

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

- QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
for the quarterly period ended March 31, 2001
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

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At March 31, 2001, there were 2,002,678 shares outstanding of the Registrant's common stock, \$0.01 par value per share.

KOSS CORPORATION AND SUBSIDIARIES
FORM 10-Q
March 31, 2001

INDEX

	Page
PART I FINANCIAL INFORMATION	
Item 1 Financial Statements	
Condensed Consolidated Balance Sheets March 31, 2001 (Unaudited) and June 30, 2000	3
Condensed Consolidated Statements of Income (Unaudited) Three months and nine months ended March 31, 2001 and 2000	4
Condensed Consolidated Statements of Cash Flows (Unaudited) Nine months ended March 31, 2001 and 2000	5
Notes to Condensed Consolidated Financial Statements (Unaudited) March 31, 2001	6-7
Item 2 Management's Discussion and Analysis of Financial Condition and Results of Operations	8-10
PART II OTHER INFORMATION	
Item 6 Exhibits and Reports on Form 8-K	11

KOSS CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

	March 31, 2001 (Unaudited)	June 30, 2000
ASSETS		
Current Assets:		
Cash	\$ 644,617	\$ 3,164,401
Accounts receivable	7,321,632	8,228,185
Inventories	8,357,527	9,414,036
Income taxes receivable	687,219	244,755
Other current assets	1,131,644	1,201,001
Total current assets	18,142,639	22,252,378
Property and Equipment, net	1,630,681	1,564,302
Intangible and Other Assets	1,284,223	1,227,627
	\$21,057,543	\$25,044,307
=====		
LIABILITIES AND STOCKHOLDERS' INVESTMENT		
Current Liabilities:		
Accounts payable	\$ 644,906	\$ 570,567
Accrued liabilities	1,204,851	1,007,443
Total current liabilities	1,849,757	1,578,010
Deferred compensation and other liabilities	1,568,974	1,482,664
Contingently redeemable equity interest	1,490,000	1,490,000
Stockholders' investment	16,148,812	20,493,633
	\$21,057,543	\$25,044,307
=====		

See accompanying notes.

KOSS CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

Period Ended March 31	Three Months		Nine Months	
	2001	2000	2001	2000
Net sales	\$ 8,035,929	\$ 8,289,742	\$28,018,086	\$25,265,601
Cost of goods sold	4,619,742	4,748,926	16,571,510	14,948,760
Gross profit	3,416,187	3,540,816	11,446,576	10,316,841
Selling, general and administrative expense	1,553,013	1,999,384	5,841,620	5,756,994
Income from operations	1,863,174	1,541,432	5,604,956	4,559,847
Other income (expense)				
Royalty income	116,277	240,802	789,969	972,181
Interest income	21,965	22,363	80,847	57,735
Interest expense	(3,282)	0	(14,479)	0
Income before income tax provision	1,998,134	1,804,597	6,461,293	5,589,763
Provision for income taxes	762,432	701,949	2,466,649	2,164,289
Net income	\$ 1,235,702	\$ 1,102,648	\$ 3,994,644	\$ 3,425,474
Earnings per common share:				
Basic	\$ 0.59	\$ 0.45	\$ 1.86	\$ 1.32
Diluted	\$ 0.56	\$ 0.44	\$ 1.76	\$ 1.29
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	2001	2000
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CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 3,994,644	\$ 3,425,474
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	468,337	635,011
Deferred compensation	86,310	86,310
Net changes in operating assets and liabilities	1,788,635	2,145,325
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Net cash provided by operating activities	6,337,926	6,292,120
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CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of equipment and leasehold improvements	(518,245)	(279,405)
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CASH FLOWS FROM FINANCING ACTIVITIES:		
Purchase and retirement of common stock	(8,512,653)	(5,392,754)
Exercise of stock options	173,188	482,080
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Net cash used in financing activities	(8,339,465)	(4,910,674)
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Net decrease in cash	(2,519,784)	1,102,041
Cash at beginning of period	3,164,401	1,171,504
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Cash at end of period	\$ 644,617	\$ 2,273,545
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See accompanying notes.

KOSS CORPORATION AND SUBSIDIARIES
March 31, 2001
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The financial statements presented herein are based on interim amounts 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, 2001 and for all periods presented have been made. The income from operations for the quarter ended March 31, 2001 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 accounting principles generally accepted in the United States of America 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, 2000, Annual Report on Form 10-K.

2. EARNINGS PER COMMON AND COMMON EQUIVALENT SHARE

Basic earnings per share are computed based on the weighted average number of common shares outstanding. The weighted average number of common shares outstanding for the quarters ending March 31, 2001 and 2000 were 2,083,638 and 2,460,567, respectively. For the nine months ended March 31, 2001 and 2000, weighted average number of common shares outstanding were 2,150,456 and 2,595,184, respectively. When dilutive, stock options are included as share equivalents using the treasury stock method. Common stock equivalents of 130,398 and 60,052 related to stock option grants were included in the computation of the average number of shares outstanding for diluted earnings per share for the quarters ended March 31, 2001 and 2000, respectively. Common stock equivalents of 116,310 and 59,432 related to stock option grants were included in the computation of the average number of shares outstanding for diluted earnings per share for the nine months ended March 31, 2001 and 2000, respectively.

3. INVENTORIES

The classification of inventories is as follows:

	March 31, 2001	June 30, 2000
Raw materials and work in process	\$3,552,970	\$ 4,355,016
Finished goods	5,880,668	6,135,131
	9,433,638	10,490,147
LIFO Reserve	(1,076,111)	(1,076,111)
	\$8,357,527	\$ 9,414,036

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, payable over 4 years, at the 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, 2001 and June 30, 2000, \$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 that after age 70, Mr. John C. Koss shall receive his current base salary for the remainder of his life. Mr. Koss has turned 70 and the Company is currently recognizing an annual expense of \$150,000 in connection with this agreement. At March 31, 2001 and June 30, 2000, respectively, the related liabilities in the amounts of \$1,131,620 and \$1,045,310 have been included in deferred compensation and other liabilities on the accompanying balance sheets.

KOSS CORPORATION AND SUBSIDIARIES
FORM 10-Q
March 31, 2001
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Financial Condition and Liquidity

Cash used by operating activities during the nine months ended March 31, 2001 amounted to \$6,337,926. The decrease in working capital of \$4,381,486 from the balance at June 30, 2000 represents primarily the net effect of a decrease in cash, inventories and accounts receivable with an increase in accounts payable and accrued liabilities.

Capital expenditures for new property and equipment (including production tooling) were \$518,245 for the nine months. Budgeted capital expenditures for fiscal year 2001 are \$1,123,100. The Company expects to generate sufficient funds through operations to fund these expenditures.

Stockholders' investment decreased to \$16,148,812 at March 31, 2001, from \$20,493,633 at June 30, 2000. The decrease reflects the effect of net income, the purchase and retirement of common stock, and the exercise of stock options for the quarter.

The Company amended its existing credit facility in December 1999, extending the maturity date of the unsecured line of credit to November 1, 2001. This credit facility provides for borrowings up to a maximum of \$10,000,000. The Company can use this credit facility for working capital purposes or for the purchase of its own stock pursuant to the Company's stock repurchase program. Borrowings under this credit facility bear interest at the bank's prime rate, or LIBOR plus 1.75%. This credit facility includes certain financial covenants that require the Company to maintain a minimum tangible net worth and specified current, interest coverage, and leverage ratios. There was no utilization of this credit facility at March 31, 2001 and June 30, 2000.

In April of 1995, the Board of Directors approved a stock repurchase program authorizing the Company to purchase from time to time up to \$2,000,000 of its common stock for its own account. In January of 1996, the Board of Directors approved an increase in the stock repurchase program from \$2,000,000 to \$3,000,000. In July of 1997, the Board of Directors again approved an increase in the stock repurchase program from \$3,000,000 to \$5,000,000. In January of 1998, the Board of Directors approved an increase of an additional \$2,000,000, increasing the total stock repurchase program from \$5,000,000 to \$7,000,000. In August of 1998, the Board of Directors approved an increase of \$3,000,000 in the Company's stock repurchase program, thereby increasing the total amount of stock repurchases from \$7,000,000 to \$10,000,000. In April of 1999, the Board of Directors again approved an increase in the stock repurchase program from \$10,000,000 to \$15,000,000. In October of 1999, the Board of Directors increased the stock repurchase program by another \$5,000,000, up to a maximum of \$20,000,000, and in July of 2000 the Board increased the program by an additional \$5,000,000, for a maximum of \$25,000,000. In January of 2001, the Board of Directors approved an additional \$3,000,000 for the stock repurchase program, increasing the maximum amount of repurchases under the entire repurchase program to \$28,000,000, calculated on a net purchase price basis. 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. All shares repurchased by the Company are retired and returned to the status of authorized but unissued shares.

For the quarter ended March 31, 2001, the Company purchased 116,441 shares of its common stock in multiple transactions for a total purchase price of \$3,462,689, representing an average price of \$29.73 per share.

From the commencement of the Company's stock repurchase program through March 31, 2001, the Company has purchased and retired a total of 2,185,939 shares for a total gross purchase price of \$30,047,308 (representing an average gross purchase price of \$11.21 per share) and a total net purchase price of \$27,150,586 (representing an average net purchase price of \$10.13 per share). The difference between the total gross purchase price and the total net purchase price reflects the lower cost to the Company of purchasing stock from certain employees who have exercised stock options pursuant to the Company's stock option program. In determining the total dollar amount available for purchases under the stock repurchase program, the Company uses the total net purchase price paid by the Company for all stock purchases, as authorized by the Board of Directors.

The Company also has an Employee Stock Ownership and Trust ("ESOP") pursuant to which shares of the Company's stock are purchased by the ESOP for allocation to the accounts of ESOP participants. For the quarter ended March 31, 2001, the ESOP did not purchase any shares of the Company's stock.

Results of Operations

Net sales for the third quarter ended March 31, 2001 fell 3% to \$8,035,925 from \$8,289,742 for the same period in 2000. Net sales for the nine months ended March 31, 2001 were \$28,018,086 up 11% compared with \$25,265,601 during the same nine months one year ago.

Gross profit as a percent of net sales was 43% for the quarter ended March 31, 2001 compared with 43% for the same period in the prior year. For the nine month period ended March 31, 2001, the gross profit percentage was 41% compared with 41% for the same period in 2000.

Selling, general and administrative expenses for the quarter ended March 31, 2001 were \$1,553,013 or 19% of net sales, as against \$1,999,384 or 24% of net sales for the same period in 2000. For the nine month period ended March 31, 2001, such expenses were \$5,841,620 or 21% of net sales, as against \$5,756,994 or 23% of net sales, for the same period in 2000.

For the third quarter ended March 31, 2001, income from operations was \$1,863,174 versus \$1,541,432 for the same period in the prior year. Income from operations for the nine months ended March 31, 2001 was \$5,604,956 as compared to \$4,559,847 for the same period in 2000.

Interest expense amounted to \$3,282 for the quarter as compared to \$0 for the same period in the prior year. For the nine month period, the interest expense amounted to \$14,479 compared with \$0 for the same period in the prior year.

The Company has a License Agreement with Jiangsu Electronics Industries Limited ("Jiangsu"), a subsidiary of Orient Power Holdings Limited, by way of an assignment of a previously existing License Agreement with Trabelco N.V. Orient Power is based in Hong Kong and has an extensive portfolio of audio and video products. This License Agreement was recently amended to cover the territories of the United States, Canada and Mexico. This License Agreement was also renewed through December 31, 2001, and is subject to renewal for additional 1 year periods upon mutual agreement of the parties thereto. The products covered by this License Agreement include various consumer electronics products.

Effective July 1, 1998, the Company entered into a License Agreement and an Addendum thereto with Logitech Electronics Inc. ("Logitech") of Ontario, Canada whereby the Company licensed to Logitech the right to sell multimedia/computer speakers under the Koss brand name. This License Agreement covers North America and certain countries in South America and Europe. This License Agreement was recently amended and extended, and requires royalty payments by Logitech through June 30, 2008, subject to certain minimum royalty amounts due each year.

PART II OTHER INFORMATION

Item 6 Exhibits and Reports on Form 8-K

- (a) Exhibits Filed
Fifth Amendment to License Agreement
Consent of Guarantor
Amendment and Extension Agreement
- (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: 5/14/01

/s/ Michael J. Koss

Michael J. Koss
Vice Chairman, President,
Chief Executive Officer,
Chief Financial Officer

Dated: 5/14/01

/s/ Sue Sachdeva

Sue Sachdeva
Vice President--Finance

FIFTH AMENDMENT TO LICENSE AGREEMENT

THIS FIFTH AMENDMENT TO LICENSE AGREEMENT ("Fifth Amendment") is made and entered into this 30th day of March, 2001, effective as of December 31, 2000, by and between KOSS CORPORATION, a Delaware corporation ("LICENSOR"), and JIANGSU ELECTRONICS INDUSTRIES LIMITED, a British Virgin Islands company ("LICENSEE").

RECITALS

WHEREAS, LICENSOR and LICENSEE (by way of assignment) are parties to a certain License Agreement between LICENSOR and Trabelco N.V. dated November 15, 1991 ("Original License Agreement"), as amended by an Amendment to License Agreement dated November 15, 1991 ("First Amendment"), a Second Amendment to License Agreement dated September 29, 1995 ("Second Amendment"), a Third Amendment and Assignment of License Agreement dated as of March 31, 1997 ("Third Amendment"), and a Fourth Amendment to License Agreement dated May 29, 1998 ("Fourth Amendment") (the Original License Agreement, the First Amendment, the Second Amendment, the Third Amendment, and the Fourth Amendment are hereinafter collectively referred to as the "License Agreement"); and

WHEREAS, the parties now desire to further amend certain terms and provisions of the License Agreement as hereinafter provided; and

WHEREAS, as an inducement to LICENSOR to amend the License Agreement and enter into this Fifth Amendment, Orient Power Holdings Limited, a Bermuda company ("Orient Power"), desires to reaffirm its guarantee of the obligations of LICENSEE under the License Agreement and this Fifth Amendment by executing the Consent of Guarantor in the form of EXHIBIT F attached hereto.

AGREEMENT

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Section 1.2 of the License Agreement (as amended by the Fourth Amendment) is hereby deleted in its entirety and the following inserted in its place:

- 1.2 "Products" mean the consumer electronic products of LICENSEE set forth in EXHIBIT B hereto, subject to any limitations referenced in the License Agreement or this Fifth Amendment (including but not limited to Section 18.6 and EXHIBIT B) and the additional limitation that those Products not sold by LICENSEE in every country in the Territory, bearing any of the Licensed Trademarks, by December 31, 2001, shall be deleted from EXHIBIT B as of January 1, 2002, with respect to those countries in the Territory where such Products were not sold by December 31, 2001, and as of that date such Products shall not be considered to be part of the License Agreement or this Fifth Amendment with respect to those countries in the Territory where such

Products were not so sold. A sale for the purpose of this Section 1.2 shall be a sale in the normal course of business, and not merely to preserve any rights under the License Agreement or this Fifth Amendment. Minimum Royalties shall not be affected by the deletion of any Products from the License Agreement or this Fifth Amendment.

"Core Products" shall mean the following Products set forth on Exhibit B hereto:

Non-mobile clock radios;

Non-mobile AM/FM radios (excluding clock radios and audio systems incorporating clock radios) without a cassette or compact disc player;

Non-mobile audio systems of any nature (excluding clock radios and audio systems incorporating clock radios) with a cassette player but without a compact disc player; and

Non-mobile audio systems of any nature (excluding clock radios and audio systems incorporating clock radios) with a compact disc player.

"Non-Core Products" shall mean all Products set forth on Exhibit B hereto that are not Core Products.

Any reference to non-mobile Products in this Section 1.2 or on any Exhibit hereto shall mean those products which are not designed for use in automobiles.

2. Section 1.3 of the License Agreement is hereby deleted in its entirety and the following inserted in its place:

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

3. Section 1.4 of the License Agreement (as amended by the Fourth Amendment) is hereby deleted in its entirety and the following inserted in its place:

1.4 "Territory" shall mean the United States, Canada, and Mexico.

4. The following Section 3.5 is hereby added to the License Agreement:

3.5 Upon written instructions from LICENSOR to LICENSEE to cease using any or all of the Licensed Trademarks in connection with any or all of the Products as a result of any actual or potential claim, suit, demand, or action relating to said use, LICENSEE shall immediately cease said use as so

instructed. LICENSOR shall have the right to so instruct LICENSEE to so cease use of the Licensed Trademarks only if LICENSOR believes in good faith that LICENSEE'S continued use of the Licensed Trademarks could give rise to a claim, suit, demand, or action resulting in liability to LICENSOR.

5. Section 7.1 of the License Agreement (as amended by the Second Amendment) is hereby deleted in its entirety and the following inserted in its place:

7.1 During the term of the License Agreement (including this Fifth Amendment), 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.

6. Section 7.3 of the License Agreement (as amended by the Third Amendment and the Fourth Amendment) is hereby deleted in its entirety and the following inserted in its place:

7.3 LICENSEE shall pay to LICENSOR the following Minimum Royalties for the Contract Years set forth below:

Year ----	Minimum Royalties -----
2000	\$850,000
2001	\$500,000

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 each January 20 following such Contract Year.

7. Section 7.6 of the License Agreement is hereby deleted in its entirety and the following inserted in its place:

7.6 LICENSEE shall not have the automatic right and option of renewing the License Agreement (including this Fifth Amendment). The License Agreement and this Fifth Amendment, however, shall be renewed at the end of the Contract Year ending on December 31, 2000 for a period of one (1) year only, at which time, as of January 1, 2002, the License Agreement and this Fifth Amendment shall automatically expire and terminate (unless sooner terminated in accordance with the provisions of the License Agreement and this Fifth Amendment) unless LICENSOR and LICENSEE agree, by June 30, 2001, on the amount of Minimum Royalties to be paid by LICENSEE for the calendar year beginning January 1, 2002, in which case the License Agreement and this Fifth Amendment shall be renewed for the 2002 calendar year. Similarly, if LICENSOR and LICENSEE agree on the amount of Minimum Royalties to be paid by LICENSEE for any subsequent calendar year by June 30 of the immediately preceding calendar year, and the License Agreement and this Fifth Amendment have not previously expired or terminated, the License Agreement and this Fifth Amendment shall be renewed for that subsequent calendar year only.

8. Section 10.1 of the License Agreement (as amended by the Fourth Amendment) is hereby deleted in its entirety and the following inserted in its place:

10.1 LICENSOR shall be required to file trademark applications and to seek trademark registrations for the Licensed Trademarks in the Territory in order to encompass the Non-Core Products, but only if specifically so requested in writing by LICENSEE. All costs and expenses (including reasonable attorneys' fees) associated with the preparation, filing, prosecution, registration and maintenance of such applications and registrations shall be paid by LICENSOR. LICENSEE shall cooperate with LICENSOR by providing necessary samples, invoices or other documents necessary to support all applicable applications and registrations for the Licensed Trademarks in connection with the Licensed Products.

If LICENSOR is unable to register or maintain its registrations for one or more of the Licensed Trademarks in connection with any Products in any jurisdictions in the Territory, then the parties agree to negotiate in good faith a mutually acceptable resolution with respect to such jurisdictions, with the understanding that neither LICENSOR nor LICENSEE shall have any liability to the other for such inability to register or to maintain such registrations for any such trademarks; provided, however, that if any trademark application or registration for Core Products is successfully opposed in the United States or Canada, and as a result of such successful opposition LICENSEE is prohibited, pursuant to a final, non-appealable order from a court of

competent jurisdiction, from selling Core Products in either the United States or Canada, then LICENSOR shall reimburse LICENSEE for the amount of Royalties theretofore paid by LICENSEE relating to the sale of the prohibited Core Products only, in the prohibited jurisdiction of the United States and/or Canada only, during the three (3) year period immediately preceding such prohibition, subject to the following limitations on such reimbursements: (i) all such reimbursements shall not exceed a total of Three Million Dollars (\$3,000,000) for all prohibited sales of Core Products in both jurisdictions, (ii) LICENSOR shall not be required to make any such reimbursement to LICENSEE if any such successful opposition and subsequent prohibition in either jurisdiction would not have occurred if LICENSOR had not lost any trademark rights due to LICENSEE's non-use or misuse of any of the Licensed Trademarks, and (iii) LICENSOR shall not be required to make any such reimbursement to LICENSEE in the event LICENSEE is prohibited from selling any Non-Core Products in either jurisdiction. LICENSEE shall be permitted to terminate the License Agreement and this Fifth Amendment if LICENSEE's total net sales of Core Products in the Territory decrease by ten percent (10%) or more and such decrease is the direct result of a successful opposition, cancellation or infringement action prohibiting the use of the Licensed Trademarks in connection with the Core Products in the Territory; provided, however, that LICENSEE shall not be able to so terminate the License Agreement and this Fifth Amendment if any opposition, cancellation or infringement action resulting in any such prohibition as to use would not have occurred if LICENSOR had not lost any trademark rights due to LICENSEE's non-use or misuse of the Licensed Trademarks.

9. Section 11 of the License Agreement is hereby amended as follows:

The heading for Section 11 of the License Agreement is hereby deleted in its entirety and the following inserted in its place:

11. REPRESENTATIONS AND INDEMNITIES; LIMITATIONS OF LIABILITY.

Section 11.1 of the License Agreement (as amended by the Fourth Amendment) is hereby deleted in its entirety and the following inserted in its place:

11.1 LICENSOR represents that, as of the date of this Fifth Amendment, LICENSOR owns at least one application or registration for at least one of the Licensed Trademarks in each jurisdiction in the Territory. Listed in EXHIBIT E to the License Agreement are, as of the date of this Fifth Amendment, LICENSOR's trademark registrations relating to the License Agreement for the Licensed Trademarks in the Territory. If LICENSEE complies with the notice, cooperation and assistance requirements of this

Section 11.1, LICENSOR agrees to indemnify 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) (collectively, "Damages") which LICENSEE may hereinafter incur, suffer or be required to pay in connection with any third-party claim, suit or action resulting from the use by LICENSEE of the Licensed Trademarks on the Core Products in the Territory in accordance with the License Agreement and this Fifth Amendment (collectively, "Third-Party Claim"); provided, however, that LICENSOR's obligation to so indemnify LICENSEE (i) shall not apply to any Damages incurred by LICENSEE as a result of LICENSEE's non-use or misuse of any of the Licensed Trademarks, (ii) shall not include any Damages attributable to LICENSEE's failure to cease using the Licensed Trademarks, pursuant to LICENSOR's written instructions, as a result of any actual or potential Third-Party Claim, (iii) shall not result in any liability to LICENSOR in excess of the amount of Royalties paid by LICENSEE during the three (3) year period immediately preceding initiation of the Third-Party Claim for sales of only Core Products in those countries in which a final settlement or a final, non-appealable order has been entered against LICENSEE relating to LICENSEE'S use of the Core Products in the Territory, and (iv) shall not include any Damages which are attributable to any Non-Core Products. NOTWITHSTANDING ANY PROVISIONS IN THE LICENSE AGREEMENT OR THIS FIFTH AMENDMENT TO THE CONTRARY, THE INDEMNIFICATION OBLIGATIONS OF LICENSOR SHALL ONLY COVER ACTUAL, OUT-OF-POCKET DAMAGES INCURRED BY LICENSEE IN CONNECTION WITH A FINAL SETTLEMENT INVOLVING LICENSEE, OR A FINAL, NON-APPEALABLE ORDER AGAINST LICENSEE, ARISING OUT OF A THIRD-PARTY CLAIM, BUT SHALL NOT INCLUDE ANY INCIDENTAL, CONSEQUENTIAL (INCLUDING, BUT NOT LIMITED TO, LOSS OF ACTUAL OR ANTICIPATED PROFITS OR REVENUES), INDIRECT, SPECIAL, EXEMPLARY OR PUNITIVE DAMAGES INCURRED BY LICENSEE. LICENSEE SHALL GIVE LICENSOR PROMPT WRITTEN NOTICE, COOPERATION AND ASSISTANCE IN CONNECTION WITH ANY THIRD-PARTY CLAIM, AND LICENSOR SHALL HAVE COMPLETE CONTROL OVER THE DEFENSE AND SETTLEMENT THEREOF.

The following Section 11.4 is hereby added to the License

Agreement:

11.4 Notwithstanding any other provisions of, and without diminishing any liabilities or obligations of LICENSEE under, the License Agreement or this Fifth Amendment, LICENSOR shall have no liability or obligation to LICENSEE whatsoever arising out of the License Agreement or this Fifth Amendment (i) relating to LICENSEE'S sale or use of any Non-Core Products (including, without limitation, the royalty reimbursement obligations under Section 10.4 and the indemnification obligations under Section 11.1), or (ii) relating to any other liabilities or obligations incurred by

LICENSEE as a result of LICENSEE's use of the Licensed Trademarks, other than those liabilities or obligations of LICENSOR set forth in the License Agreement or this Fifth Amendment.

The following Section 11.5 is hereby added to the License

Agreement:

11.5 In the event LICENSEE requests LICENSOR to file trademark applications and seek trademark registrations in the Territory for the Non-Core Products, LICENSOR shall take the actions necessary to comply with such request. If LICENSOR is successful in obtaining trademark registrations for all Non-Core Products in all jurisdictions in the Territory, this Fifth Amendment shall be amended to delete the distinction between Core Products and Non-Core Products so that Non-Core Products are treated the same as Core Products under this Fifth Amendment. If LICENSOR is successful in obtaining trademark registrations for some (but not all) of the Non-Core Products in some (but not all) of the jurisdictions in the Territory, then the distinction between Core Products and Non-Core Products shall be deleted only for those Non-Core Products and for those jurisdictions in the Territory for which LICENSOR is successful in obtaining trademark registrations. LICENSEE shall cease all sale or use of the Licensed Trademarks on those Non-Core Products in those jurisdictions in which LICENSOR is not able to obtain trademark registrations.

10. Sections 3.1, 5.3 and 11.2 of the License Agreement are hereby amended by adding the following sentence to the end of each of said Sections:

LICENSEE's obligations under this Section shall not be released or limited in any way as a result of LICENSOR's approval of Licensed Products, any packaging therefor, or any advertising relating thereto.

11. The License Agreement is hereby amended by adding the following Section 18.6:

18.6 LICENSEE shall not manufacture, distribute or sell (i) any speakers, except as a prepackaged component of an audio system that is commonly expected by the consuming public to include such speakers with such audio system, or (ii) any speaker accessories (including, but not limited to, AC or DC adaptors, mounting brackets, or assemblies, etc.), whether or not as part of a prepackaged component of an audio system that is commonly expected by the consuming public to include such speaker accessories with such audio system.

12. The License Agreement is hereby amended by adding the following Section 18.7 to the License Agreement:

18.7 The parties hereto agree that the License Agreement and this Fifth Amendment have been jointly drafted by the parties, that the language used in the License Agreement and this Fifth Amendment reflect their mutual intent, and that no term or provision shall be construed more

or less favorably to either party hereto on the grounds that it was drafted or authorized by such party.

13. EXHIBIT B to the License Agreement (as amended by the Fourth Amendment) is hereby deleted in its entirety and the EXHIBIT B attached hereto shall be inserted in its place.

14. EXHIBIT D to the License Agreement (as amended by the Fourth Amendment) is hereby deleted in its entirety and the EXHIBIT D attached hereto shall be inserted in its place.

15. EXHIBIT E to the License Agreement (as amended by the Fourth Amendment) is hereby deleted in its entirety and the EXHIBIT E attached hereto shall be inserted in its place.

16. Except as hereby amended, the License Agreement shall remain in full force and effect.

IN WITNESS WHEREOF, the parties hereto have duly executed this Fifth Amendment on the day and year first above written.

KOSS CORPORATION

By: Michael J. Koss

Print Name: -----

Title: CEO/President

JIANGSU ELECTRONICS INDUSTRIES LIMITED

By: /s/ Poon Ka Hung

Print Name: -----

Title: Chief Executive Officer

EXHIBIT B

MOBILE PRODUCTS*	Royalty
-----	-----
Audio systems of any nature (excluding clock radios and audio systems incorporating clock radios) with a cassette player but without a compact disc player	2.0%
Audio systems of any nature (excluding clock radios and audio systems incorporating clock radios) with a compact disc player and/or a CD changer	1.5%
Power amplifiers	1.5%
Power inverters	1.5%
Receivers	2.0%
 HOME AND PORTABLE PRODUCTS**	 Royalty
-----	-----
Clock radios	2.0%
AM/FM radios (excluding clock radios and audio systems incorporating clock radios) without a cassette or compact disc player	3.0%
Audio systems of any nature (excluding clock radios and audio systems incorporating clock radios) with a cassette player but without a compact disc player	2.0%
Audio systems of any nature (excluding clock radios and audio systems incorporating clock radios) with a compact disc player and/or a CD changer	1.5%
Power amplifiers	1.5%
Receivers	2.0%

* All products listed under Mobile Products in this EXHIBIT B shall mean only those products which are designed for use in automobiles only.

** Home and portable products listed in this EXHIBIT B shall not include products designed for use in automobiles.

LICENSEE shall not manufacture, distribute or sell (i) any speakers, except as a prepackaged component of an audio system that is commonly expected by the consuming public to include such speakers with such audio system, or (ii) any speaker accessories (including, but not limited to, AC or DC adaptors, mounting brackets, or assemblies, etc.), whether or not as part of a prepackaged component of an audio system that is commonly expected by the consuming public to include such speaker accessories with such audio system.

EXHIBIT D

Calculation of Quarterly Royalties Payment

	Total Sales -----	Returns -----	Net Sales -----	Royalty Rate -----	Subtotal -----
MOBILE PRODUCTS* -----					
Audio systems of any nature (excluding clock radios and audio systems incorporating clock radios) with a cassette player but without a compact disc player	_____	_____	_____	2.0%	_____
Audio systems of any nature (excluding clock radios and audio systems incorporating clock radios) with a compact disc player and/or a CD changer	_____	_____	_____	1.5%	_____
Power Amplifiers	_____	_____	_____	1.5%	_____
Power Inverters	_____	_____	_____	1.5%	_____
Receivers	_____	_____	_____	2.0%	_____

	Total Sales -----	Returns -----	Net Sales -----	Royalty Rate -----	Subtotal -----
HOME AND PORTABLE PRODUCTS** -----					
Clock Radios	_____	_____	_____	2.0%	_____
AM/FM radios (excluding clock radios and audio systems incorporating clock radios) without a cassette or compact disc player	_____	_____	_____	3.0%	_____
Audio systems of any nature (excluding clock radios and audio systems incorporating clock radios) with a cassette player but without a compact disc player	_____	_____	_____	2.0%	_____
Audio systems of any nature (excluding clock radios and audio systems incorporating clock radios) with a compact disc player and/or a CD changer	_____	_____	_____	1.5%	_____
Power Amplifiers	_____	_____	_____	1.5%	_____
Receivers	_____	_____	_____	2.0%	_____
				Subtotal	\$ _____
Subtotal					\$ _____
Less 2% of itemized discounts, rebates and shipping costs					(_____)
ROYALTIES PAYMENT					\$ _____

* All products listed under Mobile Products in this EXHIBIT D shall mean only those products which are designed for use in automobiles only.

** Home and portable products listed in this EXHIBIT D shall not include products designed for use in automobiles.

EXHIBIT E

	UNITED STATES	
KOSS (Plain Block Letters)	Registered	Registration No. 1,821,035
KOSS (Stylized)	Registered	Registration No. 1,850,556
KOSS & Design	Registered	Registration No. 2,070,098
	CANADA	
KOSS (Plain Block Letters)	Registered	Registration No. 454,503
KOSS (Stylized)	Registered	Registration No. 454,504
KOSS & Design	Registered	Registration No. 454,505
	MEXICO	
KOSS (Plain Block Letters)	Registered	Registration No. 442439
KOSS (Stylized)	Registered	Registration No. 514637
KOSS & Design	Registered	Registration No. 516421

EXHIBIT F

CONSENT OF GUARANTOR

The undersigned, Orient Power Holdings Limited, a Bermuda company ("Orient Power"), for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, hereby consents to the foregoing Fifth Amendment to License Agreement ("Fifth Amendment") and reaffirms its guarantee of 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 Fifth Amendment 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, and a Third Amendment and Assignment of License Agreement dated as of March 31, 1997 between Trabelco N.V., Jiangsu Electronics, Hagemeyer Electronics (N.A.), Inc., Hagemeyer Consumer Products, Inc. d/b/a/ Koss Electronics Products, KCP Limited and Koss Corporation, and a Fourth Amendment to License Agreement dated May 29, 1998 (collectively, that certain License Agreement and the amendments thereto are hereinafter collectively referred to as the "License Agreement"). Orient Power also guarantees the payment to Koss Corporation of any and all amounts owed to Koss Corporation by Jiangsu under the Fifth Amendment and the License Agreement, including but not limited to, the royalty obligations and indemnity obligations of Jiangsu thereunder.

ORIENT POWER HOLDINGS LIMITED

Dated: _____ By: _____
 Name: _____
 Title: _____

CONSENT OF GUARANTOR

The undersigned, Orient Power Holdings Limited, a Bermuda company ("Orient Power"), for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, hereby consents to the foregoing Fifth Amendment to License Agreement ("Fifth Amendment") and reaffirms its guarantee of 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 Fifth Amendment 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, and a Third Amendment and Assignment of License Agreement dated as of March 31, 1997 between Trabelco N.V., Jiangsu Electronics, Hagemeyer Electronics (N.A.), Inc., Hagemeyer Consumer Products, Inc. d/b/a/ Koss Electronics Products, KCP Limited and Koss Corporation, and a Fourth Amendment to License Agreement dated May 29, 1998 (collectively, that certain License Agreement and the amendments thereto are hereinafter collectively referred to as the "License Agreement"). Orient Power also guarantees the payment to Koss Corporation of any and all amounts owed to Koss Corporation by Jiangsu under the Fifth Amendment and the License Agreement, including but not limited to, the royalty obligations and indemnity obligations of Jiangsu thereunder.

ORIENT POWER HOLDINGS LIMITED

Dated: March 30, 2001

By: /s/ Poon Ka Hung

Name:

Title: Chief Executive Officer

AMENDMENT & EXTENSION AGREEMENT

THIS AMENDMENT & EXTENSION AGREEMENT is made as of the 1 day of May, 2001, 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 LOGITECH ELECTRONICS INC., an Ontario company, with its principal place of business at 60 Bell Farm Road, Barrie, Ontario L4M 5G6 (the "LICENSEE")

WITNESSETH:

WHEREAS LICENSOR and LICENSEE are parties to a certain License Agreement dated the 30th day of June, 1998 (the "LICENSE AGREEMENT") and are furthermore parties to a certain Addendum Agreement dated the 30th day of June, 1998 (the "ADDENDUM") with respect to the License Agreement;

AND WHEREAS the parties now desire to amend and extend the terms and conditions of the License Agreement and the Addendum as hereinafter provided;

NOW THEREFORE for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. AMENDMENT TO ROYALTY.

Section 6.1 of the License Agreement is hereby amended to replace the definition of "Royalties" as "an amount equal to ten percent (10%) of net sales" to read "AN AMOUNT EQUAL TO SIX AND ONE-HALF PERCENT (6.5%) OF NET SALES", said amendment to be effective as of the 1st day of July, 2000.

2. AMENDMENT TO MINIMUM ANNUAL ROYALTIES:

Section 6.2 of the License Agreement is hereby amended to replace the "annual minimum Royalties" as referred to therein, for the period from July 1, 2000, to June 30, 2003, as follows:

"CONTRACT YEAR -----	MINIMUM ROYALTIES -----
JULY 1, 2000 - JUNE 30, 2001 U.S.	\$210,000
JULY 1, 2001 - JUNE 30, 2002 U.S.	\$220,000
JULY 1, 2002 - JUNE 30, 2003 U.S.	\$230,000"

3. EXTENSION OF LICENSE AGREEMENT & ADDENDUM.

It is agreed that the License Agreement and Addendum shall be renewed and extended for a further five (5) year term from the 1st day of July, 2003, to the 30th day of June, 2008. It is furthermore agreed that Section 6.3 of the License Agreement is hereby amended to replace the "Minimum Royalties for the first renewal period" as referred to therein, for the period from July 1, 2003, to June 30, 2008, as follows:

"CONTRACT YEAR -----"	MINIMUM ROYALTIES -----
JULY 1, 2003 - JUNE 30, 2004	U.S. \$241,000
JULY 1, 2004 - JUNE 30, 2005	U.S. \$252,000
JULY 1, 2005 - JUNE 30, 2006	U.S. \$265,000
JULY 1, 2006 - JUNE 30, 2007	U.S. \$278,000
JULY 1, 2007 - JUNE 30, 2008	U.S. \$292,000"

4. MISCELLANEOUS

Save and except as amended and extended herein, the License Agreement and Addendum shall remain in full force and effect, binding upon the parties thereto and hereto in accordance with the terms therein.

IN WITNESS WHEREOF the parties hereto have caused this Amendment & Extension Agreement to be executed as of the date set forth above. The effective date of this Amendment & Extension Agreement is the 1st day of July, 2000.

KOSS CORPORATION

BY: /s/ Michael J. Koss
MICHAEL J. KOSS
PRESIDENT AND CEO

LOGITECH ELECTRONICS INC.

BY: /s/ Greg Bell
GREG BELL
PRESIDENT AND CEO