

CLEARONE COMMUNICATIONS INC  
Form DEF 14A  
May 02, 2011

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549

SCHEDULE 14A  
(Rule 14a-101)

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of  
the Securities Exchange Act of 1934

Filed by the Registrant  x

Filed by a Party other than the Registrant  o

Check the appropriate box:

o

Preliminary Proxy Statement.

o

Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2)).

x

Definitive Proxy Statement.

o

Definitive Additional Materials.

o

Soliciting Material Pursuant to §240.14a-12.

**ClearOne Communications, Inc.**

(Name of Registrant as Specified in its Charter)

(Name of Person(s) Filing Proxy Statement, if other than Registrant)

Payment of Filing Fee (Check the appropriate box):

x

No fee required.

o

Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

1)

Title of each class of securities to which transaction applies:

2)

Aggregate

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):

4)

Proposed maximum aggregate value of transaction:

5)

Total fee paid:

o

Fee paid previously with preliminary materials.

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Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the form or schedule and the date of its filing.

1)

Amount Previously Paid:

2)

Form, Schedule or Registration Statement No.:

3)

Filing Party:

4)

Date Filed:



**CLEARONE COMMUNICATIONS, INC.**

**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS**

**JUNE 8, 2011**

The Annual Meeting of Shareholders of ClearOne Communications, Inc., a Utah corporation, will be held at 9:00 a.m., local time, on Wednesday, June 8, 2011, at our corporate offices, 5225 Wiley Post Way, Suite 500, Salt Lake City, Utah 84116.

The following describes the purpose of the Annual Meeting:

1.

To elect five members of our Board of Directors;

2.

To ratify the appointment of the Company's independent public accountants; and

3.

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

The foregoing items of business are more fully described in the proxy statement accompanying this notice. Our Board of Directors recommends that an affirmative vote be cast in favor of all nominees listed in the proxy statement and the ratification of the appointment of the Company's independent public accountants.

Only shareholders of record at the close of business on May 2, 2011 are entitled to notice of and to vote at the meeting.

All shareholders are cordially invited to attend the meeting and vote in person. However, to ensure your representation at the meeting, you are urged to vote as promptly as possible, whether via the Internet, by telephone, or, by marking, signing, dating, and returning the enclosed proxy in the postage-prepaid envelope enclosed for that purpose. Any shareholder attending the meeting may vote in person even if such shareholder has previously submitted a proxy.

Sincerely,

Narsi Narayanan  
*Corporate Secretary*

Salt Lake City, Utah

May 2, 2011



**CLEARONE COMMUNICATIONS, INC.**

**5225 Wiley Post Way, Suite 500**

**Salt Lake City, Utah 84116**

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**PROXY STATEMENT**

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**ANNUAL MEETING OF SHAREHOLDERS**

**JUNE 8, 2011**

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**General**

The accompanying proxy is solicited on behalf of ClearOne Communications, Inc., a Utah corporation, by the Board of Directors for use at our 2011 Annual Meeting of Shareholders to be held at the corporate offices of the company, 5225 Wiley Post Way, Suite 500, Salt Lake City, Utah on June 8, 2011 at 9:00 a.m., local time, or at any postponement or adjournment thereof, for the purposes set forth herein and in the accompanying notice.

These proxy solicitation materials will be distributed on or about May 10, 2011 to all shareholders entitled to vote at the meeting.

**Record Date and Shares Outstanding**

Shareholders of record at the close of business on May 2, 2011 are entitled to notice of, and to vote at, the meeting. On the record date, 8,938,925 shares of common stock were issued and outstanding.

**Voting of Proxies**

By completing and submitting the proxy (whether over the internet, by telephone, or by signing, dating and mailing the accompanying proxy card), the shareholder authorizes Zeynep Hakimoglu, Chairman and Chief Executive Officer, and Narsi Narayanan, Corporate Secretary, as designated on the face of the proxy, to vote all shares for the shareholder. All proxies that are properly completed and submitted will be voted as the shareholder directs. If no direction is given, executed proxies will be voted FOR the election of each of the nominees set forth in this proxy statement and FOR the ratification of the appointment of the Company's independent public accountants.

**Vote Required for Approval**

A quorum must be present at the meeting in order for the shareholders to take official action. Under Utah law and our Articles of Incorporation and Bylaws, a quorum will exist if a majority of the total number of shares entitled to vote are present, in person or by proxy. Abstentions and broker non-votes, which are indications by a broker that it does

not have discretionary authority to vote on a particular matter, will be counted as represented for the purpose of determining the presence or absence of a quorum. The election of directors is a non-routine matter on which brokers are not allowed to vote unless they have received voting instructions from their customers. Accordingly, it is particularly important that beneficial owners instruct their brokers how they wish to vote their shares. The ratification of the Company's independent public accountants is considered a routine matter for which brokerage firms may vote un-instructed shares.

Each holder of common stock will be entitled to one vote for each share of common stock held on the record date. In the election of directors, shareholders will not be allowed to cumulate their votes. Assuming that a quorum is present, the election of directors will be determined by plurality vote and the proposal to ratify the appointment of Jones Simkins, P.C. to serve as our independent public accountants for the year ending December 31, 2011 requires that the votes cast in favor of the proposal must exceed the votes cast against the proposal. Abstentions and broker non-votes will not affect the outcome of the election of directors or the proposal to ratify the appointment of the Company's independent public accountants. Any other matter properly presented for approval by the shareholders at the Annual Meeting will generally be approved if the number of votes cast in favor of a matter exceeds the number of votes cast in opposition. With respect to any such matter, abstentions and broker non-votes are not likely to affect the outcome of a vote on such matter. The Company is not currently aware of any other matters to be presented at the Annual Meeting.

The Board of Directors recommends that an affirmative vote be cast in favor of all nominees listed in the proxy statement and the ratification of the appointment of the Company's independent public accountants.

### **Revocability of Proxies**

Any proxy given pursuant to this solicitation may be revoked by the person giving it at any time prior to its use by delivering to our Corporate Secretary a written notice of revocation or a duly executed proxy bearing a later date, or by attending the meeting and voting in person.

### **Solicitation**

We will pay the cost of this solicitation. In addition, we may reimburse brokerage firms and other persons representing beneficial owners of shares for their expenses in forwarding solicitation material to such beneficial owners. Proxies may also be solicited by certain of our directors, officers, and employees, without additional compensation, personally or by telephone, facsimile, or e-mail.

### **Annual Report and Other Matters**

Our 2010 Annual Report on Form 10-K, which was made available to shareholders with or preceding this proxy statement, contains financial and other information about our company, but is not incorporated into this proxy statement and is not to be considered a part of these proxy soliciting materials or subject to Regulations 14A or 14C or to the liabilities of Section 18 of the Securities Exchange Act of 1934, as amended. The information contained in the Audit and Compliance Committee Report shall not be deemed filed with the Securities and Exchange Commission or subject to Regulations 14A or 14C or to the liabilities of Section 18 of the Exchange Act.

**We will provide, without charge, a printed copy of our 2010 Annual Report on Form 10-K, as filed with the Securities and Exchange Commission, to each shareholder of record as of the record date that requests a copy in writing. Any such requests should be directed to our Corporate Secretary at our corporate offices set forth in this proxy statement.**

## **PROPOSAL ONE ELECTION OF DIRECTORS**

Our articles of incorporation and bylaws provide that our Board of Directors shall consist of not less than three nor more than nine members as the Board of Directors or our shareholders shall determine from time to time. The Board of Directors has currently fixed the number of directors at five. The term of each of our directors expires at the 2011 Annual Meeting. We have nominated all five existing directors for election at the meeting to serve until the next Annual Meeting of Shareholders or until their respective successors are duly elected and qualified. In the event any nominee is unable to serve, the proxies will be voted for a substitute nominee, if any, to be designated by our Board of Directors. The Board of Directors has no reason to believe any nominee will be unable or will decline to serve as a director.

**The Board of Directors unanimously recommends a vote for election of the nominees named herein.**

### **Nominees for Director**

The following table set forth certain information regarding our directors and nominees for directors.



**Name**

**Age**

**Position**

**Director  
Since**

Zeynep Zee  
Hakimoglu

57

Chairman,  
Chief  
Executive  
Officer, and  
President

2006

Brad R.  
Baldwin

55

**Director  
(1)(2)(3)**

1988

Larry R.  
Hendricks

68

Director  
(1)(2)(3)

2003

Scott M.  
Huntsman

45

Director  
(1)(2)(3)

2003

E. Bryan  
Bagley

47

Director

2009

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(1)

Member of the Audit and Compliance Committee

(2)

Member of the Compensation Committee

(3)

Member of the Nominating Committee

**2**

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**Zee Hakimoglu** has served as a director of our company since April 2006. Ms. Hakimoglu joined our company in December 2003 with more than 15 years of executive and senior-level, high-tech management experience and was appointed as President and Chief Executive Officer in July 2004 and Chairman of the Board in July 2007. She served in a variety of executive business development, product marketing, and engineering roles including Vice President of Product Line Management for ClearOne from December 2003 to July 2004. Prior to joining ClearOne, Ms. Hakimoglu served as Vice President of Product Line Management for Oplink Communications, a publicly traded developer of fiber optic subsystems and components from December 2001 to December 2002; President of OZ Optics USA, a manufacturer of fiber optic test equipment and components from August 2000 to November 2001; and various management positions including Vice President of Wireless Engineering and Vice President of the Wireless Business Unit for Aydin Corp., a telecommunications equipment company, formerly traded on the New York Stock Exchange from May 1982 until it was acquired in September 1996. She also was Vice President of Business Development for Kaifa Technology from October 1998 to August 2000 and was instrumental in its acquisition by E-Tek Dynamics, then again acquired by JDS Uniphase. Through these acquisitions, she held the role of Deputy General Manager of the Kaifa Technology business unit. Ms. Hakimoglu earned a Bachelor of Science Degree in Physics from California State College, Sonoma, and a Master's Degree in Physics from Drexel University. In light of Ms. Hakimoglu's rich experience in the high-tech industry and her unique and extensive understanding of ClearOne's business, our Board has concluded that Ms. Hakimoglu should continue to serve as a director.

**Brad R. Baldwin** has served as a director of our company since October 1988. Mr. Baldwin is an attorney licensed to practice in Utah. Since April 2009, Mr. Baldwin has served as general counsel to the Wasatch Front Regional Multiple Listing Service (WFRMLS). The WFRMLS currently assists over 12,000 brokers, agents and appraisers with their MLS needs and services. From April 2001 to April 2009, he served as an attorney and investment real estate specialist with the commercial real estate business with Commerce CRG in Salt Lake City, Utah. From 1988 to 2000, he served as legal counsel and president of Bank One, Utah. He also practiced business, corporate and real estate law for ten years in Salt Lake City. He has a degree in finance from the University of Utah and a law degree from the University of Washington. He has served on the board of many community organizations, including the Salt Lake Area Chamber of Commerce, the Utah Bankers Association, and the Economic Development Corporation of Utah. In light of Mr. Baldwin's legal background and unique understanding of our business due to his long service on our Board, the Board has concluded that Mr. Baldwin should continue to serve as a director.

**Larry R. Hendricks** has served as a director of our company since June 2003. Mr. Hendricks is a Certified Public Accountant who retired in December 2002 after serving as Vice President of Finance and General Manager of Daily Foods, Inc., a national meat processing company. During his 30-year career in accounting, he served as a self-employed CPA and worked for the international accounting firm Peat Marwick & Mitchell. Mr. Hendricks has served on the boards of eight other organizations, including Tunex International, Habitat for Humanity, Daily Foods, and Skin Care International. He earned a Bachelor's Degree in Accounting from Utah State University and a Master of Business Administration Degree from the University of Utah. In light of Mr. Hendricks' background in finance and accounting and his deep understanding of our business after his service on our Board, the Board has concluded Mr. Hendricks should continue to serve as a director.

**Scott M. Huntsman** has served as a director of our company since June 2003. Mr. Huntsman has served as President of GlobalSim, a technology and simulation company, since February 2003, and as Chief Financial Officer from April 2002 to February 2003. Prior to joining GlobalSim, he spent 11 years on Wall Street as an investment banker, where he focused on mergers, acquisitions, and corporate finance transactions. Mr. Huntsman served at Donaldson, Lufkin and Jenrette Securities Corporation from August 1996 to 2000, when they merged with Credit Suisse First Boston where he served until October 2001. Mr. Huntsman earned a Bachelor's Degree from Columbia University and a Master of Business Administration Degree from The Wharton School at the University of Pennsylvania. He also

studied at the London School of Economics as a Kohn Fellowship recipient. In light of Mr. Huntsman's background in finance and particularly in the areas of mergers and acquisitions and corporate finance, and in view of his experience as a leader of a technology company, the Board has concluded Mr. Huntsman should continue to serve as a director.

**E. Bryan Bagley** has served as a director of our company since November 2009. Mr. Bagley was a director of Nevada Chemicals from June 2000 until the company was sold in September 2008 and served as Chairman of the Board of Nevada Chemicals from December 2001 until September 2008. Since November 2002, Mr. Bagley has been a private investor managing accounts on his own behalf. From December 1991 to November 2002, Mr. Bagley served as a market maker for Wilson-Davis & Company.

Prior to that position, he served as a trader for Covey & Co. and Bagley Securities. Mr. Bagley graduated from the University of Utah in 1987 with a Bachelor of Science degree in Economics. Mr. Bryan Bagley is the son of Edward D. Bagley, our former Chairman of the Board. Mr. Edward D. Bagley beneficially owns 23.3% of our issued and outstanding common stock. In light of Mr. Bagley's prior experience as the chairman of a public company and the benefit that may accrue to our company from his leadership experience, the Board has concluded that Mr. Bagley should continue to serve as a director.

Security holders who would like to send communications to any director or the entire Board may do so by submitting such communications to ClearOne Communications, Inc., 5225 Wiley Post Way, Suite 500, Salt Lake City, Utah 84116, Attention: Investor Relations or [investor\\_relations@clearone.com](mailto:investor_relations@clearone.com). The communications will then be forwarded to the appropriate director or the entire Board. The Board suggests, but does not require, that such submissions include the name and contact information of the security holder making the submission and a description of the matter that is the subject of the communication.

## **CORPORATE GOVERNANCE**

### **Information Relating to Corporate Governance and the Board of Directors**

Our Board of Directors has determined, after considering all the relevant facts and circumstances, that Messrs. Baldwin, Hendricks, and Huntsman are independent directors, as independence is defined by the listing standards of NASDAQ, because they have no relationship with us that would interfere with their exercise of independent judgment.

Our Board of Directors has an Audit and Compliance Committee, a Compensation Committee, and a Nominating Committee, each consisting entirely of independent directors.

Our Board of Directors has adopted charters for the Audit and Compliance, Compensation and Nominating Committees describing the authority and responsibilities delegated to each committee by the Board. We post on our website at [www.clearone.com](http://www.clearone.com) the charters of our Audit and Compliance, Compensation and Nominating Committees, our Code of Ethics, and any amendments or waivers thereto and any other corporate governance materials contemplated by SEC or NASDAQ regulations. These documents are also available in print to any stockholder requesting a copy in writing from our Corporate Secretary at our corporate offices set forth in this proxy statement.

### **Board Leadership Structure**

The Board has no formal policy on whether the role of the Chairman of the Board and Chief Executive Officer should be held by separate persons. We believe it is important to maintain flexibility to have either combined offices or a separate Chairman and Chief Executive Officer structure as circumstances dictate and to make that determination based on the strategic and operational position and direction of the company and the character of the membership of the Board. The Board believes our current management structure, with Zeynep Hakimoglu serving as Chairman and Chief Executive Officer, is the optimal structure for us at this time. Ms. Hakimoglu possesses detailed and in-depth knowledge of the operational issues, opportunities and challenges facing the Company and its business, and also has a keen understanding of and ability to grasp our strategic position and opportunities. Given Ms. Hakimoglu's particular skills and knowledge, as well as our size and stage of development, we believe Ms. Hakimoglu is best positioned to identify strategic priorities, develop agendas that the Board's time and attention should be focused on as the most critical matters, and to lead the discussion and execution of strategy.

The Chief Executive Officer and the independent directors have different perspectives and roles in strategy development. The Chief Executive Officer brings Company-specific experience and expertise, while the Company's independent directors bring experience, oversight, and expertise from outside the Company and its industry. The Board believes its independent directors provide effective oversight of management, and that the combined role of Chief Executive Officer and Chairman promotes the development and execution of strategy and facilitates the flow of information between management and the Board, which is essential to effective corporate governance. Given the Board's confidence in the effectiveness of the current balance of positions and personalities, we have not appointed a lead independent director. The Board believes the combined role of Chief Executive Officer and Chairman, together with a Board whose majority of directors are independent, provides the appropriate balance between independent oversight of management and the development of strategy.

## Board Role in Risk Oversight

The Board of Directors is responsible for overseeing the management of the business and affairs of the Company, but delegates day-to-day management of the Company to the Chief Executive Officer and our executive management team. The Board of Directors is generally responsible for risk oversight, and the Audit and Compliance Committee assists the Board in fulfilling its responsibilities for general oversight of risk assessment and risk management. In addition, the other Board committees are also tasked with specific risk oversight functions pursuant to the terms of the committee charters or applicable NASDAQ rules. The Board as a whole and the various standing committees, in performing their respective risk oversight functions, have access to our company's management team and external advisors, as necessary, and receive periodic presentations and reports from management, and incidental reports as matters arise, with respect to strategic, operational, financial, legal or other risks and the plans management has to control such risks.

## Committees of the Board of Directors

**Audit and Compliance Committee.** The Audit and Compliance Committee meets to review and discuss our accounting practices and procedures with management and independent public accountants and to review our quarterly and annual financial statements. The Audit and Compliance Committee assists the Board of Directors in fulfilling its responsibility for oversight of the quality and integrity of our accounting, auditing, and reporting practices. The Audit and Compliance Committee's primary duties include reviewing the scope and adequacy of our internal accounting and financial controls; reviewing the independence of our independent registered public accounting firm; approving the scope of our independent registered public accounting firm's audit activities; approving the fees of our independent registered public accounting firm; approving any non-audit related services; reviewing the audit results; reviewing the objectivity and effectiveness of our internal audit function; and reviewing our financial reporting activities and the application of accounting standards and principles.

The members of the Audit and Compliance Committee are Scott M. Huntsman (Chairman), Brad R. Baldwin, and Larry R. Hendricks. Each member of the audit committee, in addition to being independent under the standards of NASDAQ, is independent under the standards of the Securities and Exchange Commission's rules and regulations pertaining to listed company audit committees. The Board of Directors has determined that Scott M. Huntsman is an audit committee financial expert in accordance with applicable rules and regulations of the SEC.

**Compensation Committee.** The Compensation Committee is responsible for overseeing, reviewing, and approving our executive compensation and benefit programs and administers the Company's equity incentive plans for employees. Under its charter, the Compensation Committee may delegate authority to subcommittees of the Compensation Committee or to executive officers of the Company, particularly the President and CEO with respect to compensation determinations for persons who are not executive officers of the Company. The members of the Compensation Committee are Brad R. Baldwin (Chairman), Larry R. Hendricks and Scott M. Huntsman.

Our compensation objectives for executive officers are as follows:

to attract and retain highly qualified individuals capable of making significant contributions to the long-term success of our company;



to use incentive compensation to reinforce strategic performance objectives;

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to align the interest of our executives with the interests of our shareholders such that risks and rewards of strategic decisions are shared; and

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to reflect the value of each officer's position in the marketplace and within our company.

*Policies and Practices Related to ClearOne's Compensation Program.* We strive to create an overall compensation package for each executive officer that satisfies the aforementioned objectives, recognizing that certain elements of compensation are better suited to reflect different compensation objectives. For example, as base salaries are the only element of compensation that are fixed in amount in advance of the year in which the compensation will be earned, the Compensation Committee believes that it is most appropriate to determine base salaries with a focus on the market practices for similarly situated officers at comparable companies as adjusted to reflect the individual officer's performance during the preceding year. In contrast, cash bonuses and long-term incentives are better able to reflect our company's performance as measured by financial metrics and are well-suited to motivate officers to achieve specific performance goals that the Compensation Committee has determined are in the best interests of our company. Equity grants are also well-suited to drive long-term performance and align management's interests with those of shareholders. The Compensation Committee believes that as an officer's responsibility increases, so does his or her ability to influence the performance of our company and accordingly, the proportion of his or her compensation that consists of his or her salary and cash bonus should decrease while the proportion of equity incentives to total compensation should increase.

*Comparable Companies.* In making compensation decisions, including assessing the competitiveness of the total compensation structure for each named executive officer, the Compensation Committee considers compensation survey data from companies that the Compensation Committee has selected as comparable companies, namely comparable in terms of size and location. The Compensation Committee periodically reviews the companies that are included as comparable companies and makes revisions to the group as appropriate. During February 2010, the company obtained comparable compensation data from Equilar. The Compensation Committee reviewed the compensation data to ensure the company's compensation of executives is reasonable.

*Equity Grant Practices.* The Compensation Committee recognizes the importance of equity ownership in the alignment of shareholder and management interests. The exercise price of each stock option awarded to our executive officers under our incentive compensation programs is equal to the closing price of our common stock on the date of grant, which is the date when the Compensation Committee acts to approve equity awards for senior executives. Performance-based equity awards are also granted to our named executive officers at this time.

The Compensation Committee establishes the criteria, and directs the implementation, of all compensation program elements for the executive officers. Generally, the base salary for each named executive officer is set at the beginning of each fiscal year by our Board of Directors after review of the recommendation of the Compensation Committee.

The Compensation Committee considers the Chief Executive Officer's appraisal of other executive officers' general performance and looks especially to performance against predetermined goals before making its recommendation to the Board of Directors. In the past, the Compensation Committee has authorized the Chief Executive Officer to recruit executive officers and offer initial base salaries. The Chief Executive Officer recommends for the Compensation Committee's approval the stock option grants and compensation related to achievement of non-quantitative goals under non-equity based incentive plans for other executive officers. The Compensation Committee did not employ any compensation consultants during the year ended December 31, 2010.

**Nominating Committee.** The Nominating Committee is responsible for overseeing the nomination of our directors. The Nominating Committee selects, evaluates, and recommends to the full Board of Directors qualified candidates for election to the Board of Directors. The members of the Nominating Committee are Larry R. Hendricks (Chairman), Brad R. Baldwin, and Scott M. Huntsman.

The Board of Directors will consider recommendations by shareholders for director nominees if the names of those nominees and relevant biographical information are submitted in writing to our company's Secretary in the manner described for shareholder nominations below under the heading Shareholder Proposals. The Nominating Committee identifies and evaluates nominees for our Board of Directors, including nominees recommended by shareholders, based on numerous factors it considers appropriate, some of which may include strength of character, mature judgment, career specialization, relevant technical skills, diversity, and the extent to which the nominee would fill a present need on our Board of Directors. Although the Nominating Committee does not have a formal policy with regard to the consideration of diversity in identifying director nominees, the Nominating Committee strives to nominate directors with a variety of complementary skills so that, as a group, the Board will possess the appropriate talent, skills and expertise to oversee the Company's business. All director nominations, whether submitted by a shareholder, the Nominating Committee, or the Board of Directors, will be evaluated in the same manner. The current nominees for director were recommended by the Nominating Committee and nominated by the Board of Directors, including the independent members thereof.

## **Board and Committee Meetings**

Our Board of Directors held a total of 8 meetings in 2010. No director attended fewer than 75% of the aggregate of (i) the total number of meetings of the Board of Directors; and (ii) the total number of meetings held by all committees of the Board of Directors on which such director was a member. Although we currently have no formal policy with respect to the attendance of members of the Board of Directors at the Annual Meetings of Shareholders, we encourage each of our directors to attend each annual meeting of shareholders. To that end, and to the extent reasonably practicable, we regularly schedule a meeting of the Board of Directors on the same day as our annual meeting of shareholders. All members of our Board of Directors attended the 2010 Annual Meeting of Shareholders.

In 2010, the Audit and Compliance Committee held 5 meetings, the Compensation Committee held 5 meetings, and the Nominating Committee held 2 meetings.

### Code of Ethics

The Board of Directors adopted a code of ethics that applies to our Board of Directors, executive officers, and employees. The Company's Code of Ethics is posted on our website at [www.clearone.com](http://www.clearone.com).

### Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act, as amended, requires our directors, executive officers and persons who own more than 10% of a registered class of our equity securities to file with the SEC initial reports of ownership on Form 3 and reports of changes of ownership of our equity securities on Forms 4 and 5. Officers, directors, and greater than 10% shareholders are required to furnish us with copies of all Section 16(a) reports they file. Based solely on a review of the reports and amendments to reports furnished to us for the year ended December 31, 2010, and written representations that no other reports were required, we believe that each person who, at any time during such fiscal year was a director, officer, or beneficial owner of more than 10% of our common stock, complied with all Section 16(a) filing requirements during such transition period, except that Edward Dallin Bagley, a beneficial owner of more than 10% of our common stock filed one Form 4 late for one transaction, and E. Bryan Bagley, a director, filed one Form 4 late for eight transactions, and a Form 5 for a late transaction.

### EXECUTIVE OFFICERS

The following table sets forth certain information regarding our executive officers.

**Name**

**Age**

**Position**

Zee Hakimoglu

57

President, Chief Executive Officer, and Chairman of the Board of Directors

Narsi Narayanan

40

Vice President of Finance and Corporate Secretary

Tracy A. Bathurst

46

Chief Strategy Officer

Michael E. Braithwaite

43

Senior Vice President of Technology

For the biography of Ms. Hakimoglu, see Nominees for Director.

**Narsi Narayanan** has served as our Vice President of Finance since July 2009 and has over 15 years of professional experience in the areas of accounting, finance and taxes. Prior to joining our company, he managed the SEC reporting, US GAAP accounting research, SOX compliance and other financial reporting functions from August 2007 through February 2009 at Solo Cup Company, a publicly reporting international consumer products company. Prior to that, Mr. Narayanan managed the accounting and finance functions, including SEC Reporting, SOX compliance and US GAAP accounting research, from June 2004 through August 2007 at eCollege.com, a leading technology company serving private educational institutions which was also a publicly reporting company before being acquired by Pearson Education group. In addition to being a Chartered Accountant, Mr. Narayanan has extensive experience working in public accounting and in various senior finance positions in India with large public companies. He is a Certified Public Accountant with graduate degrees in accounting (M. Acc.) and business (MBA-Finance).

**Tracy A. Bathurst** joined our company in September 1988 and held several positions with us before being named Chief Strategy Officer in November 2009. He most recently served as our Chief Technology Officer and has nearly 20 years experience in defining and developing communications-related products and technology. Mr. Bathurst previously led the design and development of our high performance audio and telecommunications equipment. Mr. Bathurst currently oversees product market strategy and overall product strategy. He earned a Bachelor of Science degree in Industrial Technology from Southern Utah University.

**Michael Braithwaite** joined us in November 2009 through the acquisition of NetStreams, Inc. where he was the co-founder and CTO since 2004. Mr. Braithwaite has led a distinguished twenty-year career as a visionary, disruptive innovator, and proven leader in the professional audio and consumer electronics industries. He has authored more than twenty U.S. and International patents. Before NetStreams, Inc., Mr. Braithwaite was a product and market manager for Crestron Electronics where he worked on highly successful audio and video distribution products. He currently serves as a Chairman on the Consumer Electronics Association's R10 working group technical committees

and is a very active member in technology standard efforts.

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**EXECUTIVE COMPENSATION**

**Summary Compensation**

The following tables set forth for the periods indicated the compensation paid or earned by each named executive officer for the year ended December 31, 2010, six-month transition period ended December 31, 2009, and fiscal year ending June 30, 2009.

**SUMMARY COMPENSATION TABLE**

<b>Name and Principal Position</b>
<b>Salary</b>
<b>Option Awards (1)</b>
<b>Non-Equity Incentive Plan Compensation (2)</b>
<b>All Other Compensation (3)</b>
<b>Total</b>
<b>Zee Hakimoglu - Chairman of the Board,</b>

Chief  
Executive  
Officer and  
President

Year ended  
December 31,  
2010

\$  
225,000

\$  
12,400

\$  
73,523

\$



\$

310,923

Six months  
ended  
December 31,  
2009

110,000

110,000

Year ended  
June 30, 2009

215,157

87,000

44,485

8,390

355,032

**Tracy A.  
Bathurst -  
Chief Strategy  
Officer**

Year ended  
December 31,  
2010

150,000

12,400

47,862

2,425

212,687

Six months  
ended  
December 31,  
2009

72,500

12,732

85,232

Year ended  
June 30, 2009

142,123

43,500

34,736

3,867

224,226

**Narsi  
Narayanan**  
(4) Vice  
President of  
Finance and  
Corporate  
Secretary

Year ended  
December 31,  
2010

122,500

12,400

43,728

178,628

Six months  
ended  
December 31,  
2009

45,833

36,300

12,029

94,162

**Michael  
Braithwaite**  
(5) Senior  
Vice President  
of Technology

Year ended  
December 31,  
2010

152,500

12,400

49,548

9,275

223,723

Six months  
ended  
December 31,  
2009

25,000

31,800



56,800

(1)

The amounts in the Option Awards column reflect the aggregate grant date fair value of awards of stock options granted pursuant to our long-term incentive plans during the periods reported above, computed in accordance with FASB ASC Topic 718, *Compensation - Stock Compensation*. The assumptions made in the valuation of our option awards is disclosed in Note 11 - Share Based Payments in our Notes to Consolidated Financial Statements contained in our annual report on Form 10-K for the year ended December 31, 2010.

(2)

Non-Equity Incentive Plan Compensation is based upon the achievement of pre-determined quarterly goals, namely, quantitative financial goals comprising of revenue, gross margin and operating income, and non-quantitative performance goals. While quantitative financial goals are similar for all the executive officers, non-quantitative goals vary for each officer. Examples of non-quantitative goals include introduction of a new product, identification of a new distribution opportunity, implementing internal controls, and improving product quality. The Chief Executive Officer recommends to the Compensation Committee the compensation for achievement or partial achievement of any such predetermined goal. Compensation under the non-equity incentive plan is calculated by assigning 70% weight to quantitative financial goals (with revenue, gross margin and operating income having equal share) and 30% to non-quantitative goals. Of the amounts included above, Ms. Hakimoglu's compensation for the year ended December 31, 2010 included \$56,273 for achieving financial goals and \$17,250 for achieving non-quantitative goals, and during the year ended June 30, 2009 included \$15,385 for achieving financial goals and \$29,100 for achieving non-quantitative goals. Mr. Bathurst's compensation for the year ended December 31, 2010 included \$37,923 for achieving financial goals and \$9,939 for achieving non-quantitative goals. Mr. Bathurst's compensation for six months ended December 31, 2009 included \$12,732 for achieving non-quantitative goals and during the year ended June 30, 2009 included \$5,915 for achieving financial goals and \$28,821 for achieving non-quantitative goals. Mr. Narayanan's compensation for the year ended December 31, 2010 included \$33,030 for achieving financial goals and \$10,698 for achieving non-quantitative goals, and compensation for the six months ended December 31, 2009 included \$12,029 towards achieving non-quantitative goals. Mr. Braithwaite's compensation for the year ended December 31, 2010 included \$37,923 for achieving financial goals and \$11,625 for achieving non-quantitative goals.

(3)

The amounts in the All Other Compensation column reflect the value of our 401(k) and Employee Stock Purchase Plan, or ESPP, matching contributions, paid time off, sign-on bonus, severance payments and honorarium under a patenting process program as follows. Ms. Hakimoglu received the following: 401(k) matching contribution of \$6,009 during 2009; and ESPP matching contribution of \$2,381 during 2009. Mr. Bathurst received the following: honorarium under a patenting process program of \$2,425 in 2010; 401(k) matching contribution of \$3,867 during 2009. Mr. Braithwaite received \$9,275 under a patenting process program in 2010.

(4)

Mr. Narayanan joined our company as our Vice President of Finance during July 2009.

(5)

Mr. Braithwaite joined our company during November 2009.

#### **OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END**

The following table provides information on the holdings of stock options by the named executive officers as of December 31, 2010. None of the officers listed exercised any stock options during the year ended December 31, 2010 or the transition period ended December 31, 2009.

<b>Name</b>
<b>Number of Securities Underlying Options Exercisable</b>
<b>Number of Securities Underlying Options Unexercisable (1)</b>
<b>Option Exercise Price</b>

**Option Grant  
Date**

**Option  
Expiration  
Date**

Zee Hakimoglu

50,000

\$

6.40

03/24/2004

03/24/2014

100,000

5.55

07/26/2004

07/26/2014

150,000

3.65

09/18/2006

09/18/2016

150,000

6.15

08/14/2007

08/14/2017

34,722

15,278

4.03

11/14/2008

11/14/2018

10,000

3.00

05/26/2010

05/26/2020

Tracy A.  
Bathurst

5,000

6.50

04/12/2004

04/12/2014

20,000

4.00

01/27/2005

01/27/2015

25,000

3.65

09/18/2006

09/18/2016

25,000

6.15

08/14/2007

08/14/2017

17,361

7,639

4.03

11/14/2008

11/14/2018

10,000

3.00

05/26/2010

05/26/2020

Narsi  
Narayanan

13,333



16,667

2.78

08/27/2009

08/27/2019

10,000

3.00

05/26/2010

05/26/2020

Michael  
Braithwaite

10,833

19,167

2.65

11/30/2009

11/30/2019

10,000

3.00

05/26/2010

05/26/2020

(1) Unvested options vest monthly over a three year period beginning on the date of grant.

The following table sets forth information as of December 31, 2010 with respect to compensation plans under which equity securities of ClearOne are authorized for issuance.

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 shareholders

1,218,826

\$ 4.35

616,250

Equity compensation plans  
not approved by  
shareholders

Total

1,218,826

\$ 4.35

616,250

9

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### Potential Payments Upon Termination or Change in Control

*Employment Agreements.* As of the year ended December 31, 2010, none of our named executive officers were party to an employment or severance agreement with us, and each named executive officer's employment was on an at-will basis, permitting either us or the executive to terminate his or her employment for any reason or for no reason.

*Accelerated Stock Option Vesting Upon a Change in Control.* For certain option grants to executive officers and directors, in the event of a change in control, all of such optionee's unvested stock options will vest and become exercisable immediately prior to the event or closing of the transaction causing the change in control.

Under the option grants, a *Change in Control* means a change in ownership or control of the Corporation effected through either of the following transactions:

(i) the acquisition, directly or indirectly, by any person or related group of persons (other than the Corporation or a person that directly or indirectly controls, is controlled by, or is under common control with, the Corporation), of beneficial ownership (within the meaning of Rule 13d-3 of the 1934 Act) of securities possessing more than fifty percent (50%) of the total combined voting power of the Corporation's outstanding securities pursuant to a tender or exchange offer made directly to the Corporation's shareholders, which the Board does not recommend such shareholders to accept, or

(ii) a change in the composition of the Board over a period of thirty-six (36) consecutive months or less, such that a majority of the Board members ceases, by reason of one or more contested elections for Board membership, to be comprised of individuals who either (A) have been Board members continuously since the beginning of such period or (B) have been elected or nominated for election as Board members during such period by at least a majority of the Board members described in clause (A) who were still in office at the time the Board approved such election or nomination.

Except as otherwise set forth in an option grant, in the event of a change in control of our company, the Board of Directors has the sole authority to elect that the vesting of each outstanding option automatically accelerate so that each such option shall, immediately prior to the effective date of the corporate transaction, become fully exercisable for all of the shares of common stock at the time subject to such option and may be exercised for any or all of those shares as fully vested shares of common stock.

At our current stock price of about \$7.00, all the named executive officers would each benefit from any potential accelerated vesting of unvested stock options.

### DIRECTOR COMPENSATION

The following table summarizes the compensation paid by us to non-employee directors for the year ended December 31, 2010. Ms. Hakimoglu did not receive additional compensation for her service as a director.

**Name**

**Fees  
Earned or  
Paid in  
Cash (1)**

**Option  
Awards  
(2) (4)**

**Total**

Brad R.  
Baldwin

\$

24,000

\$

12,400

\$

36,400

Larry R.  
Hendricks

24,000

12,400

36,400

Scott M.  
Huntsman

24,000

12,400

36,400

E. Bryan  
Bagley  
(3)(4)

24,000

12,400

36,400

(1)

The base annual director's fee for the year ended December 31, 2010 was \$24,000.

(2)

The amounts in the Option Awards column reflect the aggregate grant date fair value of awards of stock options granted pursuant to our long-term incentive plans during the periods reported above, computed in accordance with FASB ASC Topic 718, *Compensation - Stock Compensation*. The assumptions made in the valuation of our option awards are disclosed in Note 11 - Share Based Payments in our Notes to Consolidated Financial Statements contained in our annual report on Form 10-K for the year ended December 31, 2010.

(3)

E. Bryan Bagley became a director in November 2009.

(4)

As of the end of December 31, 2010, each non-employee director had outstanding options to purchase the following number of company shares of common stock: Mr. Baldwin, 135,000; Mr. Hendricks, 85,000; Mr. Huntsman, 85,000; and Mr. Bagley, 25,000.

10

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All non-employee directors are paid a fixed fee at the rate of \$2,000 per month and receive the same option grants. In May 2010, each non-employee director received a grant of options to purchase 10,000 shares of our common stock at an exercise price of \$3.00. The fee is not dependent on the number of meetings attended by any directors. Directors are not paid additional compensation for chairing a committee. All directors are reimbursed by us for their out-of-pocket travel and related expenses incurred in attending all Board of Directors and committee meetings.

## **CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS**

We recognize that transactions between us and any of our directors or executives can present potential or actual conflicts of interest and create the appearance that our decisions are based on considerations other than the best interests of our company and shareholders. Therefore, as a general matter and in accordance with our Code of Ethics, it is our preference to avoid such transactions. Nevertheless, we recognize that there are situations where such transactions may be in, or may not be inconsistent with, the best interests of our company. Under the terms of its charter, our Audit and Compliance Committee reviews and, if appropriate, approves or ratifies any such transactions.

Pursuant to the charter, the committee will review any transaction in which we are or will be a participant and the amount involved exceeds \$120,000, and in which any of our directors or executives had, has or will have a direct or indirect material interest. After its review, the Committee will only approve or ratify those transactions that are in, or are not inconsistent with, the best interests of our company and our shareholders, as the committee determines in good faith.

### **Related Party Transactions: Indemnification of Officers and Directors**

On July 25, 2007 and January 31, 2008, the U.S. Attorney for the District of Utah indicted two of our former officers, Frances Flood ( Flood ) and Susie Strohm ( Strohm ), for allegedly causing us to issue materially misstated financial statements for our 2001 and 2002 fiscal years and for perjury in connection with the investigation by the SEC into the alleged misstatements. In December 2003, we entered into indemnification agreements with each former officer, requiring payment of all reasonable attorneys' fees and costs incurred in defending against the charges in certain circumstances consistent with and subject to limitations imposed by our bylaws and applicable law. To date, we have paid approximately \$3.4 million in attorneys' fees and costs to defend against the charges.

On February 27, 2009, Flood was convicted on nine counts, including conspiracy to willfully falsify our books and records, willfully making false statements in quarterly and annual reports, willfully making and causing to be made misleading and false statements to our accountants in connection with the accountants' audits, federal securities fraud, and perjury in connection with testimony given under oath in an official proceeding brought by the SEC in 2003.

Strohm was convicted on one count of perjury in connection with testimony given under oath in an official proceeding brought by the SEC in 2003.

On June 2, 2010, Flood was sentenced to 4 years in prison plus 3 years of probation and Strohm was sentenced to 2 years probation plus 150 hours of community service. Flood began serving her prison sentence on November 3, 2010.

Both Flood and Strohm have appealed their convictions to the Tenth Circuit in Denver and oral arguments on their respective appeals took place on March 11, 2011.

***Flood:*** On August 21, 2008, Flood filed a lawsuit in Federal District Court for the District of Utah, seeking to compel us to pay her attorneys' fees and costs to defend against the criminal charges. On January 12, 2009, the District Court issued a preliminary injunction requiring us to pay Flood's criminal legal fees and costs through trial. Pursuant to the Court's order, we paid approximately \$373,000 to Flood's attorneys and approximately \$248,000 into

the Court's escrow.

On August 30, 2010, the Tenth Circuit Court of Appeals issued a ruling vacating the District Court's preliminary injunction on the grounds that ClearOne's promise to advance criminal defense expenses was conditioned upon compliance with ClearOne's bylaws and ClearOne had the power to cease advancement based on certain conditions, as long as ClearOne acted in good faith. After the case was remanded to the District Court, we filed a motion seeking the return to ClearOne of all the monies paid pursuant to the Order, and the motion is scheduled to be heard on May 18, 2011.

Also pending in the District Court is our counterclaim for \$3.3 million seeking to enforce Flood's August 2003 promise to repay all advanced expenses if it was ultimately adjudged that she did not meet the requisite standard of conduct.

**Strohm:** On August 21, 2008, Strohm and her counsel ( Dorsey ) filed a lawsuit in the Third Judicial District Court in Salt Lake City, Utah seeking to compel us to pay Strohm s attorneys fees and costs to defend against the criminal charges, plus interest.

On October 26, 2009, the Court granted Strohm s motion for mandatory indemnification, ruling that we were required to indemnify Strohm for her reasonable attorneys fees and expenses to the extent that she was successful on the merits at trial. On March 2, 2010, the Court ruled that the Dorsey engagement letter provided an alternative basis requiring the Company to pay Strohm s reasonable attorneys fees and costs incurred in connection with the federal criminal proceedings.

On January 24, 2011, the Court ruled that Dorsey is entitled to keep all of the attorneys fees and costs that it already received for criminal defense services rendered through March 31, 2008, with no retrospective adjustment or reimbursement. For criminal defense services rendered and costs incurred from April 1, 2008 through the federal jury verdict in the criminal case on February 27, 2009, the Court ruled that the Company is required to pay Dorsey for all hours billed, except for certain travel hours billed, and at rates that are at or below the rates set forth in Dorsey s bills. We paid approximately \$935,000 under protest to Dorsey for Strohm s criminal defense fees on February 1, 2011, with an additional \$20,000-\$50,000 at issue.

In addition, the Court ruled that the Company is required to pay interest on the criminal defense fees and costs which, at present, is estimated to be approximately \$350,000. The Court further ruled that if Strohm prevails on her criminal appeal and potential retrial of the criminal case, the Company would be obligated to pay additional reasonable attorneys fees and costs incurred after the February 27, 2009 jury verdict. The Court also ruled that the Company is required to pay Dorsey s reasonable attorneys fees and costs incurred in bringing the civil lawsuit against the Company, subject to certain deductions. At present, the Company estimates that the amounts due to Dorsey for such fees and costs are approximately \$865,000.

The Company is considering its options for appeal.

## **AUDIT AND COMPLIANCE COMMITTEE REPORT**

The Audit and Compliance Committee of the Board of Directors is comprised of three directors, all of whom are independent as defined in NASDAQ and SEC rules and regulations. The members of the Audit and Compliance Committee are Scott M. Huntsman, Brad R. Baldwin, and Larry R. Hendricks. Scott M. Huntsman is the Board of Directors designated audit committee financial expert as that term is defined in the securities laws.

We are responsible for our internal controls and the financial reporting process. Our independent registered public accounting firm is responsible for performing an audit of our financial statements in accordance with generally accepted auditing standards in the United States of America and for expressing an opinion on those financial statements based on its audit. The Audit and Compliance Committee reviews these processes on behalf of the Board of Directors. The Audit Committee has reviewed and discussed with management and our independent registered public accounting firm the audited financial statements contained in our Annual Report on Form 10-K for the year ended December 31, 2010.

Additionally, the Audit and Compliance Committee has discussed with the principal accountants the auditors independence from management and our company, including the matters in the written disclosure and the letter received from the principal accountants required by applicable requirements of the Public Company Accounting

Oversight Board regarding independence discussions with Audit Committees and considered the compatibility of non-audit services with the accountants' independence. The Audit and Compliance Committee also discussed with the principal accountants any matters required to be discussed by PCAOB AU Section No. 380, as currently in effect.

In reliance on the reviews and discussions referred to above, the Audit and Compliance Committee recommended to the Board of Directors (and the Board has approved) that the audited financial statements be included in the Annual Report on Form 10-K for the year ended December 31, 2010 for filing with the Securities and Exchange Commission.

Respectfully submitted by the members of the Audit and Compliance Committee.

Scott M. Huntsman (Chair)

Brad R. Baldwin

Larry R. Hendricks

**SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**

The following table sets forth certain information regarding ownership of our common stock as of April 30, 2011 by (i) each director and nominee for director, (ii) the named executive officers, (iii) all of our named executive officers and directors as a group, and (iv) each person known to us to be the beneficial owner of more than 5% of our outstanding common stock.

**Name of  
Beneficial Owner  
(1)**

**Shares  
Beneficially  
Owned**

**Number (2)**

**Percent (2)**

**Directors and  
Executive  
Officers:**

Zeynep Zee  
Hakimoglu (3)

567,042

5.7%

E. Bryan Bagley  
(4)

336,991

3.4%

Brad R. Baldwin  
(5)

225,193

2.3%

Tracy A. Bathurst  
(6)

100,636

1.0%

Larry R. Hendricks  
(7)

76,527

\*

Scott M. Huntsman  
(8)

76,527

\*

Narsi Narayanan  
(9)

21,944

\*

Michael J.  
Braithwaite (10)

18,611

\*

All directors and  
executive officers  
as a group (8  
persons)

1,423,471

14.3%

**5% Shareholders:**

Edward Dallin  
Bagley **(11)**

2,278,843

23.0%

FMR Corp. **(12)**

1,000,503

10.1%

Royce &  
Associates Inc.  
**(13)**

863,690

8.7%

---

\*

Less than 1.0%.

(1)

Except as otherwise indicated, each person named in the table has sole voting and investment power with respect to all common stock beneficially owned, subject to applicable community property law. Except as otherwise indicated, each person may be reached at our corporate offices c/o ClearOne Communications, Inc., 5225 Wiley Post Way, Suite 500, Salt Lake City, Utah 84116.

(2)



The percentages shown are calculated based on 8,928,925 shares of common stock outstanding on April 30, 2011.

The numbers and percentages shown include the shares of common stock actually owned as of April 30, 2011 and the shares of common stock that the identified person or group had the right to acquire within 60 days of such date. In calculating the percentage of ownership, all shares of common stock that each identified person or group had the right to acquire within 60 days of April 30, 2011 upon the exercise of options are deemed to be outstanding for the purpose of computing the percentage of the shares of common stock owned by the persons or groups listed above.

(3)

Includes 496,666 shares of common stock issuable upon exercise of stock options.

(4)

Includes 1,000 shares held by E. Bryan Bagley's spouse with respect to which he disclaims beneficial ownership and 11,111 shares of common stock issuable upon exercise of stock options.

(5)

Includes 88,666 shares held in the Baldwin Family Trust; 10,000 shares owned directly, which are held in an IRA under the name of Mr. Baldwin, and 126,527 shares of common stock issuable upon exercise of stock options.

(6)

Includes 100,138 shares of common stock issuable upon exercise of stock options.

(7)

Includes 76,527 shares of common stock issuable upon exercise of stock options.

(8)

Includes 76,527 shares of common stock issuable upon exercise of stock options.

(9)

Includes 21,944 shares of common stock issuable upon exercise of stock options.

(10)

Includes 18,611 shares of common stock issuable upon exercise of stock options.

(11)

E. Bryan Bagley is the son of Edward D. Bagley, and each of them disclaims beneficial ownership of common stock beneficially owned by the other. Amounts for Mr. Edward D. Bagley include 126,166 shares held by Edward D. Bagley's spouse with respect to which he disclaims beneficial ownership and 38,694 shares of common stock issuable upon exercise of stock options. Mr. Edward D. Bagley has sole voting and dispositive power over 2,152,677 shares (including the shares that may be acquired pursuant to the exercise of stock options) and shared voting and dispositive power over the 126,166 shares held by Mr. Edward D. Bagley's spouse.

(12)

Represents 1,000,503 shares of common stock beneficially owned by FMR Corp. Fidelity Management & Research Company, a wholly owned subsidiary of FMR Corp. and a registered investment advisor, beneficially owns 1,000,503 of such shares as a result of acting as investment advisor to various investment companies. Edward C. Johnson III and FMR Corp. each have sole power to dispose of the 1,000,503 shares owned by the Fidelity Funds. Neither FMR Corp., nor Edward C. Johnson III as Chairman of FMR Corp. has sole power to vote or direct the voting of the shares owned directly by the Fidelity Funds, which power resides with the funds' board of trustees. The address of FMR Corp. is 82 Devonshire Street, Boston, Massachusetts 02109. This information is based upon a Schedule 13G, as filed and amended with the SEC as of February 17, 2009.

(13)

Represents 863,690 shares of our common stock beneficially owned by Royce & Associates, Inc. in its capacity as investment advisor on behalf of its clients. Royce & Associates, Inc. has sole voting and dispositive power over all of such shares. The address of Royce & Associates, Inc. is 1414 Avenue of the Americas, New York, NY 10019. This information is based upon a Schedule 13G/A, as filed and amended with the SEC as of January 12, 2011.

## **PROPOSAL TWO RATIFICATION OF THE APPOINTMENT OF THE COMPANY'S INDEPENDENT PUBLIC ACCOUNTANTS**

We retained Jones Simkins, P.C. as our auditor and independent certified public accountants for the year ended December 31, 2010, six months ended December 31, 2009 and during the fiscal years ended June 30, 2009 and June 30, 2008. The Board of Directors of the Company has approved the appointment of Jones Simkins, P.C. as our auditor and independent certified public accountants for the year ending December 31, 2011. The ratification of selection of our auditors for the current year ending on December 31, 2011 is being submitted to the shareholders for their consideration.

It is anticipated that a representative of Jones Simkins, P.C. will attend the meeting and will be available to respond to questions. It is not anticipated that the representative will make any statement or presentation, although the representative will have an opportunity to do so if he or she desires.

**The Board of Directors unanimously recommends a vote for the ratification of the appointment of Jones Simkins, P.C. as our independent public accountants.**

**Principle Accountant Fees and Services**

The following table presents aggregate fees billed by the principal accountants to our company:

**Year ended**

**December  
31, 2010**

**Six months  
ended**

**December  
31, 2009**

**Year Ended**

**June 30,  
2009**

Audit Fees  
(1)

\$

\$

158,192

\$

82,824

Audit-related  
Fees

Tax fees <sup>(2)</sup>

42,854

58,582

All other  
fees <sup>(3)</sup>

24,249

5,529

**Total**

\$

\$

225,295

\$

146,935

(1)

Represents fees billed for professional services rendered for the audit and reviews of our financial statements filed with the SEC on Forms 10-K and 10-Q.

(2)

Represents fees billed for tax filing, preparation, and tax advisory services.

(3)

Represents fees billed for all other non-audit services, such as consulting on potential acquisitions or dispositions.

### **Pre-Approval Policies and Procedures**

The Audit and Compliance Committee ensures that we engage our independent registered public accounting firm to provide only audit and non-audit services that are compatible with maintaining the independence of our public accountants. The Audit and Compliance Committee approves or pre-approves all services provided by our public accountants. Permitted services include audit and audit-related services, tax and other non-audit related services.

Certain services are identified as restricted. Restricted services are those services that may not be provided by our external public accountants, whether identified in statute or determined to be incompatible with the role of an independent auditor. All fees identified in the preceding table were approved by the Audit and Compliance Committee. During 2010, the Audit and Compliance Committee reviewed all non-audit services provided by our independent registered public accounting firm, and concluded that the provision of such non-audit services was compatible with maintaining the independence of the external public accountants.

### **DEADLINE FOR RECEIPT OF SHAREHOLDER PROPOSALS**

Any shareholder that wishes to present any proposal for shareholder action at our Annual Meeting of Shareholders to be held during calendar year 2012 must notify us at our principal executive offices no later than January 10, 2012 in order for the proposal to be included in our proxy statement and form of proxy relating to that meeting.

Pursuant to Rule 14a-4 under the Exchange Act, we intend to retain discretionary authority to vote proxies with respect to shareholder proposals for which the proponent does not seek inclusion of the proposed matter in our proxy statement for the annual meeting to be held during calendar 2011, except in circumstances where (i) we receive notice of the proposed matter no later than March 25, 2012 and (ii) the proponent complies with the other requirements set forth in Rule 14a-4.

### **OTHER MATTERS**

We know of no other business to be submitted at the meeting. If any other matters should properly come before the meeting, it is the intention of the persons named in the accompanying form of proxy to vote the shares they represent as our Board of Directors may recommend.

Dated: May 2, 2011

***CLEARONE COMMUNICATIONS, INC.  
ATTN: NARSI NARAYANAN  
5225 WILEY POST WAY,***

***SUITE 500  
SALT LAKE CITY, UTAH 84116***

**VOTE BY INTERNET [www.proxyvote.com](http://www.proxyvote.com)**

Use the Internet to transmit your voting instructions and for electronic delivery of information up until 11:59 P.M. Eastern Time the day before the cut-off date or meeting date. Have your proxy card in hand when you access the web site and follow the instructions to obtain your records and to create an electronic voting instruction form.

**Electronic Delivery of Future PROXY MATERIALS**

If you would like to reduce the costs incurred by our company in mailing proxy materials, you can consent to receiving all future proxy statements, proxy cards and annual reports electronically via e-mail or the Internet. To sign up for electronic delivery, please follow the instructions above to vote using the Internet and, when prompted, indicate that you agree to receive or access proxy materials electronically in future years.

**VOTE BY PHONE - 1-800-690-6903**

Use any touch-tone telephone to transmit your voting instructions up until 11:59 P.M. Eastern Time the day before the cut-off date or meeting date. Have your proxy card in hand when you call and then follow the instructions.

**VOTE BY MAIL**

Mark, sign and date your proxy card and return it in the postage-paid envelope we have provided or return it to Vote Processing., c/o Broadridge, 51 Mercedes Way, Edgewood, NY 11717.

TO VOTE, MARK BLOCKS BELOW IN BLUE OR BLACK INK AS FOLLOWS:

KEEP THIS PORTION FOR YOUR RECORDS

DETACH AND RETURN THIS PORTION ONLY

**THIS PROXY CARD IS VALID ONLY WHEN SIGNED AND DATED.**

**The Board of Directors recommends that you vote FOR the following:**

**For All**

**Withhold All**

**For All Except**

To withhold authority to vote for any individual nominee(s) mark For all except and write the number(s) of the nominee(s) on the line below:

o

o

o



1.

Election of Directors

**Nominees:**

01 ) Brad R. Baldwin

02) Zeynep Zee Hakimoglu

03) Larry R. Hendricks

04) Scott M. Huntsman

05) E. Bryan Bagley

**For**

**Against**

**Abstain**

2.

Ratify the appointment of Jones Simkins, PC as the Company's independent public accountants for 2011

o

o

o

Note: Such other business as may properly come before the Annual Meeting.

THIS PROXY WILL BE VOTED AS DIRECTED OR, IF NO CONTRARY DIRECTION IS INDICATED, WILL BE VOTED FOR ALL DIRECTORS SET FORTH HEREIN, AND AS SAID PROXIES DEEM ADVISABLE ON SUCH OTHER MATTERS AS MAY COME BEFORE THE MEETING.

For address changes and/or comments, please check this box and write them on the back where indicated

Please indicate if you plan to attend this meeting

Please sign exactly as your name(s) appear(s) hereon. When signing as attorney, executor, administrator, or other fiduciary, please give full title as such. Joint owners should each sign personally. All holders must sign. If a corporation or partnership, please sign in full corporate or partnership name, by authorized officer.

Signature  
[PLEASE  
SIGN  
WITHIN  
BOX]

Date

Signature  
(Joint  
Owners)

Date

16

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**CLEARONE COMMUNICATIONS, INC.**

**Proxy for Annual Meeting of Shareholders**

**June 8, 2011**

**THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS**

The undersigned shareholder of ClearOne Communications, Inc., a Utah corporation (the Company), hereby acknowledges receipt of the Notice of Annual Meeting of Shareholders and Proxy Statement, each dated May, 2, 2011, and hereby appoints Zeynep Hakimoglu and Narsi Narayanan, proxies and attorneys-in-fact, with full power to each of substitution in behalf of and in the name of the undersigned, to represent the undersigned at the Annual Meeting of Shareholders to be held on June 8, 2011, at 9:00 a.m., MST, at the Company's corporate offices, 5225 Wiley Post Way, Suite 500, Salt Lake City, Utah 84116, and at any postponement or adjournment thereof, and to vote all shares of Common Stock which the undersigned would be entitled to vote, if then and there personally present, on the matters set forth on the reverse side.

A majority of such attorneys or substitutes as shall be present and shall act at said meeting or any postponement or adjournment thereof (or, if only one shall be present and act, then that one) shall have and may exercise all the powers of said attorneys-in-fact hereunder. In addition to the following proposals, the proxies are authorized to vote upon such other matters as may properly come before the meeting or any postponement or adjournment thereof.

**Address Changes / Comments:**

(If you noted any Address Changes and/or Comments above, please mark corresponding box on the reverse side.)

