

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 [FEE REQUIRED]  
For the fiscal year ended June 30, 1996

OR  
 TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934 [NO FEE REQUIRED]

KOSS CORPORATION Commission file number 0-3295

-----  
(Exact name of registrant as specified in its charter)

A Delaware Corporation 391168275

-----  
(State or other jurisdiction of (I.R.S. Employer Identification No.)  
incorporation or organization)

4129 North Port Washington Avenue, Milwaukee, Wisconsin 53212

-----  
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (414) 964-5000

-----  
Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
NONE	NONE

-----  
Securities registered pursuant to Section 12(g) of the Act:

Common Stock, \$0.01 par value (voting)

-----  
(Title of class)

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 X NO  
--- ---

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405  
of Regulation S-K is not contained herein, and will not be contained, to the  
best of registrant's knowledge, in definitive proxy or information statements  
incorporated by reference in Part III of this Form 10-K or any amendment to  
this Form 10-K. [X]

The aggregate market value of voting stock held by nonaffiliates of the  
Registrant was approximately \$10,460,000 on September 18, 1996 based upon a  
closing price on such date of \$5.875 per share as listed in the Wall Street  
Journal.

On September 18, 1996, 3,288,098 shares of voting common stock were  
outstanding.

Documents Incorporated by Reference

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Part III incorporates by reference information from Koss Corporation's Proxy  
Statement for its 1996 Annual Meeting of Stockholders to be filed within 120  
days of the end of the fiscal year covered by this Report (General Instruction  
G(3)). The exhibits hereto incorporate by reference information from the  
Company's Annual Report on Form 10-K for the fiscal years ended June 30, 1988,  
1989, 1990, and 1995, and the Company's Quarterly Report on Form 10-Q for the  
quarter ended March 31, 1995.

## PART I

## Item 1. BUSINESS.

As used herein, the term "Company" means Koss Corporation and its consolidated subsidiaries, unless the context otherwise requires.

The Company operates in the audio/video industry segment of the home entertainment industry through its design, manufacture and sale of stereo headphones, audio/video loudspeakers, and related accessory products.

The Company's principal product is the design, manufacture, and sale of stereophones and related accessories. The percentage of total revenues related to the product line over the past three years was:

	1996	1995	1994
	----	----	----
Stereophones	80%	77%	74%

The Company's products are sold through audio specialty stores, catalog showrooms, regional department store chains, military exchanges and national retailers under the "Koss" name and dual label. The Company has more than 1,600 domestic dealers and its products are carried in more than 11,000 domestic retail outlets. International markets are served by a foreign sales subsidiary in Canada and a sales office in Switzerland which utilizes independent distributors in several foreign countries.

Management believes that it has sources of raw materials that are adequate for its needs.

The Company regularly applies for registration of its trademarks and has numerous patents. Certain of its trademarks are of material value and importance to the conduct of its business. Although the Company considers protection of its proprietary developments important, the Company's business is not, in the opinion of management, materially dependent upon any single patent.

Although retail sales of consumer electronics are predictably higher during the holiday season, management of the Company is of the opinion that its business and industry segment are not seasonal as evidenced by the fact that 53% of sales occurred in the first six months of the fiscal year and 47% of sales occurred in the latter six months of the fiscal year.

The Company's working capital needs do not differ substantially from those of its competitors in the industry and generally reflect the need to carry significant amounts of inventory to meet delivery requirements of its customers. The Company provides extended payment terms for product sales to certain customers. Based on historical trends, management does not expect these practices to have any material effect on net sales or revenues. The Company's current backlog of orders is not material in relation to annual net sales.

The Company markets its products to approximately 2,000 customers worldwide. During 1996 the Company's sales to its largest single customer, Tandy Corporation, were 16% of total sales. Management believes that any loss of this customer's revenues would be partially offset by a corresponding decrease, on a percentage basis, in expenses thereby dampening the impact on the Company's operating income. Although perhaps initially material, management believes this impact would be offset in future years by expanded sales to both existing and new customers. The five largest customers of the Company accounted for approximately 35% of total sales in 1996.

Although competition in the stereophone market has increased this past year, the Company has maintained its competitive position as a leading marketer and producer of high fidelity stereophones in the United States. In the stereophone market, the Company competes directly with approximately five major competitors, several of which are large and diversified and have greater total assets and resources than the Company.

The amount spent on engineering and research activities relating to the development of new products or the improvement of existing products was \$225,000 during fiscal 1996 as compared with \$306,000 during fiscal 1995 and \$310,000 during fiscal 1994. These activities were conducted by both Company personnel and outside consultants. The Company relies upon its unique sound, quality workmanship, brand identification, engineering skills and customer service to maintain its competitive position.

As of June 30, 1996, the Company employed 150 people. The Company also utilizes temporary personnel to meet seasonal production demands.

#### Foreign Sales.

The Company services the Canadian market through its wholly-owned subsidiary Koss Ltd., a Canadian corporation. Other international markets are serviced through manufacturers representatives or independent distributors with product produced in the United States. In the opinion of management, the Company's competitive position and risks attendant to the conduct of its business in such markets are comparable to the domestic market. For further information, see Note 8 to consolidated financial statements accompanying this Form 10-K.

#### Item 2. PROPERTIES.

The Company leases its main plant and offices in Milwaukee, Wisconsin from its Chairman, John C. Koss. On June 25, 1993, the lease was renewed for a period of ten years, and is being accounted for as an operating lease. The new lease extension increases the rent from \$280,000 per year (plus Consumer Price Index increase in 1994) to a fixed rate of \$350,000 per year for three years and \$380,000 for the seven years thereafter. The lease is on terms no less favorable to the Company than those that could be obtained from an independent party. The Company is responsible for all property maintenance, insurance, taxes and other normal expenses related to ownership. The Company leases approximately 6,500 square feet of office, service and warehouse space in Canada, of which a significant portion is subleased to a third party.

All facilities are in good repair and, in the opinion of management, are suitable for the Company's purposes.

#### Item 3. LEGAL PROCEEDINGS.

Neither Koss nor its subsidiaries are subject to any material legal proceedings.

#### Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

No matters were submitted to a vote of stockholders during the fourth quarter of the fiscal year ended June 30, 1996.

## PART II

## Item 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS.

## MARKET INFORMATION ON COMMON STOCK

The Company's common stock is traded on The Nasdaq Stock Market under the trading symbol "KOSS". There were approximately 1,188 holders of the Company's common stock as of September 18, 1996. No dividends have been paid for the years ended June 30, 1996, 1995, and 1994. The quarterly high and low sale prices of the Company's common stock for the last two fiscal years are shown below.

Quarter -----	Fiscal Year 1996 -----		Fiscal Year 1995 -----	
	High	Low	High	Low
-----	-----	-----	-----	-----
First	\$7-5/8	\$5-1/2	\$13-1/4	\$8-0/0
Second	\$8-0/0	\$5-0/0	\$13-3/4	\$9-0/0
Third	\$6-1/4	\$5-1/4	\$10-7/8	\$6-1/2
Fourth	\$7-1/4	\$5-0/0	\$ 7-1/4	\$5-0/0

## Item 6. SELECTED FINANCIAL DATA.

	1996	1995	1994	1993	1992
	-----	-----	-----	-----	-----
Net sales	\$36,422,377	\$33,432,344	\$35,561,322	\$32,137,448	\$26,020,624
Net income	\$ 2,360,963	\$ 2,087,994	\$ 2,800,855	\$ 2,790,759	\$ 744,328
Earnings per common and common equivalent share	\$ 0.67	\$ 0.58	\$ 0.75	\$ 0.82	\$ 0.23
Total assets	\$22,005,257	\$20,972,923	\$19,220,406	\$17,542,085	\$13,252,217
Long-term debt	\$ 470,000	\$ 570,000	\$ 2,068,741	\$ 3,286,632	\$ 3,158,741

Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

FINANCIAL CONDITION AND LIQUIDITY

During 1996, cash provided by operations was \$1,882,191. Working capital was \$16,193,390 at June 30, 1996. The increase of \$730,790 from the balance at June 30, 1995 represents primarily the net effect of an increase in accounts receivable of \$1,722,351, a decrease in inventory of \$576,585, and a decrease in accounts payable of \$398,796. The increase in accounts receivable is a result of higher sales in the third and fourth quarter as compared to the prior year.

Capital expenditures for new property and equipment including production tooling were \$690,932, \$806,551, and \$370,839 in 1996, 1995, and 1994, respectively. Depreciation charges aggregated \$629,985, \$691,492, and \$638,125 for the same fiscal years. Budgeted capital expenditures for fiscal year 1997 are \$1,500,000. The Company expects to generate sufficient funds through operations to fulfill these expenditures.

Stockholders' investment increased to \$16,546,790 at June 30, 1996 from \$15,341,426 at June 30, 1995. The increase reflects primarily the effect of net income, the purchase and retirement of common stock and the exercise of stock options for the year. No cash dividends have been paid since the first quarter of fiscal 1984.

The Company has an unsecured working capital credit facility with a bank which runs through March 15, 1998. This credit facility provides for borrowings up to a maximum of \$8,000,000. Borrowings under this credit facility bear interest at the bank's prime rate, or LIBOR plus 2.25%. This credit facility includes certain covenants that require the Company to maintain a minimum tangible net worth and specified current, interest coverage and leverage ratios. Utilization of this credit facility as of June 30, 1996 totaled \$944,784, consisting of \$470,000 in borrowings and \$474,784 in commitments for foreign letters of credit. The Company also has a \$2,000,000 credit facility which can be used by the Company in the event the Company desires to purchase shares of its own stock.

The Company's Canadian subsidiary has a line of credit of \$550,000. Borrowings under this credit facility bear interest at the bank's prime rate plus 1.5%. This credit facility is subject to the availability of qualifying receivables and inventories which serve as security for the borrowings. As of June 30, 1996, there were no borrowings outstanding against this line of credit. The due date for the line is October 31, 1996 and the Company expects the line will be renewed on substantially the same terms.

In April, 1995 the Board of Directors authorized the Company's purchase from time to time of its common stock for its own account utilizing the aforementioned \$2,000,000 line of credit. In January of 1996, the Board of Directors approved an increase in the total amount of potential stock purchases for the Company's own account from \$2,000,000 to \$3,000,000. The Company intends to effectuate all stock purchases either on the open market or through privately negotiated transactions, and intends to finance all stock purchases through its own cash flow or by borrowing for such purchases. For the fiscal year ended June 30, 1996, the Company purchased 251,947 shares of its common stock at an average of \$6.14 per share, and retired all such shares. The Company also purchased 29,408 shares of its common stock for allocation to the Company's Employee Stock Ownership Plan and Trust ("ESOP"), for the fiscal year ended June 30, 1996, at an average price of \$6.80 per share.

## 1996 RESULTS COMPARED WITH 1995

Net sales for 1996 were \$36,422,377 compared with \$33,432,344 in 1995, an increase of \$2,990,033 or 9%. The increase was the result of higher sales of current product as well as the introduction of new products.

Gross profit was \$11,180,754 or 30.7% in 1996 compared with \$10,622,307 or 31.8% in 1995. Increased customer demand during this fiscal year for some product lines resulted in the company spending more on air freight than anticipated. This in turn directly affected the decrease in gross profit for the year.

Selling, general and administrative expenses increased from \$8,376,204 in 1995 to \$8,528,098 in 1996. This increase is mainly attributed to higher professional fees including the cost related to maintaining the Company's worldwide patents and trademarks.

Income from operations was \$2,652,656 in 1996 compared with \$2,246,103 in 1995, an increase of 18%. Interest expense for 1996 was \$156,698 compared with \$317,922 in 1995. The decrease is due to decreased levels of borrowings during the fiscal year.

The Company has a license agreement with Trabelco N.V., a Netherlands, Antilles company and a subsidiary of Hagemeyer, N.V., covering North America and most of South America and Central America. Hagemeyer, N.V., a diverse international trading company based in the Netherlands, has business interests in food, appliances, electromechanical and automobile distribution as well as a base of consumer electronic distribution in Asia, Europe, North America, South America and Central America. Royalty income earned in connection with this License Agreement was \$1,303,502 in 1996 as compared to \$1,412,723 in 1995. This decrease in royalty income is a result of Trabelco N.V. experiencing higher returns volume on products under the license agreement. The license agreement expires December 31, 1997; however, said agreement contains renewal options for additional three year periods at the option of Trabelco N.V.

Income taxes are discussed in Note 4 to the financial statements.

## 1995 RESULTS COMPARED WITH 1994

Net sales for 1995 were \$33,432,344 compared with \$35,561,322 in 1994, a decrease of \$2,128,978 or 6%. This decrease was the result of a decline in computer speaker sales as compared to the previous year and an increase in sales returns by dealers for repairs and credit. Sources indicate that credit returns were common throughout the retail industry and not limited to the Company.

Gross profit was \$10,622,307 or 31.8% in 1995 compared with \$11,874,351 or 33.4% in 1994. The decrease relates to higher than expected labor costs related to newer customized items and a less profitable mix of products in the last two quarters of the fiscal year.

Selling, general and administrative expenses increased from \$8,191,504 in 1994 to \$8,376,204 in 1995. This increase is mainly attributed to higher professional fees including the cost related to maintaining the Company's worldwide patents and trademarks.

Income from operations was \$2,246,103 in 1995 compared with \$3,682,847 in 1994, a decrease of 39%. Interest expense for 1995 was \$317,922 compared with \$246,911 in 1994. The increase is primarily due to increased levels of borrowings during the fiscal year.

The Company has a license agreement with Trabelco N.V., a subsidiary of Hagemeyer, N.V. Hagemeyer, N.V., a diverse international trading company based in the Netherlands, has business interests in food, appliances, electromechanical and automobile distribution as well as a solid base of consumer electronic distribution business in Asia, Europe and North America. Royalty income earned in connection with the license agreement in 1995 was \$1,412,723 as compared to \$1,108,458 in 1994. This increase in royalty income is a result of Trabelco N.V. experiencing higher sales volumes on products under the license agreement. The license agreement expires December 31, 1997, however, can be renewed for additional three year periods at the option of Trabelco N.V.

Income taxes are discussed in Note 4 to the financial statements.

## MANAGEMENT'S REPORT

The consolidated financial statements and related financial information included in this report are the responsibility of management as to preparation, presentation and reliability. Management believes that the financial statements have been prepared in conformity with generally accepted accounting principles appropriate in the circumstances and necessarily include amounts that are based on best estimates and judgments.

The Company maintains a system of internal accounting controls to provide reasonable assurance that assets are safeguarded and that the books and records reflect the authorized transactions of the Company.

The Board of Directors, acting through the Audit Committee, is responsible for the selection and appointment of the independent auditors and reviews the scope of their audit and the findings. The independent auditors have direct access to the Audit Committee, with or without the presence of management representatives, to discuss the scope and the results of their audit work. The Audit Committee is comprised solely of non-employee directors.

The independent auditors provide an objective assessment of the degree to which management meets its responsibility for fairness of financial reporting. They evaluate the system of internal accounting controls in connection with their audit and perform such tests and procedures as they deem necessary to reach and express an opinion on the fairness of the financial statements.

## Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

Consolidated financial statements of the Company at June 30, 1996 and 1995 and for each of the three years in the period ended June 30, 1996 and the notes thereto, and the report of independent accountants thereon are set forth on pages 14 to 25.

Selected unaudited quarterly financial data is as follows:

1996	Quarter			
	First	Second	Third	Fourth
Net sales	\$9,588,544	\$9,870,439	\$8,482,620	\$8,480,774
Gross profit	3,144,621	2,882,072	2,464,479	2,689,582
Net income	808,112	770,406	199,102	583,343
Earnings per common and common equivalent share	.23	.22	.06	.17

1995	Quarter			
	First	Second	Third	Fourth
Net sales	\$8,372,902	\$9,805,952	\$7,671,860	\$7,581,630
Gross profit	2,865,103	3,386,999	1,950,470	2,419,735
Net income	710,378	989,837	235,393	152,386
Earnings per common and common equivalent share	.19	.27	.06	.04

## Item 9. CHANGES IN AND DISAGREEMENTS WITH AUDITORS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None.

## PART III

## Item 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT.

Information relating to the directors of Koss Corporation is incorporated herein by reference from the "ELECTION OF DIRECTORS -- Information As To Nominees" and the "ELECTION OF DIRECTORS -- Executive Officers" contained in the Koss Corporation Proxy Statement for its 1996 Annual Meeting of Stockholders (the "1996 Proxy Statement"), which 1996 Proxy Statement is to be filed within 120 days of the end of the fiscal year covered by this Report pursuant to General Instruction G(3) of Form 10-K.

## Item 11. EXECUTIVE COMPENSATION.

Information relating to executive compensation is incorporated herein by reference from the "ELECTION OF DIRECTORS -- Executive Compensation And Related Matters" section of the 1996 Proxy Statement.

## Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT.

Information relating to the security ownership of certain beneficial owners and management is incorporated herein by reference from the "ELECTION OF DIRECTORS -- Beneficial Ownership Of Company Securities" sections of the 1996 Proxy Statement.

## Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

Information relating to related transactions is incorporated herein by reference from the "ELECTION OF DIRECTORS -- Executive Compensation And Related Matters" and "ELECTION OF DIRECTORS -- Related Transactions" sections of the 1996 Proxy Statement.

## PART IV

## Item 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K.

a. The following documents are filed as part of this report:

## 1. Financial Statements

The following consolidated financial statements of Koss Corporation are set forth on pages 14 to 25:

Report of Independent Accountants .....	14
Consolidated Statements of Income for the Years Ended June 30, 1996, 1995, and 1994 .....	15
Consolidated Balance Sheets as of June 30, 1996 and 1995 .	16
Consolidated Statements of Cash Flows for the Years Ended June 30, 1996, 1995, and 1994 .....	17
Consolidated Statements of Stockholders' Investment for the Years Ended June 30, 1996, 1995, and 1994 .....	18
Notes to Consolidated Financial Statements .....	19

## 2. Financial Statement Schedules

All schedules have been omitted because the information is not applicable or is not material or because the information required is included in the financial statements or the notes thereto.

## 3. Exhibits Filed

- 3.1 Certificate of Incorporation of Koss Corporation, as in effect on September 25, 1996.
- 3.2 By-Laws of Koss Corporation, as in effect on September 25, 1996.
- 4.1 Certificate of Incorporation of Koss Corporation, as in effect on September 25, 1996.
- 4.2 By-Laws of Koss Corporation, as in effect on September 25, 1996.
- 10.1 Officer Loan Policy.
- 10.3 Supplemental Medical Care Reimbursement Plan.
- 10.4 Death Benefit Agreement with John C. Koss.
- 10.5 Stock Repurchase Agreement with John C. Koss.
- 10.6 Salary Continuation Resolution for John C. Koss.
- 10.7 1983 Incentive Stock Option Plan.
- 10.8 Assignment of Lease to John C. Koss.
- 10.9 Addendum to Lease.
- 10.10 1990 Flexible Incentive Stock Plan.
- 10.12 Loan Agreement, effective as of February 17, 1995.
- 10.13 Amendment dated June 15, 1995 to Loan Agreement effective as of February 17, 1995.
- 10.14 License Agreement dated November 15, 1991 between KOSS Corporation and Trabelco N.V. (a subsidiary of Hagemeyer N.V.) for North America, Central America and South America (including Amendment to License Agreement dated November 15, 1991; Renewal Letter dated November 18, 1994; and Second Amendment to License Agreement dated September 29, 1995)
- 10.15 License Agreement dated September 29, 1995 between KOSS Corporation and Trabelco N.V. (a subsidiary of Hagemeyer N.V.) for Europe (including First Amendment to License Agreement dated December 26, 1995)
- 22 List of Subsidiaries of Koss Corporation
- 27 Financial Data Schedule

b. No reports on Form 8-K were filed by the Company during the last quarter of the period covered by this report.

## REPORT OF INDEPENDENT ACCOUNTANTS

TO THE BOARD OF DIRECTORS AND STOCKHOLDERS OF KOSS CORPORATION

In our opinion, the consolidated financial statements listed in the index appearing under Item 14(a)(1) on page 12 present fairly, in all material respects, the financial position of Koss Corporation and its subsidiaries at June 30, 1996 and 1995, and the results of their operations and their cash flows for each of the three years in the period ended June 30, 1996, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

PRICE WATERHOUSE LLP  
Milwaukee, Wisconsin  
July 19, 1996

## CONSOLIDATED STATEMENTS OF INCOME

Year Ended June 30,	1996	1995	1994
Net sales	\$36,422,377	\$33,432,344	\$35,561,322
Cost of goods sold	25,241,623	22,810,037	23,686,971
Gross profit	11,180,754	10,622,307	11,874,351
Selling, general and administrative expense	8,528,098	8,376,204	8,191,504
Income from operations	2,652,656	2,246,103	3,682,847
Other income (expense)			
Interest income	116,503	98,090	56,461
Interest expense	(156,698)	(317,922)	(246,911)
Royalty income	1,303,502	1,412,723	1,108,458
Income before income taxes	3,915,963	3,438,994	4,600,855
Provision for income taxes (note 4 )	1,555,000	1,351,000	1,800,000
Net income	\$ 2,360,963	\$ 2,087,994	\$ 2,800,855
Number of common and common equivalent shares used in computing earnings per share	3,502,979	3,631,364	3,751,514
Earnings per common and common equivalent share	\$ .67	\$ .58	\$ .75

See accompanying notes.

## CONSOLIDATED BALANCE SHEETS

As of June 30,	1996	1995
<b>ASSETS</b>		
Current Assets:		
Cash	\$ 27,001	\$ 49,227
Accounts receivable, less allowances of \$685,107 and \$289,217, respectively (note 10)	8,965,213	7,242,862
Inventories	8,777,216	9,395,915
Prepaid expenses	382,137	676,874
Income taxes receivable	--	376,147
Deferred income taxes (note 4)	517,946	378,946
<b>Total current assets</b>	<b>18,669,513</b>	<b>18,119,971</b>
Equipment and Leasehold Improvements, at cost:		
Leasehold improvements	673,382	585,952
Machinery, equipment, furniture and fixtures	4,442,411	4,299,822
Tools, dies, molds and patterns	7,561,969	7,309,609
	12,677,762	12,195,383
Less--accumulated depreciation	10,333,421	9,911,989
	2,344,341	2,283,394
Deferred Income Taxes (note 4)	422,603	--
Intangible and Other Assets	568,800	569,558
	\$22,005,257	\$20,972,923
<b>LIABILITIES AND STOCKHOLDERS' INVESTMENT</b>		
Current Liabilities:		
Accounts payable	\$ 1,327,915	\$ 1,726,711
Accrued liabilities (note 5)	786,353	930,660
Income taxes payable	361,855	--
<b>Total current liabilities</b>	<b>2,476,123</b>	<b>2,657,371</b>
Long-Term Debt (note 2)	470,000	570,000
Deferred Income Taxes (note 4)	--	6,862
Deferred Compensation and Other Liabilities (note 9)	1,022,344	907,264
Contingently Redeemable Equity Interest (note 3)	1,490,000	1,490,000
Stockholders' Investment (note 3):		
Common stock, \$.01 par value, authorized 8,500,000 shares; issued and outstanding 3,317,920 and 3,486,080 shares, respectively	33,179	34,861
Paid in capital	2,224,628	3,336,431
Contingently redeemable common stock	(1,490,000)	(1,490,000)
Cumulative translation adjustment	(107,230)	(65,116)
Retained earnings	15,886,213	13,525,250
<b>Total stockholders' investment</b>	<b>16,546,790</b>	<b>15,341,426</b>
	\$22,005,257	\$20,972,923

See accompanying notes.

## CONSOLIDATED STATEMENTS OF CASH FLOWS

Year Ended June 30,	1996	1995	1994
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	\$ 2,360,963	\$ 2,087,994	\$ 2,800,855
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	777,238	823,535	722,323
Deferred income taxes	(568,465)	(190,800)	(51,720)
Deferred compensation and other liabilities	115,080	4,434	75,850
Net changes in operating assets and liabilities (note 6)	(802,625)	(973,699)	(2,998,260)
Net cash provided by operating activities	1,882,191	1,751,464	549,048
CASH FLOWS FROM INVESTING ACTIVITIES:			
Acquisition of equipment and leasehold improvements	(690,932)	(806,551)	(370,839)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Repayments under line of credit agreements	(13,891,000)	(14,336,741)	(13,400,000)
Borrowings under line of credit agreements	13,791,000	12,838,000	12,193,000
Principal payments on long-term debt	--	(12,376)	(17,186)
Exercise of stock options	433,835	803,079	892,884
Purchase and retirement of common stock	(1,547,320)	(225,003)	--
Net cash used in financing activities	(1,213,485)	(933,041)	(331,302)
Net increase (decrease) in cash	(22,226)	11,872	(153,093)
Cash at beginning of year	49,227	37,355	190,448
Cash at end of year	\$ 27,001	\$ 49,227	\$ 37,355

See accompanying notes.

## CONSOLIDATED STATEMENTS OF STOCKHOLDERS' INVESTMENT

	Common Stock	Paid In Capital	Retained Earnings	Cumulative Translation Adjustment
-----				
Balance, June 30, 1993	\$31,323	\$ 1,869,009	\$ 8,636,401	\$ (11,058)
Net income	--	--	2,800,855	--
Translation adjustment	--	--	--	(70,786)
Exercise of stock options	988	891,896	--	--
-----				
Balance, June 30, 1994	32,311	2,760,905	11,437,256	(81,844)
Net income	--	--	2,087,994	--
Translation adjustment	--	--	--	16,728
Purchase and retirement of treasury stock	(400)	(224,603)	--	--
Exercise of stock options	2,950	800,129	--	--
-----				
Balance, June 30, 1995	34,861	3,336,431	13,525,250	(65,116)
Net income	--	--	2,360,963	--
Translation adjustment	--	--	--	(42,114)
Purchase and retirement of treasury stock	(2,519)	(1,544,801)	--	--
Exercise of stock options	837	432,998	--	--
-----				
Balance, June 30, 1996	\$33,179	\$ 2,224,628	\$15,886,213	\$(107,230)
=====				

See accompanying notes.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## 1. ACCOUNTING POLICIES

**CONCENTRATION OF CREDIT RISK**--The Company operates in the audio/video industry segment of the home entertainment industry through its design, manufacture and sale of stereo headphones, audio/video loudspeakers and related accessory products. The Company's products are sold through audio specialty stores, catalog showrooms, regional department store chains, military exchanges and national retailers under the "Koss" name and dual label. The Company has more than 1,600 domestic dealers and its products are carried in more than 11,000 domestic retail outlets. International markets are served by a foreign sales subsidiary in Canada and a sales office in Switzerland, which utilizes independent distributors in several foreign countries. The Company grants credit to its domestic and Canadian customers. Collection is dependent on the retailing industry economy. International customers outside of Canada are sold on a cash against documents or letter of credit basis. Approximately 22% and 25% of the Company's accounts receivable at June 30, 1996 and 1995, respectively, were foreign receivables.

**BASIS OF CONSOLIDATION**--The consolidated financial statements include the accounts of the Company and its subsidiaries, all of which are wholly-owned. All significant intercompany accounts and transactions have been eliminated.

**ROYALTY INCOME**--The Company recognizes royalty income when earned under terms of a license agreement. The agreement expires December 31, 1997, however, contains renewal options for additional three year periods.

**INVENTORIES**--At June 30, 1996 and 1995, approximately 95% and 88%, respectively, of the Company's inventories were valued at the lower of last-in, first-out (LIFO) cost or market. All other inventories are valued at the lower of first-in, first-out (FIFO) cost, or market. If the FIFO method of inventory accounting had been used by the Company for inventories valued at LIFO, inventories would have been \$637,782 and \$685,679 higher than reported at June 30, 1996 and 1995, respectively.

The components of inventories at June 30, is as follows:

	1996	1995
-----		
Raw materials and work in process	\$4,432,265	\$3,624,299
Finished goods	4,344,951	5,771,616
-----		
	\$8,777,216	\$9,395,915
=====		

**PROPERTY AND EQUIPMENT**--Depreciation is provided on a straight-line basis over the estimated useful life of the asset as follows:

Leasehold Improvements	7-15years
Machinery, Equipment, Furniture and Fixtures	3-10years
Tools, Dies, Molds and Patterns	4-5years

**RESEARCH AND DEVELOPMENT**--Research and development expenditures charged to operations amounted to approximately \$225,000 in 1996, \$306,000 in 1995, and \$310,000 in 1994.

EARNINGS PER SHARE--Earnings per share are computed based on the average number of common and common share equivalents outstanding. When dilutive, stock options are included as share equivalents using the Treasury stock method.

FAIR VALUE OF FINANCIAL INSTRUMENTS--Cash, accounts receivable, accounts payable and accrued liabilities recorded in the consolidated balance sheets approximate fair value based on the short maturity of these instruments. Amounts recorded for long-term debt, deferred compensation and other liabilities are estimated to approximate fair value based on market conditions and interest rates available to the Company for similar financial instruments.

USE OF ESTIMATES--The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

## 2. NOTES PAYABLE AND LONG TERM DEBT

The Company has an unsecured working capital credit facility with a bank which runs through March 15, 1998. This credit facility provides for borrowings up to a maximum of \$8,000,000. Borrowings under this credit facility bear interest at the bank's prime rate or LIBOR plus 2.25%. This credit facility includes certain covenants that require the Company to maintain a minimum tangible net worth and specified current, interest coverage and leverage ratios. Utilization of this credit facility as of June 30, 1996 totaled \$944,784, consisting of \$470,000 in borrowings and \$474,784 in commitments for foreign letters of credit. The Company also has a \$2,000,000 credit facility which can be used by the Company in the event the Company desires to purchase shares of its own stock.

The Company's Canadian subsidiary has a line of credit of \$550,000. The due date for the loan is October 31, 1996 and it is renewable annually. The interest rate is the prime rate plus one and one quarter percent. The credit facility is subject to the availability of qualifying receivables and inventories which serve as security for the borrowings. There were no advances against the line at June 30, 1996 and 1995.

Long term debt at June 30, 1996 and 1995 is as follows:

	1996	1995
-----		
Bank lines of credit	\$470,000	\$570,000
Less current maturities:	--	--
-----		
Total long-term debt	\$470,000	\$570,000
=====		

Maturities of long term debt in subsequent fiscal years are as follows: 1998 - \$470,000.

## 3. STOCK OPTIONS AND STOCK PURCHASE AGREEMENTS

As of June 30, 1996, there were stock options outstanding granted pursuant to the Company's 1983 Incentive Stock Option Plan (the "1983 Plan"). The 1983 Plan provides for the granting of options to certain officers and key employees to purchase up to 200,000 shares of the Company's common stock at a price not less than the market value of the stock on the date of grant. The options are exercisable at varying times and expire no later than ten years after the date of grant. All of the authorized shares available for grant pursuant to the 1983 Plan have been granted.

In 1990, pursuant to the recommendation of the Board of Directors, the stockholders ratified the creation of the Company's 1990 Flexible Incentive Stock Plan (the "1990 Plan"). The 1990 Plan is administered by a committee of the Board of Directors and provides for the granting of various stock-based awards including stock options to eligible participants, primarily officers and certain key employees. A total of 225,000 shares of common stock were available in the first year of the Plan's existence. Each year thereafter additional shares equal to .25% of the shares outstanding as of the first day of the applicable fiscal year were reserved for issuance pursuant to the 1990 Plan. On July 22, 1992, the Board of Directors authorized the reservation of an additional 250,000 shares to the 1990 Plan, which was approved by the stockholders.

On April 18, 1996, April 3, 1995, and April 13, 1994, the Board of Directors authorized the grant of 72,500, 52,500 and 10,000 incentive stock options, respectively, under the 1990 Plan.

On April 12, 1995, the Company's Chairman exercised an option for the purchase of 250,000 shares of the Company's common stock at a price of \$1.00 per share.

The following table identifies options granted, exercised, cancelled or available for exercise pursuant to the above mentioned Plans:

	Number of Shares	Price per Share
-----		
Shares under option at June 30, 1993	950,000	\$ 1.00-8.25
Granted	10,000	\$10.55
Exercised	(98,750)	\$ 1.75-3.85
Cancelled	(82,500)	\$ 1.75-7.50
-----		
Shares under option at June 30, 1994	778,750	\$ 1.00-10.55
Granted	52,500	\$ 7.35-\$8.08
Exercised	(295,000)	\$ 1.00-\$7.50
-----		
Shares under option at June 30, 1995	536,250	\$1.75-\$10.55
Granted	72,500	\$ 5.32-\$5.85
Exercised	(56,250)	\$ 1.75-\$2.75
-----		
Shares under option at June 30, 1996	552,500	\$1.75-\$10.55
=====		
Options exercisable at June 30, 1996	299,375	\$2.75-\$10.55
=====		

The Company has an agreement with its Chairman to repurchase stock from his estate in the event of his death. The repurchase price is 95% of the fair market value of the common stock on the date that notice to repurchase is provided to the Company. The total number of shares to be repurchased shall be sufficient to provide proceeds which are the lesser of \$2,500,000 or the amount of estate taxes and administrative expenses incurred by his estate. The Company is obligated to pay in cash 25% of the total amount due and to execute a promissory note at a prime rate of interest for the balance. The Company maintains a \$1,150,000 life insurance policy to fund a substantial portion of this obligation.

The Company currently accounts for its stock-based compensation plans using the provisions of Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" (APB 25). In 1995, the FASB issued Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" (SFAS 123). Under the provisions of SFAS 123, companies can elect to account for stock-based compensation plans using a fair-value-based method or continue measuring compensation expense for those plans using the intrinsic value method prescribed in APB 25. SFAS 123 requires that companies electing to continue using the intrinsic value method must make pro forma disclosures of net income and earnings per share as if the fair-value-based method of accounting had been applied. The adoption of SFAS 123 will be reflected in the Company's 1997 consolidated financial statements. The Company anticipates continuing to account for stock-based compensation using the intrinsic value method.

## 4. INCOME TAXES

The Company follows Statement of Financial Accounting Standard No. 109, "Accounting for Income Taxes," which requires the use of the liability method of accounting for income taxes. The liability method measures the expected tax impact of future taxable income and deductions implicit in the consolidated balance sheet.

The provision for income taxes in 1996, 1995, and 1994 consists of the following:

Year Ended June 30,	1996	1995	1994
-----			
Current:			
U.S. federal	\$1,536,000	\$1,577,000	\$1,611,000
State	296,000	286,000	283,000
Foreign	(44,000)	(230,000)	(43,000)
Deferred	(233,000)	(282,000)	(51,000)
-----			
	\$1,555,000	\$1,351,000	\$1,800,000
=====			

The 1996, 1995, and 1994 tax provision results in an effective rate different than the federal statutory rate due to the following:

Year Ended June 30,	1996	1995	1994
-----			
Federal income tax at statutory rate	\$1,331,000	\$1,169,000	\$1,564,000
State income taxes, net of federal tax benefit	195,000	189,000	187,000
Foreign income taxed at other than U.S. rate	(7,000)	(54,000)	(9,000)
Other	36,000	47,000	58,000
-----			
Total provision for income taxes	\$1,555,000	\$1,351,000	\$1,800,000
=====			

Income (loss) before taxes for United States operations was \$4,013,970 in 1996, \$4,042,437 in 1995, and \$4,700,339 in 1994. Such amounts for foreign operations were \$(97,322), \$(603,443), and \$(99,484) for the respective years.

Temporary differences which give rise to deferred tax assets and liabilities at June 30 include:

	1996	1995
-----		
Deferred Tax Assets		
Foreign operation loss carryforward	\$ 295,000	\$ --
Deferred compensation	222,000	178,000
Accrued expenses and reserves	435,000	323,000
Royalties receivable	60,000	47,000
Other	86,000	68,000
-----	1,098,000	616,000
Deferred Tax Liabilities		
Equipment and leasehold improvements	(157,000)	(240,000)
Other	--	(4,000)
-----	(157,000)	(244,000)
-----		
Net deferred tax asset	\$ 941,000	\$ 372,000
=====		

The net deferred tax asset at June 30, 1996 is comprised of a current asset of \$517,946 and a long term asset of \$422,603. The net deferred tax asset at June 30, 1995 is comprised of a current asset of \$378,946 and a long term liability of \$6,862.

#### 5. ACCRUED LIABILITIES

Accrued liabilities at June 30 consist of the following:

	1996	1995
-----		
Salaries and wages	\$204,945	\$243,842
Warranty claims	100,000	100,000
Cooperative advertising and promotion allowances	192,636	101,376
Payroll taxes and employee benefits	133,094	281,465
Other	155,678	203,977
-----	\$786,353	\$930,660
=====		

#### 6. ADDITIONAL CASH FLOW INFORMATION

The net changes in cash as a result of changes in operating assets and liabilities, other than cash and indebtedness, consist of the following:

	1996	1995	1994
-----			
Accounts receivable	\$(1,722,351)	\$154,040	\$ (759,891)
Inventories	576,585	(1,541,868)	(495,461)
Prepaid expenses	294,737	(132,521)	(218,411)
Income taxes receivable	376,147	50,089	(455,613)
Other assets	(146,495)	(160,181)	(214,763)
Accounts payable	(398,796)	460,158	(576,281)
Income taxes payable	361,855	--	--
Accrued liabilities	(144,307)	196,584	(277,840)

Net change	\$(802,625)	\$(973,699)	\$(2,998,260)
------------	-------------	-------------	---------------

Net cash paid during the year for:	1996	1995	1994
Interest	\$ 161,256	\$ 321,353	\$ 255,510
Income taxes	\$1,413,283	\$1,312,000	\$1,770,000

#### 7. EMPLOYEE BENEFIT PLANS

Substantially all domestic employees are participants in the Company's Employee Stock Ownership Plan and Trust (KESOT) under which an annual contribution in either cash or common stock may be made at the discretion of the Board of Directors. The expense recorded for such contributions amounted to \$344,000 in 1996, \$205,000 in 1995, and \$0 in 1994.

The Company maintains a retirement savings plan under Section 401(k) of the Internal Revenue Code. This plan covers all employees of the Company who have completed six months of service. Matching contributions can be made at the discretion of the Company's Board of Directors. For calendar years 1996, 1995, and 1994, the matching contribution was 100% of employee contributions to the plan, not to exceed 10% of the employee's annual compensation. Vesting of Company contributions occurs immediately. Contributions for the years ended June 30, 1996, 1995, and 1994 were \$264,631, \$144,000, and \$141,700, respectively.

#### 8. INDUSTRY SEGMENT INFORMATION, FOREIGN OPERATIONS AND SIGNIFICANT CUSTOMERS

The Company has one line of business--the design, manufacture and sale of stereophones and related accessories. The table below summarizes certain information regarding the Company's United States and Canadian operations for the years ended June 30, 1996, 1995, and 1994.

000's Omitted	United States	Canada	Eliminations	Consolidated
1996:				
Net sales	\$33,319	\$3,103	\$ --	\$36,422
Intercompany transfers	2,829	--	(2,829)	--
Total	\$36,148	\$3,103	\$(2,829)	\$36,422
Income from operations	\$ 2,716	\$ (70)	\$ 7	\$ 2,653
Assets	\$20,313	\$1,730	\$ (38)	\$22,005
1995:				
Net sales	\$28,977	\$4,455	--	\$33,432
Intercompany transfers	3,019	9	(3,028)	--
Total	\$31,996	\$4,464	\$(3,028)	\$33,432
Income from operations	\$ 2,736	\$ (532)	\$ 42	\$ 2,246
Assets	\$19,350	\$1,702	\$ (79)	\$20,973
1994:				
Net sales	\$31,127	\$4,434	\$ --	\$35,561
Intercompany transfers	2,058	87	(2,145)	--
Total	\$33,185	\$4,521	\$(2,145)	\$35,561
Income from operations	\$ 3,805	\$ (64)	\$ (58)	\$ 3,683
Assets	\$17,008	\$2,276	\$ (64)	\$19,220

The Company ships directly to independent distributors from its domestic plant. The Company's export sales to customers in foreign countries amounted to \$6,481,135 during 1996, \$2,231,509 during 1995, and \$1,951,212 during 1994.

Sales to one customer, Tandy Corporation, were approximately 16%, 18%, and 16% of total sales for 1996, 1995, and 1994, respectively.

#### 9. COMMITMENTS AND CONTINGENCIES

The Company leases its main plant and offices in Milwaukee, Wisconsin from its Chairman, John C. Koss. On June 25, 1993, the lease was renewed for a period of ten years, and is being accounted for as an operating lease. The new lease extension increases the rent from \$280,000 per year (plus Consumer Price Index increase in 1994) to a fixed rate of \$350,000 per year for three years and \$380,000 for the seven years thereafter. The lease is on terms no less favorable to the Company than those that could be obtained from an independent party. The Company is responsible for all property maintenance, insurance, taxes and other normal expenses related to ownership. The Company also leases approximately 6,500 square feet of office, service and warehouse space in Canada of which a significant portion is subleased to a third party. In addition, the Company leases certain property which requires payments of \$32,000 in 1997.

In 1980, the Company entered into an agreement with John C. Koss that if he dies prior to attaining 70 years of age, the Company will pay to his spouse or other designated beneficiary the sum of \$50,000 every six months until the total benefits paid equal \$700,000. The agreement is null and void if he reaches age 70.

In 1991, the Board of Directors agreed to continue John C. Koss' current base salary in the event he becomes disabled prior to age 70. After age 70, Mr. Koss shall receive his current base salary for the remainder of his life, whether he becomes disabled or not. The Company is currently recognizing an annual expense of \$115,080 in connection with this agreement, which represents the present value of the anticipated future payments. At June 30, 1996 and 1995, respectively, the related liabilities in the amounts of \$536,220 and \$421,140 have been included in deferred compensation in the accompanying balance sheets.

#### 10. SUPPLEMENTARY INFORMATION

Changes in the allowance for doubtful accounts for the years ended June 30, 1996, 1995, and 1994 are summarized as follows:

Year	Balance at Beginning	Charges Against		Balance at End of
Ending	of Period	Income	Deductions*	Period
1996	\$289,217	\$490,097	\$ 94,207	\$685,107
1995	\$229,230	\$143,261	\$ 83,274	\$289,217
1994	\$381,030	\$ 9,428	\$161,228	\$229,230

\*Represents charges against the allowance, net of recoveries.

The amounts included for advertising in selling, general and administrative expenses in the accompanying statements of income were \$486,723 in 1996, \$630,181 in 1995, and \$756,956 in 1994.

## 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.

KOSS CORPORATION

By: /s/ Michael J. Koss           Dated: 9/25/96  
-----

Michael J. Koss, President,  
Chief Executive Officer  
Chief Operating Officer and  
Chief Financial Officer

By: /s/ Sujata Sachdeva         Dated: 9/25/96  
-----

Sujata Sachdeva,  
Vice President - Finance  
Principal Accounting Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated:

/s/ John C. Koss  
-----

John C. Koss, Director  
Dated: 9/25/96  
-----

/s/ Martin F. Stein  
-----

Martin F. Stein, Director  
Dated: 9/25/96  
-----

/s/ Michael J. Koss  
-----

Michael J. Koss, Director  
Dated: 9/25/96  
-----

/s/ Victor L. Hunter  
-----

Victor L. Hunter, Director  
Dated: 9/25/96  
-----

/s/ Lawrence S. Mattson  
-----

John J. Stollenwerk, Director  
Dated: -----

Lawrence S. Mattson, Director  
Dated: 9/25/96  
-----

/s/ Thomas L. Doerr  
-----

Thomas L. Doerr, Director  
Dated: 9/25/96  
-----

The signatures of the above directors constitute a majority of the Board of Directors of Koss Corporation.

OFFICERS AND  
SENIOR MANAGEMENT

John C. Koss  
Chairman of the Board

Michael J. Koss  
President  
Chief Executive Officer  
Chief Operating Officer  
Chief Financial Officer

John C. Koss, Jr.  
Vice President--Sales

Daniel Esposito  
Vice President--Corporate Systems

Sujata Sachdeva  
Vice President--Finance

Richard W. Silverthorn  
Secretary  
General Counsel

Declan Hanley  
Vice President--International Sales

ANNUAL MEETING

October 24, 1996  
Performance Center  
Koss Corporation  
4129 N. Port Washington Avenue  
Milwaukee, WI 53212

TRANSFER AGENT

Questions regarding change of address,  
stock transfer, lost certificate, or  
information on a particular account  
should be directed in writing to:

Firststar Trust Company  
Box 2077  
Milwaukee, WI 53201  
Attn: Mr. Eugene R. Lee

DIRECTORS

John C. Koss  
Chairman of the Board  
Koss Corporation

Thomas L. Doerr  
President  
Doerr Corporation

Victor L. Hunter  
President  
Hunter Business Direct

Michael J. Koss  
President, C.E.O.,  
C.O.O., C.F.O.

Lawrence S. Mattson  
Retired President  
Oster Company

Martin F. Stein  
Chairman  
Eyecare One Inc.

John J. Stollenwerk  
President  
Allen-Edmonds Shoe Corporation

INDEPENDENT ACCOUNTANTS

Price Waterhouse LLP  
Milwaukee, Wisconsin

LEGAL COUNSEL

Whyte Hirschboeck Dudek S.C.

## EXHIBIT INDEX

Designation of Exhibit	Exhibit Title	Incorporation by Reference
-----	-----	-----
3.1	Certificate of Incorporation of Koss Corporation, as in effect on September 25, 1996 .....	filed herewith
3.2	By-Laws of Koss Corporation, as in effect on September 25, 1996 .....	filed herewith
4.1	Certificate of Incorporation of Koss Corporation, as in effect on September 25, 1996 .....	(1)
4.2	By-Laws of Koss Corporation, as in effect on September 25, 1996 .....	(2)
10.1	Officer Loan Policy .....	filed herewith
10.3	Supplemental Medical Care Reimbursement Plan .....	filed herewith
10.4	Death Benefit Agreement with John C. Koss .....	filed herewith
10.5	Stock Purchase Agreement with John C. Koss .....	filed herewith
10.6	Salary Continuation Resolution for John C. Koss .....	filed herewith
10.7	1983 Incentive Stock Option Plan .....	filed herewith
10.8	Assignment of Lease to John C. Koss .....	(3)
10.9	Addendum to Lease .....	(4)
10.10	1990 Flexible Incentive Stock Plan .....	(5)
10.12	Loan Agreement effective as of February 17, 1995 .....	(6)
10.13	Amendment dated June 15, 1995 to Loan Agreement effective February 17, 1995 .....	(7)
10.14	License Agreement dated November 15, 1991 between KOSS Corporation and Trabelco N.V. (a subsidiary of Hagemeyer N.V.) for North America, Central America and South America (including Amendment to License Agreement dated November 15, 1991; Renewal Letter dated November 18, 1994; and Second Amendment to License Agreement dated September 29, 1995) .....	filed herewith

10.15	License Agreement dated September 29, 1995 between KOSS Corporation and Trabelco N.V. (a subsidiary of Hagemeyer N.V.) for Europe (including First Amendment to License Agreement dated December 26, 1995) .....	filed herewith
22	List of Subsidiaries of Koss Corporation .....	(8)
27	Financial Data schedule .....	filed herewith
(1)	Incorporated by reference from Exhibit 3.1 to this Form 10-K (Commission File No. 0-3295)	
(2)	Incorporated by reference from Exhibit 3.2 to this Form 10-K (Commission File No. 0-3295)	
(3)	Exhibit 10.7 to the Company's Annual Report on Form 10-K for the year ended June 30, 1988 (Commission File No. 0-3295)	
(4)	Exhibit 10.8 to the Company's Annual Report on Form 10-K for the year ended June 30, 1988 (Commission File No. 0-3295)	
(5)	Exhibit 25 to the Company's Annual Report on Form 10-K for the year ended June 30, 1990 (Commission File No. 0-3295)	
(6)	Exhibit 10 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 1995 (Commission File No. 0-3295)	
(7)	Exhibit 10.13 to the Company's Annual Report on Form 10-K for the year ended June 30, 1995 (Commission File No. 0-3295)	
(8)	Exhibit 22 to the Company's Annual Report on Form 10-K for the year ended June 30, 1988 (Commission File No. 0-3295)	

RESTATED CERTIFICATE OF INCORPORATION  
OF  
KOSS CORPORATION

Under Sections 245 and 242  
of the  
Delaware Corporation Law

We, THOMAS G. NEEDLES, President and THOMAS O. JOHNSEN, Secretary of Koss Corporation, a Corporation existing under the laws of the State of Delaware, do hereby certify under the seal of the said Corporation as follows:

FIRST: The name of the Corporation is Koss Corporation.

SECOND: The Certificate of Incorporation of the Corporation was filed by the Secretary of State, Dover, Delaware on the 12th day of October, 1971.

THIRD: The amendments to the Certificate Incorporation effected by this Certificate are as follows:

1. To omit the provisions which specify the general officers of the Corporation and the principal duties of such officers;
2. To omit the provision which specifies the minimum number of directors of the Corporation; and
3. To confer the powers to adopt, amend or repeal the By-Laws and to provide for the issuance of preferred stock upon the directors of the Corporation.

FOURTH: The Board of Directors of the Corporation at a meeting duly called and held on July 28, 1977, at which a quorum was present for the transaction of all business, adopted a resolution proposing and declaring advisable the above amendments to the Certificate of Incorporation and directed the amendments proposed and the Restated Certificate of Incorporation, in the form stated below, be considered at tile next annual meeting of shareholders.

FIFTH: The amendments and the restatement of the Certificate of incorporation have been duly adopted in accordance with the provisions of the General Corporation Law of the State of Delaware by an affirmative vote of the holders of a Majority of all the outstanding shares entitled to vote at a meeting of shareholders.

SIXTH: The text of the Certificate of Incorporation of said Koss Corporation, as amended is hereby restated as further amended by this Certificate to read in full, as follows:

RESTATED CERTIFICATE OF INCORPORATION  
OF  
KOSS CORPORATION

ARTICLE I. NAME

The name of the Corporation shall be KOSS CORPORATION.

ARTICLE II. PERIOD OF EXISTENCE

The period of existence of the Corporation shall be perpetual.

ARTICLE III. PURPOSE

The purpose of the Corporation shall be to engage in any lawful act or activity for which corporation may be organized under the General Corporation Law Delaware.

ARTICLE IV. POWERS

In furtherance and not in limitation of the powers conferred by statute, the Board of Directors is expressly authorized to adopt, amend or repeal By-Laws of the Corporation, and to fix and establish by resolution or resolutions providing for the issuance of preferred stock the voting powers, designations, preferences and relative, participating, optional or other rights, if any, of such stock and the related qualifications, limitations or restrictions, as it may deem appropriate, including, but not limited to the rate of dividends, the rights of dissolution and other terms and conditions on which shares may be converted into other classes of stock. The express power of the Board of Directors to adopt, amend or repeal By-Laws of the Corporation, shall neither divest nor limit the power of the shareholders to adopt, amend or repeal By-Laws.

ARTICLE V. CAPITAL STOCK

The aggregate number of shares of capital stock which the Corporation shall have authority to issue is Two Million (2,000,000) shares designated as "Common Stock" with One Cent (\$0.01) par value.

ARTICLE VI. REGISTERED OFFICE AND REGISTERED AGENT

The address of the registered office of the Corporation in the State of Delaware is:

100 West Tenth Street, New Castle County  
Wilmington, Delaware

The name of the registered agent of the Corporation at such address is The Corporation Trust Company.

ARTICLE VII. AMENDMENT

The Certificate of Incorporation may be amended in the manner authorized by law at the time of such amendment.

IN WITNESS WHEREOF, we hereby declare and certify that this is the act and deed of the Corporation and that the facts herein stated are true and accordingly, we have executed this Restated Certificate in duplicate and have caused the corporate seal of the Corporation to be hereunto affixed this 20th day of October, 1977.

/s/ Thomas G. Needles  
-----  
Thomas G. Needles, President

[Corporate Seal]

Attest:  
  
/s/ Thomas O. Johnsen  
-----  
Thomas O. Johnsen, Secretary

State of Wisconsin        )  
                              )        SS  
County of Milwaukee     )

Be it remembered on this 20th day of October, 1977, personally came before me, a Notary Public in and for the county and state aforesaid, THOMAS G. NEEDLES, President and THOMAS O.

JOHNSEN, Secretary, of Koss Corporation, a corporation of the State of Delaware, parties to the foregoing certificate, known to me personally to be such, and they duly executed said certificate before me and acknowledged the said certificate to be their act and deed and the act and deed of said Corporation and that the facts herein stated are true and that the seal affixed to said certificate and attested by the Secretary of said Corporation is the common or corporate seal of said Corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and seal of office the date and year aforesaid.

/s/ Thomas J. Beczkiewicz  
-----  
Notary Public, State of Wisconsin  
My Commission: expires August 5, 1979

CERTIFICATE OF AMENDMENT TO  
RESTATED CERTIFICATE OF INCORPORATION  
OF  
KOSS CORPORATION

Under Section 242  
of the  
Delaware General Corporation Law

We, JAMES D. DODSON, President, and DENNIS P. WHERRY, Secretary, of Koss Corporation, a corporation existing under, the laws of the State of Delaware, do hereby certify under the seal of the said Corporation as follows:

FIRST: The name of the Corporation is Koss Corporation.

SECOND: The Certificate of Incorporation of the Corporation was filed by the Secretary of State, Dover, Delaware, on the 12th day of October, 1971, and a Restated Certificate of Incorporation was so filed on the 16th day of November, 1977.

THIRD: The purpose of the amendment to the Restated Certificate of Incorporation effected by this Certificate is to increase the number of authorized shares of Common Stock to eight million five hundred thousand (8,500,000) from four million (4,000,000) by deleting the text of Article V in its entirety and restating it to read as follows:

The aggregate number of shares of capital stock which the Corporation shall have authority to issue is eight million five hundred thousand (8,500,000) shares designated as "Common Stock" with One Cent (\$ 0.01) par value.

FOURTH: The Board of Directors of the Corporation at a meeting duly called and held on July 30, 1981, at which a quorum was present for the transaction of all business, adopted a resolution proposing and declaring advisable the above amendment to the Restated Certificate of Incorporation and directed the amendment proposed, in the form stated above, be considered at the next annual meeting of shareholders.

FIFTH: The amendment to the Restated Certificate of Incorporation was duly adopted in accordance with the provisions of the General Corporation Law of the State of Delaware by an affirmative vote of the holders of a majority of all the outstanding shares entitled to vote at a meeting of shareholders on October 8, 1991.

IN WITNESS WHEREOF, we hereby declare and certify that this is the act and deed of the Corporation and that the facts herein

stated are true and accordingly, we have executed this Certificate of Amendment in duplicate and have caused the corporate seal of the Corporation to be hereunto affixed this 9th day of October, 1981.

/s/ James D. Dodson  
-----  
James D. Dodson, President

[Corporate Seal]

Attest:

/s/ Dennis P. Wherry  
-----  
Dennis P. Wherry, Secretary

State of Wisconsin        )  
                              )        SS  
County of Milwaukee        )

Be it remembered on this 9th day of October, 1981, personally came before me, a Notary Public in and for the county and state aforesaid, JAMES D. DODSON, President, and DENNIS P. WHERRY, Secretary, of Koss Corporation, a corporation of the State of Delaware, parties to the foregoing certificate, known to me personally to be such, and they duly executed said certificate before me and acknowledged the said certificate to be their act and deed and the act and deed of said Corporation and that the facts herein stated are true and that the seal affixed to said certificate and attested by the Secretary of said Corporation is the common or corporate seal of said Corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and seal of office and date and year aforesaid.

/s/ Delos N. Lutton  
-----  
Notary Public, State of Wisconsin  
My commission: is permanent

[Notarial Seal]

CERTIFICATE OF AMENDMENT TO  
RESTATED CERTIFICATE OF INCORPORATION  
OF  
KOSS CORPORATION  
  
under Section 303  
of the  
Delaware General Corporation Law

We, JOHN C. KOSS, President, and MICHAEL F. MOORE, Secretary, of Koss Corporation, a corporation existing under the laws of the State of Delaware, do hereby certify under the seal of the said Corporation as follows:

FIRST: The name of the Corporation is Koss Corporation.

SECOND: The Certificate of Incorporation of the Corporation was filed by the Secretary of State, Dover, Delaware on the 12th day of October, 1971, and a Restated Certificate of Incorporation was so filed on the 16th day of November, 1977.

THIRD: The purpose of the amendment to the Restated Certificate of Incorporation effected by this Certificate is to prohibit the issuance of non-voting equity securities by the Corporation by adding the following sentence to the existing text of Article IV:

"The Board shall not have the power to create a non-voting class of stock. All classes of stock authorized and issued by the Corporation shall have some form of voting rights."

FOURTH: The Board of Directors of the Corporation at a meeting duly called and held on March 21, 1986, at which a quorum was present for the transaction of all business, adopted a resolution proposing and declaring advisable the above amendment to the Restated Certificate of Incorporation.

IN WITNESS WHEREOF, we hereby declare and certify that this is the act and deed of the Corporation and that the facts herein stated are true and accordingly, we have executed this Certificate of Amendment in duplicate and have caused the corporate seal of the Corporation to be hereunto affixed this 24th day of March, 1986.

/s/ John C. Koss  
-----  
John C. Koss, President

[Corporate Seal]

Attest:

/s/ Michael F. Moore  
-----  
Michael F. Moore, Secretary

State of Wisconsin        )  
                              :        SS  
County of Milwaukee     )

Be it remembered on this 24th day of March, 1986, personally came before me, a Notary Public in and for the county and state aforesaid, JOHN C. KOSS, President, and MICHAEL F. MOORE, Secretary, of Koss Corporation, a corporation of the State of Delaware, parties to the foregoing Certificate, known to me personally to be such, and they duly executed said certificate before me and acknowledged the said certificate to be their act and deed and the act and deed of said Corporation and that the facts herein stated are true and that the seal affixed to said certificate and attested by the Secretary of said Corporation is the common or corporate seal of said Corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and seal of office and date and year aforesaid.

/s/ Linda M. Besecker  
-----  
Notary Public, State of Wisconsin  
My commission expires 8-5-90

[NOTARY SEAL]

CERTIFICATE OF AMENDMENT TO  
RESTATED CERTIFICATE OF INCORPORATION  
OF  
KOSS CORPORATION

Under Section 242  
of the  
Delaware General Corporation Law

We, JOHN C. KOSS, President, and MICHAEL E. MOORE, Secretary, of Koss Corporation, a corporation existing under the laws of the State of Delaware, do hereby certify under the seal of said Corporation as follows:

FIRST: The name of the Corporation is Koss Corporation.

SECOND: The Certificate of Incorporation of the Corporation was filed by the Secretary of State, Dover, Delaware, on the 12th day of October, 1971, and a Restated Certificate of Incorporation was so filed on the 16th day of November, 1977.

THIRD: The purpose of the amendment to the Restated Certificate of Incorporation effected by this Certificate is to add a new Article VIII to the Certificate which shall recite as follows:

"To the fullest extent permitted by the Delaware General Corporation Law, as the same exists or may hereinafter be amended, no person who is or was a director of the Corporation shall be personally liable to the Corporation or its stockholders for monetary damages for breach of his fiduciary duty as a director; provided that this Article shall not eliminate or limit the liability of a person who is or was a director for any breach of the director's duty of loyalty to the Corporation or its stockholders, for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, for conduct that is the subject of Section 174 of the Delaware General Corporation Law or for any transaction from which such person derived an improper personal benefit. This Article shall be effective only as to acts or omissions occurring on or after the effective date of this amended Certificate of Incorporation."

FOURTH: The Board of Directors of the Corporation by their unanimous consent, in accordance with Delaware General Corporation Law Section 141(f), as of August 28, 1986, adopted a resolution proposing and declaring advisable the above amendment to the Restated Certificate of Incorporation.

IN WITNESS WHEREOF, we hereby declare and certify that this is the act and deed of the Corporation and that the facts herein stated are true and accordingly, we have executed this Certificate of Amendment in duplicate and have caused the corporate seal of the Corporation to be hereunto affixed this 23rd day of December, 1986.

/s/ John C. Koss  
-----  
John C. Koss, President

[Corporate Seal]

Attest:  
  
/s/ Michael F. Moore  
-----  
Michael F. Moore, Secretary

State of Wisconsin        )  
                              :        SS  
County of Milwaukee     )

Be it remembered on this 8th day of January, 1987, personally came before me, a Notary Public in and for the county and state aforesaid, JOHN C. KOSS, President, and MICHAEL F. MOORE, Secretary, of Koss Corporation, a corporation of the State of Delaware, parties to the foregoing certificate, known to me personally to be such, and they duly executed said certificate before me and acknowledged the said certificate to be their act and deed and the act and deed of said Corporation and that the facts herein stated are true and that the seal affixed to said certificate and attested by the Secretary of said Corporation is the common or corporate seal of said Corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and seal of office and date and year aforesaid.

/s/ Linda M. Besecker  
-----  
Notary Public, State of Wisconsin  
My commission expires 8-5-90

[NOTARY SEAL]

BY-LAWS  
OF  
KOSS CORPORATION  
(a Delaware corporation)

REFERENCE TABLE  
 TO BY-LAWS OF  
 KOSS CORPORATION  
 (a Delaware corporation)

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BY-LAWS  
OF  
KOSS CORPORATION  
(a Delaware corporation)  
AMENDED AND RESTATED  
AS OF  
OCTOBER 20, 1977

ARTICLE I. OFFICES

SECTION 1.01 Principal and Business Offices. The corporation may have such principal and other business offices, as the Board of Directors may designate or as the business of the corporation may require from time to time, both within and without the State of Delaware, in any and all States of the United States of America, in the District of Columbia, in any or all commonwealths, territories, dependencies, colonies, possessions, agencies or instrumentalities of the United States of America, and in any foreign countries.

SECTION 1.02 Registered office. The registered office of the corporation required by the Delaware General Corporation Law to be maintained in the State of Delaware may be, but need not be, identical with the principal office in the State of Delaware, and the address of the registered office may be changed from time to time by the Board of Directors. The business office of the registered agent of the corporation shall be identical to such registered office.

ARTICLE II. SHAREHOLDERS

SECTION 2.01 Annual Meeting. The annual meeting of the shareholders shall be held on the fourth Thursday in the month of October in the year beginning with the year 1978 at the hour of 10:30 o'clock a.m., or at such other time and date within thirty days before or after said date as may be authorized by the Board of Directors and set forth in the notice of meeting, for the purpose of electing directors and for the transaction of such other business as may come before the meeting. If the day fixed for the annual meeting shall be a legal holiday, such meeting shall be held on the

SECTION 2.02 Special Meeting. Special meetings of the shareholders, for any purpose or purposes, unless otherwise prescribed by statute, may be called by the Chairman and Chief Executive officer, the President and Chief operating officer or the Board of Directors or by the person designated in the written request of the holders of not less than one-tenth of all shares of the corporation entitled to vote at the meeting.

SECTION 2.03 Place of Meeting. The Board of Directors may designate any place, either within or without the State of Delaware, as the place of meeting for any Annual meeting or for any special meeting called by the Board of Directors. A waiver of notice signed by all shareholders entitled to vote at a meeting may designate any place, either within or without the State of Delaware, as the place for the holding of such meeting. If no designation is made, or if a special meeting be otherwise called, the place of meeting shall be the principal business office of the corporation in the State of Wisconsin or such other suitable place in the county of such principal office as may be designated by the person calling such meeting, but any meeting may be adjourned to reconvene at any place designated by vote of a majority of the shares represented thereat.

SECTION 2.04 Notice of Meeting. Written notice stating the place, day and hour of the meeting and, in case of a special meeting, the purpose or purposes for which the meeting is called, shall be delivered not less than ten days (unless a longer period is required by law or the Certificate of Incorporation) nor more than 60 days before the date of the meeting, either personally, by mail or by telegram, by or at the direction of the Chairman and Chief Executive officer, the President and Chief Operating Officer, the Secretary or other officer or persons calling the meeting, to each shareholder of record entitled to vote at such meeting. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail, addressed to the shareholder at his address as it appears on the stock record books of the corporation, with postage thereon prepaid. An affidavit of the Secretary or an Assistant Secretary or of the transfer agent of the corporation, if one be appointed, that the notice has been given shall, in the absence of fraud, be prima facie evidence of the facts stated therein. If any meeting of shareholders is adjourned for more than 30 days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each shareholder of record entitled to vote at the meeting. Otherwise, when a meeting is adjourned to another time and place, notice need not be given of the adjourned meeting if the time and place thereof are announced at the meeting at which the adjournment is taken. At the adjourned meeting, the corporation may transact any business which might have been transacted at the original meeting.

SECTION 2.05 Closing of Transfer Books or Fixing of Record Date. For the purpose of determining shareholders entitled to notice of or to vote at any meeting of the shareholders or any adjournment thereof, or to express consent to corporate action in writing without a meeting, or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or change of stock or for the purpose of any other

lawful action, or in order to make a determination of shareholders for any other purpose, the Board of Directors may provide that the stock transfer books shall be closed for a stated period ending at least ten days before the action for which eligibility notice or voting is being determined. In lieu of closing the stock transfer books, the Board of Directors may fix in advance a date as the record date for any such determination of shareholders, such date in any case not to be more than 60 days and, in case of a meeting of shareholders, not less than ten days prior to the date on which the particular action requiring such determination of shareholders is to be taken. If the stock transfer books are not closed and no record date is fixed for the determination of shareholders entitled to notice of or to vote at a meeting of shareholders the record date for such determination of shareholders shall be at the close of business on the date next preceding the day on which notice is given, or, if notice is waived, at the close of business on the day next preceding the day on which the meeting is held. If no record date is fixed, the record date for determining shareholders entitled to express consent to corporate action in writing without a meeting, when no prior action by the Board of Directors is necessary, shall be the day on which the first written consent is expressed, and the record date for determining shareholders or and other purpose shall be at the close of business on the day on which the Board of Directors adopts the resolution relating thereto. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the Board of Directors may fix a new record date for the adjourned meeting

SECTION 2.06 Voting Lists. The officer or agent having charge of the stock transfer books for shares of the corporation shall, at least ten days before every meeting of shareholders, make a complete list of the shareholders entitled to vote at the meeting, arranged in alphabetical order, and showing the address of each shareholder and the number of shares registered in the name of each shareholder. This list shall be opened to the examination of any shareholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least ten days prior to the meeting, either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting, or, if not so specified, at the place where the meeting is to be held. The list shall also be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any shareholder who is present. The original stock transfer books shall be the only evidence as to who are the shareholders entitled to examine the stock ledger, the list required by this section or the books of the corporation, or to vote in person or by proxy at any meeting of shareholders. Failure to comply with the requirements of this

section shall not affect the validity of any action taken at such meeting.

SECTION 2.07. Quorum. Except as otherwise provided in the certificate of Incorporation, a majority of the shares entitled to vote, represented in person or by proxy, shall constitute a quorum at a meeting of shareholders. If a quorum is present, the affirmative vote of the majority of the shares represented at the meeting and entitled to vote on the subject matter shall be the act of the shareholders unless the vote of a greater number or voting by classes is required by law or the Certificate of Incorporation. Though less than a quorum of the outstanding shares are represented at a meeting, a majority of the shares so represented may adjourn the meeting from time to time without further notice. At such adjourned meeting at which a quorum shall be present or represented, any business may be transacted which might have been transacted at the meeting as originally notified. The shareholders present at a duly organized meeting may continue to transact business until adjournment, notwithstanding the withdrawal of enough shareholders to leave less than a quorum.

SECTION 2.08. Conduct of Meetings. Meetings of the shareholders shall be presided over by one of the following officers in the order of seniority, if present and acting: the Chairman and Chief Executive officer, the President and Chief Operating Officer, the Executive Vice President, a Vice President in the order provided under SECTION 4.08 or if none of the foregoing is in office and present and acting, by a chairman chosen by the shareholders present. The Secretary of the corporation, or in his absence, an Assistant Secretary, or if none be present, any person appointed by the presiding officer shall act as secretary of the meeting.

SECTION 2.09 Proxies. At all meetings of shareholders, a shareholder entitled to vote may vote in person or by proxy appointed in writing by the shareholder or by his duly authorized attorney in fact. Such proxy shall be filed with the Secretary of the corporation before or at the time of the meeting. Unless otherwise provided in the proxy, a proxy may be revoked any time before it is voted, either by written notice filed with the secretary or the acting secretary of the meeting or by oral notice given by the shareholder to the presiding officer during the meeting. The presence of a shareholder who has filed his proxy shall not of itself constitute a revocation. No proxy shall be valid after three years from the date of its execution, unless otherwise provided in the proxy. The Board of Directors shall have the power and authority to make rules establishing presumptions as to the validity and sufficiency of proxies.

SECTION 2.10 Voting of Shares. Each outstanding share shall be entitled to one vote upon each matter submitted to a

vote at a meeting of shareholders, except to the extent that the voting rights of the shares of any class or classes are enlarged, limited or denied by the Certificate of Incorporation.

SECTION 2.11 Action without Meeting. Unless otherwise provided in the Certificate of Incorporation, any action required to be taken at any annual or special meeting of shareholders of the corporation, or any action which may be taken at any annual or special meeting of such shareholders, may be taken without a meeting, without prior notice and without a vote, if a consent in writing, setting forth the action so taken, shall be signed by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted. Prompt notice of the taking of the corporate action without a meeting by less than unanimous written consent shall be given to those shareholders who have not consented in writing.

SECTION 2.12 Voting of Shares by Certain Holders.

(a) Other Corporations. Shares standing in the name of another corporation may be voted either in person or by proxy, by the president of such corporation or any other officer appointed by such president. A proxy executed by any principal officer of such other corporation or assistant thereto shall be conclusive evidence of the signer's authority to act, in the absence of express notice to this corporation, given in writing to the Secretary, of the designation of some other person by the Board of Directors or the By-Laws of such other corporation.

(b) Legal Representatives and Fiduciaries. Shares held by an administrator, executor, guardian, conservator, trustee in bankruptcy, receiver or assignee for creditors may be voted by him either in person or by proxy, without a transfer of such shares into his name, provided that there is filed with the Secretary before or at the time of meeting proper evidence of his incumbency and the number of shares held. Shares standing in the name of a fiduciary may be voted by him, either in person or by proxy. A proxy executed by a fiduciary shall be conclusive evidence of the signer's authority to act, in the absence of express notice to this corporation, given in writing to the Secretary of this corporation, that such manner of voting is expressly prohibited or otherwise directed by the document creating the fiduciary relationship.

(c) Pledgees. A shareholder whose shares are pledged shall be entitled to vote such shares, unless there is a transfer by the pledgor on the books of the corporation in which he has expressly empowered the pledgee to vote thereon, in which case only the pledgee or his proxy may represent such stock and vote thereon.

(d) Treasury Stock and Subsidiaries.. Neither treasury shares nor shares held by another corporation if a majority of the shares entitled to vote for the election of directors of such other corporation is held, directly or indirectly, by this corporation, shall be voted at any meeting or counted in determining the total number of outstanding shares entitled to vote, but shares of its own issue held by this corporation in a fiduciary capacity, or held by such other corporation in a fiduciary capacity, may be voted and shall be counted in determining the total number of outstanding shares entitled to vote.

(e) Minors. Shares held by a minor may be voted by such minor in person or by proxy and no such vote shall be subject to disaffirmance or avoidance, unless prior to such vote the Secretary of the corporation has received written notice or has actual knowledge that such shareholder is a minor.

(f) Incompetents and Spendthrifts. Shares held by an incompetent or spendthrift may be voted by such incompetent or spendthrift in person or by proxy and no such vote shall be subject to disaffirmance or avoidance, unless prior to such vote the Secretary of the corporation has actual knowledge that such shareholder has been adjudicated an incompetent or spendthrift or actual knowledge of filing of judicial proceedings for appointment of a guardian.

(g) Joint Tenants. Shares registered in the names of two or more individuals who are named in the registration as joint tenants may be voted in person or by proxy signed by any one or more of such individuals if either (i) no other such individual or his legal representative is present and claims the right to participate in the voting of such shares or prior to the vote files with the Secretary of the corporation a contrary written voting authorization or direction or written denial of authority of the individual present or signing the proxy proposed to be voted or (ii) all such other individuals are deceased and the secretary of the corporation has no actual knowledge that the survivor has been adjudicated not to be the successor to the interests of those deceased.

SECTION 2.13 Waiver of Notice by Shareholders. Whenever any notice whatever is required to be given to any shareholder of the corporation under the Certificate of Incorporation or By-Laws or any provision of law, a waiver thereof in writing, signed at any time, whether before or after the time of meeting, by the shareholder entitled to such notice, shall be deemed equivalent to the giving of such notice; provided that such waiver in respect to any matter of which notice is required under any provision of the Delaware General Corporation Law, shall contain the same information as would have been required to be included

in such notice, except the time and place of meeting. Attendance of a shareholder at a meeting shall constitute a waiver of notice of such meeting, except when the shareholder attends for the express purpose of objecting at the beginning to the transaction of any business because the meeting was not properly called. Neither the business to be transacted at nor the purpose of any regular or special meeting of the shareholders need be specified in any written waiver of notice.

#### ARTICLE III. BOARD OF DIRECTORS

SECTION 3.01 The number of Directors of the Corporation shall be no fewer than six and no greater than twelve.

SECTION 3.02 Tenure and Qualifications. Each director shall hold office until the next annual meeting of shareholders and until his successor shall have been elected, or until his prior death, resignation or removal. A director may be removed from office by affirmative vote of a majority of the outstanding shares entitled to vote for the election of such director, taken at a meeting of shareholders called for that purpose. A director may resign at any time by filing his written resignation with the Secretary of the corporation. Directors need not be residents of the State of Delaware or shareholders of the corporation.

SECTION 3.03 Regular Meetings. A regular meeting of the Board of Directors shall be held without other notice than this By-Law, except as to time, within forty (40) days after the annual meeting of shareholders, and each adjourned session thereof.

SECTION 3.04 Special Meetings. Special meetings of the Board of Directors may be called by or at the request of the Chairman and Chief Executive Officer, the President and Chief Operating Officer, Secretary or any two directors. The person or persons authorized to call special meetings of the Board of Directors may fix any place, either within or without the State of Delaware, as the place for holding any special meeting of the Board Directors called by them, and if no other place is fixed the place of meeting shall be the principal business office of the Corporation in the State of Wisconsin.

SECTION 3.05 Notice; Waiver. Notice of each meeting of the Board of Directors (unless otherwise provided in or pursuant to SECTION 3.03) shall be given by written notice delivered personally, by mail or by telegram to each director at his business address or at such other address as such director shall have designated in writing filed with the Secretary, not less than 48 hours in advance of such meeting. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail so addressed, with postage thereon prepaid. If notice is given by telegram, such notice shall be deemed to be

delivered when the telegram is delivered to the telegraph company. Whenever any notice whatever is required to be given to any director of the corporation under the Certificate of Incorporation or By-Laws or any provision of law, a waiver thereof in writing, signed at any time, whether before or after the time of meeting, by the director entitled to such notice, shall be deemed equivalent to the giving of such notice. The attendance of a director at a meeting shall constitute a waiver of such notice, except where a director attends a meeting and objects thereto to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of any regular or special meeting of the Board of Directors need be specified in the notice or waiver of notice of such meeting.

SECTION 3.06 Quorum. Except as otherwise provided by law or by the Certificate of Incorporation or these By-Laws, at least one-third of the number of directors set forth in SECTION 3.01 shall constitute a quorum for the transaction of business at any meeting of the Board of Directors, but a majority of the directors present (though less than such quorum) may adjourn the meeting from time to time without further notice.

SECTION 3.07 Telephonic Attendance. The Board of Directors, or any individual member thereof, may participate in a meeting of the Board, or any committee designated by the Board, by means of conference, telephone or a similar communications equipment provided that during the conduct of such meeting all persons participating therein can hear each other. Participation in a meeting pursuant to this section shall constitute a presence in person at such meeting.

SECTION 3.08 Manner of Acting. The act of the majority of the directors present at a meeting at which a quorum is present shall be the act of the Board of Directors, unless the act of a greater number is required by law or by the Certificate of Incorporation or these By-Laws.

SECTION 3.09 Conduct of Meetings. The meetings of the Board of Directors shall be presided over by one of the following officers in the order of seniority, if present and acting: the Chairman and Chief Executive Officer, the President and Chief Operating Officer, the Executive vice President, provided he be a director, a Vice President designated pursuant to SECTION 4.08, provided he be a director, or any director chosen by the directors present. The Secretary of the corporation shall act as secretary of all meetings of the Board of Directors, but in the absence of the Secretary, the presiding officer may appoint any Assistant Secretary or any director or other person present to act as secretary of the meeting.

SECTION 3.10 Vacancies. Any vacancy occurring in the Board of Directors, including a vacancy created by an increase in the number of directors, may be filled until the next succeeding annual election by the affirmative vote of a majority of the directors then in office, though less than a quorum of the Board of Directors, or by a sole remaining director, and the directors so chosen shall hold office until the next annual election and until their successors are duly elected and shall qualify, unless sooner displaced; provided that in case of a vacancy created by the removal of a Director by the vote of shareholders, the shareholders shall have the right to fill such vacancy at the same meeting or any adjournment thereof. If there are no directors in office, then any officer or any shareholder or an executor, administrator, trustee or guardian of a shareholder, or, other fiduciary entrusted with like responsibility for the person or estate of a shareholder, may call a special meeting of shareholders in accordance with the provisions of the Certificate of Incorporation or the By-Laws, or may apply to the Court of Chancery for a decree summarily ordering an election. If, at the time of filling any vacancy or any newly created directorship, the directors then in office shall constitute less than a majority of the whole board (as constituted immediately prior to any such increase), the Court of Chancery may, upon application of any shareholder or shareholders holding at least ten percent of the total number of the shares at the time outstanding having the right to vote for such directors, summarily order an election to be held to fill any such vacancies or newly created directorships, or to replace the directors chosen by the directors then in office.

SECTION 3.11 Compensation. The Board of Directors, irrespective of any personal interest of any of its members, may establish reasonable compensation of all directors for services to the corporation as directors, officers or otherwise, or may delegate such authority to an appropriate committee. Members of the Board may be paid their expenses, if any, of attendance at each meeting of the Board at any place other than the county in which the principal business office of the corporation is located. The Board of Directors also shall have authority to provide for or to delegate authority to an appropriate committee to provide for reasonable pensions, disability or death benefits and other benefits or payments, to directors, officers and employees and to their estates, families, dependents or beneficiaries on account of prior services rendered by such directors, officers and employees to the corporation.

SECTION 3.12 Presumption of Assent. A director of the corporation who is present at a meeting of the Board of Directors or a committee thereof of which he is a member at which action on any corporate matter is taken shall be presumed to have assented to the action unless his dissent shall be entered in the minutes of the meeting or unless he shall file his written dissent to

such action with the person acting as the secretary of the meeting before the adjournment thereof or shall forward such dissent by registered mail to the Secretary of the corporation immediately after the adjournment of the meeting. Such right to dissent shall not apply to a director who voted in favor of such action.

SECTION 3.13 Committees. The Board of Directors may, by resolution passed by a majority of the whole Board, designate one or more committees, each committee to consist of one or more of the directors of the corporation. The Board may designate one or more directors as alternative members of any committee, who may replace any absent or disqualified member at any meeting of the committee. In the absence or disqualification of a member of a committee, the member or members thereof present at any meeting and not disqualified from voting, whether or not he or they constitute a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in the place of any such absent or disqualified member. Any such committee, to the extent provided in the resolution of the Board of Directors, shall have and may exercise all the powers and authority of the Board of Directors in the management of the business and affairs of the corporation, and may authorize the seal of the corporation to be affixed to all papers which may require it; but no such committee shall have the power or authority to amend the Certificate of Incorporation, adopt an agreement of merger or consolidation, recommend to the shareholders the sale, lease or exchange of all or substantially all of the corporation's property and assets, recommend to the shareholders a dissolution of the corporation or a revocation of a dissolution or amend the By-Laws of the corporation; and, unless the resolution, By-Laws or Certificate of Incorporation expressly so provide, no such committee shall have the power or authority to declare a dividend or to authorize the issuance of stock. Each such committee shall fix its own rules governing the conduct of its activities and shall make such reports to the Board of Directors of its activities as the Board of Directors may request.

SECTION 3.14 Unanimous Consent Without Meeting. Any action required or permitted by the Certificate of Incorporation or By-Laws or any provision of law to be taken by the Board of Directors at a meeting or by resolution may be taken without a meeting if a consent in writing, setting forth the action so taken, shall be signed by all the directors then in office, and such written consent is filed with the minutes of proceedings of the Board.

#### ARTICLE IV. OFFICERS

SECTION 4.01 Number. The principal officers of the corporation shall be a Chairman and Chief Executive Officer, a President and Chief Operating Officer, an Executive Vice

President, one or more other Vice Presidents (the number, precedent and duties thereof to be determined by the Board of Directors), a Secretary and a Treasurer, each of whom shall be elected by the Board of Directors. Such other officers and assistant officers as may be deemed necessary may be elected or appointed by the Board of Directors.

SECTION 4.02 Election and Term of Office. The officers of the corporation to be elected by the Board of Directors shall be elected annually by the Board of Directors at the first meeting of the Board of Directors held after each annual meeting of the shareholders. If the election of officers shall not be held at such meeting, such election shall be held as soon thereafter as conveniently may be. The Board of Directors may create a new principal office, including the addition of a new Vice President, and elect an officer thereto at any regular or special meeting of the Board of Directors. Each officer shall hold office until his successor shall have been duly elected or until his prior death, resignation or removal.

SECTION 4.03 Removal. Any officer or agent may be removed by the Board of Directors whenever in its judgment the best interests of the corporation will be served thereby, but such removal shall be without prejudice to the contract rights, if any, of the person so removed. Election or appointment shall not of itself create contract rights.

SECTION 4.04 Vacancies A vacancy in any principal office because of death, resignation, removal, disqualification or otherwise, including a vacancy caused by the creation of a new principal office by the Board of Directors, shall be filled by the Board of Directors for the unexpired portion of the term.

SECTION 4.05 Chairman and chief Executive Officer. The Chairman and Chief Executive Officer shall be the principal executive officer of the corporation and, subject to the control of the Board of Directors, shall in general supervise and control all the business and affairs of the corporation. He shall preside at all meetings of the shareholders and the Board of Directors. He shall have authority, subject to such rules as may be prescribed by the Board of Directors, to appoint such agents and employees of the corporation as he shall deem necessary, to prescribe their powers, duties and compensation, and to delegate authority to them. Such agents and employees shall hold office at the discretion of the Chairman and Chief Executive officer. He shall have the authority to sign, execute and acknowledge, on behalf of the corporation, all contracts, deeds, mortgages, bonds, stock Certificates, leases, reports and all other documents or instruments necessary or proper to be executed in the course of the corporation's regular business, or which shall be authorized by resolution of the Board of Directors. He may execute any such documents or instruments without the attestation

of any other corporate officer unless required by the Board of Directors, the transaction or operation of law. Except as otherwise provided by law or the Board of Directors, he may authorize the President and Chief Operating officer, the Executive Vice President, any Vice President or other officer or agent of the corporation to sign, execute and acknowledge such documents or instruments in his place and stead. In general, he shall have such other powers and duties as he may be called upon to perform by the Board of Directors

SECTION 4.06 President and Chief Operating Officer. The President and Chief Operating Officer shall be the principal operating officer of the corporation and shall be subject to the control of the Chairman and Chief Executive Officer. In the absence of the Chairman and Chief Executive officer or in the event of his death, disability or refusal to act, the President and Chief operating officer shall perform the duties of the Chairman and Chief Executive officer and when so acting shall have all the powers and duties of the Chairman and Chief Executive Officer in general, he shall perform all duties incident to the office of President and Chief operating officer and such other duties as may be assigned to him from time to time by the Board of Directors or the Chairman and Chief Executive officer.

SECTION 4.07 Executive Vice President. The Executive Vice President, shall assist the President and Chief Operating Officer in the discharge of supervisory managerial and executive duties and functions. In the absence of the President and Chief Operating Officer or in the event of his death, inability or refusal to act, the Executive Vice President shall perform the duties of the President and Chief Operating Officer and when so acting shall have all the powers and duties of said President and Chief Operating Officer. He shall perform such other duties as from time to time may be assigned to him by the Board of Directors, the Chairman and Chief Executive Officer for the President and Chief Operating Officer.

SECTION 4.08 Vice Presidents. In the absence of the President and Chief Operating Officer and Executive Vice President or in the event of their death, inability or refusal to act, or in the event for any reason it shall be impracticable for the President and Chief Operating Officer and the Executive Vice President to act personally, the Vice President (or in the event there be more than one vice President, the Vice Presidents in the order designated by the Board of Directors, or in the absence of any designation, then in the order of their election) shall perform the duties of the President and Chief Operating Officer, and when so acting, shall have all the powers of and be subject to all the restrictions upon the President and Chief Operating Officer. Any Vice President may sign, if required by the Board of Directors, the transaction or operation of law, with the

Secretary or Assistant Secretary, certificates for shares of the corporation; and shall perform such other duties and have such authority as from time to time may be delegated or assigned to him by the President and Chief Operating Officer or by the Board of Directors. The execution of any instrument of the corporation by any Vice President shall be conclusive evidence, as to third parties, of his authority to act in the stead of the President and Chief Operating Officer.

SECTION 4.09 Secretary. The Secretary shall (a) keep the minutes of the meetings of the shareholders and of the Board of Directors in one or more books provided for that purpose; (b) see that all notices are duly given in accordance with the provisions of these By-Laws or as required by law; (c) be custodian of the corporate records and of the seal of the corporation and see that the seal of the corporation is affixed to all documents, the execution of which on behalf of the corporation under its seal is duly authorized; (d) keep or arrange for the keeping of a register of the post office address of each shareholder which shall be furnished to the Secretary by such shareholder; (e) if required by the Board of Directors, the transaction or, operation of law, sign with the Chairman and Chief Executive Officer, the President and Chief Operating Officer, the Executive Vice President, or a Vice President, certificates for shares of the corporation, the issuance of which shall have been authorized by resolution of the Board of Directors; (f) have general charge of the stock transfer books of the corporation; and (g) in general, perform all duties and exercise such authority as from time to time may be delegated or assigned to him by the President and Chief Operating Officer or by the Board of Directors.

SECTION 4.10 Treasurer. The Treasurer shall (a) have charge and custody of and be responsible for all funds and securities of the corporation; (b) receive and give receipts for monies due and payable to the corporation from any source whatsoever, and deposit all such monies in the name of the corporation in such banks, trust companies or other depositories as shall be selected in accordance with the provisions of SECTION 8.04; and (c) in general, perform all of the duties incident to the office of Treasurer and have such other duties and exercise such other authority as from time to time may be delegated or assigned to him by the President and Chief Operating Officer or by the Board of Directors. If required by the Board of Directors, the Treasurer shall give a bond for the faithful discharge of his duties in such sum and with such surety or sureties as the Board of Directors shall determine.

SECTION 4.11 Assistant Secretaries and Assistant Treasurers. There shall be such number of Assistant Secretaries and Assistant Treasurers as the Board of Directors may from time to time authorize. If required by the Board of Directors, the transaction or operation of law, the Assistant Secretaries may

sign with the Chairman and Chief Executive Officer, the President and Chief Operating Officer, the Executive Vice President or a Vice President certificates for shares of the corporation the issuance of which shall have been authorized by a resolution of the Board of Directors. The Assistant Treasurers shall respectively, if required by the Board of Directors, give bonds for the faithful discharge of their duties in such sums and with such sureties as the Board of Directors shall determine. The Assistant Secretaries and Assistant Treasurers, in general, shall perform such duties and have such authority as shall from time to time be delegated or assigned to them by the Secretary or the Treasurer, respectively, or by the President and Chief Operating Officer or the Board of Directors.

SECTION 4.12 Other Assistants and Acting Officers. The Board of Directors shall have the power to appoint any person to act as assistant to any officer, or as agent for the corporation in his stead, or to perform the duties of such officer whenever for any reason it is impracticable for such officer to act personally, and such assistant or acting officer or other agent so appointed by the Board of Directors shall have the power to perform all the duties of the office to which he is so appointed to be assistant, or as to which he is so appointed to act, except as such power may be otherwise defined or restricted by the Board of Directors.

SECTION 4.13 Salaries. The salaries of all principal officers shall be subject to the review and approval of the Compensation Committee who shall then make a recommendation to the Board of Directors for their approval or rejection. No officer shall be prevented from receiving a salary by reason of the fact that he is also a director of the corporation.

#### ARTICLE V. LIABILITY OF OFFICERS AND DIRECTORS

SECTION 5.01 No person shall be liable to the corporation for any loss or damage suffered by it on account of any action taken or omitted to be taken by him as a director or officer of this corporation, or of any other corporation which he serves as a director or officer at the request of this corporation, in good faith, if such person (a) exercised and used the same degree of care and skill as a prudent man would have exercised or used under the circumstances in the conduct of his own affairs or (b) took or omitted to take such action in reliance upon advice of counsel for the corporation or upon statements made or information furnished by officers or employees of the corporation which he had reasonable grounds to believe to be true. The foregoing shall not be exclusive of other rights and defenses to which he may be entitled as a matter of law.

## BYLAWS

## ARTICLE VI. INDEMNIFICATION

SECTION 6.01. Actions Other Than by the Corporation. Subject to the limitations contained in this Article VI, the corporation shall, to the fullest extent permitted by the Delaware General Corporation Law and other applicable laws, as in effect from time to time, indemnify any person who was or is a party or is threatened to be made a party to any formal or informal threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, including, without limitation, any action brought under federal or state securities laws, rules or regulations (collectively, "Actions" and individually an "Action"), other than an Action by or in the right of the corporation and other than an Action asserted by such person against the corporation for any reason other than to enforce his rights under this Article VI, by reason of the fact that he is or was a director or officer of the corporation, or by reason of the fact that such person is or was a director or officer of the corporation and is or was serving at the request of the corporation as a director, officer, employee, consultant or agent of another corporation, partnership, joint venture, trust or other enterprise, or is or was serving at the request of the corporation as a fiduciary of an employee benefit plan or an employee or agent of the corporation against (a) expenses, including, without limitation, attorneys' fees, actually and reasonably incurred in connection with any Action; (b) amounts actually and reasonably incurred in settlement of any Action; and (c) judgments, fines, penalties or other amounts actually incurred pursuant to an adjudication of liability in connection with any Action; provided, however, that no director or officer shall be entitled to indemnification under this section unless, with respect to the conduct that is the subject of the Action, he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding he had no reasonable cause to believe his conduct was unlawful. The termination of any Action by judgment, order, settlement, conviction or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the corporation and, with respect to any criminal action or proceeding, that the person had reasonable cause to believe that conduct was unlawful.

SECTION 6.02. Actions by or in the Right of the Corporation. Subject to the limitations contained in this Article VI, any person who was or is a party or is threatened to be made a party to any Action by or in the right of the corporation to procure a judgment in its favor by reason of the fact he is or was a director or officer of the corporation, or by reason of the fact that such

person is or was a director or officer of the corporation and is or was serving at the request of the corporation as a director, officer, employee, consultant or agent of another corporation, partnership, joint venture, trust or other enterprise, or is or was serving at the request of the corporation as a fiduciary of an employee benefit plan or as an employee or agent of the corporation, shall be indemnified by the corporation, to the fullest extent permitted by the Delaware General Corporation Law and other applicable laws, as in effect from time to time, against (a) expenses, including, without limitation attorneys' fees actually and reasonably incurred in connection with any Action; (b) amounts actually and reasonably incurred in settlement of any Action; and (c) judgments, fines, penalties or other amounts actually incurred pursuant to an adjudication of liability in connection with any Action; provided, however, that no director or officer shall be entitled to indemnification under this section unless, with respect to the conduct that is the subject of the Action, he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the corporation, and that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the corporation unless and only to the extent that the court in which such Action was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the court shall deem proper.

SECTION 6.03. Successful Defense of Actions. To the extent that a director or officer of the corporation has been successful on the merits otherwise in defending any Action described in Section 6.01 or 6.02 (including, without limitation, the settlement, dismissal, abandonment or withdrawal of any Action where he does not pay or assume any liability), he shall be indemnified by the corporation against expenses, including attorneys' fees, actually and reasonably incurred by him in connection therewith.

SECTION 6.04. Procedure for Indemnification. Any indemnification under Sections 6.01 and 6.02 of this Article VI, unless ordered by a court, shall be made by the corporation only as authorized in the specific case upon a determination that indemnification of such director or officer of the corporation is proper in the circumstances because he has met the applicable standard of conduct set forth in said Sections 6.01 and 6.02. Such determination shall be made within 60 days following a request for indemnification by a director or officer (a) by arbitration if requested or directed pursuant to Section 6.07(c); (b) by the Board of Directors by a majority vote of a quorum consisting of directors who were not parties to the subject Action; (c) if such a quorum is not obtainable or, even if obtainable, a quorum of disinterested directors so directs, by independent legal counsel in a written

opinion; or (d) by the affirmative vote of a majority of the shares entitled to vote thereon. The person or persons making the determination with respect to indemnification hereunder may, to the extent they deem appropriate, authorize the corporation to pay interest to a director or officer, at a reasonable interest rate, for amounts actually paid by him and determined to be a proper subject for indemnification. All fees, costs and expenses associated with the indemnification procedures set forth in this Section 6.04 or otherwise incurred by a director or officer to enforce his rights to indemnification provided in this Article VI, including, without limitation, the fees, costs and expenses of the independent legal counsel selected hereunder, shall be paid by the corporation.

SECTION 6.05. Advance Payment of Expenses. Expenses, including, without limitation, attorneys' fees, actually and reasonably incurred by a director or officer in connection with any Action, no matter by whom brought, shall be paid by the corporation to the director or officer in advance of the final disposition of such Action within 30 days of a written requests for advance payment of expenses which shall be accompanied by reasonable documentation of the amount of the claimed expenses. To receive advanced expenses under this Section 6.05, a director or officer must first enter into a written agreement with the corporation in which he warrants his good faith belief that he has met the appropriate standard of conduct set forth in Section 6.01 or 6.02, as the case may be, of this Article VI and agrees to repay any advances made pursuant to this Section 6.05 if it is determined that such director, or officer is not entitled to indemnification by the corporation for such amounts pursuant to the procedures of Section 6.04 of this Article VI.

SECTION 6.06. Partial Indemnification.

(a) If it is determined pursuant to Section 6.04 of this Article VI that a director or officer is entitled to indemnification as to some claims, issues or matters, but not as to other claims, issues or matters, involved in any Action, no matter by whom brought, the person or persons making such determination shall reasonably determine which expenses, including, without limitation, attorneys' fees, amounts paid in settlement and/or judgments, penalties or fines, are the result of claims, issues or matters that are a proper subject for indemnification hereunder in light of all of the circumstances of such Action.

(b) If it is determined pursuant to Section 6.04, of this Article VI that certain amounts paid by a director or officer, whether for expenses, attorneys' fees and/or amounts paid in settlement in connection with any Action, no matter by whom brought, are for any reason unreasonable in amount in light of all the circumstances of such Action, the person or persons making such

determination shall authorize the indemnification of the director or officer for only such amounts as he or they shall deem reasonable.

SECTION 6.07. Other Rights.

(a) General. The indemnification and advancement of expenses provided for in this Article VI shall not be deemed exclusive of any other rights to which those seeking indemnification or advancement of expenses may be entitled under any agreement with the corporation, any By-Law of the corporation, any vote of shareholders or disinterested directors or otherwise, both as to action in his official capacity and as to action in another capacity while holding such office. Nothing contained in this Article VI shall preclude the Board of Directors from determining, in its discretion, that persons serving as agents or employees of the corporation or as fiduciaries of an employee benefit plan of the corporation shall be entitled to the indemnification and advancement of expenses provided to directors and officers of the corporation in this Article VI.

(b) Contribution. If a director or officer requesting indemnity due to any Action is determined to be ineligible for the indemnity provided for in Section 6.01 or Section 6.02, as the case may be, of this Article VI, the corporation, in lieu of indemnifying such officer or director, shall contribute to the amount actually and reasonably incurred by him, whether for expenses, including, without limitation, attorneys' fees, amounts reasonably paid in settlement and/or judgments, fines or penalties incurred in connection with any Action, no matter by whom brought, in such proportion as is determined to be fair and reasonable by the persons or persons making the determination as to indemnification pursuant to Section 6.04 of this Article VI, or by the court before which such Action was brought, in light of all the circumstances of such Action, in order to reflect the relative benefits received by the corporation and the director or officer as a result of the occurrences giving cause to such Action and/or the relative fault of the corporation and the director or officer in connection with such occurrences; provided, however, that no director or officer shall be entitled to contribution from the corporation under this Section 6.07(b) if it is determined pursuant to Section 6.04, or by the court before which such Action was brought, that the director or officer engaged in criminal, fraudulent, reckless or willful misconduct in or disregard for the performance of his duty to the corporation.

(c) Arbitration. If requested by the director or officer seeking indemnification, contribution or any other rights provided under this Article VI, or by any person or persons authorized to make determinations pursuant to Section 6.04, any indemnification or other rights to be provided to an officer or director under this Article V, unless ordered by the court before with an Action was

brought, shall be authorized by a panel of three arbitrators in the city in which the corporation's principle executive offices are then located in accordance with the rules then prevailing of the American Arbitration Association, upon a determination in each specific case that the indemnification or other rights provided to the officer or director is proper under the circumstances because he has met the applicable standard of conduct set forth in the respective provisions of this Article VI. One of the arbitrators shall be selected by the Board of Directors of the corporation by a majority vote of a quorum consisting of directors who were not parties to the Action that is the subject of the indemnification (or, if such a quorum is not obtainable, by an independent legal counsel chosen by the Board of Directors of the corporation), the second arbitrator shall be selected by the director or officer who may be entitled to indemnification or other rights under this Article VI and the third arbitrator shall be a member in good standing of the American Arbitration Association of 180 North LaSalle Street, Chicago, Illinois, who will be selected by the two arbitrators selected by the foregoing parties.

SECTION 6.08. Severability of Provisions. The provisions of this Article VI and the several rights to indemnification, advancement of expenses, contribution, arbitration and limitation of actions created hereby are independent and severable and, in the event that any such provision and/or right shall be held by a court of competent jurisdiction in which an Action relating to such provisions and/or rights is brought to be against public policy or otherwise to be unenforceable, the other provisions of this Article VI shall remain enforceable and in full effect.

SECTION 6.09. Purchase of Insurance. The Corporation shall use its best efforts to purchase and maintain insurance on behalf of any person who is or was a director or officer of the Corporation, to the extent that such director or officer is insurable and such insurance coverage can be secured by the Corporation at rates, and in amounts and subject to such terms and conditions as shall be determined in good faith to be reasonable and appropriate by the Board of Directors of the Corporation, and whose determination shall be conclusive, against liability asserted against him or incurred by him in any such capacity or arising out of his status as such, whether or not the Corporation would have the power to indemnify him against such liability under the provisions of this Article VI.

SECTION 6.10. Benefit. The rights to indemnification and advancement of expenses provided by, or granted pursuant to, this Article VI shall continue as to a person who has ceased to be a director or officer and shall inure to the benefit of the heirs, executors and administrators of such a person.

SECTION 6.11. Amendment. No amendment or repeal of this Article VI shall be effective to reduce the obligations of the

corporation under this Article VI with respect to any Action based upon occurrences which take place prior to such amendment or repeal.

ARTICLE VII. CONTRACTS BETWEEN  
CORPORATION AND RELATED PERSONS

SECTION 7.01. No contract or transaction between the corporation and one or more of its directors or officers, or between the corporation and any other corporation, partnership, association or other organization in which one or more of its directors or officers are directors or officers, or have a financial interest, shall be void or voidable solely for this reason, or solely because the director or officer is present at or participates in the meeting of the Board or committee thereof which authorizes the contract or transaction solely because his or their votes are counted for such purposes, if (a) the material facts as to his relationship of interest and as to the contract or transaction are disclosed or are known to the Board of Directors or the committee, and the Board or committee in good faith authorizes the contract or transaction by the affirmative votes of a majority of the disinterested directors, even though the disinterested directors be less than a quorum; (b) the material facts as to his relationship or interest and as to the contract or transaction are disclosed or are known to the shareholders entitled to vote thereon, and the contract vote of the shareholders; or (c) the contract or transaction is fair as to the corporation as of the time it is authorized, approved or ratified, by the Board of Directors, a committee thereof, or the shareholders. Common or interested directors may be counted in determining the presence of a quorum at a meeting of the Board of Directors or of a committee which authorizes the contract or transaction. This Article VII shall not be construed to invalidate any contract or other transaction which would otherwise be valid under the common and statutory law applicable thereto.

ARTICLE VIII. CONTRACTS, LOANS, CHECKS AND  
DEPOSITS; SPECIAL CORPORATE ACTS

SECTION 8.01 Contracts. The Board of Directors may authorize any officer or officers, agent or agents, to enter into any contract or execute or deliver any instrument in the name of and on behalf of the corporation, and such authorization may be general or confined to specific instances. In the absence of other designation, all contracts, deeds, mortgages and instruments of assignment or pledge made by the corporation shall be executed in the name of the corporation by the Chairman and Chief Executive Officer, or any other officer of the corporation authorized by the chairman and Chief Executive officer, and if required by the Board of Directors, the transaction or operation of law, by the Secretary, an Assistant Secretary, the Treasurer or an Assistant Treasurer; the Secretary or an Assistant Secretary, when necessary

or required, shall affix the corporate seal thereto; and when so executed no other party to such instrument or any third party shall be required to make any inquiry into the authority of the signing officer or officers.

SECTION 8.02 Loans. No loans shall be contracted on behalf of the corporation and no evidences of indebtedness shall be issued in its name unless authorized by or under the authority of a resolution of the Board of Directors. Such authorization may be general or confined to specific instances.

SECTION 8.03 Checks, Drafts, Etc. All checks, drafts or other orders for the payment of money, notes or other evidences of indebtedness issued in the name of the corporation shall be signed by such officer or officers, agent or agents of the corporation and in such manner as shall from time to time be determined by or under the authority of a resolution of the Board of Directors.

SECTION 8.04 Deposits. All funds of the corporation not otherwise employed shall be deposited from time to time to the credit of the corporation in such banks, trust companies or other depositories as may be selected by or under the authority of a resolution of the Board of Directors.

SECTION 8.05 Voting of Shares Owned by the Corporation. Subject always to the specific directions of the Board of Directors, (a) any shares or other securities issued by any other corporation and owned or controlled by this corporation may be voted at any meeting of security holders of such other corporation by the Chairman and Chief Executive officer of this corporation if he be present, or in his absence by the President and Chief Operating Officer, or in his absence the Executive Vice President, or if he be absent any Vice President of this corporation who may be present and (b) whenever, in the judgment of the Chairman and Chief Executive officer or in his absence, the President and Chief Operating officer, or in his absence the Executive Vice President, or if he be absent any Vice President, it is desirable for this corporation to execute a proxy or written consent in respect to any shares or other securities issued by any other corporation and owned by this corporation, such proxy or consent shall be executed in the name of this corporation by the Chairman and Chief Executive Officer or in his absence, the President and Chief Operating Officer, the Executive Vice President or one of the Vice Presidents of this corporation without necessity of any authorization by the Board of Directors, affixation of corporate seal or countersignature or attestation by another officer. Any person or persons designated in the manner above stated as the proxy or proxies of this corporation shall have full right, power and authority to vote the shares or other securities issued by such other corporation and owned by this corporation the same as such shares or other securities might be voted by this corporation.

ARTICLE IX. CERTIFICATES FOR  
SHARES AND THEIR TRANSFER

SECTION 9.01 Certificates for Shares. Certificates representing shares of the corporation shall be in such form, consistent with law, as shall be determined by the Board of Directors. Such certificates shall be signed by the Chairman and Chief Executive Officer, President and Chief Operating Officer, the Executive Vice President or a Vice President and, if required by the Board of Directors, the transaction or operation of law, by the Secretary or an Assistant Secretary. All certificates for shares shall be consecutively numbered or otherwise identified. The name and address of the person to whom the shares represented thereby are issued, with the number of shares and date of issue, shall be entered on the stock transfer books of the corporation. All certificates surrendered to the corporation for transfer shall be canceled and no new certificate shall be issued until the former certificate for a like number of shares shall have been surrendered and canceled, except as provided in SECTION 9.06.

SECTION 9.02 Facsimile Signatures and Seal. The seal of the corporation on any certificates for shares may be a facsimile. The signatures of the Chairman and Chief Executive officer, President and Chief Operating Officer, the Executive Vice President or Vice President and the Secretary or Assistant Secretary upon a certificate may be facsimiles if the certificate is countersigned by a transfer agent, or registered by a registrar, other than the corporation itself or an employee of the corporation.

SECTION 9.03 Signature Former Officers. In case any officer, who has signed or whose facsimile signature has been placed upon any certificate for shares, shall have ceased to be such officer before such certificate is issued, it may be issued by the corporation with the same effect as if he were such officer at the date of its issue.

SECTION 9.04 Transfer of Shares. The Board of Directors may appoint one or more transfer agents and one or more registrars of its stock of any class or classes, whose respective duties shall be defined by the Board of Directors. Prior to due presentment of a certificate for the shares for registration of transfer the corporation may treat the registered owner of such shares as the person exclusively entitled to vote, to receive notifications and otherwise to exercise all the rights and powers of an owner. Where a certificate for shares is presented to a transfer agent of the corporation, if one be appointed, or to the corporation if no transfer agent has been appointed, with a request to register for transfer, the transfer agent and corporation shall not be liable to the owner or any other person suffering loss as a result of such registration of transfer if (a) there were on or with the certificate the necessary endorsements and (b) the transfer agent, if one be Appointed, and the corporation had no duty to inquire

into adverse claims or has discharged any such duty. The transfer agent, if one be appointed, and the corporation may require reasonable assurance that said endorsements are genuine and effective and comply with such other regulations as may be prescribed under the authority of the Board of Directors.

SECTION 9.05 Restrictions on Transfer. The face or reverse side of each certificate representing shares shall bear a conspicuous notation of any restriction imposed by the corporation upon the transfer of such shares.

SECTION 9.06 Lost, Destroyed or Stolen Certificates. Where the owner claims that his certificate for shares has been lost, destroyed or wrongfully taken, a new certificate shall be issued in place thereof if the owner (a) so requests before the corporation has notice that such shares have been acquired by a bona fide purchaser, (b) files with the corporation a sufficient indemnity bond, and (c) satisfies such other reasonable requirements as the Board of Directors may prescribe.

SECTION 9.07 Consideration for Shares. The shares of the corporation may be issued for such consideration, not less than the par value thereof (if any), as shall be fixed from time to time by the Board of Directors. The consideration to be paid for shares may be paid in whole or in part, in money, in other property, tangible or intangible, or in labor or services actually performed for the corporation. When payment of the consideration for which shares are to be issued shall have been received by the corporation, such shares shall be deemed to be fully paid and nonassessable by the corporation. No certificate shall be issued for any share until it is fully paid.

SECTION 9.08 Stock Regulations. The Board of Directors shall have the power and authority to make all such further rules and regulations not inconsistent with the statutes of the State of Delaware as it may deem expedient concerning the issue, transfer and registration of certificates representing shares of the corporation.

#### ARTICLE X. FISCAL YEAR

SECTION 10.01 The fiscal year of the corporation shall begin on July 1 of each year.

#### ARTICLE XI. DIVIDENDS

SECTION 11.01 The Board of Directors may from time to time declare, and the corporation may pay, dividends on its outstanding shares in the manner and upon the terms and conditions provided by law and its Certificate of Incorporation.

#### ARTICLE XII. SEAL

SECTION 12.01 The Board of Directors shall provide a corporate seal which shall be circular in form and shall have inscribed thereon the name of the corporation, the state of incorporation and the words "Corporate Seal".

ARTICLE XIII. AMENDMENTS

SECTION 13.01 By Shareholders. These By-Laws may be altered, amended or repealed and new By-Laws may be adopted by the shareholders by affirmative vote of not less than a majority of the shares present or represented at any annual or special meeting of the shareholders at which a quorum is in attendance.

SECTION 13.02 By Directors. These By-Laws may also be altered, amended or repealed and new By-Laws may be adopted by the Board of Directors by affirmative vote of a majority of the number of directors present at any meeting at which a quorum is in attendance; but no By-Law adopted by the shareholders shall be amended or repealed by the Board of Directors if the By-Law so adopted so provides.

SECTION 13.03 Implied Amendments. Any action taken or authorized by the shareholders or by the Board of Directors, which would be inconsistent with the By-Laws then in effect but is taken or authorized by affirmative vote of not less than the number of shares or the number of directors required to amend the By-Laws so that the By-Laws would be consistent with such action, shall be given the same effect as though the By-Laws had been temporarily amended or suspended so far, but only so far, as is necessary to permit the specific action so taken or authorized.

## OFFICER LOAN POLICY

RESOLVED: That in accordance with the authority granted by Delaware Statutes, section 143, the following policy regarding advances to officers be and hereby is established:

1. Advances to officers shall be granted only where it is deemed necessary and in the best interest of the officer in question and this Company.
2. Advances shall be limited to one-half the officer's annual base salary.
3. Interest on any advances in excess of \$10,000.00 in the aggregate per officer shall be charged at the minimum rate provided in section 483 of the Internal Revenue Code as amended from time to time. The current minimum rate is nine (9) percent per annum.
4. The Chief Operating Officer of the Company, except when a determination related to such officer, and in such case, the Chief Executive Officer, shall determine the terms and conditions of any advance to an officer except as provided in the preceding paragraph.

Adopted at Board of Directors Meeting January 31, 1980.

KOSS ELECTRONICS, INC.  
SPECIAL MEETING OF BOARD OF DIRECTORS  
JULY 1, 1968

A special meeting of the Board of Directors of KOSS ELECTRONICS, INC. was held at the office of the Company at Milwaukee, Wisconsin, on the 1st day of July, 1968.

A notice of the meeting had been mailed to all Directors on June 28, 1968, a copy of which notice is attached to these minutes, and all directors except Curtis Wemple and Marion Evans were present at the meeting

John C. Koss, the President, called the meeting to order and presided. John D. Cahill, the Secretary, recorded the minutes.

The President stated that the purpose of this meeting was to consider the adoption of a program and plan for the payment of medical and dental expenses incurred by the President and the various Vice Presidents of the company. It was the consensus of the meeting that such a program would be economically feasible and would benefit the company by way of increased employee morale and efficiency.

After discussion as to the relative merits of various types of plans, and after presentation by the attorneys for the company of a written proposed plan, the following resolution was unanimously adopted:

WHEREAS, KOSS ELECTRONICS, INC. desires to pay the medical and dental expenses of the company's President and various Vice Presidents and their families, subject to certain limitations set forth hereinafter, and

WHEREAS, notice of this plan shall be given to the said employees of the company;

NOW, THEREFORE, BE IT RESOLVED, that the company shall pay the medical and dental expenses of the company's President and the various Vice Presidents and their families pursuant to the following plan:

"MEDICAL REIMBURSEMENT PLAN"

1. The Plan, as herein set forth, shall become effective on the date of this meeting, July 1, 1968.

2. The Company will reimburse at least quarterly the President and any Vice President, who is employed by the Company on a full-time basis, for all expenses incurred by such President or Vice President for the medical and dental care (as defined in Section 213(e) of the Internal Revenue Code of 1954 or as hereafter amended) of such President or Vice President, his spouse and his dependents (as

defined in Section 152 of the Internal Revenue Code of 1954 or as hereafter amended). The President or a Vice President shall be considered as employed on a full-time basis for the purposes of this Plan if he customarily works at least seven (7) months in each year and twenty (20) hours in each week. Expenses for medical and dental care as so defined in Section 213(e) shall include all amounts paid for hospital bills, doctor and dental bills, drugs and premiums on health or accident insurance, including hospitalization, surgical, and medical insurance. Dependents as so defined in Section 152, includes any member of such officer's family over one-half of whose support is furnished by such officer.

3. The Company may, in its discretion, pay directly any or all of the above defined expenses in lieu of making, reimbursement therefor. In such event, the Company shall be relieved of all further responsibility with respect to that particular medical expense.

4. The reimbursement to, or the payment on behalf of, any one of the covered employees, including his spouse and his dependents, shall be limited in any calendar year to ten (10%) per cent of that covered employee's salary for that calendar year.

5. Any covered employee applying for reimbursement under this plan shall submit to the Company, at least quarterly, all hospitalization, dental or other medical bills, including premium notices for accident or health insurance for verification by the Company prior to payment. A failure to comply herewith may, at the discretion of the Company, terminate such covered employee's right to said reimbursement.

6. Reimbursement or payment provided under this plan shall be made by the Company only in the event and to the extent that such reimbursement is not provided for under any insurance policy or policies, whether owned by the company or the covered employee, or under any other health and accident or wage continuation plan. In the event that there is such a policy in effect, providing for reimbursement or payment in whole or in part, then to the extent of the coverage under such policy or plan, the Company shall be relieved of any and all liability thereunder.

7. It is the intention of the Company that benefits payable under this Plan shall be eligible for exclusion from the gross income of the officers covered by this plan, as provided by Section 105 of the Internal Revenue Code of 1954, or as hereafter amended.

8. Any person hereafter becoming the President or a Vice President of this Company employed on a full-time basis, shall be eligible for the benefits provided under this plan.

9. A copy of this plan shall be given to the present President and any future President and the present Vice Presidents and any future Vice Presidents of this Company, who are employed on a full-time basis.

10. This plan shall be subject to termination at any time hereafter by affirmative vote of the Board of Directors of the Company; provided, however, that such termination shall not affect any right to claim reimbursement for medical expenses under the provisions of this plan arising prior to said termination.

BE IT FURTHER RESOLVED, that the proper officers of the corporation be, and they hereby are, authorized, empowered, and directed to do and perform any and all acts and deeds necessary to carry out such plan, and,

BE IT FURTHER RESOLVED, that the officers of the corporation be, and they hereby are, directed to conform to the requirements of Section 105 of the Internal Revenue Code of 1954 or as hereafter amended.

There being no further business, the meeting was duly adjourned.

\_\_\_\_\_  
John D. Cahill, Secretary

APPROVED BY DIRECTORS:

\_\_\_\_\_  
John C. Koss

\_\_\_\_\_  
John D. Cahill

\_\_\_\_\_  
Martin Lange, Jr.

\_\_\_\_\_  
Earl L. Koss

\_\_\_\_\_  
Curtis B. Wemple

\_\_\_\_\_  
Allen R. Korbel

\_\_\_\_\_  
Marion Evans

## DEATH BENEFIT AGREEMENT

AGREEMENT made this 24th day of April, 1980, between Koss Corporation (hereinafter referred to as Company) and John C. Koss (hereinafter referred to as Employee).

WHEREAS, Employee is employed by Company as its Chairman and Chief Executive Officer, and

WHEREAS, Company and Employee desire to enter into an Agreement whereby if Employee dies prior to attaining the age of seventy (70) years and while in the Company's employ at the time of death, or has previously retired in accord with the Company's retirement policy, certain payments will be made as more fully set forth herein.

NOW, THEREFORE, in consideration of the employment of Employee by Company and intending to be legally bound hereby, the parties hereto agree as follows:

1. **Employee Death Benefits**  
If Employee's death occurs before Employee has attained the age of seventy (70) years, and while Employee is an active employee of Company or has previously retired in accord with the Company's retirement policy, Company will pay to the designated beneficiary (as indicated in paragraph 6 hereof) the sum of Fifty Thousand Dollars (\$50,000.00) semiannually commencing thirty (30) days following the date of Employee's death and every six months thereafter until the sum of the benefits paid hereunder totals Seven Hundred Thousand Dollars (\$700,000.00).
2. **Employee's Contribution**  
Employee acknowledges that he has not been required to make any monetary investment in Company or give any consideration, other than employment, to Company in return for this Agreement.
3. **Company's Funding**  
Company shall not be required to fund its potential obligations under this Agreement or to pledge assets as security for its performance hereunder.

## 4. Termination of Employment

This Agreement shall not in any way constitute any employment agreement between Employee and Company and shall in no way obligate Company to continue the employment of Employee with Company, nor shall this Agreement limit the right of Company to terminate Employee's employment with Company for any reason. Termination of Employee's employment with Company for any reason, whether by action of Company, Employee or in any other manner, shall immediately terminate this Agreement and all of Company's obligations hereunder. For purposes of paragraph 1, the word "termination" shall not be defined to include termination occasioned by the death of Employee.

## 5. Other Benefits and Agreements

The benefits provided for Employee hereunder are in addition to any other benefits Employee may have under any other plan or program of Company, and, except as otherwise expressly provided for herein, this Agreement shall supplement and shall not supersede any other Agreement between Company and Employee or any provision contained therein.

## 6. Beneficiary Designation

All sums due hereunder as a result of Employee's death shall be payable to Employee's spouse, if living at the date of the payment required hereunder, otherwise to Employee's issue by right of representation.

## 7. Notices

Any notice which shall be or may be given hereunder shall be in writing and shall be mailed by certified mail, postage prepaid, addressed as follows:

- (a) Notice to Employee or Assignee:  
7787 N. River Road  
River Hills, Wisconsin 53217
- (b) Notice to Company:  
4129 N. Port Washington Avenue  
Milwaukee, Wisconsin 53212

Any party hereto may from time to time change the address to which notices to it shall be mailed by giving notice thereof in the manner provided for herein.

8. Miscellaneous

- (a) This Agreement shall be binding upon and inure to the benefit of the parties hereto, their respective heirs, personal representatives, successors and assigns.
- (b) This Agreement represents the entire understanding between the parties hereto and may be amended only by an instrument in writing signed by such parties.
- (c) This Agreement shall be governed and construed under the laws of the State of Wisconsin as in effect at the time of the execution of this Agreement.
- (d) All headings preceding the text of the several paragraphs hereof are inserted solely for reference and shall not constitute a part of this Agreement, nor affect its meaning, construction or effect.
- (e) Upon Employee's attaining the age of seventy (70) years, this Agreement shall terminate and shall be considered null, void, and of no legal effect.

IN WITNESS WHEREOF, the parties hereto have set their hands and seal the day first written above.

/s/ John C. Koss (SEAL)  
 -----  
 Employee John C. Koss

Koss Corporation

By: /s/ Dennis P. Wherry (SEAL)  
 -----  
 Dennis P. Wherry

Its: Vice President  
 -----

## EXHIBIT C

## STOCK PURCHASE AGREEMENT

THIS AGREEMENT, made this 27th day of June, 1980, by and between JOHN C. KOSS of Milwaukee, Wisconsin ("Koss") and KOSS CORPORATION, a Wisconsin corporation (the "Company"),

## W I T N E S S E T H:

WHEREAS, Koss owns approximately 38% of the common stock of the Company; and

WHEREAS, the Company is and expects to continue to be financially able to purchase a number of the shares owned by Koss; and

WHEREAS, Koss and the Company both believe that an arrangement for the orderly disposition of shares of Company stock by the personal representative of the estate of Koss will help to (1) maintain the market value of the common stock of the Company, (2) preserve favorable capital markets for the Company, and (3) stabilize and strengthen holdings in other blocks of shares of the Company; and

WHEREAS, Koss is an executive employee of the Company and the Company desires to maintain continuity in management by inducing Koss to remain as an employee and to provide added incentive for him to maximize the value of the Company's common stock through his efforts as an executive employee of the Company; and

WHEREAS, Koss desires to continue in the employ and service of the Company but desires that a portion of his stock be converted into a liquid asset upon his death at the option of his personal representative;

NOW, THEREFORE, in consideration of the premises and the mutual promises herein contained, IT IS AGREED:

1. Purchase From Estate of Koss (or From Designee of Personal Representative of Such Estate).

(a) Demand and Purchase. If the personal representative of the estate of Koss under Wisconsin law (the "Personal Representative") makes, within 12 months after the date of death of Koss, a written demand on the Company to purchase, then the Company agrees to purchase on the terms and conditions hereinafter set forth a sufficient number of shares of the common stock of the Company owned by the estate of Koss or by one or more persons or entities designated by the Personal Representative or both (the "Shares") on the date of the demand to purchase, to provide total cash proceeds in an amount not greater than the lesser of (i) \$2,500,000; or (ii) the amount of estate, inheritance, legacy and succession taxes and of funeral and administration expenses that would determine the amount which could be treated as a distribution in full payment in exchange for the Shares if the Shares were redeemed under Internal Revenue Code Section 303. The limitation on the amount of total cash proceeds contained in the preceding sentence shall apply whether or not the estate of Koss qualifies under the provisions of Internal Revenue Code Section 303.

(b) Notice of Amount of Section 303 Taxes and Expenses. The Personal Representative must include with the demand to purchase a reasonable estimate of the amount of estate, inheritance, legacy and succession taxes and of funeral and administration expenses that would determine the amount of the purchase qualifying for section 303 treatment. Following receipt of the final determination of estate and inheritance tax liability of the estate of Koss by the Internal Revenue Service and Department of Revenue of the State of Wisconsin, the Personal Representative shall supply the Company with certification of the amount of taxes and expenses which would determine the amount of the purchase which would qualify for section 303 treatment (assuming all requirements of that section were met).

(c) Purchase from Designee. The Personal Representative may designate any person, persons or entities who own stock that will be included for tax purposes in the federal gross estate of Koss and who present evidence satisfactory to the Company that they are responsible for the payment of the federal estate and state inheritance taxes assessed or payable with respect to such stock, as the Personal Representative designee (the "Designee") entitled to sell to the Company on the terms and conditions set forth in this Agreement, such number of Shares as the Personal Representative, in his sole discretion, determines.

(d) Certificate of Personal Representative. The Personal Representative shall not be obligated to designate any persons or entities, and if he does so his power shall be exercised in his sole and absolute discretion. The Company shall be entitled to rely upon a certificate of the Personal Representative regarding who, if anyone, has been designated by him and the number of Shares any Designee has been empowered in such designation to sell; the Company shall be absolutely protected and shall be indemnified and held harmless by the estate of Koss and the Personal Representative from any liability for any act performed in good faith in reliance upon and in accordance with a certificate of the Personal Representative the Company believes to be genuine.

2. Purchase Price. The purchase price for each Share shall be 95% of the fair market value per share on the date the notice of demand to purchase is given (the "Demand Date"). Fair market value of the Shares shall be deemed to be that value equal to the mean between the highest bid and lowest asked price for the common stock of the Company in the over-the-counter market on the Demand Date, or, in the event the stock is trading on such date in an exchange market, the mean between the highest and lowest price for the Shares on such date. Regardless of the applicable market, if prices for the stock are not available on the Demand Date, then prices from the closest day preceding the Demand Date on which prices are available, shall be used in the computation of fair market value.

3. Time of Closing. The closing of the purchase and sale shall take place within 60 days after receipt by the Company of a written demand by the Personal Representative or Designee that the Company purchase Shares. Upon receipt of such notice, the Company shall immediately notify the seller of a specified time and place when the purchase and sale shall take place.

#### 4. Payment for Shares.

(a) Initial Payment. At the closing of the purchase and sale of the Shares and upon delivery to the Company of the Shares in a proper and duly endorsed form for transfer, the Company shall deliver to the seller not less than 25% of the purchase price, in cash or in the form of a certified or bank cashier's check. In the event the Company pays less than the total purchase price, the Company shall have four years to pay the remaining balance of the purchase price.

(b) Promissory Note. The deferred portion of the purchase price shall be represented by a negotiable promissory note of the Company in the form attached hereto as Exhibit A delivered to the seller at closing. The note shall bear interest at the rate of interest charged by the Company's principal lending bank to its most creditworthy commercial borrowers on 90 day unsecured loans (the "Prime Rate"), and this rate of interest shall change when and as the prime rate changes. The note shall provide that payment of principal and interest shall be made in 16 installments, each of an equal amount of principal, commencing 90 days after the date of closing with succeeding installments due on the same day of each third month. The promissory note shall provide the Company with the privilege of prepaying without penalty, all or any part of the remaining principal balance at any time, with interest to the date of payment. If any principal or interest payment shall not be paid when due, the Personal Representative, in addition to availing himself of all other rights, may declare the entire amount of such note and any other notes received by him from the Company in connection with the purchase immediately due and payable.

5. Adjustment in Proceeds Amount. The parties anticipate that they will not know the total amount of section 303 costs within 12 months of death and will not know these costs until the completion of federal and state tax audits and any possible litigation. Therefore, an adjustment in the number of Shares which the Company shall purchase under this Agreement in order to provide the maximum amount of total cash proceeds shall take place at a time and place agreed upon by the Company and the seller provided that it shall take place within 30 days after the Internal Revenue Service and the Department of Revenue of the State of Wisconsin have made their final determinations for estate and inheritance tax purposes of the tax liability related to the estate of Koss.

If an adjustment results in an increase in the number of Shares to be purchased by the Company, then the Personal Representative shall tender the additional Shares plus all dividends received on such Shares from the Demand Date, and the Company shall deliver to the personal representative, the purchase price of such Shares, in cash or in the form of a certified or bank cashier's check, plus interest at the Prime Rate. If an adjustment results in a decrease in the number of Shares to be purchased by the Company, the Company shall tender the Shares plus dividends which would have been received on the tendered Shares from the Demand Date, and the Personal Representative shall deliver to the Company the purchase price paid by the Company plus interest at the Prime Rate. No adjustment shall be made for fractional Shares.

6. Governing Laws. This Agreement shall be subject to and governed by the laws of the State of Wisconsin irrespective of the fact that one or more of the parties is or may become a resident of a different state.

7. Compliance with Securities Laws.

(a) Disclosure. Nothing in this Agreement shall impose on Company an obligation to provide information to the Personal Representative or Designee that Company does not provide to the shareholders and public generally. The Company may disclose the existence and terms of this Agreement in such registration statements, annual reports, proxy statements and other securities law filings as are required by or advisable under applicable federal and state securities laws.

(b) Rule 10b-5. Company is under no obligation to purchase any Shares, if, in the opinion of Company or its counsel, to do so would violate Rule 10b-5 of the Securities Exchange Act of 1934 or any other then applicable federal or state securities law or regulation, or any obligation imposed upon the Company by such laws or administrative or court decision under such laws, or if to do so would impair the Company's capital in a manner prohibited by law or cause it to go bankrupt or be unable to meet its debts as they become due. If, pursuant to this provision, the Company does not

purchase any Shares at the time of the initial demand, then the Company shall notify the Personal Representative or Designee as soon as the condition precluding the purchase no longer applies and will then purchase Shares upon receipt of a demand to purchase. If the exercise of the option is prevented by this clause, then the period during which the option is exercisable shall be extended beyond 12 months of the death of Koss for the number of days during which company was precluded from purchasing.

(c) Public Offering. The Company is under no obligation to purchase any Shares if, in the opinion of the Company or its counsel, to do so would violate the Securities Act of 1933 or the Securities Exchange Act of 1934, or any rule or regulation thereunder or any State securities law or regulation because such purchase would or could occur during a public offering of the Company's stock. If the exercise of the option is prevented by this clause, then the period during which the option is exercisable shall be extended beyond 12 months of the death of Koss for the number of days during which Company was precluded from purchasing.

(d) Termination. If any provision of this Agreement would prevent the listing of the Company's stock on any national securities exchange because of any rule, requirement or qualification of such exchange, and the Company otherwise qualifies for listing, and the Board of Directors of the Company determines that it is in the best interest of the Company to be so listed, then this Agreement shall immediately terminate without any liability of one party to the other.

8. Notices. All notices and demands under this Agreement must be in writing, and if to the Company will be duly given when delivered by hand, or when addressed and mailed by certified mail, return receipt requested, to:

Koss Corporation  
4129 North Port Washington Avenue  
Milwaukee, WI 53212

or at such other address as the Company may hereafter designate by notice; or if to Koss, or the Personal Representative, will be duly given when delivered by hand, or when addressed and mailed, by certified mail, return receipt requested, to:

Mr. John C. Koss  
7787 North River Road  
River Hills, WI 53223

or at such other address as Koss, or the Personal Representative, shall hereafter designate by notice.

9. Successors and Assigns. This Agreement shall inure to the benefit of and shall be binding upon the Company, its successors and assigns, including, but not limited to, any corporation or other entity which may acquire all or substantially all of the Company's assets and business or with or into which the Company may be consolidated or merged, and upon Koss, his heirs and personal representatives. The obligation of the surviving corporation in any consolidation or merger to which the Company is a party and of any corporation to which the Company may assign all or substantially all of its assets or business shall be to purchase from the Personal Representative, or a Designee as aforesaid, the property called for by paragraph 1, or that class or series of securities, beneficially owned by Koss, at the date of his death, which was received in respect of shares of the Company.

10. No Capital Impairment. Notwithstanding any other provision of this Agreement, no purchase of Shares shall be made by the Company if the capital of the Company is then impaired or if

the purchase would cause any impairment of the capital of the Company, within the meaning of section 160 of the Delaware General Corporation Law or any similar applicable statute, or if the Company is then insolvent or the purchase would render the Company insolvent. The Company shall not be liable to any person for any failure to purchase Shares by reason of the prohibition set forth herein.

11. Entire Agreement. This instrument contains the entire agreement of the parties. It may be changed only by an agreement in writing signed by the parties hereto.

12. Invalid Provision. The invalidity or unenforceability of any particular provision of this Agreement shall not effect the other provisions hereof, and the Agreement shall be construed in all respects as if such invalid or unenforceable provisions were omitted.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement or caused the same to be executed and their seals to be hereunto affixed as of the day, month year first written above.

/s/ John C. Koss (SEAL)  
-----  
John C. Koss

KOSS CORPORATION

By: /s/ James D. Dodson  
-----  
James D. Dodson, President

[Corporate Seal]

Attest: /s/ Dennis P. Wherry  
-----  
Dennis P. Wherry, Secretary

RECORD OF ACTION TAKEN BY CONSENT OF  
THE BOARD OF DIRECTORS OF KOSS CORPORATION

The undersigned, being all the members of the Board of Directors of Koss Corporation, a Delaware Corporation, hereby consent to the adoption of the following resolution by action taken without a meeting pursuant to Section 141(f) of the Delaware General Corporate Law:

WHEREAS: At a meeting on August 23, 1991 the Compensation Committee reviewed certain specific issues relative to proposed plans to cover the potential disability and retirement of the Chairman John C. Koss, and

WHEREAS: The Committee also reviewed certain changes to the compensation of Michael J. Koss upon his promotion to Chief Executive Officer, and

WHEREAS: The Committee now seeks approval of their recommendations by the entire Board of Directors.

NOW, THEREFORE, BE IT RESOLVED: That the following recommendations of the Compensation Committee are hereby ratified, confirmed and approved:

1. The Chairman, John C. Koss, shall receive his current salary of \$150,000 in the event he becomes disabled prior to age 70. This amount shall be reduced by any insurance benefits paid from the company's current group disability plan.
2. After age 70, the Chairman shall be eligible for the continuation of his \$150,000 salary as a retirement benefit regardless of whether he is disabled or not. The benefit shall be payable for the remainder of his life.
3. The CEO, Michael J. Koss, shall receive a salary of \$120,000.
4. The Chairman's bonus is 2-1/2% of operating income. The CEO's bonus is 3-1/2% of operating income. An additional 2% of operating income shall be accrued as a bonus pool for discretionary awards to key management by the CEO.

Dated as of this 23rd day of August, 1991.

/s/ John C. Koss  
-----  
John C. Koss

/s/ Thomas L. Doerr  
-----  
Thomas L. Doerr

/s/ Victor L. Hunter  
-----  
Victor L. Hunter

/s/ Michael J. Koss  
-----  
Michael J. Koss

/s/ Lawrence S. Mattson  
-----  
Lawrence S. Mattson

/s/ Jonathan Pellegrin  
-----  
Jonathan Pellegrin

/s/ Martin F. Stein  
-----  
Martin F. Stein

/s/ John J. Stollenwerk  
-----  
John J. Stollenwerk

## EXHIBIT A

## KOSS CORPORATION

1983

## INCENTIVE STOCK OPTION PLAN

1. Purpose. The purpose of this Plan is to promote the growth and development of Koss Corporation (the "Company") by providing increased incentives for key salaried employees of the Company and its Subsidiaries and by facilitating the efforts of the Company and its Subsidiaries to obtain and retain employees of outstanding ability. This Plan provides for the granting of incentive stock options ("ISOs") intended to qualify as such within the meaning of Section 422A of the Internal Revenue Code (the "Code") as added by the Economic Recovery Act of 1981.

2. Administration.

(a) The Plan shall be administered by a Stock Option Committee (the "Committee") of the Board of Directors of the Company, consisting of those members of the Compensation Committee of the Board who are not eligible to receive ISOs under this Plan. A majority of the members of the Committee shall constitute a quorum. The approval of such a quorum, expressed by vote at a meeting, or in writing without a meeting, shall constitute the action of the Committee and shall be valid and effective for all purposes of the Plan.

(b) The Committee is authorized, subject to the provisions of the Plan, to adopt, amend and rescind such rules and regulations as it may deem appropriate for the administration of the Plan, and to make determinations and interpretations which it deems consistent with the Plan's provisions. The Committee's determinations and interpretations shall be final and conclusive.

3. Eligibility. Only salaried employees, including officers, of the Company and of its Subsidiaries shall be eligible to receive ISOs under the Plan.

4. Shares Subject to ISOs.

(a) The stock to be subject to ISOs under the Plan shall be shares of the Company's common stock, \$.01 par value, subject to adjustment under paragraph 13 hereof, and may be authorized but unissued stock or stock issued and reacquired by the Company.

(b) The aggregate number of shares for which ISOs may be granted under the Plan shall not exceed Two Hundred Thousand (200,000) shares, subject to adjustment under paragraph 13 hereof.

(c) Shares subject to and not issued under an ISO which expires or terminates or is canceled for any reason during the term of the Plan shall again be available for the granting of ISOs under the Plan.

#### 5. Granting of ISOs.

(a) The Committee may from time to time at its discretion, subject to the provisions of the Plan, determine when ISOs shall be granted from time to time and at the time of each grant determine those eligible employees to who ISOs shall be granted, the number of shares subject to such ISOs, the date or dates on which the ISOs become exercisable, either wholly or in part, and the expiration date of the ISOs.

(b) Each ISO shall be evidenced by a written agreement containing terms and conditions established by the Committee consistent with the provisions of the Plan, including such terms as the Committee shall deem advisable in order that such ISO shall constitute an "incentive stock option" within the meaning of Section 422A of the Code as the same may from time to time be amended.

6. Term of Plan. ISOs may be granted under the Plan at any time up to July 26, 1993, on which date the Plan shall expire except as to ISOs outstanding, which ISOs shall remain in effect until they have been exercised or have expired.

#### 7. ISO Price.

(a) The ISO price at which shares may be purchased under each ISO shall be not less than 100 percent of the Fair Market Value of the shares on the date on which the ISO is granted; provided, however, that the ISO price of ISOs granted to any person owning more than ten (10%) of the Company's voting stock shall be one hundred ten percent (110%) of the Fair Market Value of the stock at the time of the granting of the ISO. For all purposes of this Plan, the term "Fair Market Value" shall be the average of the highest bid and the lowest asked quotations for the stock at the close of business on the date of grant, as reported by NASDAQ (The National Association of Securities Dealers, Inc. Automated Quotation System). However, if at any time the "common stock" is listed on any exchange, the "Fair Market Value" shall be the average of the reported highest and lowest prices at which shares are sold on such exchange on the date the ISO is granted, or in the absence of reported sales on such exchange on said date, the average of the reported closing bid and asked prices for the shares on such exchange on the date the ISO is granted.

(b) The cash proceeds of the sale of stock subject to an ISO are to be added to the general funds of the Company available for its corporate purposes.

8. Special Calendar Year Limitations on Number of Shares Subject to ISO. No eligible employee may be granted ISOs in any calendar year covering shares having an aggregate Fair Market Value Determined as of the time of the grant of the ISOs) in excess of \$100,000 plus any "unused limit carryover" within the meaning of Section 422A(b)(8) of the Code which may be available for such calendar year.

#### 9. Exercise of ISOs.

(a) ISOs granted under the Plan may be exercised only in accordance with the terms established by the Committee, including the initial exercise date or dates determined by the Committee when ISOs shall first become exercisable in whole or part. All rights to exercise an ISO shall expire on the expiration date designated by the Committee at the time the ISO was granted, but in any event not later than ten years from the date on which the ISO is granted; provided, however that ISOs granted to any person owning more than ten percent of the

Company's voting stock shall expire not later than five years from the date on which the ISO is granted.

(b) An ISO by its terms shall not be exercisable while there is "outstanding" (as hereinafter defined) any ISO previously granted to the same employee to purchase stock in the Company or in a corporation which (at the time of the granting of the new ISO) was a parent or subsidiary of the Company or a predecessor of any of such corporations. For purposes hereof, any such previously granted ISO shall be treated as "outstanding" until such ISO is either exercised in full or expires by reason of lapse of time.

(c) If the exercise of an ISO would otherwise result in the violation by the Company of any provision of the Securities Act of 1933 or of any state securities law the Company may require that such exercise be deferred until the Company has taken appropriate action to avoid any such violation.

(d) The ISO price for shares purchased shall be paid in full at the time of exercise and no shares shall be issued until full payment therefor is made. Such payment may be made either (1) in cash or (2) at the discretion of the Committee, by delivering shares of the Company's common stock (the "Delivered Stock") or a combination of cash and Delivered Stock. Delivered Stock shall be valued at its Fair Market Value determined as of the date of exercise of the ISO.

(e) An employee to whom an ISO is granted shall not be deemed holder of any shares subject to the ISO until the shares are fully paid and issued to him upon exercise of such ISO.

10. Transferability of ISOS. An ISO granted under the Plan may not be transferred except by will or the laws of descent and distribution and may be exercised during the lifetime of an employee (to the extent exercisable) only by him. The ISO and any rights and privileges pertaining thereto shall not be transferred, assigned, pledged or hypothecated by him in any way whether by operation of law or otherwise and shall not be subject to execution, attachment or similar process.

#### 11. Termination of Employment.

(a) Upon termination of employment with the Company or Subsidiary for any reason except death and permanent and total disability, an employee to whom an ISO is granted may, at any time within three months after the date of such termination (but such period of three months shall not extend the stated date of expiration of the ISO), exercise the ISO to the extent He was entitled to do so on the date of such termination provided, any ISOs or portions of ISOs of terminated employees not so exercised shall terminate.

(b) Upon termination of employment with the Company or a Subsidiary by reason of the permanent and total disability of the employee, such employee may exercise the ISO at any time within twelve (12) months after the date of such termination, to the extent he was entitled to do so on the date of such termination. The period of exercise shall not extend beyond the stated date of expiration of the ISO. Permanent and total disability shall be determined in accordance with Section 105(d) of the Code.

(c) The Committee may determine that, for the purpose of the Plan, an employee who is on a leave of absence (to the extent that his employment is not determined to be interrupted for purposes of Section 422A of the Code) will be considered as a full-time salaried employee of the Company or a Subsidiary.

(d) Transfer of an employee from the Company to a Subsidiary or from a Subsidiary to the Company or another Subsidiary shall not be a termination of employment or an interruption of continuous employment for the purposes of the Plan.

(e) Nothing in the Plan or in any ISO granted under the Plan shall confer on any employee any right to continue in the employ of the Company or its Subsidiaries, or affect the right of the Company or its Subsidiaries to terminate his employment at any time.

12. Death. If an employee to whom an ISO is granted dies while in the employ of the Company or a Subsidiary or within three months after termination of such employment, the person or persons to whom the ISO is transferred by will or the laws of descent and distribution may, at any time within one year after the date of death but not later than the date of expiration of the ISO, exercise the ISO to the extent the employee was entitled to do so on the date of death or termination of employment, whichever was earlier. Any ISOs or portions of ISOs of deceased employees not so exercised shall terminate.

13. Changes in the Number of Available Shares. In the event of any recapitalization, stock split or reverse split, combination or exchange of shares, stock dividend, merger in which the Company is the surviving corporation, combination or exchange of shares, or other capital change affecting the common stock of the Company, the Committee shall make, subject to the approval of the Board of Directors of the Company, equitable and appropriate changes in the aggregate number and kind of shares available for which ISOs may be granted under the Plan and in the number, price and kind of shares covered by ISOs granted or to be granted under the Plan, provided that no changes shall be made which would cause an ISO to fail to continue to qualify as an incentive stock option within the meaning of Section 422A of the Code.

14. Investment Representation; Legend on Certificates. Each grant of an ISO shall be conditioned upon the optionee delivering to the Company at the time of exercise a written representation that the stock to be acquired upon such exercise is to be acquired for investment and not for resale or with a view to its distribution, and upon the right of the Company to place a legend upon the stock certificate or certificates issued upon exercise of the ISO, restricting the transferability thereof in a manner which will make available the exemption provided by Section 4(2) of the Securities Act of 1933. Compliance with these conditions may be waived by the Committee if the stock to be acquired upon such exercise is registered under the Act.

15. Amendment or Discontinuance. The Board of Directors may, at any time, without the approval of the Stockholders of the Company, alter, amend, modify, suspend or discontinue the Plan, but may not, without the consent of the holder of an ISO make any alteration which would adversely affect an ISO previously granted under the Plan or, without the approval of the Stockholders of the Company, make any alteration which would (a) increase the aggregate number of shares subject to ISOs under the Plan, except for adjustments pursuant to paragraph 13; (b) decrease the minimum ISO price; (c) permit any member of the Committee to become eligible for ISOs under the Plan; (d) extend the term of the Plan or the maximum period during which Any ISO may be exercised; or (e) so alter the Plan that it fails to meet the requirements for incentive stock options of Section 422A of the Code.

16. Liability. No member of the Board of Directors, the Committee or officers or employees of the Company or its Subsidiaries shall be personally liable for any action, omission or determination made in good faith in connection with the Plan.

17. Effective Date. The Plan shall be effective on July 27, 1983 but shall be submitted for approval by the Stockholders of the Company at the next meeting thereof following such adoption. No

ISOs granted under the Plan shall become exercisable unless and until the Plan has been approved by the Stockholders of the Company within 12 months after its adoption by the Board of Directors. If not so approved by the Stockholders, the Plan and any ISOs granted thereunder shall terminate and be of no further force or effect, and the Company shall have no liability or other obligation to any optionee or eligible employee by reason of such termination.

18. Miscellaneous.

(a) The term "Board of Directors" used herein shall mean the Board of Directors of the Company and, to the extent that any powers and discretion vested in the Board of Directors are delegated to any committee of the Board, the term "Board of Directors" shall also mean such committee.

(b) The term "Subsidiary" used herein shall be defined in accordance with Section 425 of the Code.

## LICENSE AGREEMENT

THIS AGREEMENT is made this 15th day of November, 1991 by and between KOSS CORPORATION, a Delaware corporation with its principal place of business at 4129 North Port Washington Avenue, Milwaukee, WI 53212 (the "LICENSOR") and TRABELCO N.V., a Netherlands Antilles company and a subsidiary of Hagemeyer N.V., with its principal place of business at Van Engelenweg 21A, Willemstad, Curacao, Netherlands Antilles (the "LICENSEE").

## WITNESSETH:

WHEREAS, LICENSEE desires to obtain the right to use certain trademarks of LICENSOR in connection with the manufacture, marketing and distribution of LICENSEE's products; and

WHEREAS, LICENSOR is willing to grant such rights to LICENSEE upon the terms and conditions set forth below;

NOW, THEREFORE, for and in consideration of the premises and of the mutual promises and conditions herein contained, the parties hereby agree as follows:

## 1. DEFINITIONS

For purposes of this Agreement, unless the context otherwise requires, the following terms shall have the meanings set forth below:

1.1 "Licensed Trademarks" mean "Koss" and all other registered trademarks and trade names as listed on Exhibit A attached hereto.

1.2 "Products" mean the consumer electronic products of LICENSEE set forth on Exhibit B attached hereto (including all consumer electronic products substituted for or added to the Products by the parties after the execution of this Agreement).

1.3 "Licensed Products" mean all Products of Licensee which have the Licensed Trademarks affixed or attached thereto in any manner or which are advertised, promoted, distributed or sold in connection with the Licensed Trademarks.

1.4 "Territory" means the United States of America, Puerto Rico, Canada, Mexico, Central America (including all individual countries therein and the Caribbean republics) and South America (including all individual countries therein).

1.5 "Contract Period" means the period beginning on the effective date set forth at the end of this Agreement and ending on December 31, 1994, and any applicable renewal period.

1.6 "Contract Year" means the calendar year., except that the first Contract Year shall run from the date hereof until December 31, 1992.

## 2. GRANT OF LICENSE

2.1 Subject to all the terms and conditions of this Agreement, LICENSOR hereby grants to LICENSEE the exclusive right and license to use the Licensed Trademarks within the Territory

during the Contract Period in connection with, and only with, the manufacture, promotion, distribution and sale of the Products. Notwithstanding anything herein to the contrary, LICENSEE shall not manufacture, distribute or sell headphones labeled with the Licensed Trademarks except as a prepackaged component of an audio system that is commonly expected by the consuming public to include headphones with such audio system.

2.2 LICENSEE agrees that it will not make or authorize any use, direct or indirect, of the Licensed Trademarks outside of the Territory; provided that subject to the provisions of Section 2.3, LICENSEE shall have the right to have the Licensed Products manufactured outside the Territory solely for sale inside the Territory.

2.3 LICENSEE shall have the right to grant a sublicense under this Agreement to any entity in which Hagemeyer N.V. owns at least a 51% equity interest permitting such entities to manufacture, promote, distribute and sell the Licensed Products subject to the terms of this Agreement. Further, LICENSEE shall have the right to enter into an agreement with Hagemeyer Consumer Products, Inc. ("HCP") regarding the performance by HCP of certain duties of LICENSEE under this Agreement. LICENSEE shall also have the right to subcontract the manufacture of the Licensed Products, provided that the subcontractor executes a letter agreement in form substantially similar to Exhibit C attached hereto undertaking to recognize and uphold the Licensed Trademarks and other rights under this Agreement. LICENSEE shall not grant any other sublicense under this Agreement other than as provided in this Section 2.3.

2.4 LICENSOR agrees that during the Contract Period, it will not grant a license to any other entity to use the Licensed Trademarks within the Territory in connection with the manufacture, promotion, distribution or sale of consumer electronic products not included in the Products unless the opportunity to obtain such license is first offered to LICENSEE pursuant to the following procedure:

(a) LICENSOR shall notify LICENSEE in writing that it has or anticipates an opportunity to license the Licensed Trademarks in one or more consumer electronic product categories not covered by the Products, and shall offer to negotiate with LICENSEE in good faith to permit LICENSEE to obtain an exclusive license covering such product categories under the general terms of this Agreement, but with appropriate adjustments in Exhibit B and in the level of Minimum Royalties (Section 7.2).

(b) If LICENSOR and LICENSEE cannot reach a suitable modification to this Agreement to include such additional product categories within 30 days after notice is given pursuant to subpart (a) hereof, then LICENSOR shall be free to negotiate an acceptable license for such additional product categories with a licensee of its choosing, provided that LICENSEE shall retain the right to secure such license for its own benefit by agreeing to meet all of the business terms and provisions of such intended license during a period lasting 10 working days after LICENSEE receives written notice of the terms of such intended license agreement.

For the purposes hereof, the term "consumer electronic product category" shall refer to any product included by the Electronic Industries Association ("EIA") in its published market statistics as a recognized product category at any time during the Contract Period.

### 3. LICENSEE'S OBLIGATIONS

3.1 LICENSEE agrees that no Licensed Products will be manufactured, advertised, promoted, distributed or sold:

(a) in violation of any law or regulatory restriction; or

(b) in any manner which damages the image, reputation or goodwill of the Licensed Trademarks or of LICENSOR.

3.2 On or before December 15, 1991 and December 15 of each Contract Year during this Agreement, LICENSEE agrees to develop and submit to LICENSOR an annual business plan for the Licensed Products stating expected sales by product category for the following Contract Year. The business plan shall be clearly marked as a planning document and shall not obligate LICENSEE to perform in any particular manner. LICENSOR agrees to keep such plan confidential. LICENSEE shall assume the entire responsibility and cost for developing and implementing such a plan and, at the request of LICENSOR, will keep LICENSOR informed of the results of the implementation of such business plan. LICENSOR shall cooperate with LICENSEE to implement the business plan to the extent reasonably required by the business plan.

3.3 LICENSEE agrees that during the Contract Period, it will diligently manufacture, distribute and sell Licensed Products and make and maintain adequate arrangements for the distribution, repair and servicing of the Licensed Products throughout the Territory. LICENSEE and LICENSOR shall each inform the other party of their respective toll-free customer service telephone numbers, and shall inform customers who have mistakenly telephoned one party of the other party's customer service telephone number.

3.4 LICENSEE agrees that it will not sell refurbished Products labeled with the Licensed Trademarks unless such Products are clearly and conspicuously labeled as refurbished merchandise.

### 4. APPROVAL OF LICENSED PRODUCTS

4.1 LICENSEE agrees that LICENSOR shall have the right to approve or disapprove in the manner provided herein in advance of sale the quality, style, appearance, material and workmanship of all Licensed Products and the packaging therefor, and to approve or disapprove in advance any and all trademarks, trade names, designs and logos (whether included in the Licensed Trademarks or not) used in connection with the Licensed Products. LICENSEE shall not advertise, distribute or sell any such Licensed Product which has not been approved by LICENSOR, however, LICENSEE shall be permitted to present preliminary renderings of potential products to its customers solely for the purpose of securing their preliminary commercial acceptance before securing LICENSOR's approval of same. Before selling or distributing any Licensed Product, LICENSEE shall submit to LICENSOR for its approval, artist renderings of the proposed products and/or mock-ups with full engineering specifications together with packaging, labels and the like. LICENSOR agrees that it shall, within ten (10) business days after receipt of each of the renderings and/or mock-ups, approve or disapprove such products in writing, failing which it shall be deemed to have been approved. LICENSOR agrees that any item submitted to it under this Section 4 will not be unreasonably disapproved and, if it is disapproved, that LICENSEE will be advised in writing of the

specific reasons for disapproval in each case. After LICENSOR has approved the proposed products and LICENSEE has obtained tooling for the proposed products, LICENSEE shall provide LICENSOR with off-tool and/or production samples of the products and LICENSOR shall disapprove such samples in writing within ten (10) business days after LICENSOR's receipt of such items or else LICENSEE shall be deemed to have approved them; provided that LICENSOR shall only disapprove the off-tool and/or production samples if they fail to conform to the renderings and mock-ups previously submitted. LICENSEE shall also provide to LICENSOR, at no cost to LICENSOR, two (2) working samples of each Product within thirty (30) days of the commencement of production of such Product. LICENSEE agrees that Licensed Products which are sold or distributed hereunder shall be of no lesser quality than the corresponding samples approved by LICENSOR.

4.2 During the Contract Period, LICENSEE shall take all actions reasonably necessary to cure any product defects in the Licensed Products and will act to preserve the image, reputation and goodwill of the Licensed Trademarks and of LICENSOR.

#### 5. APPROVAL OF ADVERTISING AND THE APPEARANCE AND USE OF THE LICENSED TRADEMARKS

5.1 LICENSEE agrees that LICENSOR shall have the right to approve or disapprove in advance of LICENSEE's commercial use the contents, appearance and presentation of all advertising materials which incorporate the Licensed Trademarks or which make reference in any way to the Licensed Trademarks. Before producing, publishing or distributing any advertising materials hereunder, LICENSEE shall submit to LICENSOR, for its approval, line art and color specifications for the materials. LICENSOR agrees that it shall, within ten (10) business days after receipt, approve or disapprove such material in writing, failing which it shall be deemed to have been approved, provided that LICENSOR's approval shall be subject to submission and approval of LICENSEE's final packaging materials. LICENSOR agrees that any materials submitted will not be unreasonably disapproved and, if any are disapproved, that LICENSEE will be advised in writing of the specific reasons for disapproval in each case; provided that LICENSOR shall only disapprove line art or final form product packaging materials if they do not conform to the specifications previously submitted to and approved by LICENSOR.

5.2 LICENSOR shall provide to LICENSEE, at LICENSEE's cost, all designs, artwork, and color treatment associated with LICENSOR's use of the Licensed Trademarks. LICENSEE agrees that it will not modify such designs and artwork, other than color changes, without the prior written approval of LICENSOR.

5.3 Except as provided in Section 11.1, LICENSEE agrees to protect, indemnify and save harmless LICENSOR, its parent, subsidiaries and affiliates and all officers, directors, agents, employees and representatives thereof, and any of them, from and against any and all expenses, damages, claims, suits, actions, judgments and costs whatsoever, including reasonable attorneys fees, arising out of, or in any way connected with, any claim or action relating to the contents of LICENSEE's advertising of Licensed Products, whether or not approved by LICENSOR hereunder.

5.4 LICENSEE agrees that LICENSOR shall have the right to include a full line catalog of LICENSOR's products within each Product to which the Licensed Trademarks are affixed and distributed by LICENSEE. A sample of the full line catalog will be provided to LICENSEE, who

shall instruct LICENSOR on a quarterly basis as to the quantity of full line catalogs needed and the destination where they should be shipped for LICENSEE's packaging purposes.

LICENSEE further agrees that LICENSOR shall have the right to include promotional coupons for certain of LICENSOR's products on a quarterly basis except as prohibited by specific retailers. Such coupons shall be provided in a manner similar to that set forth above for the full line catalog and are to be included in every product bearing the Licensed Trademarks and distributed by LICENSEE.

5.5 LICENSEE agrees to provide to LICENSOR a copy of its most recent list of holders of warranties on all Products distributed by LICENSEE. LICENSOR agrees to keep such information confidential and to use it solely for soliciting direct mail consumer sales.

#### 6. TRADE NAME

6.1 LICENSOR agrees that LICENSEE, HCP and any other sublicensee of LICENSEE under this Agreement shall have the right, exercisable solely during the Contract Period, to conduct business in the Territory using the trade name "Koss Electronic Products", or such other trade name(s) as the parties shall mutually agree.

#### 7. ROYALTIES; PAYMENT: RENEWAL

7.1 During the term of this Agreement, LICENSEE will pay to LICENSOR as royalties ("Royalties") an amount equal to the sum of the respective percentage (as set forth on Exhibit D) of net sales of each category of the Licensed Products, less 2% of the itemized discounts, rebates and shipping costs as stated on LICENSEE's invoices regarding such sales of the Licensed Products (2% representing an average of such amounts), and as further exemplified on Exhibit D attached hereto. The term "net sales" with respect to each category of the Licensed Products shall be defined as the total amount invoiced by LICENSEE for sales of the Licensed Products in such category less the total amount of returns of the Licensed Products in such category. In calculating royalties, no deduction shall be made for advertising allowances, uncollectible accounts or any other form of discount other than volume rebates which does not appear on the customer's invoice. Volume rebates allowed a customer will be credited on a separate invoice to the customer, and an annual adjustment of 2% of such rebates shall be made to the Royalties regarding all volume rebates allowed during the respective Contract Year. Notwithstanding anything herein to the contrary, in the event that at any time during a Contract Year during the initial Contract Period or the first renewal period (as provided in Section 7.6), the Royalties paid and accrued with respect to such Contract Year equal \$1,340,000, thereafter for the remainder of such Contract Year, the amount of the Royalties that LICENSEE shall be required to pay to LICENSOR shall be reduced by 50%. Notwithstanding anything herein to the contrary, in the event that at any time during a Contract Year after the first renewal period, the Royalties paid and accrued with respect to such Contract Year equal twice the Minimum Royalties (as hereinafter defined) for such Contract Year, thereafter for the remainder of such Contract Year, the amount of the Royalties that LICENSEE shall be required to pay to LICENSOR shall be reduced by 50%.

7.2 Notwithstanding the provisions of Section 7.1, LICENSEE hereby agrees to pay to LICENSOR during the Contract Period annual minimum Royalties ("Minimum Royalties") as follows:

Year	Minimum Royalties
----	-----
1992	\$100,000
1993	\$200,000
1994	\$350,000

If the sum of the total Royalties paid with respect to a Contract Year do not equal or exceed the Minimum Royalties for such Contract Year, the difference between the Minimum Royalties and the Royalties for such Contract Year shall be due and payable on January 20 following such Contract Year.

7.3 If upon the expiration of the initial Contract Period, LICENSEE elects to renew this Agreement as hereinafter provided for an additional three (3) year term, the Minimum Royalties for the first renewal period shall be as follows:

Year	Minimum Royalties
----	-----
1995	\$500,000
1996	\$580,000
1997	\$670,000

If LICENSEE elects to further renew this Agreement, the Minimum Royalties for each year during such renewal period shall be calculated by the parties using the EIA statistics for growth in total factory sales for the categories of consumer electronic products included in the Licensed Products. Specifically, for any Contract year after 1997, the Minimum Royalty for such Contract Year shall be calculated as \$670,000 multiplied by a fraction, the numerator of which shall be the EIA total factory sales of such products for such Contract Year and the denominator of which shall be the EIA total factory sales for the prior Contract Year. Until such time as the EIA statistics are published and the parties are able to calculate the Minimum Royalties for a Contract Year, the Minimum Royalties shall be the same as the Minimum Royalties for the prior Contract Year. Within thirty (30) days after the publication of the necessary EIA statistics, the parties shall calculate the Minimum Royalties for such Contract Year.

7.4 Payment of Royalties shall be made quarterly by LICENSEE to LICENSOR on or before the 20th day following the end of each calendar quarter of each Contract Year during the term of this Agreement (i.e. January 20, April 20, July 20 and October 20) and within thirty (30) days after the expiration or earlier termination of the License, in respect of all Licensed Products shipped during such quarter (or other period). Notwithstanding anything herein to the contrary, upon the execution of this Agreement, LICENSEE shall pay to LICENSOR an advance of \$50,000 against earned Royalties for the first Contract Year, which advance shall be applied toward the Royalties to be paid by LICENSEE with respect to the final calendar quarter of such Contract Year. Hagemeyer Electronics (N.A.), Inc. has affixed its signature to this Agreement for the sole purpose of agreeing to, and it does hereby agree to, guarantee without limit the financial payment provisions of LICENSEE under this Agreement for the benefit of LICENSOR.

7.5 Payment of all Royalties shall be in United States funds. The late payment of any Royalties shall bear interest at the rate of one and one-half percent (1-1/2%) per month, or at the highest rate permitted by applicable state law, whichever is lower.

7.6 LICENSEE shall have the right and option of renewing this Agreement after the initial Contract Period for additional terms of three (3) years each if (i) LICENSEE is not then in default under the terms of this Agreement and (ii) the total Royalties paid by LICENSEE during such Contract Period were no less than 125% of the sum of the Minimum Royalties for such Contract Period (the "Renewal Amount"), or LICENSEE pays to LICENSOR no later than January 20 following the end of such Contract Period the difference between the total Royalties paid during such Contract Period and the Renewal Amount for such Contract Period. The parties agree that the Renewal Amount for the initial Contract Period shall be \$812,500, and the Renewal Amount for the second Contract Period shall be \$2,187,500.

LICENSEE shall give written notice to LICENSOR of its election to renew this Agreement no later than thirty (30) days before the expiration of the Contract Period.

#### 8. BOOKS, RECORDS, AND STATEMENTS

8.1 HCP shall maintain for LICENSEE and all sublicensees for two (2) years following the close of each Contract Year accurate books and records which disclose: the cost of sales of the License Products, the amount of sales of the Licensed Products (ignoring any sales to sublicensees by the LICENSEE or other sublicensees); the amount of credits for returns, trade discounts and customer's shipping costs; the amount of all Royalties payable hereunder by LICENSEE and all sublicensees; and the manner in which such Royalties were determined.

8.2 LICENSEE shall deliver to LICENSOR with each quarterly Royalties payment a detailed accounting statement showing the calculation of such Royalties payment. Such statement shall be in sufficient detail to be audited from the books of HCP maintained pursuant to Section 8.1 hereof. By the 15th day of each month during the Contract Period, LICENSEE shall also provide LICENSOR with a preliminary tabulation of the sales and returns by customer and by Product model number for the prior month, for LICENSOR's use and analysis.

8.3 Annually, within ninety (90) days after the close of each Contract Year, HCP shall furnish to LICENSOR a statement, certified to be true and correct by HCP's Chief Financial Officer, that the accounting for sales is complete and correct, that the Licensed Products have been classified into the proper categories, and the total sales of the Licensed Products to each retail account.

8.4 LICENSOR, at its expense, shall have the right at any time during regular business hours after the end of any Contract Year, upon thirty (30) days written notice to LICENSEE, to have a representative of LICENSOR examine or audit the books, accounts and records of LICENSEE and its sublicensees which pertain to the importation, manufacture, distribution and sale of the Licensed Products and the amount of credit for returns, trade discounts and customer's shipping costs with respect thereto, and other books and records only as they may be reasonably required by LICENSOR's accountants in order to verify the figures reported in any statements furnished to LICENSOR pursuant to this Section 8. Such books of account and records shall be made available to LICENSOR and its accountants at HCP's office located as herein stated or such other place as the parties shall mutually

agree. LICENSEE shall render all possible assistance to LICENSOR and its accountants for the purpose of facilitating the checking or auditing of net sales and of the figures set forth in any of LICENSEE's statements. LICENSOR shall be entitled to exercise its inspection right once each Contract Year during the term of this Agreement and once after termination of this Agreement. If the examination or audit reveals the underpayment of any Royalties, LICENSEE shall immediately pay LICENSOR the amount of the deficiency with interest, and if the deficiency exceeds five percent (5%) of the amount of Royalties paid with respect to such year or years audited, LICENSEE shall pay the cost of the examination of audit.

8.5 Any disputes between the parties regarding the classification of any of the Licensed Products for purposes of calculating the Royalties due under this Agreement or the manner of calculating such Royalties shall be submitted to a commercial arbitrator mutually selected by the parties and such arbitration proceeding shall be held in St. Louis, Missouri pursuant to the rules of procedure established by the American Arbitration Association. In the event that the parties are unable to mutually select an arbitrator, each party shall select an arbitrator, and the arbitrators shall mutually select a third arbitrator. The ruling of such arbitrators shall be binding upon the parties.

## 9. TRADEMARK

9.1 LICENSEE shall cause to be imprinted irremovably and legibly on each Licensed Product manufactured, distributed or sold under this Agreement including, but not limited to, advertising, promotional, packaging and wrapping material and any other such material wherein the Licensed Trademarks may appear, the appropriate trademark and/or copyright notices, as shall be designated in writing in advance by LICENSOR. LICENSEE agrees to deliver to LICENSOR upon request, free of cost, samples of each Licensed Product together with their packaging and wrapping material for approval and copyright registration purposes.

9.2 LICENSEE agrees that, except as provided in Section 12.3 hereof, it will not, during the Contract Period or thereafter, file any application for trademark registration or otherwise obtain or attempt to obtain ownership of any name, design, logo, trademark or trade name within the Territory or in any other country of the world which includes or is confusingly similar to or suggestive of the Licensed Trademarks.

9.3 LICENSEE agrees that it will not, directly or indirectly, challenge or contest LICENSOR's ownership of and rights in the Licensed Trademarks, whether for the Licensed Products or otherwise.

9.4 All use of the Licensed Trademarks by LICENSEE shall inure to the benefit of LICENSOR, and LICENSEE shall acquire no rights therein adverse to LICENSOR except as expressly provided herein.

## 10. MAINTENANCE OF LICENSED TRADEMARKS AND INFRINGEMENT

10.1 In the event that present trademark registrations for the Licensed Trademarks in the Territory do not encompass every Licensed Product in every country in the Territory hereunder licensed, LICENSOR shall cause appropriate trademark applications for registration to be filed as soon after the execution of this Agreement as practical. LICENSEE shall cooperate by providing necessary

samples, invoices or other documents necessary to support registration of the Licensed Trademarks for the Licensed Products. In the event said applications are successfully opposed in the United States or Canada, LICENSOR shall reimburse LICENSEE for all expenses incurred by LICENSEE regarding the distribution, marketing and sale of the Licensed Products in the prohibited areas of the Territory, and the refurbishing and resale of the products; and LICENSEE shall be permitted to void this Agreement at its election.

10.2 LICENSEE shall promptly notify LICENSOR in writing of any infringement by others of the Licensed Trademarks on articles similar to the Licensed Products if and when such become known to LICENSEE and shall provide LICENSOR with any available evidence of such infringement. LICENSOR shall have the first right to commence legal proceedings against such infringer, and the expense of such legal proceedings shall be shared equally by LICENSOR and LICENSEE. In any infringement action, proceeding or claim brought by LICENSOR, LICENSEE, at its expense, shall make available to LICENSOR any relevant books, records, papers, information, designs, samples, specimens, and the like and shall cause any of the LICENSEE's employees to be deposed or to testify, whenever requested to do so by LICENSOR. Any damage award or recovery resulting from such legal proceedings shall be divided equally between LICENSOR and LICENSEE. Should LICENSOR fail to commence legal proceedings against any infringer within thirty (30) days after being notified by LICENSEE, LICENSEE shall have the right to commence legal proceedings on its own behalf against such infringer. LICENSEE shall keep LICENSOR advised in advance of its intentions in such proceedings and will consult with LICENSOR with respect thereto. LICENSEE shall retain any recovery from any legal proceeding commenced by LICENSEE.

#### 11. WARRANTIES AND INDEMNITIES

11.1 LICENSOR represents and warrants that LICENSOR owns all rights in and to the Licensed Trademarks in the Territory as are necessary to enable LICENSOR to license the use thereof as set forth herein, that listed on Exhibit A are all of LICENSOR's current registrations and applications for registration for the Licensed Trademarks in the Territory, and that there are no assignments or other dispositions of any rights in the Licensed Trademarks presently in effect or contemplated by LICENSOR which in any way detract from or are competitive with the rights granted to LICENSEE under this Agreement. LICENSOR agrees to indemnify and hold harmless LICENSEE, its parent, subsidiaries and affiliates and all officers, directors, agents and employees thereof, and any of them, from any and all expenses, damages, claims, suits, actions, judgments and costs whatsoever, including reasonable attorneys fees, which LICENSEE may hereinafter incur, suffer or be required to pay arising out of or in connection with the use by LICENSEE of the Licensed Trademarks in the Territory pursuant to this Agreement; provided, however, that LICENSOR's liability to indemnify LICENSEE shall not exceed the sum of the amount of Royalties theretofore received by LICENSOR under this Agreement and all expenses incurred by LICENSEE regarding the design and development of the Licensed Products and packaging, advertising and marketing materials for the Licensed Products. LICENSEE shall give LICENSOR prompt written notice, cooperation and assistance in connection with any such claim and the LICENSOR shall have complete control over the defense or, settlement thereof.

11.2 LICENSEE agrees to protect, indemnify and save harmless LICENSOR, its parent, subsidiaries and affiliates and all officers, directors, agents, employees and representatives thereof, and any of them, from and against any and all expenses, damages, claims, suits, actions, judgments and

costs whatsoever, including reasonable attorneys fees, arising out of, or in any way connected with, any claim or action for the violation by LICENSEE of any statutory or regulatory obligation, any claim or action for injury or damage to property, personal injury, death or other cause of action involving alleged defects in Licensed Products, and any other claim or action arising out of LICENSEE's activities pursuant to this Agreement or other conduct of its business, except as provided in Section 11.1 herein.

11.3 LICENSEE shall, within thirty (30) calendar days after the execution of this Agreement, obtain from an insurance company reasonably acceptable to LICENSOR, and maintain during the term of this Agreement and for a period of twenty-four (24) months following the expiration or termination of this Agreement, public and products liability insurance with a limit of liability of not less than Five Million (\$5,000,000) U.S. dollars per occurrence in order to protect LICENSOR against any liabilities with which it may be charged because of damage or injuries suffered by any servants, agents, contractors, employees or customers of LICENSEE or by the general public, resulting from the use or sale of the Licensed Products manufactured, distributed, advertised or sold by LICENSEE or by LICENSEE's contractor. LICENSEE agrees to cause LICENSOR's name to be entered in such policy as an additional named insured and to deliver to LICENSOR a certificate thereof. Said insurance shall provide that it cannot be canceled without the insurer first giving LICENSOR twenty (20) calendar days, advance written notice thereof. LICENSEE shall furnish or cause to be furnished to LICENSOR evidence of the maintenance and renewal of the insurance required herein, including, but not limited to, copies of policies, certificates of insurance,, with applicable riders and endorsements, and proof of premium payments.

## 12. DEFAULT; TERMINATION

12.1 In the event of a default by either party in the performance of any of its obligations pursuant to this Agreement, the non-defaulting party shall give written notice of such default to the defaulting party. Within sixty (60) days of its receipt of such notice, the defaulting party shall take reasonable efforts toward correcting the default, and shall cure the default within six (6) months of its receipt of such notice. If the defaulting party does not take such corrective actions or cure the default within the respective time period, the non-defaulting party shall have the right to terminate this Agreement upon the expiration of the respective period. The right to remedy a default shall not apply to a violation of the prior authorization and reporting requirements of Sections 4 and 5 which shall be deemed a non-curable default.

12.2 Either party shall have the right to terminate this Agreement upon ten (10) days prior notice upon the occurrence of any of the following events:

(a) If the other party shall become insolvent or shall make an assignment for the benefit of creditors or become the subject of receivership, bankruptcy or other insolvency or debtor relief proceedings, or any similar proceedings, or in proceedings, voluntary or forced, whereby it is limited in the free and unrestrained exercise of its own judgment as to the carrying out of the terms of this Agreement;

(b) If the other party shall cease to do business;

(c) Except as permitted under Section 16, if the other party shall attempt to assign any of its rights under this Agreement; or

(d) In the event that this Agreement is held invalid or unenforceable by the determination of any government agency or any court of competent jurisdiction.

A party's exercise of its right, pursuant to this Section 12.2, to terminate this Agreement shall be without prejudice to any other legal or equitable remedy such party may hold against the other party by reason of the other party's breach of any term or condition of this Agreement.

12.3 In the event that LICENSEE shall terminate this Agreement as provided in subparagraph (a) of Section 12.2, LICENSEE shall have the right to purchase the Licensed Trademarks from LICENSOR for use with respect to the categories of consumer electronic products included on Exhibit B and any other consumer electronic products manufactured and sold by LICENSEE pursuant to this Agreement immediately prior to such termination, and LICENSOR agrees to take all actions reasonably necessary to transfer such registrations of the Licensed Trademarks to LICENSEE. LICENSOR and LICENSEE shall each obtain a valuation of the Licensed Trademarks from an independent appraiser. If the difference between the valuations does not exceed 10% of the higher valuation, the purchase price for the Licensed Trademarks shall be the average of the two valuations. If the difference between the valuations exceeds 10% of the higher valuation, the two independent appraisers shall mutually select a third independent appraiser and the valuation of the third appraiser shall be the purchase price of the Licensed Trademarks.

12.4 No assignee for the benefit of creditors, receiver, liquidator, trustee in bankruptcy, sheriff or any other officer of the court or official charged with taking over custody of LICENSEE's assets or business, shall have any right to continue performance of this Agreement, and this Agreement may not be assigned by operation of law.

12.5 Failure to terminate this Agreement pursuant to this Section 12 shall not effect or constitute a waiver of any remedies the non-defaulting party would have been entitled to demand in the absence of the section, whether by way of damages, termination or otherwise. Termination of this Agreement shall be without prejudice to the rights and liabilities of either party to the other in respect of any matter arising under this Agreement.

### 13. RIGHTS AFTER TERMINATION

13.1 Except as provided in Section 13.2 hereof, from and after the termination of this Agreement, whether because of non-renewal, default or otherwise, all of the rights of LICENSEE to the use of the Licensed Trademarks shall, except as hereinafter expressly provided, cease absolutely, and LICENSEE shall not thereafter advertise, promote, distribute or sell any item whatsoever in connection with the Licensed Trademarks. It is further agreed that following expiration of the Contract Period, LICENSEE shall not advertise, promote, distribute or sell any item whatsoever in connection with the use of any name, figure, design, logo, trademark or trade name similar to or suggestive of the Licensed Trademarks.

13.2 Any Licensed Products for which as of the date of termination LICENSEE has non-cancelable open orders or which are in transit to the United States may be sold by LICENSEE on a

non-exclusive basis during the twelve (12) month period following the date of termination. Any Licensed Products which are warehoused in the United States on the date of termination and any Licensed Products which were returned to LICENSEE by a customer may be sold by LICENSEE on a non-exclusive basis during the nine (9) month period following the date of termination. LICENSEE shall continue to pay to LICENSOR with respect to such sales Royalties at the rate and in the manner specified in this Agreement. Within sixty (60) days of the date of termination, LICENSEE shall provide to LICENSOR a complete listing of the inventory in transit and the warehoused inventory. Notwithstanding anything herein to the contrary, LICENSEE shall have no right to manufacture any additional Licensed Products after the date of termination.

13.3 LICENSOR agrees that during the inventory disposal periods as provided in Section 13.2 hereof, LICENSOR will not place any advertisements or announcements in any trade or mass publication concerning the expiration of this Agreement or the identity of a successor LICENSEE, nor will LICENSOR participate in any discussions or negotiations with any other party regarding the use of the Licensed Trademarks in the Territory on any type of consumer electronic product similar to the Licensed Products. LICENSOR acknowledges that the actions herein described would severely limit LICENSEE's ability to dispose of the remaining inventory.

#### 14. NON-COMPETITION

14.1 LICENSOR acknowledges that as a result of the performance of this Agreement, LICENSOR will acquire confidential and proprietary information of LICENSEE regarding its product development, business plans and marketing plans for the Licensed Products. LICENSOR hereby agrees that during the initial Contract Period and all renewal periods of this Agreement and for a period of one (1) year after the termination of this Agreement, LICENSOR will not participate, directly or indirectly, in any business engaged in the design, development, manufacture, distribution or sale of any consumer electronic products included in the categories listed on Exhibit B (including all consumer electronic products substituted for or added to the Products by the parties) other than as provided in Section 14.2 hereof; provided, however, LICENSOR shall not be prohibited from continuing and expanding any business which it is presently conducting or from manufacturing, distributing and selling itself consumer electronic products not included in the categories listed on Exhibit B.

14.2 LICENSEE hereby agrees to sell the Products to LICENSOR provided that the Products are labeled with and marketed under the Licensed Trademarks and LICENSOR resells the Products at retail by direct mail or through retail outlets owned by LICENSOR. LICENSEE agrees to sell the Products to LICENSOR at prices which are not in excess of LICENSEE's most recent wholesale prices for such Products to an unrelated third party upon terms of net 90 days.

#### 15. NOTICE

All notices required or provided for in this Agreement shall be in writing and shall be given by registered mail, prepaid and properly addressed to the last known address of the party to be served herewith, or by telecopy facsimile and confirmed by regular mail, and shall be deemed to have been given on the date upon which said notice was received. Notices sent to LICENSOR shall be addressed as follows:

Koss Corporation  
4129 North Port Washington Avenue  
Milwaukee, WI 53212  
Attn: President

Notices sent to LICENSEE shall be addressed as follows:

Trabelco N.V.  
c/o 10825 Watson Road  
St. Louis, MO 63127  
Attn: Richard P. Proctor

#### 16. ASSIGNMENT

This Agreement shall bind and inure to the benefit of LICENSOR, and the successors and assigns of LICENSOR. The rights granted LICENSEE hereunder shall be exclusive to it and shall not, without the prior written consent of LICENSOR, be transferred or assigned to any other, provided that LICENSEE may assign this Agreement to any corporation controlling, controlled by or under common control with LICENSEE. In the event of the merger or consolidation of LICENSEE with any other entity, except for a subsidiary or parent of Hagemeyer N.V., LICENSOR shall have the right to terminate the Contract Period by so notifying LICENSEE in writing on or before sixty (60) days after LICENSOR has received notice of such merger or consolidation.

#### 17. JOINT VENTURE

This Agreement does not constitute and shall not be construed as constituting a partnership or joint venture between LICENSOR and LICENSEE. Neither party shall have any right to obligate or bind the other party in any manner whatsoever, and nothing herein contained shall give, or is intended to give, any rights of any kind to any third person.

#### 18. MISCELLANEOUS

18.1 Section headings contained herein are solely for the purpose of aiding in speedy location of subject matter and are not in any sense to be given weight in the construction of this Agreement. Accordingly, in case of any question with respect to the construction of this Agreement, it is to be construed as though such section headings had been omitted.

18.2 This writing constitutes the entire Agreement between the parties hereto and may not be changed or modified except by a writing signed by the party or parties hereto and may not be changed or modified except by a writing signed by the party or parties to be charged thereby.

18.3 This Agreement shall be governed by and construed according to the law of the State of Wisconsin (without regard to principles of conflicts of law). If and to the extent that any provisions of this Agreement are prohibited or unenforceable under any applicable law, such provisions shall be ineffective to the extent of such prohibition or unenforceable without invalidating the remaining provisions hereof or affecting the validity or enforceability of any other provision hereof.

18.4 The failure of either party at any time or times to demand strict performance by the other of any of the terms, covenants or conditions set forth herein shall not be construed as a continuing waiver or relinquishment thereof and each may at any time demand strict and complete performance by the other of said terms, covenants and conditions.

THIS CONTAINS A BINDING ARBITRATION PROVISION WHICH MAY BE ENFORCED BY THE PARTIES.

IN WITNESS WHEREOF, the parties hereto have caused this agreement to be executed as of the date set forth above. The effective date is: November 15, 1991.

KOSS CORPORATION

By: /s/ Michael J. Koss  
-----  
Title Michael J. Koss

TRABELCO N.V.

By: /s/ Bernard L. van Hoodonk,  
-----  
Bernard L. van Hoodonk,  
Managing Director

GUARANTY

The undersigned, Hagemeyer Electronics (N.A.), Inc., for good and valuable consideration, the receipt of which is hereby acknowledged, hereby guarantees to Koss Corporation any and all payments owed to Koss Corporation by Trabelco N.V. under the terms of the foregoing Agreement.

DATED: November 15, 1991

HAGEMEYER ELECTRONICS (N.A.), INC.

By: /s/ Richard P. Proctor  
-----  
Richard P. Proctor, Chairman of Board  
of Directors

## EXHIBIT A

## Trademarks And Trade Names

## Koss Registered Trademarks

(Western Hemisphere only)

## United States

Mark: KOSS (Stylized)  
Registration No. 976,692  
Registered January 15, 1974

Mark: Design (Bug Alone)  
Registration No. 1,049,413  
Registered October 5, 1976

Mark. KOSS & (Bug) Design  
Registration No. 1,114,433  
Registered March 6, 1979

Mark: KOSS (Stylized)  
Registration No. 1,138,617  
Registered August 12, 1980

Mark: KOSS  
Registration No. 1,602,016  
Registered June 19, 1990

## Canada

Mark: KOSS  
Registration No. 215,579  
Registered August 20, 1976

Mark: KOSS & Design  
Registration No. 221,160  
Registered June 10, 1977

Mark: KOSS & Design  
Registration No. 225,302  
Registered January 6, 1978

Brazil

Mark: KOSS  
Registration No. 790324699  
Registered August 3, 1982

Mark: KOSS  
Registration No. 813202086  
Registered October 11, 1988

Mexico

Mark. KOSS & Design  
Registration No. 326,272  
Registered Circa June 11, 1985

## EXHIBIT B

Product	Royalty
Clock Radios	2.0%
Radios without a cassette or compact disc player	3.0%
Audio systems of any nature with a cassette player but without a compact disc player	2.0%
Audio systems of any nature with a compact disc player	1.5%
Telephones and telephone answering devices	2.0%
Televisions	1.5%
Video cassette recorders	1.5%

## EXHIBIT C

TO: D.P.I. (H.K.) Limited  
FROM: (Subcontractor) Manufacturing Factory  
RE: Use of the "Koss" Brandname

The purpose of this letter is to acknowledge that D.P.I. (H.K.) Limited has the exclusive rights to the use of the "Koss" brandname and trademarks for North, South and Central America for consumer electronic products other than headphones. We agree that we will not use the "Koss" name on any products other than those manufactured for your account.

## EXHIBIT D

## Calculation of Quarterly Royalties Payment

	Total Sales	Returns	Net Sales	Royalty Rate	Subtotal
Clock radios	\$ -----	\$ -----	-----	2.0%	-----
Radios without cassette or compact disc player	-----	-----	-----	3.0%	-----
Audio systems with radio, cassette player and/or compact disc player	-----	-----	-----	1.5%	-----
Telephones & Telephone answering devices	-----	-----	-----	2.0%	-----
				Subtotal	\$ X -----
Subtotal		\$ X -----			
Less 2% of itemized discounts, rebates and shipping costs		( ) -----			
ROYALTIES PAYMENT		\$			

## AMENDMENT TO LICENSE AGREEMENT

THIS AMENDMENT is made as of the 15th day of November, 1991, by and between KOSS CORPORATION, a Delaware corporation with its principal place of business at 4129 North Port Washington Avenue, Milwaukee, WI 53212 (the "LICENSOR"), and TRABELCO N.V., a Netherlands Antilles company with its principal place of business at Van Engelenweg 21A, Willemstad, Curacao, Netherlands Antilles (the "LICENSEE").

## WITNESSETH:

WHEREAS, the parties previously entered into a certain License Agreement, dated November 15, 1991; and

WHEREAS, the parties now desire to amend the License Agreement in certain respects;

NOW, THEREFORE, the parties hereby agree as follows:

1. Section 13.1(a) of the License Agreement shall be inserted after Section 13.1 and shall read as follows:

13.1(a) As of the date which is six (6) months after the effective date of termination, LICENSOR shall have the option to purchase all of LICENSEE's unsold and uncommitted inventory of Licensed Products, including such inventory as may be in transit or warehoused in the United States. The purchase price shall be at LICENSEE's cost. LICENSOR shall give notice of its intent to exercise said option no later than the date which is five (5) months after the effective date of termination. Upon receipt of such notice, LICENSEE shall provide a complete listing of the inventory of all Licensed Products, with additional detail for each product model as to the quantities of such inventory previously sold or committed and the names of the buyers or parties committed therefor. In the event LICENSOR does not exercise this option, LICENSEE has the right to dispose of the Licensed Products as provided in Section 13.2.

2. Section 16 of the License Agreement is hereby amended to read as follows:

## 16. ASSIGNMENT

This Agreement shall bind and inure to the benefit of LICENSOR, and the successors and assigns of LICENSOR. The rights granted LICENSEE hereunder shall be exclusive to it and shall not, without the prior written consent of LICENSOR, be transferred or assigned to any other entity, provided that LICENSEE may assign this Agreement to any other corporation controlling, controlled by or under common control with LICENSEE. In the event of the merger or consolidation of LICENSEE with any other entity, including any subsidiary or parent of Hagemeyer N.V., LICENSEE shall provide written notice to LICENSOR at least thirty (30) days prior to the effective date of such merger or consolidation. LICENSOR shall have the right to terminate the Contract Period if LICENSEE is to be merged or consolidated with any other entity except a subsidiary or parent of Hagemeyer N.V. by so notifying LICENSEE in writing on or before thirty (30) days after receiving such notice.

IN WITNESS WHEREOF, the parties have duly executed this Amendment as of the date first above written.

KOSS CORPORATION

By: /s/ Michael Koss

-----  
Michael Koss,  
President

TRABELCO N.V.

By: /s/ Bernard L. van Hoodonk

-----  
Bernard L. van Hoodonk,  
Managing Director

CONSENT OF GUARANTOR

The undersigned, as guarantor of the payments owed to Koss Corporation by Trabelco N.V. under the License Agreement, hereby consents to the foregoing Amendment to the License Agreement.

Dated: December 12, 1991

HAGEMEYER ELECTRONICS (N.A.), INC.

By: /s/ Richard P. Proctor

-----  
Richard P. Proctor, Chairman of  
Board of Directors

November 18, 1994

VIA TELECOPIER  
(Confirmation copy  
sent via U.S. Mail)

Koss Corporation  
4129 North Port Washington Ave.  
Milwaukee, WI 53212

Attn: Michael Koss, President

Re: License Agreement between Koss Corporation and Trabelco  
N.V., dated November 15, 1991, as Amended

Dear Michael:

The initial Contract Period of the License Agreement ("License Agreement"), dated November 15, 1991, between Koss Corporation, as Licensor, and Trabelco N.V., as Licensee, as amended, expires December 31, 1994. Pursuant to Section 7.6 of the License Agreement, Licensee hereby elects to renew the License Agreement for an additional three (3) year Contract Period, ending December 31, 1997. Since the total Royalties paid by Licensee during the initial Contract Period exceed the Renewal Amount for the initial Contract Period of \$812,500, no additional payment by Licensee to Licensor is required for the renewal of the License Agreement.

Sincerely,

TRABELCO N.V.

By: /s/ F. Lawrence Dickt

-----  
F. Lawrence Dickt,  
General Administrator

SECOND AMENDMENT TO  
LICENSE AGREEMENT

THIS SECOND AMENDMENT is made and entered into as of the 29th day of September, 1995 by and between KOSS CORPORATION, a Delaware corporation ("LICENSOR"), and TRABELCO N.V., a Netherlands Antilles company ("LICENSEE").

WITNESSETH:

WHEREAS, the parties previously entered into a certain License Agreement, dated November 15, 1991, as amended by a certain Amendment to License Agreement dated the same date; and

WHEREAS, the parties now desire to further amend the said License Agreement in certain respects;

NOW, THEREFORE, the parties hereby agree as follows:

1. The said License Agreement shall be amended by deleting Section 7.1 in its entirety and inserting in lieu thereof the following which shall be read as Section 7.1:

7.1 During the term of this Agreement, LICENSEE will pay to LICENSOR as royalties ("Royalties") an amount equal to the sum of the respective percentage (as set forth on Exhibit B) of net sales of each category of the Licensed Products, less 2% of the itemized discounts, rebates and shipping costs as stated on LICENSEE's invoices regarding such sales of the Licensed Products (2% representing an average of such amounts), and as further exemplified on Exhibit D attached hereto. The term "net sales" with respect to each category of the Licensed Products shall be defined as the total amount invoiced by LICENSEE for sales of the Licensed Products in such category less the total amount of returns of the Licensed Products in such category, and shall include sales of the Licensed Products to LICENSOR as provided in Section 14.2 hereof. In calculating royalties, no deduction shall be made for advertising allowances, uncollectible accounts or any other form of discount other than volume rebates which does not appear on the customer's invoice. Volume rebates allowed a customer will be credited on a separate invoice to the customer, and an annual adjustment of 2% of such rebates shall be made to the Royalties regarding all volume rebates allowed during the respective Contract Year. Notwithstanding anything herein to the contrary, in the event that at any time during a Contract Year during the initial Contract Period or the first renewal period (as provided in Section 7.6), the Royalties paid and accrued with respect to such Contract Year equal \$1,340,000, thereafter for the remainder of such Contract Year, the amount of the Royalties that LICENSEE shall be required to pay to LICENSOR shall be reduced by 50%. Notwithstanding anything herein to the contrary, in the event that at any time during a Contract Year after the first renewal period, the Royalties paid and accrued with respect to such Contract Year equal twice the Minimum Royalties (as hereinafter defined) for such Contract Year, thereafter for the remainder of such Contract Year, the amount of the Royalties that LICENSEE shall be required to pay to LICENSOR shall be reduced by 50%.

2. The said License Agreement shall be amended by deleting Section 14.1 in its entirety and inserting in lieu thereof the following which shall be read as Section 14.1:

14.1 LICENSOR acknowledges that as a result of the performance of this Agreement, LICENSOR will acquire confidential and proprietary information of LICENSEE

regarding its product development, business plans and marketing plans for the Licensed Products. LICENSOR hereby agrees that during the initial Contract Period and all renewal periods of this Agreement and for a period of one (1) year after the termination of this Agreement, LICENSOR will not participate, directly or indirectly, in the Territory, in any business engaged in the design, development, manufacture, distribution or sale of any consumer electronic products included in the categories listed on Exhibit B (including all consumer electronic products substituted for or added to the Products by the parties) other than as provided in Section 14.2 hereof; provided, however, that LICENSOR shall not be prohibited from (i) continuing and expanding anywhere in the world (including, without limitation, in the Territory) any business which it is presently conducting, or (ii) manufacturing, distributing and/or selling consumer electronic products not included in the categories listed on Exhibit B anywhere in the world (including, without limitation, in the Territory).

IN WITNESS WHEREOF, the parties hereto have executed this Second Amendment as of the date first above written.

KOSS CORPORATION

By: /s/ Michael J. Koss  
-----  
Michael J. Koss, President

TRABELCO N.V.

By: /s/ Elaine N. Christiaans  
-----  
Elaine N. Christiaans, Managing Director

CONSENT OF GUARANTOR

The undersigned, as Guarantor, hereby consents to the foregoing Second Amendment to License Agreement and reaffirms its guarantee of the performance by Trabelco N.V. of all of Trabelco N.V.'s obligations under said License Agreement, as amended, and the payment to KOSS Corporation of any and all payments owed to KOSS Corporation by Trabelco N.V. thereunder, including but not limited to, indemnity obligations of Trabelco N.V.

DATED: September 29, 1995

HAGEMEYER ELECTRONICS (N.A.), INC.

By: /s/ Richard P. Proctor  
-----  
Richard P. Proctor, Chairman of Board  
of Directors

IN WITNESS WHEREOF, the parties hereto have executed this Second Amendment as of the date first above written.

KOSS CORPORATION

By: /s/ Michael J. Koss  
-----  
Michael J. Koss, President

TRABELCO N.V.

By: /s/ Elaine N. Christiaans  
-----  
Elaine N. Christiaans, Managing Director

CONSENT OF GUARANTOR

The undersigned, as Guarantor, hereby consents to the foregoing Second Amendment to License Agreement and reaffirms its guarantee of the performance by Trabelco N.V. of all of Trabelco N.V.'s obligations under said License Agreement, as amended, and the payment to KOSS Corporation of any and all payments owed to KOSS Corporation by Trabelco N.V. thereunder, including but not limited to, indemnity obligations of Trabelco N.V.

DATED: September 29, 1995

HAGEMEYER ELECTRONICS (N.A.), INC.

By: /s/ Richard P. Proctor  
-----  
Richard P. Proctor, Chairman of Board  
of Directors

IN WITNESS WHEREOF, the parties hereto have executed this Second Amendment as of the date first above written.

KOSS CORPORATION

By: /s/ Michael J. Koss  
-----  
Michael J. Koss, President

TRABELCO N.V.

By: /s/ Elaine N. Christiaans  
-----  
Elaine N. Christiaans, Managing Director

CONSENT OF GUARANTOR

The undersigned, as Guarantor, hereby consents to the foregoing Second Amendment to License Agreement and reaffirms its guarantee of the performance by Trabelco N.V. of all of Trabelco N.V.'s obligations under said License Agreement, as amended, and the payment to KOSS Corporation of any and all payments owed to KOSS Corporation by Trabelco N.V. thereunder, including but not limited to, indemnity obligations of Trabelco N.V.

DATED: September 29, 1995

HAGEMEYER ELECTRONICS (N.A.), INC.

By: /s/ Richard P. Proctor  
-----  
Richard P. Proctor, Chairman of Board  
of Directors

LICENSE AGREEMENT  
(Western and Eastern Europe)

THIS AGREEMENT is made and entered into as of the 29th day of September, 1995 by and between KOSS CORPORATION, a Delaware corporation with its principal place of business at 4129 North Port Washington Avenue, Milwaukee, WI 53212 (the "LICENSOR"), and TRABELCO N.V., a Netherlands Antilles company and a subsidiary of Hagemeyer N.V. with its principal place of business at International Trade Center, P.O. Box 6169, Willemstad, Curacao, Netherlands Antilles (the "LICENSEE").

WITNESSETH:

WHEREAS, LICENSOR and LICENSEE previously entered into a certain License Agreement, dated November 15, 1991, as amended (the "Western Hemisphere License Agreement"), regarding the use of certain trademarks of LICENSOR in connection with the manufacture, marketing and distribution of LICENSEE's products in the United States, Puerto Rico, Canada, Mexico, Central America and South America; and

WHEREAS, LICENSEE now desires to obtain the right to use such trademarks in connection with the manufacture, marketing and distribution of LICENSEE's products in Western and Eastern Europe; and

WHEREAS, LICENSOR is willing to grant such rights to LICENSEE upon the terms and conditions set forth below;

NOW THEREFORE, for and in consideration of the premises and of the mutual promises and conditions herein contained, the parties hereby agree as follows:

1. DEFINITIONS

For purposes of this Agreement, unless the context otherwise requires, the following terms shall have the meanings set forth below:

1.1 "Licensed Trademarks" mean "KOSS" and all other registered trademarks and trade names as listed on Exhibit A attached hereto and as amended by the parties from time to time.

1.2 "Products" mean the consumer electronic products of LICENSEE set forth on Exhibit B attached hereto (including all consumer electronic products substituted for or added to the Products by the parties after the execution of this Agreement).

1.3 "Licensed Products" mean all Products of LICENSEE which have the Licensed Trademarks affixed or attached thereto in any manner or which are advertised, promoted, distributed or sold in connection with the Licensed Trademarks.

1.4 "Territory" means all of the countries in Western and Eastern Europe, including, but not limited to, Austria, Belgium, Bulgaria, Czechoslovakia, Denmark, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Luxembourg, the Netherlands, Norway, Poland, Portugal, Romania, Spain, Sweden, Switzerland and the United Kingdom.

1.5 "German Territory" means Austria, Germany, Belgium, Luxembourg and the Netherlands.

1.6 "Contract Period" means the period beginning on the effective date set forth at the end of this Agreement and ending on December 31, 1998, and any applicable renewal period.

1.7 "Contract Year" means the calendar year, except that the first Contract Year shall run from the date hereof until December 31, 1995.

## 2. GRANT OF LICENSE

2.1 Subject to all the terms and conditions of this Agreement, LICENSOR hereby grants to LICENSEE the exclusive right and license to use the Licensed Trademarks within the Territory during the Contract Period in connection with, and only with, the manufacture, promotion, distribution and sale of the Products. Notwithstanding anything herein to the contrary, LICENSEE shall not manufacture, distribute or sell headphones labeled with the Licensed Trademarks except as a prepackaged component of an audio system that is commonly expected by the consuming public to include headphones with such audio system.

2.2 LICENSEE agrees that except as provided in the Western Hemisphere License Agreement, it will not make or authorize any use, direct or indirect, of the Licensed Trademarks outside of the Territory; provided that subject to the provisions of Section 2.3, LICENSEE shall have the right to have the Licensed Products manufactured outside the Territory solely for sale inside the Territory.

2.3 LICENSEE shall have the right to grant a sublicense under this Agreement to any entity in which Hagemeyer N.V. owns at least a 51% equity interest permitting such entities to manufacture, promote, distribute and sell the Licensed Products subject to the terms of this Agreement. LICENSEE shall also have the right to subcontract the manufacture of the Licensed Products, provided that the subcontractor executes a letter agreement in form substantially similar to Exhibit C attached hereto undertaking to recognize and uphold the Licensed Trademarks and other rights under this Agreement. LICENSEE shall not grant any other sublicense under this Agreement other than as provided in this Section 2.3.

2.4 LICENSOR agrees that during the Contract Period, it will not grant a license to any other entity to use the Licensed Trademarks within the Territory in connection with the manufacture, promotion, distribution or sale of consumer electronic products not included in the Products unless the opportunity to obtain such license is first offered to LICENSEE pursuant to the following procedure:

(a) LICENSOR shall notify LICENSEE in writing that it has or anticipates an opportunity to license the Licensed Trademarks in one or more consumer electronic product categories not covered by the Products, and shall offer to negotiate with LICENSEE in good faith to permit LICENSEE to obtain an exclusive license covering such product categories under the general terms of this Agreement, but with appropriate adjustments in Exhibit B and in the level of Minimum Royalties (Section 7.2).

(b) If LICENSOR and LICENSEE cannot reach a suitable modification to this Agreement to include such additional product categories within 30 days after notice is given pursuant to subpart (a) hereof, then LICENSOR shall be free to negotiate an acceptable license for such additional product categories with a licensee of its choosing, provided that LICENSEE shall retain the right to secure such license for its own benefit by agreeing to meet all of the business terms and provisions of such intended

license during a period lasting 10 working days after LICENSEE receives written notice of the terms of such intended license agreement.

For the purposes hereof, the term "consumer electronic product category" shall refer to any product included by the Electronic Industries Association in its published market statistics as a recognized product category at any time during the Contract Period.

2.5 The parties agree that the 1995 Contract Year shall be a market developmental year during which LICENSEE shall develop its line of Products, market and promote the Products, and solicit customers in the Territory. During the 1995 Contract Year, LICENSEE shall pay Royalties to LICENSOR with respect to LICENSEE's sales of the Licensed Products as provided in Section 7.1 of this Agreement, however, no Minimum Royalties (as defined in Section 7.2 hereof) shall apply to the 1995 Contract Year. All Royalties paid by LICENSEE with respect to the 1995 Contract Year shall be applied to the Renewal Amount applicable at the end of the initial Contract Period for the renewal of this Agreement for an additional Contract Period as provided in Section 7.6 of this Agreement.

2.6 Notwithstanding anything herein to the contrary, LICENSEE shall have the option, exercisable no later than December 31, 1996, to elect (i) to terminate this Agreement with respect to the entire Territory upon the payment to LICENSOR of the difference, if any, between the Royalties actually paid by LICENSEE with respect to the 1996 Contract Year and the Minimum Royalties for 1996 (i.e. \$25,000.00), and in such event the provisions of Section 13 hereof shall apply with respect to the disposition of LICENSEE's inventory of Licensed Products; or (ii) to continue this Agreement with respect to the German Territory only, and in such event, except as otherwise specifically provided in Sections 7.2, 7.3 and 7.6 hereof, all references in this Agreement to the "Territory" shall be construed to mean the "German Territory."

### 3. LICENSEE'S OBLIGATIONS

3.1 LICENSEE agrees that no Licensed Products will be manufactured, advertised, promoted, distributed or sold:

(a) in violation of any law or regulatory restriction; or

(b) in any manner which damages the image, reputation or goodwill of the Licensed Trademarks or of LICENSOR.

3.2 On or before December 15, 1995 and December 15 of each Contract Year during this Agreement, LICENSEE agrees to develop and submit to LICENSOR an annual business plan for the Licensed Products stating expected sales by product category for the following Contract Year. The business plan shall be clearly marked as a planning document and shall not obligate LICENSEE to perform in any particular manner. LICENSOR agrees to keep such plan confidential. LICENSEE shall assume the entire responsibility and cost for developing and implementing such a plan and, at the request of LICENSOR, will keep LICENSOR informed of the results of the implementation of such business plan. LICENSOR shall cooperate with LICENSEE to implement the business plan to the extent reasonably required by the business plan.

3.3 LICENSEE agrees that during the Contract Period, it will diligently manufacture, distribute and sell Licensed Products and make and maintain adequate arrangements for the distribution, repair and servicing of the Licensed Products throughout the Territory. LICENSEE and LICENSOR shall each inform the other party of their respective toll-free customer service telephone numbers, and shall inform customers who have mistakenly telephoned one party of the other party's customer service telephone number.

3.4 LICENSEE agrees that it will not sell refurbished Products labeled with the Licensed Trademarks unless such Products are clearly and conspicuously labeled as refurbished merchandise.

#### 4. APPROVAL OF LICENSED PRODUCTS

4.1 LICENSEE agrees that LICENSOR shall have the right to approve or disapprove in the manner provided herein in advance of sale, the quality, style, appearance, material and workmanship of all Licensed Products and the packaging thereof, and to approve or disapprove in advance any and all trademarks, trade names, designs and logos (whether included in the Licensed Trademarks or not) used in connection with the Licensed Products. LICENSEE shall not advertise, distribute or sell any such Licensed Product which has not been approved by LICENSOR, however, LICENSEE shall be permitted to present preliminary renderings of potential products to its customers solely for the purpose of securing their preliminary commercial acceptance before securing LICENSOR's approval of same. Before selling or distributing any Licensed Product, LICENSEE shall submit to LICENSOR for its approval, artist renderings of the proposed products and/or mockups with full engineering specifications together with packaging, labels and the like. LICENSOR agrees that it shall, within ten (10) business days after receipt of each of the renderings and/or mock-ups, approve or disapprove such products in writing, failing which such products shall be deemed to have been approved. LICENSOR agrees that any item submitted to it under this Section 4 will not be unreasonably disapproved and, if it is disapproved, that LICENSEE will be advised in writing of the specific reasons for disapproval in each case. After LICENSOR has approved the proposed products and LICENSEE has obtained tooling for the proposed products, LICENSEE shall provide LICENSOR with off-tool and/or production samples of the products and LICENSOR shall disapprove such samples in writing within ten (10) business days after LICENSOR's receipt of such items or else LICENSEE shall be deemed to have approved them; provided that LICENSOR shall only disapprove the off-tool and/or production samples if they fail to conform to the renderings and mock-ups previously submitted. LICENSEE shall also provide to LICENSOR, at no cost to LICENSOR, two (2) working samples of each Product within thirty (30) days of the commencement of production of such Product. LICENSEE agrees that Licensed Products which are sold or distributed hereunder shall be of no lesser quality than the corresponding samples approved by LICENSOR. Notwithstanding anything herein to the contrary, all Licensed Products approved by LICENSOR during the prior twelve (12) month period for sale by LICENSEE in the United States, Puerto Rico, Canada, Mexico, Central America and South America pursuant to the Western Hemisphere License Agreement shall be deemed to be approved by LICENSOR for sale by LICENSEE in the Territory pursuant to this Agreement.

4.2 During the Contract Period, LICENSEE shall take all actions reasonably necessary to cure any product defects in the Licensed Products and will act to preserve the image, reputation and goodwill of the Licensed Trademarks and of LICENSOR.

#### 5. APPROVAL OF ADVERTISING AND THE APPEARANCE AND USE OF THE LICENSED TRADEMARKS

5.1. LICENSEE agrees that LICENSOR shall have the right to approve or disapprove in advance of LICENSEE's commercial use, the content, appearance and presentation of all advertising materials which incorporate the Licensed Trademarks or which make reference in any way to the Licensed Trademarks. Before producing, publishing or distributing any advertising materials hereunder, LICENSEE shall submit to LICENSOR, for its approval, line art and color specifications for the materials. LICENSOR agrees that it shall, within ten (10) business days after receipt, approve or disapprove such material in writing, failing which it shall be deemed to have been approved, provided that LICENSOR's approval shall be subject to submission and approval of LICENSEE's final packaging materials. LICENSOR agrees that any materials submitted will not be unreasonably disapproved and, if any are disapproved, that LICENSEE will be advised in writing of the specific reasons for disapproval in each case; provided that LICENSOR shall only disapprove line art or final form product packaging materials if they do not conform to the specifications previously submitted to and approved by LICENSOR.

5.2 LICENSOR shall provide to LICENSEE, at LICENSEE's cost, all designs, artwork, and color treatment associated with LICENSOR's use of the Licensed Trademarks. LICENSEE agrees that it will not modify such designs and artwork, other than color changes, without the prior written approval of LICENSOR.

5.3 Except as provided in Section 11.1, LICENSEE agrees to protect, indemnify and save harmless LICENSOR, its parent, subsidiaries and affiliates and all officers, directors, agents, employees and representatives thereof, and any of them, from and against any and all expenses, damages, claims, suits, actions, judgments and costs whatsoever, including reasonable attorneys fees, arising out of, or in any way connected with, any claim or action relating to the content of LICENSEE's advertising of Licensed Products, whether or not approved by LICENSOR hereunder.

5.4 LICENSEE agrees that LICENSOR shall have the right to include a full line catalog of LICENSOR's products within each Product to which the Licensed Trademarks are affixed and distributed by LICENSEE. A sample of the full line catalog will be provided to LICENSEE, who shall instruct LICENSOR on a quarterly basis as to the quantity of full line catalogs needed and the destination where they should be shipped for LICENSEE's packaging purposes.

LICENSEE further agrees that LICENSOR shall have the right to include promotional coupons for certain of LICENSOR's products on a quarterly basis except as prohibited by specific retailers. Such coupons shall be provided in a manner similar to that set forth above for the full line catalog and are to be included in every product bearing the Licensed Trademarks and distributed by LICENSEE.

5.5 LICENSEE agrees to provide to LICENSOR a copy of its most recent list of holders of warranties on all Products distributed by LICENSEE. LICENSOR agrees to keep such information confidential and to use it solely for soliciting direct mail consumer sales.

## 6. TRADE NAME

6.1 LICENSOR agrees that LICENSEE and any other sublicensee of LICENSEE under this Agreement shall have the right, exercisable solely during the Contract Period, to conduct business in the Territory using the trade name "KOSS Electronic Products", or such other trade name(s) as the parties shall mutually agree.

## 7. ROYALTIES: PAYMENT; RENEWAL

7.1 During the term of this Agreement, LICENSEE will pay to LICENSOR as royalties ("Royalties") an amount equal to the sum of the respective percentage (as set forth on Exhibit B) of net sales of each category of the Licensed Products, less 2% of the itemized discounts, rebates and shipping costs as stated on LICENSEE's invoices regarding such sales of the Licensed Products (2% representing an average of such amounts), and as further exemplified on Exhibit D attached hereto. The term "net sales" with respect to each category of the Licensed Products shall be defined as the total amount invoiced by LICENSEE for sales of the Licensed Products in such category less the total amount of returns of the Licensed Products in such category, and shall include sales of the Licensed Products to LICENSOR as provided in Section 14.2 hereof. In calculating royalties, no deduction shall be made for advertising allowances, uncollectible accounts or any other form of discount other than volume rebates which do not appear on the customer's invoice. Volume rebates allowed a customer will be credited on a separate invoice to the customer, and an annual adjustment of 2% of such rebates shall be made to the Royalties regarding all volume rebates allowed during the respective Contract Year. Notwithstanding anything herein to the contrary, in the event that at any time during a Contract Year the Royalties paid and accrued with respect to such Contract Year equal \$1,340,000, thereafter for the remainder of such Contract Year, the amount of the Royalties that LICENSEE shall be required to pay to LICENSOR shall be reduced by 50%.

7.2 Notwithstanding the provisions of Section 7.1, if LICENSEE does not exercise its option pursuant to Section 2.6 of this Agreement to terminate this Agreement or reduce the Territory to the German Territory, LICENSEE agrees to pay to LICENSOR during the Contract Period annual minimum Royalties ("Minimum Royalties") as follows:

Year	Minimum Royalties
----	-----
1995	None
1996	\$25,000
1997	\$100,000
1998	\$175,000

In the event that LICENSEE elects to reduce the Territory to the German Territory, LICENSEE shall pay to LICENSOR during the Contract Period Minimum Royalties as follows:

Year	German Territory Minimum Royalties
----	-----
1995	None
1996	\$25,000
1997	\$50,000
1998	\$87,500

If the sum of the total Royalties paid with respect to a Contract Year does not equal or exceed the Minimum Royalties for such Contract Year, the difference between the Minimum Royalties and the Royalties for such Contract Year shall be due and payable on January 20 following such Contract Year.

7.3 If upon the expiration of the initial Contract Period, LICENSEE elects to renew this Agreement as hereinafter provided with respect to either the Territory or the German Territory for an additional three (3) year term, the Minimum Royalties for the first renewal period shall be as follows:

Year -----	Territory Minimum Royalties -----	German Territory Minimum Royalties -----
1999	\$250,000	\$125,000
2000	\$290,000	\$145,000
2001	\$335,000	\$167,500

If LICENSEE elects to further renew this Agreement, the Minimum Royalty for each year during such renewal period shall be calculated by the parties using the statistics for growth in the Territory or German Territory, as applicable, in total factory sales for the categories of consumer electronic products included in the Licensed Products as published by an independent trade associations) to be mutually selected by the parties no later than December 31, 1998 (the "Independent Statistics"). Specifically, for any Contract Year after 2001, the Minimum Royalty for such Contract Year shall be calculated as the amount of the Minimum Royalty for the prior Contract Year multiplied by a fraction, the numerator of which shall be the total factory sales of such products in the Territory or German Territory, as applicable, for such Contract Year as published in the Independent Statistics, and the denominator of which shall be the total factory sales of such products in the Territory or German Territory, as applicable, for the prior Contract Year as published in the Independent Statistics, but in no event shall the Minimum Royalty be less than the Minimum Royalty applicable for any prior year. Until such time as the Independent Statistics are published and the parties are able to calculate the Minimum Royalty for a Contract Year, the Minimum Royalty shall be the same as the Minimum Royalty for the prior Contract Year. Within thirty (30) days after the publication of the necessary Independent Statistics, the parties shall calculate the Minimum Royalty for such Contract Year.

7.4 Payment of Royalties shall be made quarterly by LICENSEE to LICENSOR on or before the 20th day following the end of each calendar quarter of each Contract Year during the term of this Agreement (i.e. January 20, April 20, July 20 and October 20) and within thirty (30) days after the expiration or earlier termination of the License, in respect of all Licensed Products shipped during such quarter (or other period). Notwithstanding anything herein to the contrary, upon the execution of this Agreement, LICENSEE shall pay to LICENSOR an advance of \$25,000 against earned Royalties for the 1996 Contract Year, which advance shall be applied toward the Royalties to be paid by LICENSEE with respect to the final calendar quarter of such Contract Year. Hagemeyer Electronics (N.A.), Inc. has affixed its signature to this Agreement for the sole purpose of agreeing, and it does hereby agree, to guarantee without limit the financial payment provisions of LICENSEE under this Agreement for the benefit of LICENSOR.

7.5 Payment of all Royalties shall be in United States funds. The late payment of any Royalties shall bear interest at the rate of one and one-half percent (1-1/2%) per month, or at the highest rate permitted by applicable state law, whichever is lower.

7.6 LICENSEE shall have the right and option of renewing this Agreement after the initial Contract Period with respect to the Territory or the German Territory, as applicable, for additional

terms of three (3) years each if (i) LICENSEE is not then in default under the terms of this Agreement and (ii) the total Royalties paid by LICENSEE during such Contract Period were no less than 125% of the sum of the Minimum Royalties for such Contract Period (the "Renewal Amount"), or LICENSEE pays to LICENSOR no later than January 20 following the end of such Contract Period the difference between the total Royalties paid during such Contract Period and the Renewal Amount for such Contract Period. The parties agree that the Renewal Amount for the initial Contract Period and the second Contract Period shall be as follows:

	Territory Renewal Amount -----	German Territory Renewal Amount -----
Initial Contract Period	\$375,000	\$203,125
Second Contract Period	\$1,093,750	\$546,875

LICENSEE shall give written notice to LICENSOR of its election to renew this Agreement no later than thirty (30) days before the expiration of the Contract Period.

#### 8. BOOKS, RECORDS, AND STATEMENTS

8.1 LICENSEE (or a company affiliated with LICENSEE as designated by LICENSEE) shall maintain for LICENSEE and all sublicensees for five (5) years following the close of each Contract Year, accurate books and records which disclose: the cost of sales of the Licensed Products, the amount of sales of the Licensed Products (ignoring any sales to sublicensees by the LICENSEE or other sublicensees); the amount of credits for returns, trade discounts and customers, shipping costs; the amount of all Royalties payable hereunder by LICENSEE and all sublicensees; and the manner in which such Royalties were determined.

8.2 LICENSEE shall deliver to LICENSOR with each quarterly Royalties payment a detailed accounting statement showing the calculation of such Royalties payment. Such statement shall be in sufficient detail to be audited from the books of LICENSEE (or its designee) maintained pursuant to Section 8.1 hereof. By the 15th day of each month during the Contract Period, LICENSEE shall also provide LICENSOR with a preliminary tabulation of the sales and returns by customer and by Product model number for the prior month, for LICENSOR's use and analysis.

8.3 Annually, within ninety (90) days after the close of each Contract Year, LICENSEE (or its designee) shall furnish to LICENSOR a statement, certified to be true and correct by the Chief Financial Officer of LICENSEE (or its designee), that the accounting for sales is complete and correct, that the Licensed Products have been classified into the proper categories, and the total sales of the Licensed Products to each retail account.

8.4 LICENSOR, at its expense, shall have the right at any time during regular business hours after the end of any Contract Year, upon thirty (30) days written notice to LICENSEE, to have a representative of LICENSOR examine or audit the books, accounts and records of LICENSEE and its sublicensees which pertain to the importation, manufacture, distribution and sale of the Licensed

Products and the amount of credit for returns, trade discounts and customer's shipping costs with respect thereto, and other books and records only as they may be reasonably required by LICENSOR's accountants in order to verify the figures reported in any statements furnished to LICENSOR pursuant to this Section 8. Such books of account and records shall be made available to LICENSOR and its accountants at such place as the parties shall mutually agree. LICENSEE shall render all possible assistance to LICENSOR and its accountants for the purpose of facilitating the checking or auditing of net sales and of the figures set forth in any of LICENSEE's statements. LICENSOR shall be entitled to exercise its inspection right once each Contract Year during the term of this Agreement and once after termination of this Agreement. If the examination or audit reveals the underpayment of any Royalties, LICENSEE shall immediately pay LICENSOR the amount of the deficiency with interest, and if the deficiency exceeds five percent (5%) of the amount of Royalties paid with respect to such year or years audited, LICENSEE shall pay the cost of the examination or audit.

8.5 Any disputes between the parties regarding the classification of any of the Licensed Products for purposes of calculating the Royalties due under this Agreement or the manner of calculating such Royalties shall be submitted to a commercial arbitrator mutually selected by the parties and such arbitration proceeding shall be held in St. Louis, Missouri pursuant to the rules of procedure established by the American Arbitration Association. In the event that the parties are unable to mutually select an arbitrator, each party shall select an arbitrator, and the arbitrators shall mutually select a third arbitrator. The ruling of such arbitrators shall be binding upon the parties.

## 9. TRADEMARKS

9.1 LICENSEE shall cause to be imprinted irremovably and legibly on each Licensed Product manufactured, distributed or sold under this Agreement including, but not limited to, advertising, promotional, packaging and wrapping material and any other such material wherein the Licensed Trademarks may appear, the appropriate trademark and/or copyright notices, as shall be designated in writing in advance by LICENSOR. LICENSEE agrees to deliver to LICENSOR upon request, free of cost, samples of each Licensed Product together with their packaging and wrapping material for approval and copyright registration purposes.

9.2 LICENSEE agrees that, except as provided in Section 12.3 hereof, it will not, during the Contract Period or thereafter, file any application for trademark registration or otherwise obtain or attempt to obtain ownership of any name, design, logo, trademark or trade name within the Territory or in any other country of the world which includes or is confusingly similar to or suggestive of the Licensed Trademarks.

9.3 LICENSEE agrees that it will not, directly or indirectly, challenge or contest LICENSOR's ownership of and rights in the Licensed Trademarks, whether for the Licensed Products or otherwise.

9.4 All use of the Licensed Trademarks by LICENSEE shall inure to the benefit of LICENSOR, and LICENSEE shall acquire no rights therein adverse to LICENSOR except as expressly provided herein.

## 10. MAINTENANCE OF LICENSED TRADEMARKS AND INFRINGEMENT

10.1 A list of LICENSOR's current trademark registrations and pending applications for registration of the Licensed Trademarks in the countries included in the Territory is attached hereto as Exhibit A. In the event that such trademark registrations and applications for registration do not encompass every Licensed Product hereunder licensed, LICENSOR shall cause appropriate amendments to be filed as soon after the execution of this Agreement as practical.

Within sixty (60) days after the execution of this Agreement, LICENSOR shall have registered or filed applications for the registration of the Licensed Trademarks for the Licensed Products in all of the countries included in the German Territory and such other countries included in the Territory as LICENSEE shall specify in writing. In the event that LICENSEE does not exercise its option pursuant to Section 2.6 hereof to terminate this Agreement or reduce the Territory to the German Territory, then within sixty (60) days after LICENSOR receives written notice from LICENSEE regarding LICENSEE's decision with respect to the option set forth under section 2.6, LICENSOR shall have registered or filed applications for registration of the Licensed Trademarks for the Licensed Products in all other countries included in the Territory. In the event LICENSOR is unable to register one or more of the Licensed Trademarks in a country as required by this Section 10.1, the parties agree to negotiate in good faith a mutually acceptable resolution with respect to such registration or amendment to this Agreement.

LICENSEE agrees to provide samples, invoices or other documents necessary to support LICENSOR's registrations of the Licensed Trademarks for the Licensed Products.

10.2 LICENSEE shall promptly notify LICENSOR in writing of any infringement by others of the Licensed Trademarks on articles similar to the Licensed Products if and when such become known to LICENSEE and shall provide LICENSOR with any available evidence of such infringement. LICENSOR shall have the first right to commence legal proceedings against such infringer, and the expense of such legal proceedings shall be shared equally by LICENSOR and LICENSEE. In any infringement action, proceeding or claim brought by LICENSOR, LICENSEE, at its expense, shall make available to LICENSOR any relevant books, records, papers, information, designs, samples, specimens, and the like and shall cause any of the LICENSEE's employees to be deposed or to testify, whenever requested to do so by LICENSOR. Any damage award or recovery resulting from such legal proceedings shall be divided equally between LICENSOR and LICENSEE. Should LICENSOR fail to commence legal proceedings against any infringer within thirty (30) days after being notified by LICENSEE, LICENSEE shall have the right to commence legal proceedings on its own behalf against such infringer. LICENSEE shall keep LICENSOR advised in advance of its intentions in such proceedings and will consult with LICENSOR with respect thereto. LICENSEE shall retain any recovery from any legal proceeding commenced by LICENSEE.

## 11. WARRANTIES AND INDEMNITIES

11.1 LICENSOR represents and warrants that LICENSOR owns all rights in and to the Licensed Trademarks in the Territory as are necessary to enable LICENSOR to license the use thereof as set forth herein, that listed on Exhibit A are all of LICENSOR's current registrations and applications for registration of the Licensed Trademarks in the Territory and that there are no assignments or other dispositions of any rights in the Licensed Trademarks presently in effect or

contemplated by LICENSOR which in any way detract from or are competitive with the rights granted to LICENSEE under this Agreement. LICENSOR further represents and warrants that it has not entered into any other written license agreements granting or assigning to any person or entity other than LICENSEE the right to manufacture, label with the Licensed Trademarks, distribute and/or sell in the Territory any type of consumer electronic product included in the Products.

LICENSOR agrees to indemnify and hold harmless LICENSEE, its parent, subsidiaries and affiliates and all officers, directors, agents, employees and representatives thereof, and any of them, from and against any and all expenses, damages, claims, suits, actions, judgments and costs whatsoever, including reasonable attorneys' fees, which LICENSEE may hereinafter incur, suffer or be required to pay arising out of or in connection with the use by LICENSEE of the Licensed Trademarks in any country included in the Territory pursuant to this Agreement provided that LICENSEE did not commence marketing and selling the Licensed Products in a particular country included in the Territory prior to the issuance to LICENSOR of the registration of the Licensed Trademarks in such country; provided, however, that LICENSOR's liability to indemnify LICENSEE shall not exceed the sum of the amount of Royalties theretofore received by LICENSOR under this Agreement and all expenses incurred by LICENSEE regarding the design and development of the Licensed Products and packaging, advertising and marketing materials for the Licensed Products. LICENSEE shall give LICENSOR prompt written notice, cooperation and assistance in connection with any such claim and the LICENSOR shall have complete control over the defense or settlement thereof.

11.2 LICENSEE agrees to indemnify and hold harmless LICENSOR, its parent, subsidiaries and affiliates and all officers, directors, agents, employees and representatives thereof, and any of them, from and against any and all expenses, damages, claims, suits, actions, judgments and costs whatsoever, including reasonable attorneys fees, which LICENSOR may hereinafter incur, suffer or be required to pay arising out of, or in any way connected with, any claim or action for the violation by LICENSEE of any statutory or regulatory obligation, any trademark infringement claim if LICENSEE commenced marketing and selling the Licensed Products in the country in which the infringement claim is brought prior to the issuance to LICENSOR of the registration of the Licensed Trademarks for the Licensed Products in such country, any claim or action for injury or damage to property, personal injury, death or other cause of action involving alleged defects in Licensed Products, and any other claim or action arising out of LICENSEE's activities pursuant to this Agreement or other conduct of its business, except as provided in Section 11.1 herein.

11.3 LICENSEE shall, within thirty (30) calendar days after the execution of this Agreement, obtain from an insurance company reasonably acceptable to LICENSOR, and maintain during the term of this Agreement and for a period of twenty-four (24) months following the expiration or termination of this Agreement, public and products liability insurance with a limit of liability of not less than Five Million U.S. Dollars (\$5,000,000) per occurrence in order to protect LICENSOR against any liabilities with which it may be charged because of damage or injuries suffered by any servants, agents, contractors, employees or customers of LICENSEE or by the general public, resulting from the use or sale of the Licensed Products manufactured, distributed, advertised or sold by LICENSEE or by LICENSEE's contractor. LICENSEE agrees to cause LICENSOR's name to be entered in such policy as an additional named insured and to deliver to LICENSOR a certificate thereof. Said insurance shall provide that it cannot be canceled without the insurer first giving LICENSOR twenty (20) calendar days, advance written notice thereof. LICENSEE shall furnish or

cause to be furnished to LICENSOR evidence of the maintenance and renewal of the insurance required herein, including, but not limited to, copies of policies, certificates of insurance, with applicable riders and endorsements, and proof of premium payments.

## 12. DEFAULT; TERMINATION

12.1 In the event of a default by either party in the performance of any of its obligations pursuant to this Agreement, the non-defaulting party shall give written notice of such default to the defaulting party. Within sixty (60) days of its receipt of such notice, the defaulting party shall take reasonable efforts toward correcting the default, and shall cure the default within six (6) months of its receipt of such notice. If the defaulting party does not take such corrective actions or cure the default within the respective time period, the nondefaulting party shall have the right to terminate this Agreement upon the expiration of the respective period. The right to remedy a default shall not apply to a violation of the prior authorization and reporting requirements of Sections 4 and 5 which shall be deemed a non-curable default.

12.2 Either party shall have the right to terminate this Agreement upon ten (10) days prior notice upon the occurrence of any of the following events:

(a) If the other party shall become insolvent or shall make an assignment for the benefit of creditors or become the subject of receivership, bankruptcy or other insolvency or debtor relief proceedings, or any similar proceedings, or in proceedings, voluntary or forced, whereby it is limited in the free and unrestrained exercise of its own judgment as to the carrying out of the terms of this Agreement;

(b) If the other party shall cease to do business;

(c) Except as permitted under Section 16, if the other party shall attempt to assign any of its rights under this Agreement; or

(d) In the event that this Agreement is held invalid or unenforceable by the determination of any government agency or any court of competent jurisdiction.

A party's exercise of its right, pursuant to this Section 12.2, to terminate this Agreement shall be without prejudice to any other legal or equitable remedy such party may hold against the other party by reason of the other party's breach of any term or condition of this Agreement.

12.3 In the event that LICENSEE shall terminate this Agreement as provided in subparagraph (a) of Section 12.2, LICENSEE shall have the right to purchase the Licensed Trademarks from LICENSOR for use with respect to the categories of consumer electronic products included on Exhibit B and any other consumer electronic products manufactured and sold by LICENSEE pursuant to this Agreement immediately prior to such termination, and LICENSOR agrees to take all actions reasonably necessary to transfer such registrations of the Licensed Trademarks to LICENSEE. LICENSOR and LICENSEE shall each obtain a valuation of the Licensed Trademarks from an independent appraiser. If the difference between the valuations does not exceed 10% of the higher valuation, the purchase price for the Licensed Trademarks shall be the average of the two valuations. If the difference between the valuations exceeds 10% of the higher valuation, the two

independent appraisers shall mutually select a third independent appraiser and the valuation of the third appraiser shall be the purchase price of the Licensed Trademarks.

12.4 No assignee for the benefit of creditors, receiver, liquidator, trustee in bankruptcy, sheriff or any other officer of the court or official charged with taking over custody of LICENSEE's assets or business, shall have any right to continue performance of this Agreement, and this Agreement may not be assigned by operation of law.

12.5 Failure to terminate this Agreement pursuant to this Section 12 shall not effect or constitute a waiver of any remedies the non-defaulting party would have been entitled to demand in the absence of the section, whether by way of damages, termination or otherwise. Termination of this Agreement shall be without prejudice to the rights and liabilities of either party to the other in respect of any matter arising under this Agreement.

### 13. RIGHTS AFTER TERMINATION

13.1 Except as provided in Section 13.2 hereof, from and after the termination of this Agreement, whether because of non-renewal, default or otherwise, all of the rights of LICENSEE to the use of the Licensed Trademarks shall, except as hereinafter expressly provided, cease absolutely, and LICENSEE shall not thereafter advertise, promote, distribute or sell any item whatsoever in connection with the Licensed Trademarks. It is further agreed that following expiration of the Contract Period, LICENSEE shall not advertise, promote, distribute or sell any item whatsoever in connection with the use of any name, figure, design, 1090, trademark or trade name similar to or suggestive of the Licensed Trademarks.

13.1(a) As of the date which is six (6) months after the effective date of termination, LICENSOR shall have the option to purchase all of LICENSEE's unsold and uncommitted inventory of Licensed Products, including such inventory as may be in transit to or warehoused in the Territory. The purchase price shall be at LICENSEE's cost. LICENSOR shall give notice of its intent to exercise said option no later than the date which is five (5) months after the effective date of termination. Upon receipt of such notice, LICENSEE shall provide a complete listing of the inventory of all Licensed Products, with additional detail for each product model as to the quantities of such inventory previously sold or committed and the names of the buyers or parties committed therefor. In the event LICENSOR does not exercise this option, LICENSEE has the right to dispose of the Licensed Products as provided in Section 13.2.

13.2 Any Licensed Products for which as of the date of termination LICENSEE has non-cancelable open orders or which are in transit to the Territory may be sold by LICENSEE on a non-exclusive basis during the twelve (12) month period following the date of termination. Any Licensed Products which are warehoused in the Territory on the date of termination and any Licensed Products which were returned to LICENSEE by a customer may be sold by LICENSEE on a non-exclusive basis during the nine (9) month period following the date of termination. LICENSEE shall continue to pay to LICENSOR with respect to such sales Royalties at the rate and in the manner specified in this Agreement. Within sixty (60) days of the date of termination, LICENSEE shall provide to LICENSOR a complete listing of the inventory in transit and the warehoused inventory. Notwithstanding anything herein to the contrary, LICENSEE shall have no right to manufacture any additional Licensed Products after the date of termination.

13.3 LICENSOR agrees that during the inventory disposal periods as provided in Section 13.2 hereof, LICENSOR will not place any advertisements or announcements in any trade or mass publication concerning the expiration of this Agreement or the identity of a successor LICENSEE, nor will LICENSOR participate in any discussions or negotiations with any other party regarding the use of the Licensed Trademarks in the Territory on any type of consumer electronic product similar to the Licensed Products. LICENSOR acknowledges that the actions herein described would severely limit LICENSEE's ability to dispose of the remaining inventory.

#### 14. NON-COMPETITION

14.1 LICENSOR acknowledges that as a result of the performance of this Agreement, LICENSOR will acquire confidential and proprietary information of LICENSEE regarding its product development, business plans and marketing plans for the Licensed Products. LICENSOR hereby agrees that during the initial Contract Period and all renewal periods of this Agreement and for a period of one (1) year after the termination of this Agreement, LICENSOR will not participate, directly or indirectly, in the German Territory or the Territory, as applicable, in any business engaged in the design, development, manufacture, distribution or sale of any consumer electronic products included in the categories listed on Exhibit B (including all consumer electronic products substituted for or added to the Products by the parties) other than as set forth in Section 14.2 hereof; provided, however, that LICENSOR shall not be prohibited from (i) continuing and expanding anywhere in the world (including, without limitation, in the Territory or German Territory, as applicable) any business which it is presently conducting, or (ii) manufacturing, distributing and/or selling consumer electronic products not included in the categories listed on Exhibit B anywhere in the world (including, without limitation, in the Territory or German Territory, as applicable).

14.2 LICENSEE hereby agrees to sell the Products to LICENSOR provided that the Products are labeled with and marketed under the Licensed Trademarks and LICENSOR resells the Products at retail by direct mail or through retail outlets owned by LICENSOR. LICENSEE agrees to sell the Products to LICENSOR at the same price as LICENSEE's most recent sale of such Products to a company related or affiliated to LICENSEE.

#### 15. NOTICE

All notices required or provided for in this Agreement shall be in writing and shall be given by registered mail, prepaid and properly addressed to the last known address of the party to be served therewith, or by telecopy facsimile and confirmed by regular mail, and shall be deemed to have been given on the date upon which said notice was received.

Notices sent to LICENSOR shall be addressed as follows:

Koss Corporation  
4129 North Port Washington Avenue  
Milwaukee, WI 53212  
Attn: President

Fax: 414-964-8615

Notices sent to LICENSEE shall be addressed as follows:

Trabelco N.V.  
c/o 10825 Watson Road  
St. Louis, MO 63127  
Attn: President

Fax: 314-821-9183

#### 16. ASSIGNMENT

This Agreement shall bind and inure to the benefit of LICENSOR, and the successors and assigns of LICENSOR. The rights granted LICENSEE hereunder shall be exclusive to it and shall not, without the prior written consent of LICENSOR, be transferred or assigned to any other entity, provided that LICENSEE may assign this Agreement to any corporation controlling, controlled by or under common control with LICENSEE. In the event of the merger or consolidation of LICENSEE with any other entity, including any subsidiary or parent of Hagemeyer N.V., LICENSEE shall provide written notice to LICENSOR at least thirty (30) days prior to the effective date of such merger or consolidation. LICENSOR shall have the right to terminate the Contract Period if LICENSEE is to be merged or consolidated with any other entity except a subsidiary or parent of Hagemeyer N.V. by so notifying LICENSEE in writing on or before thirty (30) days after receiving such notice.

#### 17. JOINT VENTURE

This Agreement does not constitute and shall not be construed as constituting a partnership or joint venture between LICENSOR and LICENSEE. Neither party shall have any right to obligate or bind the other party in any manner whatsoever, and nothing herein contained shall give, or is intended to give, any rights of any kind to any third person.

#### 18. MISCELLANEOUS

18.1 Section headings contained herein are solely for the purpose of aiding in speedy location of subject matter and are not in any sense to be given weight in the construction of this Agreement. Accordingly, in case of any question with respect to the construction of this Agreement, it is to be construed as though such section headings had been omitted.

18.2 This writing constitutes the entire Agreement between the parties hereto and may not be changed or modified except by a writing signed by the party or parties to be charged thereby.

18.3 This Agreement shall be governed by and construed according to the law of the State of Wisconsin (without regard to principles of conflicts of law). If and to the extent that any provisions of this Agreement are prohibited or unenforceable under any applicable law, such provisions shall be ineffective to the extent of such prohibition or unenforceable without invalidating the remaining provisions hereof or affecting the validity or enforceability of any other provision hereof.

18.4 The failure of either party at any time or times to demand strict performance by the other of any of the terms, covenants or conditions set forth herein shall not be construed as a continuing waiver or relinquishment thereof and each may at any time demand strict and complete performance by the other of said terms, covenants and conditions.

THIS CONTRACT CONTAINS A BINDING ARBITRATION PROVISION WHICH MAY BE ENFORCED BY THE PARTIES.

IN WITNESS WHEREOF, the parties hereto have caused this agreement to be executed as of the date set forth above. The effective date is: September 29, 1995.

KOSS CORPORATION

By: /s/ Michael J. Koss  
-----  
Michael J. Koss, President and CEO

TRABELCO N.V.

By: /s/ Elaine N. Christiaans  
-----  
Elaine N. Christiaans,  
Managing Director

## GUARANTY

The undersigned, Hagemeyer Electronics (N.A.), Inc., for good and valuable consideration, the receipt of which is hereby acknowledged, hereby guarantees the performance by Trabelco N.V. of all of Trabelco N.V.'S obligations under the foregoing License Agreement and the payment to KOSS Corporation of any and all amounts owed to KOSS Corporation by Trabelco N.V. thereunder, including but not limited to, the indemnity obligations of Trabelco N.V.

DATED: September 29, 1995

HAGEMEYER ELECTRONICS (N.A.), INC.

By: /s/ Richard P. Proctor

-----  
Richard P. Proctor, Chairman of  
Board of Directors

EXHIBIT A

Trademarks and Trade Names

KOSS & Design

KOSS (block)

KOSS (stylized)

Current Trademark Registrations and  
Pending Applications for Registration

Trademark	Country	Registration/ Application Number	Product Classes
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## EXHIBIT A

Trademark	Country	Registration/ Application Number	Product Class
-----	-----	-----	-----
KOSS (BLOCK)	AUSTRIA	PENDING	009
KOSS (BLOCK)	BELGIUM	PENDING	009
KOSS (BLOCK)	BULGARIA	PENDING	009
KOSS (BLOCK)	CZECHOSLOVAKIA	PENDING	009
KOSS (BLOCK)	DENMARK	PENDING	009
KOSS (BLOCK)	FINLAND	PENDING	009
KOSS (BLOCK)	FRANCE	PENDING	009
KOSS (BLOCK)	GERMANY	PENDING	009
KOSS (BLOCK)	GREECE	PENDING	009
KOSS (BLOCK)	HUNGARY	PENDING	009
KOSS (BLOCK)	IRELAND	PENDING	009
KOSS (BLOCK)	ITALY	PENDING	009
KOSS (BLOCK)	LUXEMBOURG	PENDING	009
KOSS (BLOCK)	NETHERLANDS	PENDING	009
KOSS (BLOCK)	NORWAY	PENDING	009
KOSS (BLOCK)	POLAND	PENDING	009
KOSS (BLOCK)	PORTUGAL	PENDING	009
KOSS (BLOCK)	ROMANIA	PENDING	009
KOSS (BLOCK)	SPAIN	PENDING	009
KOSS (BLOCK)	SWEDEN	PENDING	009
KOSS (BLOCK)	SWITZERLAND	PENDING	009



Trademark	Country	Registration/ Application Number	Product Class
KOSS & DESIGN	AUSTRIA	PENDING	009
KOSS & DESIGN	BELGIUM	PENDING	009
KOSS & DESIGN	BULGARIA	PENDING	009
KOSS & DESIGN	CZECHOSLOVAKIA	PENDING	009
KOSS & DESIGN)	DENMARK	PENDING	009
KOSS & DESIGN	FINLAND	PENDING	009
KOSS & DESIGN	FRANCE	PENDING	009
KOSS & DESIGN	GERMANY	PENDING	009
KOSS & DESIGN)	GREECE	PENDING	009
KOSS & DESIGN	HUNGARY	PENDING	009
KOSS & DESIGN	IRELAND	PENDING	009
KOSS & DESIGN	ITALY	PENDING	009
KOSS & DESIGN	LUXEMBOURG	PENDING	009
KOSS & DESIGN	NETHERLANDS	PENDING	009
KOSS & DESIGN	NORWAY	PENDING	009
KOSS & DESIGN	POLAND	PENDING	009
KOSS & DESIGN	PORTUGAL	PENDING	009
KOSS & DESIGN	ROMANIA	PENDING	009
KOSS & DESIGN	SPAIN	PENDING	009
KOSS & DESIGN	SWEDEN	PENDING	009
KOSS & DESIGN	SWITZERLAND	PENDING	009
KOSS & DESIGN	UNITED KINGDOM	PENDING	009

Trademark	Country	Registration/ Application Number	Product Class
KOSS (STYLIZED)	AUSTRIA	PENDING	009
KOSS (STYLIZED)	BELGIUM	PENDING	009
KOSS (STYLIZED)	BULGARIA	PENDING	009
KOSS (STYLIZED)	CZECHOSLOVAKIA	PENDING	009
KOSS (STYLIZED)	DENMARK	PENDING	009
KOSS (STYLIZED)	FINLAND	PENDING	009
KOSS (STYLIZED)	FRANCE	PENDING	009
KOSS (STYLIZED)	GERMANY	PENDING	009
KOSS (STYLIZED)	GREECE	PENDING	009
KOSS (STYLIZED)	HUNGARY	PENDING	009
KOSS (STYLIZED)	IRELAND	PENDING	009
KOSS (STYLIZED)	ITALY	PENDING	009
KOSS (STYLIZED)	LUXEMBOURG	PENDING	009
KOSS (STYLIZED)	NETHERLANDS	PENDING	009
KOSS (STYLIZED)	NORWAY	PENDING	009
KOSS (STYLIZED)	POLAND	PENDING	009
KOSS (STYLIZED)	PORTUGAL	PENDING	009
KOSS (STYLIZED)	ROMANIA	PENDING	009
KOSS (STYLIZED)	SPAIN	PENDING	009
KOSS (STYLIZED)	SWEDEN	PENDING	009
KOSS (STYLIZED)	SWITZERLAND	PENDING	009
KOSS (STYLIZED)	UNITED KINGDOM	PENDING	009

## EXHIBIT B

Product -----	Royalty -----
Clock Radios	2.0%
Radios without a cassette or compact disc player	3.0%
Audio systems of any nature with a cassette player but without a compact disc player	2.0%
Audio systems of any nature with a compact disc player	1.5%
Telephones and telephone answering devices	2.0%
Televisions	1.5%
Video cassette recorders	1.5%

## EXHIBIT C

TO: Trabelco N.V.  
FROM: (Subcontractor) Manufacturing Factory  
RE: Use of the "KOSS" Brandname

The purpose of this letter is to acknowledge that Trabelco N.V. has the exclusive rights to the use of the "KOSS" brandname and trademarks in Austria, Belgium, Bulgaria, Czechoslovakia, Denmark, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Luxembourg, the Netherlands, Norway, Poland, Portugal, Romania, Spain, Sweden, Switzerland and the United Kingdom for consumer electronic products as listed on Exhibit B attached to the License Agreement between KOSS Corporation, as Licensor, and Trabelco N.V., as Licensee, dated September 29, 1995. We agree that we will not use the "KOSS" name on any products other than those manufactured for your account.

EXHIBIT D  
Calculation of Quarterly Royalties Payment

	Total Sales -----	Returns -----	Net Sales -----	Royalty -----	Subtotal -----
Clock radios	\$ _____	\$ _____	_____	2%	_____
Radios without cassette or compact disc player	_____	_____	_____	3%	_____
Audio systems with radio, cassette player and/or compact disc player	_____	_____	_____	1.5%	_____
Telephones and telephone answering devices	_____	_____	_____	2.0%	_____
				Subtotal	X -----
 Subtotal	 \$           X -----				
Less 2% of itemized discounts, rebates and shipping costs	( _____ )				
 ROYALTIES PAYMENT	 \$ _____				

FIRST AMENDMENT TO  
LICENSE AGREEMENT

THIS FIRST AMENDMENT is made and entered into as of the 26th day of December, 1995, by and between KOSS CORPORATION, a Delaware corporation ("LICENSOR"), and TRABELCO N.V., a Netherlands Antilles company ("LICENSEE").

W I T N E S S E T H

WHEREAS, LICENSOR and LICENSEE previously entered into a certain License Agreement dated September 29, 1995, (the "License Agreement"); and

WHEREAS, the parties now desire to amend the License Agreement;

NOW, THEREFORE, the parties hereby agree as follows:

1. That the first sentence of the second paragraph of Section 10.1 is hereby amended to read as follows (terms not herein defined shall be as defined in the License Agreement):

Not later than January 31, 1996, LICENSOR shall have registered or filed applications for the registration of the Licensed Trademarks for the Licensed Products in all of the countries set forth on Exhibit A-1 and such other countries included in the Territory as LICENSEE shall specify in writing on or before December 31, 1995. \*\*\*[Remainder of paragraph unaffected]\*\*\*

IN WITNESS WHEREOF, the parties have executed this First Amendment to License Agreement as of the date first set forth above.

KOSS CORPORATION

By /s/ Michael J. Koss

-----  
Michael J. Koss, President and CEO

TRABELCO N.V.

By /s/ Elaine N. Christiaans

-----  
Elaine N. Christiaans,  
Managing Director

CONSENT OF GUARANTOR

The undersigned, as Guarantor, hereby consents to the foregoing First Amendment to License Agreement and reaffirms its guarantee of the performance by Trabelco N.V., of all of Trabelco N.V.'s obligations under said License Agreement, as amended, and the payment to KOSS Corporation of any and all amounts owed to KOSS Corporation by Trabelco N.V. thereunder, including, but not limited to, the indemnity obligations of Trabelco N.V.

DATED: December 26, 1995

HAGEMEYER ELECTRONICS (N.A.), INC.

By: /s/ Richard P. Proctor

-----  
Richard P. Proctor, Chairman of the Board  
of Directors

## EXHIBIT A-1

Trademark	Country	Registration/ Application Number	Product Class
KOSS (BLOCK)	AUSTRIA	PENDING	009
KOSS (BLOCK)	BELGIUM	PENDING	009
KOSS (BLOCK)	DENMARK	PENDING	009
KOSS (BLOCK)	FINLAND	PENDING	009
KOSS (BLOCK)	FRANCE	PENDING	009
KOSS (BLOCK)	GERMANY	PENDING	009
KOSS (BLOCK)	GREECE	PENDING	009
KOSS (BLOCK)	IRELAND	PENDING	009
KOSS (BLOCK)	ITALY	PENDING	009
KOSS (BLOCK)	LUXEMBOURG	PENDING	009
KOSS (BLOCK)	NETHERLANDS	PENDING	009
KOSS (BLOCK)	PORTUGAL	PENDING	009
KOSS (BLOCK)	SPAIN	PENDING	009
KOSS (BLOCK)	SWEDEN	PENDING	009
KOSS (BLOCK)	UNITED KINGDOM	PENDING	009

Trademark -----	Country -----	Registration/ Application Number -----	Product Class -----
KOSS & DESIGN	AUSTRIA	PENDING	009
KOSS & DESIGN	BELGIUM	PENDING	009
KOSS & DESIGN	DENMARK	PENDING	009
KOSS & DESIGN	FINLAND	PENDING	009
KOSS & DESIGN	FRANCE	PENDING	009
KOSS & DESIGN	GERMANY	PENDING	009
KOSS & DESIGN	GREECE	PENDING	009
KOSS & DESIGN	IRELAND	PENDING	009
KOSS & DESIGN	ITALY	PENDING	009
KOSS & DESIGN	LUXEMBOURG	PENDING	009
KOSS & DESIGN	NETHERLANDS	PENDING	009
KOSS & DESIGN	PORTUGAL	PENDING	009
KOSS & DESIGN	SPAIN	PENDING	009
KOSS & DESIGN	SWEDEN	PENDING	009
KOSS & DESIGN	UNITED KINGDOM	PENDING	009

Trademark	Country	Registration/ Application Number	Product Class
-----	-----	-----	-----
KOSS (STYLIZED)	AUSTRIA	PENDING	009
KOSS (STYLIZED)	BELGIUM	PENDING	009
KOSS (STYLIZED)	DENMARK	PENDING	009
KOSS (STYLIZED)	FINLAND	PENDING	009
KOSS (STYLIZED)	FRANCE	PENDING	009
KOSS (STYLIZED)	GERMANY	PENDING	009
KOSS (STYLIZED)	GREECE	PENDING	009
KOSS (STYLIZED)	IRELAND	PENDING	009
KOSS (STYLIZED)	ITALY	PENDING	009
KOSS (STYLIZED)	LUXEMBOURG	PENDING	009
KOSS (STYLIZED)	NETHERLANDS	PENDING	009
KOSS (STYLIZED)	PORTUGAL	PENDING	009
KOSS (STYLIZED)	SPAIN	PENDING	009
KOSS (STYLIZED)	SWEDEN	PENDING	009
KOSS (STYLIZED)	UNITED KINGDOM	PENDING	009

YEAR

JUN-30-1996

JUL-01-1995

JUN-30-1996

27,001

0

8,965,213

0

8,777,216

18,669,513

12,677,762

10,333,421

22,005,257

2,476,123

0

0

33,179

16,513,611

22,005,257

36,422,377

37,725,879

25,241,623

25,241,623

8,528,098

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40,195

3,915,963

1,555,000

0

0

0

0

1,555,000

0

.67