POWELL INDUSTRIES INC
Form DEF 14A
February 28, 2005

POWELL INDUSTRIES, INC.
8550 Mosley Drive
Houston, Texas 77075

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
to be held April 15, 2005

To the Stockholders of Powell Industries, Inc.:

Notice is hereby given that the Annual Meeting of the Stockholders of Powell Industries, Inc., a Delaware corporation (the Company), will be held at the offices of the Company at 8550 Mosley Drive, in Houston, Texas on Friday, April 15, 2005, at 11:00 a.m. Houston time, for the following purposes:

1. To elect two (2) members of the Company s Board of Directors, with terms to expire in 2008;

2. To approve the Company s Non-Employee Director Restricted Stock Plan;

3. To consider a proposed amendment to the Company s 1992 Stock Option Plan to increase the maximum number of shares that may be issued under the Plan by 600,000; and

4. To transact such other business as may properly come before the meeting or any adjournment thereof.

The stock transfer books will not be closed. Stockholders of record as of the close of business on February 21, 2005 are entitled to notice of, and to vote at, the Annual Meeting or any adjournment thereof, notwithstanding any transfer of stock on the books of the Company after such record date.

You are cordially invited to attend the meeting in person. YOU ARE URGED TO COMPLETE, DATE AND SIGN THE ENCLOSED PROXY AND TO RETURN IT PROMPTLY IN THE ENCLOSED ENVELOPE, WHETHER OR NOT YOU PLAN TO ATTEND THE MEETING.

By Order of the Board of Directors

/s/ THOMAS W. POWELL
Thomas W. Powell
Chairman and Chief Executive Officer

Houston, Texas
February 28, 2005

POWELL INDUSTRIES, INC.
8550 Mosley Drive
Houston, Texas 77075

PROXY STATEMENT
February 28, 2005

Annual Meeting of Stockholders
April 15, 2005

SOLICITATION AND VOTING RIGHTS

The accompanying proxy is solicited by the Board of Directors of Powell Industries, Inc., a Delaware corporation (the Company), for use at the Annual Meeting of Stockholders of the Company to be held on Friday, April 15, 2005, at 11:00 a.m., Houston time, at the principal executive offices of the Company at 8550 Mosley Drive, in Houston, Texas 77075, or at any adjournment thereof.

This Proxy Statement and proxy and the accompanying Notice of Annual Meeting, Annual Report to Stockholders and Form 10-K for the year ended October 31, 2004, including consolidated financial statements, will be mailed to stockholders on or about March 2, 2005. The cost of soliciting proxies in the enclosed form will be borne by the Company. The Board of Directors of the Company has fixed February 21, 2005, as the record date for determination of stockholders entitled to receive notice of and to vote at the Annual Meeting. As of February 21, 2005, there were 10,755,304 shares of the Company s Common Stock, par value $.01 per share (Common Stock), outstanding. Each holder of Common Stock will be entitled to one vote for each share owned, except as noted below.

The presence, in person or by proxy, of the holders of a majority of the outstanding shares of Common Stock of the Company is necessary to constitute a quorum at the meeting. The holders of shares represented by proxies reflecting abstentions or broker non-votes are considered present at the meeting and count toward a quorum. Brokers holding shares of record for their customers generally are not entitled to vote on certain matters unless they receive voting instructions from their customers. When brokers complete proxy forms, they generally vote on those matters as to which they are entitled to vote. On those matters as to which brokers are not entitled to vote without instructions from their customers and have not received such instructions, brokers generally indicate on their proxies that they lack voting authority as to those matters. As to those matters, such indications are called broker non-votes.

The persons receiving the greatest number of votes cast at the meeting to fill the directorships with terms to expire in 2008 will be elected as directors of the Company, class of 2008. Thus, abstentions and broker non-votes will have no effect on the election of directors.

Regarding approval of the Non-Employee Director Restricted Stock Plan, the proposed amendment to the 1992 Stock Option Plan and any other matters, the vote of a majority of the voting power present, in person or by proxy, and entitled to vote on the matters, at a meeting at which a quorum is present, is the act of the stockholders. Accordingly, abstentions will have the effect of negative votes with respect to any such other matters. Broker non-votes will have the effect of negative votes as to any such other matters as to which the broker is entitled to vote, and no effect on those matters as to which the broker is not entitled to vote.

The shares represented by each valid proxy received by the Company on the form solicited by the Board of Directors will be voted in accordance with instructions specified on the proxy. A stockholder giving a duly executed proxy may revoke it before it is exercised by filing with or transmitting to the Secretary of the Company an instrument or transmission revoking it, or a duly executed proxy bearing a later date.

PROPOSAL NO. 1
ELECTION OF DIRECTORS

The terms of two directors expire in 2005 under the bylaws of the Company. The terms of the remaining directors continue after the Annual Meeting. The Nominating Committee has nominated Eugene L. Butler and Ronald J. Wolny for election as directors with terms to expire in 2008. Mr. Becherer and Mr. Powell currently serve as directors of the Company with terms expiring in 2005. Although the Board of Directors does not contemplate that any nominee will be unable to serve, if such a situation arises prior to the Annual Meeting, the persons named in the enclosed form of proxy will vote in accordance with their best judgment for a substitute nominee.

PROPOSAL NO. 2
APPROVAL OF NON-EMPLOYEE DIRECTOR RESTRICTED STOCK PLAN

General

The Board of Directors at its meeting on December 17, 2004 adopted the Powell Industries, Inc. Non-Employee Director Restricted Stock Plan providing for the grant of up to 150,000 shares of restricted stock for the benefit of members of the Board of Directors of the Company who, at the time of their service, are not employees of the Company or any of its affiliates. The Board believes that providing them an opportunity to become owners of the common stock of the Company is in the best interests of the Company. The Board further believes that the Restricted Stock Plan is an important element in the Company s strategy for retaining and attracting highly qualified individuals to serve as directors of the Company in the future. If the Restricted Stock Plan is approved by the stockholders, the Compensation Committee has no plans to grant any further options under the 2000 Non-Employee Director Stock Option Plan currently in place and plans to terminate the 2000 Non-Employee Director Stock Option Plan after all outstanding options granted under it have been exercised or have expired.

Description of Non-Employee Director Plan

The following description of the principal provisions of the Restricted Stock Plan is a summary and is subject to and qualified by the full text of the Restricted Stock Plan. A copy of the Restricted Stock Plan as adopted by the Board of Directors is attached as Appendix A to this Proxy Statement.

Administration. The Restricted Stock Plan is administered by the Compensation Committee. The Compensation Committee has the authority, subject to the terms of the Restricted Stock Plan, to determine the terms, conditions and restrictions of each award, including the effect of death, disability, retirement or removal on the award and to construe and interpret the Restricted Stock Plan.

Eligibility. Any director who is not an employee of the Company or any of its affiliates will be eligible to receive grants of restricted stock under the Restricted Stock Plan. The Company currently has six non-employee directors. Based on the closing price of a share of the Company s common stock on February 15, 2005, the six non-employee directors as a group will receive a grant each year as specified below in the approximate value of $234,000, subject to restrictions described below.

Amount and Date of Grants. If shares are available under the Restricted Stock Plan, each eligible director will receive 2,000 shares of restricted stock on the date of the Board s regular meeting in June. If there is no Board meeting in June, the eligible directors will receive the grant on the next regular meeting of the Board. If an eligible director is first elected or appointed to the Board of Directors after a grant has been made but before the next grant is to be made, then such director will receive a grant of shares proportionately adjusted for the actual time to be served by such director before the next grant is to be made.

Restrictions. Under the terms of the Restricted Stock Plan, a recipient of restricted stock is required to sign a restricted stock agreement. During such period as the Compensation Committee may establish in the restricted stock agreement, a recipient of restricted stock under the Restricted Stock Plan may not transfer such stock and will be subject to such other terms, limitations, restrictions or conditions as the Compensation Committee specifies in the restricted stock agreement.

Amendment and Termination. The Board of Directors may amend or discontinue the Restricted Stock Plan at any time before the end of its stated term except as required to maintain the qualification of the Restricted Stock Plan under Rule 16b-3 under the Securities Exchange Act of 1934. Any amendment that materially modifies the number of shares, the eligibility requirements or the benefits accruing to non-employee directors under the Restricted Stock Plan requires the approval of the stockholders. The Restricted Stock Plan terminates at the close of business on December 16, 2014.

Approval

Pursuant to the resolution of the Board of Directors approving the Restricted Stock Plan, the Restricted Stock Plan will not become effective unless it is approved by the holders of a majority of the shares of voting stock of the Company present in person or by proxy and entitled to vote at a meeting of the stockholders of the Company at which a quorum is present. The Board of Directors recommends a vote **FOR** approval of the Restricted Stock Plan.

PROPOSAL NO. 3
APPROVAL OF AMENDMENT TO 1992 STOCK OPTION PLAN

General

The Board of Directors believes that the Powell Industries, Inc. 1992 Stock Option Plan, as amended, has been of material benefit to the Company. However, the 1992 Plan provides that the maximum number of shares of common stock of the Company with the respect to which options and other awards may be granted under the 1992 Plan is 2,100,000, and only 154,232 shares remain available for grants. The Board believes that it is in the best interest of the Company and its stockholders to amend the 1992 Plan to increase the maximum number of shares of common stock of the Company with respect to which grants may be made under the Plan from 2,100,000 to 2,700,000 to enable the Company to continue to provide officers and other key employees an opportunity to acquire a proprietary interest in the Company through the acquisition of its common stock, thereby rewarding employees for meritorious service and helping them to develop a stronger incentive to work for the continued success of the Company and assisting the Company in attracting and retaining outstanding personnel in today s competitive labor market.

On December 17, 2004 the Board of Directors approved amendment of the 1992 Plan to increase the shares available for grant, subject to and contingent upon approval by the Company s stockholders of such amendment. At the annual meeting of stockholders, the stockholders will be asked to approve the amendment to the Plan to increase the maximum number of shares available under the Plan from 2,100,000 shares of the Company s common stock to 2,700,000 shares (subject to adjustment for stock dividends, stock splits and certain other contingencies), with 754,232 shares available for grants.

Description of the 1992 Plan

The following description of the principal provisions of the 1992 Plan is a summary and is subject to and qualified by the full text of the 1992 Plan.

Administration. The 1992 Plan is administered by the Compensation Committee of the Board of Directors. The Compensation Committee has the authority, subject to the provisions of the 1992 Plan,

to determine the employees (except as noted in "Eligibility" below) to whom awards, options or stock appreciation rights may be granted,

to determine the number of shares and purchase or exercise price of each award or option,

to determine the terms, conditions and restrictions of each award or option,

to determine whether or not to include in any award or option the right of the recipient or optionee to surrender all or a portion of an award or option and receive in exchange an amount in cash or other property and to determine the terms and conditions of any such surrender rights,

to determine the effect, if any, on an award or option of the death, disability, retirement or termination of employment of the employee receiving an award or option and

to otherwise construe, interpret and administer the 1992 Plan.

Eligibility. Any employee of the Company or any subsidiary of the Company is eligible to participate in the 1992 Plan, although no member of the Compensation Committee may receive an award or option if receipt of it would cause the individual not to be a Disinterested Person as defined in Rule 16b-3 under the Securities Exchange Act of 1934. There are approximately 1100 employees of the Company and its subsidiaries. However, since the 1992 Plan provides that future as well as present employees may participate, it is not possible to determine the number of employees who will be eligible to participate. Further, since receipt of benefits under the Plan depends upon the particular grants made from time to time by the Compensation Committee, in its discretion, it is not possible to determine the amounts that will be received under the 1992 Plan as a result of this proposed amendment, or that would have been received during the last fiscal year had such amendment been in effect, by the executive officers listed in the Summary Compensation Table, by all current executive officers as a group or by all employees (no current directors of the Company who are not executive officers of the Company are currently eligible to participate in the Plan).

Purchase Price. The Compensation Committee has the authority to determine the purchase price, if any, for awards of the Company s common stock and the exercise price for stock options. The purchase price may be less than the fair market value of the stock. The Compensation Committee may determine the consideration, if any, to be received by the Company for granting or extending an award or stock option.

Awards, Options and Stock Appreciation Rights. The 1992 Plan provides for the award of restricted stock, the grant of non-incentive stock options, including reload options, and the grant of stock appreciation rights, all with respect to the common stock of the Company.

Awards. The Compensation Committee may grant an award of common stock to a participant pursuant to a restricted stock agreement. The Compensation Committee may vary the terms and conditions of each award, including without limitation

the period (not to exceed 10 years) during which the award may be restricted or exercised,

the manner of exercise,

the vesting period,

the price to be paid for the stock, if any, and

the events which may result in termination of award rights.

Unless expressly provided otherwise in the award, the participant s unexercised rights will expire upon termination of employment.

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Options. Options granted under the 1992 Plan will be nonqualified stock options, which are options that do not meet the requirements of Section 422 of the Internal Revenue Code of 1986, as amended. In 1999, the Board of Directors amended the Plan to provide that the Plan would remain in effect until no grants and no further shares remain outstanding or available under the 1992 Plan. This action by the Board of Directors in renewing and amending the 1992 Plan had the effect of eliminating grants of incentive stock options meeting the requirements of Section 422. Additionally, the 1992 Plan authorizes the issuance of reload options and stock appreciation rights (discussed below) as part of the stock options.

Option Price. The price and terms at which the participant may purchase shares of common stock subject to a nonqualified stock option or stock appreciation right is determined by the Compensation Committee in its discretion, but the option price may not be less than the par value of the stock. Shares purchased pursuant to options must be paid in full at the time of exercise. Such payment may be made in the form of cash, common stock of the Company or other form of payment acceptable to the Compensation Committee. As of February 15, 2005, the closing price per share of the Company s common stock, traded on the NASDAQ National Market under the symbol POWL, was $19.50.

Term of Options. No option is exercisable after the expiration of ten years from the date of grant or five years from the date of grant. Unless the option agreement provides otherwise, all options terminate immediately upon severance of employment from the Company for any reason other than death, retirement for age or disability under then established rules of the Company, or severance for disability. In these cases, an extended exercise period is provided, but the exercise period as extended cannot exceed the original option period. At the time of exercise, the optionholder must satisfy any additional conditions imposed by the Compensation Committee at the time of grant. Unless the shares purchased pursuant to an option are effectively registered under the Securities Act of 1933, as amended, at the time of exercise, the optionee must represent and agree that such shares are being purchased for investment.

Reload Options. The Compensation Committee may grant reload options in connection with issuance of a nonqualified stock option. Under a reload option, if the exercise of the stock option is paid in whole or in part in common stock, the reload option will:

result in issuance of additional options for the number of shares of the Company's common stock surrendered upon exercise of the option,

be a nonqualified stock option and

be subject to the same terms and conditions as the original option unless a change is specifically provided.

Stock Appreciation Rights. The 1992 Plan provides that the Compensation Committee may, at its discretion, grant stock appreciation rights to some or all optionholders at the time of grant of an option. Each stock appreciation right granted with an option will be exercisable at the times and to the extent that the related stock options are exercisable. At the time of exercise, the holder will become entitled to receive, in cash and/or shares of common stock at the discretion of the Compensation Committee, the difference between the fair market value of one share of common stock and the exercise price per share specified in the related stock option, multiplied by the number of shares in respect of which the stock appreciation right was exercised. The 1992 Plan also authorizes the Compensation Committee to issue stock appreciation rights which are not a part of a related stock option. The exercise price and terms of these stock appreciation rights shall be specified by the Compensation Committee in the agreement granting the stock appreciation right.

Participation. Stock options, stock appreciation rights and awards may be granted to officers and key employees (including those who are directors, except as provided above), as selected by the Compensation Committee. The Compensation Committee selects participants and determines the conditions of exercisability of options.

Forfeiture. If the Compensation Committee finds that a participant has been discharged for fraud, embezzlement, theft, commission of a felony or proven dishonesty in the course of employment, which conduct has damaged the Company, or if a participant has participated, engaged or had a financial interest, whether as an employee, officer, director, consultant, contractor, shareholder, owner or otherwise, in any commercial endeavor in the United States which is competitive with the business of the Company without the written consent of the Company, the participant shall forfeit all options, reload options, stock appreciation rights and awards which have not vested and for which the Company has not delivered a stock certificate.

Amendment and Termination. The Board of Directors may suspend or discontinue the 1992 Plan and may amend the 1992 Plan with respect to shares at the time not subject to unexercised options of awards, but may not (except with stockholder approval) change the number of shares subject to the 1992 Plan or change the class of employees and others eligible to participate.

Tax Consequences.

Nonqualified Stock Options. Under current interpretations of the Internal Revenue Code, the grant of a nonqualified stock option to a participant in the 1992 Plan will not result in the recognition of any taxable income by the participant. A participant will recognize income at the date of exercise of a nonqualified stock option on the difference between

the fair market value of the shares acquired pursuant to the exercise of the nonqualified stock option and

the exercise price of the nonqualified stock option.

With regard to a participant who is an executive officer, director or holder of 10% or more of the Company s common stock, taxation arising by virtue of the exercise of the nonqualified stock option is deferred until the sale of the shares acquired by such participant is no longer subject to the restrictions imposed by Section 16(b) of the Securities Exchange Act, unless the participant elects to be taxed on the date of exercise of the nonqualified stock option. A participant who exercises his option more than six months after the date of grant of such option would not be subject to Section 16(b) restrictions at the time of exercise. The Company is entitled to a deduction in the same amount as the income recognized by a participant due to the exercise of a nonqualified stock option.

Stock Appreciation Rights. Under current interpretations of the Internal Revenue Code, the grant of a stock appreciation right to a participant will not result in recognition of any taxable income by the participant. If a participant receives cash upon exercise of a stock appreciation right, he will recognize ordinary income upon exercise in an amount equal to the payment received. If a participant receives stock upon exercise of a stock appreciation right, he will recognize ordinary income at the date of exercise in the same manner and amount as described above with respect to the exercise of a nonqualified stock option. The deferred compensation provisions of the American Jobs Creation Act of 2004 could be applicable to the grant of a stock appreciation right, depending upon the terms of such stock appreciation right when granted. Generally, the recipient may recognize taxable income upon the vesting of a cash settled stock appreciation right. Failure to report taxable income as required by the Jobs Creation Act could subject the recipient to an excise tax, interest and penalties. The Company is entitled to a deduction in the same amount as the income recognized by the participant due to the exercise of a stock appreciation right.

Awards. Generally, the participant will be taxed at the time the restrictions lapse with respect to the stock awarded and the stock vests in the participant or is transferable by the participant. At that time, the participant would recognize ordinary income determined by the fair market value of the stock in excess of the price, if any, paid by the participant for the stock. The Company is entitled to a deduction in the same amount as the income recognized by the participant related to an award of stock, in the year recognized.

Material Difference from Existing Plan

The only difference between the existing 1992 Plan and the 1992 Plan as proposed to be amended is that the maximum number of shares of common stock of the Company which may be issued under the 1992 Plan would be increased from 2,100,000 to 2,700,000 (subject to adjustment for stock dividends, stock splits and certain other contingencies).

Approval

Pursuant to the resolution of the Board of Directors approving the amendment to the 1992 Plan increasing the number of shares available for grant, the amendment will not become effective until it is approved by the holders of a majority of the shares of voting stock of the Company present and entitled to vote at a meeting of the stockholders of the Company at which a quorum is present. The Board of Directors recommends a vote **FOR** approval of the amendment of the Plan.

COMMON STOCK OWNED BY PRINCIPAL STOCKHOLDERS AND MANAGEMENT

The following table sets forth as of February 21, 2005 (except as otherwise noted below), the number of shares of Common Stock owned by each person who is known by the Company to own beneficially more than five percent (5%) of the Company s outstanding Common Stock:

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class
Thomas W. Powell PO Box 12818 Houston, Texas 77217	3,022,584 (1)	28.1%
Royce & Associates, L.L.C 1414 Avenue of the Americas New York, New York 10019	1,315,800 (2)	12.2%
Bonnie L. Powell PO Box 112 Warda, Texas 78960	828,469 (3)	7.7%
Wellington Management Company, L.L.P.. 75 State Street Boston, Massachusetts 02109	656,000 (4)	6.1%
Nationwide Trust Company, FSB Trustee of the Powell Industries, Inc. Employee Stock Ownership Trust PO Box 1412 Austin, Texas 78767	605,059 (5)	5.6%

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(1) Mr. Powell has sole voting power and sole investment power with respect to 2,724,262 of such shares, of which 573,650 are held directly, 78,720 are held by Mr. Powell s IRA, 1,990,292 are held by TWP Holdings, Ltd., a partnership controlled by Mr. Powell and 81,600 are shares subject to stock options which are currently exercisable by Mr. Powell. Also includes 281,360 shares held by the Thomas Walker Powell Trust, of which Mr. Powell is a co-trustee and shares voting and investment power with respect to the shares held by such trust with the other co-trustees, Michael W. Powell and Holly C. Pruitt. Also includes 3,141 shares allocated to the account of Mr. Powell under the Powell Industries, Inc. Employee Stock Ownership Plan (see footnote (5) to this table) and 821 shares held in trust for the account of Mr. Powell under the Employees Incentive Savings Plan of the Company. Also includes 13,000 shares of restricted stock issued in connection with the exercise of options by Mr. Powell that are subject to forfeiture if the related option shares are not held for five years or if he leaves employment of the Company, other than for retirement, within five years after receiving the shares. Mr. Powell has sole voting rights but no investment power with respect to such restricted stock.

(2) The shares set forth in the table reflect the number of shares owned on December 31, 2004, based on a Schedule 13F dated February 10, 2005 filed by Royce & Associates, LLC. Royce & Associates, LLC owned beneficially 1,315,800 shares of the Common Stock of Powell Industries, Inc.

(3) The shares set forth in the table reflect the number of shares owned on January 31, 2004, based on a Schedule 13G dated February 12, 2004, filed by Bonnie L. Powell. Bonnie L. Powell owned beneficially 828,469 shares with shared dispositive power and shared voting power as to 345,000 of such shares.

(4) The shares set forth in the table reflect the number of shares owned on December 31, 2004, based on a Schedule 13F dated February 14, 2005, filed by Wellington Management Company, LLP. Wellington Management Company, LLP owned beneficially 656,000 shares with shared dispositive power over all such shares and shared voting power as to 200,000 of such shares and no voting power as to 315,900 shares.

(5) The shares set forth in the table reflect the number of shares owned on December 31, 2004, based on a Schedule 13G dated January 12, 2005 filed by Nationwide Trust Company, FSB. Nationwide Trust Company, as Trustee for the Powell Industries, Inc. Employee Stock Ownership Trust (the ESOP), as directed by the administrative committee for the ESOP appointed by the Board of Directors of the Company, votes and disposes of shares not allocated to the accounts of participants, and votes allocated shares as to which no direction is received from the participant. Participants have the right to direct the voting and tender of shares allocated to their accounts. As of December 31, 2004, approximately 374,005 of the shares held by the ESOP were allocated to the accounts of participants.

The following table sets forth, as of February 21, 2005, the number of shares of the Common Stock beneficially owned by each director and nominee for director, each of the executive officers listed in the Summary Compensation Table below, and all executive officers and directors of the Company as a group.

Name of Beneficial Owner	Amount and Nature of Beneficial Ownership (1)	Percent of Class
Joseph L. Becherer	9,000(2)	*
Eugene L. Butler	10,500(2)	*
James F. Clark	7,000(3)	*
Robert B. Gregory	7,613(4)	*
Don R. Madison	10,562(5)	*
Thomas W. Powell	3,022,584(6)	28.1%
Stephen W. Seale, Jr	16,514(2)	*
Robert C. Tranchon	6,100(3)	*
Ronald J. Wolny	19,565(7)	*
M.M. Zeller	62,323(8)	*
All Executive Officers and Directors as a group (10 persons)	3,171,761	29.5%

* Less than one percent (1%).

(1) The persons listed have sole voting power and sole investment power with respect to the shares beneficially owned by them, except as otherwise indicated.

(2) Includes 8,000 shares subject to stock options which are currently exercisable.

(3) Includes 6,000 shares subject to stock options which are currently exercisable.

(4) Includes 1,613 shares allocated to Mr. Gregory s account in the ESOP (see footnote (5) to the preceding table) and 6,000 shares subject to stock options which are currently exercisable.

(5) Includes 162 shares allocated to Mr. Madison s account in the ESOP (see footnote (5) to the preceding table) and 10,400 shares subject to stock options which are currently exercisable.

(6) See footnote (1) to the preceding table.

(7) Includes 6,883 shares subject to stock options which are currently exercisable. Also, includes 961 shares subject to deferred director s fees which are available for distribution within 60 days.

(8) Includes 2,197 shares allocated to Mr. Zeller s account in the ESOP (see footnote (5) to the preceding table) and 35,370 shares subject to stock options which are currently exercisable. Also includes 2,446 shares of restricted stock issued in connection with the exercise of options by Mr. Zeller that are subject to forfeiture if the related option shares are not held for five years or if he leaves employment of the Company, other than for retirement, within five years after receiving the shares. Mr. Zeller has sole voting rights but no investment power with respect to such restricted stock.

INFORMATION ABOUT THE BOARD OF DIRECTORS

The following table sets forth for each nominee and for each director whose term of office continues after the Annual Meeting, his name, age, principal occupation and employment for the past five years, offices held with the Company, the date he first became a director, and the date of expiration of his current term as director.

Name	Age	Principal Occupation for Past Five Years (1)	Offices Held With Company	Director Since	Term Expires
Thomas W. Powell	64	Chairman of the Board, President and Chief Executive Officer of the Company since November 1984	Director, Chairman of the Board, President and Chief Executive Officer (2)	1984	2007
Joseph L. Becherer	62	Senior Vice President, Eaton Corporation, from September 1995 until his retirement in October 1997	Director	1997	2007
Stephen W. Seale, Jr.	65	Consultant, Professional Engineer	Director	1985	2006
Robert C. Tranchon	64	President and CEO, Reveille Technology, since 1995; President, Chief Executive Officer, and Director of Ansaldo Ross Hill from 1997-2000	Director	2000	2006
James F. Clark	58	Vice President, Square D Corporation from 1989 until his retirement in December 2000	Director	2001	2006
Eugene L. Butler	63	Chairman of the Board, Intercoastal Terminal since 1991	Director	1990	2005
Ronald J. Wolny	65	Vice President, Fluor Daniel, Inc. until his retirement in January 2003	Director	2001	2005

(1) None of the corporations listed (other than the Company) is an affiliate of the Company.

(2) Mr. Powell also serves as a director of each subsidiary of the Company.

Only the directors who are not employees of the Company or any of its subsidiaries or affiliates are entitled to receive a fee, plus reimbursement of out-of-pocket expenses, for their services as directors. Under the Company s standard arrangement for compensation of directors, outside directors receive a quarterly retainer of $2,500 and a fee of $2,000 for each board meeting attended. Members of the audit committee other than the chairman receive a fee of $1,200 for each committee meeting attended. Members of all other committees receive a fee of $800 for each committee meeting attended. The audit committee chairman receives a fee of $2,500 for each committee meeting attended. All other committee chairmen receive a fee of $1,250 for each committee meeting attended.

In 1993, the Company adopted the Powell Industries, Inc. Directors Fee Program which permits directors to defer receipt of the directors fees to which they would otherwise be entitled and to have such deferred fees allocated to a shadow account as if they were invested in Common Stock of the Company on the date the fees were payable. Then upon expiration of the deferral period or the retirement or death of the director, payment will be made in the form of shares of Common Stock equal to the number of shares in his shadow account (plus any distributions on the Common Stock that were credited to the shadow account).

The Stockholders voted at the March 16, 2002 meeting to approve the Non-Employee Director Stock Option Plan which supersedes the 2000 Non-Employee Stock Option Plan adopted by the Board of Directors in 2000. The total number of shares of Common Stock reserved under the plan is 100,000 shares. The Plan is administered by the Board of Directors. Eligibility to participate in the Plan is limited to those individuals who are members of the Board of the Company and who are not an employee of the Company or any affiliate of the Company. Options have been issued to each of the non-employee directors to acquire shares of the Company s common stock in accordance with the terms of the Plan.

Five meetings of the Board of Directors were held in the last fiscal year. No incumbent director attended fewer than seventy-five percent (75%) of the aggregate of (1) the total number of meetings of the Board of Directors and (2) the total number of meetings held by all committees of the Board on which he served. It is the Company s policy that directors attend the Annual Meeting of Stockholders. At the Annual Meeting of Stockholders on March 5, 2004, all of the Company s directors at that date were present. Stockholders may communicate with directors of the Company by writing to them at the Company s headquarters. Communications addressed to the Board of Directors will be reviewed by the Secretary of the Company and directed to them for their consideration.

Nominating Committee

The Board of Directors has a standing Nominating Committee comprised of Eugene L. Butler, James F. Clark and Ronald J. Wolny, all of whom are independent within the meaning of the NASDAQ Marketplace Rules. The Nominating Committee proposes a slate of directors for election by the Company s stockholders at each annual meeting and appoints candidates to fill any vacancy on the Board. The Nominating Committee is also responsible for establishing director qualifications and the selection criteria for new directors. The Nominating Committee also recommends to the Board of Directors a slate of directors to serve on each standing committee of the Board and recommends one member of each standing committee to serve as chairman of the committee. During the fiscal year 2004 the Committee held three meetings. During fiscal 2004, the Board of Directors amended and updated the Nominating Committee Charter, which is attached as Appendix B. A copy of the Nominating Committee Charter may also be obtained upon written request addressed to the Secretary, Powell Industries, Inc., 8550 Mosley Drive, Houston, Texas 77075.

The Nominating Committee will consider written recommendations from stockholders for nominees for director. Any such nominations should be submitted to the Nominating Committee, c/o the Secretary, Powell Industries, Inc., 8550 Mosley Drive, Houston, TX 77075 and should be accompanied by the following information:

- all information relating to such nominee that is required to be disclosed pursuant to Regulation 14A under the Securities Exchange Act of 1934 (including such person s written consent to being named in the proxy statement as a nominee and to serving as a director if elected);

- the name(s) and address(es) of the stockholder(s) making the nomination and the number of shares of the Company s Common Stock which are owned beneficially and of record by such stockholder(s); and

- appropriate biographical information and a statement as to the qualifications of the nominee.

The written recommendation should be submitted in the time frame described under the caption Stockholder Proposals below.

Nominees for director are selected on the basis of a number of qualifications including their independence, knowledge, judgment, character, leadership skills, education, experience, financial literacy, standing in the community and ability to foster a diversity of backgrounds and views and to complement the Board s existing strengths. The Nominating Committee initiates the process for identifying and evaluating nominees to the Board of Directors by preparing a slate of candidates who meet the criteria for selection as a nominee and have any specific qualities or skills being sought based on input from members of the Board. The Committee may, to the extent it deems appropriate, engage a third-party search firm and other advisors.

The Nominating Committee evaluates the candidates by reviewing their biographical information and qualifications, with qualified nominees being interviewed by at least one member of the Committee and the Chief Executive Officer. Members of the Board also have an opportunity to interview qualified nominees. The Nominating Committee then determines, based on the background information and the information obtained in the interviews, whether to recommend to the Board that a nominee be nominated to fill a directorship with an expiring term. Candidates recommended by the Nominating Committee to fill a directorship with an expiring term are presented to the Board for selection as nominees to be presented for the approval of the stockholders. The Nominating Committee anticipates that a similar process will be used to evaluate nominees recommended by stockholders, but has not yet received a stockholder recommendation for a nominee for director. The Nominating Committee is responsible for appointing new members to the Board to fill the unexpired term of a directorship vacated during the term.

NOMINATING COMMITTEE REPORT

The Nominating Committee, upon its own recommendation and approval of the independent members of the Board of Diectors, recommended that the Board nominate Eugene L. Butler and Ronald J. Wolny for re-election as directors, subject to stockholder approval, for a three-year term ending at the annual stockholder meeting in 2008 and has otherwise satisfied its responsibilities under its charter.

The Nominating Committee of the Board of Directors:

Ronald J. Wolny, Chairman
Eugene L. Butler
James F. Clark

Audit Committee

The Board of Directors has a standing Audit Committee which met six times during the last fiscal year. The Audit Committee consists of Mr. Butler, Mr. Seale and Mr. Tranchon. The Board of Directors has determined that Mr. Butler is an independent director and qualifies as the audit committee financial expert as defined in Item 401(h) of Regulation S-K of the Securities Exchange Act of 1934 (the Exchange Act). The Audit Committee has the responsibility to assist the Board of Directors in fulfilling its fiduciary responsibilities as to accounting policies and reporting practices of the Company and its subsidiaries and the sufficiency of the audits of all Company activities. It is the Board s agent in ensuring the integrity of financial reports of the Company and its subsidiaries, and the adequacy of disclosures to stockholders. The Audit Committee is the focal point for communication between other directors, the independent auditors, internal auditors and management as their duties relate to financial accounting, reporting, and controls. The current members of the Audit Committee are independent as that term is defined by Rule 4200(a)(15) of the listing standards of the National Association of Securities Dealers. All meetings of the Audit Committee were separate and apart from meetings of the full Board of Directors during fiscal 2004. During fiscal 2004, the Board of Directors amended and updated the Audit Committee Charter, which is attached as Appendix C. A copy of the Audit Committee Charter may also be obtained upon written request addressed to the Secretary, Powell Industries, Inc., 8550 Mosley Drive, Houston, Texas 77075.

AUDIT COMMITTEE REPORT

The Audit Committee has (1) reviewed the Company s audited financial statements for fiscal 2004 and discussed them with Management, (2) discussed with the Company s independent registered public accounting firm the matters required to be discussed by Statement of Auditing Standards No. 61, as amended, (3) received written disclosures and a letter from the Company s independent registered public accounting firm required by Independence Standards Board Statement No. 1, and (4) discussed the independence of the Company s registered public accounting firm with them. Based on the foregoing discussions, the Audit Committee recommended to the Company s Board of Directors that the Company s audited financial statements be included in its annual report on Form 10-K for the year ended October 31, 2004.

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The Audit Committee of the Board of Directors:

Eugene L. Butler, Chairman
Stephen W. Seale, Jr.
Robert C. Tranchon

Compensation Committee

The Board of Directors has a standing Compensation Committee comprised of Mr. Becherer, Mr. Wolny and Mr. Tranchon, all of whom are non-employee directors of the Company. The Compensation Committee, which held four meetings during the last fiscal year, provides oversight on behalf of the full Board on development and administration of the Company s executive compensation program and each component plan in which officers and directors are eligible to participate. The Compensation Committee also administers the Stock Option Plan, the Director s Fee Program, Incentive Compensation Plan and the Non-Employee Director Stock Option Plan of the Company.

Code of Ethics

The Company has adopted a Code of Business Conduct and Ethics that applies to all employees, including its executive officers and directors. A copy of the Company s Code of Business Conduct and Ethics may be obtained by request through the Investor Relations section of the Company s website at www.powellind.com or by written request addressed to the Secretary, Powell Industries, Inc., 8550 Mosley Drive, Houston, Texas 77075.

EXECUTIVE OFFICERS

The following table provides information regarding the executive officers of the Company who are not also a director or a nominee for director. The officers of the Company serve at the discretion of the Board of Directors of the Company.

Name	Age	Since	Position
Mark W. Reid [(1)]	45	2004	Executive Vice President of Company
Don R. Madison [(2)]	47	2001	Vice President and Chief Financial Officer of Company
M. M. Zeller [(3)]	66	1990	Vice President of Company and President of Powell Electrical Manufacturing Company ("PEMCO")
Robert B. Gregory	49	2000	Controller of Company

(1) Mr. Reid was elected Executive Vice President of the Company by the Board of Directors at its September 10, 2004 meeting which became effective on that date. For more than five years prior to joining the Company, Mr. Reid served in several capacities with ABB, Inc. including Group Vice President.

(2) Mr. Madison was elected Vice President and Chief Financial Officer of the Company by the Board of Directors at its September 7, 2001 meeting which became effective on October 1, 2001. For more than five years prior to joining the Company, Mr. Madison served in several capacities with ABB, Inc. including Vice President of Finance.

(3) Mr. Zeller was elected Vice President of the Company by the Board of Directors at its January 18, 2002 meeting which became effective on that date. This appointment is in addition to Mr. Zeller's position as President of Powell Electrical Manufacturing, a wholly owned division of the Company.

EXECUTIVE COMPENSATION

The following table sets forth certain information concerning the compensation of the Chief Executive Officer of the Company, and of the Company's most highly compensated executive officers for the last fiscal year (other than the CEO) whose total annual salary and bonus exceeded $100,000, for each of the Company's fiscal years ending October 31, 2004, October 31, 2003 and October 31, 2002.

Summary Compensation Table

		Annual Compensation		Long Term Compensation Awards		
(a)	(b)	(c)	(d)	(e)	(f)	(g)
Name and Principal Position	**Year**	**Salary ($)**	**Bonus ($)**	**Restricted Stock Awards (#) (1)**	**Securities Underlying Options (#)**	**All Other Compensation ($) (2)**

		Annual Compensation		Long Term Compensation Awards		
Thomas W. Powell....................	2004	371,408	88,800	---	---	60,126 (3)
CEO of Company	2003	370,000	---	---	44,000	78,729 (3)
	2002	354,231	322,700	7,000	---	57,448 (3)
Mark W. Reid (4)..................	2004	20,769	30,000	---	15,000	1,500
Executive Vice President of Company						
Don R. Madison	2004	190,750	40,000	---	---	16,655
Vice President and	2003	182,000	---	---	22,000	15,957
CFO of Company	2002	181,731	118,000	---	---	10,048
M. M. Zeller........................	2004	233,304	98,000	---	---	21,017
Vice President of Company	2003	222,602	---	---	20,000	9,483
and President of PEMCO	2002	220,097	201,600	1,926	---	14,500
Robert B. Gregory...................	2004	124,817	25,000	---	---	3,408
Controller of Company	2003	115,260	---	---	7,500	3,118
	2002	114,815	53,000	---	---	5,894

(1) As of October 31, 2004, the aggregate number of shares of restricted stock held by named executive officers of the Company was 15,446, and the value of such shares as of such date was $248,990. These officers have the right to receive dividends with respect to such restricted stock awards to the extent dividends are paid generally on the Common Stock. However, the Company has not previously paid dividends and it is not anticipated that dividends will be paid in the immediate future. Such awards were made to these officers in connection with their exercise of stock options granted by the Company, pursuant to a provision in the stock option agreement designed to encourage retention of shares received upon exercise of options.

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(2) The amounts in this column include contributions matched by the Company for the Employees Incentive Savings Plan (401(k) plan), estate planning and automobile allowance.

(3) In addition to the items noted above, with respect to Mr. Powell, the amounts in this column also include $28,230 for all years for premiums paid by the Company with respect to life insurance for the benefit of Mr. Powell.

(4) Mr. Reid was appointed Executive Vice President of the Company by the Board of Directors at its September 10, 2004 meeting.

Aggregated Option Exercises in Last Fiscal Year and FY-End Option Values

Name	Shares Acquired on Exercise (#)	Value Realized ($)	Number of Securities Underlying Unexercised Options at October 31, 2004 (#) Exercisable/Unexercisable	Value of Unexercised In-the-Money Options at October 31, 2004 ($) Exercisable/Unexercisable
Thomas W. Powell	---	---	81,600 / 52,200	369,402 / 35,904
Mark W. Reid	---	---	0 / 15,000	--- / ---
Don R. Madison	---	---	10,400 / 21,600	4,488 / 17,952
M. M. Zeller	4,000	35,850	35,370 / 24,000	127,045 / 16,320
Robert B. Gregory	1,000	17,020	6,000 / 9,000	1,530 / 6,120

Each of the named executive officers is covered by the Company s Executive Severance Protection Plan, which provides severance pay and other specified benefits upon termination of employment other than for cause (as defined in the Plan) within three years of a change in control of the Company. The benefits payable in such event (grossed up for taxes) are (1) three times the officer s current annual base salary, plus (2) three times the maximum incentive opportunity for the officer under the Company s then current Incentive Compensation Plan, plus (3) continuation of medical, dental and life insurance benefits for three years or until the officer is covered under another plan, whichever is earlier.

Thomas W. Powell is covered by the Company s Executive Benefit Plan. Pursuant to Mr. Powell s Executive Benefit Agreement executed under such Plan, he is entitled to the following payments: (1) if he should die while in active employment with the Company, a lump sum benefit of $630,000 payable to his designated beneficiary; (2) upon normal retirement on or after age 65 and the completion of at least ten years of continuous employment, salary continuation payments of $150,000 per year for five years and then $75,000 per year for ten years; (3) upon termination of employment prior to qualifying for normal retirement but after attaining age 55 and the completion of at least ten years of continuous employment with the Company, the salary continuation payments payable upon normal retirement, reduced by 1/2% for each month prior to age 65 that employment is terminated, commencing on the later of the date of retirement or attainment of age 60; and (4) upon a sale of all or substantially all of the property and assets of the Company other than in the usual course of its business, or a merger of the Company wherein the Company is not the surviving corporation, and within two years thereafter Mr. Powell s employment with the Company is terminated or he resigns following a change of his position to one of less responsibility, Mr. Powell would be entitled to receive salary continuation payments of $150,000 per year for five years and then $75,000 per year for ten years. If Mr. Powell entered into competition with the Company following termination or retirement described in (3) above, he would (a) forfeit all further payments if the competition occurred within 36 months following termination, or (b) not be entitled to any further payments until age 60, if the competition occurred after 36 months following termination.

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Equity Compensation Plan Information

The following table summarizes information about the Company s equity compensation plans as of October 31, 2004. All outstanding awards relate to the Company s common stock.

Plan category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights (a)	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights (b)	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a)) (c)
Equity compensation plans approved by security holders	827,393	$15.26	189,349
Equity compensation plans not approved by security holders(1)................	---	---	---
Total	827,393	$15.26	189,349

(1) In 1993, the Company adopted the Powell Industries, Inc. Directors Fee Program (the Program). Under the Program, directors may defer receipt of the directors fees and have such fees allocated to a shadow account as if they were invested in the Company s common stock based on the fair market value on the date the fees are payable. Upon expiration of the deferral period elected by the director, or upon death, the shares held in his shadow account are distributed, along with any distributions on the Common Stock that were credited to the shadow stock account. As of O;">1,357,400

Cash surrender value of life insurance	4,565,049		4,301,591
Total Other Assets	9,595,688		9,890,600
Total Assets	$	28,529,382	$28,748,909

LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	$ 2,396,099	$4,604,580
Accrued liabilities	2,033,936	2,374,424
Dividends payable	442,962	442,962
Income taxes payable	1,146,051	1,146,051
Total Current Liabilities	6,019,048	8,568,017
Long-Term Liabilities:		
Line of credit facility	2,200,000	—
Deferred compensation	2,250,821	2,196,320
Derivative liability	138,581	135,333
Other liabilities	754,000	754,000
Total Long-Term Liabilities	5,343,402	3,085,653
Total Liabilities	11,362,450	11,653,670
Stockholders' Equity:		
Common stock, $0.005 par value, authorized 20,000,000 shares; issued and outstanding 7,382,706 shares	36,914	36,914
Paid in capital	2,773,541	2,625,039
Retained earnings	14,356,477	14,433,286
Total Stockholders' Equity	17,166,932	17,095,239
Total Liabilities and Stockholders' Equity	$ 28,529,382	$28,748,909

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

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KOSS CORPORATION
CONDENSED STATEMENTS OF CASH FLOWS (Unaudited)

Three Months Ended September 30,	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$366,153	$280,597
Adjustments to reconcile net income to net cash used in operating activities:		
Provision for doubtful accounts	2,629	8,763
Depreciation of equipment and leasehold improvements	214,984	166,296
Amortization of product software development expenditures	364,540	—
Stock-based compensation expense	148,502	124,671
Provision for deferred income taxes	219,695	172,346
Change in cash surrender value of life insurance	(6,102)	(5,889)
Deferred compensation	57,749	41,989
Net changes in operating assets and liabilities (see note 12)	(2,405,838)	(1,394,821)
Net cash flows used in operating activities	(1,037,688)	(606,048)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Life insurance premiums paid	(257,356)	(347,273)
Purchase of equipment and leasehold improvements	(294,255)	(420,433)
Product software development expenditures	(22,580)	(210,192)
Net cash flows used in investing activities	(574,191)	(977,898)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net proceeds from line of credit facility	2,200,000	2,100,000
Dividends paid to stockholders	(442,962)	(442,962)
Net cash flows provided by financing activities	1,757,038	1,657,038
Net increase in cash and cash equivalents	145,159	73,092
Cash and cash equivalents at beginning of period	50,027	160,542
Cash and cash equivalents at end of period	$195,186	$233,634

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

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KOSS CORPORATION
NOTES TO CONDENSED FINANCIAL STATEMENTS
September 30, 2012
(Unaudited)

1. CONDENSED FINANCIAL STATEMENTS

The condensed balance sheet as of June 30, 2012 has been derived from audited financial statements. The unaudited condensed financial statements presented herein are based on interim amounts. In the opinion of management, all adjustments (consisting of normal recurring accruals) necessary to present fairly the financial position, results of operations and cash flows for all periods presented have been made. The operating results for the three months ended September 30, 2012, are not necessarily indicative of the operating results for the full year.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles in the United States of America (“GAAP”) have been condensed or omitted. These condensed financial statements should be read in conjunction with the financial statements and notes thereto included in the Registrant’s June 30, 2012, Annual Report on Form 10-K.

2. UNAUTHORIZED TRANSACTION RELATED COSTS AND RECOVERIES

In December 2009, Koss Corporation (the "Company") learned of significant unauthorized transactions, which totaled approximately $31,500,000 from fiscal year 2005 through December 2009 as previously reported. The unauthorized transaction related recoveries, net line in the Condensed Statements of Income is comprised of legal defense costs, legal fees related to certain claims against third parties (see Note 14), and recoveries related to the unauthorized transactions which are summarized below. For the three months ended September 30, 2012 and 2011, these costs and recoveries were as follows:

	Three Months Ended September 30	
	2012	2011
Legal fees incurred	$71,304	$448,906
Recoveries:		
Insurance proceeds	(13,108)	(499,320)
Proceeds from asset forfeitures	(440,923)	—
Total recoveries	(454,031)	(499,320)
Unauthorized transaction related recoveries, net	$(382,727)	$(50,414)

3. INVENTORIES

The components of inventories at September 30, 2012 and June 30, 2012, were as follows:

	September 30, 2012	June 30, 2012
Raw materials	$4,117,513	$3,922,643
Work-in process	61,282	32,045
Finished goods	5,925,699	6,311,414

	10,104,494	10,266,102
Reserve for obsolete inventory	(983,815)	(869,752)
Total inventories	$9,120,679	$9,396,350

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4. PRODUCT SOFTWARE DEVELOPMENT EXPENDITURES

The Company follows the guidance of ASC 985-20 “Costs of Software to be Sold, Leased, or Marketed” when capitalizing software development costs associated with software embedded in or to be incorporated into its products. The cost of purchased software technology is capitalized and stated at the lower of unamortized cost or expected net realizable value. Software is subject to rapid technological obsolescence and future revenue estimates supporting the capitalized software cost can be negatively affected based upon competitive products, services and pricing. Such adverse developments could reduce the estimated net realizable value of our product software development costs and could result in impairment or a shorter estimated life. Such events would require us to take a charge in the period in which the event occurs or to increase the amortization expense in future periods and would have a negative effect on our results of operations. At a minimum, we review for impairment on a quarterly basis. The Company launched a new product offering utilizing this software in the fourth quarter of fiscal 2012 and began amortization of the related capitalized software costs. Amortization is being recorded over a three year period or a fixed amount per unit sold, whichever is greater. Amortization expense for the three months ended September 30, 2012 was $364,540. Accumulated amortization as of September 30, 2012 totaled $507,407.

5. INCOME TAXES

The Company files income tax returns in the United States (Federal), Wisconsin (State) and various other state jurisdictions. Tax years open to examination by tax authorities under the statute of limitations include fiscal 2007 through 2012 for Federal and fiscal 2008 through 2012 for most state jurisdictions.

The total liability for unrecognized tax benefits was $1,146,051 as of September 30, 2012 and as of June 30, 2012. The Company recognizes penalties related to unrecognized tax benefits in the provision for income taxes. The Company recognizes interest related to unrecognized tax benefits in interest expense. The Company expects a decrease in unrecognized tax benefits during the next 12 months based on expected closure of certain tax positions.

6. CREDIT FACILITY

On May 12, 2010, the Company entered into a secured credit facility with JPMorgan Chase Bank, N.A. (“Lender”). The Credit Agreement dated May 12, 2010 between the Company and the Lender (“Credit Agreement”) provides for an $8,000,000 revolving secured credit facility with interest rates either ranging from 0.0% to 0.75% over the Lender’s most recently publicly announced prime rate or 2.0% to 3.0% over the London Interbank Offered Rate ("LIBOR"), depending on the Company’s leverage ratio. The Company pays a fee of 0.3% to 0.45% for unused amounts committed in the credit facility. On May 21, 2012, the Credit Agreement was amended to extend the expiration to July 31, 2014. In addition to the revolving loans, the Credit Agreement also provides that the Company may, from time to time, request the Lender to issue letters of credit for the benefit of the Company up to a sublimit of $2,000,000 and subject to certain other limitations. The loans may be used only for general corporate purposes of the Company.

The Credit Agreement contains certain affirmative, negative and financial covenants customary for financings of this type. The negative covenants include restrictions on other indebtedness, liens, fundamental changes, certain investments, asset sales, sale and leaseback transactions and transactions with affiliates, among other restrictions. The financial covenants include a minimum current ratio, minimum tangible net worth and maximum leverage ratio requirements. The Company and the Lender also entered into a Pledge and Security Agreement dated May 12, 2010 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. As of September 30, 2012 and June 30, 2012, the outstanding balance on this credit facility was $2,200,000 and $0, respectively. The applicable interest rate on the outstanding balance at September 30, 2012 was 3.25%.

7. INTEREST EXPENSE

The Company incurs interest expense primarily related to its secured credit facility (see Note 6) and to its liabilities for its tax positions related to the unauthorized transactions. As the tax returns have been settled and statutes have closed, the interest expense on certain items has been reversed. Interest expense detail was as follows for the three months ended September 30, 2012 and 2011, respectively:

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	Three Months Ended September 30	
	2012	2011
Interest expense on secured credit facility	$(17,369)	$(25,515)
Interest expense for tax positions related to unauthorized transactions	(11,940)	(32,074)
Interest reversals for tax positions related to unauthorized transactions	—	18,906
Other interest expense	—	(1,843)
Interest expense	$(29,309)	$(40,526)

8. INCOME PER COMMON AND COMMON STOCK EQUIVALENT SHARE

Basic income per share is computed based on the weighted-average number of common shares outstanding. The weighted-average number of common shares outstanding was 7,382,706 for the quarters ended September 30, 2012 and 2011. When dilutive, stock options are included in income per share as share equivalents using the treasury stock method. For the periods ended September 30, 2012 and 2011, there were no common stock equivalents related to stock option grants that were included in the computation of the weighted-average number of shares outstanding for diluted income per share. Shares under option of 1,944,308 and 1,749,308 were excluded from the diluted weighted-average common shares outstanding for the periods ended September 30, 2012 and 2011, respectively, as they would be anti-dilutive.

9. DIVIDENDS DECLARED

On August 23, 2012, the Company declared a quarterly cash dividend of $0.06 per share for the stockholders of record on September 28, 2012 to be paid October 15, 2012. Such dividend payable has been recorded as of September 30, 2012.

10. STOCK OPTIONS

The Company recognizes stock-based compensation expense for options granted under both the 1990 Flexible Incentive Plan and the 2012 Omnibus Incentive Plan, which was approved by the stockholders at the annual meeting held on October 3, 2012. The stock-based compensation relates to stock options granted to employees, non-employee directors and non-employee consultants. In the three months ended September 30, 2012, options to purchase 430,000 shares were granted under the 2012 Omnibus Incentive Plan at a weighted average exercise price of $5.14. In the three months ended September 30, 2011, options to purchase 415,000 shares were granted under the 1990 Flexible Incentive Plan at a weighted average exercise price of $6.37. Stock-based compensation expense during the three months ended September 30, 2012 and 2011 was $148,502 and $124,671, respectively.

11. STOCK PURCHASE AGREEMENTS

The Company has an agreement with its Chairman, John C. Koss, in the event of his death, at the request of the executor of his estate, to repurchase his Company common stock from his estate. The Company does not have the right to require the estate to sell stock to the Company. As such, this arrangement is accounted for as a written put option with the fair value of the put option recorded as a derivative liability.

The fair value of the written put option at September 30, 2012 and June 30, 2012 was $138,581 and $135,333, respectively. 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 will be sufficient to provide proceeds which are the lesser of $2,500,000 or the amount of estate taxes and administrative expenses incurred by the Chairman's estate. The Company may elect to pay the purchase price in cash or may elect to pay cash equal to 25% of the total amount due and to execute a promissory note for the balance, payable over four years, at the prime rate of interest. The Company maintains a $1,150,000 life insurance policy to fund a substantial portion of this obligation.

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12. ADDITIONAL CASH FLOW INFORMATION

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

	Three Months Ended September 30 2012	2011
Accounts receivable	$511,106	$749,794
Inventories	275,671	(846,037)
Prepaid expenses and other current assets	(643,646)	(334,136)
Income taxes payable	—	(121,865)
Accounts payable	(2,208,481)	56,185
Accrued liabilities	(340,488)	(898,762)
Net change	$(2,405,838)	$(1,394,821)
Net cash paid during the year for:		
Income taxes	$6,674	$121,865
Interest	$10,553	$25,697

13. STOCKHOLDERS' EQUITY

The following table summarizes the changes in stockholders' equity for the three months ended September 30, 2012 and 2011:

	Three Months Ended September 30 2012	2011
Net income	$366,153	$280,597
Dividends declared	(442,962)	(442,962)
Stock-based compensation expense	148,502	124,671
Increase / (decrease) in stockholders' equity	$71,693	$(37,694)

14. LEGAL MATTERS

As of September 30, 2012, the Company is party to the matters related to the unauthorized transactions described below:

- On January 15, 2010, a class action complaint was filed in federal court in Wisconsin against the Company, Michael Koss and Sujata Sachdeva. The suit alleged violations of Section 10(b), Rule 10b-5 and Section 20(a) of the Exchange Act relating to the unauthorized transactions and requested an award of compensatory damages in an amount to be proven at trial. An amended complaint was filed on September 10, 2010 adding Grant Thornton LLP as a defendant. The Company and Grant Thornton filed separate Motions to Dismiss the claims. On July 28, 2011, the Court issued an order that dismissed the Section 10(b) and Rule 10b-5 claims against Michael Koss and the claim against Grant Thornton, and ruled that the Section 10(b) and Rule 10b-5 claim against Koss Corporation and the Section 20(a) claim against Michael Koss survived the motion to dismiss. The Company and Michael Koss entered into a Stipulation of Settlement with plaintiffs dated March 6, 2012 that settled all claims against them. The Court approved the settlement and on July 10, 2012, entered a Final Judgment and Order of Dismissal With Prejudice that disposed of the case. See

David A. Puskala v. Koss Corporation, et al., United States District Court, Eastern District of Wisconsin, Case No. 2:2010cv00041.

- On February 18, 2010, the Company filed an action against American Express Company, American Express Travel Related Services Company, Inc., AMEX Card Services Company, Decision Science, and Pamela S. Hopkins in Superior Court of Maricopa County, Arizona, case no. CV2010-006631, alleging various claims of aiding and abetting breach of fiduciary duty, aiding and abetting fraud, conversion, and negligence relating to the unauthorized

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transactions. American Express filed a Motion to Dismiss the claims that the Company filed, and the Court granted the Motion to Dismiss. The Company filed a Motion for New Trial requesting that the Court reconsider its prior ruling that granted the Motion to Dismiss, and the Court denied the Motion for New Trial. The Company appealed this decision, and the case is currently pending on appeal.

- On June 24, 2010, the Company filed an action against its former independent auditor, Grant Thornton, LLP, and Ms. Sachdeva, in Circuit Court of Cook County, Illinois, alleging various claims of accounting malpractice, negligent misrepresentation, and fraud relating to the unauthorized transactions. Grant Thornton filed a Motion to Dismiss based on Forum Non Conveniens grounds and the trial court granted this motion. The Company appealed this decision, and the court of appeals ruled in favor of the Company allowing this case to proceed in Cook County, Illinois as opposed to Milwaukee, Wisconsin. Grant Thornton has appealed this decision to the Illinois Supreme Court, and the case is pending on appeal.
- On December 17, 2010, the Company filed an action against Park Bank in Circuit Court of Milwaukee County, Wisconsin alleging claims of negligence and breach of fiduciary duty relating to the unauthorized transactions.

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

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

Overview

The Company developed stereo headphones in 1958 and has been a leader in the industry. The Company markets a complete line of high-fidelity stereo headphones, speaker-phones, computer headsets, telecommunications headsets, active noise canceling stereo headphones, wireless stereo headphones and compact disc recordings of American Symphony Orchestras on the Koss Classics label. The Company operates as one business segment.

As a result of the unauthorized transactions that the Company previously reported, the Company restated its previously issued consolidated financial statements and related notes thereto for the fiscal year ended June 30, 2009, and for the three month period ended September 30, 2009. The Company also amended its Quarterly Reports on Form 10-Q/A for the three months ended December 31, 2009 and March 31, 2010 to include condensed consolidated financial statements and related notes thereto, which were delayed as a result of the restatements. All of these amended reports were filed on June 30, 2010, and should be read in conjunction with this Quarterly Report on Form 10-Q.

Results of Operations Summary

- Net sales increased 1.8% to $8,914,862 on the strength of sales to U.S. based mass retailers, including customers added late in the fiscal year ended June 30, 2012.
- Gross profit as a percent of sales declined 1.5% to 36.5% due to amortization of software development costs and sales of closeout products at low margin. These impacts were partially offset by improvements in margin resulting from improved product purchase costs, when compared to last year, and favorable product pricing to customers.
- Selling, general and administrative spending was higher primarily due to costs of patent and trademark defense.
- Resolution of the lawsuits in which the Company was the defendant as well as completion of the SEC investigation caused a significant decline in legal expenses related to the unauthorized transactions.
- Unauthorized transaction related recoveries declined due to less insurance reimbursement of legal fees as overall legal fees have declined. The Company received $440,923 in the three months ended September 30, 2012 from the forfeiture of assets and sale of items at auctions.

Financial Results

The following table presents selected financial data for the three months ended September 30, 2012 and 2011:

Financial Performance Summary	2012		2011	
Net sales	$8,914,862		$8,754,785	
Net sales gain / (loss) %	1.8	%	(12.7	)%
Gross profit	$3,251,172		$3,328,242	
Gross profit as % of net sales	36.5	%	38.0	%
Selling, general and administrative expenses	$3,018,751		$2,885,187	
Selling, general and administrative expenses as % of net sales	33.9	%	33.0	%
Unauthorized transaction related costs	$71,304		$448,906	
Unauthorized transaction related recoveries	$(454,031	)	$(499,320	)
Unauthorized transaction related recoveries, net	$(382,727	)	$(50,414	)
Income from operations	$615,148		$493,469	
Income from operations as % of net sales	6.9	%	5.6	%
Other expense	$(29,299	)	$(40,526	)
Income tax provision	$219,696		$172,346	

Income tax provision as % of income before income tax provision	37.5	%	38.1	%

2012 Results of Operations Compared with 2011

Net sales for the three months ended September 30, 2012 increased due primarily to an increase in sales to the large mass retailer market in the United Sates, including customers added late in the year ended June 30, 2012. The Company saw some weakness in sales to European distributors in the first three months of the current year.

Gross profit as a percent of sales for the three months ended September 30, 2012 was 36.5% which was 1.5% lower than for the

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three months ended September 30, 2011. The decline in gross profit percentage was the result of approximately $365,000 of amortization of software development product costs, which started late in the year ended June 30, 2012 when the Striva product was launched. In addition, there was a sale at low margin to close out a product during the quarter ended September 30, 2012. The gross profit as a percent of sales was lower than normal in the quarter ended September 30, 2011 due to cost increases from manufacturers in China. During the year ended June 30, 2012, the Company was able to mitigate some of the cost increases by transferring production to alternate suppliers and by improvements in product pricing in certain markets.

Selling, general and administrative expenses for the three months ended September 30, 2012 were higher than the same period last year. The majority of this increase was driven by costs of patent and trademark defense.

In the three months ended September 30, 2012, unauthorized transaction related costs declined because the Company incurred lower costs for the legal fees related to defending certain actions. The derivative lawsuit, SEC investigation, and class action lawsuit have been resolved, causing a decrease to the legal fees associated with these matters. Included in the unauthorized transaction related recoveries for the three months ended September 30, 2012 was $440,923 from asset forfeitures and sale of items at auction and $13,108 of insurance proceeds. Included in recoveries for the three months ended September 30, 2011 was $499,320 of insurance proceeds.

The income from operations increased in the three months ended September 30, 2012 from the three months ended September 30, 2011 primarily due to decreased unauthorized transaction related costs. The increased sales improved income from operations but was partially offset by a decline in gross profit and increased selling, general and administrative expenses.

The effective income tax rate in the three months ended September 30, 2012 was consistent with the full federal and state tax rates for the Company. It is anticipated that the effective income tax rate would be approximately 31% in the year ended June 30, 2013.

Liquidity and Capital Resources

Cash Flows

The following table summarizes our cash flows from operating, investing and financing activities for the three months ended September 30, 2012 and 2011:

	2012	2011
Total cash provided by (used in):		
Operating activities	$(1,037,688)	$(606,048)
Investing activities	(574,191)	(977,898)
Financing activities	1,757,038	1,657,038
Net increase in cash and cash equivalents	$145,159	$73,092

Operating Activities

During the three months ended September 30, 2012, cash used in operations increased primarily due to payments to contract manufacturers causing a $2,208,481 reduction in accounts payable. Inventory decreased to $9,120,679 at September 30, 2012 as compared to $9,396,350 as of June 30, 2012. This decrease was largely due to a closeout of slow moving product. Inventory remained high due to stocking of new products in advance of shipments and adding inventory to support the launch of the Striva product line. Prepaid assets increased to $1,030,712 at September 30, 2012 from $387,066 as of June 30, 2012 due to prepayment of insurance premiums and advance payment of a product placement program at a U.S. retailer.

Investing Activities

Cash used in investing activities was lower for the three months ended September 30, 2012 as the Company had lower expenditures for equipment and life insurance payments. In addition, capitalized software development expenditures decreased as a result of expensing on-going costs for the Striva products since the product was launched during the year ended June 30, 2012. In the year ended June 30, 2013, the Company has budgeted $1,200,000 for tooling and leasehold improvements. The Company expects to generate sufficient funds through operations to fund these expenditures.

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Financing Activities

Net cash provided by financing activities in the three months ended September 30, 2012 was similar to the three months ended September 30, 2011. The Company borrowed from its bank line of credit $2,200,000 and $2,100,000 in the three months ended September 30, 2012 and 2011, respectively. Dividends paid to stockholders was the same at $442,962 or $0.06 per share in the three months ended September 30, 2012 and September 30, 2011. The Company intends to continue to pay regular quarterly dividends for the foreseeable future. As of September 30, 2012, the Company had outstanding borrowings of $2,200,000 on its bank line of credit facility. The borrowings were used to fund payments to vendors for inventory purchases late in fiscal year ended June 30, 2012.

There were no purchases of common stock in 2012 or 2011 under the stock repurchase program. No stock options were exercised in 2012 or 2011.

Liquidity

In addition to capital expenditures for tooling and continued investment in software and new product development, the Company has interest payments on its line of credit facility borrowings, and planned normal quarterly dividend payments. The Company believes that cash generated from operations, together with borrowings available under its credit facility, provide it with adequate liquidity to meet operating requirements, debt service requirements, planned capital expenditures, and dividend payments. The long-term outlook for the business remains positive, however, the Company continually reevaluates 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 12, 2010, the Company entered into a secured credit facility with JPMorgan Chase Bank, N.A. (“Lender”). The Credit Agreement dated May 12, 2010 between the Company and the Lender (“Credit Agreement”) provides for an $8,000,000 revolving secured credit facility and for letters of credit for the benefit of the Company of up to a sublimit of $2,000,000. On May 21, 2012, the Credit Agreement was amended to extend the expiration to July 31, 2014. The Company and the Lender also entered into a Pledge and Security Agreement dated May 12, 2010 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 balance on this facility was $2,200,000, and $0 as of September 30, 2012 and June 30, 2012, respectively.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements other than the lease for the facility in Milwaukee, Wisconsin, which it leases from its Chairman. On May 15, 2012, the lease was renewed for a period of five years, ending June 30, 2018, 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 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.

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) that such information is accumulated and communicated to management, including the principal executive officer and principal financial officer, 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

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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 of September 30, 2012. The Company's management has concluded that the Company's disclosure controls and procedures as of September 30, 2012 were effective.

Changes in Internal Controls Over Financial Reporting

There have not been any changes in our internal control over financial reporting (as such term is defined in Exchange Act Rule 13a-15(f)) during the fiscal quarter to which this report relates that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

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PART II
OTHER INFORMATION

Item 1. Legal Proceedings

As of September 30, 2012, the Company is currently involved in several legal matters against third parties related to the unauthorized transactions. A description of these legal matters is included at Note 14 to the Condensed financial statements, which description is incorporated herein by reference.

Item 1A. Risk Factors

Not applicable.

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 three months ended September 30, 2012, by the Company.

COMPANY REPURCHASES OF EQUITY SECURITIES

Period (2012)	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
July 1 - September 30	—	$—	—	$ 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 September 30, 2012.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

See Exhibit Index attached hereto.

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This 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 “anticipates,” “believes,” “estimates,” “expects,” “intends,” “plans” and variations thereof and similar expressions are intended 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, 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), borrowing costs, changes in tax rates, pending or threatened litigation and investigations, and other risk factors which may be detailed from time to time in the Company’s Securities and Exchange Commission filings.

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 the occurrence of unexpected events.

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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
Vice Chairman
President
Chief Executive Officer
Chief Operating Officer

Dated: November 2, 2012

/s/ David D. Smith
David D. Smith
Executive Vice President
Chief Financial Officer
Principal Accounting Officer
Secretary

Dated: November 2, 2012

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EXHIBIT INDEX

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, as in effect on September 25, 1996. 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.
10.1	Death Benefit Agreement with John C. Koss. Filed as Exhibit 10.4 to the Company's Annual Report on Form 10-K for the year ended June 30, 1996 and incorporated herein by reference.
10.2	Stock Purchase Agreement with John C. Koss. Filed as Exhibit 10.5 to the Company's Annual Report on Form 10-K for the year ended June 30, 1996 and incorporated herein by reference.
10.3	Salary Continuation Resolution for John C. Koss. Filed as Exhibit 10.6 to the Company's Annual Report on Form 10-K for the year ended June 30, 1996 and incorporated herein by reference.
10.4	1983 Incentive Stock Option Plan. Filed as Exhibit 10.7 to the Company's Annual Report on Form 10-K for the year ended June 30, 1996 and incorporated herein by reference.
10.5	Assignment of Lease to John C. Koss. Filed as Exhibit 10.7 to the Company's Annual Report on Form 10-K for the year ended June 30, 1988 and incorporated herein by reference.
10.6	Addendum to Lease. Filed as Exhibit 10.8 to the Company's Annual Report on Form 10-K for the year ended June 30, 1988 and incorporated herein by reference.
10.7	Amendment to Lease. Filed as Exhibit 10.22 to the Company's Annual Report on Form 10-K for the year ended June 30, 2000 and incorporated herein by reference.
10.8	Partial Assignment, Termination and Modification of Lease. Filed as Exhibit 10.25 to the Company's Annual Report on Form 10-K for the year ended June 30, 2001 and incorporated herein by reference.
10.9	Restated Lease. Filed as Exhibit 10.26 to the Company's Annual Report on Form 10-K for the year ended June 30, 2001 and incorporated herein by reference.
10.10	1990 Flexible Incentive Plan. Filed as Exhibit 25 to the Company's Annual Report on Form 10-K for the year ended June 30, 1990 and incorporated herein by reference.
10.11	Consent of Directors (Supplemental Executive Retirement Plan for Michael J. Koss dated March 7, 1997). Filed as Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 1997 and incorporated herein by reference.

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10.12	Credit Agreement dated May 12, 2010, between Koss Corporation and JPMorgan Chase Bank, N.A. Filed as Exhibit 10.12 to the Company’s Quarterly Report on Form 10-Q for the quarter ended March 31, 2010 and incorporated by reference herein.
10.13	Pledge and Security Agreement dated May 12, 2010, between Koss Corporation and JPMorgan Chase Bank, N.A. Filed as Exhibit 10.13 to the Company’s Quarterly Report on Form 10-Q for the quarter ended March 31, 2010 and incorporated by reference herein.
10.14	Koss Corporation 2012 Omnibus Incentive Plan. Filed as Appendix B to the Company's Definitive Proxy Statement on Schedule 14A filed on August 27, 2012 and incorporated by reference herein.
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 September 30, 2012, formatted in XBRL (eXtensible Business Reporting Language): (i) Condensed Statements of Income (Unaudited) for the three months ended September 30, 2012 and 2011, (ii) Condensed Balance Sheets as of September 30, 2012 (Unaudited) and June 30, 2012, (iii) Condensed Statements of Cash Flows (Unaudited) for the three months ended September 30, 2012 and 2011 and (iv) the Notes to Condensed Financial Statements (Unaudited).**

*	Filed herewith
**	Furnished herewith

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