

Zoom Telephonics, Inc.  
Form 10-Q  
August 13, 2010

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

\_\_\_\_\_  
**FORM 10-Q**  
\_\_\_\_\_

(Mark One)

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE  
ACT OF 1934**

**For the quarterly period ended June 30, 2010**

or

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE  
ACT OF 1934**

**For the transition period from \_\_\_\_\_ to \_\_\_\_\_**

**Commission File Number 0-53722**

**ZOOM TELEPHONICS, INC.**

*(Exact Name of Registrant as Specified in its Charter)*

**Delaware**

*(State or Other Jurisdiction of Incorporation or  
Organization)*

**04-2621506**

*(I.R.S. Employer Identification No.)*

**207 South Street, Boston, Massachusetts**

*(Address of Principal Executive Offices)*

**02111**

*(Zip Code)*

Registrant's Telephone Number, Including Area Code: **(617) 423-1072**

(Former Name, Former Address, Former Fiscal Year, if Changed Since Last Report)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES  NO

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

Large accelerated filer <input type="checkbox"/>	Accelerated filer <input type="checkbox"/>
Non-accelerated filer <input type="checkbox"/>	Smaller Reporting Company <input type="checkbox"/>

(do not check if a smaller reporting company)

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

The number of shares outstanding of the registrant's Common Stock, \$.01 par value, as of July 15, 2010, was 1,980,978 shares.

**ZOOM TELEPHONICS, INC.**

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**INFORMATION PRESENTED IN THIS QUARTERLY REPORT**

On January 28, 2009, Zoom Technologies, Inc. entered into a Share Exchange Agreement (the Agreement) with Tianjin Tong Guang Group Digital Communication Co., Ltd (TCB Digital), TCB Digital's majority shareholder, Gold Lion Holding Limited (Gold Lion) and Lei Gu (Gu), a shareholder of Gold Lion. On May 12, 2009, the parties amended the Agreement to, among other actions, add Songtao Du (Du), a shareholder of Gold Lion, as a party to the Agreement. On September 22, 2009, pursuant to the Agreement, Zoom Technologies acquired all the outstanding shares of Gold Lion. In addition, as part of the transaction, Zoom Technologies spun off its then-current business, which consisted of its ownership of Zoom Telephonics, to its stockholders, by distributing and transferring its assets and liabilities to Zoom Telephonics and issuing a dividend of the Zoom Telephonics shares to its stockholders.

Upon the completion of the spin-off, Zoom Telephonics became a separate publicly traded company. Zoom Telephonics produces, markets, sells, and supports broadband and dial-up modems, Voice over Internet Protocol or VoIP products and services, Bluetooth® wireless products, and other communication-related products (the Communications Business) which had been formerly owned and operated by Zoom Technologies.

As used in Quarterly Report on Form 10-Q, the terms we, us, our, and the Company mean Zoom Telephonics, (unless the context indicates a different meaning).

We describe in this Quarterly Report on Form 10-Q the Communications Business transferred to Zoom Telephonics by Zoom Technologies in connection with the spin-off as though the Communications Business were our business for all historical periods described. References in this Quarterly Report to the historical assets, liabilities, products, business or activities of our business are intended to refer to the historical assets, liabilities, products, business or activities of the Communications Business as those were conducted as part of Zoom Technologies prior to the date of the spin-off.

**PART I - FINANCIAL INFORMATION****ITEM 1.****FINANCIAL STATEMENTS****ZOOM TELEPHONICS, INC.****Condensed Balance Sheets (Unaudited)**

	<b>June 30,</b>	<b>December 31,</b>
	<b>2010</b>	<b>2009</b>
<b>ASSETS</b>		
<i>Current assets</i>		
Cash and cash equivalents	\$ 368,211	\$ 1,223,507
Accounts receivable, net of allowances of \$540,974 at June 30, 2010 and \$466,595 at December 31, 2009	1,818,083	1,199,581
Inventories	1,836,807	1,586,079
Prepaid expenses and other current assets	189,764	223,891
Total current assets	4,212,865	4,233,058
Equipment, net	51,324	57,787
Deferred other receivable	155,381	166,144
Total assets	\$ 4,419,570	\$ 4,456,989
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<i>Current liabilities</i>		
Accounts payable	\$ 1,356,447	\$ 1,014,979
Accrued expenses	409,067	375,414
Total current liabilities	1,765,514	1,390,393
Total liabilities	1,765,514	1,390,393
<i>Stockholders' equity</i>		
Common stock, \$0.01 par value:		
Authorized - 25,000,000 shares; issued 1,980,978 shares at June 30, 2010 and December 31, 2009	19,810	19,810
Additional paid-in capital	32,582,810	32,520,464
Accumulated deficit	(30,296,722)	(29,836,577)
Accumulated other comprehensive income - currency translation adjustment	348,158	362,899
Total stockholders' equity	2,654,056	3,066,596
Total liabilities and stockholders' equity	\$ 4,419,570	\$ 4,456,989

See accompanying notes.



**ZOOM TELEPHONICS, INC.****Condensed Statement of Operations  
(Unaudited)**

	<b>Three Months Ended June 30,</b>		<b>Six Months Ended June 30,</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
Net sales	\$ 3,500,481	\$ 3,065,868	\$ 5,994,073	\$ 5,414,282
Cost of goods sold	2,600,046	2,081,907	4,330,378	3,937,554
Gross profit	900,435	983,961	1,663,695	1,476,728
Operating expenses:				
Selling	499,943	450,920	947,727	937,817
General and administrative	266,121	508,373	638,787	1,252,838
Research and development	293,964	289,572	599,311	652,566
	1,060,028	1,248,865	2,185,825	2,843,221
Operating profit (loss)	(159,593)	(264,904)	(522,130)	(1,366,493)
Other:				
Interest income	97	793	280	2,920
Other, net	(2,443)	(9,461)	62,094	34,899
Total other income (expense), net	(2,346)	(8,668)	62,374	37,819
Income (loss) before income taxes	(161,939)	(273,572)	(459,756)	(1,328,674)
Income taxes (benefit)	128	295	389	295
Net income (loss)	\$ (162,067)	\$ (273,867)	\$ (460,145)	\$ (1,328,969)
Basic and diluted net income (loss) per share	\$ (0.08)	\$ (0.14)	\$ (0.23)	\$ (0.68)
Weighted average common and common equivalent shares:				
Basic and diluted	1,980,978	1,959,378	1,980,978	1,945,455

Zoom Telephonics common stock was not publicly traded prior to the September 22, 2009 Spin-Off of Zoom Telephonics from its then parent Zoom Technologies. For comparability purposes, the calculation of weighted average common shares outstanding shown above includes the common shares of Zoom Technologies outstanding for all periods prior to September 22, 2009.



See accompanying notes.

**ZOOM TELEPHONICS, INC.****Condensed Statements of Cash Flows  
(Unaudited)**

	<b>Six Months Ended</b>	
	<b>2010</b>	<b>June 30, 2009</b>
<b>Operating activities:</b>		
Net income (loss)	\$ (460,145)	\$ (1,328,969)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Non-cash common stock issuance		158,400
Stock based compensation	62,346	45,878
Depreciation and amortization	15,588	38,253
Increase (decrease) in accounts receivable allowances	74,379	(201,167)
Changes in operating assets and liabilities:		
Accounts receivable	(702,766)	(240,851)
Inventories	(250,884)	1,030,373
Prepaid expenses and other assets	33,202	57,625
Accounts payable and accrued expenses	372,823	