SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
for the quarterly period ended March 31, 1997

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File Number 0-3295

KOSS CORPORATION

(Exact Name of Registrant as Specified in its Charter)

A DELAWARE CORPORATION 39-1168275

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

4129 North Port Washington Avenue,

Milwaukee, Wisconsin 53212
(Address of principal executive office) (Zip Code)

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

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

At March 31, 1997, there were 3,316,291 shares outstanding of the Registrant's common stock, $0.01 par value per share.

KOSS CORPORATION AND SUBSIDIARIES
FORM 10-Q
March 31, 1997

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KOSS CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

	March 31, 1997 (Unaudited)	June 30, 1996 (*)
ASSETS		
Current Assets:		
Cash	$ 132,110	$ 27,001
Accounts receivable	7,363,338	8,965,213
Inventories	13,977,012	8,777,216
Prepaid expenses	305,710	382,137
Income taxes receivable	497,347	--
Deferred income taxes	517,946	517,946
Total current assets	22,793,463	18,669,513

Property and Equipment, net	2,550,321	2,344,341
Deferred Income Taxes	422,603	422,603
Intangible and Other Assets	517,823	568,800
	$26,284,210	$22,005,257
LIABILITIES AND STOCKHOLDERS' INVESTMENT		
Current Liabilities:		
Accounts payable	$ 1,457,823	$ 1,327,915
Accrued liabilities	885,198	786,353
Income taxes payable	--	361,855
Total current liabilities	2,343,021	2,476,123
Long-Term Debt	2,066,000	470,000
Deferred Compensation and Other Liabilities	1,108,654	1,022,344
Contingently Redeemable Equity Interest	1,490,000	1,490,000
Stockholders' Investment	19,276,535	16,546,790
	$26,284,210	$22,005,257

* The balance sheet at June 30, 1996, has been prepared from the audited financial statements at that date.

See accompanying notes.

KOSS CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

	Three Months		Nine Months	
Period Ended March 31	1997	1996	1997	1996
Net sales	$8,583,303	$8,482,620	$31,766,272	$27,941,603
Cost of goods sold	5,660,609	6,018,141	21,011,785	19,450,431
Gross profit	2,922,694	2,464,479	10,754,487	8,491,172
Selling, general and administrative expense	2,169,313	2,160,599	6,660,273	6,529,139
Income from operations	753,381	303,880	4,094,214	1,962,033
Other income (expense)				
Royalty income	212,244	43,769	908,619	1,112,498
Interest income	30,085	4,063	89,201	12,511
Interest expense	(77,099)	(12,109)	(254,527)	(72,458)
Income before income tax provision	918,611	339,603	4,837,507	3,014,584
Provision for income taxes	387,059	140,501	1,984,487	1,236,964
Net income	$ 531,552	$ 199,102	$ 2,853,020	$ 1,777,620

Number of common and common
equivalent shares used in

computing earnings per share	3,463,071	3,478,695	3,347,605	3,536,361
Earnings per common and common equivalent share	$ 0.15	$ 0.06	$ 0.85	$ 0.50
Dividends per common share	None	None	None	None

See accompanying notes.

KOSS CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

Nine Months Ended March 31	1997	1996
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 2,853,020	$1,777,620
Adjustments to reconcile net income to net cash (used) provided by operating activities:		
Depreciation and amortization	516,998	434,167
Deferred compensation and other liabilities	86,310	86,310
Net changes in operating assets and liabilities	(4,258,900)	(2,585,989)
Net cash used in operating activities:	(802,572)	(287,892)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of equipment and leasehold improvements	(672,002)	(242,043)
Net cash used in investing activities	(672,002)	(242,043)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Borrowings under line of credit agreements	17,765,000	11,971,000
Repayments under line of credit agreements	(16,169,000)	(11,541,000)
Purchase and retirement of common stock	(352,692)	--
Exercise of stock options	336,375	72,500

Net cash provided by financing activities	1,579,683	502,500
Net increase (decrease) in cash	105,109	(27,435)
Cash at beginning of year	27,001	49,227
Cash at end of period	$ 132,110	$ 21,792

See accompanying notes.

KOSS CORPORATION AND SUBSIDIARIES
March 31, 1997
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The financial statements presented herein are based on interim figures and are subject to audit. In the opinion of management, all adjustments (consisting only of normal recurring accruals) necessary to present fairly the financial position, results of operations and cash flows at March 31, 1997, and for all periods presented have been made. The income from operations for the quarter and nine months ended March 31, 1997 is not necessarily indicative of the operating results for the full year.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. It is suggested that these condensed consolidated financial statements be read in conjunction with the financial statements and notes thereto included in the Registrant's June 30, 1996, Annual Report on Form 10-K.

2. EARNINGS PER COMMON AND COMMON EQUIVALENT 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. Common stock equivalents of 152,433 and 54,070 related to stock option grants were included in the computation of the average number of shares outstanding for the quarter ended March 31, 1997 and 1996, respectively. Common stock equivalent of 48,681 and 62,082 were outstanding for the nine months ended March 31, 1997 and 1996, respectively.

The Financial Accounting Standards Board has issued Statement of Financial Accounting Standards No. 128, "Earnings per Share" (SFAS 128). SFAS 128 replaces primary EPS with basic EPS, which excludes dilution, and requires presentation of both basic and diluted EPS on the face of the income statement. Diluted EPS is computed similarly to the current fully diluted EPS. SFAS 128 is effective for financial statements issued for periods ending after December 15, 1997, and requires restatement of all prior-period EPS data presented. The adoption of this statement is not expected to materially affect either future or prior-period EPS.

3. INVENTORIES

The classification of inventories is as follows:

	March 31, 1997	June 30, 1996
Raw materials and work in process	$ 6,847,695	$4,751,156
Finished goods	7,767,099	4,663,842
	14,614,794	9,414,998
LIFO Reserve	(637,782)	(637,782)
	$13,977,012	$8,777,216

4. STOCK PURCHASE AGREEMENT

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. At March 31, 1997 and June 30, 1996, $1,490,000 has been classified as a Contingently Redeemable Equity Interest reflecting the estimated obligation in the event of execution of the agreement.

5. DEFERRED COMPENSATION

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 or not he becomes disabled. 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 March 31, 1997 and June 30, 1996, respectively, the related liabilities in the amounts of $622,530 and $536,220 have been included in deferred compensation in the accompanying balance sheets.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Financial Condition and Liquidity

Cash used in operating activities during the nine months ended March 31, 1997 amounted to $802,572. Working capital was $20,450,442 at March 31, 1997. The increase in working capital of $4,257,052 from the balance at June 30, 1996 reflects the net effect of an increase in inventory partially offset by increased payables. These increases are the result of anticipated higher sales volume in the upcoming quarter. The cash necessary to fund the Company's operating activities fluctuates from time to time; however, as a general rule the Company expects to generate adequate amounts of cash to meet future operating needs. The Company maintains sufficient borrowing capacity to fund any shortfall.

Capital expenditures for new property and equipment (including production tooling) were $672,002 for the nine months ended March 31, 1997. Depreciation and amortization aggregated $516,998 for the nine months. For the fiscal year ending June 30, 1997, the Company expects its capital expenditures to be approximately $1,500,000. The Company expects to generate sufficient operating funds to fulfill these expenditures.

Stockholders' investment increased to $19,276,535 at March 31, 1997, from $16,546,790 at June 30, 1996. The increase reflects primarily the income for the nine month period ending March 31, 1997. 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. 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 March 31, 1997 totaled $2,160,567, consisting of $2,066,000 in borrowings and $94,567 in commitments for foreign letters of credit. Utilization of this credit facility as of June 30, 1996 was $944,784, consisting of $470,000 in borrowings and $474,784 in foreign letters of credit. The increase as of March 31, 1997 is the result of an increase in inventory due to anticipated higher sales volume for the upcoming quarter. The Company can also use up to $1,000,000 of its working capital credit facility to purchase shares of its own stock.

The Company's Canadian subsidiary has a line of credit of $550,000, which is guaranteed by the Company. Borrowings under this credit facility bear interest at the bank's prime rate plus 1.5%. The credit facility is subject to the availability of qualifying receivables and inventories which serve as security for the borrowings. As of March 31, 1997 or June 30, 1996, there were no borrowings outstanding against this line of credit. The due date for the line is October 31, 1997.

Pursuant to the Company's stock repurchase program, for the nine month period ended March 31, 1997, the Company purchased 51,629 shares of its common stock at an average price of $6.83 per share. All 51,629 shares were retired. Since the commencement of the Company's stock repurchase program, the Company has purchased 343,576 shares of its common stock for a total of $2,125,014, representing an average price of $6.18 per share.

For the nine month period ended March 31, 1997, the Company's Employee Stock Ownership Plan and Trust ("ESOP") purchased 27,371 shares of the Company's common stock for the ESOP at an average price of $8.38 per share. For the quarter ended March 31, 1997, the ESOP purchased 10,000 shares of the Company's common stock for the ESOP at an average price of $11.18 per share.

Results of Operations

Net sales for the third quarter ended March 31, 1997 were $8,583,303 compared to $8,482,620 for the same period in 1996. Net sales for the nine months ended March 31, 1997 were $31,766,272, up 14% compared with $27,941,603 during the same nine months one year ago. This increase was primarily a result of strong orders throughout the period.

Gross profit as a percent of net sales was 34% for the quarter ended March 31, 1997 compared with 29% for the same period in the prior year. For the nine month period ended March 31, 1997, the gross profit percentage was 34% compared with 30% for the same period in 1996. Shifts in product mix resulted in the increase in gross profit as compared to last year.

Selling, general and administrative expenses for the quarter ended March 31, 1997 were $2,169,313 or 25%, as against $2,160,599 or 25% for the same period in 1996. For the nine month period ended March 31, 1997, such expenses were $6,660,273 or 21%, as against $6,529,139 or 23% for the same period in 1996. The percentage decrease is a direct result of higher sales.

For the third quarter ended March 31, 1997, income from operations was $753,381 versus $303,880 for the same period in the prior year. Income from operations for the nine months ended March 31, 1997 was $4,094,214 as compared to $1,962,033 for the same period in 1996. The increase is primarily related to higher sales and to the increase in gross margin resulting from shifts in product mix.

Net interest expense amounted to $77,099 for the quarter as compared to $12,109 for the same period in the prior year. For the nine month period, interest expense amounted to $254,527 compared with $72,458 for the same period in the prior year. The increase is a result of the Company borrowing at much higher levels as compared to the same periods last year. The higher level of borrowing was the result of increased inventory purchases to support the increase in sales.

The Company recently agreed to an amendment and assignment of its License Agreement with Trabelco N.V., covering North America, Central America, and South America, to Jiangsu Electronics Industries Limited, a subsidiary of Orient Power Holdings Limited. The assignment was effective as of March 31, 1997. Orient Power has guaranteed Jiangsu's obligations under the License Agreement, as amended. Orient Power is based in Hong Kong and has an extensive portfolio of audio and video products. Pursuant to this assignment, Jiangsu has agreed to make royalty payments through December 31, 2000, subject to certain minimum royalty amounts due for the years 1998, 1999, and 2000. This license arrangement is subject to renewal for additional 3 year periods.

Royalty income earned in connection with this License Agreement for the quarter ended March 31, 1997 was $212,244 as compared to $43,769 for the same period in 1996. For the nine month period, royalty income was $908,619 compared to $1,112,498 at March 31, 1996. The Company recognizes royalty income when earned. The decrease in royalty income for the nine month period is the result of lower sales volume by Trabelco N.V. in products covered under this License Agreement.

The License Agreement with Trabelco N.V. covering many European countries remains in place. No sales have been reported under this License Agreement to date; however, certain minimum royalties will be due for calendar years 1997 and 1998. This License Agreement expires on December 31, 1998. Trabelco N.V. has the option to renew this License Agreement for additional 3 year periods.

PART II OTHER INFORMATION

Item 6 (a) Exhibits Filed

10.1 Third Amendment and Assignment of License Agreement

10.2 Consent of Directors (Supplemental Executive Retirement Plan)

27 Financial Data Schedule

(b) Reports on Form 8-K

There were no reports on Form 8-K filed by the Company during the period covered by this report.

Signatures

Pursuant to the requirements of the Securities and Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto authorized.

KOSS CORPORATION

Dated: 5/14/97	/s/ Michael J. Koss
	Michael J. Koss, President, Chief Executive Officer, Chief Financial Officer
Dated: 5/14/97	/s/ Sue Sachdeva
	Sue Sachdeva Vice President -- Finance

THIRD AMENDMENT AND ASSIGNMENT OF LICENSE AGREEMENT

THIS THIRD AMENDMENT AND ASSIGNMENT ("Assignment") made and entered into as of the 31st day of March, 1997, by and among TRABELCO, N.V., a Netherlands Antilles company ("Assignor"), JIANGSU ELECTRONICS INDUSTRIES LIMITED, a British Virgin Islands company ("Assignee"), HAGEMEYER ELECTRONICS (N.A.), Inc. ("HENA"), HAGEMEYER CONSUMER PRODUCTS, INC. d/b/a Koss Electronic Products, a Missouri corporation ("KEP"), KCP LIMITED, a British Virgin Islands Company ("KCP"), and KOSS CORPORATION, a Delaware corporation ("Koss").

WITNESSETH, THAT:

WHEREAS, Assignee and Assignor, along with KEP and KCP (KEP, KCP and Assignor are sometimes hereinafter referred to collectively as "Seller"), have entered into a certain Asset Purchase Agreement dated as of March 31, 1997 (the "Purchase Agreement"), pursuant to which Seller has agreed to sell and convey and Assignee has agreed to purchase and acquire certain assets of Seller; and

WHEREAS, the execution and delivery of this Assignment is a condition precedent to the obligation of Assignee to consummate the transactions contemplated by the Purchase Agreement; and

WHEREAS, Assignor and Koss are parties to a certain License Agreement dated November 15, 1991, as amended by Amendment to License Agreement dated November 15, 1991, and a Second Amendment to License Agreement dated September 29, 1995 (as amended, the "License Agreement"); and

WHEREAS, Assignor desires to assign and Assignee desires to accept such assignment and assume all of Assignor's right, title and interest in and to and obligations under said License Agreement; and

WHEREAS, Koss, Assignor and Assignee desire to amend certain terms and provisions of the License Agreement as hereinafter provided.

NOW, THEREFORE, Assignor and Assignee have agreed that in exchange for a payment being made to Assignor of Ten Dollars ($10.00) and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Assignor and Assignee agree as follows:

1. Assignor hereby assigns to Assignee as of the Closing Date (as defined in the Purchase Agreement) all of its right, title and interest in and to and obligations under the License Agreement, a copy of which is attached hereto as Exhibit A.

2. Assignor warrants that it is the Licensee under the License Agreement; that the License Agreement is in full force and effect without modification or amendment, except as hereinabove referenced; that no default exists to the knowledge of Assignor,

and no fact, circumstance or condition exists, to the knowledge of Assignor, that with the passage of time or notice, or both, would constitute a default under the License Agreement; and that, subject to the consent of Koss, it has full right, power and authority to freely assign its interest under the License Agreement pursuant to this Assignment. Assignor further warrants that its interest under the License Agreement is free and clear of any and all liens and encumbrances and that Assignee acquires Assignor's rights as Licensee under the License Agreement subject only to, and as limited by the terms hereof, the obligations of Assignee to perform the obligations of Licensee under the License Agreement. Each of the warranties contained in this Section 2 are true and correct on the date hereof and shall be true and correct on the Closing Date (as defined in the Purchase Agreement).

3. Assignee, by acceptance of this Assignment, and as limited by the terms hereof, assumes as of the Closing Date (as defined in the Purchase Agreement) all of the rights, duties, obligations and covenants of Assignor under the License Agreement. Notwithstanding the foregoing, Assignor shall remain liable for the Minimum Royalty under the License Agreement for 1997. Assignor shall make payment to Koss of such 1997 Minimum Royalty on the Closing Date or immediately thereafter, but in no event later than May 9, 1997. Assignee

shall make payment of all Royalties during 1997 to Assignor until Assignor has received all amounts paid to Koss representing the 1997 Minimum Royalty. Thereafter, Royalties shall be paid to Koss in accordance with the terms of the License Agreement.

4. No royalties will be payable to Koss with respect to any sales of Licensed Products by Seller to Assignee.

5. For purposes of calculating the Royalties payable by Assignee to Koss pursuant to Section 7 of the License Agreement, "net sales" shall be determined based upon (i) Assignee's gross sales of each category of the Licensed Products, less (ii) returned goods of each category of the Licensed Products received by Assignor and its affiliate, Hagemeyer Service Center, Inc. during 1997 and thereafter by Assignee.

6. Seller, to the extent of their rights as licensee or sub-licensee, may continue to sell Licensed Products only in connection with (a) the sale of new Licensed Products which were pledged to KEP as collateral under a Line of Credit Agreement dated May 6, 1997, and foreclosed by KEP after default by Assignee, and (b) the sale (without warranty) of "as is" Licensed Products returned to Seller through December 31, 1997 and repaired prior to May 1, 1998. All sales of Licensed Products pursuant to subsection (a) shall be made only in the Territory and shall be made pursuant to normal distribution channels for such new Licensed Products. Seller shall have no right to continue sales pursuant to subsections (a) and (b) hereof after December 31, 1998. All sales of Licensed Products pursuant to subsection (b) hereof

shall be made only in the Territory and in markets and by use of distribution channels other than these used by Assignor and/or Assignee to sell new Licensed Products. In the event of any sales of Licensed Products by Seller pursuant to this Section 6, Seller shall pay to Koss Royalties with respect to Seller's sales of Licensed Products in the Territory. All Royalties paid by Seller after the Effective Date (as defined in the Purchase Agreement) for any such sales through December 31, 1997, shall be applied toward the Minimum Royalty due under the License Agreement for 1997. Notwithstanding Section 13.3 of the License Agreement, in the event Licensor terminates the License Agreement due to Assignee's default under the terms of this License Agreement, Koss shall have the right to immediately negotiate and implement a new license with any other third party for the Licensed Products and/or sell the Licensed Products itself.

7. Seller and their affiliate, Hagemeyer Service Center, Inc., to the extent of their rights as licensee or sub-licensee, may continue to use the trade name "Koss Electronic Products" only in connection with (a) the collection of accounts receivable arising from sales before March 31, 1997, (b) the receipt of returned goods and the servicing of warranty repair claims as provided herein, and (c) sales pursuant to Section 6 hereof. In no event shall Seller or any of its affiliates have the right to use the tradename "Koss Electronic Products" after December 31, 1998.

8. Without limiting any other provision of this Assignment, Assignor shall remain liable (a) for the payment of Royalties with regard to the sale of new Licensed Products pursuant to subsection (a) of Section 6 above and (b) for all obligations of Assignor pursuant to the License Agreement which arose prior to the Closing Date (as defined in the Purchase Agreement).

9. Koss acknowledges the value of this agreement and the adequacy and sufficiency of the consideration received, and hereby consents to the terms of this Assignment and agrees that the License Agreement shall remain in full force and effect and that following this Assignment Koss will continue to act as licensor pursuant to the terms of the License Agreement as amended herein with Assignee as licensee thereunder.

10. Other than as set forth herein, Assignor shall have no liability with regard to Royalties pursuant to the License Agreement. Koss and Assignee hereby agree that Assignee shall pay to Koss the following Minimum Royalties for the Contract Years set forth below:

Year	Minimum Royalties

1998	$700,000
1999	$725,000
2000	$750,000

11. Assignee shall have the right to grant a sublicense under the License Agreement pursuant to Section 2.3 of the License Agreement as amended by Section 16(b) hereof.

12. After payment to Koss of the Minimum Royalty for 1997, Seller shall have no obligation to make any additional payment required to renew the License Agreement upon the expiration of the current term and the parties acknowledge that the payment by Seller of 1997 Minimum Royalty, as provided in Section 3 hereof, satisfies Assignee's renewal obligation pursuant to the License Agreement.

13. Assignee's affiliates, J.S. International, Inc. and Jiangsu International Limited, shall have the right to use the tradename "Koss Audio & Video Electronics" in connection with the manufacture, promotion, distribution and sale of Licensed Products, the collection of related accounts receivable, the receipt of related returned goods and the servicing of related warranty repair claims.

14. After the Closing Date (as defined in the Purchase Agreement), the liability of Assignor pursuant to the terms of the License Agreement and the liability of HENA under its Guaranty attached to the License Agreement shall continue in full force and effect as to all occurrences and events prior to December 31, 1997.

15, Assignee agrees to comply with the insurance coverage provisions of Section 11.3 of the License Agreement at the Closing Date (as defined in the Purchase Agreement).

16. The License Agreement is hereby amended as follows:

(a) Section 2.1 is hereby deleted in its entirety and the following inserted in its place:

> 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 except as a prepackaged component of an audio system that is commonly expected by the consuming public to include headphones with such audio system.

(b) Section 2.3 is hereby deleted in its entirety and the following inserted in its place:

> Licensee shall have the right to grant a sublicense under this Agreement to any entity in which Licensee owns at least a 51% equity interest, permitting such entity to manufacture, promote, distribute and sell the Licensed Products subject to the terms of this Agreement, provided that Licensee first executes a letter agreement undertaking to recognize and uphold the Licensed Trademarks and otherwise comply with and

> be bound by the terms of this Agreement. Further, Licensee shall have the right to enter into an agreement with J.S. International, Inc. and Jiangsu International Limited regarding the performance by such companies of certain duties of Licensee under this Agreement. Licensee shall also have the right, subject to the terms hereof, 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.

(c) Section 6.1 is hereby deleted in its entirety.

(d) Section 7.3 is hereby revised to provide that for all Contract Years following 2000 the Minimum Royalty due for the year 2000 shall be the base upon which all future Minimum Royalties shall be calculated in accordance with this Section 7.3, but in no event shall any Minimum Royalty, so calculated, be less than the Minimum Royalty applicable for any prior year.

(e) Section 8.1 is hereby deleted in its entirety and the following inserted in its place:

J.S. International, Inc. shall maintain for Licensee and all sublicensees of Licensee 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 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.

(f) The second sentence of Section 8.4 is deleted in its entirety and the following inserted in its place:

Such books of account and records shall be made available to Licensor and its accountants at the office of J.S. International, Inc., located at 5320 Lemay Ferry Road, St. Louis, Missouri 63129 or at such other place as the parties shall mutually agree.

(g) Section 11.1 is hereby revised to provide that Licensor's liability to indemnify Licensee shall not exceed the sum of the amount of Royalties received by Licensor relating to sales in the country in which the claim arose, during the three (3) year period immediately preceding initiation of the lawsuit to which the indemnification relates.

(h) Section 12.2(a) is hereby deleted in its entirety and the following inserted in its place:

(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.

(i) Section 12.3 shall be deleted in its entirety.

(j) Section 12.2(d) shall be deleted in its entirety.

(k) The first sentence of Section 13.2 is deleted in its entirety and the following inserted in its place:

Any Licensed Products for which as of the date of termination Licensee has non-cancellable open orders or which are in transit to the United States may be sold to unrelated third parties by Licensee on a non-exclusive basis during the twelve (12) month period following the date of termination.

(l) The second sentence of Section 14.1 is hereby revised to grant Koss the right to sell during any Contract Period, and at any time thereafter (including but without limitation the one (1) year non-competition period as provided in this Section 14.1), consumer electronic products purchased from Assignee, notwithstanding the provisions of Section 13.3.

(m) The second sentence of Section 14.2 is hereby deleted in its entirety and the following inserted in its place:

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, or at the manufacturer's cost for such Products plus 10% F.O.B. Hong Kong if there are no such related or affiliated company sales.

(n) Section 15 is hereby revised to provide that the address for notices sent to Assignee, as Licensee, shall be addressed as follows:

Jiangsu Electronics Industries Limited
c/o 5320 Lemay Ferry Road
St. Louis, Missouri 63129
Attn: Attilio Cosgrove

(o) Section 16 is hereby deleted in its entirety and the following inserted in its place:

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 parent corporation or wholly-owned subsidiary of Licensee.

In the event of the merger or consolidation of Licensee with

any other entity, except for a wholly-owned subsidiary or parent of Licensee, Licensor shall have the right to immediately terminate the License Agreement by so notifying Licensee in writing on or before sixty (60) days after Licensor has received notice of such merger or consolidation.

(p) The references to various parties in the License Agreement shall be revised as follows in each and every instance in which they appear:

(i) Hagemeyer Consumer Products, Inc. and/or HCP shall be revised to Licensee; and

(ii) Without limiting Section 14 of the Assignment, Hagemeyer Electronics (N.A.), Inc. shall be revised to Orient Power Holdings Limited after December 31, 1997. Notwithstanding the foregoing, the guaranty of Orient Power Holdings Limited shall be in effect upon the execution and delivery of this Agreement.

(q) Section 18.3 is hereby deleted in its entirety and the following inserted in its place:

This Agreement shall be governed by and construed according to the internal laws of the State of Wisconsin (without regard to principles of conflicts of law) as to all matters, including but not limited to matters of validity, construction, effect and performance. If and to the extent that any provisions of this Agreement are prohibited or unenforceable under any applicable law, such provisions shall be innefective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof or affecting the validity or enforceability of any other provision hereof.

(r) The following shall be inserted as a new Section 18.5:

18.5 Resolution of any and all disputes between Licensor and Licensee arising from or in connection with this Agreement, whether based on contract, tort, common law, equity, statute, regulation, order or otherwise, shall be exclusively governed by and settled in accordance with the arbitration rules of the American Arbitration Association, as amended from time to time and such arbitration shall be final and binding upon the parties, their respective successors and assigns. The arbitration shall be conducted in Milwaukee, Wisconsin.

17. This Assignment shall be binding on, and inure to the benefit of, the parties hereto and their respective successors and assigns.

18. This Assignment (including the Exhibit) contains the entire understanding of the parties with respect to the subject

matter hereof and supersedes all prior written or oral commitments, arrangements or understandings with respect thereto.

19. This Assignment shall not be modified or amended except pursuant to an instrument in writing executed and delivered on behalf of each of the parties hereto.

20. The parties hereto agree to take such acts and execute such documents, as reasonably requested by the other party hereto to effectuate the terms of this Assignment.

21. This Assignment shall be governed by the substantive laws of the State of Wisconsin (regardless of laws that might be applicable under principles of conflicts of laws) as to all matters, including but not limited to matters of validity, construction, effect and performance. Resolution of any and all disputes between Licensor and Licensee arising from or in connection with this Assignment, whether based on contract, tort, common law, equity, statute, regulation, order or otherwise, shall be exclusively governed by and settled in accordance with the arbitration rules of the American Arbitration Association, as amended from time to time and such arbitration shall be final and binding upon the parties, their respective successors and assigns. The arbitration shall be conducted in Milwaukee, Wisconsin. To the extent that the parties hereto need to compel or enforce the binding arbitration provisions in this Assignment or in the License Agreement or need to enforce or otherwise give effect to any arbitration award, the parties hereby agree that any such action or proceeding shall be adjudicated before a federal or state court located in Milwaukee, Wisconsin and they hereby submit to the exclusive jurisdiction of the courts of the State of Wisconsin located in Milwaukee, Wisconsin, and of the federal courts located in Milwaukee, Wisconsin with respect to any such action or proceeding commenced by any party, and irrevocably waive any objection they now or hereafter may have respecting the venue of any such action or proceeding brought in such a court or respecting the fact that such court is an inconvenient forum, relating to or arising out of this Assignment or the License Agreement and consent to the service of process in any such action or proceeding by means of registered or certified mail, return receipt requested, in care of the address set forth herein, with regard to Assignee, and the License Agreement, with regard to Koss, as Assignor.

22. This Assignment may be executed in two or more counterparts all of which shall be considered one and the same agreement and each of which shall be deemed an original.

23. In the event the terms of this Assignment conflict with the terms of the License Agreement, the terms of this Assignment shall control.

24. Capitalized terms used but not otherwise defined herein shall have the meanings ascribed to them in the License Agreement.

25. If and to the extent that any provisions of this Assignment are prohibited or unenforceable under any applicable

law, such provisions shall be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof or affecting the validity or enforceability of any other provision hereof.

[INTENTIONALLY OMITTED]

IN WITNESS WHEREOF, the parties hereto have duly executed this Assignment as of the day and year first above written.

ASSIGNOR:

TRABELCO, N.V.	HAGEMEYER ELECTRONICS (N.A.), INC.
By: /s/ --------------------------- Elaine N. Christiaans, Managing Director	By: /s/ --------------------------- Richard A. Proctor, President
ASSIGNEE:	HAGEMEYER CONSUMER PRODUCTS, INC.
JIANGSU ELECTRONICS INDUSTRIES LIMITED By: /s/ --------------------------- Title:	By: /s/ --------------------------- David A. Page, President
	KCP LIMITED
	By: /S/ --------------------------- David A. Page, Director
	KOSS CORPORATION
	By: /S/ --------------------------- Title:

GUARANTY

The undersigned, ORIENT POWER HOLDINGS LIMITED, a Bermuda company ("Orient Power"), for good and valuable consideration, the receipt of which is hereby acknowledged, hereby guarantees the performance by JIANGSU ELECTRONICS INDUSTRIES LIMITED ("Jiangsu Electronics") or any sublicensee of Jiangsu Electronics (Jiangsu Electronics and any sublicensee are hereinafter collectively referred to as "Jiangsu") of all of Jiangsu's obligations under (a) the Third Amendment and Assignment of License Agreement dated as of March 31, 1997 between Trabelco N.V., Jiangsu Electronics Industries Limited, Hagemeyer Electronics (N.A.), Inc., Hagemeyer Consumer Products, Inc. d/b/a Koss Electronics Products, KCP Limited and Koss Corporation (the "Assignment") and (b) that certain License Agreement between Koss Corporation, as Licensor, and Trabelco N.V. as Licensee, dated November 15, 1991, as amended by an Amendment to License Agreement dated November 15, 1991, and a Second Amendment to License Agreement dated September 29,1995 (collectively, that certain License Agreement and the amendments thereto are hereinafter referred to as the "License Agreement"), and assigned to Jiangsu on the date hereof. Orient Power also guarantees the payment to Koss Corporation of any and all amounts owed to Koss Corporation by Jiangsu under the Assignment and the License Agreement, including but not limited to, the indemnity obligations of Jiangsu thereunder.

Dated: May 6, 1997

ORIENT POWER HOLDINGS LIMITED

By: /s/

Name:
Title:

[SEAL]

EXHIBIT 10.2

UNANIMOUS CONSENT OF DIRECTORS OF
KOSS CORPORATION

The undersigned, constituting all of the directors of Koss Corporation, a Delaware corporation (the "Company"), do hereby consent and agree to the adoption of the following resolutions:

WHEREAS, the Compensation Committee has recommended that the following Supplemental Executive Retirement Plan be approved for Michael J. Koss;

WHEREAS, the Board of Directors believes it is in the best interests of the Company to adopt the following Supplemental Executive Retirement Plan for Michael J. Koss;

NOW, THEREFORE, BE IT RESOLVED, that Michael J. Koss shall receive annual cash compensation following his retirement from the Company (the "Retirement Payments") in an amount equal to 2% of the base salary of Michael J. Koss, multiplied by his number of years of service to the Company (example 2% multiplied by 25 years is 50% of base salary). The base salary shall be calculated using the average base salary for Michael J. Koss during the three years preceding his retirement. The Retirement Payments shall be paid to Michael J. Koss monthly until his death, and after the death of Michael J. Koss the Company shall continue to make the Retirement Payments monthly to the surviving spouse of Michael J. Koss until her death.

This Unanimous Consent of Directors may be executed in one or more counterparts each of which shall be deemed to be an original, and all of which taken together shall constitute one and the same document.

Dated at Milwaukee, Wisconsin, this 7th day of March, 1997.

/s/	/s/
John C. Koss	Thomas L. Doerr
/s/	/s/
Lawrence S. Mattson	John Stollenwerk
/s/	/s/
Martin F. Stein	Victor L. Hunter

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