

FORWARD INDUSTRIES INC
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Registration No. 333-194825

PROSPECTUS

Forward Industries, Inc.

1,341,765 Shares of Common Stock

This prospectus covers the resale of up to 1,341,765 shares of common stock, \$0.01 par value per share, of Forward Industries, Inc., a New York corporation, by the selling stockholders listed in this prospectus or their permitted transferees from time to time. The shares of common stock being offered by the selling stockholders consist of (i) 692,919 shares of common stock issuable to the selling stockholders upon conversion of outstanding shares of 6% Senior Convertible Preferred Stock, par value \$0.01 per share (the Convertible Preferred Stock) and (ii) 648,846 shares of common stock issuable upon the exercise of outstanding warrants (the Warrants, and together with the Convertible Preferred Stock, the Securities). The Securities were originally issued to accredited investors in a series of private placements completed on June 28, 2013, August 7, 2013, and August 14, 2013. Please refer to the section of this prospectus entitled Description of the Private Placements for a description of the Securities and the section entitled Selling Stockholders for additional information.

We will not receive any proceeds from the sale of shares of our common stock by the selling stockholders. However, we will receive payment in cash upon any exercise of the warrants, and any proceeds we receive will be used for general corporate purposes, including working capital and in connection with potential acquisition targets that would be complementary to our existing business and allow us to further leverage our operating infrastructure, if any are identified and acquired. We will bear the costs and fees of the registration of the shares, and the selling stockholders will bear all commissions and discounts, if any, attributable to the sales of the shares.

Subject to the restrictions described in this prospectus, the selling stockholders (directly, or through agents or dealers designated from time to time) may sell the shares of our common stock being offering by this prospectus from time to time, on terms to be determined at the time of sale. The prices at which the selling stockholders may sell the shares will be determined by the prevailing market price for the shares or in negotiated transactions. Please see the section titled Plan of Distribution for more information regarding the offering of the shares.

Our common stock is listed on the NASDAQ Capital Market under the trading symbol FORD. On April 2, 2014, the last reported sale price for our common stock as reported on the NASDAQ Capital Market was \$1.78 per share.

Investing in our common stock involves a high degree of risk. You should carefully read and evaluate the cautionary statements concerning risk factors included in our periodic reports and other information that we file with the Securities and Exchange Commission (the SEC or Commission). See Risk Factors beginning on page 4.

Neither the SEC nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

THIS PROSPECTUS IS NOT AN OFFER TO SELL SECURITIES, NOR IS IT A SOLICITATION OF AN OFFER TO BUY SECURITIES, IN ANY STATE OR COUNTRY WHERE THE OFFER OR SALE IS NOT PERMITTED.

The date of this prospectus is April 4, 2014

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You should rely only on the information provided in this prospectus or in any free writing prospectus prepared by or on behalf of us or to which we have referred you. We have not authorized anyone to provide you with different information. The information contained in this prospectus is accurate only as of the date of this prospectus, regardless of the time of delivery of this prospectus or of any sale of our common stock. Our business, financial condition, results of operations and prospects may have changed since that date.

Persons outside the United States who come into possession of this prospectus must inform themselves about, and observe any restrictions relating to, the offering of the shares of common stock and the distribution of this prospectus outside of the United States.

We obtained statistical data, market data and other industry data and forecasts used throughout this prospectus from market research, publicly available information and industry publications. While we believe that the statistical data, industry data and forecasts and market research are reliable, we have not independently verified the data, and we do not make any representation as to the accuracy of the information.

Prospectus Summary

This summary highlights certain information contained elsewhere in this prospectus and does not contain all of the information that you should consider in making an investment decision. We urge you to read this entire prospectus carefully, including the Risk Factors section beginning on page 4 and the other information and documents incorporated by reference into this prospectus, including our consolidated financial statements and related notes, before making an investment decision.

Unless the context provides otherwise, all references in this prospectus to Forward, we, us, our, the Company, the Registrant or similar terms, refer to Forward Industries, Inc.

Forward Industries, Inc.

General

We design, market, and distribute carry and protective solutions, primarily for hand held electronic devices, including soft-sided carrying cases, bags, clips, hand straps, protective plates and other accessories made of leather, nylon, vinyl, plastic, PVC and other synthetic materials. Our principal customer market is original equipment manufacturers, or 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 blood glucose monitoring kits and a variety of other portable electronic and non-electronic products (such as sporting and recreational products, bar code scanners, smartphones, GPS and location devices, tablets, firearms and other products). Our carrying cases are designed to enable these devices to be stowed in a pocket, handbag, briefcase, or backpack, clipped to a belt or shoulder strap, or strapped to an arm, while protecting the consumer electronic or other product from scratches, dust, and mishandling. Our OEM customers are located in the Americas, Europe, and the Asia Pacific Region, or APAC Region. We do not manufacture any of our OEM products and source substantially all of our OEM products from independent suppliers in China.

On June 21, 2012, we determined to exit our global retail business and focus solely on growing our OEM business. Our decision to eliminate the global retail division was primarily driven by the longer than estimated path to bring it to profitability and the strong net sales growth and cost rationalizations in the OEM business. We have substantially completed the exit of our global retail business and have not had, and do not expect to have, any continuing involvement in the global retail business after this date.

Corporate History

Forward Industries was incorporated in 1961 under the laws of the State of New York as a manufacturer and distributor of advertising specialty and promotional products. In 1989, we acquired Forward US (then known as Koszegi Industries, Inc.), a manufacturer of soft-sided carrying cases. The carrying case business became our predominant business, and in September 1997, we sold the assets relating to the production of advertising specialty and promotional products, ceasing to operate in that segment.

In May 2001, we formed Forward Switzerland to facilitate distribution of aftermarket products under our licenses for cell phone cases with a major North American multinational and to further develop our OEM European business presence. After the expiration of the last of these licenses in March 2009, staff at Forward Switzerland was significantly reduced and in recent years has primarily served our OEM customers in Europe.

Products

Diabetic Products

We sell carrying cases for blood glucose diagnostic kits (Diabetic Products) directly to OEMs (or their contract manufacturers) of these electronic monitoring kits made for use by diabetics. We typically sell these cases at prices ranging from approximately \$0.50 to \$6.00 per unit. Unit volumes are sold predominantly at the lower end of this price range. The OEM customer (or its contract manufacturer) packages our carry cases in boxes as a custom accessory for the OEM'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. For our fiscal year ended September 30, 2013 (Fiscal 2013), our Diabetic Products accounted for approximately 78% of our total net sales.

Other Products

We also sell carrying and protective solutions to OEMs for a diverse array of other portable electronic and other products (Other Products), including sporting and recreational products, bar code scanners, smartphones, GPS and location devices, tablets, and firearms, on a made-to-order basis that are customized to fit the products sold by our OEM customers. Our selling prices for these products also vary across a broad range, depending on the size and nature of the product for which we design and sell the carry solution. For Fiscal 2013, our Other Products accounted for approximately 22% of our total net sales.

Product Development

In our OEM business, the product life cycle in distributing and selling our technology solutions to our OEM customers is as described below. We typically receive requests to submit product designs in connection with a customer's introduction and rollout to market of a new product that the customer has determined to accessorize and customize with a carry solution. Our OEM customers furnish the desired functionality, size and other basic specifications for the carrying solutions or other product, including the OEM's identifying logo imprint on the product. Our design and production resources develop more detailed product specifications and design options for our customer's evaluation. We then furnish the customer with product samples. 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 carry solution products are available with the customer's product (and included in box, as the case may be) prior to shipment and sale, or to a lesser extent sold by our customer through its retail distribution channels.

Company Information

Our principal executive offices are located at 477 Rosemary Avenue, Suite 219, West Palm Beach, Florida 33401, and our telephone number is (561) 465-0030.

The Offering

On June 28, 2013, August 7, 2013 and August 14, 2013, the Company completed private placements (the Private Placements) of a total of 648,846 shares of Convertible Preferred Stock and Warrants to purchase 648,846 shares of common stock to accredited investors (the Investors).

The total purchase price paid by the Investors for each share of Convertible Preferred Stock and Warrant purchased was \$1.965, consisting of (i) fair values ranging from \$1.105 to \$1.145 in respect of the Convertible Preferred Stock, plus (ii) fair values ranging from \$0.82 to \$0.86 in respect of the Warrants. The Warrants have an initial exercise price of \$1.84 per share, subject to adjustment upon the occurrence of certain customary events. The Warrants are exercisable at any time on or after January 1, 2014 (the Initial Exercise Date) and terminate on the 10-year anniversary of the Initial Exercise Date. Each share of Convertible Preferred Stock is convertible into one share of our common stock at an initial conversion price of \$1.84 per share, subject to adjustment upon the occurrence of certain customary events (the Conversion Price). At the initial Conversion Price, the total of 648,846 shares of Convertible Preferred Stock issued in the Private Placements are convertible into an aggregate of 692,919 shares of Common Stock.

We received gross proceeds of approximately \$1,275,000 from the Private Placements, which we have used and will use for general corporate purposes, including working capital and in connection with potential acquisition targets that would be complementary to our existing business and allow us to further leverage our operating infrastructure, if any are identified and acquired. We filed the registration statement of which this prospectus is a part to fulfill certain of our contractual obligations under the registration rights agreements we entered into with the Investors.

As of March 17, 2014, there were 8,195,808 shares of our common stock outstanding (6,289,989 shares held by non-affiliates). Up to 1,341,765 shares are offered hereby. If all 1,341,765 shares offered by the selling stockholders hereby were issued and outstanding as of the date hereof, such shares would represent approximately 16.4% of our total common stock outstanding, or 21.3% of total common stock outstanding held by non-affiliates, as adjusted, as of the date hereof.

Securities Offered

Common stock to be offered by the selling stockholder 1,341,765 shares of common stock, par value \$0.01 per share.

Common stock outstanding prior to this offering 8,195,808 shares

Common stock to be outstanding after giving effect to the issuance of 1,341,765 shares upon the conversion of the Convertible Preferred Stock and the exercise 9,537,573 shares

of the Warrants

Use of Proceeds

We will not receive any proceeds from the sale of shares of our common stock by the selling stockholders. However, we will receive payment in cash upon any exercise of the warrants, and any proceeds we receive will be used for working capital and general corporate purposes. See Use of Proceeds.

Risk factors

This investment involves a high degree of risk. See Risk Factors for a discussion of factors you should consider carefully before

NASDAQ ticker symbol

making an investment decision.
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Risk Factors

Investing in our common stock involves a high degree of risk. You should carefully consider the following risk factors and those set forth in our most recent Annual Report on Form 10-K (including our consolidated financial statements and the related notes thereto) on file with the SEC, which are incorporated by reference into this prospectus, as well as the other information in this prospectus or in any accompanying prospectus supplement, before deciding whether to purchase shares of our common stock. Any of these risks, either alone or taken together, as well as other risks and uncertainties not known to us or that we believe to be immaterial, could harm our financial condition, results of operations or cash flows. This prospectus, and any documents that we may incorporate by reference into this prospectus, may contain forward-looking statements that involve risks and uncertainties. Our operating results could differ materially from those anticipated in these forward-looking statements as a result of certain risk factors, including the risks we face as described below and elsewhere in this prospectus. We cannot assure you of a profit or protect you against a loss on the shares of our common stock that you purchase in our Company.

Risks Related to the Offering

Sales of shares issuing in this offering may cause the market price of our shares to decline.

On June 28, 2013, August 7, 2013 and August 14, 2013, the Company completed Private Placements of a total of 648,846 shares of Convertible Preferred Stock and Warrants to purchase 648,846 shares of common stock to the Investors. We have agreed to register with the SEC the shares of common stock underlying the Securities issued in the Private Placements for resale. The registration statement of which this prospectus forms a part has been filed to satisfy this obligation. Upon the effectiveness of the registration statement, an aggregate of 1,341,765 shares of common stock issuable upon the conversion of the Convertible Preferred Stock and issuable upon exercise of the Warrants are expected to be freely tradable in the open market. The sale of a significant amount of these shares of common stock in the open market, or the perception that these sales may occur, could cause the market price of our common stock to decline or become highly volatile.

Cautionary Note Regarding Forward-Looking Statements

The SEC encourages companies to disclose forward-looking information so that investors can better understand a company's future prospects and make informed investment decisions. This prospectus contains such forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements may be made directly in this prospectus, and they may also be made a part of this prospectus by reference to other documents filed with the SEC, which is known as incorporation by reference.

These forward-looking statements are not based on historical fact and involve assessments of certain risks, developments, and uncertainties in our business looking to the future. Such forward looking statements can be identified by the use of forward-looking terminology such as may, will, should, expect, anticipate, estimate, continue, or believe, or the negatives or other variations of these terms or comparable terminology. Forward-looking statements may include projections, forecasts, or estimates of future performance and developments. Forward-looking statements contained in this prospectus are based upon assumptions and assessments that we believe to be reasonable as of the date of this prospectus. Whether those assumptions and assessments will be realized will be determined by future factors, developments, and events, which are difficult to predict and may be beyond our control. Actual results, factors, developments, and events may differ materially from those we assumed and assessed. Risks, uncertainties, contingencies, and developments, including those identified under the heading Risk Factors beginning on page 4, could cause our future operating results to differ materially from those set forth in any forward looking statement. There can be no assurance that any such forward looking statement, projection, forecast or estimate contained can be realized or that actual returns, results, or business prospects will not differ materially from those set forth in any forward looking statement.

Given these uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements. The Company disclaims any obligation to update any such factors or to publicly announce the results of any revisions to any of the forward-looking statements contained or incorporated by reference herein to reflect future results, events or developments.

Use of Proceeds

This prospectus relates to shares of our common stock that may be offered and sold from time to time by the selling stockholders. We will not receive any proceeds from the sale of shares of our common stock by the selling stockholders. However, we will receive payment in cash upon any exercise of the warrants, and any proceeds we receive will be used for working capital and general corporate purposes.

The selling stockholders will pay any underwriting discounts and commissions and expenses incurred by the selling stockholders for brokerage, accounting, tax or legal services or any other expenses incurred by the selling stockholders in disposing of the shares. We will bear the costs, fees and expenses incurred to effect the registration of the shares covered by this prospectus, including all registration and filing fees, NASDAQ Capital Market listing fees and fees and expenses of counsel and our independent registered public accounting firm.

Market for Common Equity and Related Stockholder Matters

The principal market for our common stock is the NASDAQ Capital Market. Our common stock is traded under the symbol FORD. The following table sets forth the high and low sales prices for our common stock on the NASDAQ Capital Market for the periods indicated.

	NASDAQ Capital market	
	High	Low
<u>Fiscal 2012</u>		
1st Quarter	\$ 2.24	\$ 1.55
2nd Quarter	\$ 3.24	\$ 1.65
3rd Quarter	\$ 2.83	\$ 1.68
4th Quarter	\$ 1.83	\$ 1.02
<u>Fiscal 2013</u>		
1st Quarter	\$ 1.50	\$ 1.08
2nd Quarter	\$ 2.17	\$ 1.43
3rd Quarter	\$ 2.14	\$ 1.70
4th Quarter	\$ 1.99	\$ 1.66
<u>Fiscal 2014</u>		
1st Quarter	\$ 1.89	\$ 1.41
2nd Quarter	\$ 2.10	\$ 1.51
3rd Quarter (through April 2, 2014)	\$ 1.93	\$ 1.70

As of December 5, 2013, there were approximately 110 holders of record of our common stock, excluding approximately 6,939 beneficial holders of common stock whose shares are held in street name. On April 2, 2014, the last reported sale price for our common stock as reported on the NASDAQ SmallCap Market was \$1.78 per share.

Dividend Policy

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, working capital, working capital needs, and other factors, as determined by our Board of Directors. However, on June 28, 2013, August 7, 2013 and August 14, 2013, we completed the Private Placements of the Securities. The first dividend payment with respect to the Convertible Preferred Stock was made on September 30, 2013.

Currently, except as may be provided by applicable laws, there are no contractual or other restrictions on our ability to pay dividends on our common stock if we were to decide to declare and pay them.

Principal Stockholders

Set forth below is information, as of March 17, 2014, with respect to the beneficial ownership of our common stock by (i) each director, (ii) each shareholder who, based on publicly available records, is known by the Company to own beneficially more than five percent (5%) of our common stock and (iii) all our current directors and executive officers, as a group (eight persons). Unless otherwise stated, the address of each person in the table below is c/o Forward Industries, Inc., 477 Rosemary Ave., Suite 219, West Palm Beach, FL 33401.

Identity of Beneficial Owner	Number of Shares of Common Stock	Percent of Class (a)
<i>Directors and Executive Officers:</i>		
Robert Garrett Jr. (b)	401,157	4.7%
James O. McKenna III (c)	176,953	2.1%
Frank LaGrange (Grange) Johnson (d) (e) (f)	202,855	2.4%
Owen P.J. King (d) (f)	45,000	*
John F. Chiste (d) (f)	45,000	*
Timothy Gordon (f) (g) (h)	113,427	1.4%
Howard Morgan (f) (h)	25,000	*
Terence Wise (f) (h) (i)	1,608,541	19.6%
<i>5% or Greater Shareholders:</i>		
Jenny P. Yu (j)	444,217	5.4%
BlackRock, Inc. (k)	420,476	5.1%
All directors and executive officers as a group (8 persons) (l)	2,617,933	29.8%

*Less than 1 percent

- (a) As of March 17, 2014, there were 8,195,808 shares of common stock outstanding.
- (b) Includes (i) 24,492 shares of restricted common stock previously granted under Forward's equity plans, (ii) 293,332 shares of common stock subject to options that are currently exercisable or will be exercisable within 60 days of March 17, 2014 and (iii) 83,333 shares of restricted common stock that vest through November 8, 2015.
- (c) Includes (i) 1,425 shares of common stock held by Mr. McKenna's spouse, as separate property, (ii) 38,028 shares of restricted common stock previously granted under Forward's equity plans, (iii) 62,000 shares of common stock subject to options exercisable within 60 days of March 17, 2014 and (iv) 70,000 shares of restricted common stock that vest through November 8, 2015.
- (d) Includes 30,000 shares of common stock subject to options exercisable within 60 days of March 17, 2014.
- (e) Includes (i) 81,520 shares of common stock issuable upon the conversion of 76,335 shares of Convertible Preferred Stock owned by Mr. Johnson and (ii) 76,335 shares of common stock issuable upon the exercise of the Warrant held by Mr. Johnson.
- (f) Includes 15,000 shares of restricted common stock that vest over one year beginning on December 8, 2013.
- (g) Includes (i) 40,760 shares of common stock issuable upon the conversion of 38,167 shares of Convertible Preferred Stock owned by Mr. Gordon and (ii) 38,167 shares of common stock issuable upon the exercise of the Warrant held by Mr. Gordon and (iii) 3,000 shares of common stock held in trust for Mr. Gordon's minor children.
- (h) Includes 10,000 shares of common stock subject to options exercisable within 60 days of March 17, 2014.
- (i) Derived from an amendment to Schedule 13D, filed with the SEC on March 18, 2013. The address of Mr. Wise is Brambledown, 8 Valley Way, Gerrards Cross, Buckinghamshire SL9 7PN, United Kingdom.
- (j) Derived from an amended to Schedule 13D filed with the SEC on May 2, 2013. The address of Ms. Yu is 9255 Doheny Road Apt. 2905, West Hollywood, CA 90069.
- (k) Derived from an amendment to Schedule 13G/A filed with the SEC on September 10, 2013. The address of BlackRock, Inc. is 40 East 52nd Street, New York, NY 10022.
- (l) Includes (i) 475,332 shares of common stock subject to options that are either currently exercisable or that are expected to be exercisable within 60 days of March 17, 2014, (ii) 122,280 shares of common stock issuable upon the conversion of 114,502 shares of Convertible Preferred Stock and (iii) 114,502 shares of common stock issuable upon the conversion of Warrants.

The Selling Stockholders

This prospectus covers an aggregate of 1,341,765 shares of our common stock, consisting of (i) 692,919 shares issuable upon the conversion of the Convertible Preferred Stock and (ii) 648,846 shares issuable upon the exercise of the Warrants. The foregoing outstanding shares of Convertible Preferred Stock and Warrants were issued under securities purchase agreements in the Private Placements.

We are registering the shares of common stock in accordance with the terms of the registration rights agreements we entered into with the selling stockholders as part of the Private Placements in order to permit the selling stockholders to offer the shares of common stock for resale from time to time. The selling stockholders may from time to time offer and sell pursuant to this prospectus any or all of the below listed shares of common stock owned by them. The registration of these shares does not require that any of the shares be offered or sold by the selling stockholders. The selling stockholders may from time to time offer and sell all or a portion of their shares in the over-the-counter market, in negotiated transactions, or otherwise, at prices then prevailing or related to the then current market price or at negotiated prices.

The registered shares may be sold directly or through brokers or dealers, or in a distribution by one or more underwriters on a firm commitment or best efforts basis. To the extent required, the names of any agent or broker-dealer and applicable commissions or discounts and any other required information with respect to any particular offer will be set forth in a prospectus supplement. Please see Plan of Distribution. The selling stockholders and any agents or broker-dealers that participate with the selling stockholders in the distribution of registered shares may be deemed to be underwriters within the meaning of the Securities Act, and any commissions received by them and any profit on the resale of the registered shares may be deemed to be underwriting commissions or discounts under the Securities Act.

The following table sets forth:

- ◆ the names of the selling stockholders;
- ◆ the number of shares of common stock beneficially owned by each selling stockholder that may be offered for the account of such selling stockholder under this prospectus; and
- ◆ the number of shares of common stock beneficially owned by each selling stockholder upon completion of this offering. Because the selling stockholders are not required to sell any of the shares being registered under this prospectus, the following table assumes the selling stockholders will sell all of the shares listed in this prospectus.

Such information was obtained from the selling stockholders. Unless otherwise stated, none of the selling stockholders or any of their respective affiliates has held a position or office, or had any other material relationship, with us. The term selling stockholder includes each entity listed below and its transferees, pledgees, donees or other successors.

Selling Stockholder	Shares Beneficially Owned		Shares Beneficially Owned		
	Before Offering		After Offering		
	Number	Percent	Shares to be Sold in the Offering	Number	Percent
Grange Johnson (a)	202,855	2.4%	157,855	45,000	*
Timothy Gordon (b)	113,427	1.4%	78,927	34,500	*

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Cibelli Management, LLC	26,308	*	26,308	0	*
Groservice Acquisition Corp.	157,855	1.9%	157,855	0	*
Robert A. Guida	105,237	1.3%	105,237	0	*
Mario Rodriguez	105,237	1.3%	105,237	0	*
Jaime Lester	157,855	1.9%	157,855	0	*
Allan S. Gordon (c)	78,926	1.0%	78,926	0	*
Julie Richardson	105,237	1.3%	105,237	0	*
Michael Spain	105,237	1.3%	105,237	0	*
Joseph E. Reece	157,855	1.9%	157,855	0	*
Robert Neal	105,237	1.3%	105,237	0	*

*Less than 1 percent

- (a) Includes (i) 30,000 shares of common stock subject to options exercisable within 60 days of March 17, 2014, (ii) 81,520 shares of common stock issuable upon the conversion of 76,335 shares of Convertible Preferred Stock owned by Mr. Johnson, (iii) 76,335 shares of common stock issuable upon the exercise of the Warrant held by Mr. Johnson. Mr. Johnson has been Chairman of our Board of Directors since August 2010 and (iv) 15,000 shares of restricted stock that vest over one year beginning December 8, 2013.
- (b) Includes (i) 40,760 shares of common stock issuable upon the conversion of 38,167 shares of Convertible Preferred Stock owned by Mr. Gordon, (ii) 38,167 shares of common stock issuable upon the exercise of the Warrant held by Mr. Gordon, (iii) 3,000 shares of common stock held in trust for Mr. Gordon's minor children, (iv) 10,000 shares of common stock subject to options exercisable within 60 days of March 17, 2014 and (v) 15,000 shares of restricted stock that vest over one year beginning December 8, 2013. Mr. Gordon has been a member of the Board of Directors since April 2012. Mr. Gordon disclaims beneficial ownership of all securities of the Company owned by Allan S. Gordon, his father.
- (c) Allan S. Gordon is the father of Timothy Gordon, a member of our Board of Directors. Allan S. Gordon disclaims beneficial ownership of all securities of the Company owned by Timothy Gordon.

DESCRIPTION OF THE PRIVATE PLACEMENTS

General

On June 28, 2013, the Company completed the sale of (i) 381,674 shares of its newly authorized Convertible Preferred Stock and (ii) Warrants to purchase a total of 381,674 shares of the Company's common stock to accredited investors in a private placement pursuant to the terms of securities purchase agreements, dated June 28, 2013, by and between the Company and each Investor. The June 28, 2013 private placement included purchases of Securities by Grange Johnson and Timothy Gordon, directors of the Company, who, in the aggregate, purchased 114,502 shares of Convertible Preferred Stock and Warrants.

On August 7, 2013, the Company completed the sale of (i) an additional 216,282 shares of its Convertible Preferred Stock and (ii) Warrants to purchase a total of 216,282 shares of the Company's Common Stock to accredited investors in a private placement pursuant to the terms of a securities purchase agreement, dated August 7, 2013, by and between the Company and such accredited investors.

On August 14, 2013, the Company completed the sale of (i) an additional 50,890 shares of its Convertible Preferred Stock and (ii) Warrants to purchase a total of 50,890 shares of the Company's Common Stock to accredited investors in a private placement pursuant to the terms of a securities purchase agreement, dated August 14, 2013, by and between the Company and such accredited investors.

The total aggregate purchase price paid by accredited investors via the June 28, 2013, August 7, 2013 and August 14, 2013 private placements for each share of Convertible Preferred Stock and Warrant was \$1.965. The June 28, 2013, August 7, 2013 and August 14, 2013 Private Placements resulted in gross proceeds of approximately \$1,275,000 to the Company. The Company has sold a total of 648,846 shares of Convertible Preferred Stock and Warrants to purchase 648,846 shares of Common Stock through these Private Placements. The Company may sell additional shares of Convertible Preferred Stock, together with related Warrants, in one or more subsequent transactions.

The total purchase price paid by the Investors for each share of Convertible Preferred Stock and Warrant purchased in the closings was \$1.965, consisting of (i) fair values ranging from \$1.105 to \$1.145 in respect of the Convertible Preferred Stock, plus (ii) fair values ranging from \$0.82 to \$0.86 in respect of the Warrant. The Warrants have an initial exercise price of \$1.84 per share, subject to adjustment upon the occurrence of certain customary events. The Warrants are exercisable at any time on or after January 1, 2014 and terminate on the 10-year anniversary of the Initial Exercise Date. Each share of Convertible Preferred Stock is convertible into one share of common stock at an initial conversion price of \$1.84 per share, subject to adjustment upon the occurrence of certain customary events. At the initial Conversion Price, the total of 648,846 shares of Convertible Preferred Stock issued in the Private Placement as of the date of the Closing are convertible into an aggregate of 692,919 shares of our common stock. The proceeds from these Private Placements of \$1,275,000 have been allocated to the Convertible Preferred Stock and the Warrants based upon their fair values assigned (net of issuance costs of approximately \$69,000) of approximately \$693,000 and \$513,000, respectively, as of the