

FORWARD INDUSTRIES, INC.

**AMENDED AND RESTATED CHARTER
COMPENSATION COMMITTEE OF THE BOARD OF DIRECTORS**

This Amended and Restated Charter was adopted by the Board of Directors (“Board”) of Forward Industries, Inc. (“Company”) on December 9, 2008, and supersedes any prior charter of the Compensation Committee (“Committee”) of the Board.

The mandate of the Committee is to assist the Board in its oversight of compensation policies and practices applicable to executive management, other employees, the Board, and related matters.

I. COMMITTEE MEMBERSHIP

A. Except as permitted by Nasdaq Marketplace Rule 4350(c)(3), the Committee shall consist solely of “independent directors”, meaning those directors who are neither officers or employees of the Company or any subsidiary thereof, nor have a relationship that, in the opinion of the Board, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director, and who are otherwise “independent” under the rules of the Nasdaq Stock Market, Inc. A director shall not serve as a member of the Committee if the chief executive officer (“CEO”) or another executive officer of the Company serves on the compensation committee of another company that employs that director as an executive officer.

B. The Committee shall consist of no fewer than three directors.

C. Members of the Committee shall be appointed by the Board based on the nominations of the Company’s Nominating and Governance Committee. Members shall serve at the pleasure of the Board for such term or terms as the Board may determine, or if not specified, until the next annual meeting of shareholders at which the director’s successor is duly elected and qualifies. Any member of the Committee may be replaced or removed by the Board at any time with or without cause. Qualifications for appointment shall be as determined from time to time by the Nominating and Governance Committee.

II. COMMITTEE RESPONSIBILITIES

A. Develop and approve the Company’s executive compensation philosophy.

B. Annually review and approve corporate goals and objectives relevant to compensation of the Company’s chief executive officer, evaluate the CEO’s performance in light of those goals and objectives, and determine the CEO’s compensation level based on this evaluation. In determining the CEO’s compensation (including the long-term components thereof), the Committee shall consider, among other factors, the Company’s performance and relative

shareholder return, the value of similar incentive awards to CEOs at comparable companies, awards given to the CEO in past years, and other relevant factors.

C. Determine the compensation of and compensation structure for all other executive officers of the Company, taking into account the CEO's recommendations.

D. Director compensation

1. Review compensation practices, structure, and levels of the compensation program for non-employee directors and recommend proposals to the Board with respect to such program on an annual basis.

2. In making its recommendations, the Committee shall consider director compensation policies and practices at comparable companies and may retain outside consultants in order to better assess that the Company's director compensation program is reasonable and appropriate.

E. Equity-based plans

1. Recommend proposals to the Board with respect to adequacy of current plans and desirability of new or additional plans, including new plan structure, as appropriate.

2. Review and approve grants/awards under such plans to officers, directors, employees, consultants, and other persons, in accordance with plan terms; and amend the terms of grants and awards, as may be appropriate, in accordance with plan terms.

3. Review and approve grants/awards under such plans to individuals not previously an employee of the Company as an inducement to the individual's entering into employment with the Company in accordance with plan terms.

4. Oversee activities of individuals (and Board sub-committees, as the case may be) responsible for administration of existing plans.

5. Discharge administrative and other responsibilities imposed on the Committee by terms of existing plans, including approval of amendments to such plans, as appropriate.

F. Other Incentive Compensation Plans

1. Review and approve grants/awards under such plans; and amend the terms of grants and awards, as may be appropriate, in accordance with plan terms.

2. Review terms and conditions of other incentive compensation for management, such as cash-based incentive (bonus) compensation and targets to determine whether such compensation is earned.

3. Recommend proposals to the Board with respect to other long-term incentive compensation plans, as the Committee deems appropriate.

4. Discharge administrative and other responsibilities imposed on the Committee by terms of such plans, including approval of amendments to such plans, as appropriate.

G. Recommend proposals to the Board with respect to retirement plans and other compensation programs for management and other employees, as the Committee deems appropriate, taking into account achievement of Company objectives and other factors.

H. With the CEO, prepare and develop succession plans for near-term (emergency) and longer term needs from time to time and apprise the Board with respect to same.

I. In consultation with management, oversee regulatory compliance with respect to compensation matters, including monitoring Company policies to structure compensation programs to preserve tax deductibility, and, as and when required, establish performance goals and certify that performance goals have been attained for purposes of Section 162(m) of the Internal Revenue Code (“IRC”).

J. Review and approve severance or similar termination payments proposed to be made to any current or former executive officer of the Company.

K. Review and approve contracts of all executive and other senior officers, if any, including renewals thereof,

L. Prepare an annual (i) Compensation Committee Report and (ii) Compensation Disclosure and Analysis for inclusion in the Company’s annual proxy statement, in accordance with applicable SEC or other rules and regulations (including Regulation S-K and any successor rules and regulations), or as otherwise deemed advisable by the Committee.

M. Review this Charter from time to time as developments warrant and recommend to the Board modifications to this Charter and any other documents relating to the Committee’s areas of responsibility, as the Committee deems necessary and appropriate.

N. Prepare the “Committee Performance Assessment”, referred to in Article IV, below.

III. COMMITTEE GOVERNANCE AND MEETINGS

A. Governance

1. Immediately following each annual meeting of shareholders (but in any event not less frequently than once each fiscal year), in conjunction with meetings of the Board and Nominating and Governance Committee, the Board shall appoint members of the Committee and shall designate one member of the Committee as its Chair.

2. The Committee may, in its discretion, delegate all or a portion of its duties and responsibilities to a subcommittee of the Committee consisting of one or more members. In particular, the Committee may delegate approval of certain transactions to a subcommittee consisting solely of members who are (i) non-employee directors for purposes of Rule 16b-3 under the Securities Exchange Act of 1934, as in effect from time to time, and “outside directors” for purposes of Section 162(m) of the IRC.

3. The CEO may not be present during any voting or deliberations of the Committee regarding the CEO’s compensation.

B. Meetings; Action

1. The Committee shall meet at least twice a year, in conjunction with regularly scheduled meetings of the Board, and more frequently as deemed necessary and appropriate by the Committee Chair.

2. Except for meetings held in conjunction with regularly scheduled meetings of the Board, the Chair shall be responsible for calling meetings of the Committee, setting the time and place for such meetings, and providing pre-meeting materials relating to agenda items. The

Committee Chair and (for meetings of the Committee held in conjunction with regularly scheduled Board meetings) management shall develop agenda items.

3. Meetings may be held in person or by means of conference call or any other means permitted to boards of directors by the New York Business Corporation Law.

4. A majority of the members of the Committee shall constitute a quorum, except as otherwise provided in Section 306 of the Company's by-laws. If a quorum is present, action of the Committee shall be effective if taken by a majority of the members present at a meeting.

5. The Committee may act by voice vote at meetings or by unanimous written consent.

6. The Committee shall keep written records of its proceedings and make regular reports to the Board relating to its activities.

IV. COMMITTEE PERFORMANCE ASSESSMENT

The Committee shall develop and conduct an annual self-assessment of its performance under this Charter and report its findings to the Board. It will work with the Nominating and Governance Committee to design and coordinate the annual self-assessment in conjunction with the overall Board assessment process. The assessment shall include a recommendation to the Board any improvements or modifications to this Charter and the workings of the Committee that the Committee deems desirable and appropriate.

V. RESOURCES AND AUTHORITY

The Committee shall have the authority to select, retain, terminate, and approve the fees and other terms of retention of such professional advisers and consultants as it deems appropriate in order to assist the Committee in fulfilling its mandates. The Committee shall have sole authority to engage and terminate executive compensation consultants to assist in the evaluation of compensation programs and other compensation matters relating to officers and directors. The Company shall provide necessary funding to facilitate the Committee's actions.

The Committee may consult with management on compensation issues generally and may delegate to management, where appropriate, the duty to work with and/or supervise day-to-day activities of independent consultants and advisors retained by the Committee.