UNITED STATES
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 December 31, 2023

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)

DELAWARE (State or other jurisdiction of incorporation or organization)	**39-1168275** (I.R.S. Employer Identification No.)
4129 North Port Washington Avenue, Milwaukee, Wisconsin (Address of principal executive offices)	**53212** (Zip Code)

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

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value $0.005 per share	KOSS	Nasdaq Capital Market

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 ☑ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☑ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐	Accelerated filer ☐
Non-accelerated filer ☑	Smaller reporting company ☑
	Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act.). Yes ☐ No ☑

At January 29, 2024, there were 9,254,795 shares outstanding of the registrant's common stock.

KOSS CORPORATION
FORM 10-Q
December 31, 2023

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PART I
FINANCIAL INFORMATION

Item 1. Financial Statements

KOSS CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited)

	December 31, 2023	June 30, 2023
ASSETS		
Current assets:		
Cash and cash equivalents	$ 2,524,254	$ 3,091,062
Short term investments	12,071,737	17,064,274
Accounts receivable, less allowance for credit losses of $1,922 and $6,027, respectively	1,513,908	1,379,517
Inventories	5,166,667	6,423,441
Prepaid expenses and other current assets	1,062,264	1,002,514
Interest receivable	134,046	51,150
Income taxes receivable	127,363	86,901
Total current assets	22,600,239	29,098,859
Equipment and leasehold improvements, net	1,261,850	953,903
Other assets:		
Long term investments	5,000,920	—
Operating lease right-of-use asset	2,884,497	3,015,887
Cash surrender value of life insurance	6,254,684	6,020,048
Total other assets	14,140,101	9,035,935
Total assets	$ 38,002,190	$ 39,088,697
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 262,502	$ 267,513
Accrued liabilities	923,243	1,342,039
Deferred revenue	334,672	450,312
Operating lease liability	233,492	236,225
Income taxes payable	3,758	87,237
Total current liabilities	1,757,667	2,383,326
Long-term liabilities:		
Deferred compensation	2,060,375	1,997,120
Deferred revenue	120,644	113,003
Operating lease liability	2,663,148	2,787,970
Total long-term liabilities	4,844,167	4,898,093
Total liabilities	6,601,834	7,281,419
Stockholders' equity:		
Common stock, $0.005 par value, authorized 20,000,000 shares; issued and outstanding 9,254,795 and 9,234,795, respectively	46,274	46,174
Paid in capital	13,233,733	13,113,993
Retained earnings	18,120,349	18,647,111
Total stockholders' equity	31,400,356	31,807,278
Total liabilities and stockholders' equity	$ 38,002,190	$ 39,088,697

The accompanying notes are an integral part of these condensed consolidated financial statements.

KOSS CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)

	Three Months Ended December 31		Six Months Ended December 31	
	2023	2022	2023	2022
Net sales	$ 3,360,124	$ 3,281,333	$ 6,734,062	$ 6,645,462
Cost of goods sold	2,251,684	2,145,769	4,557,932	4,314,074
Gross profit	1,108,440	1,135,564	2,176,130	2,331,388
Selling, general and administrative expenses	1,584,523	2,482,688	3,120,802	26,157,905
(Loss) from operations	(476,083)	(1,347,124)	(944,672)	(23,826,517)
Other income	—	—	—	33,000,000
Interest income	208,809	97,832	421,668	124,888
(Loss) income before income tax provision (benefit)	(267,274)	(1,249,292)	(523,004)	9,298,371
Income tax provision (benefit)	1,879	(103,102)	3,758	494,839
Net (loss) income	$ (269,153)	$ (1,146,190)	$ (526,762)	$ 8,803,532
(Loss) income per common share:				
Basic	$ (0.03)	$ (0.12)	$ (0.06)	$ 0.96
Diluted	$ (0.03)	$ (0.12)	$ (0.06)	$ 0.90
Weighted-average number of shares:				
Basic	9,241,208	9,186,208	9,238,002	9,171,746
Diluted	9,241,208	9,186,208	9,238,002	9,817,398

The accompanying notes are an integral part of these condensed consolidated financial statements.

KOSS CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

	Six Months Ended December 31	
	2023	2022
Operating activities:		
Net (loss) income	$ (526,762)	$ 8,803,532
Adjustments to reconcile net (loss) income to net cash (used in) provided by operating activities:		
(Recovery of) Provision for credit losses	(4,105)	8,473
Depreciation of equipment and leasehold improvements	93,647	135,915
Accretion of discount on treasury securities	(234,298)	(16,232)
Noncash operating lease expense	3,835	4,476
Stock-based compensation expense	84,040	166,708
Change in cash surrender value of life insurance	(152,892)	(143,691)
Provision (benefit) for deferred compensation	63,255	(46,075)
Net changes in operating assets and liabilities:		
Accounts receivable	(130,286)	558,058
Inventories	1,256,774	801,766
Prepaid expenses and other current assets	(59,750)	(164,503)
Interest receivable	(82,896)	(128,030)
Income taxes receivable	(40,462)	—
Income taxes payable	(83,479)	494,839
Accounts payable	(5,011)	(510,681)
Accrued liabilities	(418,796)	732,493
Deferred revenue	(107,999)	(158,464)
Net cash (used in) provided by operating activities	(345,185)	10,538,583
Investing activities:		
Purchase of equipment and leasehold improvements	(401,594)	(50,492)
Life insurance premiums paid	(81,744)	(87,995)
Proceeds from the maturity of treasury securities	7,223,000	—
Purchases of treasury securities	(6,997,085)	(14,884,929)
Net cash used in investing activities	(257,423)	(15,023,416)
Financing activities:		
Proceeds from exercise of stock options	35,800	88,940
Net cash provided by financing activities	35,800	88,940
Net (decrease) in cash and cash equivalents	(566,808)	(4,395,893)
Cash and cash equivalents at beginning of period	3,091,062	9,208,170
Cash and cash equivalents at end of period	$ 2,524,254	$ 4,812,277
Supplemental cash flow information:		
Cash paid for income taxes	$ 127,700	$ —

The accompanying notes are an integral part of these condensed consolidated financial statements.

KOSS CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (Unaudited)

	Six Months Ended December 31, 2023				
	Common Stock		Paid in	Retained	
	Shares	Amount	Capital	Earnings	Total
Balance, June 30, 2023	9,234,795	$ 46,174	$ 13,113,993	$ 18,647,111	$ 31,807,278
Net (loss)	—	—	—	(526,762)	(526,762)
Stock-based compensation expense	—	—	84,040	—	84,040
Stock option exercises	20,000	100	35,700	—	35,800
Balance, December 31, 2023	9,254,795	$ 46,274	$ 13,233,733	$ 18,120,349	$ 31,400,356

	Six Months Ended December 31, 2022				
	Common Stock		Paid in	Retained	
	Shares	Amount	Capital	Earnings	Total
Balance, June 30, 2022	9,147,795	$ 45,739	$ 12,653,402	$ 10,327,899	$ 23,027,040
Net income	—	—	—	8,803,532	8,803,532
Stock-based compensation expense	—	—	166,708	—	166,708
Stock option exercises	42,000	210	88,730	—	88,940
Balance, December 31, 2022	9,189,795	$ 45,949	$ 12,908,840	$ 19,131,431	$ 32,086,220

	Three Months Ended December 31, 2023				
	Common Stock		Paid in	Retained	
	Shares	Amount	Capital	Earnings	Total
Balance, September 30, 2023	9,234,795	$ 46,174	$ 13,160,785	$ 18,389,502	$ 31,596,461
Net (loss)	—	—	—	(269,153)	(269,153)
Stock-based compensation expense	—	—	37,248	—	37,248
Stock option exercises	20,000	100	35,700	—	35,800
Balance, December 31, 2023	9,254,795	$ 46,274	$ 13,233,733	$ 18,120,349	$ 31,400,356

	Three Months Ended December 31, 2022				
	Common Stock		Paid in	Retained	
	Shares	Amount	Capital	Earnings	Total
Balance, September 30, 2022	9,179,795	$ 45,899	$ 12,811,717	$ 20,277,621	$ 33,135,237
Net (loss)	—	—	—	(1,146,190)	(1,146,190)
Stock-based compensation expense	—	—	78,673	—	78,673
Stock option exercises	10,000	50	18,450	—	18,500
Balance, December 31, 2022	9,189,795	$ 45,949	$ 12,908,840	$ 19,131,431	$ 32,086,220

The accompanying notes are an integral part of these condensed consolidated financial statements.

KOSS CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2023
(Unaudited)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A) BASIS OF PRESENTATION

The condensed consolidated balance sheets as of December 31, 2023 and June 30, 2023, the condensed consolidated statements of operations for the three and six months ended December 31, 2023 and 2022, the condensed consolidated statements of cash flows for the six months ended December 31, 2023 and 2022, and the condensed consolidated statements of stockholders' equity for the three and six months ended December 31, 2023 and 2022, have been prepared by the Company in accordance with generally accepted accounting principles in the United States of America (“U.S. GAAP”) and have not been audited. In the opinion of management, all adjustments (consisting of normal recurring adjustments) necessary to present fairly the financial position, results of operations and cash flows for all periods presented have been made. The operating results for any interim period are not necessarily indicative of the operating results that may be experienced for the full fiscal year.

Certain information and footnote disclosures normally included in consolidated financial statements prepared in accordance with U.S. GAAP have been condensed or omitted. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company’s Annual Report on Form 10-K for the fiscal year ended June 30, 2023.

The preparation of financial statements in conformity with U.S. GAAP requires the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the condensed consolidated financial statements and the reported amounts of revenues and expenses. Significant estimates and assumptions are used for, but are not limited to, allowances for credit losses, reserves for excess and obsolete inventories, long-lived and intangible assets, income tax valuation allowance, stock-based compensation and deferred compensation. Actual results could differ from the Company's estimates.

B) REVISION OF PREVIOUSLY ISSUED FINANCIAL STATEMENTS

During the second quarter of fiscal year 2024, the Company learned that due to misinterpretation of the required tax treatment for certain disqualifying dispositions of Incentive Stock Options (ISO), the Company improperly withheld amounts for Social Security and Medicare (“FICA”) taxes on the taxable gains resulting from those dispositions and remitted such amounts to the Internal Revenue Service (“IRS”). Thus, for such disqualifying dispositions of ISOs beginning in fiscal year 2021, certain employees are owed a refund from the Company for the overpayment of the FICA taxes, with a similar refund due to the Company from the IRS for the employer portion of the taxes which were also remitted to the IRS and expensed by the Company. The Company intends to reimburse the over withheld taxes to the impacted employees and to file amended 941-X forms with the IRS to claim a refund for both the Company overpayment of FICA taxes as well as the amounts refunded to employees.

Based on an analysis of Accounting Standards Codification ASC 250 – “Accounting Changes and Error Corrections” (“ASC 250”), Staff Accounting Bulletin 99 – “Materiality” and Staff Accounting Bulletin 108 – “Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements”, the Company determined that these errors did not result in the previously issued consolidated financial statements being materially misstated, and as such no restatement was necessary.

The following tables present the effect of the revision on the condensed consolidated balance sheet as of June 30, 2023, the condensed consolidated statements of operations for the three and six months ended December 31, 2022, and the condensed consolidated statement of cash flows for the six months ended December 31, 2022.

	As of June 30, 2023		
	As Previously Reported	Revision	As Revised
Condensed consolidated balance sheet:			
Prepaid expenses and other current assets	284,622	717,892	1,002,514
Total current assets	28,380,967	717,892	29,098,859
Total assets	38,370,805	717,892	39,088,697
Accrued liabilities	970,530	371,509	1,342,039
Total current liabilities	2,011,817	371,509	2,383,326
Total liabilities	6,909,910	371,509	7,281,419
Retained earnings	18,300,728	346,383	18,647,111
Total stockholders' equity	31,460,895	346,383	31,807,278

	Three Months Ended December 31, 2022			Six Months Ended December 31, 2022		
	As Previously Reported	Revision	As Revised	As Previously Reported	Revision	As Revised
Condensed consolidated statements of operations:						
Selling, general and administrative expenses	2,483,377	(689)	2,482,688	26,163,573	(5,668)	26,157,905
(Loss) from operations	(1,347,813)	689	(1,347,124)	(23,832,185)	5,668	(23,826,517)
(Loss) income before income tax provision	(1,249,981)	689	(1,249,292)	9,292,703	5,668	9,298,371
Net (loss) income	(1,146,879)	689	(1,146,190)	8,797,864	5,668	8,803,532
(Loss) income per common share:						
Basic	(0.12)		(0.12)	0.96		0.96
Diluted	(0.12)		(0.12)	0.90		0.90

	Six Months Ended December 31, 2022		
	As Previously Reported	Revision	As Revised
Condensed consolidated statement of cash flows:			
Net income	8,797,864	5,668	8,803,532
Prepaid expenses and other current assets	(153,168)	(11,335)	(164,503)
Accrued liabilities	726,825	5,668	732,493
Net cash (used in) provided by operating activities	10,538,583	-	10,538,583

The effect of this revision on the opening balances within the Company's condensed consolidated statements of stockholders' equity for the three and six months ended December 31, 2023 and 2022 was as follows:

	As Previously Reported	Revision	As Revised
Retained earnings, June 30, 2022	9,998,348	329,551	10,327,899
Total stockholders' equity, June 30, 2022	22,697,489	329,551	23,027,040
Retained earnings, September 30, 2022	19,943,091	334,530	20,277,621
Total stockholders' equity, September 30, 2022	32,800,707	334,530	33,135,237
Retained earnings, June 30, 2023	18,300,728	346,383	18,647,111
Total stockholders' equity, June 30, 2023	31,460,895	346,383	31,807,278
Retained earnings, September 30, 2023	18,043,119	346,383	18,389,502
Total stockholders' equity, September 30, 2023	31,250,078	346,383	31,596,461

The Company's condensed consolidated statements of stockholders' equity for the three and six months ended December 31, 2022 have also been revised to reflect the impacts to net income as presented above.

C) INVESTMENTS

Debt securities are classified as held-to-maturity as the Company has the positive intent and ability to hold them to maturity. The securities are carried at amortized cost as current or noncurrent based upon maturity date and unrealized gains and losses are recognized when realized. The amortized cost of debt securities is adjusted for amortization of premium and accretion of discounts to maturity. Such amortization or accretion is included in interest income, along with other interest on cash and cash equivalents.

D) FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an ordinary transaction between market participants at the measurement date. A three-tier hierarchy prioritizes the inputs used in measuring fair value. These tiers include Level 1, defined as observable inputs such as quoted market prices in active markets; Level 2, defined as inputs other than quoted market prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs in which little or no market data exists, therefore, requiring an entity to develop its own assumptions. The asset's or liability's fair value measurement within the hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

The Company's U.S. treasury debt securities are recorded at amortized cost with fair value disclosure. They have a readily available market price (Level 1 input), thus a lesser degree of judgment needs to be used in measuring fair value, and fair value was determined by quoted market prices.

E) INCOME TAXES

We estimate a provision for income taxes based on the effective tax rate expected to be applicable for the fiscal year. If the actual results are different from these estimates, adjustments to the effective tax rate may be required in the period such determination is made. Additionally, discrete items are treated separately from the effective rate analysis and are recorded separately as an income tax provision or benefit at the time they are recognized.

During the three and six months ended December 31, 2023, a state income tax provision of $1,879 and $3,758 was recorded for the minimum tax payments expected given the taxable net losses in those periods. As a result of the net losses, no federal tax provision was recorded for the three and six months ended December 31, 2023. During the three months ended December 31, 2022, a federal tax benefit of $74,389 and a state tax benefit of $28,713 were recorded based on a taxable loss. For the six months ended December 31, 2022, as a result of additional income generated by licensing fees, offset by related legal fees and expenses, taxable income for the period was generated. For NOLs arising in tax years beginning after December 31, 2017, the Tax Cuts and Jobs Act ("TCJA") limits the NOL deduction to 80 percent of taxable income. As such, the utilization of the Company's net operating loss carryforwards from fiscal years after 2018 is limited to 80 percent of the resulting taxable income. Utilization of net operating loss carryforwards significantly reduced the taxable income, resulting in federal and state tax provisions of $374,714 and $120,125, respectively, for the six-month period ended December 31, 2022.

The effective tax rate was less than 1% for the six months ended December 31, 2023 and 5.3% for the six months ended December 31, 2022. It is anticipated that the effective rate in the current year and future years will continue to be reduced by utilization of a portion or all of the federal and state net operating loss carryforwards that existed as of June 30, 2023. The Company's taxable loss generated during the first half of fiscal year 2024 increased the tax loss carryforward as of December 31, 2023 to approximately $31,995,000. Given the taxable loss for the six-month period, the expectation for utilization of the estimated tax loss carryforward is lessened, and as such, the future realization of this continues to be uncertain. The valuation allowance was adjusted to continue to fully offset the net deferred tax asset as there is sufficient negative evidence to support a full valuation allowance.

Temporary differences which give rise to deferred income tax assets and liabilities at December 31, 2023 and June 30, 2023 include:

	December 31, 2023	June 30, 2023
Deferred income tax assets:		
Deferred compensation	$ 516,932	$ 491,608
Stock-based compensation	77,530	117,607
Accrued expenses and reserves	549,015	571,719
Deferred revenue	108,033	138,665
Federal and state net operating loss carryforwards	8,260,294	8,216,671
IRC Section 174 research and development costs	113,521	63,855
Credit carryforwards	188,893	169,552
Equipment and leasehold improvements	107,258	136,294
Lease liability	684,670	744,431
Valuation allowance	(9,893,613)	(9,906,018)
Total deferred income tax assets	712,533	744,384
Deferred income tax liabilities:		
ROU asset	(680,737)	(742,386)
Other	(31,796)	(1,998)
Total deferred income tax liabilities	(712,533)	(744,384)
Net deferred income tax assets	$ -	$ -

F) LEGAL COSTS

All legal costs related to litigation for which the Company is liable, are charged to operations as incurred, except contingent legal fees as described below. Proceeds from the settlement of disputes are recorded in other income when the amounts are determinable, and collection is certain. Related license proceeds are considered functional and as such are recorded at a point in time, based on the underlying agreement. Related contingent legal fees and expenses are recorded in selling, general and administrative expense at that time. The contingent legal fee expenses could have a material effect on the results of operations, however, timing and impact is uncertain and is dependent on the resolution of related litigation.

G) OTHER INCOME

No other income was received in the three and six months ended December 31, 2023. In the three and six months ending December 31, 2022, the Company received licensing proceeds of $0 and $33,000,000, respectively, which was recorded as other income.

Other income is shown as a separate line on the condensed consolidated statements of operations.

G) DEFERRED COMPENSATION

The Company's deferred compensation liability is for a current officer and is calculated based on years of service and compensation, along with various assumptions related to expected retirement date, discount rates, and mortality tables. The related expense is calculated using the net present value of the expected payments and is included in selling, general and administrative expenses in the condensed consolidated statements of operations. The deferred compensation liability recorded at December 31, 2023 and June 30, 2023 is $2,060,375 and $1,997,120, respectively. The increase in the deferred compensation liability for the current officer during the six months ended December 31, 2023 resulted in compensation expense under this arrangement of $63,255. A reduction to deferred compensation expense of $46,075 was recognized in the six months ended December 31, 2022.

I) RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENTS

Effective July 1, 2023, the Company adopted Accounting Standards Update (ASU) 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. This standard replaced the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss ("CECL") methodology. CECL requires an estimate of credit losses for the remaining estimated life of the financial asset using historical experience, current conditions, and reasonable and supportable forecasts and generally applies to financial assets measured at amortized cost, including trade receivables and held-to-maturity debt securities. Financial assets measured at amortized cost are presented at the net amount expected to be collected by using an allowance for credit losses. The standard's main goal is to improve financial reporting by requiring earlier recognition of credit losses on financing receivables and other financial assets, including accounts receivable.

The Company adopted ASU 2016-13 effective July 1, 2023 using the modified retrospective approach for all financial assets measured at amortized cost.

Allowance for Credit Losses – Accounts Receivable: The allowance for credit losses is deducted from the cost basis of the receivable to present the net amount expected to be collected on the accounts. The Company measures expected credit losses for accounts receivable using the aging method whereby expected credit losses are determined on the basis of how long a receivable has been outstanding. Historical loss data is utilized to estimate expected losses as the risk characteristics of the customer base and the Company's credit practices have not changed significantly over time. The estimates are then adjusted for current conditions, such as level of inflation and the potential change in credit availability given rising interest rates, as well as supportable and reasonable forecasts indicating whether these conditions will continue into the future or new ones will arise that need to be considered.

Upon evaluation of the impact of this ASU, the Company concluded that minimal reserves were necessary as historical losses were immaterial, and, based on the qualitative and quantitative analysis performed in accordance with Topic 326 requirements, the Company determined there was no reasonable expectation of significant credit losses associated with the Company's accounts receivable in the foreseeable future.

Allowance for Credit Losses - Held-to Maturity Debt Securities: The Company did not record an allowance for credit losses on held-to-maturity U.S. Treasury securities as these securities have the following characteristics that support a zero loss expectation: they are explicitly guaranteed by the U.S. government, are consistently highly rated by major rating agencies and have a long history of no credit losses.

The adoption of ASU 2016-13 did not have a material impact on the Company's condensed consolidated financial statements. Results for reporting periods beginning after July 1, 2023 are presented under CECL while prior period amounts continue to be reported in accordance with previously applicable accounting standards ("Incurred Loss").

Other recent accounting pronouncements issued by the FASB, including its Emerging Issues Task Force, the American Institute of Certified Public Accountants, and the Securities and Exchange Commission did not have, or are not expected by management to have a material impact on the Company's present or future consolidated financial statements.

2. INVESTMENTS

The following tables summarize the unrealized positions for the held-to-maturity debt securities as of December 31, 2023 and June 30, 2023:

	December 31, 2023			
	Amortized cost basis	Gross unrealized gains	Gross unrealized losses	Fair Value
US Treasury securities	$ 17,072,657	$ —	$ (12,757)	$ 17,059,900
Total	$ 17,072,657	$ —	$ (12,757)	$ 17,059,900

	June 30, 2023			
	Amortized cost basis	Gross unrealized gains	Gross unrealized losses	Fair Value
US Treasury securities	$ 17,064,274	$ —	$ (93,740)	$ 16,970,534
Total	$ 17,064,274	$ —	$ (93,740)	$ 16,970,534

The following tables summarize the fair value and amortized cost basis of the held-to-maturity debt securities by contractual maturity as of December 31, 2023 and June 30, 2023:

	December 30, 2023	
	Amortized Cost Basis	Fair value
Due within one year	$ 12,071,737	$ 12,052,010
Due after one year through five years	5,000,920	5,007,890
Total	$ 17,072,657	$ 17,059,900

	June 30, 2023	
	Amortized Cost Basis	Fair value
Due within one year	$ 17,064,274	$ 16,970,534
Total	$ 17,064,274	$ 16,970,534

3. INVENTORIES

The components of inventories were as follows:

	December 31, 2023	June 30, 2023
Raw materials	$ 2,030,598	$ 2,071,360
Finished goods	5,074,004	6,178,186
Inventories, gross	7,104,602	8,249,546
Reserve for obsolete inventory	(1,937,935)	(1,826,105)
Inventories, net	$ 5,166,667	$ 6,423,441

4. CREDIT FACILITY

On May 14, 2019, the Company entered into a secured credit facility ("Credit Agreement") with Town Bank ("Lender"). The Credit Agreement provides for a $5,000,000 revolving secured credit facility for letters of credit for the benefit of the Company of up to a sublimit of $1,000,000. There are no unused line fees in the credit facility. On January 28, 2021, the Credit Agreement was amended to extend the expiration to October 31, 2022, and to change the interest rate to Wall Street Journal Prime less 1.50%. A Third Amendment to the Credit Agreement effective October 30, 2022 extends the maturity date to October 31, 2024. The Company and the Lender also entered into a General Business Security Agreement dated May 14, 2019 under which the Company granted the Lender a security interest in substantially all of the Company's assets in connection with the Company's obligations under the Credit Agreement. The Credit Agreement contains certain affirmative and negative covenants customary for financings of this type. The negative covenants include restrictions on other indebtedness, liens, fundamental changes, certain investments, disposition of assets, mergers and liquidations, among other restrictions. As of December 31, 2023, the Company was in compliance with all covenants related to the Credit Agreement. As of December 31, 2023 and June 30, 2023, there were no outstanding borrowings on the facility.

5. REVENUE RECOGNITION

The Company disaggregates its net sales by geographical location as it believes it best depicts how the nature, timing and uncertainty of net sales and cash flows are affected by economic factors. The following table summarizes net sales by geographical location:

	Three Months Ended December 31,		Six Months Ended December 31,	
	2023	2022	2023	2022
United States	$ 2,666,978	$ 2,155,876	$ 5,270,669	$ 4,892,309
Export	693,146	1,125,457	1,463,393	1,753,153
Net Sales	$ 3,360,124	$ 3,281,333	$ 6,734,062	$ 6,645,462

Deferred revenue relates primarily to consumer and customer warranties. These constitute future performance obligations, and the Company defers revenue related to these future performance obligations. Effective July 1, 2023, the Company increased its deferral rates from 2.4% to 3% for domestic sales and decreased its deferral rate from 10% to 8% for export sales to reflect recent warranty experience. In the six months ended December 31, 2023 and 2022, the Company recognized revenue, which was included in the deferred revenue liability at the beginning of the periods of $197,718 and $210,236, respectively, for performance obligations related to consumer and customer warranties. The Company estimates that the deferred revenue performance obligations are satisfied within one year to three years and therefore uses that same timeframe for recognition of the deferred revenue.

6. (LOSS) INCOME PER COMMON AND COMMON STOCK EQUIVALENT SHARE

Basic (loss) income per share is computed based on the weighted-average number of common shares outstanding. Diluted (loss) income per common share is calculated assuming the exercise of stock options except where the result would be anti-dilutive. The following table reconciles the numerator and denominator used to calculate basic and diluted (loss) income per share:

	Three Months Ended December 31,		Six Months Ended December 31,	
	2023	2022	2023	2022
Numerator				
Net (loss) income	$ (269,153)	$ (1,146,190)	$ (526,762)	$ 8,803,532
Denominator				
Weighted average shares, basic	9,241,208	9,186,208	9,238,002	9,171,746
Dilutive effect of stock compensation awards (1)	—	—	—	645,652
Diluted shares	9,241,208	9,186,208	9,238,002	9,817,398
Net (loss) income attributable to common shareholders per share:				
Basic	$ (0.03)	$ (0.12)	$ (0.06)	$ 0.96
Diluted	$ (0.03)	$ (0.12)	$ (0.06)	$ 0.90

(1) Excludes 713,846, 743,465, and 590,046 weighted average stock options during the three and six months ended December 31, 2023 and the three months ended December 31, 2022, respectively, as the impact of such awards was anti-dilutive. For the six months ended December 31, 2022, no stock options were anti-dilutive.

7. RELATED PARTY TRANSACTIONS

The Company leases its facility in Milwaukee, Wisconsin from Koss Holdings, LLC, which is controlled by five equal ownership interests in trusts held by the five beneficiaries of a former chairman's revocable trust and includes current stockholders of the Company. On May 24, 2022, the lease was renewed for a period of five years, ending June 30, 2028, and is being accounted for as an operating lease. The lease extension maintained the rent at a fixed rate of $380,000 per year and included an option to renew at an increased rate of $397,000 for an additional five years ending June 30, 2033. The negotiated increase in rent slated for 2028 will be the first increase in rent since 1996. The Company is responsible for all property maintenance, insurance, taxes and other normal expenses related to ownership.

During the six months ended December 31, 2022, the Company accrued and made charitable contributions of $79,000 to the Koss Foundation (the "Foundation"), a 501(c)(3) charitable organization for which Michael J. Koss and John C. Koss Jr., executive officers of the Company, serve as officers. Neither officer receives fees or compensation from the Foundation for holding these positions. There were no charitable contributions made to the Foundation during the three and six months ended December 31, 2023.

8. ACCOUNTS RECEIVABLE CONCENTRATIONS

As of December 31, 2023, the Company's top three accounts receivable customers represented approximately 23%, 18% and 14% of trade accounts receivable. The top three accounts receivable customers as of June 30, 2023 represented approximately 24%, 14% and 13%.

9. EMPLOYEE STOCK OWNERSHIP PLAN

The Company amended and restated its Koss Employee Stock Ownership Trust ("KESOT") effective July 1, 2023 and received approval from the Board of Directors on July 26, 2023. Substantially all domestic employees are participants in the KESOT under which an annual contribution in either cash or common stock may be made at the discretion of the Board of Directors. All contributions to date have been fully allocated to employees' company contribution accounts. No contributions were made for the three or six months ended December 31, 2023 or 2022, respectively.

10. STOCK-BASED COMPENSATION

In 2023, pursuant to the recommendation of the Board of Directors, the shareholders approved the creation of the Koss Corporation 2023 Equity Incentive Plan (the "2023 Plan"). Concurrently with the adoption of the new plan, the Koss Corporation 2012 Omnibus Incentive Plan (the "2012 Plan") was terminated.

The 2023 Plan is administered by the Compensation Committee of the Board of Directors and provides for the granting of various stock-based incentive awards to eligible participants, primarily officers and certain key employees of the C

11. LEGAL MATTERS

As of December 31, 2023, the Company is involved in the matters described below:

- The Company maintains a program focused on enforcing its intellectual property and, in particular, certain patents in its patent portfolio. As part of this program, the Company filed complaints against certain parties alleging infringement on the Company's patents relating to its wireless audio technology. In the event that a monetary award or judgment is received by the Company in connection with these complaints, all or portions of such amounts, such as contingent legal fees, will be due to third parties. The Company may incur additional fees and costs related to these lawsuits, however, timing and impact on its condensed financial statements is uncertain. Depending on the response to and the underlying results of the enforcement program, the Company may continue to litigate its claims, enter into licensing arrangements or reach some other outcome potentially advantageous to its competitive position. During the six months ended December 31, 2022, in connection with its intellectual property enforcement program, the Company granted a license covering certain of its patents and recognized gross proceeds of $33,000,000, which was recorded as other income. Total legal fees and related expenses of $1,125,000 and $22,141,408 in the three and six months ended December 31, 2022, respectively, offset these proceeds and were recorded as selling, general and administrative expense.

- The Company was notified by One-E-Way, Inc. that some of the Company's wireless products may infringe on certain One-E-Way patents. No lawsuits involving these allegations have yet been filed and served on the Company. The Company is currently investigating whether these allegations have any merit. Depending on the results of the investigation and the defense of these allegations, the ultimate resolution of this matter may have a material effect on the Company's condensed consolidated financial statements. The Company estimates that this matter will ultimately be resolved at a cost of approximately $41,000 and has accrued this amount as of December 31, 2023 and June 30, 2023.

The ultimate resolution of these matters is not determinable unless otherwise noted.

The Company is also subject to a variety of other claims and suits that arise from time to time in the ordinary course of its business. Although management currently believes that resolving these claims against the Company, individually or in the aggregate, will not have a material adverse impact on its condensed consolidated financial statements, these matters are subject to inherent uncertainties and management's view of these matters may change in the future.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q ("Form 10-Q") contains forward-looking statements within the meaning of that term in the Private Securities Litigation Reform Act of 1995 (the "Act") (Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934). Additional written or oral forward-looking statements may be made by the Company from time to time in filings with the Securities Exchange Commission, press releases, or otherwise. Statements contained in this Form 10-Q that are not historical facts are forward-looking statements made pursuant to the safe harbor provisions of the Act. Forward-looking statements may include, but are not limited to, projections of revenue, income or loss and capital expenditures, statements regarding future operations, anticipated financing needs, compliance with financial covenants in loan agreements, plans for acquisitions or sales of assets or businesses, plans relating to products or services of the Company, assessments of materiality, predictions of future events, the effects of pending and possible litigation and assumptions relating to the foregoing. In addition, when used in this Form 10-Q, the words "aims," "anticipates," "believes," "estimates," "expects," "intends," "plans," "thinks," "may," "will," "shall," "should," "could," "would," "forecasts," "predicts," "potential," "continue" and variations thereof and similar expressions are intended to identify forward-looking statements.

Forward-looking statements are inherently subject to risks and uncertainties, some of which cannot be predicted or quantified based on current expectations. Consequently, future events and actual results could differ materially from those set forth in, contemplated by, or underlying the forward-looking statements contained in this Form 10-Q, or in other Company filings, press releases, or otherwise. In addition to the factors discussed in this Form 10-Q, other factors that could contribute to or cause such differences include, but are not limited to, developments in any one or more of the following areas: future fluctuations in economic conditions, increase in prices for raw materials, labor, and fuel caused by rising inflation, the receptivity of consumers to new consumer electronics technologies, the rate and consumer acceptance of new product introductions, competition, pricing, the number and nature of customers and their product orders, production by third party vendors, foreign manufacturing, sourcing, and sales (including foreign government regulation, trade and importation concerns), the effects of the COVID-19 or other pandemics on the economy, the impact of the Russian-Ukrainian conflict, the Israel-Hamas war, or other disruptive geopolitical events on the Company's operations, borrowing costs and interest rates, changes in tax rates, pending or threatened litigation and investigations and their outcomes, and other risk factors described in the Risk Factors and in Management's Discussion and Analysis of Financial Condition and Results of Operations sections of the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2023 and subsequently filed Quarterly Reports on Form 10-Q

Readers are cautioned not to place undue reliance on any forward-looking statements contained herein, which speak only as of the date hereof. The Company undertakes no obligation to publicly release the result of any revisions to these forward-looking statements that may be made to reflect events or circumstances after the date hereof or to reflect new information.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis supplements our management's discussion and analysis for the year ended June 30, 2023 as contained in our Annual Report on Form 10-K filed with the Securities and Exchange Commission on August 25, 2023, and presumes that readers have read or have access to such discussion and analysis. The following discussion and analysis should also be read together with the unaudited consolidated financial statements and the related notes thereto included elsewhere in this Quarterly Report on Form 10-Q. This discussion contains forward-looking statements that reflect our plans and strategy for our business and involve risks and uncertainties. You should review the "Risk Factors" section of our Annual Report on Form 10-K for the fiscal year ended June 30, 2023, as updated by subsequent filings with the Securities and Exchange Commission, for a discussion of important factors that could cause actual results to differ materially from the results described in or implied by the forward-looking statements contained in the following discussion and analysis. You should carefully read "Cautionary Statement Regarding Forward-Looking Statements" in this Quarterly Report on Form 10-Q.

Overview

The Company initially developed stereo headphones in 1958 and has been recognized as a leader in the industry ever since. Koss markets a complete line of high-fidelity headphones, wireless Bluetooth® headphones, wireless Bluetooth® speakers, computer headsets, telecommunications headsets, and active noise canceling headphones. The Company operates as one business segment, as its principal business line is the design, manufacture and sale of stereo headphones and related accessories.

Financial Results

The following table presents selected financial data for the three and six months ended December 31, 2023 and 2022:

	Three Months Ended December 31		Six Months Ended December 31	
Financial Performance Summary	**2023**	**2022**	**2023**	**2022**
Net sales	$ 3,360,124	$ 3,281,333	$ 6,734,062	$ 6,645,462
Net sales increase (decrease) % from prior year period	2.4%	(25.7)%	1.3%	(24.3)%
Gross profit	$ 1,108,440	$ 1,135,564	$ 2,176,130	$ 2,331,388
Gross profit as % of net sales	33.0%	34.6%	32.3%	35.1%
Selling, general and administrative expenses	$ 1,584,523	$ 2,482,688	$ 3,120,802	$ 26,157,905
Selling, general and administrative expenses as % of net sales	47.2%	75.7%	46.3%	393.6%
Interest income	$ 208,809	$ 97,832	$ 421,668	$ 124,888
Other income	$ —	$ —	$ —	$ 33,000,000
(Loss) income before income tax provision (benefit)	$ (267,274)	$ (1,249,292)	$ (523,004)	$ 9,298,371
(Loss) income before income tax provision (benefit) as % of net sales	(8.0)%	(38.1)%	(7.8)%	139.9%
Income tax provision (benefit)	$ 1,879	$ (103,102)	$ 3,758	$ 494,839
Income tax provision (benefit) as % of (loss) income before income tax provision (benefit)	(0.7)%	8.3%	(0.7)%	5.3%

Fiscal 2023 Period Results Compared with Fiscal 2022 Period
(comments refer to the three and six-month periods ended December 31 unless otherwise noted)

Net sales of $3,360,000 for the three months ended December 31, 2023 were 2.4% ahead of sales for the same three-month period in the prior year, an increase of $79,000. An increase in sales of custom headphones and sales to internet retailers and domestic distributors was mostly offset by reductions in direct-to-consumer ("DTC") sales and sales to certain of our European distributors. For the six months ended December 31, 2023, sales of $6,734,000 were slightly favorable compared to $6,645,000 of sales for the first half of the prior fiscal year. All export market sales and DTC sales were down compared to the prior year, offset by increased sales of custom headphones.

For the three months ended December 31, 2023 compared to the same period in the prior year, sales to export markets declined by $432,000, or 38.4%, to $693,000, due to lower-than-expected sales to two of our largest European distributors. The six months ended December 31, 2023 saw a drop in sales to those same distributors, however, a rather sizable order from a distributor in Eastern Europe helped to somewhat offset that decline. Sales to our Asian and Canadian distributors decreased by $140,000, or 42.7%, year over year, contributing to the overall decline in export markets. There were no sales to our Russian distributor during the current fiscal year, nor have there been any since April 2022.

Net sales to the domestic market increased by $511,000, or 23.7%, more than offsetting the decrease in export sales. Net sales for the three months ended December 31, 2023 were $2,667,000 versus $2,156,000 for the same three-month period in 2022. For the six months ended December 31, 2023, domestic sales were $5,271,000, or 7.7%, higher than sales to those same markets during the same period in the prior year. A notable sale to a new customer, sales of custom headphones for the education and OEM markets, along with an increase in sales to e-tailers, carried the domestic market for the three- and six-month periods in the current fiscal year. The favorability more than offset the 25.9% and 27.1% drop in DTC sales, respectively.

For the three months ended December 31, 2023, gross margin as a percentage of net sales was 33.0%, a drop of 160 basis points compared to 34.6% for the three months ended December 31, 2022. A more favorable customer mix of sales, due mainly to the higher margin custom sales and a reduced volume of lower margin export sales, coupled with favorability experienced in fixed manufacturing expenses as a result of cost savings initiatives, were more than offset by the margin hit as a result of a lower volume of higher margin DTC sales and the continued sell through of Company inventory brought in from suppliers at higher freight rates. An increase in the excess and obsolete reserve also contributed negatively to the gross margin. The gross margin as a percentage of sales for the six months ended December 31, 2023 was 32.3% compared with 35.1% for the same six months in the prior year. The current period's margins were adversely impacted by the aforementioned sell-through of inventory combined with an increase in the reserve for excess and obsolete inventory. A reduction in fixed manufacturing expenses helped to partially offset the margin decline.

Freight rates remained fairly competitive through the six months ended December 31, 2023, but the Company is anticipating an increase in transportation costs in the coming quarter. A combination of excess available capacity and lower demand due to declining consumer confidence could result in overcapacity in the market and rising prices. The Company's partnership with a dedicated freight forwarder continues to help stabilize contract rates to limit the impact.

Selling, general and administrative expenses were $1,585,000 for the three months ended December 31, 2023, a decrease of $898,000, or 36.2%, compared to the same three months in the prior year. The decrease was primarily driven by legal fees and expenses incurred during the three months ended December 31, 2022 related to patent defense litigation resolved in that fiscal year. Slightly offsetting the lower legal expense in the current year was an increase in deferred compensation expense driven by a decrease in the discount rates used to calculate the deferred compensation liability. For the six months ended December 31, 2023, selling, general and administrative expenses of $3,121,000 were a significant drop from the $26,158,000 of expenses incurred for the six months ended December 31, 2022. The decrease was predominantly driven by the $22,141,000 of legal fees and related expenses incurred during the prior six-month period in support of the Company's patent defense litigation. Also, expenses related to bonus and profit-sharing accruals of $359,000 and $576,000, respectively, were recorded during the six months ended December 31, 2022 as a result of the increased net income before income taxes due to the licensing proceeds received in that year. The increase in the deferred compensation liability as of December 31, 2023 resulted in a corresponding increase to expense during the first six months of the current year and offset some of the decrease in legal expenses.

No other income was recorded for the three and six months ended December 31, 2023. Other income for the six months in the prior period consisted entirely of $33,000,000 in licensing proceeds received during the first quarter.

As a result of a taxable loss for the first three and six months of fiscal year 2024, no federal income tax expense was recorded. State income tax expense of $1,879 and $3,758 was recorded for the three and six months ended December 31, 2023, respectively, reflecting the minimum required tax due. The condensed consolidated statement of operations for the three months ended December 31, 2022 reflected a federal tax benefit resulting from the taxable loss for the quarter. For the six months ended December 31, 2022, the utilization of net operating loss carryforwards significantly reduced the taxable income for that period, resulting in federal and state tax provisions of $374,714 and $120,125, respectively. The effective tax rate was less than 1% in the three and six months ended

December 31, 2023 and was 8.3% and 5.3%, respectively, in the three months and six months ended December 31, 2022. It is anticipated that the effective rate in the current year and future years will be reduced by utilization of a portion or all of the federal net operating loss carryforwards that existed as of June 30, 2023.

The Company's remaining expected federal tax loss carryforward is expected to approximate $32,000,000 by the end of the fiscal year. The taxable loss for the first two quarters for fiscal year 2024 increased the net operating loss carryforward deferred tax asset to approximately $8,300,000 as of December 31, 2023, and the future realization of this continues to be uncertain. The valuation allowance was reduced slightly to fully offset the net deferred tax asset as there is sufficient negative evidence to support the maintaining of a full valuation allowance as, excluding unusual, infrequent items, a three-year cumulative tax loss occurred.

As previously mentioned, the Company maintains a program focused on enforcing its intellectual property and, in particular, certain of its patent portfolio. The Company has enforced its intellectual property by filing complaints against certain parties alleging infringement on the Company's patents relating to its wireless headphone technology. If efforts are successful, the Company may receive royalties, offers to purchase its intellectual property, or other remedies advantageous to its competitive position from time to time. However, there is no guarantee of a positive outcome from these efforts in the future, which could ultimately be time-consuming and unsuccessful. Additionally, the Company may owe all or a portion of any future proceeds arising from the enforcement program to third parties.

The Company believes that its financial position remains strong. The Company had $2.5 million of cash and cash equivalents, $12.1 million of short-term investments and available credit facilities of $5.0 million on December 31, 2023.

Recent Events

Recent and ongoing macroeconomic and geopolitical conditions have impacted, and will continue to impact, our business. These include, the inflationary cost environment, reduced consumer confidence, disruption in our supply chain and trade tensions with China, the ongoing crises in Eastern Europe and the Mideast, and increased risk of cyberattacks.

While the impact of these factors on our fiscal 2024 performance remains uncertain, we will continue to evaluate the extent to which these factors will impact our business, financial condition, or results of operations. These and other uncertainties with respect to these recent events could result in changes to our current expectations.

Inflationary Cost Environment and Reduced Consumer Confidence - The Company continues to experience inflationary cost increases in our commodities, packaging materials, wages and higher energy and transportation costs, potentially impacting our ability to meet customer demand. These increases have been partially mitigated by pricing actions implemented in the third quarter of the prior fiscal year, as well as working with a dedicated freight forwarding partner to minimize freight rate increases. Inflation may impact customer demand for our products resulting from a slowdown in consumers' willingness to spend as disposable income decreases due to rising prices of essential items, dwindling savings and the resumption of student loan repayments. Other risk factors further exacerbated by inflation include supply chain disruptions, increased oil and energy costs, risks of international operations and the recruitment and retention of talent.

Supply Chain Disruption and Trade Tensions with China - The Company relies on our third-party supply chain and distribution networks and the availability of necessary components to produce a considerable number of our products. A reduction or interruption in supply, including interruptions due to a reoccurrence of the COVID-19 pandemic, geopolitical unrest, labor shortages or strikes, or a failure to procure adequate components, may lead to delays in manufacturing or increases in costs.

The Company uses contract manufacturing facilities in the People's Republic of China and Taiwan to produce a significant amount of our products. There has been increasing geopolitical tension between China and Taiwan that may affect future shipments from Taiwan and China-based suppliers. Any other adverse changes in the social, political, regulatory or economic conditions in the countries could materially increase the cost of the products we buy or delay shipments. There has also been increasing geopolitical tension between China and the United States. Sustained uncertainty about, or worsening of, economic relations and further escalation of trade tensions between the United States and China, or any other country in which the Company conducts business, could result in retaliatory trade restrictions that restrict our ability to source products from China or continue business in such other country. Any alterations to our business strategy or operations made in order to adapt to or comply with any such changes would be time-consuming and expensive, and the Company may not be able to pass along most increases in tariffs and freight charges to the Company's customers, which would also directly affect profits.

Our dependence on foreign suppliers for our products necessitates ordering products further in advance than we would if manufactured domestically, thus increasing investments in inventory. Delays in receiving and shipping products due to interruptions in its supply chain would pose a risk of lower sales to the Company and the potential for price volatility, negatively impacting profits.

Recovery of a single facility through replacement of a supplier in the event of a disaster or suspension of supply could take an estimated six to twelve months.

On July 25, 2023, United Parcel Service ("UPS") and the International Brotherhood of Teamsters Union reached a tentative five-year contract deal that averted a nationwide strike. Also, since December 2022, when the U.S. government abated a threatened railroad strike and implemented a labor agreement that prohibited the workers from striking, there has been movement by some of the leading railroad companies to grant paid sick leave with continued negotiations between union leaders and railroad executives of each of the remaining railroads. In addition, Yellow freight lines announced their insolvency last quarter, however, the Company had no material direct exposure to Yellow in the current fiscal year. The Company continues to monitor these situations as the changes in the current labor landscape, the settlement of recent labor disputes, coupled with rising energy prices, could potentially exacerbate disruptions in the supply chain, delay product shipments and increase transportation costs.

Russia's Invasion of Ukraine - Financial and credit markets around the world experienced volatility following the invasion of Ukraine by Russia in February 2022. In response to the invasion, the United States, United Kingdom, and European Union, along with others, imposed significant sanctions and export controls against Russia, Russian banks and certain Russian individuals and may implement additional sanctions or take further punitive actions in the future. In accordance with Executive Order 14071 signed on April 6, 2022, the Company suspended sales to Russia. Also, as a result of the humanitarian crisis in Ukraine created by the war and the population seeking refuge in other countries, sales to Ukraine have been impacted. During the three and six months ended December 31, 2023 and 2022, there were no sales to Russia.

Cyberattacks - Cyberattacks are a growing geopolitical risk, becoming larger, more frequent, more intricate and more relentless. They are a significant threat to individual organizations and national security. We rely on accounting, financial, and operational management information systems to conduct our operations. Any disruption in these systems could adversely affect our ability to conduct our business. Furthermore, as part of our normal business activities, we collect and store common confidential information about customers, employees, vendors, and suppliers. This information is entitled to protection under a number of regulatory regimes. Any failure to maintain the security of the data, including the penetration of our network security and the misappropriation of confidential and personal information, could result in business disruption, damage to our reputation, financial obligations to third parties, fines, penalties, regulatory proceedings and private litigation with potentially large costs, and also result in deterioration in customers confidence in us and other competitive disadvantages, and thus could have a material adverse impact on our financial condition and results of operations. While we devote resources to security measures to protect our systems and data, these measures cannot provide absolute security and the insurance coverage we maintain may be inadequate to cover claims, costs, and liabilities relating to cybersecurity incidents.

Liquidity and Capital Resources

Cash Flows

The following table summarizes cash flows from operating, investing and financing activities for the six months ended December 31, 2023 and 2022:

Total cash (used in) provided by:		**2023**		**2022**
Operating activities	$	(345,185)	$	10,538,583
Investing activities		(257,423)		(15,023,416)
Financing activities		35,800		88,940
Net (decrease) in cash and cash equivalents	$	(566,808)	$	(4,395,893)

Operating Activities

The cash used in operating activities during the six months ending December 31, 2023, was primarily the payment of bonuses earned in the prior year. During the six months ended December 31, 2022, the majority of the cash provided by operating activities resulted from the licensing proceeds received, partially offset by the payment of related legal fees and expenses and profit sharing.

Investing Activities

Cash used by investing activities for the six months ended December 31, 2023 was related to fixed asset expenditures, predominantly the replacement of a roof section of the building for approximately $300,000, and the payment of the premiums on the company-owned life insurance policies on two of its executives. Also, during the first two quarters of the current fiscal year, proceeds of $7,223,000 from the maturity of U.S. Treasury securities were received and utilized to purchase $7,177,000 of similar securities at a $180,000 discount. Cash used by investing activities for the six months ended December 31, 2022 was almost entirely related to the purchase of $15,312,000 of U.S. Treasury securities at a discount of $427,000. The Company believes that its available cash and its credit facility is sufficient to fund any necessary tooling, leasehold improvement and capital expenditures.

Financing Activities

Cash from the exercise of stock options during the six months ended December 31, 2023 and 2022 provided the cash from financing activities. An aggregate of 20,000 and 42,000 shares of common stock, respectively, were issued as a result of employee stock option exercises under the Company's 2012 Omnibus Incentive Plan for those periods.

As of December 31, 2023, the Company had no outstanding borrowings on its bank line of credit facility.

There were no purchases of common stock in the three and six months ended December 31, 2023 or December 31, 2022 under the stock repurchase program.

Liquidity

The Company believes its existing cash and cash equivalents, investments in short-term U.S. Treasury securities, cash provided by operating activities and borrowings under its credit facility, if any, will be sufficient to meet its anticipated working capital, and capital expenditure requirements during the next twelve months. There can be no assurance, however, that the Company's business will continue to generate cash flow at current levels. If the Company is unable to generate sufficient cash flow from operations, then it may be required to sell assets, reduce capital expenditures, or draw on its credit facilities. The Company regularly evaluates new product offerings, inventory levels and capital expenditures to ensure that it is effectively allocating resources in line with current market conditions.

Credit Facility

On May 14, 2019, the Company entered into a secured credit facility ("Credit Agreement") with Town Bank ("Lender"). The Credit Agreement provides for a $5,000,000 revolving secured credit facility for letters of credit for the benefit of the Company of up to a sublimit of $1,000,000. There are no unused line fees in the credit facility. On January 28, 2021, the Credit Agreement was amended to extend the expiration date to October 31, 2022, and to change the interest rate to Wall Street Journal Prime less 1.50%. A Third Amendment to the Credit Agreement effective October 30, 2022 extended the expiration date to October 31, 2024. The Company and the Lender also entered into a General Business Security Agreement dated May 14, 2019 under which the Company granted the Lender a security interest in substantially all of the Company's assets in connection with the Company's obligations under the Credit Agreement. The Credit Agreement contains certain affirmative and negative covenants customary for financings of this type. The negative covenants include restrictions on other indebtedness, liens, fundamental changes, certain investments, disposition of assets, mergers and liquidations, among other restrictions. As of December 31, 2023, the Company was in compliance with all covenants related to the Credit Agreement. As of December 31, 2023 and June 30, 2023, there were no outstanding borrowings on the facility.

Contractual Obligation

The Company leases its 126,000 square foot facility from Koss Holdings, LLC, which is controlled by five equal ownership interests in trusts held by the five beneficiaries of a former chairman's revocable trust and includes current stockholders of the Company. On May 24, 2022, the lease was renewed for a period of five years, ending June 30, 2028, and is being accounted for as an operating lease. The lease extension maintained the rent at a fixed rate of $380,000 per year. The Company has the option to renew the lease for an additional five years beginning July 1, 2028 and ending June 30, 2033 under the same terms and conditions except that the annual rent will increase to $397,000. The negotiated increase in rent slated for 2028 will be the first increase in rent since 1996. The Company is responsible for all property maintenance, insurance, taxes and other normal expenses related to ownership. The facility is in good repair and, in the opinion of management, is suitable and adequate for the Company's business purposes.

Off-Balance Sheet Transactions

At December 31, 2023, the Company did not have any transactions, obligations or relationships that could be considered off-balance sheet arrangements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Not applicable.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

Disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e)) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") are designed to ensure that: (1) information required to be disclosed in reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms; and (2) such information is accumulated and communicated to management, including the principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosures. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives.

The Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of December 31, 2023. The Company's Chief Executive Officer and Chief Financial Officer have concluded that the Company's disclosure controls and procedures as of December 31, 2023 were effective.

Changes in Internal Control Over Financial Reporting

There have been no changes in the Company's internal control over financial reporting (as defined in Exchange Act Rules 13a–15(f) and 15d–15(f)) that occurred during the Company's most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II
OTHER INFORMATION

Item 1. Legal Proceedings

As part of its intellectual property enforcement program, on July 22, 2020, the Company brought patent infringement suits against certain parties, including Bose Corporation, PEAG, LLC d/b/a jLab Audio, Plantronics, Inc. and Polycom, Inc., and Skullcandy, Inc., alleging infringement of the Company's patents relating to its wireless headphone technology and seeking monetary relief and attorneys' fees. The lawsuit against Plantronics, Inc. and Polycom, Inc. was dismissed on August 4, 2023 following resolution of the litigation between parties. The remaining lawsuits are pending in U.S. District Courts in District of Massachusetts (Bose Corporation), Southern District of California (PEAG, LLC), and District of Utah (Skullcandy, Inc.).

Item 1A. Risk Factors

In addition to the other information set forth in this report, you should carefully consider the factors discussed in Part 1. Item 1A, "Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended June 30, 2023, as filed with the Securities and Exchange Commission on August 25, 2023. These factors could materially adversely affect our business, financial condition, liquidity, results of operations and capital position, and could cause our actual results to differ materially from our historical results or the results contemplated by any forward-looking statements contained in this report. There have been no material changes to the risk factors described under "Risk Factors," included in our Annual Report on Form 10-K for the fiscal year ended June 30, 2023.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

The following table presents information with respect to purchases of common stock of the Company made during the six months ended December 31, 2023, by the Company.

COMPANY REPURCHASES OF EQUITY SECURITIES

	Total # of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plan (1)	Approximate Dollar Value of Shares Available under Repurchase Plan
October 1 - October 31, 2023	—	$ —	—	$ 2,139,753
November 1 - November 30, 2023	—	$ —	—	$ 2,139,753
December 1 - December 31, 2023	—	$ —	—	$ 2,139,753

(1) 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. Subsequently, the Board of Directors periodically has approved increases in the stock repurchase program. The most recent increase was for an additional $2,000,000 in October 2006, for a maximum of $45,500,000 of which $43,360,247 had been expended through December 31, 2023.

Item 6. Exhibits

Exhibit No.	Exhibit Description
3.1	Amended and Restated Certificate of Incorporation of Koss Corporation, as in effect on November 19, 2009. Filed as Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q for the period ended December 31, 2009 and incorporated herein by reference.
3.2	By-Laws of Koss Corporation. Filed as Exhibit 3.2 to the Company's Annual Report on Form 10-K for the year ended June 30, 1996 and incorporated herein by reference.
3.3	Amendment to the By-Laws of Koss Corporation. Filed as Exhibit 3.3 to the Company's Current Report on Form 8-K on March 7, 2006 and incorporated herein by reference.
3.4	Amendment to the By-Laws of Koss Corporation. Filed as Exhibit 3.4 to the Company's Annual Report on Form 10-K on August 27, 2020 and incorporated herein by reference.
10.1#	Koss Corporation 2023 Equity Incentive Plan. Filed as Exhibit 10.1 to the Company's Current Report on Form 8-K on October 23, 2023 and incorporated herein by reference.
10.2#	Koss Corporation 2023 Equity Incentive Plan Notice of Grant of Stock Option Award*
31.1	Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer *
31.2	Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer *
32.1	Section 1350 Certification of Chief Executive Officer **
32.2	Section 1350 Certification of Chief Financial Officer **
101	The following financial information from Koss Corporation's Quarterly Report on Form 10-Q for the quarter ended December 31, 2023, formatted in XBRL (eXtensible Business Reporting Language): (i) Condensed Consolidated Balance Sheets as of December 31, 2023 and June 30, 2023, (ii) Condensed Consolidated Statements of Operations (Unaudited) for the three and six months ended December 31, 2023 and 2022 (iii) Condensed Consolidated Statements of Cash Flows (Unaudited) for the six months ended December 31, 2023 and 2022, (iv) Condensed Consolidated Statements of Stockholders' Equity (Unaudited) for the three and six months ended December 31, 2023 and 2022 and (v) the Notes to Condensed Consolidated Financial Statements (Unaudited). *

* Filed herewith
** Furnished herewith
\# Management contract or compensatory plan

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 duly authorized.

KOSS CORPORATION

/s/ Michael J. Koss Michael J. Koss Chairman Chief Executive Officer	February 2, 2024
/s/ Kim M. Schulte Kim M. Schulte Chief Financial Officer Principal Accounting Officer	February 2, 2024

NOTICE OF GRANT OF STOCK OPTION AWARD

Koss Corporation
2023 Equity Incentive Plan

FOR GOOD AND VALUABLE CONSIDERATION, Koss Corporation (the "**Company**") hereby grants, pursuant to the provisions of the Koss Corporation 2023 Equity Incentive Plan (the "**Plan**"), to the Grantee designated in this Notice of Grant of Stock Option Award (the "**Notice**") an option to purchase the number of Shares set forth in this Notice (the "**Option**"), subject to certain restrictions as outlined below in this Notice and the additional provisions set forth in the attached Terms and Conditions of Stock Option Award (the "**Terms**") (together with the Notice, the "**Agreement**"). The terms and conditions of the Plan are incorporated by reference in their entirety into this Agreement. Capitalized terms used but not defined herein shall have the meanings given to them in the Plan.

Grantee:	Participant Name
Type of Option:	Incentive Stock Option (ISO)
Grant Date:	TBD
Number of Shares Purchasable:	TBD at Grant Date
Option Price per Share:	$TBD
Expiration Date:	Ten years from the Grant Date

<table>
<tr><td>Vesting Schedule:</td><td>Subject to the terms of the Plan and this Agreement, the Option shall vest and become exercisable in accordance with the following schedule, in the event the Grantee does not have a termination of Continuous Service prior to the applicable vesting dates:
<table><tr><th>Vested Dates</th><th>Number of Shares Vesting</th></tr><tr><td>First Anniversary of the Grant Date</td><td>20%</td></tr><tr><td>Second Anniversary of the Grant Date</td><td>20%</td></tr><tr><td>Third Anniversary of the Grant Date</td><td>20%</td></tr><tr><td>Fourth Anniversary of the Grant Date</td><td>20%</td></tr><tr><td>Fith Anniversary of the Grant Date</td><td>20%</td></tr></table>
Change in Control: Notwithstanding the foregoing Vesting Schedule, if the Grantee has a termination of Continuous Service immediately prior to, upon, or within six months following a Change in Control for any reason other than Cause, the vesting of the Option Award shall immediately accelerate.</td></tr>
<tr><td>Exercise After Termination of Continuous Service:</td><td>Termination of Continuous Service for any reason other than Cause: Any non-vested portion of the Option expires immediately and any vested portion of the Option remains exercisable for the earlier of three months following a termination of Continuous Service for any reason other than death, Disability or Cause or the expiration of the term of the Option as set forth in the Award Agreement.

Termination of Continuous Service due to death or Disability: Any non-vested portion of the Option expires immediately and any vested portion of the Option remains exercisable for the earlier of 12 months following a termination of Continuous Service due to death or Disability or the expiration of the term of the Option as set forth in the Award Agreement.

Termination of Continuous Service for Cause: The entire Option, including any vested and non-vested portion, expires immediately upon a termination of Continuous Service for Cause.

In no event may the Option be exercised after the Expiration Date.</td></tr>
</table>

By signing below, the Grantee agrees that this Award is granted under and governed by the terms and conditions of the Plan and the Agreement, as of the Grant Date.

GRANTEE	**KOSS CORPORATION**
Sign Name:	Sign Name:
Print Name:	Print Name:
	Title:

TERMS AND CONDITIONS OF STOCK OPTION AWARD

1. Grant of Option. The Stock Option Award (the "**Award**") granted to the Grantee and described in the Notice to which these Terms and Conditions of Stock Option Award ("**Terms**") are attached, is subject to the terms and conditions of the Plan, the Notice, and these Terms. Together, the Notice and these Terms constitute the "**Agreement**." The terms and conditions of the Plan are incorporated by reference in their entirety into these Terms. Capitalized terms used but not defined herein shall have the meanings given to them in the Plan. A copy of the Plan has been delivered to the Grantee.

The Board and the shareholders of the Company have approved the Plan and the Board has approved the grant to the Grantee of the Option, conditioned on the Grantee's acceptance of the terms and conditions set forth in the Agreement within 30 days after the Agreement is presented to the Grantee for review. The Grantee must accept the terms and conditions of the Agreement through the Grantee's execution of the Notice. If the Grantee does not accept the Agreement in the time prescribed, the Award shall be canceled and the Grantee shall not be entitled to any benefits from the Award nor any compensation or benefits in lieu of the canceled award.

If designated in the Notice as an Incentive Stock Option ("**ISO"**), the Option is intended to qualify as an ISO. To the extent that the Option fails to meet the requirements of an ISO under Section 422 of the Code, the Option shall be treated as a Nonstatutory Stock Option.

2. Exercise of Option.

(a) Right to Exercise. The Option shall be exercisable, in whole or in part, during its term in accordance with the Vesting Schedule set out in the Notice and with the applicable provisions of the Plan and this Agreement. No Shares shall be issued pursuant to the exercise of an Option unless the issuance and exercise comply with applicable laws. Assuming such compliance, for income tax purposes the Shares shall be considered transferred to the Grantee on the date on which the Option is exercised with respect to such Shares. Until such time as the Option has been duly exercised and Shares have been delivered, the Grantee shall not be entitled to exercise any voting rights with respect to such Shares and shall not be entitled to receive dividends or other distributions with respect thereto. The Committee may, in its discretion and pursuant to its administrative authority under Section 13.1 of the Plan, accelerate vesting of the Option or extend the applicable exercise period of the Option.

(b) Method of Exercise. The Grantee may exercise the Option by delivering an exercise notice in a form approved by the Company (the "**Exercise Notice**") which shall state the election to exercise the Option, the number of Shares with respect to which the Option is being exercised and such other representations and agreements as may be required by the Company. The Exercise Notice shall be accompanied by payment of the aggregate Option Price as to all Shares exercised. The Option shall be deemed to be exercised upon receipt by the Company of such fully executed Exercise Notice accompanied by the aggregate Option Price (as well as any applicable withholding or other taxes).

3. Method of Payment. The Option Price may be paid for by the Grantee either by:

(a) cash or certified bank check at the time the Option is exercised, denominated in U.S. Dollars, in an amount equal to the aggregate Option Price of the Shares being purchased;

(b) [delivery of already-owned Shares, that are owned free and clear of any liens, claims, encumbrances or security interests, with a Fair Market Value on the date of surrender equal to the aggregate Option Price of the exercised Shares and any applicable withholding; "delivery" for these purposes, in the sole discretion of the Committee at the time you exercise your Option, shall include delivery to the Company of your attestation of ownership of such Shares in a form approved by the Committee;

(c) if specifically authorized by the Committee at the time of exercise of the Option, a "net exercise" under which the Company reduces the number of Shares issued upon exercise by the largest whole number of Shares with a Fair Market Value that does not exceed the aggregate Option Price and any applicable withholding;

(d) to the extent permitted by law, by delivery, on a form acceptable to the Company, of an irrevocable direction to a licensed securities broker acceptable to the Company to sell Shares and to deliver all or part of the sales proceeds to the Company in payment of the aggregate Option Price and any withholding taxes; or

(e) any combination of the foregoing methods; or

(f) any other form of legal consideration that may be acceptable to the Committee.]

Notwithstanding the foregoing, you may not exercise your Option by tender to the Company of Shares to the extent such tender would violate the provisions of any law, regulation or agreement restricting the redemption of the Company's Shares.

4. Restrictions on Exercise. The Option may not be exercised until such time as the Plan has been approved by the shareholders of the Company or if the issuance of the Shares upon exercise or the method of payment of consideration for those Shares would constitute a violation of any applicable law, regulation or Company policy.

5. Non-Transferability of Option. The Option may not be transferred in any manner, other than to a designated beneficiary upon the Grantee's death or by will or by the laws of descent or distribution and may be exercised during the lifetime of the Grantee only by the Grantee. The terms of the Plan and this Agreement shall be binding on the executors, administrators, heirs, successors and assigns of the Grantee.

6. Term of Option. The Option may be exercised only within the term set out in the Notice and may be exercised during such term only in accordance with the Plan and the terms of this Agreement.

7. Withholding.

(a) Regardless of any action the Company takes with respect to any or all income tax, payroll tax or other tax-related withholding ("**Tax-Related Items**"), the Grantee acknowledges that the ultimate liability for all Tax-Related Items owed by the Grantee is and remains the Grantee's responsibility and that the Company (i) makes no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the Award, including the grant, vesting or exercise of the Option or the subsequent sale of Shares acquired on exercise; and (ii) does not commit to structure the terms of the grant or any aspect of the Option to reduce or eliminate the Grantee's liability for Tax-Related Items.

(b) The Committee shall determine the amount of any withholding or other tax required by law to be withheld or paid by the Company with respect to any income recognized by the Grantee with respect to the Award. Prior to the exercise of the Option, the Grantee shall pay or make adequate arrangements satisfactory to the Company to satisfy all minimum withholding obligations of the Company.

(c) Subject to any rules prescribed by the Committee, the Grantee shall have the right to elect to meet any withholding requirement (i) by causing the Company to withhold up to the maximum required number of Shares otherwise issuable to the Grantee as may be necessary to satisfy such withholding obligation, (ii) by direct payment to the Company in cash of the amount of any taxes required to be withheld with respect to the Award, or (iii) by a combination of Shares and cash. The Company may refuse to issue and deliver Shares upon exercise of the Option if the Grantee fails to comply with the Grantee's obligations in connection with the Tax-Related Items as described in this Section 7.

(d) If the Option is designated in the Notice as an ISO, if the Grantee makes any disposition of Shares delivered pursuant to the exercise of an ISO under the circumstances described in Section 421(b) of the Code (relating to certain disqualifying dispositions) or any successor provision of the Code, the Grantee shall notify the Company of such disposition within ten days of such disposition.

8. Adjustment. Upon any event described in Section 14 of the Plan occurring after the Grant Date, the adjustment provisions as provided for under Section 14 of the Plan shall apply to the Option.

9. Bound by Plan and Committee Decisions. By accepting the Option, the Grantee acknowledges that the Grantee has received a copy of the Plan, has had an opportunity to review the Plan and agrees to be bound by all of the terms and conditions of the Plan. In the event of any conflict between the provisions of the Agreement and the Plan, the provisions of the Plan shall control. The authority to manage and control the operation and administration of the Agreement and the Plan shall be vested in the Committee, and the Committee shall have all powers with respect to the Agreement as it has with respect to the Plan. Any interpretation of the Agreement or the Plan by the Committee and any decision made by the Committee with respect to the Agreement or the Plan shall be final and binding on all persons.

10. Grantee Representations. The Grantee hereby represents to the Company that the Grantee has read and fully understands the provisions of the Agreement and the Plan, and the Grantee's decision to participate in the Plan is completely voluntary. Further, the Grantee acknowledges that the Grantee is relying solely on the Grantee's own advisors with respect to the tax consequences of this Award. The Grantee releases and holds the Company and its officers, directors, employees and agents harmless from any loss or claim related to or in any way connected with the tax consequences of the Option, including without limitation the treatment of the Option under Section 409A of the Code.

11. Regulatory Limitations on Exercises. Notwithstanding the other provisions of this Agreement, the Committee may impose such conditions, restrictions and limitations (including suspending the exercise of the Option and the tolling of any applicable exercise period during such suspension) on the issuance of Common Stock with respect to the Option unless and until the Committee determines that such issuance complies with (a) any applicable registration requirements under the Securities Act or the Committee has determined that an exemption therefrom is available, (b) any applicable listing requirement of any stock exchange on which the Common Stock is listed, (c) any applicable Company policy or administrative rules, and (d) any other applicable provision of state, federal or foreign law, including foreign securities laws where applicable.

12. Miscellaneous.

(a) Notices. Any notice that either the Company or the Grantee may be required or permitted to give to the other shall be in writing and may be delivered personally, by intraoffice mail, by fax, by electronic mail or other electronic means or via a postal service, postage prepaid, to such electronic mail or postal address and directed to such person as the Company may notify the Grantee from time to time; and to the Grantee at the Grantee's electronic mail or postal address as shown on the records of the Company from time to time, or at such other electronic mail or postal address as the Grantee, by notice to the Company, may designate in writing from time to time.

(b) Waiver. The waiver by either the Company or the Grantee of a breach of any provision of the Agreement shall not operate or be construed as a waiver of any other or subsequent breach.

(c) Entire Agreement. The Agreement and the Plan constitute the entire agreement between the parties with respect to the Award. Any prior agreements, commitments or negotiations concerning the Award are superseded.

(d) Binding Effect; Successors. The obligations and rights of the Company under the Agreement shall be binding on and inure to the benefit of the Company and any successor corporation or organization resulting from the merger, consolidation, sale or other reorganization of the Company or on any successor corporation or organization succeeding to substantially all of the assets and business of the Company. The obligations and rights of the Grantee under the Agreement shall be binding on and inure to the benefit of the Grantee and the beneficiaries, executors, administrators, heirs and successors of the Grantee.

(e) Governing Law; Consent to Jurisdiction; Consent to Venue; Service of Process. The Agreement shall be governed by and construed in accordance with the internal laws of the State of Delaware without regard to the principles of conflicts of law thereof or principles of conflicts of laws of any other jurisdiction that could cause the application of the laws of any jurisdiction other than the State of Delaware.

(f) Headings. The headings contained in the Agreement are for the sole purpose of convenience of reference, and shall not in any way limit or affect the meaning or interpretation of any of the terms or provisions of the Agreement.

(g) Amendment. The Agreement may be amended at any time by the Committee, provided that no amendment may, without the consent of the Grantee, materially impair the Grantee's rights with respect to the Award.

(h) Severability. The invalidity or unenforceability of any provision of the Agreement shall not affect the validity or enforceability of any other provision of the Agreement, and each other provision of the Agreement shall be severable and enforceable to the extent permitted by law.

(i) No Rights to Service. Nothing contained in the Agreement shall be construed as giving the Grantee any right to be retained, in any position, as a director, officer, employee or consultant of the Company or its affiliates or shall interfere with or restrict in any way the rights of the Company or its affiliates, which are hereby expressly reserved, to remove, terminate or discharge the Grantee at any time for any reason whatsoever or for no reason, subject to the Company's articles of incorporation, bylaws and other similar governing documents and applicable law.

(j) Section 409A of the Code. It is intended that the Agreement and the Award shall be exempt from (or in the alternative shall comply with) Section 409A of the Code, and the Agreement shall be administered accordingly and interpreted and construed on a basis consistent with such intent. This Section 12(j) shall not be construed as a guarantee of any particular tax effect for the Grantee's benefits under the Agreement and the Company does not guarantee that any such benefits shall satisfy the provisions of Section 409A of the Code or any other provision of the Code.

(k) Clawback. All awards, amounts or benefits received or outstanding under the Plan shall be subject to clawback, cancellation, recoupment, rescission, payback, reduction or other similar action in accordance with the terms of the Company's Clawback Policy or any applicable law related to such actions, as may be in effect from time to time. The Grantee acknowledges and consents to the Company's application, implementation and enforcement of the Company Clawback Policy, whether adopted before or after the Date of Grant, and any provision of applicable law relating to clawback, cancellation, recoupment, rescission, payback or reduction of compensation, and the Company may take such actions as may be necessary to effectuate such policy or applicable law, without further consideration or action.

(l) Further Assurances. The Grantee agrees, upon demand of the Company or the Committee, to do all acts and execute, deliver and perform all additional documents, instruments and agreements that may be reasonably required by the Company or the Committee, as the case may be, to implement the provisions and purposes of the Agreement and the Plan.

(m) Electronic Delivery and Acceptance. The Company may deliver any documents related to current or future participation in the Plan by electronic means. The Grantee consents to receive those documents by electronic delivery and to participate in the Plan through any online or electronic system established and maintained by the Company or a third party designated by the Company.

(n) Confidentiality. The Grantee agrees that the terms and conditions of the Award reflected in the Agreement are strictly confidential and, with the exception of the Grantee's counsel, tax advisor, immediate family or as required by applicable law, have not and shall not be disclosed, discussed or revealed to any other persons, entities or organizations, whether within or outside Company, without prior written approval of Company. The Grantee shall take all reasonable steps necessary to ensure that confidentiality is maintained by any of the individuals or entities referenced above to whom disclosure is authorized.

Exhibit 31.1

Certification of Chief Executive Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Michael J. Koss, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Koss Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the condensed financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under my supervision, to ensure that material information relating to the registrant, including its subsidiary, is made known to me by others within those entities, particularly during the period in which this report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under my supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report my conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. I have disclosed, based on my most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: February 2, 2024

/s/ Michael J. Koss
Michael J. Koss
Chairman and Chief Executive Officer

Exhibit 31.2

Certification of Chief Financial Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Kim M. Schulte, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Koss Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the condensed financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under my supervision, to ensure that material information relating to the registrant, including its subsidiary, is made known to me by others within those entities, particularly during the period in which this report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under my supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report my conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. I have disclosed, based on my most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: February 2, 2024

/s/ Kim M. Schulte
Kim M. Schulte
Chief Financial Officer

Exhibit 32.1

Certification of Chief Executive Officer
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002,
18 U.S.C. Section 1350

I, Michael J. Koss, Chief Executive Officer of Koss Corporation (the “Company”), hereby certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350 that to my knowledge:

(i) the Quarterly Report on Form 10-Q of the Company for the quarter ended December 31, 2023 (the “Report”) fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

(ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Michael J. Koss
Michael J. Koss
Chairman and Chief Executive Officer
Dated: February 2, 2024

Note: This certification accompanies the Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not be deemed filed, except to the extent required by the Sarbanes-Oxley Act of 2002, by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

Exhibit 32.2

Certification of Chief Financial Officer
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002,
18 U.S.C. Section 1350

I, Kim M. Schulte, Chief Financial Officer of Koss Corporation (the "Company"), hereby certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350 that to my knowledge:

(i) the Quarterly Report on Form 10-Q of the Company for the quarter ended December 31, 2023 (the "Report") fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

(ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Kim M. Schulte
Kim M. Schulte
Chief Financial Officer
Dated: February 2, 2024

Note: This certification accompanies the Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not be deemed filed, except to the extent required by the Sarbanes-Oxley Act of 2002, by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.