

KOSS CORPORATION
AUDIT COMMITTEE CHARTER

MISSION STATEMENT

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

COMPOSITION, EXPERIENCE, AND MEETINGS

- The Committee shall be comprised of three or more directors as determined by the Board.
- All members of the Committee shall have (in accordance with the requirements of the Nasdaq Stock Market, Inc.) a working familiarity with basic finance and accounting practices, and at least one member of the Committee shall have accounting or related financial management expertise.
- Each Committee member shall be (as required by and defined in the rules of the Nasdaq Stock Market, Inc.) an independent director, free from any relationship that, in the opinion of the Board, would interfere with the exercise of his or her independent judgment as a member of the Committee.
- All members of the Committee, including the Chairperson of the Committee, shall be elected annually by the Board.
- The Committee shall meet at least 4 times annually.
- The Audit Committee Chair with or without the Committee shall meet with the outside auditors at least 4 times annually, including before the filing of the Company's quarterly and annual reports with the SEC.
- The Audit Committee Chair with or without the Committee shall meet with the CFO at least four (4) times annually, including in conjunction with the filing of the Company's quarterly and annual reports with the SEC. These meetings shall be held outside the presence of the CEO.

RESPONSIBILITIES RELATING TO INTERNAL CONTROLS

- The Committee shall evaluate whether management is communicating the importance of internal control and ensuring that all individuals possess an understanding of their roles and responsibilities.
- The Committee shall focus on the extent to which external auditors review computer systems and applications, the security of such systems and applications, and the contingency plan for processing financial information in the event of a systems breakdown.
- The Committee shall review whether internal control recommendations made by the external auditors have been implemented by management.
- The Committee shall review with management each year management's determination and assessment of the risk management priorities for the year and the plans to address those areas including any steps that will be taken from an internal audit perspective. The Committee will receive reports from management regarding the results of any internal audits and/or internal controls testing.
- The Committee shall be notified about any significant changes to the Company's internal control system including significant changes to control features within the Company's IT system.

FINANCIAL REPORTING RESPONSIBILITIES

Annual Financial Statements

- Review the annual audited financial statements and determine whether they are complete and consistent with the information known to Committee members; assess whether the financial statements reflect appropriate accounting principles.
- Review and discuss complex and/or unusual transactions such as restructuring charges and derivative disclosures, if any.
- Review significant financial reporting issues and judgments made in connection with the preparation of the Company's financial statements, with a focus on judgmental areas such as those involving valuation of assets and liabilities, including, for example, the accounting for and disclosure of obsolete or slow-moving inventory; bad debt; warranty; product and environmental liability; litigation reserves; and other commitments and contingencies.
- Meet with management and the external auditors to review the financial statements and the results of the audit.
- Review management's handling of proposed audit adjustments identified by the external auditors and obtain the reasons for not recording any proposed adjustments.
- Review major changes to the Company's auditing and accounting principles as suggested by the external auditor or management.
- Review the MD&A and other sections of the annual report before its release and consider whether the information is adequate and consistent with members' knowledge about the company and its operations.

Interim Financial Statements

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

COMPLIANCE WITH LAWS AND REGULATIONS

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

EXTERNAL AUDIT

- Appoint, terminate, compensate and oversee the Company's independent external auditors in connection with their preparation or issuance of audit reports and the performance of other audit, review, attest and related services for the Company.
- Ensure that the Company's external auditors are independent and that there is an absence of conflicts of interest with the Company. As part of this process, receive written reports from the external auditor regarding the auditor's independence, delineating all relationships between the auditor and the Company, consistent with Independence Standards Board Standard No. 1, discuss such reports with the auditor, and if so determined by the Committee recommend that the Board take appropriate action to insure the independence of the auditor.
- Review with the external auditor prior to the audit the external auditors' proposed audit scope, staffing and approach.
- Review any significant changes required in the external auditors' audit plans and any difficulties or disputes with management encountered during the course of the audit.
- Review the performance of the external auditors and oversee the rotation of the audit partners who have responsibility for decision-making on significant auditing, accounting and reporting matters.
- Review any key personnel changes each year with the external audit team, including any changes to the engagement partner, manager, or senior level auditor on the engagement.
- Discuss with the external auditor the matters required to be discussed under GAAS relating to the conduct of the audit.
- Approve the fees to be paid to the external auditor.

REPORTING AND OTHER ROLES AND RESPONSIBILITIES

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