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 March 31, 2015

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	**04-2621506**
(State or Other Jurisdiction of Incorporation or Organization)	*(I.R.S. Employer Identification No.)*

207 South Street, Boston, Massachusetts	**02111**
(Address of Principal Executive Offices)	*(Zip Code)*

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

(Former Name, Former Address and 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 ☐	Accelerated filer ☐
Non-accelerated filer ☐ (do not check if a smaller reporting company)	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 March 31, 2015, was 7,995,204 shares.

ZOOM TELEPHONICS, INC.
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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

ZOOM TELEPHONICS, INC.
Condensed Balance Sheets (Unaudited)

ASSETS	**March 31, 2015**	**December 31, 2014**
Current assets		
Cash and cash equivalents	$ 64,581	$ 137,637
Accounts receivable, net of allowances of $373,332 at March 31, 2015 and $381,234 at December 31, 2014	1,579,526	1,811,006
Inventories	1,630,017	1,724,507
Prepaid expenses and other current assets	250,560	270,263
Total current assets	3,524,684	3,943,413
Other assets	110,000	-
Equipment, net	66,852	67,142
Total assets	$ 3,701,536	$ 4,010,555
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Bank debt	$ 468,871	$ 840,585
Accounts payable	801,714	726,627
Accrued expenses	263,982	284,736
Total current liabilities	1,534,567	1,851,948
Total liabilities	1,534,567	1,851,948
Stockholders' equity		
Common stock, $0.01 par value:		
Authorized - 25,000,000 shares; issued and outstanding – 7,995,204 shares at March 31, 2015 and 7,982,704 shares at December 31, 2014	79,952	79,827
Additional paid-in capital	34,195,733	34,192,066
Accumulated deficit	(32,108,716)	(32,113,286)
Total stockholders' equity	2,166,969	2,158,607
Total liabilities and stockholders' equity	$ 3,701,536	$ 4,010,555

See accompanying notes.

ZOOM TELEPHONICS, INC.
Condensed Statements of Operations and
Comprehensive Income (Loss)

(Unaudited)

	Three Months Ended March 31,	
	2015	**2014**
Net sales	$ 3,059,448	$ 3,146,345
Cost of goods sold	2,102,582	2,213,878
Gross profit	956,866	932,467
Operating expenses:		
Selling	408,601	352,780
General and administrative	249,455	292,552
Research and development	271,162	308,667
	929,218	953,999
Operating profit (loss)	27,648	(21,532)
Other income (expense) :		
Interest income	6	7
Other, net	(23,084)	(14,200)
Total other income (expense), net	(23,078)	(14,193)
Income (loss) before income taxes	4,570	(35,725)
Income taxes (benefit)	—	1,331
Net income (loss)	$ 4,570	$ (37,056)
Other comprehensive income (loss):		
Foreign currency translation adjustments	—	362
Net comprehensive income (loss)	$ 4,570	$ (36,694)
Net income (loss) per share:		
Basic and Diluted	$ 0.00	$ (0.00)
Weighted average common and common equivalent shares:		
Basic	7,985,204	7,982,704
Diluted	7,999,371	7,982,704

See accompanying notes.

ZOOM TELEPHONICS, INC.
Condensed Statements of Cash Flows

(Unaudited)

	Three Months Ended March 31,	
	2015	2014
Operating activities:		
Net income (loss)	$ 4,570	$ (37,056)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	7,128	2,289
Stock based compensation	2,292	5,770
Provision for accounts receivable allowances	(2,089)	995
Provision for inventory reserves	(13,751)	12,150
Changes in operating assets and liabilities:		
Accounts receivable	233,569	(187,133)
Inventories	108,241	(166,007)
Prepaid expenses and other assets	(90,297)	(17,685)
Accounts payable and accrued expenses	54,334	233,277
Net cash provided by (used in) operating activities	303,997	(153,400)
Investing activities:		
Additions to equipment	(6,838)	—
Net cash provided by (used in) investing activities	(6,838)	—
Financing activities:		
Net funds received from (paid to) bank credit lines	(371,715)	137,091
Funds received from stock option exercise	1,500	—
Net cash provided by (used in) financing activities	(370,215)	137,091
Effect of exchange rate changes on cash	—	230
Net change in cash	(73,056)	(16,079)
Cash and cash equivalents at beginning of period	137,637	55,393
Cash and cash equivalents at end of period	$ 64,581	$ 39,314

Supplemental disclosures of cash flow information:

Cash paid during the period for:		
Interest	$ 22,067	$ 14,374
Income taxes	$ —	$ 1,331

See accompanying notes.

ZOOM TELEPHONICS, INC.
Notes to Condensed Financial Statements

(Unaudited)

(1) Summary of Significant Accounting Policies

The accompanying financial statements are unaudited. However, the condensed balance sheet as of December 31, 2014 was derived from audited financial statements. In the opinion of management, the accompanying financial statements include all adjustments to present fairly the financial position, results of operations and cash flows Zoom Telephonics, Inc. (“the Company” or “Zoom”). The adjustments are of a normal, recurring nature.

The results of operations for the periods presented are not necessarily indicative of the results to be expected for the entire year. The Company has evaluated subsequent events from March 31, 2015 through the date of this filing and determined that there are no such events requiring recognition or disclosure in the financial statements.

The financial statements of the Company presented herein have been prepared pursuant to the rules of the Securities and Exchange Commission for quarterly reports on Form 10-Q and do not include all of the information and disclosures required by accounting principles generally accepted in the United States of America. These financial statements should be read in conjunction with the audited financial statements and notes thereto for the year ended December 31, 2014 included in the Company's 2014 Annual Report on Form 10-K.

(a) Reclassifications

Certain reclassifications have been made to the prior year’s financial statements to conform to the 2015 presentation. The reclassifications relate to the presentation of changes in accounts receivable and inventory on the statements of cash flows. The reclassifications do not change the balance sheet, statement of operations, or total cash flows from operations.

(b) Recently Issued Accounting Pronouncements

In August 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-15, "Presentation of Financial Statements —Going Concern" This standard requires management to evaluate for each annual and interim reporting period whether it is probable that the reporting entity will not be able to meet its obligations as they become due within one year after the date that the financial statements are issued. If the entity is in such a position, the standard provides for certain disclosures depending on whether or not the entity will be able to successfully mitigate its going concern status. This guidance is effective for annual periods ending after December 15, 2016 and interim periods within annual periods beginning after December 15, 2016. Early application is permitted. The Company does not expect a material impact to the Company's financial condition, results of operations or cash flows from the adoption of this guidance.

In May 2014, the FASB issued ASU No. 2014-09, "Revenue from Contracts with Customers," which will replace most existing revenue recognition guidance in generally accepted accounting principles in the United States of America. The core principle of this ASU is that an entity should recognize revenue for the transfer of goods or services equal to the amount that it expects to be entitled to receive for those goods or services. This ASU requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments. This ASU will be effective for the Company beginning January 1, 2017, including interim periods in 2017, and allows for both retrospective and prospective methods of adoption. The Company is in the process of determining method of adoption and assessing the impact of this ASU on its consolidated financial statements.

(2) Liquidity

Zoom’s cash and cash equivalents balance on March 31, 2015 was $65 thousand, down $73 thousand from December 31, 2014. Zoom’s maximum available line of credit was $1.25 million on March 31, 2015, of which bank debt outstanding under this line of credit was $469 thousand. Zoom’s $372 thousand decrease of which bank debt and $90 thousand increase in prepaid expenses decreased cash, while a $231 thousand decrease in net accounts receivable, $94 thousand decrease in net inventory, and $75 thousand increase in accounts payable increased cash.

On March 31, 2015 the Company had working capital of $2.0 million including $65 thousand in cash and cash equivalents. On December 31, 2014 we had working capital of $2.1 million including $138 thousand in cash and cash equivalents. Our current ratio at March 31, 2015 was 2.4 compared to 2.1 at December 31, 2014.

On December 18, 2012, the Company entered into a Financing Agreement with Rosenthal & Rosenthal, Inc. (the “Financing Agreement”). The Financing Agreement provided for up to $1.75 million of revolving credit, subject to a borrowing base formula and other terms and conditions as specified in the Financing Agreement. The Financing Agreement continues until November 30, 2014 and from year to year thereafter, unless sooner terminated by either party as specified in the Financing Agreement. The Lender shall have the right to terminate the Financing Agreement at any time by giving the Company sixty days’ prior written notice. Borrowings are secured by all of the Company assets including intellectual property. The Loan Agreement contained several covenants, including a requirement that the Company maintain tangible net worth of not less than $2.5 million and working capital of not less than $2.5 million. On March 25, 2014, the Company entered into an amendment to the Financing Agreement (the “Amendment”) with an effective date of January 1, 2013. The Amendment clarified the definition of current assets in the Financing Agreement, reduced the size of the revolving credit line to $1.25 million, and revised the financial covenants so that Zoom is required to maintain tangible net worth of not less than $2.0 million and working capital of not less than $1.75 million.

On March 31, 2015 Zoom was in compliance with the covenants of the Financing Agreement with Rosenthal & Rosenthal, Inc.

At March 31, 2015 the Company's total current assets were $3.5 million, and current liabilities including $0.5 million bank debt were $1.5 million. The Company did not have any long-term debt at March 31, 2015.

The Company is continuing to develop new products and to take other measures to increase sales. Increasing sales typically results in increased inventory and higher accounts receivable, both of which reduce cash. Zoom believes that its financial resources and line of credit are sufficient to fund operations for the foreseeable future if Zoom management's sales and operating profit expectations are met.

(3) Inventories

Inventories consist of :	March 31, 2015	December 31, 2014
Materials	$ 510,946	$ 332,804
Work in process	207,515	—
Finished goods (including $113,500 and $85,600 held by customers at March 31, 2015 and December 31, 2014, respectively)	911,556	1,391,703
Total	$ 1,630,017	$ 1,724,507

The Company reviews inventory for obsolete and slow moving products each quarter and makes provisions based on our estimate of the probability that the material will not be consumed or that it will be sold below cost. The reserve for the provision for slow moving and obsolete inventory was $265,637 and $279,388 at March 31, 2015 and December 31, 2014, respectively.

(4) Contingencies

The Company is party to various lawsuits and administrative proceedings arising in the ordinary course of business. The Company evaluates such lawsuits and proceedings on a case-by-case basis, and its policy is to vigorously contest any such claims which it believes are without merit. The Company's management believes that the ultimate resolution of such matters will not materially and adversely affect the Company's business, financial position, results of operations or cash flows.

On November 6, 2013, Innovative Wireless Solutions, LLC ("IWS") filed a complaint against the Company alleging infringement of U.S. Patents Nos. 5,912,895, 6,327,264, and 6,587,473, all entitled "Information Network Access Apparatus and Methods of Communicating Information packets via Telephone Links." Final Judgment of Non-Infringement in Zoom's favor was entered on March 20, 2015 in the IWS matter, so that matter is no longer pending.

On November 14, 2014, Concinnitas, LLC and Mr. George W. Hindman (collectively "Concinnitas") filed a complaint against the Company alleging infringement of U.S. Patent No. 7,805,542 ("the '542 patent") titled "“Mobile United Attached in a Mobile Environment that Fully Restricts Access to Data Received via Wireless Signal to a Separate Computer in the Mobile Environment.” The Complaint asserts that the Company sells "products and/or systems (including at least the [wireless router model no.] 4530)" that infringe the '542 patent. The case is in the early stages of discovery and a trial date has been set for April 11, 2016.

On January 30, 2015, Wetro LAN LLC ("Wetro LAN") filed a complaint against the Company alleging infringement of U.S. Patent No. 6,795,918 ("the '918 patent"). The '918 patent is titled "Service Level Computer Security." Wetro LAN alleges that the Company's wireless routers, including its Model 4501 Wireless-N Router, infringe the '918 patent. The case is in its early stages and a date for the scheduling conference has not yet been set.

(5) Segment and Geographic Information

The Company's operations are classified as one reportable segment. The Company's net sales by geographic region follow:

	Three Months Ended March 31, 2015	% of Total	Three Months Ended March 31, 2014	% of Total
North America	$ 3,008,495	98%	$ 3,075,782	98%
Outside North America	50,953	2%	70,563	2%
Total	$ 3,059,448	100%	$ 3,146,345	100%

(6) Customer Concentrations

The Company sells its products primarily through high-volume retailers and distributors, Internet service providers, value-added resellers, PC system integrators, and original equipment manufacturers ("OEMs"). The Company supports its major accounts in their efforts to offer a well-chosen selection of attractive products and to maintain appropriate inventory levels.

Relatively few customers have accounted for a substantial portion of the Company's revenues. In the first quarter of 2015, three customers accounted for 70% of our total net sales with our largest customer accounting for 40% of our net sales. In the first quarter of 2014, three customers accounted for 73% of the Company's total net sales with our largest customer accounting for 56% of our net sales. At March 31, 2015, three customers accounted for 87% of our gross accounts receivable, with our largest customer representing 62% of our gross accounts receivable.

The Company's customers generally do not enter into long-term agreements obligating them to purchase products. The Company may not continue to receive significant revenues from any of these or from other large customers. A reduction or delay in orders from any of the Company's significant customers, or a delay or default in payment by any significant customer could materially harm the Company's business and prospects. Because of the Company's significant customer concentration, its net sales and operating income (loss) could fluctuate significantly due to changes in political or economic conditions, or the loss, reduction of business, or less favorable terms for any of the Company's significant customers.

(7) Bank Credit Lines

On December 18, 2012, the Company entered into a Financing Agreement with Rosenthal & Rosenthal, Inc. (the “Financing Agreement”). The Financing Agreement provided for up to $1.75 million of revolving credit, subject to a borrowing base formula and other terms and conditions as specified in the Financing Agreement. The Financing Agreement continues until November 30, 2014 and from year to year thereafter, unless sooner terminated by either party as specified in the Financing Agreement. The Lender shall have the right to terminate the Financing Agreement at any time by giving the Company sixty days’ prior written notice. Borrowings are secured by all of the Company assets including intellectual property. The Loan Agreement contained several covenants, including a requirement that the Company maintain tangible net worth of not less than $2.5 million and working capital of not less than $2.5 million. On March 25, 2014, the Company entered into an amendment to the Financing Agreement (the “Amendment”) with an effective date of January 1, 2013. The Amendment clarified the definition of current assets in the Financing Agreement, reduced the size of the revolving credit line to $1.25 million, and revised the financial covenants so that Zoom is required to maintain tangible net worth of not less than $2.0 million and working capital of not less than $1.75 million.

On March 31, 2015 Zoom was in compliance with the covenants of the Financing Agreement with Rosenthal & Rosenthal, Inc.

At March 31, 2015 the Company's total current assets were $3.5 million, and current liabilities including $0.5 million bank debt were $1.5 million. The Company did not have any long-term debt at March 31, 2015.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis should be read in conjunction with the safe harbor statement and the risk factors contained in Item IA of Part II of this Quarterly Report on Form 10-Q, in our Annual Report on Form 10-K for the year ended December 31, 2014, filed with the SEC on March 24, 2015 and in our other filings with the SEC. Readers should also be cautioned that results of any reported period are often not indicative of results for any future period.

Overview

We derive our net sales primarily from sales of Internet-related communication products, principally broadband and dial-up modems and other communication products, to retailers, distributors, Internet Service Providers and Original Equipment Manufacturers. We sell our products through a direct sales force and through independent sales agents. All of our employees are located at our headquarters in Boston, Massachusetts and we have one sales consultant located in the United Kingdom. We are experienced in electronics hardware, firmware, and software design and test, regulatory certifications, product documentation, and packaging; and we use that experience in developing each product in-house or in partnership with suppliers who are typically based in Asia. Electronic assembly and testing of the Company's products in accordance with our specifications is typically done in China.

Since 1983 our headquarters has been near South Station in downtown Boston at 201 and 207 South Street. In December 2006, the Company sold its owned headquarters buildings in Boston, Massachusetts and leased back 25,200 square feet for two years expiring December 2008. In November 2008 the Company signed a lease amendment for its headquarters' offices in Boston in the existing building to approximately 14,400 square feet for three years with a six month termination option starting July 1, 2010. In May 2010 we signed a second lease amendment extending the term of the lease to April 30, 2016 with a six month termination option starting December 1, 2011. In December 2011 we signed a third lease amendment reducing our leased space to 10,600 square feet effective June 1, 2012, with a corresponding decrease in lease expense.

For many years we performed most of the final assembly, test, packaging, warehousing and distribution at a production and warehouse facility on Summer Street in Boston, Massachusetts, which had also engaged in firmware programming for some products. We moved most of our Summer Street operations to a dedicated 35,575 square foot facility in Tijuana, Mexico in October 2006. We moved these operations to a 10,800 square foot facility in Tijuana, Mexico in March 2009. In November 2014 we cancelled our existing lease and signed a one-year lease with five one-year renewal options thereafter for an adjacent 11,390 square foot facility.

We continually seek to improve our product designs and manufacturing approach in order to improve product performance and reduce our costs. We pursue a strategy of outsourcing rather than internally developing our modem chipsets, which are application-specific integrated circuits that form the technology base for our modems. By outsourcing the chipset technology, we are able to concentrate our research and development resources on modem system design, leverage the extensive research and development capabilities of our chipset suppliers, and reduce our development time and associated costs and risks. As a result of this approach, we are able to quickly develop new products while maintaining a relatively low level of research and development expense as a percentage of net sales. We also outsource aspects of our manufacturing to contract manufacturers as a means of reducing our costs of production, and to provide us with greater flexibility in our production capacity.

Generally our gross margin for a given product depends on a number of factors including the type of customer to whom we are selling. The gross margin for retailers tends to be higher than for some of our other customers; but the sales, support, returns, and overhead costs associated with retailers also tend to be higher. Zoom's sales to certain countries are currently handled by a single master distributor for each country, who handles the support and marketing costs within the country. Gross margin for sales to these master distributors tends to be low, since lower pricing to these distributors helps them to cover the support and marketing costs for their country.

In recent years we have experienced losses. Zoom has implemented cost cutting measures including reducing our headcount and reducing the number of days that certain employees work. On March 31, 2015 we had 24 employees, 17 full-time, 5 who typically work four days per week, and 2 who typically work three days per week. On March 31, 2014, we had 27 employees, 13 full-time, 11 who typically worked four days per week and 3 who typically worked three days per week. On March 31, 2015, Zoom had 2 consultants, one in information systems and one in sales, who were not included in our headcount. As of May 6, 2015 we had 24 full-time and part-time employees. Of the 24 Zoom employees on May 6, 2015, 8 were engaged in research and development and quality control, 4 were involved in manufacturing oversight, purchasing, assembly, packaging and shipping, 7 were engaged in sales, marketing and technical support, and the remaining 5 performed accounting, administrative and executive functions. As of May 6, 2015, Zoom had 2 consultants, one in information systems and one in sales, who were not included in our headcount. None of our employees is represented by a labor union. On May 6, 2015, Zoom had 17 dedicated manufacturing personnel in Mexico who are employees of our Mexican manufacturing service provider and are not included in our headcount.

On March 31, 2015 the Company had working capital of $2.0 million including $65 thousand in cash and cash equivalents. On December 31, 2014 we had working capital of $2.1 million including $138 thousand in cash and cash equivalents. Our current ratio at March 31, 2015 was 2.4 compared to 2.1 at December 31, 2014.

On December 18, 2012, the Company entered into a Financing Agreement with Rosenthal & Rosenthal, Inc. (the "Financing Agreement"). The Financing Agreement provided for up to $1.75 million of revolving credit, subject to a borrowing base formula and other terms and conditions as specified in the Financing Agreement. The Financing Agreement continues until November 30, 2014 and from year to year thereafter, unless sooner terminated by either party as specified in the Financing Agreement. Borrowings are secured by all of the Company assets including intellectual property. On March 25, 2014, the Company entered into an amendment to the Financing Agreement (the "Amendment") with an effective date of January 1, 2013. The Amendment clarified the definition of current assets in the Financing Agreement, reduced the size of the revolving credit line to $1.25 million, and revised the financial covenants such that we are required to maintain tangible net worth of not less than $2.0 million and working capital of not less than $1.75 million.

On March 31, 2015 Zoom was in compliance with the covenants of the Financing Agreement with Rosenthal & Rosenthal, Inc.

At March 31, 2015 the Company's total current assets were $3.5 million, and current liabilities including $0.5 million bank debt were $1.5 million. The Company did not have any long-term debt at March 31, 2015.

Critical Accounting Policies and Estimates

Following is a discussion of what we view as our more significant accounting policies and estimates. As described below, management judgments and estimates must be made and used in connection with the preparation of our financial statements. We have identified areas where material differences could result in the amount and timing of our net sales, costs, and expenses for any period if we had made different judgments or used different estimates.

Revenue (Net Sales) Recognition. We primarily sell hardware products to our customers. The hardware products include dial-up modems, DSL modems, cable modems, and local area networking equipment.

We derive our net sales primarily from the sales of hardware products to four types of customers:

- computer peripherals retailers,
- computer product distributors,
- Internet service providers, and
- original equipment manufacturers (OEMs)

We recognize hardware net sales for our customers at the point when the customers take legal ownership of the delivered products. Legal ownership passes from Zoom to the customer based on the contractual FOB point specified in signed contracts and purchase orders, which are both used extensively. Many of our customer contracts or purchase orders specify FOB destination. We verify the delivery date on all significant FOB destination shipments made during the last 10 business days of each quarter.

Our net sales of hardware include reductions resulting from certain events which are characteristic of the sales of hardware to retailers of computer peripherals. These events are product returns, certain sales and marketing incentives, price protection refunds, and consumer mail-in and in-store rebates. Each of these is accounted for as a reduction of net sales based on detailed management estimates, which are reconciled to actual customer or end-consumer credits on a monthly or quarterly basis.

Product Returns. Products are returned by retail stores and distributors for inventory balancing, contractual stock rotation privileges, and warranty repair or replacements. We estimate the sales and cost value of expected future product returns of previously sold products. Our estimates for product returns are based on recent historical trends plus estimates for returns prompted by, among other things, announced stock rotations and announced customer store closings. Management reviews historical returns, current economic trends, and changes in customer demand and acceptance of our products when estimating sales return allowances. The estimate for future returns is recorded as a reserve against accounts receivable, a reduction in our net sales, and the corresponding change to inventory reserves and cost of sales. Product returns as a percentage of total shipments were 10.3% and 11.9% for the first quarter of 2015 and 2014, respectively.

Price Protection Refunds. We have a policy of offering price protection to certain of our retailer and distributor customers for some or all their inventory. Under the price protection policies, when we reduce our prices for a product, the customer receives a credit for the difference between the original purchase price and our reduced price for their unsold inventory of that product. Our estimates for price protection refunds are based on a detailed understanding and tracking by customer and by sales program. Estimated price protection refunds are recorded in the same period as the announcement of a pricing change. Information from customer inventory-on-hand reports or from direct communications with the customers is used to estimate the refund, which is recorded as a reduction of net sales and a reserve against accounts receivable. Reductions in our net sales due to price protection were negligible in both the first quarter of 2015 and the first quarter of 2014.

Sales and Marketing Incentives. Many of our retailer customers require sales and marketing support funding, usually set as a percentage of our sales in their stores. The incentives were reported as reductions in our net sales and were $7 thousand in the first quarter of 2015 and $37 thousand in the first quarter of 2014.

Consumer Mail-In and In-Store Rebates. Our estimates for consumer mail-in and in-store rebates are based on a detailed understanding and tracking by customer and sales program, supported by actual rebate claims processed by the rebate redemption centers plus an accrual for an estimated lag in processing at the redemption centers. The estimate for mail-in and in-store rebates is recorded as a reserve against accounts receivable and a reduction of net sales in the same period that the rebate obligation was triggered. Reductions in our net sales due to the rebates were $10 thousand in the first quarter of 2015 and $74 thousand in the first quarter of 2014.

To ensure that the sales, discounts, and marketing incentives are recorded in the proper period, we perform extensive tracking and documenting by customer, by period, and by type of marketing event. This tracking includes reconciliation to the accounts receivable records for deductions taken by our customers for these discounts and incentives.

Accounts Receivable Valuation. We establish accounts receivable valuation allowances equal to the above-discussed net sales adjustments for estimates of product returns, price protection refunds, consumer rebates, and general bad debt reserves. These allowances are reduced as actual credits are issued to the customer's accounts. Our bad-debt write-offs were negligible in both the first quarter of 2015 and the first quarter of 2014.

Inventory Valuation and Cost of Goods Sold. Inventory is valued at the lower of cost, determined by the first-in, first-out method, or market. We review inventories for obsolete slow moving products each quarter and make provisions based on our estimate of the probability that the material will not be consumed or that it will be sold below cost. Additional charges to inventory reserves related to obsolete and slow-moving products were negligible in both the first quarter of 2015 and the first quarter of 2014. Additionally, material product certification costs on new products are capitalized and amortized over the expected period of value of the respective products.

Valuation and Impairment of Deferred Tax Assets. As part of the process of preparing our financial statements we estimate our income tax expense and deferred income tax position. This process involves the estimation of our actual current tax exposure together with assessing temporary differences resulting from differing treatment of items for tax and accounting purposes. These differences result in deferred tax assets and liabilities, which are included in our balance sheet. We then assess the likelihood that our deferred tax assets will be recovered from future taxable income. To the extent we believe that recovery is not likely, we establish a valuation allowance. Changes in the valuation allowance are reflected in the statement of operations.

Significant management judgment is required in determining our provision for income taxes and any valuation allowances. We have recorded a 100% valuation allowance against our deferred income tax assets. It is management's estimate that, after considering all available objective evidence, historical and prospective, with greater weight given to historical evidence, it is more likely than not that these assets will not be realized. If we establish a record of continuing profitability, at some point we will be required to reduce the valuation allowance and recognize an equal income tax benefit which will increase net income in that period(s).

As of December 31, 2014 the Company had federal net operating loss carry forwards of approximately $49,650,000 which are available to offset future taxable income. They are due to expire in varying amounts from 2018 to 2034. As of December 31, 2014, the Company had Massachusetts state net operating loss carry forwards of approximately $4,054,000 which are available to offset future taxable income. They are due to expire in varying amounts from 2031 through 2034.

Results of Operations

Summary. Net sales were $3.06 million for the first quarter ended March 31, 2015 (“Q1 2015”), down slightly from $3.15 million for the first quarter ended March 31, 2014 (“Q1 2014”). Zoom reported net income of $5 thousand or $0.00 per share for Q1 2015, an improvement over Zoom’s net loss of $37 thousand or $0.00 per share for Q1 2014.

Net Sales. Our total net sales for the first quarter of 2015 decreased $87 thousand or 2.8% from the first quarter of 2014, due to sales decreases in both North America and outside North America. Geographically, our North American sales continue to maintain their dominant share of our overall sales, going from 97.8% of our net sales in Q1 2014 to 98.3% in Q1 2015. International and UK sales continue to struggle.

In the first quarter of 2015, three customers accounted for 70% of our total net sales with our largest customer accounting for 40% of our net sales. In the first quarter of 2014, three customers accounted for 73% of the Company’s total net sales with our largest customer accounting for 56% of our net sales. Because of our significant customer concentration, our net sales and operating income has fluctuated and could in the future fluctuate significantly due to changes in political or economic conditions or the loss, reduction of business, or less favorable terms for any of our significant customers.

Gross Profit. Gross profit was $957 thousand or 31.3% of net sales in Q1 2015, versus $932 thousand or 29.6% of net sales in Q1 2014. The increase in gross profit and gross margin was due to reductions in marketing and rebate incentive program costs from Q1 2014 to Q1 2015.

Selling Expense. Selling expense was $409 thousand or 13.4% of net sales in the first quarter of 2015 compared to $353 thousand or 11.2% of net sales in the first quarter of 2014. The increase in selling expense was primarily due to increased advertising expenses.

General and Administrative Expense. General and administrative expense was $249 thousand or 8.2% of net sales in the first quarter of 2015, down from $292 thousand or 9.3% of net sales in the first quarter of 2014. The decrease of $43 thousand is primarily due to decreased legal costs, and reductions in salary and salary related benefit costs.

Research and Development Expense. Research and development expense was $271 thousand or 8.9% of net sales in the first quarter of 2015 and $309 thousand or 9.8% of net sales in the first quarter of 2014. This was a $38 thousand decrease from Q1 2014 to Q1 2015.

Other Income (Expense). Other expense was $23 thousand in the first quarter of 2015 and $14 thousand in the first quarter of 2014, consisting primarily of interest expense related to the line of credit agreement.

Liquidity and Capital Resources

Zoom's cash and cash equivalents balance on March 31, 2015 was $65 thousand, down $73 thousand from December 31, 2014. Zoom's maximum available line of credit was $1.25 million on March 31, 2015, of which bank debt outstanding under this line of credit was $469 thousand. Zoom's $372 thousand decrease in bank debt and $90 thousand increase in prepaid expenses decreased cash, while a $231 thousand decrease in net accounts receivable, $94 thousand decrease in net inventory, and $75 thousand increase in accounts payable increased cash.

On March 31, 2015 the Company had working capital of $2.0 million including $65 thousand in cash and cash equivalents. On December 31, 2014 we had working capital of $2.1 million including $138 thousand in cash and cash equivalents. Our current ratio at March 31, 2015 was 2.4 compared to 2.1 at December 31, 2014.

On December 18, 2012, we entered into a Financing Agreement with Rosenthal & Rosenthal, Inc. (the "Financing Agreement"). The Financing Agreement provided for up to $1.75 million of revolving credit, subject to a borrowing base formula and other terms and conditions as specified in the Financing Agreement. The Financing Agreement has a two year term. Borrowings are secured by all of our assets including our intellectual property. The Loan Agreement contained several covenants, including a requirement that we maintain tangible net worth of not less than $2.5 million and working capital of not less than $2.5 million. On March 25, 2014, we entered into an amendment to the Financing Agreement (the "Amendment") with an effective date of January 1, 2013. The Amendment clarified the definition of current assets in the Financing Agreement, reduced the size of the revolving credit line to $1.25 million, and revised the financial covenants so that Zoom is required to maintain tangible net worth of not less than $2.0 million and working capital of not less than $1.75 million.

On March 31, 2015 Zoom was in compliance with the covenants of the Financing Agreement with Rosenthal & Rosenthal, Inc.

At March 31, 2015 the Company's total current assets were $3.5 million, and current liabilities including $0.5 million bank debt were $1.5 million. The Company did not have any long-term debt at March 31, 2015.

Commitments

During the three months ended March 31, 2015, there were no material changes to our capital commitments and contractual obligations from those disclosed in our Form 10-K for the year ended December 31, 2014.

"Safe Harbor" Statement under the Private Securities Litigation Reform Act of 1995.

Some of the statements contained in this report are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These statements involve known and unknown risks, uncertainties and other factors which may cause our or our industry's actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Forward-looking statements include, but are not limited to statements regarding: Zoom's plans, expectations and intentions, including statements relating to Zoom's prospects and plans relating to sales of and markets for its products; and Zoom's financial condition or results of operations.

In some cases, you can identify forward-looking statements by terms such as "may," "will, " "should," "could," "would," "expects," "plans," "anticipates," "believes," "estimates," "projects," "predicts," "potential" and similar expressions intended to identify forward-looking statements. These statements are only predictions and involve known and unknown risks, uncertainties, and other factors that may cause our actual results, levels of activity, performance, or achievements to be materially different from any future results, levels of activity, performance, or achievements expressed or implied by such forward-looking statements. Given these uncertainties you should not place undue reliance on these forward-looking statements. Also, these forward-looking statements represent our estimates and assumptions only as of the date of this report. We expressly disclaim any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained in this report to reflect any change in our expectations or any change in events, conditions or circumstances on which any of our forward-looking statements are based. Factors that could cause or contribute to differences in our future financial results include those discussed in the risk factors set forth in Item 1A of Part II below as well as those discussed elsewhere in this report, in our Annual Report on Form 10-K for the year ended December 31, 2014, filed with the SEC on March 24, 2015 and in our other filings with the SEC.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not Required.

ITEM 4. CONTROLS AND PROCEDURES

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our Securities Exchange Act of 1934 reports is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer who is also our Acting Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, as ours are designed to do, and management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

As of March 31, 2015 we carried out an evaluation, under the supervision and with the participation of our management including our Chief Executive Officer and Acting Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934. Based upon that evaluation, our Chief Executive Officer and Acting Chief Financial Officer concluded that our disclosure controls and procedures are effective in enabling us to record, process, summarize and report information required to be included in our periodic SEC filings within the required time period.

There have been no changes in our internal control over financial reporting that occurred during the period covered by this report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II OTHER INFORMATION

ITEM 1A. RISK FACTORS

This report contains forward-looking statements that involve risks and uncertainties, such as statements of our objectives, expectations and intentions. The cautionary statements made in this report are applicable to all forward-looking statements wherever they appear in this report. Our actual results could differ materially from those discussed herein. Factors that could cause or contribute to such differences include the risk factors contained in our Annual Report on Form 10-K for the year ended December 31, 2014, filed with the SEC on March 24, 2015, as well as those discussed in this report and in our other filings with the SEC.

Other than as set forth below, there have not been any material changes from the risk factors previously disclosed under Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2014.

We may require additional funding, which may be difficult to obtain on favorable terms, if at all.

Over the next twelve months we may require additional funding if, for instance, we experience losses or make a strategic decision that requires additional funding. We currently have a $1.25 million line of credit from which we can borrow, and this line is subject to covenants that must be met. It is not certain whether all or part of this line of credit will be available to us as time passes; and other sources of financing may not be available to us on a timely basis if at all, or on terms acceptable to us. If we fail to obtain acceptable additional financing when needed, we may not have sufficient resources to fund our normal operations; and this would have a material adverse effect on our business.

We may experience costs and senior management distractions due to patent-related matters.

Many of our products incorporate patented technology. We attempt to license appropriate patents either directly or through our integrated circuit suppliers. However, we are subject to costs and senior management distractions due to patent-related litigation.

On November 6, 2013, Innovative Wireless Solutions, LLC ("IWS") filed a complaint against the Company alleging infringement of U.S. Patents Nos. 5,912,895, 6,327,264, and 6,587,473 all entitled "Information Network Access Apparatus and Methods of Communicating Information packets via Telephone Links." Final Judgment of Non-Infringement in Zoom's favor was entered on March 20, 2015 in the IWS matter, so that matter is no longer pending.

On November 14, 2014, Concinnitas, LLC and Mr. George W. Hindman (collectively "Concinnitas") filed a complaint against the Company alleging infringement of U.S. Patent No. 7,805,542 ("the '542 patent") titled ""Mobile United Attached in a Mobile Environment that Fully Restricts Access to Data Received via Wireless Signal to a Separate Computer in the Mobile Environment." The Complaint asserts that the Company sells "products and/or systems (including at least the [wireless router model no.] 4530)" that infringe the '542 patent. The case is in the early stages of discovery and a trial date has been set for April 11, 2016.

On January 30, 2015, Wetro LAN LLC ("Wetro LAN") filed a complaint against the Company alleging infringement of U.S. Patent No. 6,795,918 ("the '918 patent"). The '918 patent is titled "Service Level Computer Security." Wetro LAN alleges that the Company's wireless routers, including its Model 4501 Wireless-N Router, infringe the '918 patent. The case is in its early stages and a date for the scheduling conference has not yet been set.

Patent litigation matters are complex and time consuming and expose Zoom to potentially material obligations. It is impossible to assess the potential cost and senior management distraction associated with patent litigation matters that are currently outstanding or may occur in the future.

Our reliance on a small number of customers for a large portion of our revenues could materially harm our business and prospects.

Relatively few customers have accounted for a substantial portion of the Company's revenues. In the first quarter of 2015, three customers accounted for 70% of our total net sales with our largest customer accounting for 40% of our net sales. In the first quarter of 2014, three customers accounted for 73% of the Company's total net sales with our largest customer accounting for 56% of our net sales. At March 31, 2015, three customers accounted for 87% of our gross accounts receivable, with our largest customer representing 62% of our gross accounts receivable.

Our customers generally do not enter into long-term agreements obligating them to purchase our products. Because of our significant customer concentration, our net sales and operating income could fluctuate significantly due to changes in political or economic conditions or the loss of, reduction of business with, or less favorable terms for any of our significant customers. A reduction or delay in orders from any of our significant customers, or a delay or default in payment by any significant customer could materially harm our business, results of operation and liquidity.

ITEM 6. EXHIBITS

Exhibit No.	Exhibit Description
31.1	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

ZOOM TELEPHONICS, INC.

SIGNATURES

Pursuant to the requirements of the Securities and Exchange Act of 1934, the Company has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

ZOOM TELEPHONICS, INC.
(Registrant)

Date: May 11, 2015	By: /s/ FRANK B. MANNING Frank B. Manning, President, Chief Executive Officer and Acting Chief Financial Officer (Principal Executive Officer and Principal Financial Officer)

EXHIBIT INDEX

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