

KOSS CORP
Form DEF 14A
September 04, 2009

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant X

Filed by a Party other than the Registrant O

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

Koss Corporation
(Name of Registrant as Specified In Its Charter)

Not Applicable
(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1)	Title of each class of securities to which transaction applies:
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(3)	Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
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- Fee paid previously with preliminary materials.
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(1)	Amount Previously Paid:
(2)	Form, Schedule or Registration Statement No.:
(3)	Filing Party:

(4)

Date Filed:

KOSS CORPORATION

4129 NORTH PORT WASHINGTON AVENUE

Milwaukee, Wisconsin 53212

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

to be held on

OCTOBER 07, 2009

We hereby notify you that we will hold the annual meeting of stockholders of Koss Corporation at the Milwaukee River Hilton Hotel at 4700 North Port Washington Avenue, Milwaukee, Wisconsin, on Wednesday, October 07, 2009, at 9:00 a.m. At the annual meeting, we will consider and act on the following proposals:

1. The election of six (6) directors;
2. The ratification of the appointment of Grant Thornton LLP, as the independent accountants of the Company for the fiscal year ending June 30, 2010; and
3. Such other business as may properly be brought before the annual meeting.

Only stockholders of record at the close of business on August 12, 2009, will be entitled to notice of and to vote at the annual meeting. Information regarding the matters to be considered and voted upon at the annual meeting is set forth in the Proxy Statement accompanying this notice.

You are cordially invited to attend our annual meeting in person, if possible. In order to assist us in preparing for our annual meeting, we urge you to promptly sign and date the enclosed proxy and return it in the enclosed envelope, which requires no postage. If you attend our annual meeting, you may vote your shares in person even if you previously submitted a proxy.

By Order of the Board of Directors

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/s/ Sujata Sachdeva

Sujata Sachdeva, Secretary

Milwaukee, Wisconsin
September 4, 2009

KOSS CORPORATION

PROXY STATEMENT

2009 ANNUAL MEETING OF STOCKHOLDERS

OCTOBER 07, 2009

INTRODUCTION

THIS PROXY STATEMENT IS FURNISHED IN CONNECTION WITH THE SOLICITATION OF PROXIES BY THE BOARD OF DIRECTORS OF KOSS CORPORATION (the Company) for use at the Company's 2009 Annual Meeting of Stockholders (the Meeting) and any adjournment thereof, for the purposes set forth in the foregoing Notice of Annual Meeting of Stockholders.

Date, Time, and Location. The Meeting will be held at the Milwaukee River Hilton Hotel, 4700 North Port Washington Avenue, Milwaukee, Wisconsin 53212, on Wednesday, October 07, 2009, at 9:00 a.m. local time.

Purposes of the Meeting. The Company is soliciting the stockholders' proxies. At the Meeting, stockholders will consider and vote upon the following: (i) the election of six (6) directors for one-year terms; (ii) a proposal to ratify the appointment of Grant Thornton LLP (Grant Thornton), as the independent accountants for the fiscal year ending June 30, 2010; and (iii) such other business as may properly be brought before the Meeting.

Proxy Solicitation. The cost of soliciting proxies will be borne by the Company. Proxies will be solicited primarily by mail and may be made by directors, officers, and employees personally or by telephone. The Company will reimburse brokerage firms, custodians, and nominees for their out-of-pocket expenses incurred in forwarding proxy materials to beneficial owners. Proxy Statements and proxies will be mailed to stockholders on approximately September 8, 2009.

Quorum and Voting Information. Only stockholders of record of the Company's \$.005 par value common stock (the Common Stock) at the close of business on August 12, 2009 (the Record Date) are entitled to vote at the Meeting. As of the Record Date, there were issued and outstanding 3,691,353 shares of Common Stock, each of which is entitled to one vote per share. A quorum of stockholders is necessary to take action at the Meeting. A majority of the outstanding shares of Common Stock, represented in person or by proxy, will constitute a quorum of stockholders at the Meeting. Votes cast by proxy or in person at the Meeting will be tabulated by the inspector of elections appointed for the Meeting. The inspector of elections will determine whether or not a quorum is present at the Meeting. The inspector of elections will treat abstentions as shares of Common Stock that are present and entitled to vote for purposes of determining the presence of a quorum. If a broker

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indicates on the proxy that it does not have discretionary authority to vote certain shares of Common Stock on a particular matter (a broker non-vote), those shares will not be considered as present and entitled to vote with respect to that matter (although those shares are considered entitled to vote for quorum purposes and may be entitled to vote on other matters).

The six nominees receiving the greatest number of votes cast in person or by proxy at the Meeting will be elected directors of the Company. The vote required to ratify the appointment of Grant Thornton as independent accountants for the year ending June 30, 2010, and to approve any other matter to be presented to the Meeting, is the affirmative vote of a majority of the shares of Common Stock present in person or represented by proxy at the Meeting. Abstentions and broker non-votes will have no effect on the election of directors and will have the same effect as votes against ratification of Grant Thornton as the Company's accountants for the year ending June 30, 2010.

Proxies and Revocation of Proxies. A proxy in the accompanying form that is properly executed, duly returned to the Company, and not revoked, will be voted in accordance with instructions contained therein. In the event that any matter not described in this Proxy Statement properly comes before the Meeting, the accompanying form of proxy authorizes the persons appointed as proxies thereby (the Proxyholders) to vote on such matter in their sole discretion. At the present time, the Company knows of no other matters that are to come before the Meeting. *See* PROPOSAL 3. TRANSACTION OF OTHER BUSINESS. If no instructions are given with respect to any particular matter to be acted upon, a proxy will be voted FOR the election of all nominees for director named in this Proxy Statement, and FOR the ratification of Grant Thornton as the Company's independent accountants for the year ending June 30, 2010. If matters other than those mentioned in this Proxy Statement properly come before the Meeting, a proxy will be voted in accordance with the best judgment of a majority of the Proxyholders named therein.

Each such proxy granted may be revoked at any time before it is voted by filing with the Secretary of the Company a written notice of revocation, by delivering to the Company a duly executed proxy bearing a later date, or by attending the Meeting and voting in person.

Annual Report. The Company's Annual Report to Stockholders, which includes the Company's audited financial statements for the year ended June 30, 2009, although not a part of this Proxy Statement, is delivered herewith.

**Important Notice Regarding the Availability of Proxy Materials for the
Stockholder Meeting to Be Held on October 7, 2009**

**The Notice of Annual Meeting of Stockholders, Proxy Statement and Proxy Card
are available at www.koss.com.**

PROPOSAL 1. ELECTION OF DIRECTORS

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The By-Laws of the Company provide that the number of directors on the Board of Directors of the Company (the Board) will be no fewer than five and no greater than twelve. We had six directors during fiscal year 2009 and will also elect six directors for fiscal year 2010. Each director elected will serve until the next Annual Meeting of Stockholders and until the director's successor is duly elected, or until his prior death, resignation, or removal. The six nominees that receive the most votes will be appointed to serve on our Board for the next year.

Information as to Nominees

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The following identifies the nominees for the six director positions and provides information as to their business experience for the past five years. Each nominee is presently a director of the Company:

John C. Koss, 79, has served continuously as Chairman of the Board of the Company or its predecessors since 1958. Previously, he served as Chief Executive Officer from 1958 until 1991. He is the father of Michael J. Koss (the Company's Vice Chairman, President, Chief Executive Officer, Chief Financial Officer, and Chief Operating Officer, and a nominee for director of the Company), and the father of John Koss, Jr. (the Company's Vice President - Sales).

Thomas L. Doerr, 65, has been a director of the Company since 1987. In 1972, Mr. Doerr co-founded Leeson Electric Corporation and served as its President and Chief Executive Officer until 1982. The company manufactures industrial electric motors. In 1983, Mr. Doerr incorporated Doerr Corporation as a holding company for the purpose of acquiring established companies involved in distributing products to industrial and commercial markets. Currently, Mr. Doerr serves as President of Doerr Corporation.

Michael J. Koss, 55, has held various positions at the Company since 1976, and has been a director of the Company since 1985. He was elected President, Chief Operating Officer, and Chief Financial Officer of the Company in 1987, Chief Executive Officer in 1991, and Vice-Chairman in 1998. He is the son of John C. Koss (the Company's Chairman of the Board) and the brother of John Koss, Jr. (the Company's Vice President Sales). Michael J. Koss is also a director of STRATTEC Security Corporation.

Lawrence S. Mattson, 77, has been a director of the Company since 1978. Mr. Mattson is the retired President of Oster Company, a division of Sunbeam Corporation, which manufactures and sells portable household appliances.

Theodore H. Nixon, 57, has been a director of the Company since 2006. Since 1992, Mr. Nixon has been the Chief Executive Officer of D.D. Williamson, which is a manufacturer of caramel coloring used in the food and beverage industries. Mr. Nixon joined D.D. Williamson in 1974 and was promoted to President and Chief Operating Officer in 1982. Mr. Nixon is also a director of the non-profit Center for Quality of Management.

John J. Stollenwerk, 69, has been a director of the Company since 1986. Mr. Stollenwerk is the Chairman of the Allen-Edmonds Shoe Corporation, an international manufacturer and retailer of high quality footwear. He is also a director of Allen-Edmonds Shoe Corporation, Badger Meter, Inc., U.S. Bancorp, and Northwestern Mutual Life Insurance Company.

The Company expects that the Koss Family (John C. Koss, Michael J. Koss, and John Koss, Jr.), who beneficially own approximately 73.13% of the outstanding Common Stock, will vote for the election of all nominees named above to the Board of Directors.

**THE BOARD OF DIRECTORS RECOMMENDS THAT
STOCKHOLDERS VOTE FOR THE ELECTION OF ALL NOMINEES
NAMED ABOVE TO THE BOARD OF DIRECTORS.**

Board Committees

The Board has appointed the following standing committees for auditing and accounting matters, executive compensation and board nominations. Each member of these committees is independent as defined in Nasdaq Marketplace Rule 4200.

Audit Committee. The Audit Committee, which is composed of Mr. Doerr, Mr. Mattson, Mr. Nixon, and Mr. Stollenwerk, reviews and evaluates the effectiveness of the Company's financial and accounting functions, including reviewing the scope and results of the audit work performed by the independent accountants and by the Company's internal accounting staff. The Audit Committee met three times during the fiscal year ended June 30, 2009. The independent accountants were present at two of these meetings to discuss their audit scope and the results of their audit. For more information about the Audit Committee meetings, see the Audit Committee Report. The Audit Committee is governed by a written charter approved and adopted by the Board, which charter was attached as Appendix A to the proxy materials, dated August 31, 2007, for the annual meeting held on October 10, 2007 for the fiscal year ended June 30, 2007.

Audit Committee Financial Expert. The Board has determined that Mr. Mattson is an Audit Committee Financial Expert as that term is defined in Item 407(d)(5)(ii) of Regulation S-K promulgated by the Securities and Exchange Commission (the SEC).

Compensation Committee. The Compensation Committee, which is composed of Mr. Doerr, Mr. Mattson, and Mr. Stollenwerk, has responsibility for reviewing and recommending adjustments for all employees whose annual salaries exceed \$75,000 or who report directly to the Company's Chief Executive Officer. The Compensation Committee met once during the fiscal year ended June 30, 2009. For more information about the Compensation Committee meetings, see the Compensation Committee Report on Executive Compensation. The Company's 1990 Flexible Incentive Plan (the Plan) is administered by the Compensation Committee. Subject to the express provisions of the Plan, the Committee has complete authority to (i) determine when and to whom benefits are granted; (ii) determine the terms and provisions of benefits granted; (iii) interpret the Plan; (iv) prescribe, amend and rescind rules and regulations relating to the Plan; (v) accelerate, purchase, adjust or remove restrictions from benefits; and (vi) take any other action which it considers necessary or appropriate for the administration of the Plan. The Compensation Committee currently does not have a written charter, but there are plans to develop one.

Nominating Committee and Director Nomination Process. The Nominating Committee, which is composed of Mr. Doerr, Mr. Mattson, and Mr. Stollenwerk, has responsibility for overseeing the director nomination process and for identifying and evaluating potential candidates and recommending candidates to the Board for nomination. Candidates will be evaluated by the Nominating Committee on the basis of outstanding achievement in their professional careers, broad experience, wisdom, personal and professional integrity, and their experience with and understanding of the business environment. With respect to minimum qualifications of candidates, the Nominating Committee will consider candidates who have the experiences, skills, and characteristics necessary to gain a basic understanding of the principal operational and financial objectives and plans of the Company, the results of operations and financial condition of the Company, and the relative standing of the Company and its business segments in relation to its competitors. The Nominating Committee will consider qualified director candidates recommended by stockholders if such recommendations for director are submitted in writing to the Secretary, c/o Koss Corporation, 4129 North Port Washington Avenue, Milwaukee, Wisconsin 53212, and include the following information: (i) name and address of the stockholder making the recommendation; (ii) name and address of the candidate; and (iii) pertinent biographical information about the candidate. Any recommendations must be submitted by the deadline by which a stockholder must give notice of a matter that he or she wishes to bring before the Company's Annual Meeting as described in the Stockholder Proposals for the 2010 Annual Meeting section of this Proxy Statement. The Nominating Committee does not currently have a charter.

Attendance at Board and Committee Meetings

During the fiscal year ended June 30, 2009, the Board held four meetings. Every incumbent director attended 75% or more of the total of (i) all meetings of the Board, plus (ii) all meetings of the committees on which they served during their respective terms of office.

Attendance at Annual Meetings

All of the members of the Board, Mr. John C. Koss, Mr. Michael J. Koss, Mr. Doerr, Mr. Mattson, Mr. Stollenwerk and Mr. Nixon, attended last year's annual meeting held on October 08, 2008. The Company has no formal written policy regarding attendance at annual meetings of the Company, but strongly encourages all directors to make attendance at all annual meetings a priority.

Independence of the Board

Each of Mr. Doerr, Mr. Mattson, Mr. Nixon, and Mr. Stollenwerk, is independent as such term is defined in Nasdaq Marketplace Rule 4200. These independent directors constitute a majority of the Board, as required under Nasdaq Marketplace Rule 4350(c).

Communications with the Board

Stockholders may communicate with the Board, individually or as a group, by sending written communications to: Koss Corporation, 4129 North Port Washington Avenue, Milwaukee, Wisconsin 53212. Stockholders may also communicate with members of the Board by telephone (414) 964-5000 or facsimile (414) 964-8615. If any correspondence is addressed to the Board or to a member of the Board, that correspondence is forwarded directly to the Board or member of the Board.

Code of Ethics

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The Board approved and adopted a Code of Ethics for the Company's directors, officers, and employees, which is attached as Exhibit 14 to the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2004.

Executive Officers

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Information is provided below with respect to the executive officers of the Company. Each executive officer is elected annually by the Board of Directors and serves for one year or until his or her successor is appointed.

Name	Age	Positions Held	Current Position Held Since
Michael J. Koss	55	President, Chief Operating Officer, Chief Financial Officer, Chief Executive Officer	1987 (Chief Executive Officer since 1991)
John Koss, Jr.	52	Vice President Sales	1988
Sujata Sachdeva	45	Vice President Finance, Secretary	1992
Declan Hanley	62	Vice President International Sales	1994
Lenore E. Lillie	50	Vice President Operation	1998
Cheryl Mike	57	Vice President Human Resources and Customer Service	2001

Beneficial Ownership of Company Securities

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Security Ownership by Nominees and Management. The following table sets forth, as of August 1, 2009, the number of shares of Common Stock beneficially owned (as defined under applicable regulations of the SEC), and the percentage of such shares to the total number of shares outstanding, for all nominees, for each executive officer named in the Summary Compensation Table (*see* Executive Compensation and Related Matters Summary Compensation Table), for all directors and executive officers as a group, and for each person and each group of persons who, to the knowledge of the Company as of June 30, 2009, were the beneficial owners of more than 5% of the outstanding shares of Common Stock.

Name and Business Address (1)	Number of Shares Beneficially Owned (2)	Percent of Outstanding Common Stock (3)
John C. Koss (4)	1,404,476	38.05%
Michael J. Koss (5)	999,976	27.09%
John Koss, Jr. (6)	295,142	8.00%
Thomas L. Doerr	0	*
Lawrence S. Mattson	0	*
Theodore H. Nixon	2,480	*
John J. Stollenwerk	13,551	*
Sujata Sachdeva (7)	35,785	*
Declan Hanley (8)	60,000	1.63%
Lenore E. Lillie (9)	58,984	1.60%
Cheryl Mike (10)	40,494	1.10%
All directors and executive officers as a group (11 persons) (11)	2,910,888	78.86%
Koss Family Voting Trust, John C. Koss, Trustee (12)	1,216,785	32.96%
Koss Employee Stock Ownership Trust (KESOT) (13)	339,258	9.19%
Royce and Associates, LLC (14)	370,723	10.04%

(*) denotes beneficial ownership of less than 1%.

- (1) Unless otherwise noted, the business address of all persons named in the above table is c/o Koss Corporation, 4129 North Port Washington Avenue, Milwaukee, WI 53212.
- (2) Unless otherwise noted, amounts indicated reflect shares as to which the beneficial owner possesses sole voting and dispositive powers. Also included are shares subject to stock options if such options are exercisable within 60 days of August 1, 2009.
- (3) All percentages shown in the above table are based on 3,691,353 shares outstanding and entitled to vote on August 1, 2009, plus (for Michael J. Koss, John C. Koss, Jr., Ms. Sachdeva, Mr. Hanley, Ms. Lillie, Ms. Mike, and for all directors and executive officers as a group) the number of options exercisable within 60 days of August 1, 2009. The percentage calculation assumes, for each individual owning options and for directors and executive officers as a group, the exercise of that number of stock options that are exercisable within 60 days of August 1, 2009.
- (4) Includes the following shares which are deemed to be beneficially owned by John C. Koss: (i) 61,732 shares owned directly or by his spouse; (ii) 1,216,785 shares as a result of his position as trustee of the Koss Family Voting Trust; (iii) 124,300 shares as a result of his position as co-trustee of the John C. and Nancy Koss Revocable Trust; and (iv) 1,659 shares by reason of the allocation of those shares to his account under the Koss Employee Stock Ownership Trust (KESOT) and his ability to vote such shares pursuant to the terms of the KESOT *see* Executive Compensation and Related Matters Other

Compensation Arrangements Employee Stock Ownership Plan and Trust.

- (5) Includes the following shares which are deemed to be beneficially owned by Michael J. Koss: (i) 538,380 shares owned directly or by reason of family relationships; (ii) 73,696 shares by reason of the allocation of those shares to his account under the KESOT and his ability to vote such shares; (iii) 111,034 shares as a result of his position as an officer of the Koss Foundation; (iv) 85,000 shares with respect to which he holds options which are exercisable within 60 days of August 1, 2009; and (v) 339,258 shares which are held by the KESOT (*see* Note (9), below). The 73,696 shares allocated to Michael J. Koss KESOT account, over which he holds voting power, are included within the aforementioned 339,258 shares but are counted only once in his individual total.
- (6) Includes the following shares which are deemed to be beneficially owned by John Koss, Jr.: (i) 247,642 shares owned directly or by reason of family relationships; (ii) 47,500 shares with respect to which he holds options which are exercisable within 60 days of August 1, 2009; and (iii) 53,495 shares by reason of the allocation of those shares to his account under the KESOT and his ability to vote such shares.
- (7) Includes the following shares which are deemed to be beneficially owned by Sujata Sachdeva: (i) 27,000 shares with respect to which she holds options which are exercisable within 60 days of August 1, 2009; and (ii) 8,785 shares by reason of the allocation of those shares to her account under the KESOT and her ability to vote such shares.
- (8) Includes the following shares which are deemed to be beneficially owned by Declan Hanley: (i) 60,000 with respect to which she holds options which are exercisable within 60 days of August 1, 2009.
- (9) Includes the following shares which are deemed to be beneficially owned