

January 2010

**Special Information for Tax-Exempt Fund Investors**

For shareholders in Forward Long/Short Credit Analysis Fund, **83.5%** of the distributions received in 2009 are exempt from federal tax and may be exempt from state tax. This tax-exempt amount will be reported to you on Form 1099-INT. Please note that **19.54%** of the tax-exempt distributions are subject to the Federal Alternative Minimum Tax (AMT). The table below indicates the percentage of tax-exempt income derived from each respective state. Please note that tax-exempt income is reported to the IRS.

**Income-by-State for Forward Long/Short Credit Analysis Fund**

<b>State</b>	<b>% of Total Income</b>	<b>State</b>	<b>% of Total Income</b>	<b>State</b>	<b>% of Total Income</b>
Alabama	0.00%	Louisiana	4.32%	Oklahoma	1.72%
Alaska	0.00%	Maine	0.00%	Oregon	0.00%
Arizona	1.52%	Maryland	0.33%	Pennsylvania	1.44%
Arkansas	0.51%	Massachusetts	0.66%	Puerto Rico	8.08%
California	14.85%	Michigan	1.04%	Rhode Island	1.86%
Colorado	1.77%	Minnesota	0.00%	South Carolina	0.38%
Connecticut	2.30%	Mississippi	0.37%	South Dakota	0.00%
Delaware	0.00%	Missouri	0.60%	Tennessee	3.33%
District of Columbia	0.00%	Montana	0.00%	Texas	11.74%
Florida	2.81%	Nebraska	0.12%	Utah	0.25%
Georgia	2.04%	Nevada	0.64%	Vermont	0.00%
Guam	2.04%	New Hampshire	0.63%	Virgin Islands	0.21%
Hawaii	1.28%	New Jersey	5.22%	Virginia	1.47%
Idaho	0.00%	New Mexico	0.09%	Washington	0.02%
Illinois	0.00%	New York	12.35%	West Virginia	1.06%
Indiana	2.76%	North Carolina	1.95%	Wisconsin	0.00%
Iowa	0.00%	North Dakota	0.00%	Wyoming	0.65%
Kansas	0.00%	Ohio	6.33%		
Kentucky	1.26%				

If you have any questions regarding this letter or your options, please contact us at (800) 999-6809 and we will be happy to assist you.

*This material must be preceded or accompanied by a prospectus. Please read it carefully before investing or sending money.*

Forward Funds are distributed by ALPS Distributors, Inc.

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