

KOSS CORPORATION
AUDIT COMMITTEE CHARTER

MISSION STATEMENT

The Audit Committee (the "Committee") of Koss Corporation (the "Company") will assist the board of directors in fulfilling its oversight responsibilities. The Committee will review the financial reporting process, the system of internal control, the audit process, and the Company's process for monitoring compliance with laws and regulations and with the Company's code of ethics. In performing its duties, the Committee will maintain effective working relationships with the board of directors, management, and the external auditors. To effectively perform his or her role, each Committee member will obtain an understanding of the detailed responsibilities of Committee membership as well as the Company's business, operations, and risks.

COMPOSITION, EXPERIENCE, AND MEETINGS

- The Committee shall be comprised of three or more directors as determined by the Board.
- No director shall serve as the Audit Committee Chair for more than three consecutive years.
- All members of the Committee shall have (in accordance with the requirements of the Nasdaq Stock Market, Inc.) a working familiarity with basic finance and accounting practices, and at least one member of the Committee shall have accounting or related financial management expertise.
- Each Committee member shall be (as required by and defined in the rules of the Nasdaq Stock Market, Inc.) an independent director, free from any relationship that, in the opinion of the Board, would interfere with the exercise of his or her independent judgment as a member of the Committee.
- All members of the Committee, including the Chairperson of the Committee, shall be elected annually by the Board.
- The Committee shall meet at least 4 times annually.
- The Audit Committee Chair shall meet with the outside auditors at least 4 times annually, including before the end of the filing of the Company's quarterly and annual reports with the SEC.
- The Audit Committee Chair shall meet with the CFO at least four (4) times annually, including in conjunction with the filing of the Company's quarterly and annual reports with the SEC. These meetings shall be held outside the presence of the CEO.

RESPONSIBILITIES RELATING TO INTERNAL CONTROLS

- The Committee shall evaluate whether management is communicating the importance of internal control and ensuring that all individuals possess an understanding of their roles and responsibilities.
- The Committee shall focus on the extent to which external auditors review computer systems and applications, the security of such systems and applications, and the contingency plan for processing financial information in the event of a systems breakdown.
- The Committee shall determine whether internal control recommendations made by the external auditors have been implemented by management.
- At least once every three years, the Committee shall select and retain an independent auditing firm to conduct a comprehensive review and assessment of the Company's internal controls, and prepare and submit to the Committee a report on the independent auditor's findings. This assessment may be performed by the Company's independent auditors as part of complying with Sarbanes-Oxley Section 404(b) even though the Company is not required to do so.

- The Committee shall be notified about any significant changes to the Company's internal control system including significant changes to control features within the Company's IT system.
- The Committee shall receive reports from the Company's internal control expert as needed for updates on the results of the internal audits.

FINANCIAL REPORTING RESPONSIBILITIES

General

- Review significant accounting and reporting issues, including recent professional and regulatory pronouncements, and understand their impact on the financial statements.
- Ask management and the external auditors about significant risks and exposures and the plans to minimize such risks.
- Consider the independent accountants' judgments about the quality and appropriateness of the Company's accounting principles and estimates as applied to its financial reporting.

Annual Financial Statements

- Review the annual audited financial statements and determine whether they are complete and consistent with the information known to Committee members; assess whether the financial statements reflect appropriate accounting principles.
- Review and discuss complex and/or unusual transactions such as restructuring charges and derivative disclosures, if any.
- Review an analysis prepared by management and the external auditor regarding significant financial reporting issues and judgments made in connection with the preparation of the Company's financial statements; focus on judgmental areas such as those involving valuation of assets and liabilities, including, for example, the accounting for and disclosure of obsolete or slow-moving inventory; bad debt; warranty; product, and environmental liability; litigation reserves; and other commitments and contingencies.
- Meet with management and the external auditors to review the financial statements and the results of the audit.
- Consider management's handling of proposed audit adjustments identified by the external auditors.
- Review major changes to the Company's auditing and accounting principles as suggested by the external auditor or management.
- Review the MD&A and other sections of the annual report before its release and consider whether the information is adequate and consistent with members' knowledge about the company and its operations.

Interim Financial Statements

- Review and assess how management develops and summarizes quarterly financial information, the extent to which the external auditors review quarterly financial information, and that the review is performed on a pre-issuance basis.
- Consult with management and the external auditor, as appropriate, regarding matters related to the preparation of quarterly financial information.

COMPLIANCE WITH LAWS AND REGULATIONS

- Review the effectiveness of the system for monitoring compliance with laws and regulations, and the results of management's investigation and follow-up (including disciplinary action) on any fraudulent acts or accounting irregularities.
- Periodically obtain updates from management, the company's counsel, the company's internal audit expert, and the company's tax consultant regarding compliance with applicable laws and regulations and applicable internal conflict of interest policies and procedures.
- Be satisfied that all regulatory compliance matters have been considered in the preparation of the financial statements.
- Review the findings of any examinations by regulatory agencies, such as the Securities and Exchange Commission.
- As part of the Company's Whistleblower policy and Code of Conduct, review potential violations reported on the Company's third-party hotline and/or to the Audit Committee Chair, pertaining to reporting matters of financial reporting fraud, including falsification of financial documents and insider trading.

EXTERNAL AUDIT

- Appoint, terminate, compensate and oversee the Company's independent external auditors in connection with their preparation or issuance of audit reports and the performance of other audit, review, attest and related services for the Company.
- Ensure that the Company's external auditors are independent and that there is an absence of conflicts of interest with the Company.
- Review with the external auditor prior to the audit the external auditor's proposed audit scope, staffing and approach.
- Review any significant changes required in the external auditor's audit plans and any difficulties or disputes with management encountered during the course of the audit.
- Review the experience, qualifications, and performance of the external auditors and oversee the rotation of the audit partners who have responsibility for decision-making on significant auditing, accounting and reporting matters.
- Ensure that the Committee shall be notified about key personnel changes each year with the external audit team, including any changes to the engagement partner, manager, or senior level auditor on the engagement.
- Ensure that rotation of the independent auditor's engagement partner for the Koss audit shall occur every five years.
- Ensure that independent audit firms engaged by the Company shall be required to:
 - Conduct quarterly reviews, including analytical review of Cost Of Goods Sold elements (material, labor, freight, etc.) and other income statement items that the independent auditor deems material;
 - Conduct an analytical review of cash balances, review of bank reconciliations, and test samples of cash disbursements, manual checks and wire transfers exceeding amounts determined by the independent auditor to be material;
 - Staff the audit team for the Company's audit engagement with at least two non-partner level auditors with no less than 3 years of experience for each.
- At least annually the Committee shall meet with the Company's independent auditors to review the Company's accounting for stock-based compensation.
- Receive formal written reports for the external auditor regarding the auditor's independence, and delineating all relationships between the auditor and the company, consistent with Independence Standards Board Standard No. 1, discuss such reports with the auditor, and if so determined by the Committee recommend that the Board take appropriate action to insure the independence of the auditor.

- Discuss with the external auditor the matters required to be discussed by Statement on Auditing Standards No. 61 relating to the conduct of the audit.
- Approve the fees to be paid to the external auditor.
- Pre-approve all audit, review or attest services and permissible non-audit services provided by the external auditor.
- Establish policies and procedures for engaging the external auditor to perform services other than audit, review and attest services to safeguard the continued independents of the external auditor.
- As described above, the Audit Committee Chair shall meet with the outside auditors at least 4 times annually, including before the end of the filing of the Company's quarterly and annual reports with the SEC.

REPORTING AND OTHER ROLES AND RESPONSIBILITIES

- Ensure that significant findings and recommendations made by the external auditors are received and discussed on a timely basis.
- Ensure that the Committee shall be notified about key personnel changes each year within the Company's accounting department, including any changes to the CFO, Controller, Credit Manager, or expert retained on internal audit for the Company.
- Review, with the company's counsel, any legal matters that could have a significant impact on the company's financial statements.
- If necessary, institute special investigations and, if appropriate, hire special counsel, experts or outside advisors to assist.
- Perform other oversight functions as requested by the full Board.
- Maintain minutes or other records of meetings and activities of the Committee.
- Review and assess the adequacy of this charter annually and submit any recommended changes to the Board for approval.
- Any related party transactions shall require Committee approval.
- Regularly update the Board of Directors about Committee activities and make appropriate recommendations.
- Prepare the report required by the rules of the Securities and Exchange Commissions to be included in the Company's annual proxy statements.