management, such as any "management" letter, management representation letter, schedule of unadjusted audit differences, listing of adjustments and reclassifications not recorded, and independent auditor's independence letter;
7. Discuss with management the timing and process for implementing the rotation of the lead audit partner, the concurring partner and any other active audit engagement team partner, and consider whether there should be a regular rotation of the audit firm itself.
8. Discuss with the independent auditors those matters or reports required to be communicated to entities charged with governance in accordance with SAS 114; and
9. Periodically meet with, and take into account the opinions of, management and the Company's internal auditor function in assessing the independent auditors' qualifications, performance (including the lead partner and other engagement staff) and independence.

**B.) With respect to the internal audit function of the Company:**

1. Review the organizational structure, plan, responsibilities, staffing and budget of the internal audit function and review the appointment, performance, and replacement of the senior internal auditing staff; and
2. Review the internal audit function's significant reports to management and management's responses;

**C.) With respect to accounting principles and policies, financial reporting and internal audit control over financial reporting:**

1. Advise management, the internal audit function and the independent auditors that they are expected to provide to the Audit Committee a timely analysis of significant issues and practices relating to accounting principles and policies, financial reporting and internal control over financial reporting;
2. Discuss with the independent auditor matters, reports, and communications relating to:
  - i) deficiencies, including significant deficiencies or material weaknesses, in internal control identified during the audit or other matters relating to internal control over financial reporting, including any one or more of the following;
  - ii) consideration of fraud in a financial statement audit;
  - iii) detection of illegal acts;
  - iv) the independent auditors' responsibility under generally accepted auditing standards;
  - v) significant accounting policies;
  - vi) issues discussed with the national office respecting auditing or accounting issues presented by the engagement;
  - vii) management judgments and accounting estimates;

- viii) the responsibility of the independent auditors for other information in documents containing audited financial statements;
- ix) consultation by management with other accountants;
- x) major issues discussed with management prior to retention of the independent auditors;
- xi) the independent auditors' judgments about not only the adequacy but the quality of the Company's accounting principles, applications and practices as applied in its financial reporting, including consistency of application, and the clarity, consistency and completeness of accounting information;
- xii) reviews of interim financial information conducted by the independent auditors; and
- xiii) the responsibilities, budget and staffing of the Company's internal audit function;

3. Meet with management, the independent auditors and, if appropriate, the director of the internal audit function:

- i) to discuss the scope of the annual audit;
- ii) to review the Company's financial reporting processes and controls, including significant financial risk exposures and the steps management has taken to monitor, assess, manage and control such exposures;
- iii) to review significant financial reporting findings and judgments made during, or in connection with, preparation of the Company's financial statements;
- iv) to review the Company's annual audited financial statements and Company disclosures in its MD&A and to recommend to the Board whether such financial statements should be included in the Company's annual report prior to filing or distribution; to review any audit problems or difficulties, including the following: difficulties the independent auditors encountered in the course of performing the audit, including any restrictions on their activities, audit scope, or access to requested information; any accounting adjustments arising from the audit that were noted or proposed by the auditors but were passed (as immaterial or otherwise); and any significant disagreements with management (arising in connection with the audit or otherwise);
- v) to review and discuss the Company's quarterly financial statements, Company disclosures in its MD&A, and earnings announcements prior to the release of earnings and filing and distribution of quarterly reports;
- vi) to discuss any "management" or "internal control" letter issued, or proposed to be issued, by the independent auditors to the Company;
- vii) to review and discuss, as appropriate:
  - (a) any major issues regarding accounting principles and financial statement presentations, and major issues as to the adequacy of the Company's internal controls and any special audit steps adopted in light of material internal control deficiencies;
  - (b) analyses prepared by management and/or the independent auditors setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including analyses of the effects of alternative GAAP methods on the financial statements;

(c) the effect of regulatory and accounting initiatives, as well as off-balance sheet structures, on the financial statements of the Company; and

(d) the treatment of unusual transactions;

viii) to review significant recommended changes in the Company's selection or application of auditing and accounting principles and practices by management, independent auditor, or internal auditors;

ix) to inquire of the Company's chief executive officer and chief financial officer as to (a) the existence of any significant deficiencies or material weaknesses in the design or operation of internal control over financial reporting, (b) inadequacies in the design or operation of the Company's disclosure controls and procedures which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information, and (c) the existence of any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting;

x) to obtain from the independent auditor verification that Section 10A of the Exchange Act has not been implicated;

xi) to review any pending litigation as it pertains to financial statements and disclosure; and

xii) to establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters, and for the confidential, anonymous submission by Company employees of concerns regarding questionable accounting or auditing matters.

**D.) With respect to reporting and recommendations:**

1. Prepare an annual report to shareholders to be included in the Company's proxy statement as required by the SEC;
2. Report regularly to, and review with, the Board any issues that arise with respect to the quality or integrity of the Company's financial statements, its compliance with legal or regulatory requirements, the performance and independence of the independent auditor, the Company's internal control function, or any other matter the Committee deems advisable;
3. Review with Company counsel any legal matters that may have a significant impact on the Company's financial statements, the Company's compliance with applicable laws, and any significant reports or inquiries received from governmental and regulatory agencies.
4. Receive reports from management, the Company's senior internal auditing function, and the independent auditor that the Company's subsidiary and foreign-affiliated entities are in compliance with any applicable legal requirements.
5. Prepare an annual performance evaluation of the Audit Committee, which evaluation should review and reassess the adequacy of this Charter, to and to make such recommendations for changes to this Charter to the Board as the Audit Committee may deem necessary and appropriate.

**IV.) COMMITTEE OPERATIONS AND STRUCTURE**

**A.) Operations**

1. The Board shall designate one member of the Committee as chairperson and he or she shall be responsible for presiding over the meetings and reporting to the Board of

Directors. The chairperson will also maintain regular liaison with the Company's chief executive officer, the chief financial officer and the lead independent audit partner.

2. The Audit Committee shall meet once every fiscal quarter, or more frequently if circumstances dictate, with management and the internal auditing department, if applicable, to discuss the annual audited financial statements and quarterly financial statements, as applicable.

3. The Audit Committee should meet separately in executive session at least quarterly, and with the independent auditors to discuss any matters that the Audit Committee or any of these persons or firms believe should be discussed privately.

4. The Audit Committee may request any officer or employee of the Company or the Company's outside counsel independent auditors to attend a meeting of the Audit Committee or to meet with any members of, or consultants to, the Audit Committee. Members of the Audit Committee may participate in a meeting of the Audit Committee by means of conference call or similar communications equipment by means of which all persons participating in the meeting can hear each other.

5. The Audit Committee may perform any other activities deemed appropriate by the Board and consistent with this Charter, the Company's by-laws, and governing laws.

**B.) Structure—Delegation**

1. The Audit Committee may, in its discretion, delegate to one or more of its members the authority to pre-approve any audit or non-audit services to be performed by the independent auditors, provided that any such approvals are presented to the Audit Committee at its next scheduled meeting.

**V.) COMMITTEE AUTHORITY AND RESOURCES**

**A.) Authority**

1. The Audit Committee shall have the appropriate authority and resources to discharge its duties and responsibilities, including the authority to select, retain, terminate, and approve the fees and other retention terms of special or independent counsel, accountants or other experts and advisors, as it deems necessary or appropriate, without seeking approval of the Board or management.

2. The Audit Committee may conduct any investigation necessary to fulfill its responsibilities and may request any officer or employee of the Company, outside counsel or independent auditor to meet with any members of, or consultants to, the Committee.

**B.) Resources:**

1. The Company shall provide for appropriate funding, as determined by the Audit Committee, in its capacity as a committee of the Board, for payment of:

i) Compensation to the independent auditors and any other public accounting firm engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Company.

ii) Compensation of any advisers employed by the Audit Committee pursuant to Section VA hereof.

iii) Ordinary administrative expenses of the Audit Committee that are necessary or appropriate in carrying out its duties.