SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934 [FEE REQUIRED]
For the fiscal year ended June 30, 1995

OR

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

KOSS CORPORATION — Commission file number 0-3295

(Exact name of registrant as specified in its charter)

A Delaware Corporation — 391168275

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

4129 North Port Washington Avenue, Milwaukee, Wisconsin 53212

(Address of principal executive offices) (Zip Code)

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

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

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

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

Common Stock, $0.01 par value (voting)

(Title of class)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES X NO

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

The aggregate market value of voting stock held by nonaffiliates of the Registrant was approximately $13,537,000 on September 15, 1995 based upon a closing price on such date of $7.25 per share as listed in the Wall Street Journal.

On September 15, 1995, 3,322,507 shares of voting common stock were outstanding.

Documents Incorporated by Reference

Part III incorporates by reference information from Koss Corporation's Proxy Statement for its 1995 Annual Meeting of Stockholders to be filed within 120 days of the end of the fiscal year covered by this Report (General Instruction G(3)). The exhibits hereto incorporate by reference information from the Company's Annual Report on Form 10-K for the fiscal years ended June 30, 1986, 1988, 1989, and 1990, and the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 1995.

PART I

Item 1. BUSINESS.

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

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

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

	1995	1994	1993
Stereophones	77%	74%	78%

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

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

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

Although retail sales of consumer electronics are predictably higher during the holiday season, management of the Company is of the opinion that its business and industry segment are not seasonal as evidenced by the fact that 54% of sales occurred in the first six months of the fiscal year and 46% of sales occurred in the latter six months of the fiscal year.

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

The Company markets its products to approximately 2,000 customers worldwide. During 1995 the Company's sales to its largest single customer, Tandy Corporation, were 18% of total sales. Management believes that any loss of this customer's revenues would be partially offset by a corresponding decrease, on a percentage basis, in expenses thereby dampening the impact on the Company's operating income. Although perhaps initially material, management believes this impact would be offset in future years by expanded sales to both existing and new customers. The five largest customers of the Company accounted for approximately 33% of total sales in 1995.

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

The amount spent on engineering and research activities relating to the development of new products or the improvement of existing products was $306,000 during fiscal 1995 as compared with $310,000 during fiscal 1994 and $316,000 during fiscal 1993. These activities were conducted by both Company personnel and outside consultants. The Company relies upon its unique sound, quality workmanship, brand identification, engineering skills and customer service to maintain its competitive position.

As of June 30, 1995, the Company employed 148 people. The Company also utilizes temporary personnel to meet seasonal production demands.

Foreign Sales.

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

Item 2. PROPERTIES.

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

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

Item 3. LEGAL PROCEEDINGS.

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

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

No matters were submitted to a vote of stockholders during the fourth quarter of the fiscal year ended June 30, 1995.

PART II

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

MARKET INFORMATION ON COMMON STOCK

The Company's common stock is traded on The Nasdaq Stock Market under the trading symbol "KOSS". There were approximately 1,240 holders of the Company's common stock as of September 15, 1995. The Company's previous lending agreement prohibited the payment of cash dividends on the common stock. No cash dividends have been paid for the years ended June 30, 1995, 1994, and 1993. (See note 2 to the financial statements accompanying this report.) The quarterly high and low sale prices of the Company's common stock for the last two fiscal years are shown below.

	Fiscal Year 1995		Fiscal Year 1994	
Quarter	High	Low	High	Low
First	$13-1/4	$8-0/0	$20-3/4	$10-1/2
Second	$13-3/4	$9-0/0	$20-1/4	$11-3/4
Third	$10-7/8	$6-1/2	$15-1/4	$9-0/0
Fourth	$ 7-1/4	$5-0/0	$14-3/4	$9-3/4

Item 6. SELECTED FINANCIAL DATA.

	1995	1994	1993	1992	1991
Net sales	$33,432,344	$35,561,322	$32,137,448	$26,020,624	$24,325,513
Income before extraordinary credit	$2,087,994	$2,800,855	$2,790,759	$744,328	$416,603
Per share of common stock: Income before extraordinary credit	$0.58	$0.75	$0.82	$0.23	$0.13
Total assets	$20,972,923	$19,220,406	$17,542,085	$13,252,217	$14,669,992
Long-term debt	$570,000	$2,068,741	$3,286,632	$3,158,741	$4,005,464

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

FINANCIAL CONDITION AND LIQUIDITY

During 1995, cash provided by operations was $1,751,464. Working capital was $15,462,600 at June 30, 1995. The increase of $964,954 from the balance at June 30, 1994 represents primarily the net effect of an increase of $1,558,596 in inventory, an increase of $132,521 in prepaid expenses, an increase of $160,181 in other assets, an increase in accounts payable of $460,158, an increase in accrued liabilities of $196,584 and a decrease of $154,040 in accounts receivable. The increase in inventory is primarily due to an unexpected decline in computer speaker sales. Volume is expected to be sufficient in fiscal year 1996 to profitably decrease the current level of computer speakers.

Capital expenditures for new property and equipment including production tooling were $806,551, $370,839, and $699,235 in 1995, 1994, and 1993, respectively. Depreciation charges aggregated $691,492, $638,125, and $728,156 for the same fiscal years. Budgeted capital expenditures for fiscal year 1996 are $1,600,000. The Company expects to generate sufficient funds through operations to fulfill these expenditures.

Stockholders' investment increased to $15,341,426 at June 30, 1995 from $12,658,628 at June 30, 1994. The increase reflects primarily net income and the exercise of stock options for the year. No cash dividends have been paid since the first quarter of fiscal 1984.

The Company has an unsecured working capital credit facility with a bank which runs through March 15, 1997. This credit facility provides for borrowings up to a maximum of $8 million. Borrowings under this credit facility bear interest at the bank's prime rate or LIBOR plus 2.25%. This credit facility includes certain covenants that require the Company to maintain a minimum tangible net worth and specified current, interest coverage and leverage ratios. Utilization of this credit facility as of June 30, 1995 totaled $682,808, consisting of $570,000 in borrowings and $112,808 in commitments for foreign letters of credit. In addition, the Company recently negotiated a $2 million credit facility which can be used by the Company in the event the Company desires to purchase shares of its own stock. In April, 1995 the Board of Directors authorized the Company's purchase from time to time of its Common Stock utilizing the aforementioned $2 million line of credit. If the Company decides to make any such purchases, it may do so from time to time as conditions warrant either in open-market transactions or privately-negotiated purchases.

The Company's Canadian subsidiary has a line of credit of $550,000. Borrowings under this credit facility bear interest at the bank's prime rate plus 1.25%. This credit facility is subject to the availability of qualifying receivables and inventories which serve as security for the borrowings. As of June 30, 1995, $550,000 was available, of which none was being utilized. The due date for the line is October 31, 1995 and the Company expects the line will be renewed on substantially the same terms.

1995 RESULTS COMPARED WITH 1994

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

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

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

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

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

1994 RESULTS COMPARED WITH 1993

Net sales for 1994 were $35,561,322 compared with $32,137,448 in 1993, an increase of $3,423,874 or 11%. This increase was the result of higher sales of current products as well as the introduction of new products.

Gross profit was $11,874,351 or 33.4% of net sales in 1994 compared with $11,351,328 or 35.3% in 1993. Increased customer demand during this fiscal year for some product lines resulted in the company spending more on air freight than anticipated. This in turn directly affected the decrease in gross profit for the year.

Selling, general and administrative expenses increased from $7,177,946 in 1993 to $8,191,504 in 1994. This increase is directly attributed to higher promotional activities related to new products and trade show activities in the computer market.

Income from operations was $3,682,847 in 1994 compared with $4,173,382 in 1993, a decrease of 12%. Interest expense for 1994 was $246,911 compared with $312,501 in 1993. The decrease is due to lower levels of borrowing throughout the fiscal year.

The Company has a license agreement with Trabelco N.V., a subsidiary of Hagemeyer, N.V. Hagemeyer N.V., a diverse international trading company based in the Netherlands, has business interests in food, appliances, electromechanical and automobile distribution as well as a solid base of consumer electronic distribution business in Asia, Europe and North America. Royalty income earned in connection with the license agreement in 1994 was $1,108,458 as compared to $610,795 in 1993. This increase in royalty income is a result of Trabelco N.V. experiencing higher sales volumes on products under the license agreement.

MANAGEMENT'S REPORT

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

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

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

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

Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

Consolidated financial statements of the Company at June 30, 1995 and 1994 and for each of the three years in the period ended June 30, 1995 and the notes thereto, and the report of independent accountants thereon are set forth on pages 14 to 25.

Selected unaudited quarterly financial data is as follows:

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

	Quarter			
1994	First	Second	Third	Fourth
Net sales	$10,076,798	$9,958,249	$7,290,126	$8,236,149
Gross profit	3,503,153	3,236,283	2,350,620	2,784,295
Net income	928,802	932,376	565,759	373,918
Earnings per common and common equivalent share.	.24	.25	.15	.10

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

None.

PART III

Item 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT.

Information relating to the directors of Koss Corporation is incorporated herein by reference from the "ELECTION OF DIRECTORS -- Information As To Nominees" section of the Koss Corporation Proxy Statement for its 1995 Annual Meeting of Stockholders (the "1995 Proxy Statement"), which 1995 Proxy Statement is to be filed within 120 days of the end of the fiscal year covered by this Report pursuant to General Instruction G(3) of Form 10-K.

Item 11. EXECUTIVE COMPENSATION.

Information relating to executive compensation is incorporated herein by reference from the "ELECTION OF DIRECTORS -- Executive Compensation And Related Matters" section of the 1995 Proxy Statement.

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

Information relating to the security ownership of certain beneficial owners and management is incorporated herein by reference from the "ELECTION OF DIRECTORS - -- Information As To Nominees" and "ELECTION OF DIRECTORS -- Beneficial Ownership Of Company Securities" sections of the 1995 Proxy Statement.

Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

Information relating to related transactions is incorporated herein by reference from the "ELECTION OF DIRECTORS -- Executive Compensation And Related Matters" and "ELECTION OF DIRECTORS -- Related Transactions" sections of the 1995 Proxy Statement.

PART IV

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

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

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

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

3. Exhibits Filed

3.5	Articles of Koss Corporation, as amended and in effect on February 6, 1987.
3.7	By-Laws of Koss Corporation, as amended and in effect on February 6, 1987.
4.1	Articles of Incorporation of Koss Corporation. (see Exhibit 3.5)
4.2	By-Laws of Koss Corporation. (see Exhibit 3.7)
10.1	Officer Loan Policy.
10.2	Directors' Stock Purchase Plan.
10.3	Supplemental Medical Care Reimbursement Plan.
10.4	Death Benefit Agreement with John C. Koss.
10.5	Stock Repurchase Agreement with John C. Koss.
10.6	Salary Continuation Resolution for John C. Koss.
10.7	1983 Incentive Stock Option Plan.
10.8	Assignment of Lease to John C. Koss.
10.9	Addendum to Lease.

10.10 1990 Flexible Incentive Stock Plan.

10.12 Loan Agreement, effective as of February 17, 1995.

10.13 Amendment dated June 15, 1995 to Loan Agreement effective as of February 17, 1995.

22. List of Subsidiaries of Koss Corporation.

27. Financial Data Schedule.

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

REPORT OF INDEPENDENT ACCOUNTANTS

TO THE BOARD OF DIRECTORS AND STOCKHOLDERS OF KOSS CORPORATION

In our opinion, the consolidated financial statements listed in the index appearing under Item 14(a)(1) on page 12 present fairly, in all material respects, the financial position of Koss Corporation and its subsidiaries at June 30, 1995 and 1994, and the results of their operations and their cash flows for each of the three years in the period ended June 30, 1995, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

PRICE WATERHOUSE LLP
Milwaukee, Wisconsin
July 20, 1995

CONSOLIDATED STATEMENTS OF INCOME

Year Ended June 30,	1995	1994	1993
Net sales	$33,432,344	$35,561,322	$32,137,448
Cost of goods sold	22,810,037	23,686,971	20,786,120
Gross profit	10,622,307	11,874,351	11,351,328
Selling, general and administrative expense	8,376,204	8,191,504	7,177,946
Income from operations	2,246,103	3,682,847	4,173,382
Other income (expense)			
Interest income	98,090	56,461	44,083
Interest expense	(317,922)	(246,911)	(312,501)
Royalty income	1,412,723	1,108,458	610,795
Income before income taxes	3,438,994	4,600,855	4,515,759
Provision for income taxes (note 4)	1,351,000	1,800,000	1,725,000
Net income	$2,087,994	$2,800,855	$2,790,759
Number of common and common equivalent shares used in computing earnings per share	3,631,364	3,751,514	3,392,713
Earnings per common and common equivalent share	$.58	$.75	$.82

See accompanying notes.

CONSOLIDATED BALANCE SHEETS

As of June 30,	1995	1994
ASSETS		
Current Assets:		
Cash	$ 49,227	$ 37,355
Accounts receivable, less allowances of $289,217 and $229,230, respectively (note 10)	7,242,862	7,396,902
Inventories	9,395,915	7,837,319
Prepaid expenses	676,874	544,353
Income taxes receivable	376,147	426,236
Prepaid income taxes (note 4)	378,946	268,486
Total current assets	18,119,971	16,510,651
Equipment and Leasehold Improvements, at cost:		
Leasehold improvements	585,952	575,397
Machinery, equipment, furniture and fixtures	4,299,822	4,229,162
Tools, dies, molds and patterns	7,309,609	6,600,289
	12,195,383	11,404,848
Less--accumulated depreciation	9,911,989	9,236,513
	2,283,394	2,168,335
Intangible and Other Assets	569,558	541,420
	$20,972,923	$19,220,406
LIABILITIES AND STOCKHOLDERS' INVESTMENT		
Current Liabilities:		
Accounts payable	$ 1,726,711	$ 1,266,553
Accrued liabilities (note 5)	930,660	734,076
Current maturities of long-term debt (note 2)	--	12,376
Total current liabilities	2,657,371	2,013,005
Long-Term Debt (note 2)	570,000	2,068,741
Deferred Income Taxes (note 4)	6,862	87,202
Deferred Compensation and Other Liabilities (note 9)	907,264	902,830
Contigently Redeemable Equity Interest (note 1)	1,490,000	1,490,000
Stockholders' Investment (note 3):		
Common stock, $.01 par value, authorized 8,500,000 shares; issued and outstanding 3,486,080 and 3,231,080 shares, respectively	34,861	32,311
Paid in capital	3,336,431	2,760,905
Contingently redeemable common stock (note 1)	(1,490,000)	(1,490,000)
Cumulative translation adjustment	(65,116)	(81,844)
Retained earnings	13,525,250	11,437,256
Total stockholders' investment	15,341,426	12,658,628
	$20,972,923	$19,220,406

See accompanying notes.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Year Ended June 30,	1995	1994	1993
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	$2,087,994	$2,800,855	$2,790,759
Adjustments to reconcile net income to net cash provided (used) by operating activities:			
Depreciation and amortization	823,535	722,323	784,202
Deferred income taxes	(190,800)	(51,720)	45,000
Deferred compensation and other liabilities	4,434	75,850	115,080
Net changes in operating assets and liabilities (note 6)	(973,699)	(2,998,260)	(3,132,335)
Net cash provided by operating activities	1,751,464	549,048	602,706
CASH FLOWS FROM INVESTING ACTIVITIES:			
Acquisition of equipment and leasehold improvements	(806,551)	(370,839)	(669,235)
Net cash used in investing activities	(806,551)	(370,839)	(669,235)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Repayments under line of credit agreements	(14,336,741)	(13,400,000)	(4,401,995)
Borrowings under line of credit agreements	12,838,000	12,193,000	4,180,349
Principal payments on long-term debt	(12,376)	(17,186)	(18,671)
Exercise of stock options	803,079	892,884	376,485
Purchase and retirement of common stock	(225,003)		
Net cash (used) provided by financing activities	(933,041)	(331,302)	136,168
Net increase (decrease) in cash	11,872	(153,093)	69,639
Cash at beginning of year	37,355	190,448	120,809
Cash at end of year	$ 49,227	$ 37,355	$ 190,448

See accompanying notes.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' INVESTMENT

	Common Stock	Paid In Capital	Retained Earnings	Cumulative Translation Adjustment
Balance, June 30, 1992	30,468	1,493,379	5,845,642	44,469
Net income	--	--	2,790,759	--
Translation adjustment	--	--	--	(55,527)
Exercise of stock options	855	375,630	--	--
Balance, June 30, 1993	31,323	1,869,009	8,636,401	(11,058)
Net income	--	--	2,800,855	--
Translation adjustment	--	--	--	(70,786)
Exercise of stock options	988	891,896	--	--
Balance, June 30, 1994	32,311	2,760,905	11,437,256	(81,844)
Net income	--	--	2,087,994	--
Translation adjustment	--	--	--	16,728
Purchase and retirement of treasury stock	(400)	(224,603)	--	--
Exercise of stock options	2,950	800,129	--	--
Balance, June 30, 1995	$ 34,861	$ 3,336,431	$13,525,250	$ (65,116)

See accompanying notes.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

CONCENTRATION OF CREDIT RISK--The Company operates in the audio/video industry segment of the home entertainment industry through its design, manufacture and sale of stereo headphones, audio/video loudspeakers and related accessory products. The Company's products are sold through audio specialty stores, catalog showrooms, regional department store chains, military exchanges and national retailers under the "Koss" name and dual label. The Company has more than 1,600 domestic dealers and its products are carried in more than 11,000 domestic retail outlets. International markets are served by a foreign sales subsidiary in Canada and a sales office in Switzerland, which utilizes independent distributors in several foreign countries. The Company grants credit to its domestic and Canadian customers. Collection is dependent on the retailing industry economy. International customers outside of Canada are sold on a cash against documents or letter of credit basis. Approximately 25% and 23% of the Company's accounts receivable at June 30, 1995 and 1994, respectively, were foreign receivables.

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

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

INVENTORIES--At June 30, 1995 and 1994, approximately 88% and 80%, respectively, of the Company's inventories were valued at the lower of last-in, first-out (LIFO) cost or market. All other inventories are valued at the lower of first-in, first-out (FIFO) cost, or market. If the FIFO method of inventory accounting had been used by the Company for inventories valued at LIFO, inventories would have been $685,679, and $578,314 higher than reported at June 30, 1995 and 1994, respectively.

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

	1995	1994
Raw materials and work in process	$3,624,299	$3,999,407
Finished goods	5,771,616	3,837,912
	$9,395,915	$7,837,319

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

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

RESEARCH AND DEVELOPMENT--Research and development expenditures charged to operations amounted to approximately $306,000 in 1995, $310,000 in 1994 and $316,000 in 1993.

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

RECLASSIFICATION--Certain reclassifications have been made to the 1994 financial statements to conform with current presentation, including the reclassification of $1,490,000 from Stockholders' Investment to Contingently Redeemable Equity Interest in the June 30, 1995 and 1994 balance sheets. The amount reclassified reflects the estimated net obligation in the event of execution of the stock repurchase agreement between the Company and its Chairman (see Note 3).

2. NOTES PAYABLE AND LONG TERM DEBT

The Company has an unsecured credit facility with a bank providing up to a maximum of $8 million through March 15, 1997. Borrowings under the credit facility bear interest at the bank's prime rate or LIBOR plus 2.25%. Interest is payable monthly. The credit facility includes certain covenants that require the Company to maintain a minimum tangible net worth and specified current, interest coverage and leverage ratios. Utilization of the available line as of June 30, 1995 totaled $682,808, consisting of $570,000 in borrowings and $112,808 in commitments for foreign letters of credit. Subsequent to June 30, 1995, the credit facility was amended to provide an additional $2 million of available borrowings. Terms of the credit facility were not amended.

The Company's Canadian subsidiary has a line of credit of $550,000. The due date for the loan is October 31, 1995 and it is renewable annually. The interest rate is the prime rate plus one and one half percent. The credit facility is subject to the availability of qualifying receivables and inventories which serve as security for the borrowings. Loan advances against the line were $0 at June 30, 1995 and 1994.

Long term debt at June 30, 1995 and 1994 is as follows:

	1995	1994
Bank lines of credit	$570,000	$2,068,741
Other	--	12,376
Less current maturities:	--	(12,376)
Total long-term debt	$570,000	$2,068,741

Maturities of long term debt in subsequent fiscal years are as follows: 1997 - $570,000.

3. STOCK OPTIONS AND STOCK PURCHASE AGREEMENTS

As of June 30, 1995, there were stock options outstanding granted pursuant to the Company's 1983 Incentive Stock Option Plan (the "1983 Plan"). The 1983 Plan provides for the granting of options to certain officers and key employees to purchase up to 200,000 shares of the Company's common stock at a price not less than the market value of the stock on the date of grant. The options are exercisable at varying times and expire no later than ten years after the date of grant. All of the authorized shares available for grant pursuant to the 1983 Plan have been granted.

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

On April 3, 1995 and May 19, 1993, the Board of Directors authorized the grant of 52,500 and 375,000 incentive stock options, respectively, under the 1990 Plan.

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

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

	Number of Shares	Price per Share
Shares under option at June 30, 1992	573,000	$1.00-6.47
Granted	490,000	$2.50-8.25
Exercised	(85,500)	$1.75-5.88
Cancelled	(27,500)	$1.75-2.50
Shares under option at June 30, 1993	950,000	$1.00-8.25
Granted	10,000	$10.55
Exercised	(98,750)	$1.75-3.85
Cancelled	(82,500)	$1.75-7.50
Shares under option at June 30, 1994	778,750	$1.00-10.55
Granted	52,500	$7.35-$8.08
Exercised	(295,000)	$1.00-$7.50
Shares under option at June 30, 1995	536,250	$1.75-$10.55
Options exercisable at June 30, 1995	198,750	$1.92-$10.55

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

4. INCOME TAXES

Effective July 1, 1993, the Company adopted Statement of Financial Accounting Standard ("SFAS") No. 109, "Accounting for Income Taxes." SFAS No. 109 requires the use of the liability method of accounting for income taxes. The liability method measures the expected tax impact of future taxable income and deductions implicit in the consolidated balance sheet. The adoption of this statement did not have a significant effect on the Company's financial position or results of operations.

The Company provision for income taxes in 1995, 1994, and 1993 consists of the following:

Year Ended June 30	1995	1994	1993
Current:			
U.S. federal	$1,486,000	$1,611,000	$1,367,000
State	286,000	283,000	248,000
Foreign	(230,000)	(43,000)	65,000
Deferred	(191,000)	(51,000)	45,000
	$1,351,000	$1,800,000	$1,725,000

The 1995, 1994 and 1993 tax provision results in an effective rate different than the federal statutory rate due to the following:

Year Ended June 30	1995	1994	1993
Federal income tax at statutory rate	$1,169,000	$1,564,000	$1,535,000
State income taxes, net of federal tax benefit	189,000	187,000	167,000
Foreign income taxed at other than U.S. rate	(54,000)	(9,000)	14,000
Other	47,000	58,000	9,000
Total provision for income taxes	$1,351,000	$1,800,000	$1,725,000

Income (loss) before taxes for United States operations was $4,042,437 in 1995, $4,700,339 in 1994, and $4,366,374 in 1993. Such amounts for foreign operations were $(603,443), $(99,484), and $149,385 for the respective years.

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

	1995	1994
Deferred Tax Assets		
Deferred compensation	$178,000	$229,000
Accrued expenses and reserves	323,000	208,000
Royalties receivable	47,000	52,000
Other	68,000	38,000
	$616,000	$527,000
Deferred Tax Liabilities		
Property and equipment	(240,000)	(341,000)
Other	(4,000)	(5,000)
	(244,000)	(346,000)
Net deferred tax asset	$ 372,000	$181,000

The net deferred tax asset at June 30, 1995 is comprised of a current asset, prepaid income taxes of $378,946 and a long term liability, deferred income taxes of $6,862. The net deferred tax asset at June 30, 1994 is comprised of a current asset, prepaid income taxes of $268,486 and a long term liability, deferred income taxes of $87,202.

5. ACCRUED LIABILITIES

Accrued liabilities at June 30 consist of the following:

	1995	1994
Salaries and wages	$243,842	$166,385
Warranty claims	100,000	100,000
Cooperative advertising and promotion allowances	101,376	91,368
Payroll taxes and employee benefits	281,465	184,128
Other	203,977	192,195
	$930,660	$734,076

6. ADDITIONAL CASH FLOW INFORMATION

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

	1995	1994	1993
Accounts receivable	$ 154,040	$ (759,891)	$(1,747,798)
Inventories	(1,541,868)	(495,461)	(2,321,641)
Prepaid expenses	(132,521)	(218,411)	(27,217)
Income taxes receivable	50,089	(455,613)	1,377
Other assets	(160,181)	(214,763)	(164,504)
Accounts payable	460,158	(576,281)	1,071,685
Accrued liabilities	196,584	(277,840)	55,763
Net change	$ (973,699)	$(2,998,260)	$(3,132,335)

Net cash paid during the year for:	1995	1994	1993
Interest	$321,353	$255,510	$297,551
Income taxes	$1,312,000	$1,770,000	$1,697,299

7. EMPLOYEE BENEFIT PLANS

Substantially all domestic employees are participants in the Company's Employee Stock Ownership Plan and Trust (KESOT) under which an annual contribution in either cash or common stock may be made at the discretion of the Board of Directors. The expense recorded for such contributions amounted to $205,000 in 1995 and $0 in 1994 and 1993.

The Company maintains a retirement savings plan under Section 401(k) of the Internal Revenue Code. This plan covers all employees of the Company who have completed six months of service. Matching contributions can be made at the discretion of the Company's Board of Directors. For calendar years 1995, 1994, and 1993, the matching contribution was 100% of employee contributions to the plan, not to exceed 10% of the employee's annual compensation. Vesting of Company contributions occurs immediately. Contributions for the years ended June 30, 1995, 1994, and 1993 were $144,000, $141,700, and $120,501, respectively.

8. INDUSTRY SEGMENT INFORMATION, FOREIGN OPERATIONS AND SIGNIFICANT CUSTOMERS

The Company has one line of business--the design, manufacture and sale of stereophones and related accessories. The table below summarizes certain information regarding the Company's United States and Canadian operations for the years ended June 30, 1995, 1994, and 1993.

000's Omitted	United States	Canada	Eliminations	Consolidated
1995:				
Net sales	$ 28,977	$ 4,455	--	$ 33,432
Intercompany transfers	3,019	9	(3,028)	--
Total	$ 31,996	$ 4,464	$ (3,028)	$ 33,432
Income from operations	$ 2,736	$ (532)	$ 42	$ 2,246
Assets	$ 19,350	$ 1,702	$ (79)	$ 20,973
1994:				
Net sales	$ 31,127	$ 4,434	$ --	$ 35,561
Intercompany transfers	2,058	87	(2,145)	--
Total	$ 33,185	$ 4,521	$ (2,145)	$ 35,561
Income from operations	$ 3,805	$ (64)	$ (58)	$ 3,683
Assets	$ 17,008	$ 2,276	$ (64)	$ 19,220
1993:				
Net sales	$ 27,488	$ 4,649	$ --	$ 32,137
Intercompany transfers	1,671	7	(1,678)	--
Total	$ 29,159	$ 4,656	$ (1,678)	$ 32,137
Income from operations	$ 3,888	$ 200	$ 85	$ 4,173
Assets	$ 15,181	$ 2,393	$ (32)	$ 17,542

The Company ships directly to independent distributors from its domestic plant. The Company's export sales to customers in foreign countries amounted to $2,231,509 during 1995, $1,951,212 during 1994, and $1,675,517 during 1993.

Sales to one customer, Tandy Corporation, were approximately 18%, 16%, and 16% of total sales for 1995, 1994, and 1993, respectively.

9. COMMITMENTS AND CONTINGENCIES

The Company leases its main plant and offices in Milwaukee, Wisconsin from its Chairman, John C. Koss. On June 25, 1993, the lease was renewed for a period of ten years, and is being accounted for as an operating lease. The new lease extension increases the rent from $280,000 per year (plus Consumer Price Index increase in 1994) to a fixed rate of $350,000 per year for three years and $380,000 for the seven years thereafter. The lease is on terms no less favorable to the Company than those that could be obtained from an independent party. The Company is responsible for all property maintenance, insurance, taxes and other normal expenses related to ownership. The Company also leases approximately 6,500 square feet of office, service and warehouse space in Canada of which a significant portion is subleased to a third party. In addition, the Company leases certain property which requires payments of $84,000 in 1996.

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

In 1991, the Board of Directors agreed to continue John C. Koss' current base salary in the event he becomes disabled prior to age 70. After age 70, Mr. Koss shall receive his current base salary for the remainder of his life, whether he becomes disabled or not. The Company is currently recognizing an annual expense of $115,080 in connection with this agreement, which represents the present value of the anticipated future payments. At June 30, 1995 and 1994, respectively, the related liabilities in the amounts of $421,140 and $306,060 have been included in deferred compensation in the accompanying balance sheets.

10. SUPPLEMENTARY INFORMATION

Changes in the allowance for doubtful accounts for the years ended June 30, 1995, 1994, and 1993 are summarized as follows:

Year Ending	Balance at Beginning of Period	Charges Against Income	Deductions*	Balance at End of Period
1995	$229,230	$143,261	$ 83,274	$289,217
1994	$381,030	$ 9,428	$ 161,228	$229,230
1993	$309,000	$204,758	$ 132,728	$381,030

*Represents charges against the allowance, net of recoveries.

The amounts included for advertising in selling, general and administrative expenses on the accompanying statements of income were $630,181 in 1995, $756,956 in 1994, and $503,285 in 1993.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

KOSS CORPORATION

By: /s/ Michael J. Koss — Dated: 9/25/95
Michael J. Koss, President,
Chief Executive Officer
Chief Operating Officer and
Chief Financial Officer

By: /s/ Sujata Sachdeva — Dated: 9/25/95
Sujata Sachdeva,
Vice President - Finance
Principal Accounting Officer

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

	/s/ Michael J. Koss
John C. Koss, Director Dated:	Michael J. Koss, Director Dated: 9/25/95
/s/ Martin F. Stein	/s/ Victor L. Hunter
Martin F. Stein, Director Dated: 9/25/95	Victor L. Hunter, Director Dated: 9/25/95
/s/ John J. Stollenwerk	/s/ Lawrence S. Mattson
John J. Stollenwerk, Director Dated: 9/25/95	Lawrence S. Mattson, Director Dated: 9/25/95
Thomas L. Doerr, Director Dated:	

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

OFFICERS AND
SENIOR MANAGEMENT

John C. Koss
Chairman of the Board

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

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

Daniel Esposito
Vice President--Corporate Systems

Sujata Sachdeva
Vice President--Finance

Richard W. Silverthorn
Secretary
General Counsel

Declan Hanley
Vice President--International Sales

DIRECTORS

John C. Koss
Chairman of the Board
Koss Corporation

Thomas L. Doerr
President
Doerr Corporation

Victor L. Hunter
President
Hunter Business Direct

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

Lawrence S. Mattson
Retired President
Oster Company

Martin F. Stein
Chairman
Eyecare One Inc.

John J. Stollenwerk
President
Allen-Edmonds Shoe Corporation

ANNUAL MEETING

October 19, 1995
Performance Center
Koss Corporation
4129 N. Port Washington Avenue
Milwaukee, WI 53212

TRANSFER AGENT

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

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

INDEPENDENT ACCOUNTANTS

Price Waterhouse LLP
Milwaukee, Wisconsin

LEGAL COUNSEL

Whyte Hirschboeck Dudek S.C.

EXHIBIT INDEX

Designation of Exhibit	Exhibit Title	Incorporation by Reference
3.5	Articles of Incorporation of Koss Corporation, as amended and in effect on February 6, 1987	(1)
3.7	By-Laws of Koss Corporation, as amended and in effect on February 6, 1987.	(1)
4.1	Articles of Incorporation of Koss Corporation.	(2)
4.2	By-Laws of Koss Corporation.	(2)
10.1	Officer Loan Policy.	--
10.2	Directors' Stock Purchase Plan.	--
10.3	Supplemental Medical Care Reimbursement Plan.	--
10.4	Death Benefit Agreement with John C. Koss.	--
10.5	Stock Purchase Agreement with John C. Koss.	--
10.6	Salary Continuation Resolution for John C. Koss.	--
10.7	1983 Incentive Stock Option Plan.	--
10.8	Assignment of Lease to John C. Koss.	(3)
10.9	Addendum to Lease.	(3)
10.10	1990 Flexible Incentive Stock Plan.	(4)
10.12	Loan Agreement effective as of February 17, 1995.	(5)
10.13	Amendment dated June 15, 1995 to Loan Agreement effective February 17, 1995.	(filed herewith)
22.	List of Subsidiaries of Koss Corporation.	(3)
27.	Financial Data Schedule	(filed herewith)

(1) Incorporated by reference from Form 10-K for year ended June 30, 1986.

(2) Incorporated by reference from Exhibits 3.1 - 3.7 of Form 10-K for year ended June 30, 1989.

(3) Incorporated by reference from Form 10-K for year ended June 30, 1988.

(4) Incorporated by reference from Form 10-K for year ended June 30, 1990.

(5) Incorporated by reference from Form 10-Q for quarter ended March 31, 1995.

AMENDMENT NO. 1 TO LOAN AGREEMENT

THIS AMENDMENT NO. 1 TO LOAN AGREEMENT (the "Amendment") is made and entered into this 15th day of June, 1995, by and among LASALLE NATIONAL BANK, a national banking association (the "Lender"), and KOSS CORPORATION, a Delaware corporation (the "Borrower").

W I T N E S S E T H:

WHEREAS, Borrower and Lender entered into that certain Loan Agreement dated February 17, 1995 (the "Loan Agreement"), pursuant to which Lender agreed to provide Borrower with a revolving line of credit up to $8,000,000.00 (the "Revolving Loan"); and

WHEREAS, Borrower has requested Lender to lend an additional $2,000,000.00 to Borrower until March 15, 1997, and Lender has agreed to do so provided, among other things, Borrower executes and delivers this Amendment.

NOW THEREFORE, in consideration of the premises which are incorporated herein by this reference, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

1. Subsection 2.1(A)(iv) of the Agreement shall be deleted in its entirety and replaced with the following new Subsection 2.1(A)(iv):

> (iv) commencing July 1, 1995, for a period of at least 30 consecutive days during each fiscal year of Borrower, the amount of Revolving Loans outstanding shall not exceed $2,000,000.00; provided, however, the amount of Special Loans and Term Loans (both as hereinafter defined) from time to time outstanding shall not be included in determining the amount of Revolving Loans outstanding.

2. A new Section 2.1(C) shall be added to the Loan Agreement to be and read as follows:

> Section 2.1(C) Subject to the terms and conditions of this Agreement, Lender agrees to loan up to $2,000,000.00 to Borrower from time to time (each such loan shall be referred to individually as a "Special Loan," and collectively as the "Special Loans"); provided, however, that: (i) each borrowing by Borrower hereunder with respect to any Special Loan shall be in the aggregate principal amount of at least $10,000.00; (ii) Lender's commitment to make Special Loans shall remain in effect for a period to and including March 15, 1997 (the "Special Loan Termination Date"); and (iii) notwithstanding any provision herein to the contrary (1) upon the

occurrence and continuance of any Event of Default, and in each such event, the Lender may, in its sole discretion, immediately cease to make Special Loans; and (2) on the Special Loan Termination Date, Borrower shall repay to the Lender all Special Loans, plus interest accrued to the date of payment. The proceeds of such Special Loans shall be used to repurchase shares of the Borrower's common stock.

Upon the earlier to occur of: (i) the expiration of each six month period commencing with the date hereof; or (ii) the date that the outstanding balance of Special Loans shall reach $500,000.00 in the aggregate, the outstanding balance of the Special Loans shall be converted into a term loan (individually, a "Term Loan," and collectively, the "Terms Loans") that shall be due and payable on March 15, 1997.

3. New Sections 2.3(A) and 2.3(B) shall be added to the Loan Agreement to follow Section 2.3 thereof, to be and read as follows:

2.3(A) SPECIAL REVOLVING NOTE. The Special Loans shall be evidenced by promissory note (herein called the "Special Revolving Note") in the form attached hereto and made a part hereof, as Exhibit 2.3(A), dated the date of this Amendment No. 1 to Loan Agreement, payable to the order of the Lender, in the principal amount of $2,000,000.00. The date and amount of each Special Loan made by the Lender and of each repayment of principal thereon received by the Lender shall be recorded by the Lender in the records of the Lender and the aggregate unpaid principal amount shown on such records shall be rebuttable, presumptive evidence of the principal owing and unpaid on such Special Revolving Note. The failure to record any such amount on such records shall not, however, limit or otherwise affect the obligations of Borrower hereunder or under the Special Revolving Note to repay the principal amount of the Special Loans together with all interest accruing thereon. The unpaid principal amount from time to time outstanding on the Special Revolving Note shall, at Borrower's choice, bear interest at either: (a) the Prime Rate, adjusted as of each change of the Prime Rate (each Special Loan bearing interest at such rate a "Prime Rate Loan"); or (b) provided that an Event of Default has not occurred and is not continuing, a rate per annum that shall be 225 basis points in excess of the per annum rate of interest at which U.S. dollar deposits of an amount comparable to the amount of the Special Loan and for a period equal to the relevant Interest Period (as hereinafter defined) are offered generally to Lender (rounded upward if necessary, to the nearest 1/16 of 1.0%) in the London Interbank Eurodollar market at

10:00 a.m. (London time) two Business Days prior to the commencement of each Interest Period ("LIBOR" and each Special Loan bearing interest at such rate a "LIBOR Loan"), such rate to remain fixed for such Interest Period. "Interest Period" shall mean one-month, two-month or three-month periods as selected from time to time by the Borrower by irrevocable notice (in writing, by telex, telegram or cable) given to Lender not less than two Business Days prior to the first day of each respective Interest Period commencing on the date hereof, provided that: (i) each such Interest Period may be continued upon its expiration by Borrower by irrevocable notice (in writing, by facsimile) given to Lender not less than two Business Days prior to the expiration thereof, which notice shall specify that such Interest Period shall continue for a one-month, two month or three month period; (ii) the final Interest Period shall be such that its expiration occurs on or before the stated maturity date hereof; (iii) if for any reason the Borrower shall fail to select a time period, then interest on such LIBOR Loan shall accrue and be payable at the Prime Rate; and (iv) each such LIBOR Loan shall be in an amount of at least $1,000,000.00, and shall be in $100,000.00 increments. "Business Day" shall mean any day other than a Saturday, Sunday or a day on which banks in London, England, and Chicago, Illinois, are required or permitted by law to close.

The Lender's determination of LIBOR as provided above shall be conclusive, absent manifest error. Further, if Lender determines in good faith (which determination shall be conclusive, absent manifest error), prior to the commencement of any Interest Period that: (a) U.S. dollar deposits of sufficient amount and maturity for funding the Special Loan are not available to Lender in the London Interbank Eurodollar market in the ordinary course of business; or (b) by reason of circumstances that affect the London Interbank Eurodollar market, adequate and fair means do not exist to ascertain the rate of interest to be applicable to the Special Loan, Lender may, at its sole and absolute option, promptly notify the Borrower that interest on the Special Loan shall be determined using the Prime Rate.

If, after the date hereof, the introduction of, or any change in any applicable law, treaty, rule, regulation or guideline or in the interpretation or administration thereof by any governmental authority or any central bank or other fiscal, monetary or other authority having jurisdiction over the Lender or its lending office (a "Regulatory Change"), shall, in the opinion of counsel to Lender, make it unlawful for the Lender to make or maintain the Special Loan evidenced hereby, then Lender may, at its sole and absolute option, promptly notify the Borrower that interest on the Special Loan shall be determined using the Prime Rate. If, for any reason, the Special Loan is paid prior to the last Business Day of any Interest Period, the Borrower agrees to indemnify Lender against any loss, including any loss on redeployment of the funds repaid, cost or expense incurred by Lender as a result of such prepayment. If any Regulatory Change, whether or not having the force of law, shall (a) impose, modify or deem applicable any assessment, reserve, special deposit or similar requirement against assets held by, or deposits in or for the account of or loans by, or any other acquisition of funds or disbursements by, Lender; (b) subject Lender or the Special Loan to any tax, duty, charge, stamp tax, or fee or change the basis of taxation of payments to Lender of principal or interest due from the Borrower to the Lender hereunder (other than a change in the taxation of the overall net income of Lender); or (c) impose on the Lender any other condition regarding the Special Loan or the Lender's funding thereof, and the Lender shall determine (which determination shall be conclusive absent manifest error) that the result of the foregoing is to increase the cost to Lender of making or maintaining the Special Loan or to reduce.the amount of principal and interest received by the Lender hereunder, then the Borrower shall pay to the Lender, on demand, such additional amounts as the Lender shall, from time to time, determine are sufficient to compensate and indemnify the Lender for such increased costs or reduced amount.

Notwithstanding any provision in this Section 2.3(A) to the contrary, upon the occurrence and continuance of an Event of Default, the Special Revolving Note shall bear interest at a rate 2% in excess of the rate on LIBOR Loans. The accrued interest on (i) Prime Rate Loans shall be payable monthly on the first day of each month commencing with the first day of the month while such Prime Rate Loan is outstanding; and (ii) LIBOR Loans shall be payable the last day of the Interest Period applicable thereto. Upon the earlier to occur of: (i) the expiration of each six month period commencing with the date of the Special Revolving Note; or (ii) the date that the outstanding balance of the Special Loans shall be converted into a Term Loan, the outstanding balance of the Special Revolving Note shall be immediately reduced by the aggregate amounts of each such Term Loan.

2.3(B) TERM NOTES. Each Term Loan shall be evidenced by a term note (each herein called a "Term Note") in the form attached hereto and made a part hereof, as Exhibit 2.3(B), dated the date of the applicable Term Loan, payable to the order of the Lender, in the principal amount of the applicable Term Loan. Each Term Note shall provide for monthly payments of principal in the amount of 1/60th of the outstanding principal balance, plus accrued interest, with a final payment due on March 15, 1997, of the entire balance of the Term Note, plus accrued interest. The unpaid principal amount from time to time outstanding on each Term Note shall, at Borrower's choice, bear interest at either: (a) the Prime Rate, adjusted as of each change of the Prime Rate (each Term Loan bearing interest at such rate a "Prime Rate Loan"); or (b) provided that an Event of Default has not occurred and is not continuing, a rate per annum that shall be 225 basis points in excess of the per annum rate of interest at which U.S. dollar deposits of an amount comparable to the amount of the Term Loan and for a period equal to the relevant Interest Period (as hereinafter defined) are offered generally to Lender (rounded upward if necessary, to the nearest 1/16 of 1.0%) in the London Interbank Eurodollar market at 10:00 a.m. (London time) two Business Days prior to the commencement of each Interest Period ("LIBOR" and each Term Loan bearing interest at such rate a "LIBOR Loan"), such rate to remain fixed for such Interest Period. "Interest Period" shall mean one-month, two-month or three-month periods as selected from time to time by the Borrower by irrevocable notice (in writing, by facsimile) given to Lender not less than two Business Days prior to the first day of each respective Interest Period commencing on the date hereof; provided that: (i) each such Interest Period may be continued upon its expiration by Borrower by irrevocable notice (in writing, by facsimile) given to Lender not less than two Business Days prior to the expiration thereof, which notice shall specify that such Interest Period shall continue for a one-month, two-month or three-month period; (ii) the final Interest Period shall be such that its expiration occurs on or before the stated maturity date hereof; (iii) if for any reason the Borrower shall fail to select time a period, then interest on such LIBOR Loan shall accrue and be payable at the Prime Rate; and (iv) each such LIBOR Loan shall be in an amount of at least $1,000,000.00, and shall be in $100,000.00 increments. "Business Day" shall mean any day other than a Saturday, Sunday or a day on which banks in London, England, and Chicago, Illinois, are required or permitted by law to close.

The Lender's determination of LIBOR as provided above shall be conclusive, absent manifest error. Further, if Lender determines in good faith (which determination shall be conclusive, absent manifest error), prior to the commencement of any Interest Period that: (a) U.S. dollar deposits of sufficient amount and maturity for funding the Term Loan are not available to Lender in the London Interbank

Eurodollar market in the ordinary course of business; or (b) by reason of circumstances that affect the London Interbank Eurodollar market, adequate and fair means do not exist to ascertain the rate of interest to be applicable to the Term Loan, Lender may, at its sole and absolute option, promptly notify the Borrower that interest on the Term Loan shall be determined using the Prime Rate.

If, after the date hereof, the introduction of, or any change in any applicable law, treaty, rule, regulation or guideline or in the interpretation or administration thereof by any governmental authority or any central bank or other fiscal, monetary or other authority having jurisdiction over the Lender or its lending office (a "Regulatory Change"), shall, in the opinion of counsel to Lender, make it unlawful for the Lender to make or maintain the Term Loan evidenced hereby, then Lender may, at its sole and absolute option, promptly notify the Borrower that interest on the Term Loan shall be determined using the Prime Rate. If, for any reason, the Term Loan is paid prior to the last Business Day of any Interest Period, the Borrower agrees to indemnify Lender against any loss, including any loss on redeployment of the funds repaid, cost or expense incurred by Lender as a result of such prepayment. If any Regulatory Change, whether or not having the force of law, shall (a) impose, modify or deem applicable any assessment, reserve, special deposit or similar requirement against assets held by, or deposits in or for the account of or loans by, or any other acquisition of funds or disbursements by, Lender; (b) subject Lender or the Term Loan to any tax, duty, charge, stamp tax, or fee or change the basis of taxation of payments to Lender of principal or interest due from the Borrower to the Lender hereunder (other than a change in the taxation of the overall net income of Lender); or (c) impose on the Lender any other condition regarding the Term Loan or the Lender's funding thereof, and the Lender shall determine (which determination shall be conclusive absent manifest error) that the result of the foregoing is to increase the cost to Lender of making or maintaining the Term Loan or to reduce the amount of principal and interest received by the Lender hereunder, then the Borrower shall pay to the Lender, on demand, such additional amounts as the Lender shall, from time to time, determine are sufficient to compensate and indemnify the Lender for such increased costs or reduced amount.

Notwithstanding any provision in this Section 2.3(B) to the contrary, upon the occurrence and continuance of an Event of Default, each Term Note shall bear interest at a rate 2% in excess of the rate on LIBOR Loans. The accrued interest on (i) Prime Rate Loans shall be payable monthly on the first day of each month commencing with the first day of the month while such Prime Rate Loan is outstanding; and (ii) LIBOR Loans shall be payable the last day of the Interest Period applicable thereto.

4. Section 7.1(A) of the Agreement shall be deleted in its entirety and replaced with the following new Section 7.1(A):

(A) Borrower shall default in the payment when due of any amount due and owing by Borrower to Lender under the Revolving Note, Letters of Credit, the Special Revolving Note or any Term Note; or

5. Borrower shall pay to Lender a $20,000.00 nonrefundable commitment fee. Further, Borrower shall deliver to Lender as a condition to Lender's obligation to make the Special Loans, a directors' consent, secretary's certificate and such other documents as Lender shall request, each in form and substance satisfactory to Lender and its counsel.

6. All references to "the Agreement" in the Agreement shall mean the Agreement as amended by this Amendment. All references to "the Loan" or "the Loans" in the Agreement shall include the loans made hereunder. All references to "the Documents" in the Agreement shall include this Amendment, the Special Revolving Note, the Term Notes and any other instrument or document required hereunder, whether now existing or at any time hereafter arising. All references to "the Note" in the Agreement shall include the Special Revolving Note and the Term Notes.

7. All of the agreements, representations, covenants and obligations set forth in the Agreement are hereby reaffirmed and restated as of the date of this Amendment. All representations and warranties contained in the Agreement remain true and correct as of the date of this Amendment.

8. Borrower agrees to pay all fees and out-of-pocket expenses of Lender including, without limitation, outside counsel to the Bank in connection with the preparation of this Amendment, and any and all agreements, instruments and documents required or contemplated by this Amendment.

9. Except as specifically amended and modified by this Amendment: (a) the Agreement shall remain in full force and effect and is hereby restated and incorporated herein by this reference; and (b) all terms defined in the Agreement shall have the same meanings herein as therein.

IN WITNESS, whereof the parties hereto have caused this Amendment to be duly executed and delivered at Chicago, Illinois, as of the date first above written.

KOSS CORPORATION

By: /s/ Michael J. Koss

Title: CEO

ATTEST:

By: /s/ Richard W. Silverthorn

Title: Secretary & General Counsel

LASALLE NATIONAL BANK

By: /s/ Mark Pressler

Title: Assistant Vice President

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JUN-30-1995
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